

CHIEF EXECUTIVE'S REVIEW

Our business performed well across all regions of activity in the first half of this year, delivering sales growth from continuing activities of 14%, with organic sales growth of 6%. This growth was achieved against an increasingly challenging market backdrop in the US and the UK and demonstrates the strength and resilience of our business model. We maintained EBIT margins during the period while funding a number of new initiatives, which will help drive future growth at Experian.

Portfolio balance provides resilience

In these less benign markets for credit origination, we are seeing the benefits of previous strategic initiatives to diversify and broaden our business base.

- *New services* - Our decision to build up our collections activities in North America is paying off as financial services customers have become more risk averse, and have switched their focus to managing risk in existing credit portfolios.
- *New vertical markets* - In the UK we have secured rich new growth opportunities in vertical markets such as telecommunications and government.
- *Geographic expansion* - The strategic move to expand our operations geographically means we are less reliant on any single country and have increased our exposure to faster growing emerging markets.

Strategic and operational progress

In the first half of the year we have again taken a number of important operational and strategic steps to deliver sustainable growth at Experian.

- The acquisition of a majority stake in Serasa, the market-leading credit bureau in Brazil, is transformational for Experian. It provides us with access to this important emerging credit economy and consolidates our global leadership in Credit Services. In our brief period of ownership Serasa has performed well, and we have identified numerous synergy and cross-selling opportunities.
- We have won a number of major new contracts with clients including Barclays, Carrefour and Rakuten KC, the Japanese internet services company, and have made further progress in the UK public sector with three new contracts to assist in fraud control and identity verification.
- We continue to build our infrastructure in Asia Pacific to support growth in demand for both our Decision Analytics capabilities and Marketing Services activities.
- As the transformation of our Marketing Services activities gains momentum we have made infill acquisitions to extend our footprint in France and Brazil. Meanwhile the acquisition of Hitwise brings us new, unique datasets with many cross-selling opportunities.
- Under new leadership at Interactive, we have integrated LowerMyBills and our education vertical lead generation activities onto a single platform. This will facilitate future diversification into new verticals.

Future investment priorities

In line with our strategy, we will continue to drive growth both via organic investment (through deeper client relationships, geographic and vertical expansion and product innovation) and to strengthen our market position through complementary acquisitions. Going forward our principal acquisition focus will be on credit bureaux, scarce datasets, enhanced analytics and marketing services.

Financial performance

Sales growth from continuing activities was 14% in the first half at constant exchange rates. Organic sales growth was 6%, with acquisitions contributing the balance.

As previously indicated, organic investment through the income statement has been particularly weighted to the first half, and so EBIT margins were in line with the prior year at 21.9%. Investment initiatives included further emerging markets development, the first phase of the establishment of our near-shoring facility in Chile and further investment in the Canadian credit bureau. While we continue to invest, we expect the year as a whole to benefit from restructuring activities over the past year (particularly in Marketing Services), operational gearing in Marketing Services due to the business mix shift, data centre integration in the UK and Continental Europe, payback on the Chilean near-shoring and aggressive action on direct and discretionary costs.

We also continue to invest through capital expenditure and via acquisition. Capital expenditure in the first half was \$140m (2006: \$118m), with some \$330m to \$350m expected for the full year. EBIT conversion into operating cash flow in the period was 70%, in what is the traditionally weaker half-year for cash generation. For the full year we are on track to meet our target of converting at least 85%.

Acquisition expenditure in the first half was \$1.7bn, including the acquisition of the stake in Serasa, together with Hitwise, Informarketing, Tallyman, Emailing Solution and other small infills. Experian also agreed a small disposal in the period of Loyalty Solutions in Germany. We expect the acquisition contribution to sales growth in the second half of the year to be in the low teens.

First interim dividend of 6.5 cents announced

The Board of Experian has announced a first interim dividend of 6.5 cents per share. This is consistent with our dividend policy to have cover (based on Benchmark EPS) of at least three times on an annual basis.