



# London Stock Exchange Group plc

## Preliminary results FY 2012

18<sup>th</sup> May 2012



# Agenda



**London**  
Stock Exchange Group

Introduction

Financial Review

Doug Webb, Chief Financial Officer

CEO Overview

Xavier Rolet, Chief Executive

Q&A



**Xavier Rolet**

Chief Executive

- Excellent progress in delivering growth and diversification strategy
- Scale scope and reach of Group transformed through organic growth and acquisitions
  - Organic - Turquoise, Derivatives, ORB, technology partnerships
  - Acquisitions - FTSE, LCH.Clearnet, TRS
- Strong financial performance
  - Total income up 21%,
  - Adjusted profit before tax up 35%; reported profit before tax up 169% - including recognition of value of existing 50% stake in FTSE
  - Growth in revenue across all four divisions
- Dynamic, highly competitive landscape continues to present good opportunities



**Doug Webb**

Chief Financial Officer

# Key financial highlights

- Strong performance - total income up 21% to £814.8m; up 16% on organic and constant currency basis
- Active and successful management of underlying operating expenses
- Adjusted operating profit up 30% at £441.9m, up 25% at organic constant currency
- Adjusted EPS up 36% to 100.6p; basic EPS up 243% to 193.6p
- Strong net cash flow from operations of £462m; net debt £538m
- Adjusted net debt : EBITDA 1.4x; (Pro forma 2.0x including proposed acquisition of 60% majority stake in LCH.Clearnet)
- Total dividend up 6% at 28.3 pence per share

# Overview of results



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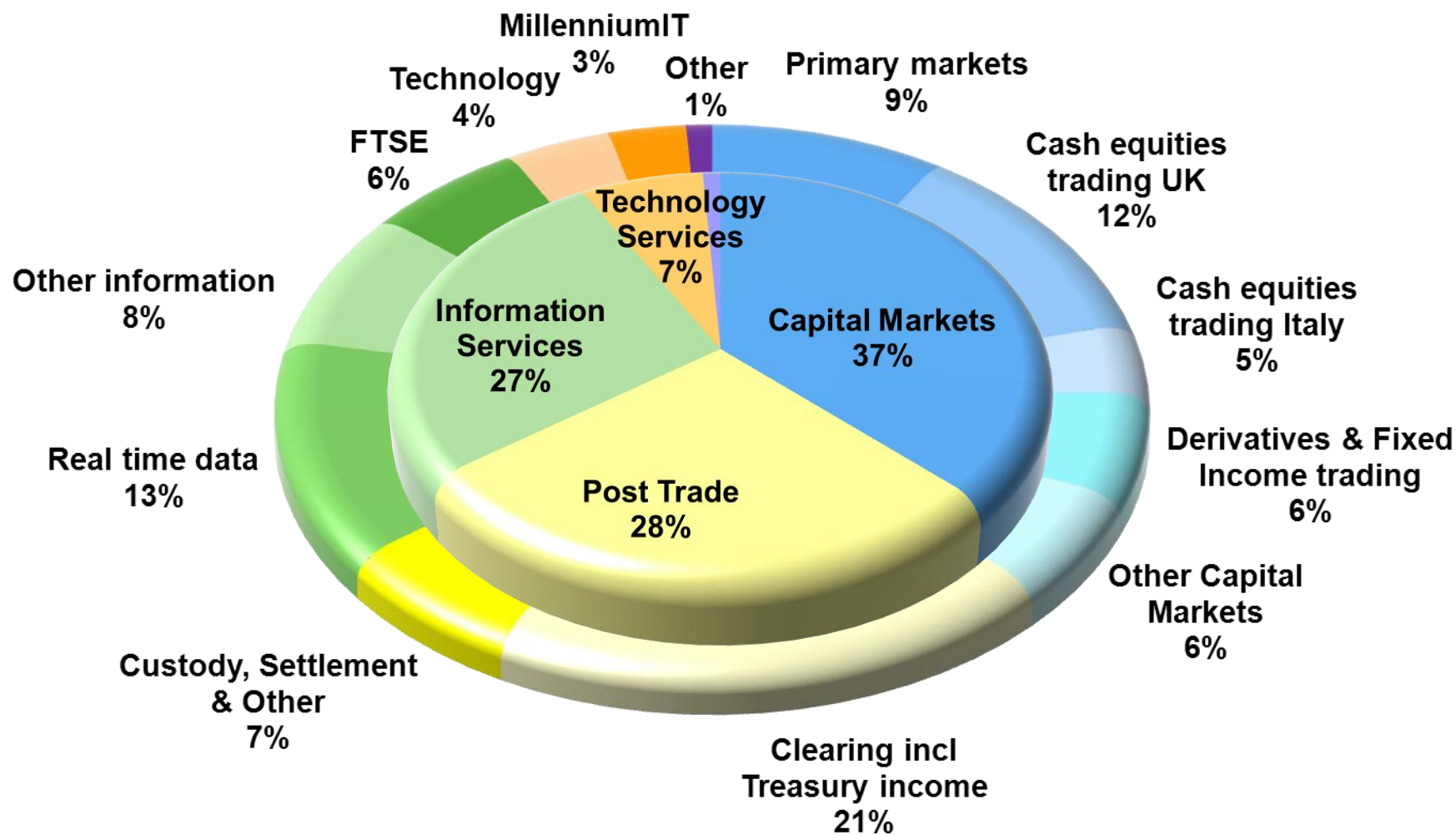
	Year ended 31 March			Organic and constant currenc
	2012 £m	2011 £m	Change %	variance %
Revenue	679.8	615.9	10%	5%
Total income	814.8	674.9	21%	16%
Adjusted Operating expenses*	(378.8)	(336.9)	12%	7%
Adjusted operating profit *	441.9	341.1	30%	25%
Operating profit	358.5	283.0	27%	22%
Net finance expense	(40.8)	(44.8)	(9%)	
<b>Adjusted profit before tax*</b>	<b>400.6</b>	296.3	35%	
Underlying effective tax rate	29.2%	30.3%		
Basic earnings per share (p)	193.6	56.4	243%	
Adjusted earnings per share (p)*	100.6	73.7	36%	
Dividend per share (p)	28.3	26.8	6%	

- Excluding amortisation of purchased intangibles (£54.9m), non-recurring items (£28.5m) and revaluation of FTSE / sale of Servizio Titoli (£324.3m)
- FTSE amortisation of purchased intangibles £12.6m for the period
- A €0.05 movement of the Euro versus GBP would have changed adjusted operating profit by c£12m

# Diversified Group income



FY 2012 Total income £814.8m up 21% (FY 2011 £674.9m)

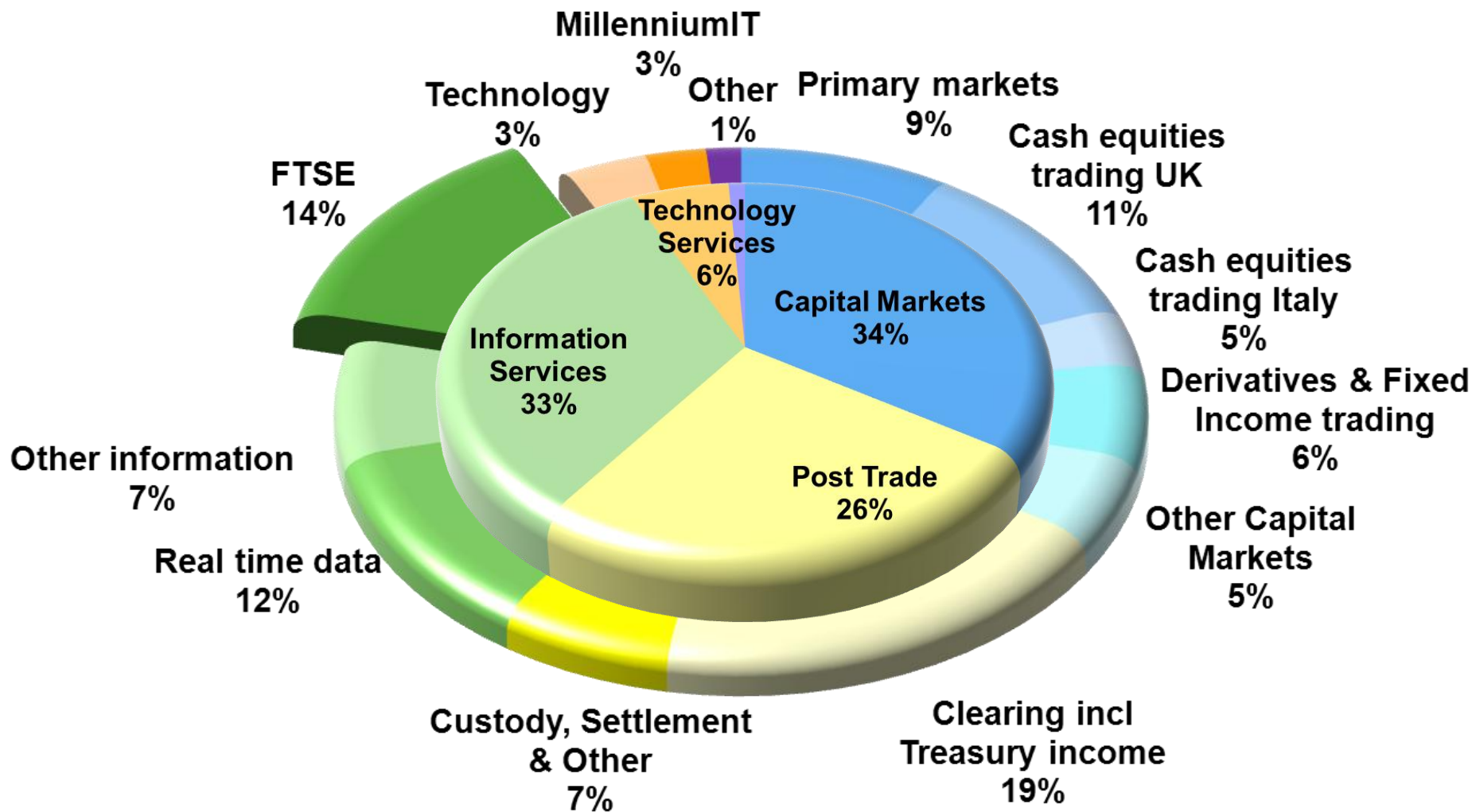




# Diversified Group income - pro forma (incl FTSE)

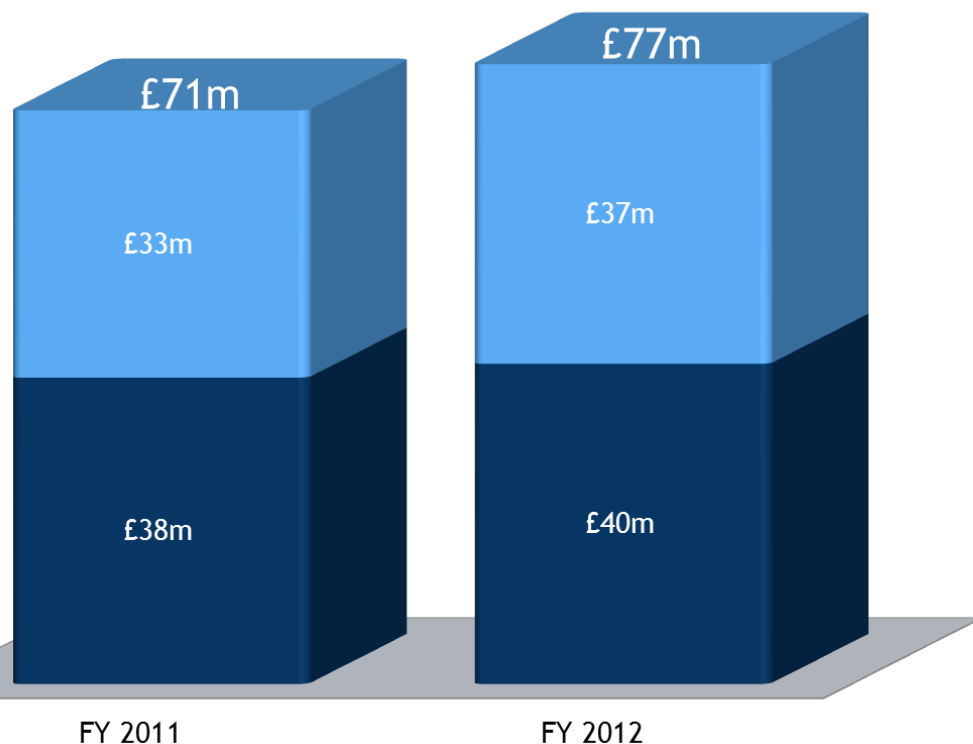


Pro forma FY 2012 total income £888.0m



## Fixed income issuance strong - equity pipeline encouraging

Revenue FY 2012 up 8%



■ Annual fees

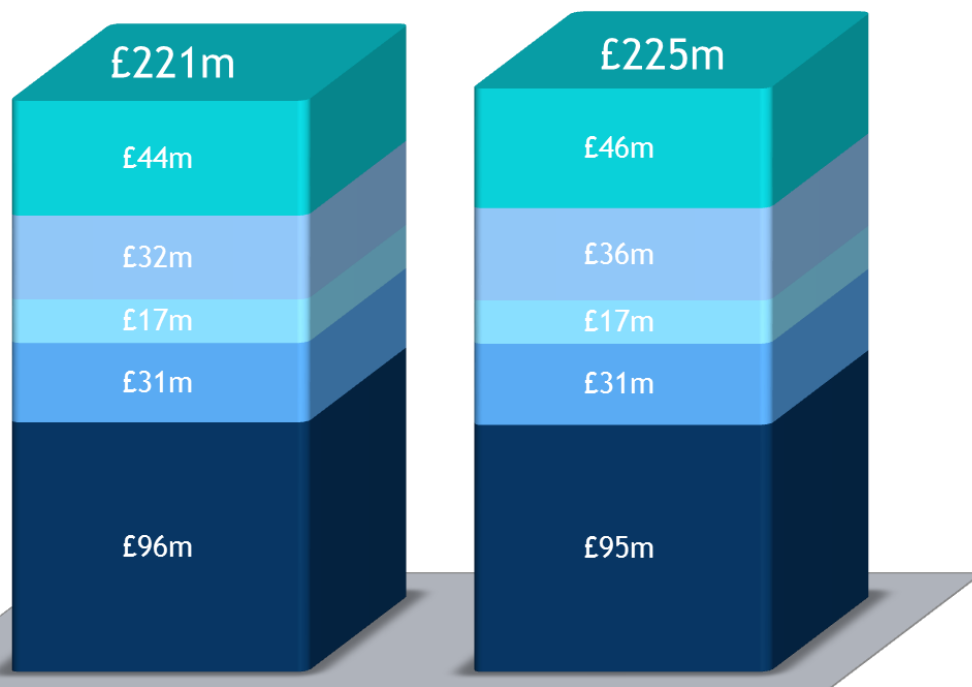
■ Admission fees

### Highlights

- Annual fees up 4%
- Admission revenue up 12%
  - 159 new issues
  - 40 new international companies
  - Bond revenue £3.3m up 73%
- Bond issuance strong
  - “BTP Italia” - strong demand
  - 500 new issues on MOT, up 120%; Nominal value €719bn
- ORB
  - 22 bonds have raised £1.5bn since launch
  - April 2012 HSBC RMB bond listed

## Equity trading levels and share of trading stable

Revenue FY 2012 up 2%



FY 2011  
 ■ UK cash equities & Turquoise  
 ■ Fixed Income  
 FY 2012  
 ■ Italy cash equities  
 ■ Other  
 ■ Derivatives

## Highlights

### Secondary Markets:

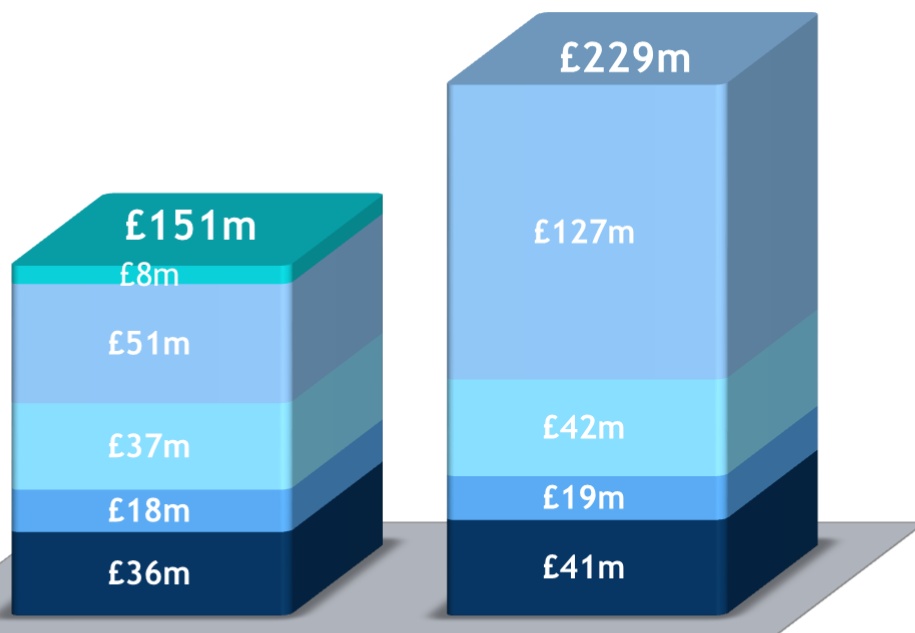
- UK value traded and Italian trade volumes - stable
- Share of trading UK & Italy - broadly unchanged
- Turquoise
  - Equity value traded up 46%
  - European share 5.4% (2011 3.6%)
  - Derivatives volumes up 15%

### Fixed income revenue up 10%

- MOT trades up 41%
- MTS France consolidated

## Growth in cleared volumes and strong treasury management income

Total income up 52% (up 58% organically)



FY 2011

FY 2012

■ Clearing      ■ Settlement      ■ Custody

■ Net treasury income through CCP business      ■ Servizio Titoli

Note: Minor rounding differences, figures may not cast down

### Highlights

Total revenue up 10% on organic basis

- Increased Italian equities, derivatives and MOT fixed income volumes

Clearing - Net treasury income up 147%

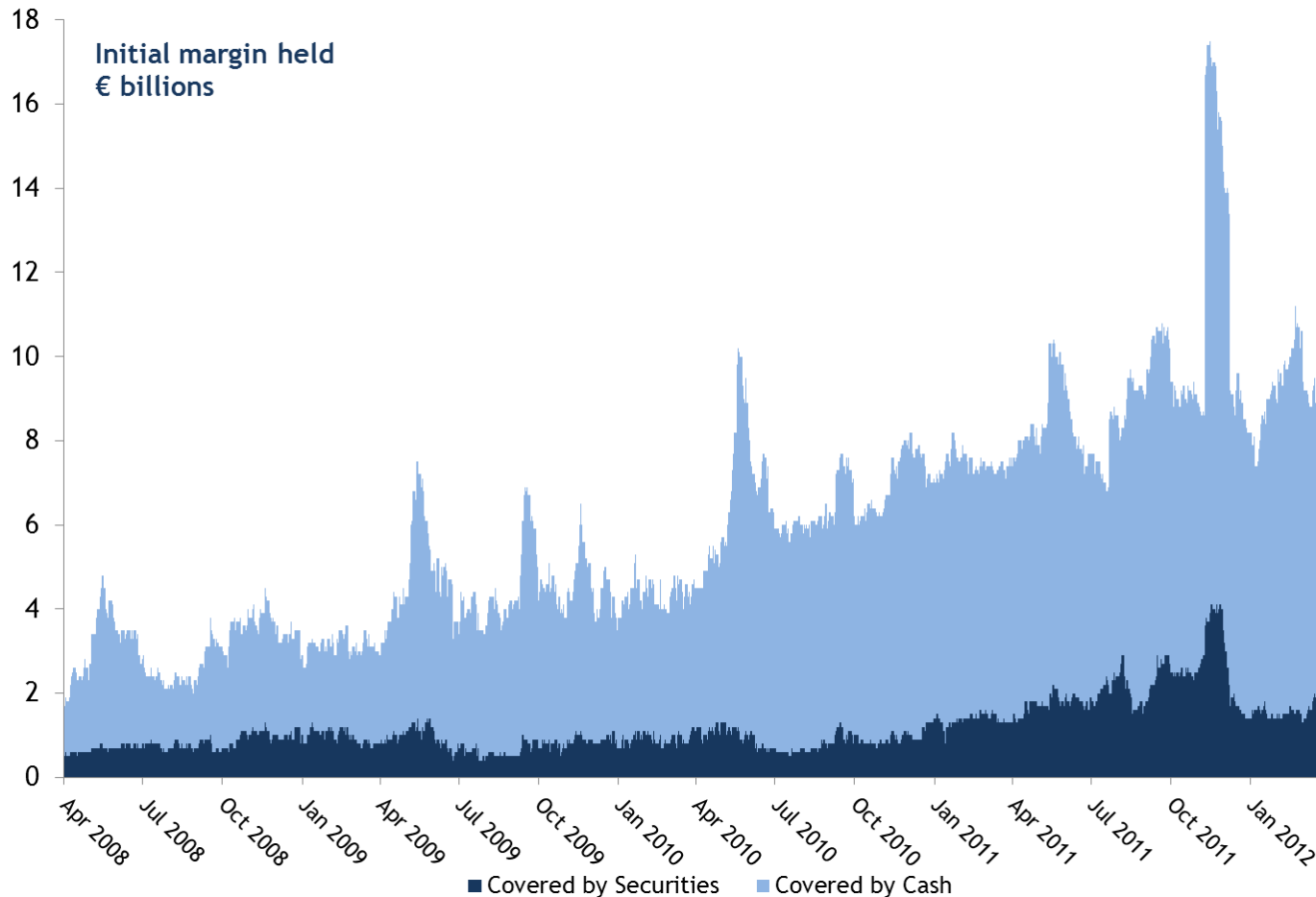
- Increased derivatives and fixed income trading
- Strong risk management continued

Settlement revenue up 4%

Custody revenue up 10% on organic basis

- Increased bond issuance
- Assets under custody up 2%

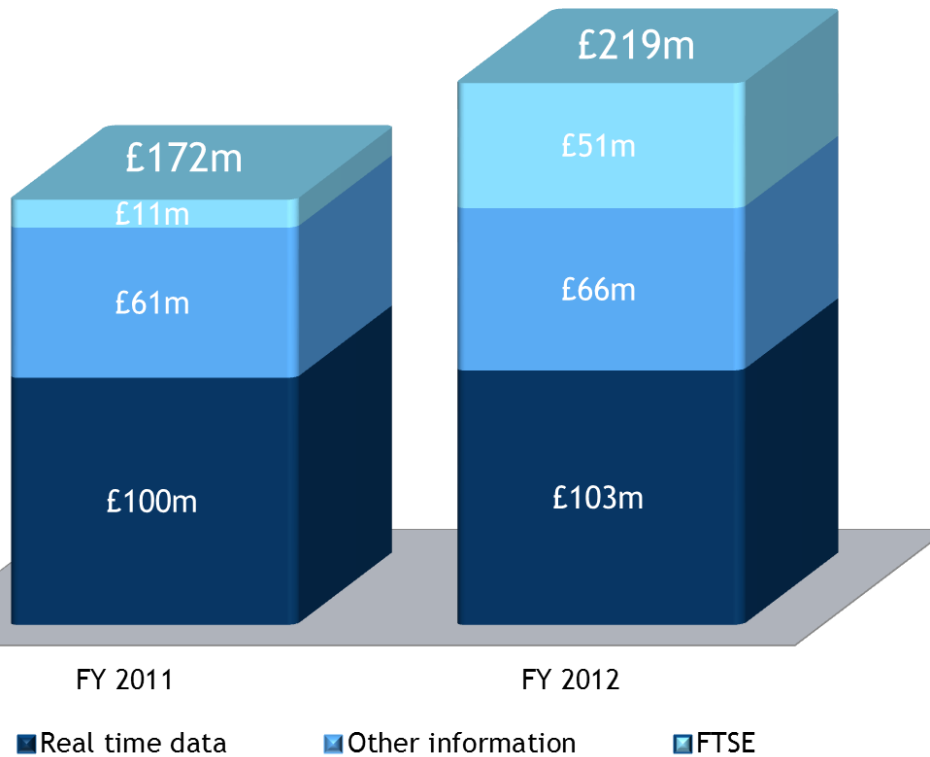
## CCP Net treasury income - significant step up through active management in volatile markets



- Average total initial margin FY 2012 up 36% to €9.4bn
- Average initial cash margin FY 2012 of €7.4bn (up 100% on FY 2010)

## Good growth across range of products

Revenue up 27%,  
organic constant currency up 5%

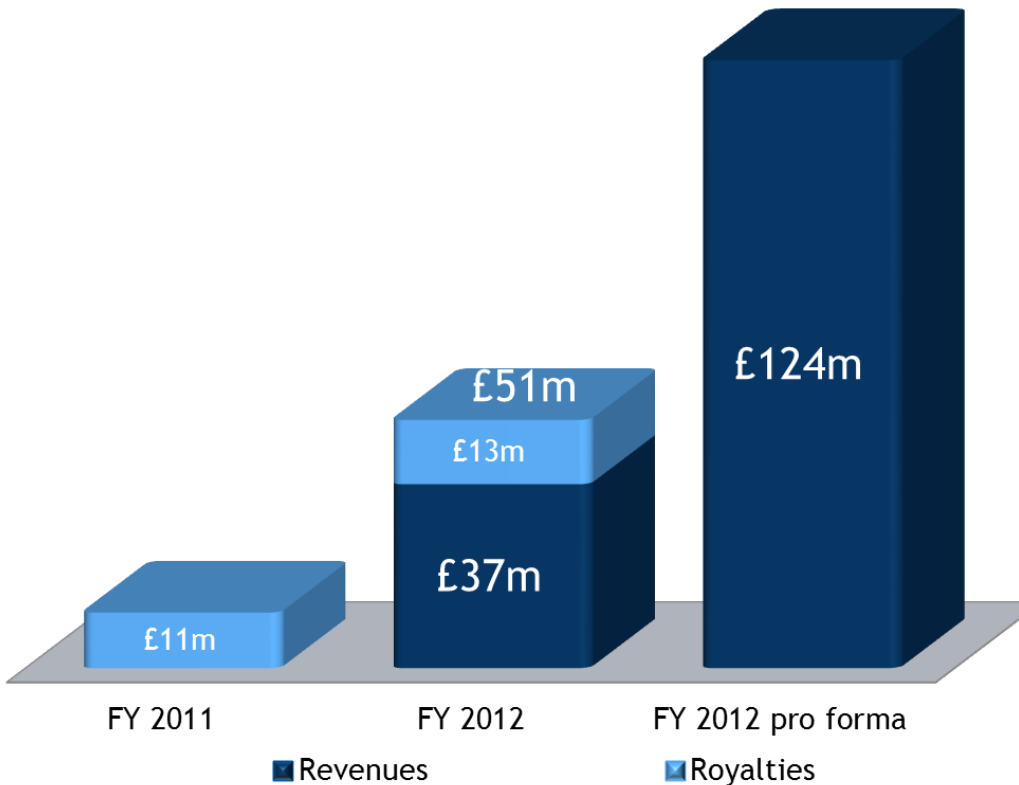


## Highlights

- Real time data revenue up 3%
  - Introduction of fees for non-displayed data
- Revenue from Other Information products up 8%
  - UnaVista
    - FSA TRS acquisition
    - gaining new customers
  - SEDOL
  - ProQuote

## FTSE's first quarter contribution

Pro forma revenue up 18%



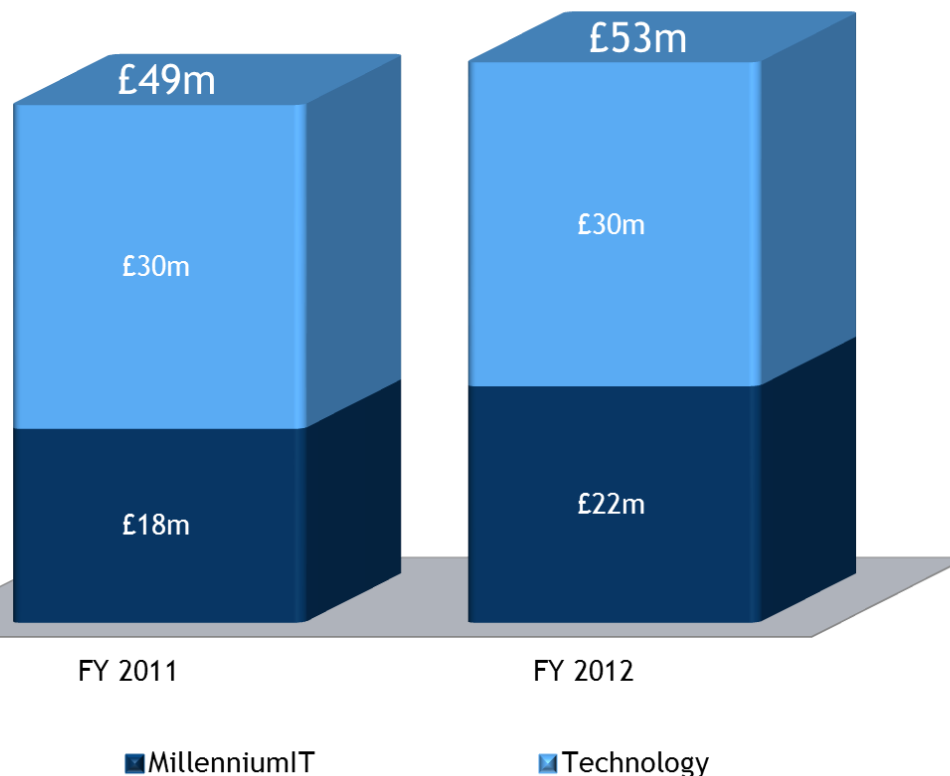
## Highlights

- FTSE first full quarter contribution revenue Q4 £32.7m
- Royalties £13.1m (11 ½ months due to catch up in FY 2012)
- FY 2012 pro forma revenue £123.6m up 18% (FY 2011 £104.4m)
- First joint product to be launched: FTSE Low Latency Indices to be calculated in Group Ticker Plant

Note: Minor rounding differences, figures may not cast down

## MillenniumIT technology implementation across range of customers

Revenue up 8%



### Highlights

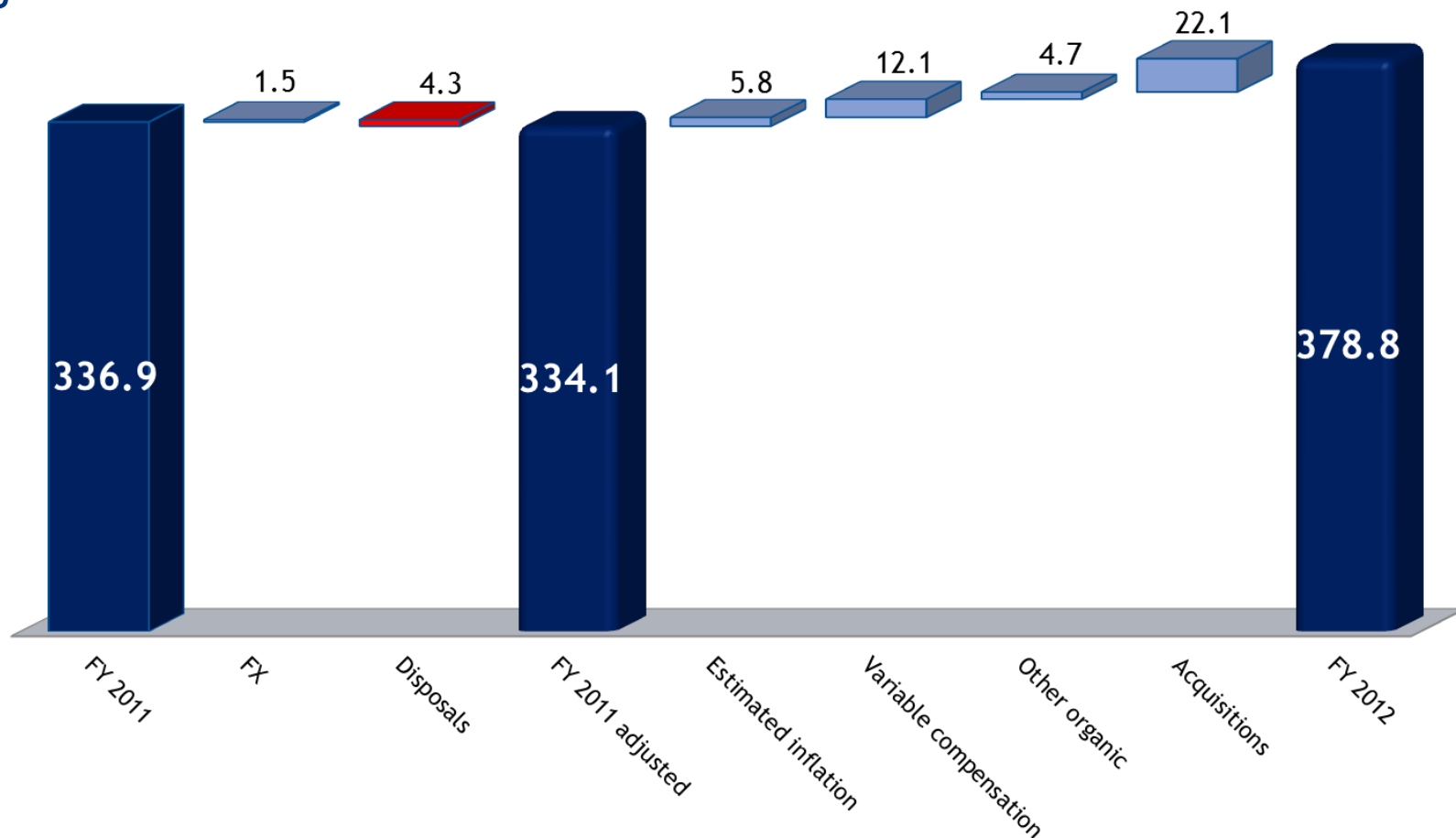
- MillenniumIT
  - Revenue up 26% at constant currency
  - Remains focused on providing technology for Group
  - Live:
    - Chittagong Stock Exchange (trading and surveillance)
    - Tullett Prebon (trading)
  - Schedule - year ahead:
    - Borsa Italiana cash equity
    - Mongolian SE
    - Johannesburg SE
    - Oslo Børs
    - Delhi SE
- Data centre co-location services continue to expand



# Operating expenses



## Major movements



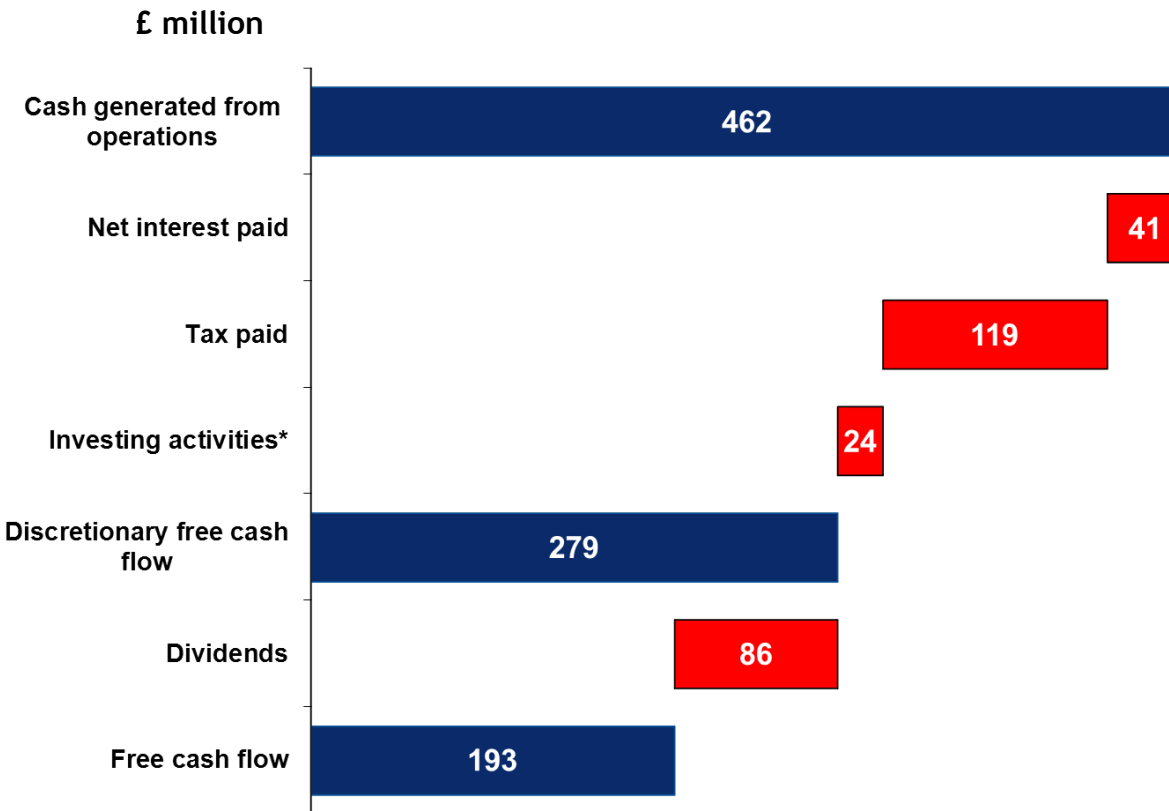
- Excluding acquisitions and variable staff compensation costs, reflecting share price and earnings growth, underlying operating expenses broadly flat

Note: Excluding amortisation of purchased intangibles and non-recurring items

# Summarised cash flow

## Continued strong cash generation

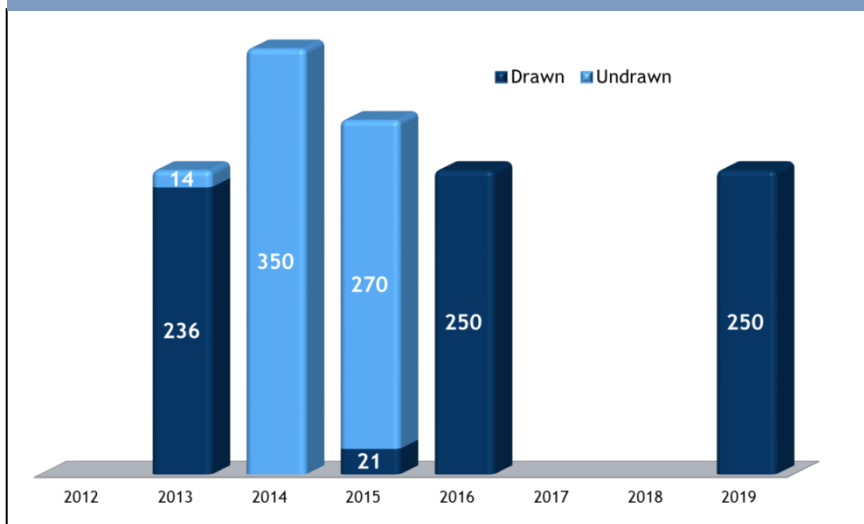
### Investment activities



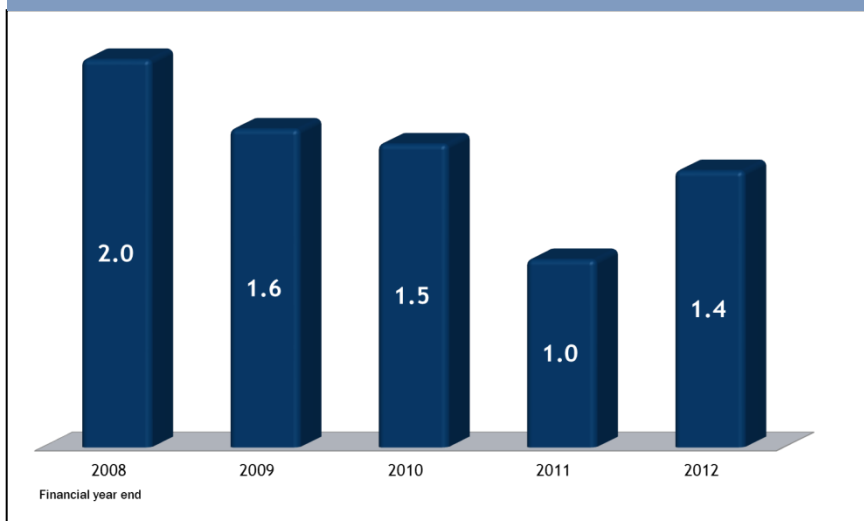
- £33.4m capex - primarily IT systems and data centre related
- £495m spent on acquisitions of FTSE, CC&G stake and TRS
- £33m received from disposals and Turquoise minority interest subscription
- Discretionary free cash flow per share 103.5p (FY 2011: 80.4p)

Note: Excludes investment in acquisitions, joint ventures and subsidiary and disposals  
 \* Investing activities includes £33.4m Capital expenditure less £1.8m Dividends received

## Facilities



## Operating net debt to Pro forma EBITDA



- Operating net debt £703m
- £165m cash reserved for regulatory and operational purposes (FY 2011: £125m)
- £1.39bn total committed facilities - £634m available at 31 March 2012
- Pro forma gearing including proposed acquisition of 60% majority stake of LCH.Clearnet down from 2.1x to 2.0x



**Xavier Rolet**

Chief Executive



- **Excellent progress in delivering growth and diversification strategy**
- **Strong operational and financial performance**
- **Getting in shape**
  - Costs well controlled, broadly flat on underlying basis
- **Leveraging our assets**
  - Range of initiatives and new products launched
- **Developing opportunities**
  - FTSE - high growth, high quality business with excellent development prospects
  - Proposed acquisition of 60% majority of LCH.Clearnet - partnership with customers in leading global clearing and risk management infrastructure
  - Technology sales, international partnerships and joint ventures

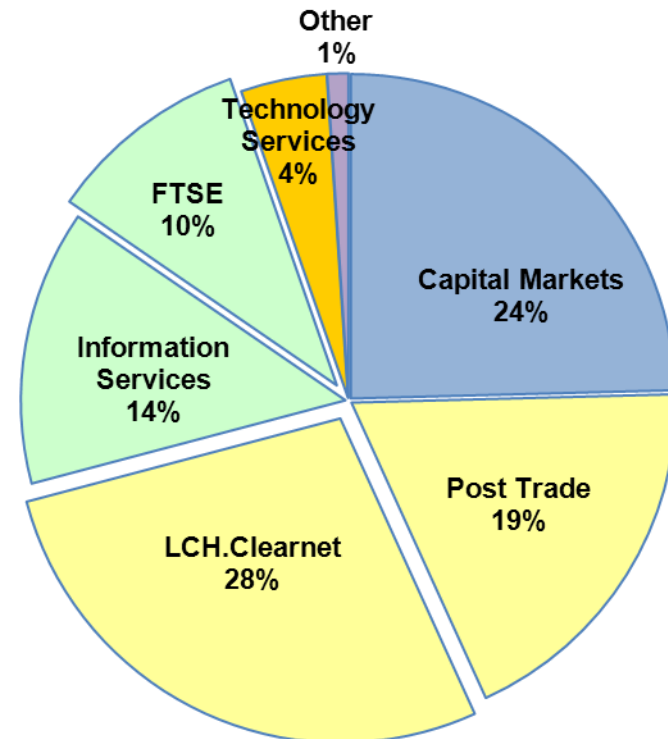
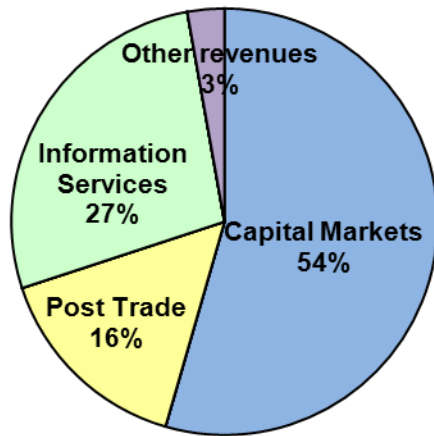
# Successful execution and delivery of strategy

## Group transformed - scale and diversification



### Enlarged Group Pro Forma Total Income FY 2012 £1,227.6m<sup>1</sup>

FY 2009 £671.4m



<sup>1</sup>Enlarged Group pro forma total income: LSEG FY 2012, FTSE LTM 31Mar2012, LCH LTM 31Dec2011

# Strategic delivery

## Getting in shape



- Strong focus on control of costs
- Underlying costs remain broadly flat
- Ongoing programme of technology upgrades across Group - next steps: Borsa Italiana MTA go-live on Millennium Exchange and launch of Group Ticker Plant
- Additional Group platforms to be upgraded to Millennium
- Talent development - selected senior expert appointments, ongoing graduate recruitment

# Strategic delivery

## Leveraging Assets



- Capital Markets - launch of Turquoise Derivatives; MTS new bond services, ORB retail bond market development, MOT and BTP Italia
- Post Trade Services - CC&G providing clearing to 3 external parties; X-Com at Monte Titoli go-live expected mid-2012; preparation for T2S
- Information Services - TRS acquired, UnaVista expanding and gaining clients; Google data deal
- Technology Services - IT Sales and partnerships: Delhi SE, Mongolian SE, Chittagong SE and Tullett Prebon; final stage testing before go-live of Millennium Exchange at Johannesburg SE; Oslo Börs migration to follow
- As scale, breadth and reach of business continues to grow, opportunities to leverage portfolio become greater



# Strategic delivery

## Developing opportunities: FTSE



- High growth, high quality global index business
- 5 year CAGR of 22% for revenue and EBITDA
- Ownership will accelerate and expand scope and growth of FTSE and LSE Group
  - World-class IP
  - Development of listed derivatives, ETFs and structured products
  - Global reach and exposure to emerging and growth markets
  - Significant cost (£10m pa end year 3) and revenue synergies (£18m gross pa end year 3)
- Group Data Centre and Ticker Plant initiatives underway - joint launch of FTSE “low latency”
- Index licences - basis for forming further global relationships, together with MillenniumIT and other Group businesses
- Excellent progress since full control - confirms FTSE exceptional quality and potential

# Strategic delivery

## Developing opportunities: LCH.Clearnet



- Confirms long term leading role in international customer focused market infrastructure
- Captures growth in clearing services with new products and geographies
- Customer partnership, horizontal model, open access and fully competitive
- Significant cost efficiencies (€59m pa by end year 3) and revenue synergies (€20m pa by end year 3)
- **Further developments**
  - Shareholder approvals received - April 2012; acceptances & scale-back notified
  - US “one-pot” margining - LCH / NYPC / DTCC & NYSE Euronext
  - LCH/NASDAQ IDCG - US interest rate swaps, expansion of one-pot margining
  - NYSE Euronext cash equities - LCH negotiations for long term arrangement
- **Next steps**
  - Antitrust filings - process underway with OFT in UK, plus CNC in Spain & PCA in Portugal
  - Regulatory filings underway
  - Completion expected by Q4 2012



- Widespread structural change and dynamic market creates significant opportunities for growth
- Two key differentiating factors / competitive advantage from operational efficiency and distribution of:
  - Balance sheet and risk management services
  - Intellectual property
- Regulatory trends define operating landscape:
  - EMIR / Dodd-Frank - OTC derivatives mandated to use CCP services
  - TARGET2-Securities (T2S) - Monte Titoli preparation as first wave participant
  - MIFID / MIFIR - opens market to efficient, competitive infrastructure providers
- Customers need scaled, proven partners to provide trusted, highly efficient, global capital market services and technology

# Group in good shape



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- Very good year
  - Increasing diversification
  - Strong financial performance continues
  - Good operational management
- More to come from:
  - FTSE
  - LCH.Clearnet
  - Organic drivers
- Sector will continue to be defined by opportunities in:
  - Balance sheet and risk management services
  - Intellectual property

**Transformational year, exciting opportunities ahead,  
more to achieve**



## Appendices

**Adjusted operating profit** - excludes amortisation of purchased intangible assets and non-recurring items, to enable comparison of the underlying earnings of the business with prior periods.

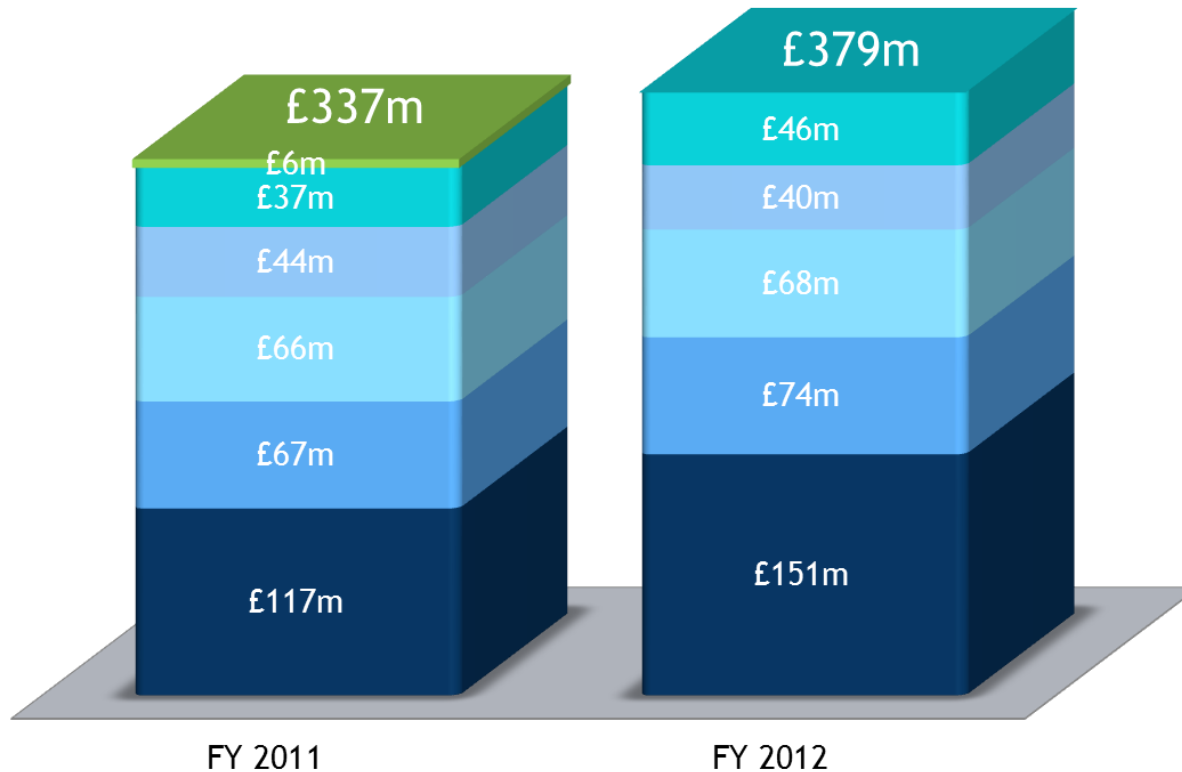
## Adjusted earnings per share

Based on number of shares 269.6m (FY 2011: 268.6m), excludes ESOP.

## Exchange rates

<b>£: €</b>	<b>FY 2012</b>	<b>FY 2011</b>
Average	1.16	1.18
Period end	1.20	1.13
Constant currency growth rates calculated by translating prior year performance at current year monthly exchange rates		

# Operating expenses



Cost : Income ratio 46%  
(FY 2011 49%)

- Staff
- IT/Network
- Cost of sales
- Property/marketing/other
- Depreciation
- TradElect replacement (non-recurring)

Excluding amortisation of purchased intangibles and non-recurring items  
Note: Minor rounding differences, figures may not cast down

# Revenues - Quarterly



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£ millions	FY 2011					FY 2012				
	Q1	Q2	Q3	Q4	FY 2011	Q1	Q2	Q3	Q4	FY 2012
Annual Fees	9.3	9.4	9.6	9.4	37.8	9.9	10.2	10.0	9.4	39.5
Admission Fees	8.8	6.5	9.5	8.3	33.0	12.2	8.2	7.1	9.5	37.0
Cash equities UK & Turquoise	26.7	21.9	21.6	26.2	96.4	24.3	27.8	21.1	22.2	95.4
Cash equities Italy	8.7	6.0	6.8	9.3	30.7	7.7	8.5	7.2	8.0	31.4
Derivatives	4.9	3.5	3.8	4.5	16.8	4.3	4.7	3.9	3.8	16.7
Fixed Income	7.4	7.2	8.3	9.5	32.4	9.8	9.0	8.0	8.9	35.7
Other	10.7	10.5	11.9	11.2	44.4	11.5	11.7	11.6	11.4	46.2
<b>Capital Markets</b>	<b>76.5</b>	<b>65.0</b>	<b>71.5</b>	<b>78.4</b>	<b>291.5</b>	<b>79.7</b>	<b>80.1</b>	<b>68.9</b>	<b>73.2</b>	<b>301.9</b>
Clearing	9.7	7.2	8.4	10.7	35.9	9.9	11.7	10.2	9.3	41.1
Settlement	5.0	3.9	4.5	4.8	18.2	4.8	5.0	4.3	4.8	18.9
Custody & other	12.2	10.3	11.0	11.6	45.2	11.3	9.7	10.0	10.6	41.6
<b>Post Trade Services</b>	<b>26.9</b>	<b>21.4</b>	<b>23.9</b>	<b>27.1</b>	<b>99.3</b>	<b>26.0</b>	<b>26.4</b>	<b>24.5</b>	<b>24.7</b>	<b>101.6</b>
Real time data	24.4	23.9	24.4	27.1	99.8	25.2	25.0	25.4	27.2	102.8
Other information	15.5	15.0	15.2	15.0	60.7	16.3	15.8	16.3	17.2	65.6
FTSE royalties	2.6	2.7	2.9	3.1	11.3	3.2	3.5	6.4	0.0	13.1
FTSE revenue								4.7	32.7	37.4
<b>Information Services</b>	<b>42.5</b>	<b>41.6</b>	<b>42.5</b>	<b>45.2</b>	<b>171.8</b>	<b>44.7</b>	<b>44.3</b>	<b>52.8</b>	<b>77.0</b>	<b>218.9</b>
MillenniumIT	5.0	4.0	4.1	5.0	18.2	3.2	6.4	5.5	7.2	22.2
Technology	7.6	7.9	7.3	7.7	30.4	7.4	7.8	7.6	7.6	30.4
<b>Technology Services</b>	<b>12.6</b>	<b>11.9</b>	<b>11.4</b>	<b>12.7</b>	<b>48.6</b>	<b>10.6</b>	<b>14.2</b>	<b>13.1</b>	<b>14.8</b>	<b>52.6</b>
<b>Other</b>	<b>1.5</b>	<b>0.7</b>	<b>1.3</b>	<b>1.2</b>	<b>4.7</b>	<b>1.4</b>	<b>0.7</b>	<b>1.5</b>	<b>1.2</b>	<b>4.8</b>
<b>Total Revenue</b>	<b>160.0</b>	<b>140.6</b>	<b>150.6</b>	<b>164.6</b>	<b>615.9</b>	<b>162.4</b>	<b>165.7</b>	<b>160.8</b>	<b>190.9</b>	<b>679.8</b>
Net treasury income through CCP	5.9	10.8	14.8	19.8	51.3	25.8	28.5	33.5	39.1	126.9
Other income	1.9	1.9	2.0	1.9	7.7	2.0	2.1	2.0	2.0	8.1
<b>Total income</b>	<b>167.8</b>	<b>153.4</b>	<b>167.4</b>	<b>186.3</b>	<b>674.9</b>	<b>190.2</b>	<b>196.3</b>	<b>196.3</b>	<b>232.0</b>	<b>814.8</b>

Note: Minor rounding differences may mean quarterly and other segmental figures may differ slightly.  
FY 2011 Capital Markets prior quarters restated to include Turquoise revenues gross of maker rebates



# Capital Markets - key performance indicators

## Capital Markets - Primary Markets

	Year ended		Variance %
	31 March		
	2012	2011	
<b>New Issues</b>			
UK Main Market, PSM & SFM	60	74	(19%)
UK AIM	89	101	(12%)
Borsa Italiana	10	10	0%
<b>Total</b>	<b>159</b>	<b>185</b>	<b>(14%)</b>

### Company Numbers (as at period end)

	2012	2011	Variance %
UK Main Market, PSM & SFM	1,435	1,468	(2%)
UK AIM	1,118	1,174	(5%)
Borsa Italiana	292	296	(1%)
<b>Total</b>	<b>2,845</b>	<b>2,938</b>	<b>(3%)</b>

### Market Capitalisation (as at period end)

	2012	2011	Variance %
UK Main Market (£bn)	1,887	1,954	(3%)
UK AIM (£bn)	68	82	(17%)
Borsa Italiana (€bn)	369	458	(19%)
Borsa Italiana (£bn)	308	404	(24%)
<b>Total (£bn)</b>	<b>2,263</b>	<b>2,440</b>	<b>(7%)</b>

### Money Raised (£bn)

	2012	2011	Variance %
UK New	12.8	11.0	16%
UK Further	7.7	24.2	(68%)
Borsa Italiana new and further	15.5	5.1	204%
<b>Total (£bn)</b>	<b>36.0</b>	<b>40.3</b>	<b>(11%)</b>

## Capital Markets - Secondary Markets

	Year ended		Variance %
	31 March		
	2012	2011	
<b>Equity</b>			
<b>Totals for period</b>			
UK value traded (£bn)	1,164	1,200	(3%)
Borsa Italiana (no of trades m)	66.7	66.0	1%
Turquoise (€bn)	509.7	348.6	46%
<b>SETS Yield (basis points)</b>	<b>0.69</b>	<b>0.71</b>	<b>(3%)</b>
<b>Average daily</b>			
UK value traded (£bn)	4.7	4.7	0%
Borsa Italiana (no of trades '000)	260	257	1%
Turquoise (€bn)	1.98	1.35	47%
<b>Derivatives (contracts m)</b>			
Turquoise	41.0	35.5	15%
IDEM	46.7	46.4	1%
<b>Total</b>	<b>87.7</b>	<b>81.9</b>	<b>7%</b>

### Fixed Income

	2012	2011	Variance %
MTS cash and Bondvision (€bn)	2,444	2,719	(10%)
MTS money markets (€bn term adjusted)	60,741	65,185	(7%)
MOT number of trades (m)	5.59	3.96	41%

# Post Trade - key performance indicators



## Post Trade Services

	Year ended		Variance %
	31 March 2012	2011	
<b>CC&amp;G Clearing (m)</b>			
Equity clearing (trades)	70.3	69.4	1%
Derivative clearing (contracts)	46.7	46.4	1%
<b>Total Contracts</b>	<b>117.0</b>	<b>115.8</b>	<b>1%</b>
Open interest (contracts as at period end)	5.0	4.6	9%
Initial margin held (average €bn)	9.4	6.9	36%
<b>Monte Titoli</b>			
Pre Settlement instructions (trades m)	33.6	31.2	8%
Settlement instructions (trades m)	34.6	38.6	(10%)
<b>Total Settlement</b>	<b>68.2</b>	<b>69.8</b>	<b>(2%)</b>
Custody assets under management (average €tn)	3.08	3.02	2%

# Information Services - key performance indicators

## Information Services

	As at		Variance %
	31 March 2012	2011	
<b>UK Terminals</b>			
Professional - UK	37,000	38,000	(3%)
Professional - International	53,000	55,000	(4%)
<b>Total</b>	<b>90,000</b>	<b>93,000</b>	<b>(3%)</b>
<b>Borsa Italiana Professional Terminals</b>	<b>139,000</b>	<b>139,000</b>	<b>0%</b>



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