

# **GUS Preliminary Announcement - 24 May 2006**

## **Financial Performance in 2006**

**David Tyler**

**Finance Director, GUS plc**

Welcome to the GUS preliminary results conference call. I am here today with Fay Dodds and Peg Smith. Before I start, I must say a few words from our lawyers. This presentation is to discuss and answer questions on GUS's financial performance for the year ended 31 March 2006, and the preliminary results we issued this morning. As you will understand, due to certain legal and regulatory restrictions, we will not be able to answer or discuss questions about the planned demerger of ARG and Experian, beyond what has already been publicly stated and made available.

### **1. Overview of Continuing Operations**

For continuing operations – that is, ARG and Experian – sales were up 9% to £7.3 billion; EBIT was up 7% to £745 million. This year's profits at Experian were at record levels, and ARG outperformed in a difficult UK retail market.

We made further strategic progress during the year, with the disposal of Lewis Stores, Burberry and Wehkamp, and we invested over £1.2 billion in capital expenditure and acquisitions in ARG and Experian.

### **2. ARG**

As everyone is aware, retail market conditions in the UK over the past 12 months have been difficult. Against this background, ARG successfully completed significant operational improvement, and it has continued to invest in a wide range of strategic initiatives while effectively controlling its costs. As a result, both Argos and Homebase again outperformed in their market.

#### **Argos**

Argos, particularly, delivered a very resilient performance, with sales up by 7% in the year. It continued to achieve an EBIT margin of 7.5%. Key to its success this year has been the roll out of Argos Extra to all our stores; this has also been rolled out to all our channels, and offers customers at least 30% extra choice.

Argos's multi-channel offering has also grown strongly. Although the stores remain at the very heart of our business model, in 2006, for the first time ever, orders taken over the internet exceeded those taken over the phone. Argos is well-positioned to benefit from further growth in the internet and multi-channel shopping here in the UK.

#### **Homebase**

Trading in DIY has been difficult in the face of challenging retail market conditions in that sector, and also in the face of aggressive competitor activity. However, we are

looking through the current market downturn and have continued to invest in Homebase over the past 12 months, in line with the strategy developed at the time of the acquisition. We have opened more stores; added more mezzanines; and improved customer service and made sure we enhanced the customer offer.

While we are cautious about market conditions for retail in the short term, we do remain confident about the prospects for ARG in the medium and longer term, especially as market conditions start to improve.

### **3. Experian**

#### **Performance**

Again, Experian had an excellent year. It was the fourth consecutive year in which it had double-digit sales and profit growth. It was also the fourth consecutive year where Experian converted around 100% of EBIT into operating cash flow. We believe this performance further reinforces Experian's position as a leader in the global information solutions market. In terms of organic growth, there were strong performances around the world, driven by investment in new products, new countries and new markets.

#### **Acquisitions**

Experian also made a number of strategically important acquisitions during the year; the cost of these was around £775 million. These included two particularly large businesses in the interactive area, LowerMyBills.com and PriceGrabber.com, a leading US provider of online comparison-shopping services. All of our acquisitions, we are pleased to say, are performing very well.

### **4. Conclusion**

Experian has become the leader in the increasingly global market for information solutions. That is good news. The company achieved another strong financial performance last year, and is well positioned to capitalise on future opportunities, including the growth in credit around the world, as well as the growth in internet usage by consumers and businesses.

We look forward to talking to investors over the next few weeks in our forthcoming roadshow. Thank you.