IHS Inc.
Form 10-K
January 24, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended November 30, 2006

OR

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

For the transition period from to

Commission file number 001-32511

IHS INC.

Delaware

(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**13-3769440** (IRS Employer Identification No.)

15 Inverness Way East
Englewood, CO 80112

(Address of Principal Executive Offices)

(303) 790-0600

(Registrant s telephone number, including area code)

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

Title of each class		**Name of each exchange on which registered**
Class A Common Stock, $0.01 par value per share Series A junior participating preferred stock purchase rights (attached to the Class A Common Stock)		New York Stock Exchange

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

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x YES o NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. o YES x NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x YES o NO

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o YES x NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates, based upon the closing price for the Common Stock as reporting on the New York Stock Exchange composite tape on the last business day of the Registrant s most recently completed second fiscal quarter, was approximately $503 million. All executive officers, directors, and holders of 5% or more of the outstanding Common Stock of the registrant have been deemed, solely for purposes of the foregoing calculation, to be affiliates of the registrant.

As of December 31, 2006, there were 45,038,538 shares of the registrant s Class A Common Stock outstanding and 13,750,000 shares of the registrant s Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of the Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant s definitive proxy statement for the Annual Meeting of Shareholders to be held on April 26, 2007, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the close of the registrant s fiscal year.

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FORWARD-LOOKING STATEMENTS

We have made statements under the captions Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Business and Properties and in other sections of this Form 10-K 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, 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 Form 10-K to conform our prior statements to actual results or revised expectations.

* * * *

Fiscal Year End

Our fiscal years end on November 30 of each year. Unless otherwise indicated, references herein to an individual year means the fiscal year ended November 30. For example, 2006 refers to the fiscal year ended November 30, 2006.

PART I

Item 1. 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 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. IHS has been in business for more than 45 years and employs approximately 2,500 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.

Our Engineering segment provides offerings in two broad categories of products: technical standards and parts information. These products include a broad range of technical specifications and standards, regulations, parts data, design guides, and other information for customers in our targeted industries. We deliver this critical content through decision-support tools that enhance the accessibility and usability of this information. We offer targeted services that are designed to maximize the utilization and integration of our information within our customers business processes. We serve some of the largest engineering-intensive companies around the world in the defense, aerospace, construction, energy, 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.

We were organized as a Delaware corporation in 1994. For financial information about our segments and geographic areas, you should read our consolidated financial statements included elsewhere in this Form 10-K.

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.

Ownership Structure

Voting and investment decisions with respect to the shares of our company have historically been made by TBG Holdings N.V. (TBG), a Netherlands Antilles company through the shares that it holds directly and through its indirect sole ownership of our other principal stockholder, Urvanos Investments Limited, a Cyprus limited liability company. TBG had not historically held our shares directly and instead held them through its indirect sole ownership of Urvanos and Urpasis Investments Limited, a Cyprus limited liability company. On September 1, 2006, Urpasis dividended all the shares it held in our company to TBG. 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.

Urpasis and Urvanos sold in a private placement an aggregate of $75 million of shares of our Class A common stock at the initial public offering price of $16.00 per share to investment entities affiliated with General Atlantic LLC. The closing of this private placement occurred simultaneously with the closing of our initial public offering on November 16, 2005. We appointed Steven A. Denning, the Chairman and a Managing Director of General Atlantic, to our board of directors in April 2005.

Our authorized capital stock consists of 80,000,000 shares of Class A common stock and 13,750,000 shares of Class B common stock. 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. In addition, each share of Class B common stock will convert automatically, without any action by the holder, into one share of Class A common stock upon the earlier of:

- any transfer, wither 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;

- November 16, 2009; 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 the IHS 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.

The following diagram summarizes our current ownership structure:

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(1) TBG is indirectly wholly owned by the Trust through a Bermuda corporation.

(2) Urvanos Investments Limited is indirectly wholly owned by TBG through a Netherlands corporation.

(3) As of November 30, 2006, Urvanos Investments Limited owned 958,859 shares of our Class A common stock and 13,750,000 shares of our Class B common stock, representing in the aggregate approximately 75.9% of the voting power of the then outstanding common stock (compared to 25.0% of the overall economic interest).

(4) As of November 30, 2006, General Atlantic owned 4,687,500 shares of our Class A common stock representing approximately 2.6% of the voting power of the then outstanding common stock (compared to 8.0% of the overall economic interest).

(5) As of November 30, 2006, TBG owned 9,251,391 shares of our Class A common stock representing approximately 5.1% of the voting power of the then outstanding common stock (compared to 15.7% of the overall economic interest).

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 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 are recognized as an industry leader in setting information standards and codes, working with our global customer base and industry groups to define and maintain critical information standards and formats.

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 Cambridge Energy Research Associates (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 syndicated research services, each focusing on different combinations of segments and regions in the energy industry. Examples of such research offerings include *Global Oil, European Gas, China Energy, and Global Liquefied Natural Gas*. In addition to these syndicated research offerings, we have recently engaged in a number of multi-client research studies, such as, *Dawn of a New Age: Global Energy Scenarios for Strategic Decision-making The Energy Future to 2030*; *Beyond The Crossroads: The Future Direction of Power Industry Restructuring*; and *European Emissions Trading: A New Market Paradigm.*

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 27 years. Attracting more than 1,800 of the energy industry s leading executives and companies annually, it is widely considered to be the most important meeting of its kind and ranked one of the top CEO-level conferences in the world. In addition to CERAWeek, other examples of our executive research summits are the Global Power Forum, Eurasia Transportation Forum and the Capital Cost Analysis Forum at the East Meets West conference in Istanbul.

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, renewable energy 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.

The Chairman of CERA is its 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 Trustee of the Brookings Institution, and a director of the United States Energy Association. Dr. Yergin is the 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 engineering and manufacturing-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 energy industries.

Our Engineering segment includes two broad categories of products technical standards and parts information each of which includes offerings of critical technical information, decision-support tools, and services. 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; compliance; 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 deliver this critical content through decision-support tools that enhance the accessibility and usability of this information. We offer targeted 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, update, organize, and refine this information for breadth, depth, usability, currency, 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, manufacturers, distributors, and standard development organizations (SDOs), from all around the world. The information we provide includes specifications & standards, regulations, parts data, and engineering methodologies.

Specifications and standards. We provide engineering organizations worldwide with single-source access to these specifications and standards so they can control costs, improve decision speed and effectiveness, manage compliance, and reduce design times. We provide 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.

Our SDO relationships are critical to our specifications and standards business. SDOs generally consist of manufacturer, service provider, and laboratory representatives who establish compliance guidelines, or specifications and standards, for an industry. Most 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 requirements. 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. See Risk Factors 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.

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, index, and cross-reference 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.

Regulations data. We provide access to critical regulations for our targeted industries, such as aviation, construction, and energy. For example, one of our regulatory offerings contains over one 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 set of databases of parts data from a broad range of industry and government sources. Our parts databases are centered on four different types of parts: electronic components, fasteners, a range of parts bought by the federal government, and parts used to maintain facilities and factories (examples include pipes, valves, fittings, and motors). We include a large number of attributes for the parts in our databases, which may include part descriptions, dimensions, material, performance criteria, configuration features, brand names, model numbers, alternates, sources of supply, parts availability, and pricing, each of which may include both current and historical information.

Engineering methods. 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 critical 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.

At the core of our products are a set of tools that allow our users to easily search and navigate the vast quantity of information that we provide. This core functionality provides an intuitive and easy-to-use browse, search, and retrieve interface that allows customers to browse through all available information and search terms to quickly locate specific and relevant information. The underlying information could consist of a single database or multiple collections of information, depending on the subscription selected by the customer.

In addition, we provide more sophisticated logistics, procurement, compliance and obsolescence management tools that address specific customer challenges, in the process further embedding our products into the customer workflow. Examples of these solutions include:

- *Linking part information to relevant standards.* This allows our users to quickly determine whether a part that they have identified through our parts solutions is in compliance with the appropriate standard.

- *Identifying inter-dependent technical information.* For instance, our solutions call out standards that are dependent or related to other standards, ensuring full compliance.

- *Alerts.* Our tools can alert a user when there has been a change in status to a standard or part that they are tracking.

- *Analyzing the lifecycle of a product.* By combining our proprietary parts database with a predictive lifecycle algorithm, we can help our customers address obsolescence issues before they become a significant problem.

- *Minimizing logistics costs.* Our tools can track the historical prices on given parts. In addition, we can identify parts with similar technical attributes, allowing our customers to obtain more reliable or more cost effective sources or supply.

- *Environmental Compliance.* Our customers can use our tools with our database to identify parts that are in compliance risk with regional regulations. In addition, using the same tools, they can find compliance parts that meet the same technical requirements.

- *Engineering Design Methodology.* Utilizing our engineering methodology content with interactive tools and computations, engineers can adapt best practice engineering methods to their own unique situations to drive specific and relevant calculations.

Services

Our services are designed to leverage our critical information and decision support tools to meet specific customer requirements. The services fall into three primary offer sets:

- *Maintenance, Repair and Operations (MRO) project support.* Utilizing our tools and proprietary MRO database, IHS offers project-based services to cleanse and enhance a customer s database of indirect parts. This service offering can be used to greatly reduce a customer s inventory and procurement costs.

- *Defense Information Services.* IHS offers customers within the U.S. federal government a turnkey solution for managing parts information at federal facilities, primarily in the armed forces. Core

elements of this service include integration of parts information and support through a dedicated team of information solutions professionals.

- *Integration Services and Support*. We offer these services to integrate our content and tools into specific customer workflows and systems. Our goal is to create significant value for the customer by interweaving our tools and content directly into their core systems and business processes, with the additional goal of enhancing a long-term relationship with the customer and driving increased demand for our subscription tools and information.

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. See Risk Factors We may not be able to protect intellectual property rights.

Our metabase is driven by industry standard relational database technologies such as Oracle and Microsoft. In addition, we have standardized hardware, decision-support tools, and application platforms from industry-leading companies. 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, India, and Malaysia.

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 to smaller companies and technical professionals. We are not dependent upon any single customer, or a few customers, the loss of which would have a material adverse effect.

Government Contracts

We sell our products to various government agencies and entities. No individual contract is significant to our business. Although our government contracts are subject to terms that would allow renegotiation of profits or termination at the election of the government, we believe that no renegotiation or termination of any given contract or subcontract at the election of the government would have a material adverse effect on our financial results.

Sales and Marketing

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 the entire expert resources resident within our organization. For smaller customers, we use a telesales team that is responsible for sales 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 approximately 60 dealers that 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. 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 via the Internet. 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 value for the 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 SAI Global s ILI, Thomson Corporation s Techstreet , United Business Media s Barbour, and some of the SDOs. Our parts offerings compete with products from PartMiner, Inc., SAI Global s ILI, Total Parts Plus, Inc., Proxity s Proxity-EC, GlobalSpec, and Thomas Publishing Company, among others.

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 that we will need to renew from time to time. In addition, we have applied for patents in the United States relating to digital rights management, remote access printing, and print on demand. See Risk Factors We may not be able to protect intellectual property rights.

Employees

We have approximately 2,500 employees, of which approximately 1,300 are located in the United States and approximately 1,200 are located abroad. None of our employees are represented by a collective bargaining agreement and we consider our employee relations to be good.

Available Information

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available, without charge, on our website, *www.ihs.com*, as soon as reasonably practicable after they are filed electronically with the SEC. We have also posted our code of ethics on our website. Copies are also available, without charge, from IHS Investor Relations and Corporate Communications, 15 Inverness Way East, Englewood, CO 80112.

Item 1A. Risk Factors

You should carefully consider the following risks and all of the other information set forth in this Form 10-K. 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.

We depend on content obtained through agreements with third parties, including Standards Development Organizations (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 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 that 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. When such royalty payments increase, our Engineering segment operating margins may decline, as they have in the past. 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 2006, 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 2006, we generated approximately half 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.

We are expanding our sales and marketing efforts in certain emerging markets, such as China 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.

In addition, 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 and monitoring 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 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 or illegal, we could be subject to litigation, regulatory sanctions, or reputation 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. In addition, while we have benefited from recent strength in the energy markets (which has supported pricing power and sales opportunities for our Energy segment), a slowdown in new investment in the exploration and production sector of the energy industry could limit our ability to grow our Energy segment. 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, or the inability to attract and retain, 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 Engineering segment competes against a fragmented set of companies. In our specifications and standards business, we compete with SAI Global s ILI, Thomson Corporation s Techstreet , United Business Media s Barbour, and some of the SDOs. Our parts offerings compete with products from PartMiner, Inc., SAI Global s ILI, Total Parts Plus, Inc., Proxity s Proxity-EC, GlobalSpec, and Thomas Publishing Company, among others.

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 interruptions or breach of information systems security, fire, power loss, sabotage, telecommunications failure, or other accidents or 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 or if our offerings are misused.

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, or if it is misused or used inappropriately, we could be subject to reputation 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.

We are controlled by an entity whose interests may differ from your interests; our Chief Executive Officer and Chairman of the 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 is entitled to one vote per share. As of November 30, 2006, our principal stockholders, TBG Holdings N.V. (TBG), a Netherlands-Antilles company, and Urvanos Investments Limited, a Cyprus limited liability company the indirect sole owner of which is TBG, own 100% our Class B common stock and approximately 23% of our outstanding Class A common stock. In the aggregate, this ownership represents approximately 81% of the voting power of our outstanding capital stock (compared to approximately 41% 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 November 16, 2009. See Business Overview Ownership Structure.

Voting and investment decisions with respect to the shares of our company have historically been made by TBG. 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, our Chief Executive Officer and 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 our initial public 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, discussions are ongoing among Thybo and the beneficiaries of the Trust with a view to reorganizing the Trust in the future. 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 one or more of the other beneficiaries and their immediate families may also become owners, directly or indirectly, of the shares of Class A common stock currently held by TBG.

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.

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, or the perception that such sales could occur, could adversely affect the market price of the shares. As of November 30, 2006, we had 45,042,232 shares of Class A common stock and 13,750,000 shares of Class B common stock outstanding. As of November 30, 2006, our principal stockholders together own an aggregate of 10,210,250 shares of Class A common stock and all of the shares of Class B common stock. Our principal 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 own 4,687,500 shares of Class A common stock. The sale by us, our principal 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 General Atlantic entities have agreed with us and our principal 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 principal stockholders without our prior written consent until November 2007. Upon the expiration or waiver of this lock-up period, a significant number of shares of our common stock could become freely tradable, which could depress the market price of our 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 or content provider;
- 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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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 41 offices in 19 countries, including offices in Cambridge, Massachusetts; Dallas and Houston, Texas; Tulsa and Oklahoma City, Oklahoma; San Francisco, California; New York, New York; Cape Town, South Africa; Bangalore, India; Copenhagen, Denmark; Paris, France; Eastwood, Australia; Dubai, United Arab Emirates; Singapore; Moscow, Russia; Tokyo, Japan; Beijing and Hong Kong, China; four locations in Canada; three locations in the United Kingdom; one location in Germany; one location in Belgium; one location in Sweden; one location in Switzerland; two locations in Mexico; and two locations in Malaysia. 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.

Item 3. 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.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock has been quoted on the New York Stock Exchange under the symbol IHS since November 11, 2005. Prior to that time, there was no public market for our stock. The following table sets forth for the indicated periods the high and low sales prices per share for our Class A common stock on the New York Stock Exchange:

	High	Low
Fiscal Year 2006 Quarters Ended:		
February 28, 2006	$ 27.45	$ 17.10
May 31, 2006	29.63	22.75
August 31, 2006	33.44	25.00
November 30, 2006	37.49	28.25

	High	Low
Fiscal Year 2005 Quarter Ended:		
November 11 November 30, 2005	$ 19.50	$ 16.65

Our Class B common stock is neither listed nor publicly traded.

We have been advised by our transfer agent, Computershare Trust Company, Inc., that we had 11 holders of record of our Class A Common Stock as of January 18, 2007. Based on reports of security position listings compiled for the 2006 annual meeting of shareholders, we believe we may have in excess of 5,000 beneficial holders of our Class A Common Stock. There is exactly one holder of our Class B Common Stock.

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.

Unregistered Sales of Equity Securities

The issuances of the securities described in the transactions below were deemed to be exempt from registration under the Securities Act of 1933 in reliance on Rule 701 promulgated under the Securities Act as transactions pursuant to a compensatory benefit plan or a written contract related to compensation.

In fiscal year 2005, we issued the following securities:

- 1,286,667 restricted shares of Class A common stock and deferred stock units representing 1,301,801 shares of Class A common stock to certain employees pursuant to the 2004 Offer Under the Non-Qualified Stock Option Plan and the 2002 Non-Qualified Stock Option Plan of IHS Group Inc.;

- 636,667, 47,000, and 70,100 restricted shares of Class A common stock to certain senior executives, non-employee directors, and newly hired employees, respectively, pursuant to our Amended and Restated 2004 Long-Term Incentive Plan; and

- 203,333 restricted shares of Class A common stock upon the conversion of notes payable.

In 2004 we issued approximately 2.2 million options under the 2002 Non-Qualified Stock Option Plan of IHS Group Inc.

Issuer Purchases of Equity Securities

In 2006, we initiated a program to reduce the dilutive effects of employee equity grants, which have consisted primarily of restricted stock. We withhold shares to fund employee statutory withholding tax requirements. As shares vest and tax withholdings come due, we withhold enough shares in treasury to cover the tax liability and make a payment to the tax authority out of corporate cash. During 2006, we acquired $7.6 million of treasury stock under this program. The table below sets forth the total number of shares withheld and the average fair market value of those shares.

Period	Total Number of Shares Withheld	Average Fair Market Value per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
September 1 September 30, 2006	102,700	$ 30.34		
October 1 October 31, 2006	7,761	$ 35.44		
November 1 November 30, 2006	113,101	$ 36.79		
Total	223,562	$ 33.78	(1)	(1)

(1) Since we simply withhold shares, rather than buying them in the open market, we do not consider this a share buyback program. Nevertheless, we anticipate that this program will help reduce the dilutive impact of employee equity awards.

Item 6. Selected Financial Data

You should read the following selected consolidated financial data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes appearing elsewhere in this Form 10-K.

	Years Ended November 30,				
	2006	**2005**	**2004**	**2003**	**2002**
	(In thousands, except per-share amounts)				
Statement of Operations Data:					
Revenue	$ 550,770	$ 476,117	$ 393,969	$ 345,840	$ 338,911
Operating expenses:					
Cost of revenue(1)	252,423	228,172	184,437	160,723	165,168
Selling, general and administrative(1)	202,395	167,581	153,594	119,902	117,837
Depreciation and amortization	15,714	11,419	9,642	8,940	9,352
Restructuring and offering charges	3,103	13,703			
(Gain) loss on sales of assets, net	56	(1,331)	(5,532)	(245)	(2,660)
Impairment of assets			1,972	567	8,556
Recovery of investment					(1,598)
Net periodic pension and post-retirement benefits(2)	(4,421)	(4,091)	(5,791)	(8,558)	(10,866)
Earnings in unconsolidated subsidiaries	(286)	(129)	(437)	(3,196)	(2,934)
Other expense (income), net	1,601	(1,059)	3,173	1,105	(1,062)
Total operating expenses	470,585	414,265	341,058	279,238	281,793
Operating income	80,185	61,852	52,911	66,602	57,118
Impairment of investment in affiliate(3)					(7,900)
Gain on sale of investment in affiliate(4)			26,601		
Interest income	5,974	3,485	1,140	1,359	1,043
Interest expense	(847)	(768)	(450)	(1,104)	(3,535)
Non-operating income (expense), net	5,127	2,717	27,291	255	(10,392)
Income from continuing operations before income taxes, minority interests, and discontinued operations	85,312	64,569	80,202	66,857	46,726
Provision for income taxes	(26,879)	(20,376)	(16,644)	(24,053)	(16,775)
Income from continuing operations before minority interests and discontinued operations	58,433	44,193	63,558	42,804	29,951
Minority interests	(168)	(146)	(275)	(46)	(23)
Income from continuing operations	58,265	44,047	63,283	42,758	29,928
Discontinued operations:(5)					
Loss from discontinued operations, net	(1,920)	(2,250)	(1,969)	(195)	
Net income	$ 56,345	$ 41,797	$ 61,314	$ 42,563	$ 29,928
Income from continuing operations per share:					
Basic (Class A and Class B common stock)	$ 1.03	$ 0.80	$ 1.15	$ 0.78	$ 0.54
Diluted (Class A and Class B common stock)	$ 1.03	$ 0.79	$ 1.15	$ 0.78	$ 0.54
Net income per share:					
Basic (Class A and Class B common stock)	$ 1.00	$ 0.76	$ 1.11	$ 0.77	$ 0.54
Diluted (Class A and Class B common stock)	$ 0.99	$ 0.75	$ 1.11	$ 0.77	$ 0.54
Balance Sheet Data (as of period end):					
Cash and cash equivalents	$ 180,034	$ 132,365	$ 124,452	$ 24,051	$ 11,941
Total assets	944,301	807,156	752,644	620,113	581,291
Total long-term debt and capital leases	74	262	607	725	44,081
Total stockholders equity	565,191	477,180	421,051	360,765	304,565

(1) Includes stock-based compensation expense as follows:

	Years Ended November 30,				
	2006	2005	2004	2003	2002
	(In thousands)				
Cost of revenue	$ 2,882	$ 551	$ 4,437	$	$
Selling, general and administrative	18,820	4,721	17,065		
Discontinued operations	254		303		
Total stock-based compensation expense	$ 21,956	$ 5,272	$ 21,805	$	$

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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 our consolidated financial statements included elsewhere in this Form 10-K.

(2) Net periodic pension and post-retirement benefits income were comprised of the following:

	Years Ended November 30,				
	2006	2005	2004	2003	2002
	(In thousands)				
Pension income, net	$ (3,272)	$ (6,469)	$ (10,458)	$ (12,847)	$ (14,760)
Post-retirement benefit (income) expense	(1,149)	2,378	4,667	4,289	3,894
Net periodic pension and post-retirement benefits income	$ (4,421)	$ (4,091)	$ (5,791)	$ (8,558)	$ (10,866)

(3) Reflects the impairment of our preferred stock investment in Extruded Metals Inc., a brass rod manufacturer.

(4) Reflects a pretax gain on the sale of our preferred stock investment in TriPoint Global Communications, Inc. (TriPoint), a satellite antenna manufacturer, to a subsidiary of TBG.

(5) Our discontinued operations are shown net of tax benefits of $0.8 million, $1.2 million, $1.2 million, and $0.1 million for the years ended November 30, 2006, 2005, 2004 and 2003, respectively.

Item 7. 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 Financial Data and our consolidated financial statements and accompanying notes included in this Form 10-K.

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 to smaller companies and technical professionals in more than 100 countries. 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.

Our Engineering segment provides offerings in two broad categories of products: technical standards and parts information. These products include a broad range of technical specifications and standards, regulations, parts data, design guides, and other information for customers in our targeted industries. 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. 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.

Executive Summary

Subscription-based business model

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. We generally recognize revenue from subscriptions (which are usually for one-year periods) ratably over the term of the subscription. However, our business does have seasonal aspects. For example, certain sales of non-deferred subscriptions have occurred most frequently in our first and fourth quarters. Consequently, we have generally recognized a greater percentage of our revenue and income in those quarters. Also, our first-quarter results have benefited from the inclusion of the results from CERAWeek, an annual energy executive conference.

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 the recognition of revenue and income. Due to the historical timing and alignment of our sales to correspond to certain of our customers budget and funding cycles, our cash flow provided by operating activities tends to be higher in the first half of our fiscal year as we receive subscription payments.

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 generate approximately half of our total revenue from outside the United States. 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.

Revenue by offerings

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

	Years Ended November 30,		
	2006	2005	2004
	(In thousands)		
Critical information	$ 374,532	$ 339,815	$ 308,161
Decision-support tools	83,942	56,015	44,206
Services	92,296	80,287	41,602
Total revenue	$ 550,770	$ 476,117	$ 393,969

Acquisitions

As part of our growth strategy, we intend to continue to augment our offerings by selectively acquiring information assets and 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 2006, we made the following acquisitions:

- *Canadian Hydrodynamics Ltd. (CHD).* During July 2006, we acquired the assets of Calgary, Canada-based CHD for approximately $3.5 million using existing cash on hand. CHD is a leading provider of comprehensive drillstem test information for the Western Canadian Sedimentary Basin. The CHD database has been available exclusively through IHS AccuMap, one of our Energy product offerings, as a partner dataset since 1995.

- *GeoPLUS.* In June 2006, we acquired the assets of GeoPLUS of Tulsa, Oklahoma, for approximately $42.1 million using existing cash on hand. GeoPLUS has a PC-based software family, PETRA®, which is a popular platform used by oil and gas companies to analyze subsurface data from existing oil and gas wells.

- *Construction Research Communications Limited (CRC).* Within our Engineering segment, we acquired CRC Limited, of London, U.K., during June 2006 for approximately $5.8 million, net of acquired cash, using existing cash on hand. CRC was created by the Building Research Establishment (BRE) and Emap Construct to deliver a wide range of BRE products relating to the construction industry, ranging from environmental issues to fire safety.

- *CDS.* On December 1, 2005, we acquired the assets of a content-and-data-services (CDS) business for approximately $33.0 million that serves several 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 also made three acquisitions during 2005 for an aggregate purchase price of approximately $3.5 million.

During 2004, we made the following acquisitions:

- *USA Information Systems, Inc. (USA).* We acquired the outstanding capital stock of USA for a total purchase price of approximately $19.4 million, net of acquired cash, in the fourth quarter of 2004. USA provides decision-support tools and, to a lesser extent, critical information to governments and government contractors.

- *Intermat, Inc.* We acquired the assets of Intermat for a total purchase price of approximately $5.3 million in the fourth quarter of 2004. Intermat provides decision-support tools for parts management, parts cleansing and predictive obsolescence projects.

- *CERA.* We acquired the outstanding capital stock of CERA for a total purchase price of approximately $29.1 million, net of acquired cash, at the beginning of the fourth quarter of 2004. CERA provides syndicated research and strategic advisory services to energy companies.

- *International Petrodata Limited (IPL).* We acquired the assets of IPL for a total purchase price of approximately $16.1 million in the first quarter of 2004. IPL provides critical geological information to the oil and gas exploration and production markets in Canada.

Our consolidated financial statements include the results of operations and cash flows for these acquisitions beginning on their respective dates of acquisition.

Segments

The table below presents the split of revenue by type of offering for each of our two segments:

	Energy			Engineering		
	2006	**2005**	**2004**	**2006**	**2005**	**2004**
Critical information	55 %	56 %	65 %	83 %	88 %	90 %
Decision-support tools	18	16	18	12	7	5
Services	27	28	17	5	5	5
Total revenue	100 %	100 %	100 %	100 %	100 %	100 %

Each of our segments results from operations is primarily driven by organic growth and acquisitions. Organic growth is driven by several factors, including our ability to further penetrate existing customers, generate new customers and raise prices; the introduction of new offerings; periodic updates of existing offerings; the execution of our sales and marketing plans; and world economic and other events.

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 $260.4 million outside the United States during the year ended November 30, 2006, which represented almost half 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):

	2006	2005	2004
	(In thousands)		
United States	$ 290,367	$ 245,187	$ 196,090
United Kingdom	83,768	78,660	56,404
Canada	58,089	47,812	41,747
Switzerland	78,127	64,840	61,647
Rest of world	40,419	39,618	38,081
Total revenue	$ 550,770	$ 476,117	$ 393,969

Our international operations expose us to foreign-currency risk. Fluctuations in foreign-currency rates increased our revenues by approximately $0.1 million, $2.7 million and $13.2 million for the years ended November 30, 2006, 2005, and 2004, respectively, and increased (decreased) our operating income by approximately $(3.3) million, $2.5 million, and $(1.4) million for the same respective periods. See Qualitative and Quantitative Disclosures About Market Risk Foreign Currency Risk.

Restructuring and offering charges

During the fourth quarter of 2006, we executed a restructuring initiative principally affecting our Engineering segment. This initiative was undertaken to further focus on offerings with the most growth potential, but it also had the added benefit of trimming the cost structure. During the course of the restructuring, we reduced our aggregate workforce by approximately 40 employees.

The $2.5 million restructuring charge was incurred in its entirety during the fourth quarter of 2006 and comprised entirely of employee severance and other termination benefits costs. Of this amount, we disbursed $0.4 million as of November 30, 2006. We expect to realize approximately $4 million of annual pre-tax savings and slightly less than $4 million of cash flow improvement from the restructuring, primarily beginning in the first quarter of 2007.

Similarly, 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.

We also incurred $0.8 million and $5.5 million of costs associated with our 2006 secondary and 2005 initial public offerings, respectively. We were required to expense these costs since we did not issue any shares in connection with either offering; rather, all shares were sold by the exiting shareholders, and not by us.

Discontinued operations

During the third quarter of 2005, we classified a business in our Energy segment as being held for sale. The business held for sale was a manufacturing operation, which was not part of our core operations. We continually evaluate opportunities to align our business activities within our core operations.

During the first quarter of 2006, we revised our estimate and wrote down the value of the assets of the discontinued operation by $1.0 million based on our experience to date in the sales process. During the third quarter of 2006, we sold the business to an unrelated third party for approximately $0.3 million, and recognized a loss of less than $0.1 million on the sale of the business.

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 $1.9 million, $2.3 million, $2.0 million, for the years ended November 30, 2006, 2005 and 2004, respectively. Discontinuing this business did not have a material impact on our 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 and decision-support tools. 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 not directly variable with volume sold, particularly in our Energy segment which does not generally pay royalties for critical information. 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. Certain SDOs may increase the royalty payments we pay for use of their specifications and standards information. As a result, our Engineering operating margins may decline.

Costs of being a public company. Beginning in 2004, our selling, general, and administrative costs increased as we prepared to become, and then sustain as, a public company. We expect to continue to incur these selling, general, and administrative expenses related to operating as a public company, such as legal and accounting expenses, the cost of an investor relations function, costs related to Section 404 of the Sarbanes-Oxley Act, and 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. Stock-based compensation expense for the year ended November 30, 2004 included: (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 vesting period, none of which exceed five years. As of November 30, 2006, we had 1.8 million of outstanding nonvested shares and options granted to our officers, employees and non-employee directors in the form of performance shares, performance units, restricted shares, restricted stock units and stock options. Assuming that all of the performance measures are met, we expect stock-based compensation expense for the next three years to approximate the following:

	Years Ending November 30,		
	2007	**2008**	**2009**
	(In thousands)		
Total projected stock-based compensation expense	$ 27,252	$ 23,569	$ 18,038

The above projected stock-based compensation expense increased relative to a similar projection from our October 2006 prospectus because the above projection includes our annual award grant from January 2007. The above projection does not reflect any expected future award grants subsequent to January 31, 2007.

Pension and post-retirement benefits. Net periodic pension and post-retirement benefits are primarily comprised of U.S. pension income, U.K. pension expense and U.S. post-retirement benefit expense shown on a net basis.

Net periodic pension and post-retirement benefits income were comprised of the following:

	Years Ending November 30,		
	2006	2005	2004
	(In thousands)		
Pension income, net	$ (3,272)	$ (6,469)	$ (10,458)
Post-retirement benefit (income) expense	(1,149)	2,378	4,667
Net periodic pension and post-retirement benefits income	$ (4,421)	$ (4,091)	$ (5,791)

During the first quarter of 2006, we notified our employees of certain changes adopted by the human resources committee of our board of directors regarding our U.S. pension and postretirement benefit plans. We started accounting for the impact of these changes beginning February 2006, the communication date of these changes to our employees. The amendments to our U.S. plans impacted these plans as follows:

- U.S. pension plan Previously, only Engineering segment employees were entitled to participate in the pension plan. In May 2006, all U.S.-based employees became eligible to participate in the plan, nearly doubling the active participants. At the same time, the future benefit earned under the plan was changed, resulting in a simplified calculation, and a reduced future benefit compared to the prior calculation for all but grandfathered employees.

- Post-retirement benefit plan The amendment limited benefits to be paid for future healthcare costs. This resulted in postretirement benefit income in 2006 as opposed to expense in 2005.

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 during the period ended November 30, 2004. Additionally, our net periodic pension and post-retirement benefit income decreased in 2005 as compared to 2004 as a result of the spin-off.

Provision for income taxes. Our effective tax rate was 31.5%, 31.6%, and 20.8% in the years ended November 30, 2006, 2005, and 2004, respectively. The lower effective tax rate in fiscal year 2004 was principally due to two items: the 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 fiscal year 2007 effective tax rate to be higher than the fiscal year 2006 rate. See our consolidated financial statements included elsewhere in this Form 10-K.

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.

Goodwill and Other Intangible Assets

We account for our business acquisitions in accordance with the provisions of SFAS No. 141, *Business Combinations,* 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 regarding multiple, highly subjective variables, including those with respect to future cash flows, discount rates, asset lives, and the use of different valuation models and therefore require considerable judgment. Our estimates and assumptions may be based, in part, on the availability of listed market prices or other transparent market data. These determinations will affect the amount of amortization expense recognized in future periods. We base our fair value estimates on assumptions we believe to be reasonable but are inherently uncertain. Depending on the size of the purchase price of a particular acquisition as well as the mix of intangible assets acquired, our financials results could be materially impacted by the application of a different set of assumptions and estimates.

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, many of which are subjective in nature, 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 as described further below. Impairments are expensed when incurred. Specifically, we test for impairment as follows:

Intangible assets subject to amortization

An intangible asset that is subject to amortization is reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived 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. The projected cash flows require several assumptions related to, among other things, relevant market factors, revenue growth, if any, and operating margins. While we believe our assumptions are reasonable, changes in these assumptions may have a material impact on our financial results.

Indefinite-lived intangible assets

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, we perform the impairment test for indefinite-lived intangible assets by comparing the asset s fair value to its carrying value. An impairment charge is recognized if the asset s estimated fair value is less than its carrying value.

We estimate the fair value based on projected discounted future cash flows, which, in turn, are based on our views of uncertain variables such as growth rates, anticipated future economic conditions and the appropriate discount rates relative to risk and estimates of residual values. The use of different estimates or assumptions within our discounted cash flow model when determining the fair value of our indefinite-lived intangible assets or using a methodology other than a discounted cash flow model could result in different values for our indefinite-lived intangible assets and could result in an impairment charge.

Goodwill

In accordance with SFAS No. 142, we test goodwill for impairment on a "reporting unit" level as defined by reference to our operating segments determined under SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. 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. We determine the fair value of our reporting units based on projected future discounted cash flows, which, in turn, are based on our views of uncertain variables such as growth rates, anticipated future economic conditions and the appropriate discount rates relative to risk and estimates of residual values.

- 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.

The use of different estimates or assumptions within our discounted cash flow model when determining the fair value of our reporting units or using a methodology other than a discounted cash flow model could result in different values for reporting units and could result in an impairment charge.

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 all of our employees in the U.S. and certain employees in the U.K. We also have postretirement plans in the U.S. The accounting for these plans is subject to the guidance provided in SFAS No. 87, *Employers Accounting for Pensions*, and SFAS No. 106, *Employers Accounting for Postretirement Benefits Other than Pensions*. 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.

Key assumptions in measuring the plan obligations include the discount rate, the rate of future salary increases, the long-term expected return on plan assets, and various demographic assumptions, as follows:

- The methodology used to determine the discount rate discounts the projected plan cash flows to the measurement date using the spot rates provided in the Citigroup Pension Discount Curve. A single discount rate is then computed so that the present value of the benefit cash flows using this single rate equals the present value computed using the Citigroup Pension Discount Curve. A similar exercise is performed using high yield bonds. These values are compared to changes in corporate bond indices to determine a discount rate.

- Asset returns are based upon the anticipated average rate of earnings expected on invested funds of the plan over the long-term.

- Salary increase assumptions are based upon historical experience and anticipated future management actions.

- Demographic assumptions, such as turnover, retirement and disability, are based upon historical experience and are monitored on a continuing basis to determine if adjustments to these assumptions are warranted in order to better reflect anticipated future experience.

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.

Depending on the assumptions and estimates used, our net periodic pension and postretirement benefit income could vary within a range of outcomes and have a material impact on our financial results.

A fifty-basis-point change in certain assumptions would have had the following effects on 2006 pension results:

	Impact to Pension Results U.S. Plan	
Change in Assumption	**Increase/(Decrease) on 2006 Pre-Tax Expense**	**Increase/(Decrease) on November 30, 2006 PBO**
	(In thousands)	
50-basis-point decrease in discount rate	$ 914	$ 10,798
50-basis-point increase in discount rate	$ (857)	$ (9,872)
50-basis-point decrease in expected return on assets	$ 1,227	$
50-basis-point increase in expected return on assets	$ (1,227)	$

	Impact to Pension Results U.K. Plan	
Change in Assumption	**Increase/(Decrease) on 2006 Pre-Tax Expense**	**Increase/(Decrease) on November 30, 2006 PBO**
	(In thousands)	
50-basis-point decrease in discount rate	£ 272	£ 2,759
50-basis-point increase in discount rate	£ (248)	£ (2,409)
50-basis-point decrease in expected return on assets	£ 62	£
50-basis-point increase in expected return on assets	£ (62)	£

Stock-Based Compensation

We have two share-based compensation plans. The plans provide 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.

We determine the fair value of our stock options using the Black-Scholes pricing model. This valuation model requires management to make assumptions and to apply judgment to determine the fair value of our awards. These assumptions and judgments include estimating:

- the future volatility of our stock price,
- expected dividend yield,
- future employee turnover rates, and
- future employee stock option exercise behaviors.

In particular, significant judgment is required in estimating the future volatility of our stock price. Since we have been publicly traded for just over a year, our volatility rate is based on a basket of peer-company-stock prices. The determination of which company is considered to be a peer is highly subjective.

Given that we only had 0.1 million options outstanding as of November 30, 2006, changes in these assumptions were not likely to materially affect our financial results. However, as the number of options granted materially increases in the future, the likelihood that changes in our valuation assumptions could materially impact our financial results also increases.

As of November 30, 2006, we had approximately 1.8 million stock-based awards outstanding, of which approximately 0.4 million were performance-based awards. The vesting period of the performance-based awards is based on achieving certain financial performance levels during fiscal years 2006 and 2007. On a quarterly basis, we assess the likelihood that of the performance criteria being met and adjust compensation expense accordingly. At November 30, 2006 we have estimated that 100% of performance-based metrics will be met in 2006 and 2007 causing the 0.4 million performance-based awards to vest on February 28, 2008. As a result, we will recognize $3.3 million of performance-related stock-based compensation expense over the next 15 months. A change in the actual financial performance levels achieved by the Company could result in a change in our current estimate of timing of the recognition of the related expense. For example, in the event we achieve none of the performance metrics underlying these awards, then the remaining unamortized performance-based stock-compensation expense would be recognized over the next 5 years.

We believe that the assumptions related to our performance-based stock awards are critical because they are susceptible to change from period to period based on market and other uncertain conditions beyond our control.

Results of Operations

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

	Years Ended November 30,					
	2006		2005		2004	
Revenue:						
Products	83	%	83	%	89	%
Services	17		17		11	
Total revenue	100		100		100	
Operating expenses:						
Cost of revenue	46		48		47	
Selling, general and administrative	37		35		39	
Depreciation and amortization	3		2		2	
Restructuring and offering charges			3			
Gain on sales of assets, net					(1	)
Net periodic pension and post-retirement benefits	(1	)	(1	)	(1	)
Earnings in unconsolidated subsidiaries						
Other expense, net					1	
Total operating expenses	85		87		87	
Operating income	15		13		13	
Gain on sale of investment in affiliate					7	
Interest income	1		1			
Interest expense						
Non-operating income, net	1		1		7	
Income from continuing operations before income taxes and minority interests	16		14		20	
Provision for income taxes	(5	)	(5	)	(4	)
Income from continuing operations before minority interests	11		9		16	
Minority interests						
Income from continuing operations	11		9		16	
Discontinued operations:						
Loss from discontinued operations, net	(1	)				
Net income	10	%	9	%	16	%

Set forth below is our revenue and operating income for our Energy and Engineering segments for the years ended November 30, 2006, 2005 and 2004. Certain corporate transactions are not allocated to our operating segments. Unallocated amounts include corporate-level restructuring and offering charges, stock-based compensation expense, net periodic pension and post-retirement benefits income, corporate-level impairments, and gains on sales of corporate assets.

	Years Ended November 30,		
	2006	2005	2004
	(In thousands)		
Energy revenue	$ 294,277	$ 242,312	$ 185,792
Engineering revenue	256,493	233,805	208,177
Consolidated revenue	$ 550,770	$ 476,117	$ 393,969
Energy operating income(1)	$ 67,177	$ 53,003	$ 35,225
Engineering operating income(2)	31,112	17,993	32,984
Total segment operating income	98,289	70,996	68,209
Adjustments(3)	(18,104)	(9,144)	(15,298)
Consolidated operating income	$ 80,185	$ 61,852	$ 52,911

(1) Includes asset impairments of $2.0 million in 2004. There were no asset impairments during 2006 and 2005.

(2) Includes a $1.9 million and $4.4 million restructuring charge in 2006 and 2005, respectively. There was no restructuring charge in 2004. Also, includes gains on sales of assets, net of $5.1 million in 2004. There were no material gains or losses on sales of assets in 2006 or 2005.

(3) Includes the following items:

	Years Ended November 30,		
	2006	2005	2004
	(In thousands)		
Net periodic pension and post-retirement benefits income	$ 4,421	$ 4,091	$ 5,791
Corporate-level restructuring and offering charges	(823)	(9,297)	
Stock-based compensation expense	(21,702)	(5,272)	(21,502)
Gain on sales of corporate assets, net		1,334	413
	$ (18,104)	$ (9,144)	$ (15,298)

Year Ended November 30, 2006 Compared to the Year Ended November 30, 2005

Revenue. Revenue was $550.8 million for the year ended November 30, 2006 compared to $476.1 million for the year ended November 30, 2005, an increase of $74.7 million or 16%. Revenue increased primarily due to organic growth, which contributed $60.3 million, and acquisitions, which contributed approximately $15.6 million.

Revenue for our Energy segment was $294.3 million for the year ended November 30, 2006 compared to $242.3 million for the year ended November 30, 2005, an increase of $52.0 million or 21%. The increase was principally due to organic growth, which contributed $46.3 million. Also, acquisitions contributed $5.0 million. The remainder of the change was attributable to foreign-currency movements. Organic growth in 2006 was driven principally by price increases, an expanding subscription base, higher one-time sales of certain data, and favorable energy-industry conditions.

Revenue for our Engineering segment was $256.5 million for the year ended November 30, 2006 compared to $233.8 million for the year ended November 30, 2005, an increase of $22.7 million, or 10%. This increase was primarily driven by organic growth, which increased revenue by $14.0 million.

Acquisitions also contributed $10.7 million, partially offset by foreign-currency movements. Organic growth resulted primarily from price increases and increased sales within our specifications-and-standards and parts-management offerings.

Cost of Revenue. Cost of revenue was $252.4 million for the year ended November 30, 2006, compared to $228.2 million for the year ended November 30, 2005, an increase of $24.2 million, or 11%. As a percentage of revenue, cost of revenue decreased to 45.8% in 2006 from 47.9% in 2005. Margins within our Energy segment increased primarily due to increased revenue, discussed above, on a relatively fixed-cost structure. Margins within our Engineering business benefited from the cost savings from the 2005 restructuring and relatively flat effective royalty rates.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $202.4 million for the year ended November 30, 2006, compared to $167.6 million for the year ended November 30, 2005, an increase of $34.8 million, or 21%. Stock-based compensation expense increased $14.1 million year over year, including $4.7 million pertaining to the retirement of our former Chief Executive Officer during the fourth quarter of 2006. Acquisitions contributed $3.7 million of the increase. CEO retirement costs added $1.9 million. The remainder of the increase was primarily due to increased sales-and-marketing and back-office costs to support increased sales, and, at the corporate level, increased costs related to our first year as a publicly traded company. Cost savings from the 2005 restructuring partially offset the above. As a percentage of revenue, selling, general and administrative expenses, excluding stock-based compensation expense, were 33.3% for the year ended November 30, 2006, down from 34.2% for the year ended November 30, 2005.

Depreciation and Amortization Expenses. Depreciation and amortization expenses were $15.7 million for the year ended November 30, 2006, compared to $11.4 million for the year ended November 30, 2005, an increase of $4.3 million, or 38%. The increase was primarily due to acquisitions.

Restructuring and Offering Charges. Restructuring and offering charges were $3.1 million for the year ended November 30, 2006, compared to $13.7 million for the year ended November 30, 2005, a decrease of $10.6 million. The restructuring initiative undertaken in 2006 was much smaller in scope and expense, $2.5 million in 2006 compared to $8.2 million in 2005. Additionally, offering charges related to the secondary offering, or $0.8 million, were much smaller than those associated with the initial public offering, $5.5 million.

Operating Income. Operating income was $80.2 million for the year ended November 30, 2006, compared to $61.9 million for the year ended November 30, 2005, an increase of $18.3 million, or 30%. As a percentage of revenue, operating income increased to 14.6% in 2006 from 13.0% in 2005.

Operating income for our Energy segment was $67.2 million for the year end