

Interim Management Statement, Third Quarter Results – 16 January 2008

Don Robert
Chief Executive Officer

Preamble

Good morning everyone; thank you for joining us on today's call. The trading statement we released this morning included some comments about new strategic initiatives. I will lead the call with a few opening comments on those initiatives, then I will turn over to Paul, who will take you through the financials.

Quarter Overview

In the third quarter, Experian continued to deliver growth despite a backdrop of increasingly difficult markets. We think the fact that the business grew through this period is very significant. On a global basis, total sales were up 22%, with organic growth at 2%. At our Interim announcement in November, we said the tough market conditions in the US and UK financial services would likely result in further slowdown in organic growth in the quarter. Indeed, that is what happened.

The fact that we are still growing is evidence of the value of both our business mix and big geographic footprint, both of which provide resilience even during tough economic cycles. I think it is also a commentary on the strength of our management team, who know how to operate a business through both up and down markets.

There were plenty of bright spots in our regions and business lines during the quarter. Geographically, we saw solid performances from our Latin America and EMEA regions. In terms of our principal activities, we saw improved performance in UK Decision Analytics and a strong performance from Consumer Direct both in the US and in the UK. PriceGrabber performed very well in the critical holiday shopping quarter, and Serasa and Hitwise are both performing well and delivering to their buy plans.

Near-Term Outlook

In the near term, we do not see much room for improvement in the US and UK credit markets. In discussions with our clients, we get very mixed signals. Some are moving into 2008 with a business-as-usual mindset, intending to spend at the same levels as they did in 2007. Others, though, are much more cautious, believing it will be a tough market all the way through the year. The one thing they seem to share, however, is a growing concern over delinquencies and loan losses as the consumer increasingly struggles to service their credit obligations.

Certainly, we do not have a crystal ball to see what will happen to the economy, but consumer confidence, employment levels and liquidity in the retail lending system are the keys to determining what happens next. Also, we continue to believe in the need to navigate through another reporting cycle or two, so the market can assess accurately the true capital positions of our lender clients. Getting confidence back into the retail banking markets is a critical next step.

Profit Protection

As announced today, we have also undertaken a comprehensive programme to protect profits. Earlier this year, we made a number of key investments in areas such as data centre consolidation and nearshoring, to materially lower our cost. These actions will benefit margins in the second half of this financial year, and into fiscal year 2009.

Today, we are launching a programme of cost actions that are expected to deliver an incremental \$80 million in annualised savings. Paul will take you through the restructuring costs, and the benefits associated with this, in greater detail in a few minutes.

Long-term Strategies

While our immediate focus is on costs, Experian has significant long-term growth opportunities, and we believe it is essential that we continue to strike the right balance between meeting our short-term profit expectations and building the business for long-term sustainable growth. We are continuing to invest in new products, geographies and in our people. In tough economic cycles, our clients need us more than ever, and they need new and better tools to help solve today's problems, such as bankruptcy predictors and scorecards that have been redeveloped to reflect the dynamics of the current market environment.

We are also continuing to invest for long-term growth in our newer regions of Latin America and Asia Pacific. We are investing in our sales force. Now, more than ever, we need to stay close to our clients and help them navigate through these turbulent markets. We do this through the aggressive deployment of our talented salespeople. This balanced approach to cost reduction, whilst continuing to invest in long-term growth, gives us greater confidence that Experian will deliver on short-term expectations and will be very well positioned to capitalise on growth opportunities as our core US and UK markets recover.

Transaction Processing Update

This morning's statement also included an announcement about a strategic review of our transaction processing business in France, along with an assessment of its ongoing fit in our portfolio. We are at the early stage of this review and cannot be certain of what the outcome might be, but we will update the market when it is appropriate.

Financial Quarterly Review

Paul Brooks
Chief Financial Officer

Overview

Our sales growth in the third quarter was 22% at actual exchange rates, 16% at constant currency. Stripping out the impact of acquisitions, principally Serasa and Hitwise, organic revenue growth was 2%. Looking at our principal activities, organic revenue growth was 5% for Decision Analytics, which improved relative to the second

quarter. We also saw good growth of 9% at Interactive. There were modest declines of 1% in Credit Services and 3% at Marketing Services. Both Serasa and Hitwise are performing well, meeting the strong sales and profit growth expectations in their buy plans.

Cost Efficiency Measures

Before moving on to review trading performance by region, let me run through the actions we are undertaking on costs. At the interims, we discussed measures taken earlier this year, such as Chilean nearshoring and data centre consolidation. These are expected to benefit margins in the full year to March 2008, with further benefits in the year to March 2009.

As Don mentioned, today we launch a new programme of cost efficiency measures. New initiatives include the restructuring of our core credit and marketing activities, consolidation of facilities and increased offshoring and outsourcing of business and support activities. In total, we expect to deliver annualised cost savings of approximately \$80 million, of which an estimated \$40 million will be realised in the year to March 2009, with the full benefit thereafter. One-off restructuring costs associated with achieving these savings will be in the region of \$100 million. At the same time, we are continuing our organic investment activity to capitalise on future growth opportunities at a stepped-up rate. While taking these new cost actions, we will continue to fund this investment.

Trading Performance by Region

North America

Revenue was up 3% in total, with organic new growth of 2%. At Credit Services, good growth in account management and collections helped offset contraction in mortgage origination and credit marketing activity. Organic revenue declined modestly, by 2%. Decision Analytics slowed to mid-single digit organic revenue growth against strong comparatives and a more difficult market environment.

Organic revenue growth in Marketing Services improved to 3%, while at Interactive, it was mid-single digit, reflecting strength in Consumer Direct and PriceGrabber.

Latin America

Revenues were \$111 million in the quarter, up from \$1 million the year before, reflecting the contributions from Serasa and Informarketing acquisitions. Organic revenue growth was 78%, reflecting our pre-existing Decision Analytics activities only.

UK & Ireland

Revenue from continuing activities rose by 5% in the quarter at constant exchange rates, and organic growth was flat. Our Credit Services activities declined modestly, by 2%, which was a good performance in a very tough environment for consumer lending. Decision Analytics saw some recovery, delivering flat organic revenue growth, due to

strong sales of collections products and some improvement in pipeline conversion, while our Interactive business nearly doubled on an organic basis.

Our Marketing Services activities in the UK were hit by cutbacks in client spending, with organic revenue down 10%.

EMEA-Asia Pacific

At constant exchange rates, revenue rose by 11%, with organic revenue growth at 4%. Credit Services organic revenue was in low single digits, while both Decision Analytics and Marketing Services delivered strong performances.

Summary

As expected, we saw some slowdown in revenue growth in the third quarter, and we do not expect trading conditions to improve in the fourth quarter. We remain focused on maximising profitability and we continue to target solid, double-digit EBIT growth for the full year, and a profit outcome within the current range of market expectations.

Don Robert

Today's results contained three clear messages: the business is resilient, is balanced and is growing in the toughest environment we have seen in 20 years. We have an experienced team—in fact, the best in the business. We will continue to monitor the external environment, will remain vigilant on costs, and we will figure out how to take market share from weak competitors during this process.

The message I would really like you to take away today is that we intend to emerge from this cycle even stronger and better-positioned competitively. We will be a leaner, more efficient organisation with more products in more markets, with a continued focus on delivering on our commitments to clients and to shareholders around the world.

Question & Answer Session

Jeff Tierre, Goldentree

Good morning and thank you for the call. I was just wondering, given that your debt ratio is quite tight, whether you were thinking of raising your debt, eventually buying back stock?

Don Robert

I will ask Paul to comment on the debt part of that question in just a moment. On the general issue of share buybacks, we think our shares are dramatically undervalued; certainly, a buyback is a very viable use of cash when it is available.

Paul Brooks

We have a facility in place at the moment where we have adequate headroom for our anticipated needs. We expect to return to the debt markets when we need to refinance our bonds, which mature in 2009. That will be when we next look to raise new debt.

Jeff Tierre

So, there is no plan ahead of 2009 to potentially buy some stock back?

Paul Brooks

We have an existing facility now to meet our immediate needs. What we are saying is that there is a very depressed share price at the moment, which we believe undervalues the company. It is something on the agenda, but only as our balance sheet strengthens. Clearly, at the moment we are fairly highly indebted following the Serasa acquisition. Our net debt is nearly \$3 billion, so at the moment we do not feel in a position to do so, but clearly, as our balance sheet strengthens, that will become a viable option.

Andrew Ripper, Merrill Lynch

Good morning. Don, in your earlier remarks, you made some comments about your clients in the financial services industry. I wonder if you could convert that into some sense of momentum and numbers. Obviously, things have been very tough in terms of the declines in gross lending, as we have been seeing at the end of calendar year 2007. What sort of visibility do you have for the fourth quarter of your fiscal year, or the first half of this calendar year? Do you feel that in your core credit businesses in the US and UK, things are going to get slightly worse before they get better, or do you feel that you have reached a point of stability regarding the rate of contraction?

Don Robert

What we are seeing as a general trend in the UK market is that insolvencies are up, new lending, both personal secured and unsecured, is down; write-off rates are up; delinquencies are up. The same trends are holding true in the US, where bank card delinquency rates are on the increase, personal bankruptcy and new filings are up, with mortgage originations down.

Let me take you back to the Interim announcement in November, where we said that visibility was low because of the unprecedented nature of the trading environment, but that we felt the business would slow down in the back half of the year. That is what happened. We still feel the visibility remains low as we approach the next couple of quarters. I think I am willing to say that we will not see much improvement in the fourth quarter this year but beyond that, we would hesitate to make any prognostications. What we are seeing are the benefits from our global portfolio expansions: the business in Brazil is doing very well; our Asia-Pacific business is strong; our EMEA business is very strong. We have certain business lines within the Americas and the UK operations that are doing exceedingly well: Consumer Direct, email marketing, business information, to name a few. It is a balance, with a few ups and a few downs.

Andrew Ripper

The piece that is growing is the collections, the portfolio management piece and consumer business. You talked about continuing to invest in new products, and launched the bankruptcy predictor last year in conjunction with Visa. How easy is it for you to accelerate investment there to meet how the banks' needs are changing, as they pull back from marketing-related spend with you, to this counter-cyclical spend? Are you able to make much of a difference in the short term, to try to reposition your services and grow that side of the business quicker through this stage of the cycle?

Don Robert

Time to market with new products is a key issue with us. Part of the reason for the movement of parts of our labour force into other markets is really to affect time-to-market with new product development. We do have the ability to react to changes in a very dynamic market environment. I will give you another example of a trend that has come onto the front burner at the moment, which I think will be beneficial: during these periods of very rapid changes in economic conditions, the scorecards that lenders use to underwrite consumer loans and bank cards tend to break down in their predictiveness much faster than they will in a rather static environment. We now see the opportunity to do a lot of scorecard redevelopment in the US, UK and Europe, to reflect the changing economic conditions.

Andrew Ripper

Paul, are you prepared to comment on how US and UK credit rates of contraction evolved over the course of the quarter, to give us a sense of the momentum going into this year's fourth quarter? In the results, you commented that October was rather flat in the US, and it is minus 2% for the quarter. Is it possible to elaborate on that?

Paul Brooks

I think it is not particularly helpful to look at it on a month-by-month basis; quarterly is probably the best way of looking at it. We would say that the quarter was not dissimilar to what we saw towards the end of the previous quarter, if slightly weaker. However, nothing material changed over the course of the quarter, if you strip out the month-by-month peculiarities.

Andy Chu, Deutsche Bank

I have one question on the cost base. I am trying to explore how much flexibility you have in your cost base. Clearly, it is difficult to predict the future, in terms of global credit trends. You have announced the 80 million in cost efficiency programmes. Six to nine months ago, we started with potential accelerating trends in growth, and we are now at 2%, having been at 7% in Q1. If we do take a further downward leg, what measures would you have in place on a cost front?

Paul Brooks

The first point to make is that the cost-efficiency measures announced today are exactly what they say. These measures are good for the business, which over time we would be looking to do anyway. However, we are clearly accelerating them, given the more

challenging market conditions we see. These cost savings are focused on the mature markets, in the segments that have the fixed cost base, which excludes Interactive. 80 million represents a reasonable percentage of that cost base, in the region of 4%. This gives us a good fillip as we go into next year. The outlook is uncertain; it is possible that we may have to look for more, but at the moment, we feel this will be adequate to help underpin the growth next year. We are always looking to make more efficiencies and make other savings too. We will respond to conditions as they emerge.

Andy Chu

Will those cost efficiencies still come from the mature markets, or do you have to look elsewhere?

Paul Brooks

One of the points we want to stress is that we are continuing to invest at the same time; we have not cut back on investment spend at all. Other markets, in particular Asia-Pacific and Latin America, are very fast growth markets, which we see as investment markets that clearly will help us, particularly when they come into the organic growth rates next year.

Jaime Brandwood, UBS

On the cost saving, can you tell us whether any of the cost savings are coming through in Marketing Services, or are they purely focused on Credit Services and Decision Analytics? Could you also tell us what proportion of those cost savings are headcount-related, and what proportion relate to other kinds of measures?

Paul Brooks

In terms of the segments affected, it is mainly the three with the fixed cost base: Credit, Marketing and Decision Analytics. It is across the US, UK and Western Europe, and is based broadly across those three segments. In terms of the breakdown, we do not want to go into a lot of detail until we have announced this internally but clearly, the majority of the costs will be cash costs, the majority of which will relate to employees.

Jaime Brandwood, UBS

Still on Marketing Services, this is now the second restructuring, as you implemented one last year. Are you getting close to doing everything that can be done in Marketing Services from a cost point of view?

Paul Brooks

We are always looking to improve the business' efficiency; it is an ongoing matter. There are always ways to become more efficient, and there are always opportunities to find cheaper ways of doing things, automating manual processes and so on. There is never an end to this process. However, we continue to be encouraged by Marketing, notwithstanding some of the market conditions we are seeing. We continue to anticipate moving those margins forward, as previously indicated.

Jaime Brandwood

Are you getting any of the \$80 million annualised savings in the current fiscal year?

Paul Brooks

No; it will start kicking in next year, and more in the second half of next year.

Jaime Brandwood

Everything else being equal, are you expecting a \$40 million year-on-year increase in fiscal 2009 versus fiscal 2008?

Paul Brooks

In terms of reduction in costs, that is right.

Jaime Brandwood

In the UK, what are your comments on default rates going up? My understanding was that default rates on credit cards, for example, were already very high in the UK and, if anything, had been slightly tailing off. Can you talk about whether that is how you see things, as well as to what extent you are seeing the same levels of portfolio management growth in the US versus the UK? I believe I am right in saying that the UK portfolio management has been growing pretty nicely for a number of years now.

Don Robert

In terms of default rates, we look at Bank of England data on cards and other consumer credit products. The numbers are definitely trending upwards at the moment. The long-term trend has been up; possibly, within the very recent future there will be a little tick down, but I would not call that an improving trend, based on the data I have seen. Net new lending continues to decline on a longer-term basis; we went negative on net new lending at about mid-2007, and remain clearly below that line. Contrasting that with the US, I think there are still positive levels of new lending here in the UK.

Jaime Brandwood

I was going to ask whether the UK was worse than the US.

Don Robert

Yes it is.

Jaime Brandwood

On portfolio management in the US, the last time you did the rounds with the investors, 20% year-over-year growth was the number quoted. Can you talk about the growth rate relative to that in the UK?

Paul Brooks

It is a very similar rate. Our main product there, Delphi for Customer Management, is growing very well, so we are very pleased with it. Also, as in the US, we are seeing good growth on the Collections side, which includes our Tallyman acquisition, which is not reflected in the organic sales growth rates. That business is performing particularly strongly; that acquisition has turned out to be very good timing.

Jaime Brandwood

Lastly, can you tell us how much Lower My Bills revenue was down year-on-year in the quarter?

Paul Brooks

The trends were very similar to what we were seeing in the previous quarter, which were 30% and over. It has been at a relatively constant rate for the last few months.

Jaime Brandwood

In that case, can you explain the deterioration in the US Interactive organic growth rate?

Paul Brooks

As I said, the rate has been consistent since the second half of the last quarter. Compared to the second half of the last quarter, the rates have been similar.

Robert Miller, Redburn Partners

I have a couple of questions. On the Marketing Services side, can you talk about the diverging trends between the UK and US businesses, and which of the verticals is really doing the damage in the UK? Should we see the UK number as a lead indicator for what might happen in the US during 2008?

Paul Brooks

I will talk about the US first, where we are seeing an improving trend on the Marketing Services side. We have talked about old media and new media; that split, including Hitwise, is roughly 50/50. We saw a slightly lesser decline in the old part in the last quarter, and we continue to see very strong growth in the new part. That is a positive trend.

In terms of vertical markets, the biggest in the US is Catalogue and Retail. It has been slightly softer, but the growth is still holding up there. The UK has always been far more focused on the financial services. Again, if you look at the split between old and new media, the old is a lesser part of the UK business. However, the older part is very much focused on financial services. We see two impacts there: the database side, which tends to be a lumpy business, is where we build prospect customer databases, and then

manage them for our clients. We have seen very little investment in new databases, particularly over the last three or four months, which has clearly impacted the numbers.

We are also seeing pressure on transactional revenue from our financial services clients, as they are running fewer or smaller campaigns. Those are the reasons for the softness in the UK, but the UK business is lumpier than in the US, so an individual quarter can have peaks and troughs in growth rates.

Robert Miller

Are you implying that the US saw a good 'lump' in this quarter?

Paul Brooks

The US is a less lumpy business; the trends are positive. The main vertical is retail. That is the message for the US. For the UK, there is more financial services focus; the older, more traditional part of the business is more financial services-focused, which is a lumpier business.

Robert Miller

Could you give us the dollar sales of Serasa in the same period last year?

Paul Brooks

I will not give you the specific number, but I can tell you that the growth rate was in the high teens, which is in line with our buy plan.

George Gregory, Credit Suisse

Going back to the issue of the declining predictiveness of credit scores, I was interested to find out how that influences your business as we stand, aside from the opportunities concerning VantageScore. Are you seeing any impact on the existing business?

Secondly, I think Paul mentioned that most cost efficiencies will be used to support investment in the new geographies. Is that the case? You were responding to a question concerning whether the cost efficiencies would provide support to the margins; clearly, if you are spending it all on investing in new geographies, that support goes.

Finally, I have a question on Lower My Bills. I think you said that there are approximately 30% declines, as of this quarter. Do you perceive any stabilisation in the calendar year 2008, or do you think the trend will continue, as the sub-prime mortgage business continues to rebase?

Don Robert

I will address the question on credit scores. Our business, particularly in the UK and Europe in the Decision Analytics business, has a very heavy component that involves building custom scoring algorithms for lenders. A typical large bank lender might utilise 20 different scorecards for different loan products and geographies, in different lending

conditions. To give you a feel for a scale of this, rapidly changing economic conditions can affect the predictiveness of the card.

The way we are trying to take advantage of this geographically, and I was with the sales manager of our European Decision Analytics business yesterday, is that in order to reach the most people as quickly as possible with that sales pitch, we are launching a series of Decision Analytics seminars regionally. We will invite our Decision Analytics clients in for a day of education and highlight a couple of very timely products that can help them navigate the current environment. We will also talk to them about how scorecard predictiveness breaks down in an environment like this, and what is involved in redeveloping the card. That is the general approach; undoubtedly, it will have a positive impact on the sales pipeline. It remains to be seen just how positive that might be.

Paul Brooks

We have stepped up our investment in the business in the current year; we are not cutting back on that. We are not referring to the increase on that investment next year. In other words, we are incurring development costs in a number of new geographies such as China, India, Japan, Canada and Latin America. Obviously, there is a lot of new product development as well. That is a stepped-up investment spend this year. Clearly, the restructuring programme we have announced will benefit us going into next year and the following year. We have already been making cost cuts this year, which we referred to in terms of Chile, data centre consolidation and so on. It is not the case that we will be reinvesting the new restructuring in additional investment in the business.

For Lower My Bills, the year-on-year growth rates have been relatively consistent for four or five months now. The focus of the core business has been changing, becoming more prime focused and less sub-prime focused. It is doing extremely well in what remains of the sub-prime market; the demand for loans remains undiminished. Of course, it is the supply of loans that is the issue. Our expectation is that it is unlikely we will see sub-prime come back to anything like its previous size, which is why we are actively repositioning the Lower My Bills business to move into new vertical markets. We are seeing encouraging signs in areas such as automotive insurance. It is really about the repositioning of that business as well as some recovery in the mortgage market that is driving the growth going forward.

George Gregory

Do you think, in all likelihood, that business will continue to deteriorate before we see stabilising revenue trends, as the new parts of the business start to come through and sub-prime begins to rebase? Do we still have a few more quarters of weakness? When would you foresee, at this stage, the stabilisation of that part of the business?

Paul Brooks

Given the relative scale, in the short term, the performance is clearly going to be driven by the mortgage market. What happens to the mortgage market, and what we see with our remaining sub-prime clients, will drive the growth over the next two or three quarters.

As next year progresses, the newer verticals are going to become a more material part of the business and will start influencing the growth rate.

Matt Littlewood, Merrill Lynch

You described the trading performance of PriceGrabber in Q3 as 'strong', as has been the case throughout fiscal year 2008. With US consumer discretionary expenditure slowing, do you see a risk in this drying up going forwards?

Paul Brooks

Firstly, we were very pleased with the growth. In terms of referrals or volume, the growth was even stronger. We are seeing some mix effect, because consumer electronics, traditionally the main vertical, tends to have the highest revenue per referral, so we see an adverse mix on revenues. It had very strong volume growth and good overall revenue.

Overall, we continue to see PriceGrabber benefit just from the growth in online commerce. That is the underlying growth driver. Also, the potential to move into new verticals. Increasingly this business has become more diversified in new verticals. We believe those two factors more than offset any negative impacts that may arise in the more depressed retail environment.

Matt Littlewood

Can you clarify what percentage of PriceGrabber sales is from consumer electronics?

Paul Brooks

I would not want to be specific on that but it remains the biggest vertical.

Julian Martin, Merrill Lynch

On the credit side, you said you were not expecting to proceed to a share buyback for the short term. Does that mean you are committed to the high triple-B+ rating at the moment?

Don Robert

The larger issue is that we feel that in a very uncertain trading environment, and given the fairly high level of gearing on the business already, the highest in our industry, we need to be very prudent and not put the business at risk by taking on additional debt in such an environment. We want to leave ourselves with flexibility and room to operate. If we do see any improvement in the environment that allows us to strengthen the balance sheet, we would certainly be open to it.

Julian Martin

On the restructuring side, do you expect to incur \$100 million in Q4 in cash?

Paul Brooks

We are saying that first of all, the total restructuring charge is \$100 million. It will not all be taken in the current year; it will be over two years. The majority of the costs are cash, but not all of them.

Julian Martin

Thank you.

Conclusion**Don Robert**

Before we close, let me remind you of our upcoming investor seminars in London and New York on January 29 and 30. We hope that you will all attend. These are educational sessions rather than trading updates, so we will not comment on current trading or conditions, nor will we take questions about that.

Thank you so much for your participation in today's call and your ongoing interest in Experian.