

Chief Executive Officer's review

Experian performed well in the first half of the year, in a difficult global economic environment. We delivered revenue growth from continuing activities of 1% at constant exchange rates and organic revenue growth of 1%. We expanded the EBIT margin by 80 basis points to 24.0% and delivered strong free cash flow of US\$344m, up 27%. Benchmark EPS grew 3% to 31.6 US cents per ordinary share and we have raised our first interim dividend by 4% to 7.00 US cents per ordinary share.

The revenue performance at constant exchange rates was driven by strength in Latin America and resilient performances elsewhere, notwithstanding the challenges caused by the weak economic environment. By business segment, Interactive performed strongly and there was growth at Credit Services, offsetting revenue declines across Decision Analytics and Marketing Services.

The strong profit and margin performance was driven by excellent cost efficiency progress, as well as positive operating leverage in Latin America. There was a good performance from FARES in the period, helped by an increase in US mortgage refinancing activity.

Strategy for growth

Experian has significant expansion potential and, as we emerge from the global downturn, our strategy is directed towards growth. Our aim is to focus on and prioritise those opportunities with the most promise and to execute effectively against them.

We are investing in a number of well-defined, high impact initiatives, which we expect to be meaningful to our progress. Each of these is consistent with our strategy to focus on data and analytics, drive profitable growth and optimise capital efficiency.

Vertical markets

We see significant opportunities in new verticals, where our data and analytics can be adapted at relatively low cost, and where we have a good track record of creating new markets. We are pursuing opportunities in:

- Telecommunications, where there is increasing emphasis on customer management, with rising demand for predictive churn modelling and customer risk profiling.
- Healthcare payments, an emerging sector in the US, where many industry challenges are similar to those faced by credit markets historically.
- Capital markets, where buyers and sellers of asset-backed securities can benefit from the predictive power of using dynamic credit data.

Product innovation

We are investing in new products and new data sources to further differentiate Experian in the marketplace. Our aim is to deliver value-added products which can be readily adapted to clients' needs and which have global deployment potential. While we continuously refresh and update our product portfolio, two new initiatives for Experian include:

- ProtectMyID, the new consumer identity protection product launched recently in North America, which has multi-country potential.
- Automotive data, where there is opportunity for Experian to increase market penetration for vehicle history products.

Geographic expansion

We continue to grow our presence geographically. Our aim is to expand our credit bureaux footprint globally, establish our analytics capabilities in new markets and grow our targeted marketing activities. For example, we plan further product introductions in Latin America and in EMEA/Asia Pacific to build our capabilities and to capitalise on our growing scale.

Capital strategy

Net debt at 30 September 2009 was reduced by US\$62m in the half year to US\$2,048m, after funding capital expenditure of US\$135m, and net share purchases of US\$59m in respect of employee share incentive plans.

We remain committed to a prudent but efficient balance sheet, with a target gearing ratio of 1.75-2.0x EBITDA, consistent with our desire to retain a strong investment grade credit rating.

There are put and call options over the 30% minority stake in Serasa, which are exercisable from June 2012. As we get closer to the first exercise date it is appropriate to adjust the net debt gearing ratio to include the current value of the put option, valued at US\$556m at 30 September 2009. This mirrors the approach taken by the ratings agencies. Accordingly, the adjusted net debt/EBITDA ratio was 2.1x at 30 September 2009. Subject to trading performance and acquisition activity, we expect to move back into our target range by the end of financial year 2010.

Our dividend policy remains unchanged: to have cover based on Benchmark EPS of at least three times on an annual basis. We have announced a first interim dividend of 7.00 US cents per share, representing an increase of 4% year-on-year. The first interim dividend will be paid on 29 January 2010 to shareholders on the register at the close of business on 4 January 2010.

Debt funding

Our existing bank facilities run to July 2012 and the £334m bond matures in December 2013. We plan to refinance our bank facilities over the next 18 months. It is our aim to spread the maturities of our debt instruments to avoid any undue concentration of repayment obligations.