

Half-Yearly Financial Report – 18 November 2009

Opening remarks

Don Robert
Chief Executive Officer, Experian

1. Introduction

Good morning everybody, and welcome to Experian's first half results presentation. I am pleased to announce a good, solid set of numbers with our performance on profits and cash. This has not been an easy half year for us; we continue to face plenty of challenges in some of our end markets, but despite all that we managed to grow throughout the period. That is great testament to a talented management team that knows how to navigate a company through a downturn. All in all, we are feeling pretty good about the results.

I will take you through some first half highlights; as usual, I will hand over to Paul for the financial review, and he will focus as part of that review on capital management. That is a follow up to a discussion we started with you in May. I will come back and talk a little bit about the longer-term growth strategy and we will wrap up with Q&A.

Some of you might have been aware that we were scheduled to have a Spotlight presentation, given by Ty Taylor who runs Experian Interactive. Unfortunately Ty fell ill with the 'flu and was not able to fly. We gave him a hall pass, but we have told him he cannot escape forever.

2. 2009 first half highlights

Great overall progress

The progress made against some stiff headwinds from the US and UK markets was reflective of the strength of the Experian global portfolio, our distribution system and of course our products and people. Revenue growth was 1%, helped largely by a strong performance by our Latin America business and by Experian Consumer Direct. Those countered a drag effect that we are still feeling from the US and UK credit and retail sectors. Margins streaked ahead 80bps, due to a cost efficiency programme which continues to come through the P&L as planned, and also some extra margin performance, pure operating leverage, coming through at Serasa. We continued to invest aggressively throughout the period; we are still thinking about where growth comes from in future periods. It was a quiet period in terms of the shape of our portfolio, not much buying or selling, but at the end of the period we announced an amendment to the terms of our joint venture (JV) with FARES. Paul will have more to say about that.

Financial highlights

Total revenue growth at constant currency was 1%; organic growth was also 1%. EBIT was up 7%, and margins are now running at 24%, which created a benchmark EPS growth of 3%. We have raised the dividend by 4% to 7 cents per share, and in a period of the year that is traditionally weaker for us on cash flow, we managed to improve cash flow by 27% during the half.

3. Major market trends

UK

In the UK, the picture is that the UK is still in a tough shape, but overall loan books are running off due to tighter underwriting standards and slack demand, as well as banks writing off lower quality credit. At the same time, they are originating less due to tighter standards and not as much demand. Finally, the trend in consumer defaults is still, disturbingly, upward. This means that Experian is still helping our clients play a defensive game in the UK, helping them defend their portfolios, monitor their loans and figure out how to collect more efficiently on what they have. We are yet to move back to any semblance of growth in this market.

US

Meanwhile, in the US things have begun to move on. We expect to see activity levels increasing in the back half of this year; our clients are increasingly talking to us about growth now. Interestingly, we see a return to what I would call 'old-fashioned banking', being a focus on the gathering of core deposits, spread lending and loans conservatively underwritten. However, at the same time banks are saying that they need to figure out who their new target customers are, and how to define and reach those customers given the new operating environment, to ascertain what kind of offers to make those customers. This is good for us, resulting in a lot of new behavioural models and consulting sources of data. At the same time, our regulatory landscape is changing, which creates opportunities for us to consult on stress testing, provide models for income verification and go to the capital markets with some of our tools and other offerings. All in all, we would characterise the US as a market starting to navigate through the cycle and thinking about a return to growth.

Brazil

In Brazil, indicators from Serasa based on multivariate models that track overall levels of activity show that there is now an up-tick occurring in business and SME credit in Brazil, which is encouraging. At the same time, the performance of those loans, the delinquencies, are tailing downward in that market. This is coupled with an increase in the supply of consumer credit; let us not forget that this is in a market where consumer credit under penetrated, so this bodes well for Serasa's continued growth and prosperity in Brazil.

Financial review

Paul Brooks

Chief Financial Officer, Experian

1. Introduction

We are pleased with the financial performance in the half. Despite significant market challenges, profit and cash flow were strong, assisted by effective cost management. Before reviewing the detailed financials, I should point out that as usual all growth rates down to EBIT are expressed in constant currency.

2. Growth

In the first half of the financial year, the total and organic growth rate was 1%. EBIT margin increased by 80 bps to 24%, with good margin progression across two of four principal activities; this gave rise to a 3% increase in continuing EBIT. Benchmark PBT was up 5%, and benchmark EPS growth was 7%, despite significant currency headwinds. When expressed in sterling, EPS growth was 26%, and operating cash flow conversion was 88%, up from 83% in the first half of last year in what is traditionally our weaker half for cash flow.

3. Revenue and EBIT by geography

Overview

Organic revenue growth of 1% in the half benefited from growth in Latin America, with flat performances in the UK and EMEA/Asia Pacific and modest decline in North America. Total revenue growth of 1% translated into 4% EBIT growth in direct activities and 7% EBIT growth after an exceptionally strong contribution from FARES. Regionally, there were strong margin performances in Latin America, the UK and EMEA/Asia Pacific, while the North American margin benefited from a \$7 million one-off legal settlement in the period.

Credit Services

Total revenue was up 3% in the half, with organic revenue growth of 1%. The difference relates to the *SearchAmerica* and *CreditInform* acquisitions, both of which are trading to plan. Overall, growth in Latin America and EMEA/Asia Pacific offset headwinds in North America and the UK. Margin improved by 250bps to 33.8%. Margins improved in the more challenged regions due to cost savings, while there was a step up in Latin America from operating leverage on the strong revenue growth.

Decision Analytics

Both total and organic revenue declined by 8%, reflecting lower transaction revenues and hesitancy by lenders to commit to large software installations. As these are high-margin activities, weaker revenue adversely affected margin. There was a further adverse mix effect from the stronger revenue in the period from lower margin activities such as customer score cards, analytics and consultancy.

Marketing Services

Total and organic revenue declined by 7% in the half. While market conditions continued to impact traditional media, there was some moderation in retailer bankruptcies and market exits in the period. New media continued to grow, with some good new business wins in the half. The margin improvement of 60bps to 9.4% reflects a rise in contribution from higher margin new media activities. Costs actions on the traditional side largely offset negative operating leverage, and we continue to increase investment in new products and markets.

Interactive

Both total and organic revenue grew by 12% in the half. Consumer Direct continued to deliver good growth in the US, although we expect some moderation in Q3 due to the large prior year comparative. In the UK, growth was 51%, and again we would

expect this to trend down somewhat as the business grows in scale. There was improved performance elsewhere, in particular the lead generation education vertical, and PriceGrabber. Margins kept steady at 22.1%, with cost savings offsetting an adverse mix impact at PriceGrabber.

4. Group benchmark earnings

On the lower half of the income statement, total EBIT for the half was \$478 million, in line with last year. This is after a \$34 million adverse currency impact from the US dollar being stronger against sterling and the Brazilian real compared to the same period last year. Net interest was well down on last year at \$41 million, due to the reduction in debt and lower average interest rates. The benchmark tax charge of \$96 million is at a rate of 22% on benchmark PBT. The minority interest of \$20 million relates mainly to Serasa, and we would expect a similar charge in the second half. Benchmark earnings were \$321 million, an increase of 4% on last year at actual rates. EPS growth in US cents was 3%, up from 30.7 cents to 31.6 cents, and dividend per share has increased by 4% from 6.75 cents to 7.00 cents. When expressed in sterling, EPS was up 26% at 20.1 pence.

5. Strong cash flow performance

Traditionally the first half is weaker for cash generation. Nevertheless, we converted 88% of EBIT into operating cash flow, compared to 83% last year. Capex was \$135 million, although we expect a higher rate of spend in the second half. We received \$25 million from the sale of one of our facilities as part of our restructuring programme. Working capital outflow of \$68 million was \$10 million favourable to prior year, due to tight management of debtors. This brings us to operating cash flow of \$421 million. Net interest paid in the period was \$35 million, and tax paid was just \$16 million, due mainly to tax deductible goodwill and some one-off factors. Dividends to minority interests were \$26 million, bringing us to free cash flow of \$344 million, up 27% on last year. This represents a cash conversion rate of over 100% of benchmark earnings.

6. Net debt reconciliation

Closing net debt at the end of the first half was \$2.05 billion, which was about \$60 million less than six months previously. The key driver was the strong key cash flow of \$344 million. The exceptional cash outflow of \$32 million related mainly to the cost efficiency programme. We purchased shares to satisfy employee equity plans, with net expenditure of \$59 million. Foreign exchange and other totalled \$56 million, and we paid the FY09 final dividend in the period of \$135 million. This takes us to our net debt of just over \$2 billion.

7. Capital strategy

We said in May that we would update you today on our capital strategy, which continues to be based on maintaining a strong but efficient balance sheet. We plan to refinance our 2012 \$2.5 billion bank facility over the next 18 months, in line with our policy to have a spread of debt maturities at an efficient cost. We are considering ways in which to refinance, with a potential bond issue next year, and a strong investment grade credit rating is important to facilitate this. This means it is prudent to take into account the Serasa put option to bring us into line with a view taken by ratings agencies and prospective bond holders. The Serasa option is currently valued at \$556 million, reflecting the strong performance of the business, and it is first

exercisable in June 2012. Therefore, we are adjusting our gearing ratio to treat the Serasa option as debt. On this basis, our adjusted net debt to EBITDA ratio at the half year is 2.1 times, compared to 1.6 times if the Serasa option is excluded. There is no change to our target gearing ratio, which continued to be that of 1.75-2 times EBITDA. Subject to trading performance and any acquisition activity, we would expect to move back into this range by the end of the financial year. Our dividend policy continues to be based on the target cover of at least 3 times benchmark EPS on a full year basis.

8. FARES joint venture: amended terms

A few weeks ago we announced amended terms for our FARES JV. The first element of this is that FARES has agreed to dispose of two of its assets to First American, for which we will receive \$48 million in cash. The second is that First American has launched a tender for the listed minority of First Advantage. We announced that we would tender the shares we hold both directly and indirectly in First Advantage in return for a holding of approximately 2% in First American, which is valued at about \$70 million. Finally, the buyout terms surrounding the balance of our stake in FARES have been amended. If exercised in 2010, Experian has a put option and First American has a call option, at a gross value of \$314 million, for which Experian would receive cash consideration payable at the end of December 2010.

9. FY10 modelling considerations

We expect net interest for the year to be in the region of \$80-90 million after nominal net pension charge. We expect the benchmark tax rate for the full year to be around 23%, and capex spend to be in the range of \$300-\$320 million. We anticipate spending a further \$50 million in the second half to buy shares for employee equity plans, taking spend for the full year to about \$110 million.

10. Summary

Once again, we have delivered a performance that demonstrates the strength of the business. Despite revenue declines in parts of the business, we grew sales, expanded margins and delivered good profit growth, backed up by strong cash generation. Looking ahead, we expect to deliver modest organic revenue growth in the second half, and for the year as a whole we are on track to grow profits at constant currency and deliver strong cash flow conversion.

Strategic and operational review

Don Robert

1. Our strategic evolution

I think it is useful to look at where we have been, where we are and where we are going to highlight the evolution of our strategy. Going back to the 2002-07 period, we were busy building and globalising the business, moving into a lot of new markets: Latin America, Asia and Eastern Europe. We spent a lot of time building a team that could take us global, and we made a lot of acquisitions. As the Bear Stearns incident unveiled itself in mid-2007, the focus became rather defensive. We took a lot of cost out of the business and worked hard on efficiency and delivery; the game became a lot more organic and tactical, and in the process of that we took a lot of market share from competitors. Now the focus is on investing for growth,

identifying high value growth initiatives and prioritising those. The biggest chore is prioritising the opportunities because we have so many, and ensuring we execute properly on them.

2. Targeted growth initiatives

There are three ways that we can drive profitable growth. We move into vertical markets frequently; we bring new products to the marketplace; and we expand the business geographically. We are very good at using what we already have to move into new verticals. We have done a lot of vertical diversification, and the most pleasing part of this is that the financial services slice is now down to about 40%, when it was as high as 60% not that long ago. We are working on three very exciting global sector initiatives around telecommunications, where we already had a presence but are now going global with a vertical telecom plan, capital markets, and US healthcare.

3. Healthcare

Last year we acquired a company headquartered in Minneapolis, Minnesota called *SearchAmerica*, which is focused on helping healthcare providers collect money. They are not a collection agency, and do not deal in patient receivables, billing or health records, but they do help doctors, clinics and hospitals collect money from patients, employers, insurance companies and the government. Right now, the US consumer pays for almost 50% of the cost of their own healthcare. This is up from something like 10% eight years ago, and as a percentage of GDP healthcare costs keep rising. There is a big opportunity here. There is also a lot of messiness in this business, in ascertaining whether or not a healthcare provider can get paid efficiently. We see a scenario that reminded us a lot of the credit industry years ago, and that needs virtually everything we have.

We're trying to demonstrate the scope of the opportunity. Fraud prevention is needed. We need to be able to predict income to tell who is going to pay and who is not; payment prediction models, name and address clean up and verification, and collection tools to pick up delinquent balances. All those things we do in so many other vertical markets are needed in healthcare, and we are really charging into that market with *SearchAmerica* as a vehicle. We're very excited about that.

4. Product innovation

This has always been the cornerstone of our growth strategy. From before my time, the company developed a train of thought saying our clients need to have something new and new value added products from Experian constantly. As we become more global, we have selected those opportunities that can be global and high scale to execute on. Two involve automotive data and a brand new product called ProtectMyID (PMID).

Automotive data

In several countries we offer reports on used vehicles, so if you are a consumer purchaser, a lender, bank or auction house you can come to Experian and get a report on a car. That report will tell you the chain of ownership, the odometer mileage readings at various points in the transfer, and it will highlight any major frame or water damage that has happened to that vehicle. In the US, we took the product to new level and made a big investment in accident data. Now we cover

most of the vehicles that are on the road, knowing any kind of damage that has been reported to an insurance company. That has allowed us to develop a confidence score that we apply to the vehicle, to tell the purchaser really how good that car is on a scale of zero to 100. In turn, that has landed us a huge partnership with eBay Motors. eBay is the largest retailer of used cars in the US now, and with every vehicle listed on eBay will be available an Experian vehicle history report. We think we can keep rolling with that whole plan.

ProtectMyID

ProtectMyID is a brand new product from Consumer Direct. This whole issue of identify theft and guarding against it is turning into a big market. We estimate through competitors that it is worth about \$150 million a year. We know that about 10-15% of our Consumer Direct members sign up for our credit service just to monitor their file against ID theft. We have come to the market with a better mousetrap: credit monitoring, monitoring of internet activity with regard to one's identity, of government records. We provide a layer of insurance against identity theft, and remediation: handholding to the consumer in the unlikely event that the identity is stolen. This is a membership-based product like Experian Consumer Direct, and we hit the market in September. We are choosing a very heavy television broadcast medium to get the message out and stimulate demand for ProtectMyID.

[Video]

The product appeals to an older demographic, which is appealing to us because it will lead to less churn in the product; I think it will be very stable. It is ramping up nicely, and hopefully we will have good things to tell you about ProtectMyID as this plays out.

5. Geographic expansion

Overview

We typically lead with Decision Analytics products. If there is an opportunity to build or acquire a business or consumer credit bureau we do that, and then finally we look for marketing opportunities, especially pertaining to financial services and risk. Our aim of course is to do it at scale, much as we have done in Brazil, where everything comes together and creates such good growth and operating leverages.

Geographic expansion EMEA

Today we are in five positive data markets across Europe, and we see that expanding over the next few years; Spain is currently moving from negative only to full file coverage. This will lead in turn to increased coverage of the European population. We are aggressively expanding our Decision Analytics business across Europe; highly in demand, especially in a lot of emerging markets. For example, we have a very substantial and fast-growing Decision Analytics business in Turkey, which will continue to benefit us. In Marketing Services, we are continuing to roll out into more countries. France is becoming a very good geography for us with regard to Marketing Services, and we see opportunity in other European emerging markets as well. South Africa has turned into an excellent bureau, Decision Analytics and now marketing opportunity for us. We see growth not just in the sexiest places, like Brazil, Russia, China and India, but also in Europe.

6. Summary

We feel great about the performance we are talking to you about today; not just the cash, the profits and margin, but also the fact that we have managed to continue to grow the business throughout this economic downturn. I would emphasise that the environment remains tough; the UK is still very much in defensive play. In the US we see signs of light that we hope will materialise into revenue. Brazil and other emerging markets are very strong. We have a clear growth strategy; I touched on three growth initiatives, but these are three of 18 multi-strand growth initiatives that have been carefully sized, defined, managed and executed on, and we think they will support a return to growth for us in the coming periods.

Finally, it was very important for us to talk to you again about stewardship of investors' capital. It is such an important part of the equation, and we think that all of these things, including the capital management strategy, will come together and reinforce each other over time to continue to create shareholder value.

Question and Answers

Andrew Ripper, Merrill Lynch

You mentioned growth initiatives; have you flagged the five you mentioned in the press release in particular because they have the biggest potential for you?

Don Robert

In part, and also because they are interesting to talk about. We have some growth initiative that are kind of boring, involving the minutiae of pricing, for example; things that would not be appropriate or exciting to talk about. These are very tangible initiatives that everybody understands and that have quite a bit of substance to them.

Andrew Ripper

You mentioned that they have been carefully sized as opportunities; are you prepared to give an indication of the aggregate opportunity of the 18?

Don Robert

I thought this was where you might be headed with that question. We would prefer not to get too granular on that. If we are growing at 1%, we do a gap analysis as to looking at our targeted growth rate and a return, hopefully, to a historical growth rate that we feel good about, and what we need to do over time to plug that gap. We have worked hard on the assumption that we might not get a big lift from the market. That will be great when it comes, but we are operating under the assumption that we need to make it happen by ourselves. We have sized them all and think they are all significant; some of them are pure start up businesses, such as ProtectMyID so they are going to develop at different rates. We hope in aggregate that they will be meaningful, starting from our next fiscal year, and start to move us back into a growth territory we would like to see.

Andrew Ripper

Could any of them make a meaningful difference to Q4 this year?

Paul Brooks

It is tricky. As Don says, some of them, like the public sector telecoms, are already reasonably sized businesses, and we are really just accelerating the growth there. They are already making a difference. I certainly expect to see some small incremental benefit in Q4, but I think really next year is when we will start to see the benefits from these programmes.

Andrew Ripper

Thinking about the costs attached to these growth initiatives, and the operating leverage within the business, you have been very successful in Latin America in the first half. Do you feel that if you swing from negative to positive in some of the more mature markets you will be able to demonstrate positive leverage in the US and the UK? Are you able to lever your existing infrastructure and data assets to drive these growth initiatives or do you have to make incremental investments, whether that's capex or P&L?

Don Robert

Are you talking about just to support the positive data initiatives, or about new products in general?

Andrew Ripper

Of the 18, of which we have talked about some today, how much incremental investment, P&L and capex, might we see?

Don Robert

You raise a very interesting point. For instance, in the US you saw a little bit of margin pressure in the half. A lot of that was due to inward investment in new products, in particular a lot of money that we put behind ProtectMyID, which went through the P&L. We saw a very timely opportunity that would benefit from more investment sooner, rather than dribbled out over time, so we decided to go for it.

Paul Brooks

To a large extent it is true to say we can leverage existing assets, the data and infrastructure. However, there will still be some incremental investment both through the P&L, particularly on something like a PMID product where marketing is going to be the main investment, and some incremental capex. However, we would expect to manage both of those within our normal financial targets. For instance, we talked about maintaining and improving margins, so we would not expect these kinds of investments to get in the way of our overriding objectives.

Andrew Ripper

Finally, just on the margin guidance – as far as the second half is concerned, would you expect margin to be flat or up on the second half of the previous year?

Paul Brooks

We are saying for the full year that we expect to improve margins. That obviously gives us a range of outcomes for the second half. We would not necessarily expect to

see such a strong improvement in the margin in the second half, but clearly our objective will be to improve margins as well.

Andy Chu, Deutsche Bank

You mentioned wins in the first half in marketing solutions; could you give us some examples? I guess they are mainly with retailers.

Don Robert

Yes, and some of those have been in the US.

Chris Callero, President and COO

We have had several important client wins where we have extended our data capabilities in assisting our marketing services clients from the standpoint of target marketing. We have clearly seen the continued growth in our digital marketing services business; our CheetahMail product, for example, has had numerous major wins across a number of industry verticals, and continues to do well in that business. From gains in the traditional, and more importantly these strategic wins we have had on the digital side, our QAS address contact business continues to go well, so we feel very good from those standpoints.

Andy Chu

On numbers, could you give us some steer on the cash tax and cash tax rates? I think you generally run double digits at a cash tax rate, falling down to below 4% this half. What can we expect this year?

Paul Brooks

I need to caveat a little, because it is not a terribly predictable number and it often depends on negotiations with various tax authorities. As you say, it was 3% in the first half; for the full year we would expect it to be a little under 10%, but there is a range of outcomes around that.

Charles Wilson, Goldman Sachs

Can you give a flavour of where you are making the market share gains, the ones you are most pleased with and why that is happening?

Don Robert

If you study the performances of our publicly traded competitors, all of whom trade publicly in the US, for example Equifax, Axiom and Fair Isaacs in particular, you will see that Experian's performance versus that group has diverged. Much of the market share gains have come in the US in Credit Services and Decision Analytics; Serasa in Brazil has continued to take a strip out of the two local competitors there, one of which is an Equifax-owned bureau. I would say that in the UK we have held on to a solid share. We have had a couple of singular, big client wins against the competition, and then across Europe a lot of good singles and doubles here and there. However, Latin America and the US are the two that would show up most brightly.

Charles Wilson

Finally, on pricing the financial services sector, could you make some comments about where you are with that and what you would expect going forwards?

Paul Brooks

We flagged some time ago that we expected bank mergers to have impact of less than 1% on group revenue, and that is homing in on about 0.5% of group revenue, about \$20 million. We are seeing the full impact of that in our current run rate. Overall, the pricing pressure tends to be in the consumer credit business in the US and UK; that is probably where it is most keenly felt, and it is mainly being felt via the effect from the bank mergers.

Jaime Brandwood, UBS

You made some reasonably positive comments about the US moving into the second half, and if we remind ourselves of the growth profile there, US Credit Services actually got a little bit worse in the last quarter. Do you see that -7 to -8% getting less negative as we move in to the second half?

Don Robert

First of all we need to get through this quarter, which is going to be a tough comparative quarter for US Credit Services. Keep in mind we had a big flush of mortgage refinancing late last calendar year, so that is going to be a bit more difficult, but I would hope to see the comparisons get better after that. We have easier comps, hopefully the market has stabilised in the US, and I think that the combination of those two things should give us a bit of an assist.

Jaime Brandwood

Do you think your customers are waiting to get more clarity on credit regulations before they press the button on some initiatives?

Don Robert

They definitely are. On 22 February, the US credit card legislation will take effect, so there is a fair amount of client activity on the sidelines waiting for that to happen. At the same time, they know they will have to do some things differently, so they know that the profile of their ideal customer is changing; they are going to have to verify sources and amounts of income when they underwrite these new loans and cards. We have just introduced a new product to the market called Income View which gets right to that issue, so we probably on balance see more positive than negative for Experian in that whole scenario. Again, it is a back half of the game kind of event.

Jaime Brandwood

P&L investment on growth initiatives is about 2-3% in a normal year; what kind of step up could we see in FY11, for example?

Paul Brooks

I do not expect to see a significant step up, and I would expect us to be able to absorb the additional spend within our normal financial objectives. To remind you of the sorts of areas we are investing, we are subscale in a number of geographies right

now, so there is a lot of geographic investment going on in emerging markets. We constantly invest in new products, some new-new, some replacing existing products. Part of that spend is capitalised, but I would say the majority tends to be expensed. A lot of the work we do in new vertical markets is in terms of getting additional sales force or sales leaders in place. I would still expect us to be circa 2% of revenue going forward.

Jaime Brandwood

On the Consumer Direct business, I guess ProtectMyID is going to be classified within Interactive – is that correct?

Don Robert

Right.

Jaime Brandwood

Obviously you won the big Discover deal last year – are there any other deals of that nature in the pipeline, with big credit card companies or anything else like that that you see come up?

Chris Callero

We have a couple of big deals in the pipeline, partly associated with our ability to now offer ProtectMyID, so we still compete actively in the market for some of those opportunities.

Don Robert

Keep in mind there is a 30% growth comp this quarter against Experian Consumer Direct, so a little bit of a hump to get over there.

Jaime Brandwood

Has there been much change in retention trends in Consumer Direct?

Don Robert

We have done a great job in stabilising retention over the past year. Year over year, we have had a significant focus on our customer acquisition and retention strategies, and deploying our Marketing Services data and analytics to help segment our consumer base in Consumer Direct. This has yielded significant improvements in our retention rates such that they are now stable, fighting against the economic downturn and consumers who are looking at their credit card bill every month and deciding which service they need or do not need. We feel very good that we have been able to stabilise retention and improve the operating environment.

Jaime Brandwood

Is it still the case that past year one the retention goes up substantially?

Don Robert

Yes, within the latter part of the first year it does, but then with the added features we are introducing with ProtectMyID.com and the realisation that 10-15% of our Consumer Direct customers look at ID theft protection as part of that offering, that

gives us good persistency and so the mix over time will change to greater persistency because of that.

Jaime Brandwood

One final question, the Serasa minority has a dividend payment attached to it, and it looked quite high in this particular period. Is there an agreement with the Brazilian banks where suddenly the dividend payments are stepping up or anything of that nature?

Paul Brooks

It depends on the distributable reserves within the business. Our objective, absolutely alive with the minority, is to pay the maximum dividend we can out of Serasa, and we had quite a catch up in the current year. I should add that part of the dividend is paid as interest on capital, which means that it is tax deductible; so the minority interest is perhaps a little higher than you might expect to see because of that. The effective rate of tax within Brazil is low.

Jaime Brandwood

You are, however, not expecting that to keep on climbing.

Paul Brooks

No, in the second half we expect the minority interest to be similar to the first half.

Don Robert

Any final questions? Alright, thanks very much for coming. We will see you in six months.