

Experian plc

Half-Year Results – 10 November 2011

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Part I: Strategic and operational review

Don Robert
Chief Executive Officer, Experian

Introduction

Good morning everyone, or should I say *buongiorno*. Thank you for joining us at our first half results presentation this morning, it is great to see you all. We have a strong set of numbers to talk to you about today and, more importantly, we have a strong execution story behind those numbers. Let me just make this point: we have received no help from the economy, nor are we expecting any help from the economy. The progress that you see today has come from investing in opportunities, creating our own luck, if you will.

Highlights

Organic growth was 6%. I think what was more pleasing than the actual rate of growth itself was the fact that it was broad based, so all four of our geographic regions grew. If you look at our product segments, both Credit Services and Marketing Services experienced double digit growth. We have moved margins ahead by 20 basis points despite investments and the effects of a couple of acquisitions. Strategically, we saw good contributions from our global growth programme, we made a handful of very interesting, very important bolt on acquisitions, and as you probably saw yesterday, we have largely wrapped up our deal in Colombia.

Strong H1 performance

Financially, headline revenue is up by 15%; that was 11% in constant currency. Organic revenue growth was 6%, EBIT was up 16% and that was 12% at constant currency. Again, EBIT margins grew 20 basis points. EPS grew 18%, which, incidentally, was the best result since our demerger from GUS five years ago, so we feel very good about that. We have raised the dividend 14% to 10.25 US cents.

Update on global growth programme

On the global growth programme we are starting to see nice contributions from the growth initiatives. We think that for the full year, about 3% of our growth will come from global growth programme initiatives. The three most impactful in the first half of the year you see listed here on this slide.

I think it is worth talking for a few minutes about the tailwinds that are behind the business, the structural growth drivers helping to move the business of Experian ahead and there are four of them.

Structural drivers of growth

Growing need for transparency

Governments are very concerned still about safety and soundness of the banking systems; regulators want real time data, insight, control over the entities they are regulating and, of course, lenders are trying to grow again but they have to be very discerning in the kind of growth they are after, so all of this spells the need for more data, more tools, analytics and insight.

Tackling universal issues with science

Secondly, in new verticals, where we have made a lot of progress, the adoption of science – science applied to the management of customers – is proving to be significant driver behind the business. Our new vertical clients are starting to employ the same techniques and the same science as financial services players and sophisticated retailers have been doing for years and years, and they all have the same problems: fighting fraud, managing arrears and delinquencies. Who is my most profitable customer going to be? Who is going to churn out? Who is likely to be a post-paid or pre-paid customer? Accordingly, we are seeing health care, telco, utilities, public sector increasingly making use of science, and, of course, we have the science.

Digital channels are changing consumer habits

Mobile commerce and digital communications are altering consumer habits and the way that advertisers are relating to consumers in a very, very important way. This year in the US, 20% on advertising spend will be through digital channels. By 2015, that is projected to be 33% and obviously, today, we are seeing the effects of this important trend behind the Marketing Services business of Experian.

Consumers need to manage their personal data

Then finally, our consumers are increasingly concerned about managing their own credentials, their own identity, putting surveillance on their own portfolio of credit and identity and increasingly being concerned about what their children are doing both on the web and with the use of the mobile phone and, again, this is playing very strongly into our own consumer direct business.

So these are four very important tailwinds that are moving the business ahead.

Strategic progress in the half

You have seen our five strategic objectives before. I think they line up very nicely to the tailwinds that are moving the business ahead. We will touch on them each briefly in a minute but before we do, I would just like to make the point that the common thread that runs through these of these is investment. One of the things that helps Experian to grow through good times and through

challenging times is the fact that we never let up on investing; through the identification of these strategic initiatives and putting the right capital, the right resource and the right talent behind them, we have continued to create growth.

Data investment

First of all, data investment in the bureau. In the UK and the US, we continue to bring in very unique sources of data that differentiate us from the competitors and that also further strengthen the barriers to entry around this business. So for instance, in the UK, we have been bringing in current account data, utility data, pay day loan data and in the US information on rental properties and utility trades.

We talked to you in January at our investor seminar about our R&D data lab in the US and this is proving to be very interesting and very impactful for us. The R&D data lab looks at combining Experian data with customer data and trying to find new relationships and new opportunities. It is a team of scientists that have a workbench populated with all kinds of interesting data. To give you an idea, one project they are working on currently for a top five US retail bank involves helping that bank understand the impact of all of the mortgage alterations, extensions, modifications that the bank has had to do at the hands of the Obama administration for their borrowers and helping them to see into the future and better understand how that portfolio is likely to perform. You cannot just do that with static credit data.

The major point I would like to leave you with is on this slide is that it is investments like these that are creating the growth that you are currently seeing in our Credit Services business.

Data expansion

Further afield from the UK and the US, several geographies around the world are moving to positive data, so we are investing in positive data. Obviously, Brazil is as well. In Brazil, we have just formed a very important partnership with a retail association who has a great treasure trove of negative data in many parts of the country of Brazil where currently had no data or very little data. So we have partnered with them, we have got their data in the database now and that is proving to be very impactful.

New customer segments – progress in H1

Vertically speaking, with our recent acquisition of the LM group, we are now the leading player in delivering credit and risk data to SMEs. The public sector is back as far as Experian is concerned; our pipeline is very good after a couple of years of stagnation. We are now winning new significant public sector contracts at several levels of government and, in our health care industry, our recent acquisition of Medical Present Value in the United States doubles the size of our addressable market there. We had the hospital market before; we have got the physician market now.

Again, the key point here is that fully two thirds of our revenue now comes from outside financial services, so when we have a lot of the conversations like I have been having today about the eurozone and eurozone impact, we have to default to two really important data points, the first of which is Experian is very underweight in Europe and secondly, we are becoming even more underweight in financial services.

Update on Computec

You have seen us investing pretty aggressively in emerging markets over the last few years. Yesterday we announced the completion of our deal in Colombia. We have acquired a 98% stake in Computec, also known as Datacredito, for \$380 million. We are likely to acquire the remaining 2% early in 2012. The business is trading right, according to the buy plan. For the calendar year 2010 it generated revenues of \$83 million and EBIT earnings of \$22 million; the business is growing at a 20% rate and we would expect for the current calendar year to see revenues in the \$100 million range. Just as important as that is the fact that now 20% of the Group revenue comes from Latin America on a pro forma basis worth about \$1 billion.

Marketing Services – structured for growth

Marketing Services has been a big success story for us. What we are doing now is really building out the multichannel capabilities and our focus is on 10 major markets. We are leading with data and then bringing in the digital channel capabilities behind that. We now have email marketing capabilities in 10 major markets, and eight of those 10 markets have at least four or more of our Marketing Services capabilities in them. What this is allowing us to do is compete for big multinational Marketing Services client relationships. Good recent examples of those would be Puma, Estee Lauder and American Express, for whom we do digital marketing in many different geographies around the world.

Progress at Consumer Direct

Finally on our consumer business, we are very pleased to see the North American Consumer Direct Business move back into mid single digit growth, all of this while we are still working on the brand migration to our portfolio of brands approach. We have also been moving pretty aggressively into the protection space. We talked earlier about the need for families to protect their children's behaviour on the internet. The SafetyWeb acquisition is an important step in that direction. We are also bringing other consumer products to market involving automotive data and data on homes.

Strengthening our management team

Now, a big part of our success over the last few years is our ability to land and cultivate and retain top talent, and I am pleased today to say that we have had some very important senior hires happen at Experian in the last few months.

Joy Griffiths, who is not with us today, came from Lloyds TSB. She was the Managing Director of Community Banks. She is in Brazil today learning about our Brazil Decision Analytics business.

Craig Boundy, would you like to stand up and wave? He joins us from Logica; Craig was the CEO of Logica UK and he will be running Experian UK.

Chris Clark, who is sitting next to him, joins us from BT where he was running BT Enterprises. We are thrilled to continually refresh the senior talent pool at Experian and we know these three will have a big impact.

Summary

So a summary of the first half is: very strong progress, we are exceptionally pleased with it, I think it represents a very solid execution on our plans and specifically delivery against our global growth initiatives to reduce some of that dependence on any kind of economic assistance. It is a good base to grow from in the future and because of that we are pretty well placed to deliver further growth in the months to come.

I will now turn over to Paul for the financial review.

Part II: Financial review

Paul Brooks
Chief Financial Officer, Experian

Introduction

Thank you Don and good morning everybody. We are very pleased with the financial performance in the half, which was in line with our expectations. We are executing well against the growth strategy and realising returns on the investments we have made. As usual in my review of the financials, all growth rates down to EBIT will be expressed in constant currency.

Financial highlights

In the first half, we delivered total revenue growth of 11% and organic revenue growth of 6%. There was further progression in our EBIT margin to 24.5% giving rise to continuing EBIT growth of 12%. On the back of a significantly lower interest charge, we delivered strong double digit growth in both benchmark PBT and EPS, up 20% and 18% respectively. We have also increased our interim dividend by 14% to 10.25 cents.

Revenue and EBIT by geography

Turning to performance by region, organic revenue growth of 6% in the first part of the year reflected a strong performance in Latin America, good growth in the UK and EMEA, and modest growth in North America. There was total revenue of 11%, which translated into EBIT growth from continuing activities of 12%, with EBIT margin increasing by 20 basis points to 24.5%.

Organic revenue growth contribution

Although our overall organic revenue growth in the first half was at a similar level to the first half of the previous year, it is important to highlight that growth is now much more broadly based. If you look at sales revenue against organic revenue growth, you can see, in the first half of FY11, virtually all of the growth was driven by global Marketing Services, Latin America Credit Services and North America lead generation, which together represent less than half of the business.

In the current half year, Credit Services outside Latin America returned to growth, as did global Decision Analytics. We have also delivered an improved performance from interactive, excluding lead generation. So nearly every business contributed to growth.

EBIT margin by geography

Taking a closer look at margins, all regions progressed in underlying terms with the exception of EMEA Asia Pacific where the lower margin was mainly accounted for by the investments we are making, such as the start-up credit bureaus in India and Australia. Before the impact of acquisitions, margins showed good progress, improving by 60 basis points to 24.9%. Most of our acquisitions do not yet achieve our average margin and as a result they had a dilutive impact of 40 basis points, leading to the reported margin of 24.5%.

The four business segments

Now let us turn to performance in our four business segments, starting with Credit Services.

Credit Services

Total growth was 12% and organic growth was 10%. In North America, we continued to see steady progress in consumer information, helped by modest growth in origination activity. Business information, automotive and health care payments grew strongly, benefiting from the investments we made. The strong Latin America performance reflects volume growth and clients trading up to higher priced, more feature rich products. Authentication revenues declined but by less than we originally expected. While the UK was flat for the half, we are pleased to see a return to positive growth in the second quarter. EMEA Asia Pacific held up well, with resilient performances even in some of the more economically challenged markets. Margins moderated to 33.6% due to below

average margins in newly acquired businesses. Excluding acquisitions, margin was up slightly with a strong improvement in Latin America.

Decision Analytics

Both total and organic revenue increased by 8%. North America and the UK delivered double digit growth with software, fraud services and value added products performing particularly well. Pipelines are also fairly robust. EMEA Asia Pacific declined, reflecting weakness in some European markets. The margin declined to 21.1%, reflecting investment in emerging markets and some negative operating leverage in Europe.

Marketing Services

Total revenue grew 16% with organic revenue growth of 10%. The difference relates primarily to the acquisitions of Virid in Brazil and Techlightenment in the UK. Strength in North America and EMEA Asia Pacific was driven by strong demand for our digital marketing platforms. Lower growth in the UK reflected weakness in the public sector, though good growth was seen in email marketing. The lower margin of 13.7% is due mainly to the impact of lower margin acquisitions.

Interactive

Total revenue grew by 7% with organic revenue declining by 2%. In North America, consumer direct delivered mid signal digit growth, reflecting good progress by our new consumer brands. While revenue in the education lead generation vertical declined significantly year on year, our strategy to refocus on higher quality leads is proving effective, and we saw sequential stabilisation in revenue during the second quarter. Growth in the UK of 19% was driven by our enhanced CreditExpert product and stronger retention. Margin improved by 270 basis points to 22.6% against a weak comparative. It also benefitted from a positive mix effect and improved retention rates.

Group benchmark earnings

Moving on to the lower half of the income statement, total EBIT was \$560 million which represents 16% growth at actual exchange rates. Net interest reduced to \$21 million after a net pension credit of \$5 million due to lower interest rates and lower average net debt. The benchmark tax charge of \$122 million is at a rate of 22.6% on benchmark PBT. The minority interest of \$38 million primarily relates to Serasa and the year on year increase reflects its strong profitability growth and the strength of the Brazilian Real in the half. This brings us down to benchmark earnings of \$379 million, an increase of 16% on last year. EPS growth in US cents was 18%, up from 32.4 to 38.3 cents. Dividend per share has increased by 14% from nine to 10.25 cents.

Cash flow performance

Turning to cash flow, in the traditionally weaker half of the financial year for cash flow conversion, we converted 78% of EBIT into operating cash, compared to 79% in the first half of last year. For the full year, we expect to convert our usual 90% or so. Capital expenditure was \$201 million compared to a depreciation charge of \$155 million. This reflects the investment we are making for growth in data, software products and platforms. The net working capital outflow of \$81 million arises principally from the first half impact of bonus and commission payments. This brings us to operating cash flow of \$436 million.

Net interest paid in the period was \$24 million and tax paid was \$50 million, reflecting a cash tax rate of 9.3% on benchmark PBT. Dividends paid to minorities was \$36 million bringing us to free cash flow of \$326 million representing a cash conversion rate of 86% of benchmark earnings.

Net debt reconciliation

In terms of net debt, we started the year with \$1.5 billion. During the first half, free cash flow was \$326 million, there was a net outflow of \$278 million from acquisitions. This related to a number of deals, the largest being Medical Present Value in North America. We purchased shares to satisfy employee equity plans, with expenditure of \$92 million. The FY11 final dividend paid to our shareholders in the half amounted to \$189 million. Foreign exchange and other was \$26 million, and that takes us to the net debt at the half year of \$1.7 billion.

Net debt / EBITDA

The value of the Serasa put option at the half year was \$865 million. This was virtually unchanged from March with an increase in the local currency value being slightly more than offset by a weaker Real exchange rate at the period end. Adjusting that debt for the value of the put option, we ended the half year with net debt to EBITDA of 1.8 times. Completed after the period end, the acquisition of Computec in Colombia takes us to the top end of our target net debt to EBITDA range of one and three quarters to two times. However, as usual, we expect to see strong free cash flow in the second half.

FY12 modelling considerations

We now expect net interest to be in the region of \$50-55 million after a net pension credit of \$11 million. We expect capital expenditure for the year to be in the region of \$450 million after taking account of CAPEX and acquired businesses, and the impact of foreign exchange movements. We now anticipate a benchmark tax rate for the full year in the region of 24%, reflecting the changing profit mix arising from organic and acquisition growth. We expect acquisitions to contribute about 4% to revenue growth in the second half. Of course, exchange rates have been volatile lately so care should be taken in modelling the reported numbers. If current rates prevailed, we would expect a slightly negative impact on second half EBIT growth from exchange.

Financial summary and outlook

We delivered strong performance in the first half year in terms of organic revenue growth, margin progression, profit growth and cash conversion. Looking ahead for the second half, we expect to deliver organic revenue growth at least as strong as in the first half and for the full year we expect modest margin improvement and a strong cash outcome.

With that, I will hand you back to Don.

Summary

Don Robert

Thank you Paul. In summary, I would say that we have made a lot of progress in the first half toward securing and sustaining growth at Experian. We think it is all about these five issues: continuing to build our edge in the acquisition of unique sources of data; moving aggressively with everything we currently do into new customer segments; continuing to penetrate exciting new economies around the world; exploiting our advantage in multichannel digital marketing; and finally reaching the consumers in the best way through a portfolio of brands with products that are very impactful to them.

We think we have a very rich set of opportunities across all of our business lines and, to succeed, we aim to continue to invest both organically and inorganically and to focus on prioritisation and execution. This is what gives us confidence to create and sustain value, now and into the future.

So, with that can I please invite Chris Callero to join us on stage for Q&A and as usual, we will also be taking questions from those of you who have joined us by phone.

Part III: Questions & Answers

Andrew Ripper, Bank of America Merrill Lynch

Don, I wonder if you can focus a little bit more on Brazil, and give us a flavour for what is happening on the consumer side and the business information side. I am conscious that we have seen a slowdown in economic growth in Brazil but the credit statistics coming out of the country up to the end of September still seem very strong. Then on top of that, in the statements you talk a bit about what you are doing in terms of positive data, bringing in more data to the bureau from non financial sources. Can you give us some colour on that and

give us a sense of perhaps when you expect to be able to turn that into something that is saleable?

Don Robert

I will start from more of a macro perspective and then turn it over to Chris. Obviously, there is no question that things are slowing, and that growth is slowing, in Brazil. I think a combination of the Brazilian Real strengthening and specific government actions that have been taken is causing things to slow down in a fairly controlled way right now. In terms of our own business, we have not seen any impact but keep in mind we have a very nice mix of business information and consumer information in a lot of different verticals in the Brazil market, so it is not just a one trick pony of consumer information to financial services. We are also building very good Decision Analytics businesses with a very good Marketing Services business with the acquisition of Virid. We have got the fraud business that Paul has talked about; we see a lot of ways to spread our bets and to win in Brazil. Chris, do you want to comment more directly on trends in consumer business information and positive data?

Chris Callero, Chief Operating Officer, Experian

We are seeing reasonably good trends on both the consumer and the business information side. As you probably know, it is really 60/40 consumer and business information. We continue to see strong SME growth in the market. We are looking at a number of different growth patterns that are emerging, such as our ability to partner with the Retail Merchants Association that Don referenced; getting that data helps us get to markets that were effectively underserved in the past in a very constructive way. We are able to support TELCOs out in rural markets. That is very important. I think the increase in broadband and mobile continues to grow in Brazil; we play to that marketplace as well.

Just to speak a little bit about the positive data. While legislation is passed, regulations have been under works and fundamentally, there are two prime groups that deal in establishing the regulations, one on behalf of the consumer rights and the other effectively, the monetary council. That is expected to come together at the end of this calendar year. Once that happens, we expect to be able to accelerate our ability to include data sharing with a lot of the major banks. Up to this point in time, we have data sharing agreements going on with small and medium sized banks, some Telcos and some utilities, so we are making progress with respect to it but the real trigger point for getting the majority of the activity and action really comes when the regulations are settled and the banks are in a position where the regulations require them to provide the positive data. We look for that to be more of a longer term benefit in serving the market; it is not one that will be immediate. It will provide us with the ability to look at credit using the data for a lot of consumers that are underserved right now by virtue of it only being a negative data environment. We further expect that demand for credit will increase for consumers and then lastly, with the demand for credit increasing, the overall pricing of credit for consumers should improve by virtue of competition. Structurally we are in very good shape and I would say that, in an emphasising way, it will take some time

to see the benefits of positive data rollout – it will not be something that will be immediate, it will roll out over a period of time.

Don Robert

I would like to just add one final point to the Brazil question and that is this: the 20% growth that we have been seeing there for the last several quarters has truly been exceptional and I would think, under most circumstances, we would expect to see some moderation in that rate of growth.

Andrew Ripper

Chris, just to come back to you in terms of positive data, I think I missed the timing then when you were talking about getting the bigger banks on board. Did you talk about towards the end of next calendar year?

Chris Callero

No, what I said was at the end of this calendar year it is expected – and remember it is Brazil – that the regulations will pass but the detail of those regulations will dictate the adoption that will be required.

Andrew Ripper

Okay, so subject to that, you will be able to revisit the timing of when you are going to be able to get the large banks on board, once that is out.

Chris Callero

That is right.

Michael Meltz, JP Morgan

Thank you. Good morning, I have two questions. Can you speak a bit about the transitioning in the Interactive business as you look to the second half? It sounds like you are talking about ECD strengthening and the declines in education cycling, so should we be seeing some better growth out of that business? And then I have a follow up.

Don Robert

I think you have that broadly right, Michael. Paul would you like to comment more specifically?

Paul Brooks

I think the key dynamic in the Interactive business Michael is obviously the interactive media business, which is about a quarter of the North America

Interactive business. This is where the lead generation activity occurs and particularly education lead generation where we have seen the challenges from the reduced marketing spend by the for-profit schools. In terms of comparatives, we had a tough comparative in the first quarter and an even tougher comparative in the second quarter, the third eases a bit and the fourth eases quite a lot, so, given that we are now seeing sequential stabilisation in that business, we would expect to see improvement in those growth rates within interactive media in Q3 and particularly Q4. Consumer Direct is growing nicely in mid single digits; we expect it to grow at least that kind of rate as we go into the second half, so if you put those factors together, we clearly would expect to see some improvement in the interactive growth rate in North America as we go through the second half.

Michael Meltz

The non-Consumer Direct piece – do you expect it to decline less in the second half or actually grow?

Paul Brooks

Certainly it would definitely decline in the third quarter; the fourth quarter, it would be closer to stable, depending on how the trends pan out in the second half.

Michael Meltz

Okay. And then Don, a broader question about market share and the competitive environment in the US. Can you talk a bit about what you are seeing there? Equifax seem to imply they have been taking some share recently. I am interested in your thoughts.

Don Robert

We heard those comments as well. I would just say – again we are just talking about the Credit Services business, which is what Equifax is still really all about – winning a few and losing a few is just business as usual, but I will say that one of the ones they have taken from us was a company to whom they sold their Marketing Services business and part of the deal was that Equifax would pick up their credit business. Aside from that, I think we have taken more off them than they have taken from us.

Michael Meltz

Thank you very much.

Don Robert

Thank you Michael.

Andy Chu, Deutsche Bank

A couple of questions, of which the first one is, in the first half, could you let us know what percentage of revenues have been contributed from the global growth initiatives, please? I know you have a full year target of 3%.

Paul Brooks

For the first half, it would be a little less than 3% – between 2% and 3%.

Andy Chu

Just looking at the strong continued cash flow generation and a strong balance sheet, is it possible to walk us through some of the opportunities out there on the acquisitions side, obviously without naming names – areas, regions – and then, in terms of some of the sources of data, could you give me a little bit more of an insight? Some of these areas seem to be quite obvious areas that you are mining today, such as mortgage data, utility data. Why is it that only now you are able to mine these areas of data please?

Don Robert

Let me take your second question first. Oftentimes, it will take us years of working with potential data contributors to convince them that their data belongs in our credit file. Many times, this has to do with us making them comfortable around privacy issues, the restrictions on the use of data, then the physical transference of the data. Point number two is while we sometimes feel that logically, our file, our decisioning power, would get a statistical lift from the inclusion of new data sets, when we start to work with that data sometimes it does not make a difference.

Finally, I would add that we continue to stumble into things and find things that we really have not thought of before. An example of that is with the company we have just bought in Colombia, Computec, one of the important data sets they have on their file, because everyone in Bogota has a home alarm system, is payment records to the alarm company. As we travel around the world, and we get familiar with the nuances of different markets, we are on a continual voyage of discovery there.

In terms of the M&A pipeline and uses of cash, I would say by historical standards things are pretty modest right now. That is not to say that there could not be more sizable deals coming through in the future. For instance, Computec was a good solid two-and-a-half year courtship, and so we would not count something like that until it was pretty close to the finish line when responding to a question like the one you have just asked. Right now we have a decent geographic spread of deals and I can think of a couple of very minor things in Europe, minor things in the UK, a couple of things that are a little bit more interesting in Asia and the US but there is nothing there that would shock you in terms of size or strategic issues.

Jaime Brandwood, UBS

Just to the earlier question on Equifax, since you are not losing market share and they were making pretty positive comments on their equivalent of US Credit Services, would you share the same optimism? Clearly you have seen some acceleration in Q2 versus Q1, do you think that that momentum can build in the second half?

Don Robert

I do think we see some momentum in the second half but it is not from pure credit to the financial services system. In our case it would be for all of the other things that we are working on that we have highlighted this morning, especially a lot of our vertical markets' efforts involving credit information.

Jaime Brandwood

On the margins, I know you do not separately disclose US Credit Services margins but can you walk us through some of the trends that you are seeing there? There was perhaps some dilutive impact from the MPV acquisition but underlying, are the margins slightly deteriorating, improving? What is the general feel there?

Paul Brooks

You are right; there is a negative impact from the MPV acquisition. Aside from that it was down marginally in the first half and the reason for that is a lot of the things that we have been discussing in terms of investments: investments in the data lab to which Don referred, the business information business, which is growing very strongly, we have been investing in the sales force to make sure we exploit that opportunity to the full and we have also launched a new health care product and a collections product which is growing very well, so there was some investment spend in the first half which I would expect to moderate in the second half.

Jaime Brandwood

If I may, just a similar question, both in terms of growth outlook and margin trends in the UK Credit Services business, which is back into year on year growth in Q2. Again, you talked quite positively about public sector. You have talked more prudently about public sector in Marketing Services, so I am guessing that is more of a Credit Services point. What is therefore the extent to which you would be confident in any further pick up in the growth in UK Credit Services into the second half and what that may or may not mean for the margins?

Paul Brooks

We are seeing good momentum in the UK Credit Services business. You will notice that we returned to positive growth in the second quarter and it is

actually the second time for three years that we have seen growth in that business and certainly we would expect that momentum to continue into the second half, so we do expect to see growth in the business in the second half. Again, the margin was down slightly in the first half, partly because of the lack of revenue growth but also, again, investments. We have got data investments in the UK and also investments in our SME initiative – one of the growth initiatives – but again, in the second half, I would expect to see a positive margin trend in the UK Credit Services, and continued organic revenue growth momentum.

Jaime Brandwood

And finally a technical question. Now that you have closed the Computec deal, I know there was a slightly guarded statistic that you did not want to reveal before completing the purchase, but can you now give us the cash tax shield on an annual basis that you will be getting from that deal and any other annual cash tax shields that you will be getting from things like MPV or any other deals you have done?

Paul Brooks

We have not completed the tax structuring yet but we would expect to see the ability to deduct the goodwill amortisation for tax purposes, so that should give us a pretty good shield for a large number of years against paying cash tax.

Jaime Brandwood

Is that the case for MPV as well?

Paul Brooks

No.

Rajesh Kumar, HSBC

In terms of Australia, could you give us some more colour as to what is happening there and what are the timelines involved?

Don Robert

We have just received competition approval on the credit bureau about eight weeks ago and this is a bureau that is co-owned with Experian by six of the leading Australian banks. It is a 76/24 ownership structure in our favour. We have assembled a board and the bureau is actively being built and being populated with data. One nuance of this particular bureau build has to do with the fact that positive data is in process of happening in Australia, but the logistics of that have not yet been worked out so we are likely to start off with a negative only file and add positive data later. We do have commitments from our shareholder banks to use our services and I think we expect to be in production in midsummer.

Chris Callero

Let us call it Q3, fiscal year 13.

Rajesh Kumar

Also in Spain, there was a move towards building the database, how is that progressing, the positive bureau?

Chris Callero

It is still being worked. We are really reliant on the Central Bank to further drive that out as it has not yet been fully driven out. I cannot give you an expectation on date; that has slipped from time to time and is hard to project.

Andrew Ripper

I just wanted to come back on cash flow and particularly capital expenditure; it is one of the standout features that you spent this year about \$60 million more than last year. Paul can you give us some flavour for perhaps some of the bigger items of spend? I think in the past you have said half of CAPEX goes on data. Is that still the case with the ramp up? Looking forward in terms of some of the bigger chunks, when are you going to start amortising through the P&L when investments come to fruition?

Paul Brooks

Well you will see from the announcement, where the net investment is going in is in two areas which are data and software development. The incremental \$46 million net investment in the first half, a little over half of that was in data and less than half was in software development. The big data investments actually have been in Brazil. Don referenced the relationship we have formed with one of the retail associations, so that involves quite a significant investment in purchasing their retail data. We have also been building our organic retail data file in Brazil, so sending out more delinquency notices relating to retail default, so we have seen a step up there. If you add to that the data initiatives which were referred to in the presentation, both in the US and UK, those are all ongoing. In those cases, we will start amortising that data because we get it immediately because we get immediate use for it, so the amortisation charge kicks in virtually as soon as we start purchasing the data.

On the software development side, the biggest investments are in our credit bureau platform, which we call NextGen, and the related value-added products. We are using that platform in Australia and we are also rolling it out through our European markets, so we are putting it into Holland at the moment, so there is quite a bit of capex associated with that. The development work we are doing in Marketing Services on the email marketing platform, on the customer contact software platform and the Hitwise platform are all ongoing and, of course, the Decision Analytics where we have a complete upgrade of the whole product suite. Amortisation tends to kick in at different times. Generally, if we have a

series of releases, we will start the amortisation related to that release when the release is made, so we will see a ramp up in amortisation over time but that will be more staggered than is the case with the investment in data.

Andrew Ripper

In terms of this year's full year amortisation, what would you say?

Paul Brooks

It is very hard. I am reluctant to give you a specific number because it will depend exactly on when the releases come out but clearly, it will start to move up in relation to the capex increase spend.

Closing Remarks

Don Robert

No further questions, so please accept our gratitude for coming today and we look forward to talking to you in January, at the third quarter interim management statement.