



London
Stock Exchange Group

London Stock Exchange Group plc

**Preliminary results –
Year ended 31 December 2016**

3 March 2017

Key financial highlights

Strong financial performance across all business areas – and good control of underlying costs

Revenue
up 14%
£1,515.6m



(2015: £1,324.7m)

Total income
up 17%
£1,657.1m



(2015: £1,418.6m)

Adjusted Operating Profit
up 17%
£685.8m



(2015: £584.7m)

Expenses well controlled while investing for growth – up 4% on organic basis¹

Note: All above figures for continuing operations only (excluding Russell Investment Management and Proquote)

¹ including inflation / excluding cost of sales and FX

AEPS
up 21% to 124.7p



(2015: 103.4p)

Full year dividend
up 20% to
43.2p per share



(2015: 36.0p)



Overview of results

	Twelve months ended 31 December			Organic and constant currency variance %
	2016 £m	2015 £m	Change %	
Revenue	1,515.6	1,324.7	14%	7%
Total income	1,657.1	1,418.6	17%	9%
Cost of sales	(174.8)	(125.5)	39%	30%
Gross profit	1,482.3	1,293.1	15%	7%
Share of profit / (loss) after tax of associates	(4.9)	-		
Adjusted operating expenses¹	(791.6)	(708.4)	12%	4%
Adjusted operating profit¹	685.8	584.7	17%	10%
Non-recurring items and amortisation	(259.0)	(180.3)	44%	33%
Operating profit	426.8	404.4	6%	(1%)
Net finance expense	(62.7)	(68.3)	(8%)	
Adjusted profit before tax¹	623.1	516.4	21%	
Effective tax rate	22.5%	24.0%		
Basic earnings per share (p)	63.8	74.8	(15%)	
Adjusted earnings per share (p)¹	124.7	103.4	21%	
Dividend per share (p)	43.2	36.0	20%	

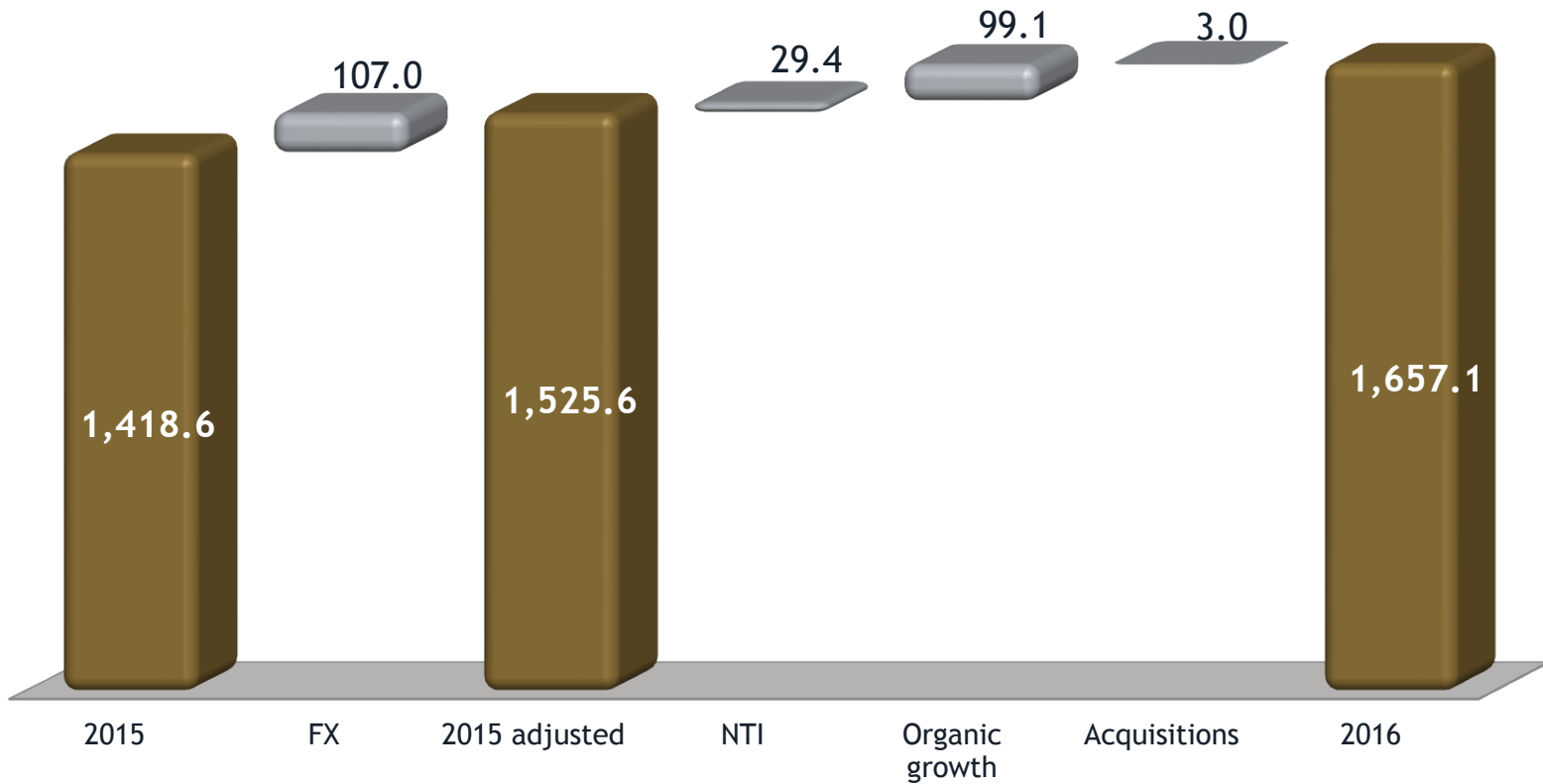
On a reported basis, including discontinued operations: Operating profit was £530.0 million (2015: £499.9 million) and a profit after tax of £192.9 million (2015: £357.1 million). The lower profit for the period mainly reflects the £163.6 million tax payment from the disposal of Russell Investments. This results in basic earnings per share of 43.5 pence (2015: 94.6 pence)

All above figures are for continuing operations

¹ Excluding amortisation of purchased intangibles (£156.6m) and non-recurring items (£102.4m)

Income growth

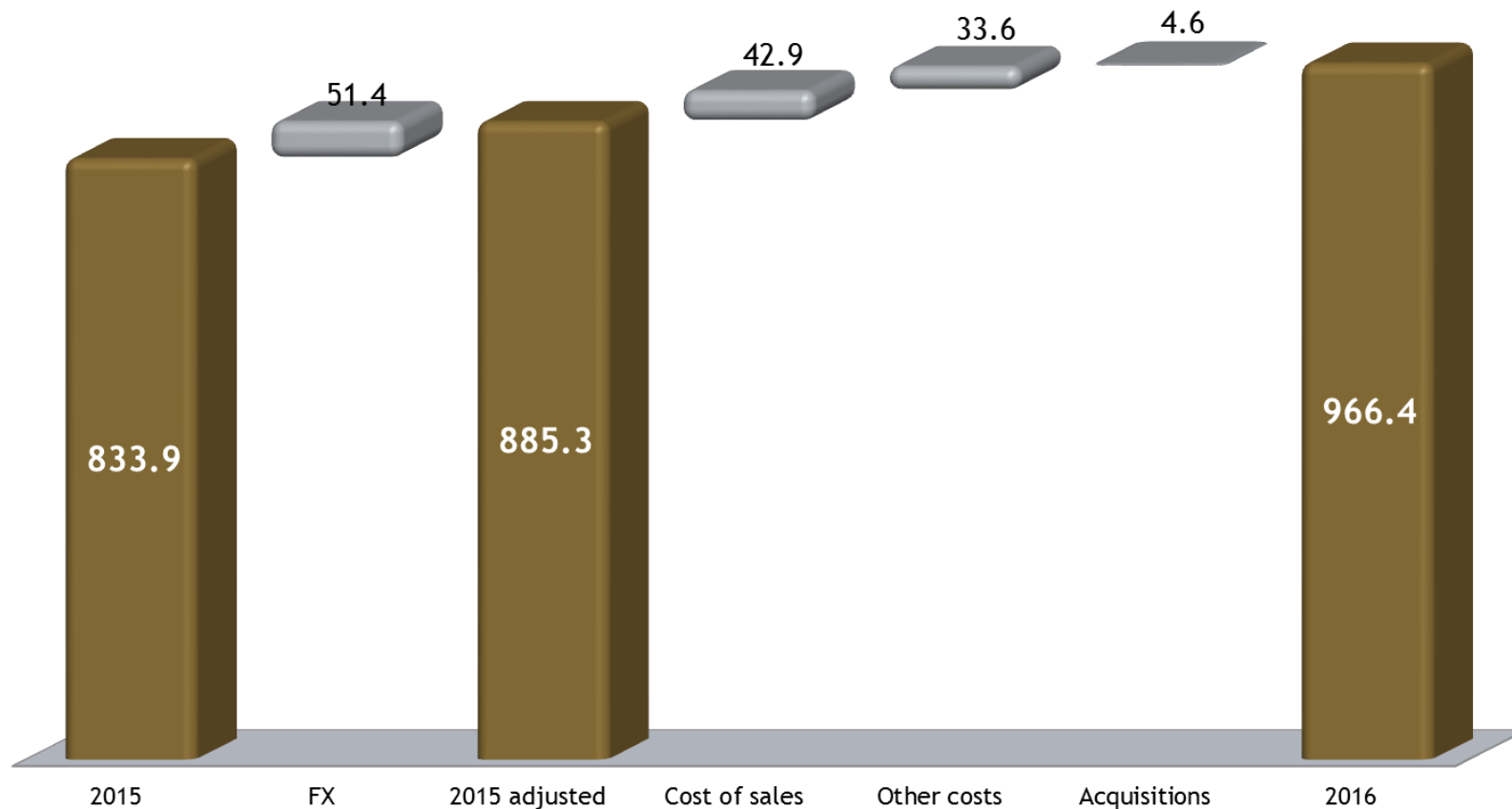
Good organic growth across all business areas



Note: figures include continuing operations only

Good control of underlying expenses and benefits of cost synergies

Expenses controlled – Cost of sales up as revenue increases



*Note: Excluding amortisation of purchased intangibles and non-recurring items .
Figures include continuing operations only*

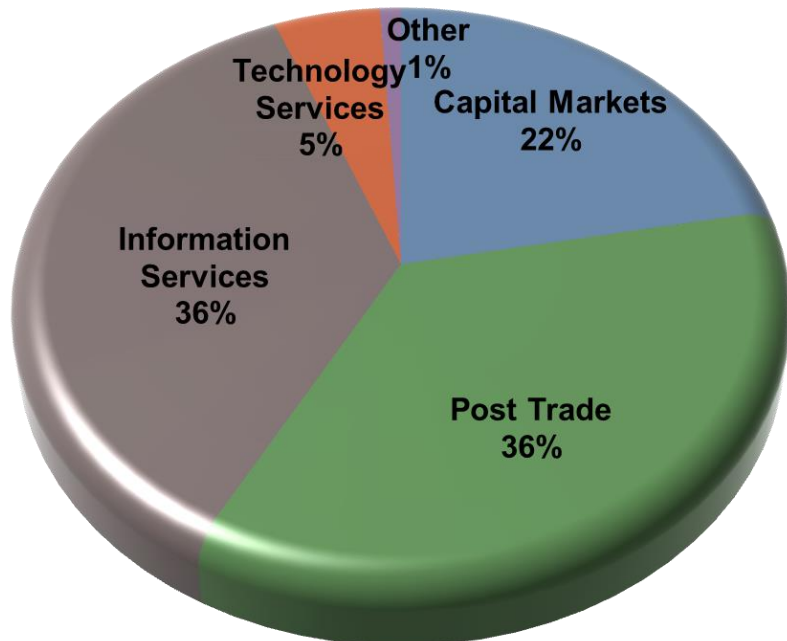
Costs breakout

- **Synergies**
 - FTSE Russell delivered £30m 2016 / target 2017 £4m
 - LCH delivered €6m 2016, 2016 exit run-rate €24m / target run-rate end 2017 €40m
- **Investment for growth**
 - £31m operating expense (£146m capital expenditure)
 - LSE/Borsa Italiana – FTSE Russell Global Fixed Income, MiFID II regulatory changes and new services, Turquoise enhancements and TARGET-2 Securities changes
 - LCH - SwapClear, ForexClear and CDSClear upgrades for new products to be cleared, LCH Spider and LCH SwapAgent development
- **Other**
 - **Depreciation** increased to £85.0m as projects go live as IT and other projects went live (2015: £58.9m), including : **globeSettle impairment £8m** (one-off included in Post trade CC&G & Monte Titoli)
 - **Variable compensation** increased £17m
 - **Significant FX changes**
 - (2016 H1: GBP:EUR 1.28 / USD 1.43)
 - (2016 H2: GBP:EUR 1.16 / USD 1.28)

Diversified by business activity

Each of our business areas delivered year-on-year growth, highlighting the strength in the diversity of our business

2016 Income by segment



Segmental growth 2016 vs 2015

	Variance	Organic and constant currency variance ¹
	%	%
Continuing operations:		
Revenue		
Capital Markets	12%	6%
Post Trade Services - CC&G and Monte Titoli	15%	3%
Post Trade Services – LCH	18%	10%
Information Services	15%	7%
Technology Services	10%	4%
Total revenue	14%	7%
Net treasury income through CCP businesses	46%	31%
Total income	17%	9%

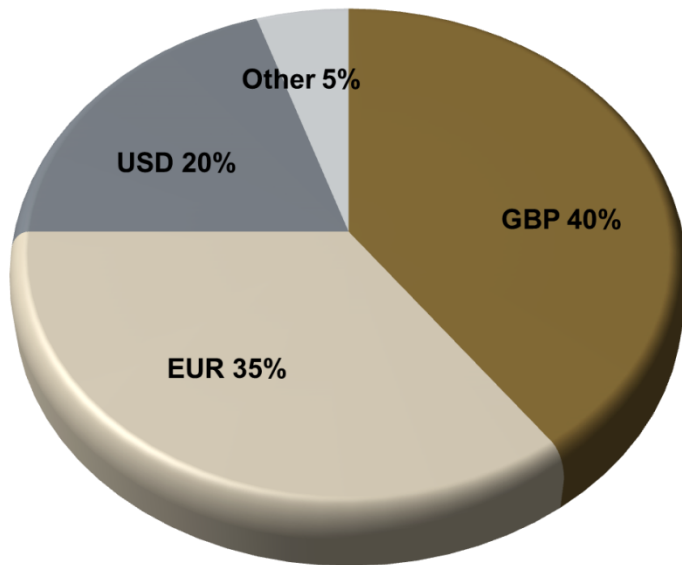
¹ Organic growth is calculated in respect of businesses owned for at least 12 months in either period and so excludes Exactpro, Proquote, Russell Investment Management, SwapMatch and XTF Inc. The Group's principal foreign exchange exposure arises from translating our European based euro and US based USD reporting businesses into sterling.

Continuing operations only

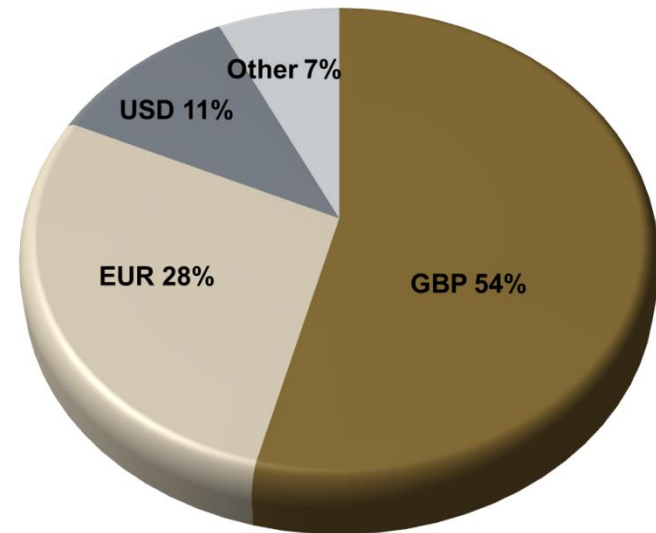
Diversified by currency

Diversification by both income and expenses across GBP, EUR and USD

2016 Income £1,657.1m



2016 Expenses £966.4m



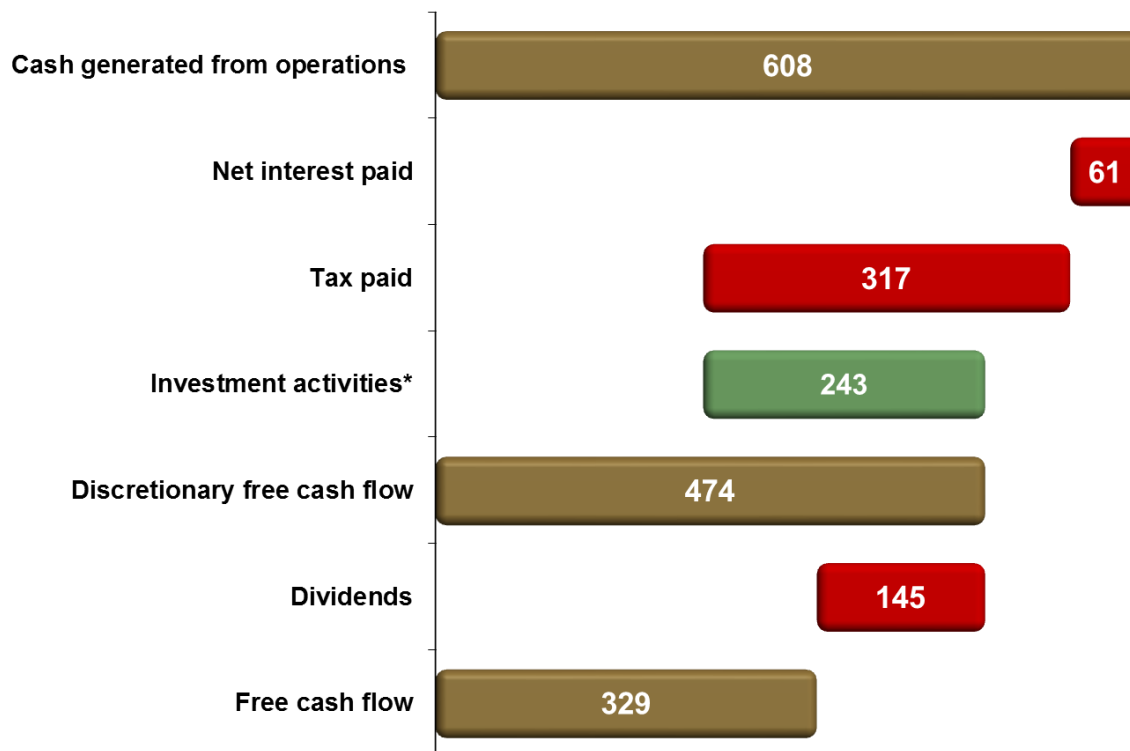
Continuing operations only, expenses include Cost of sales



Summarised cash flow

Good cash generation

£ million



- £145.8m capex – mainly technology upgrades, new investment for growth projects across the Group and integration of FTSE Russell (2015 : £117.3m)
- Discretionary free cash flow remains strong at 135.8p per share¹ (2015 : 118.6p)
- Fees for Russell Investment Management restructuring and disposal - £13.8m
- Merger and other transaction costs - £85.4m

Note: All above figures include continuing and discontinuing operations

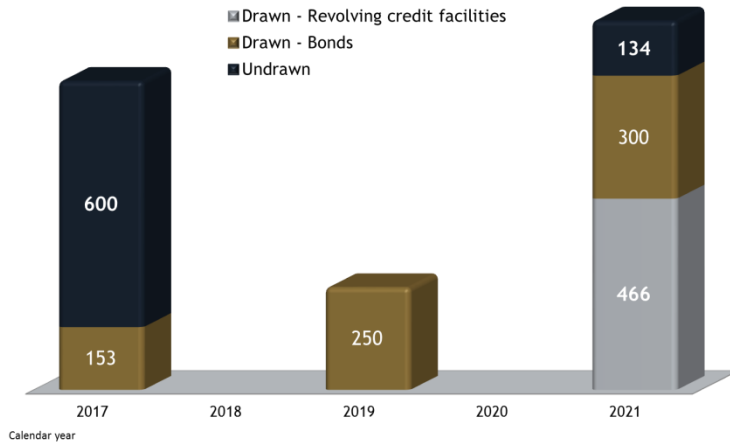
¹ Based on weighted average shares in issue for the period of 2016 : 348.9m and 2015 : 347.0m

* includes cash outflows of £351.8m (mostly cash disposed as a part of discontinued operations and capex) and inflows of £594.9m (mostly sale proceeds)

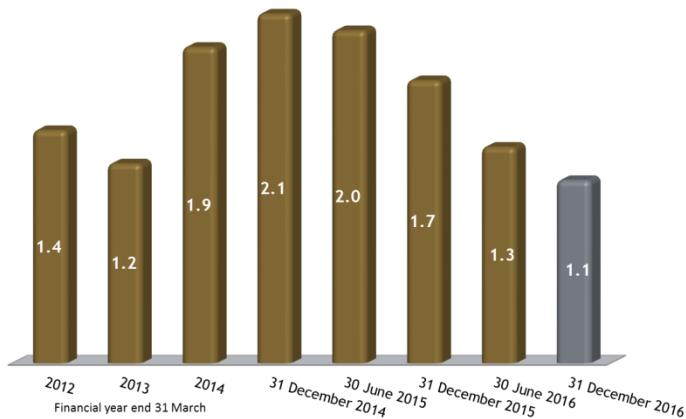


Borrowings

Facilities



Leverage*



- Operating net debt **£882m** (£1,273m 31 December 2015)
- Net debt: Pro forma EBITDA **1.1x** (excluding £848m restricted cash)
- Committed undrawn credit lines available for Group purposes at 31 December 2016 total over **£700 million**, extending out to 2021
- 2016 Bond repaid in July 2016 by use of existing facilities

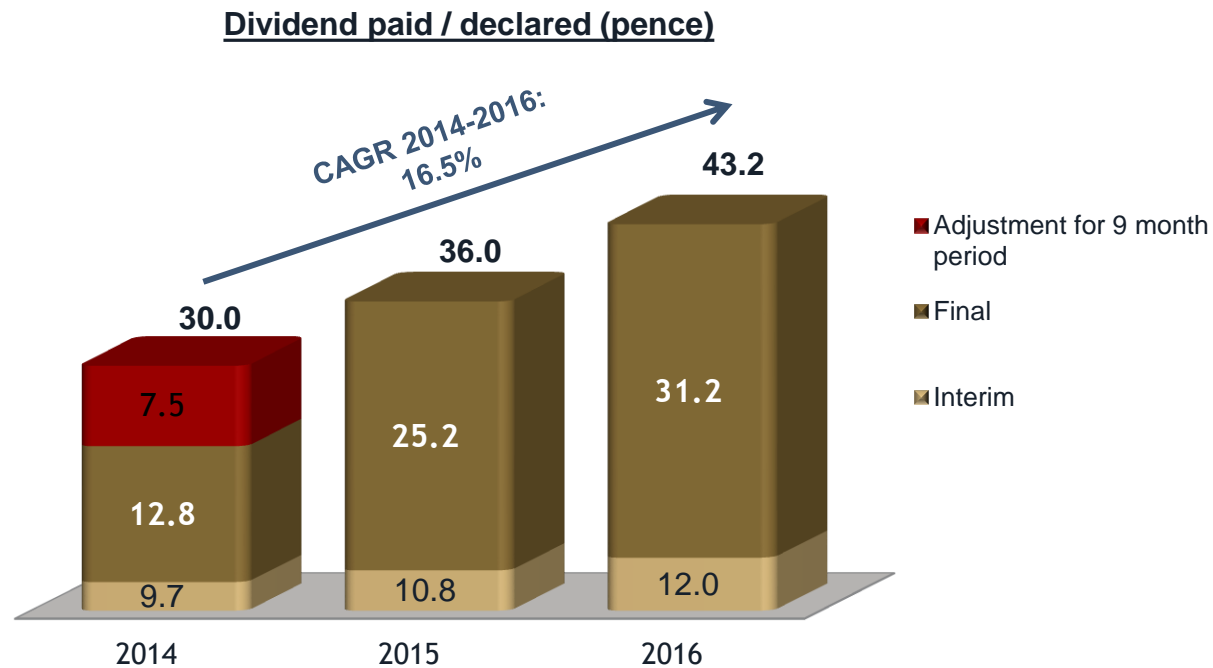
Ratings:

- LSEG: S&P **BBB+** and Moody's **Baa1**
- LCH Group: **A+**

*FY 2012 Pro forma as if FTSE owned for whole year, FY 2014 pro forma as if LCH.Clearnet owned for whole year, 31 December 2014 and 30 June 2015 pro forma as if Frank Russell Co owned for whole year. Operating Net debt : Adjusted EBITDA. Net debt excludes all cash and cash equivalents of LCH and £200m of further Group cash and cash equivalents held locally for regulatory purposes

Dividend

- Full year dividend declared up 20% to 43.2p
 - 12.0p interim paid September 2016 / 31.2p final to be paid 31 May 2017
 - Dividend cover of 2.9x now in targeted range





Xavier Rolet



Successful strategy delivering results

- Continued execution of strategy based on customer partnership and Open Access model
- MiFID II – well positioned to benefit from our strong track record operating Open Access businesses as MiFID II's open access provisions come into force
- Continued investment in growth opportunities across our market leading businesses, organic and inorganic
- Operational leverage – continued good cost control and delivery of synergy opportunities
- Strongly positioned as a diversified financial markets infrastructure business with a global footprint
- Well positioned to navigate evolving political and macro economic landscape

Regulatory landscape - MiFID II

MiFID II Implementation confirmed for January 2018

- MiFID II mandates Open Access across financial markets infrastructure
- Will promote greater competition, transparency and innovation
- LSEG firmly believe that transparency and consumer choice will create deeper pools of liquidity, reduce costs and lead to better risk management
- LSEG well positioned as Open Access and customer partnership at the core of our business model with proven track record (LCH, CurveGlobal, Turquoise, MTS)
- **Our clients have absolute choice across our value chain - fundamentally different approach to peers**



Investment in growth and innovation

Information Services - FTSE Russell

- FTSE Russell integration – almost complete, ahead of schedule
- Approx. US\$11 trillion AuM benchmarked to FTSE Russell indexes
- Mergent acquired - a leading provider of business and financial data on companies
- 'New "Smart Sustainability" Index launched combining smart beta and FTSE Russell's Green Revenues (LCE) data model – selected for basis of LGIM new Future World Fund'

Capital Markets

- Turquoise Plato Block Discovery – since launch; €9bn traded by year end; €13bn to end February
- CurveGlobal Interest Rate futures platform launched with major banks and CBOE as partners – 425,000 contracts traded end of September 2016 to January 2017
- ELITE Club Deal, private placement platform launched; ELITE Growth has 500 companies, 25 countries
- Green Finance - 40 Green Bonds listed in London raising a combined \$10.5 billion, seven different currencies
- IDEM, the Group's Italian derivatives market, saw an increase in volumes of 10%

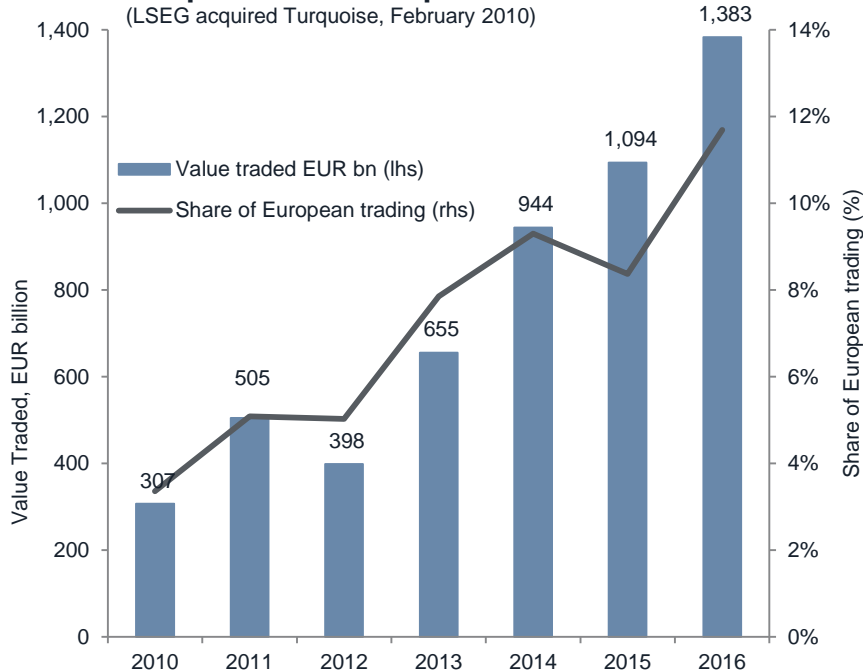
Post Trade - LCH

- SwapClear - European client clearing - live
- Compression providing client benefits - \$384trn compressed in 2016 up 17%
- Inflation Swaps – over \$1,400bn / 55k trades cleared since launch
- ForexClear – strong volume growth
- Portfolio margining – LCH Spider launched
- LCH SwapAgent, OTC bilateral rates & FX markets service - to launch 2017 H1

Turquoise – Plato partnership and innovation

Turquoise Lit + Turquoise Plato™

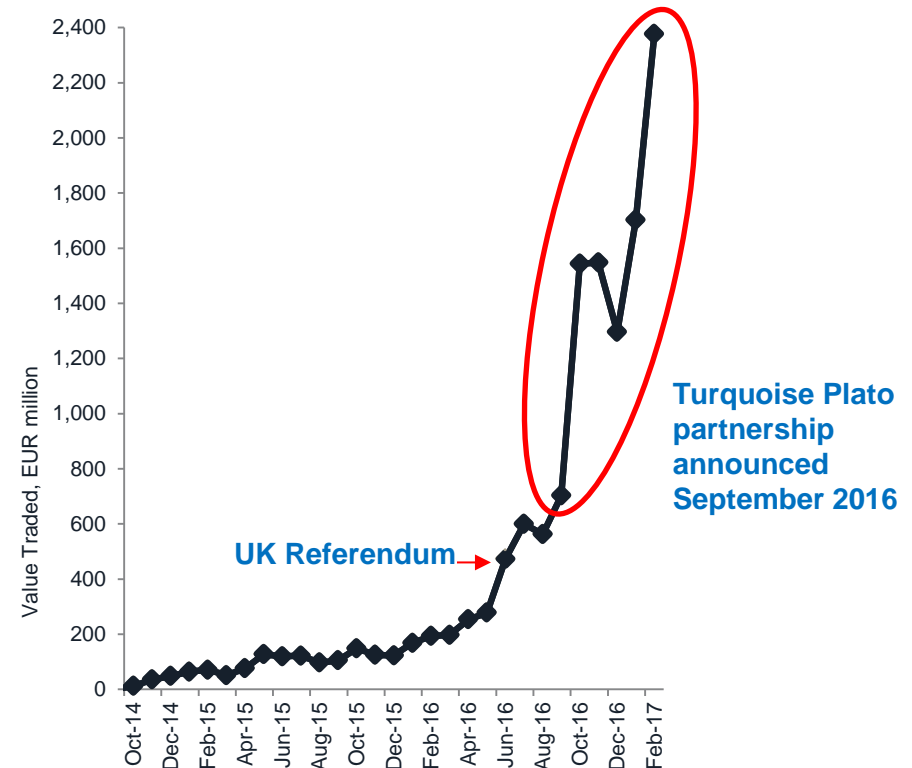
(LSEG acquired Turquoise, February 2010)



- **Turquoise share of European trading 11.7%** (2015: 8.3%)
- Turquoise value traded on order book
Turquoise Integrated Lit €1.2trn, **up 26%** (2015: €973bn)
Turquoise Plato™ (non display) €159bn, **up 32%** (2015: €121bn)
- **Turquoise Plato** partnership formed September 2016 – bringing together for the first time buy-side, sell-side and trading venue

Turquoise Plato Block Discovery™

- Award winning **innovation designed in partnership**
- Average trade size **30 times** industry dark pool average
- **€13.2bn** matched since 2014 launch to end February 2017 of which **€9.1bn or 69%** traded since **September 2016**

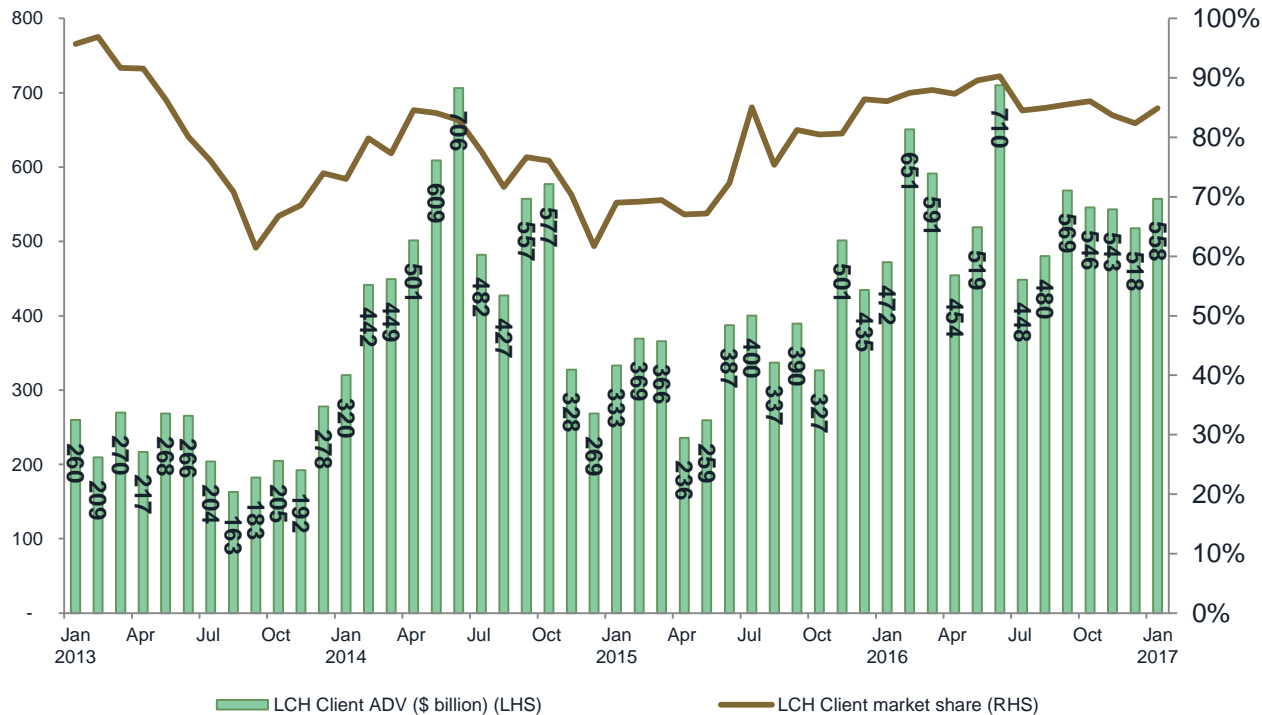


OTC clearing - Interest rate swaps

SwapClear – global leader in interest rate swap clearing

LCH - SwapClear

Client clearing - Average Daily Value \$billion



SwapClear 2016:

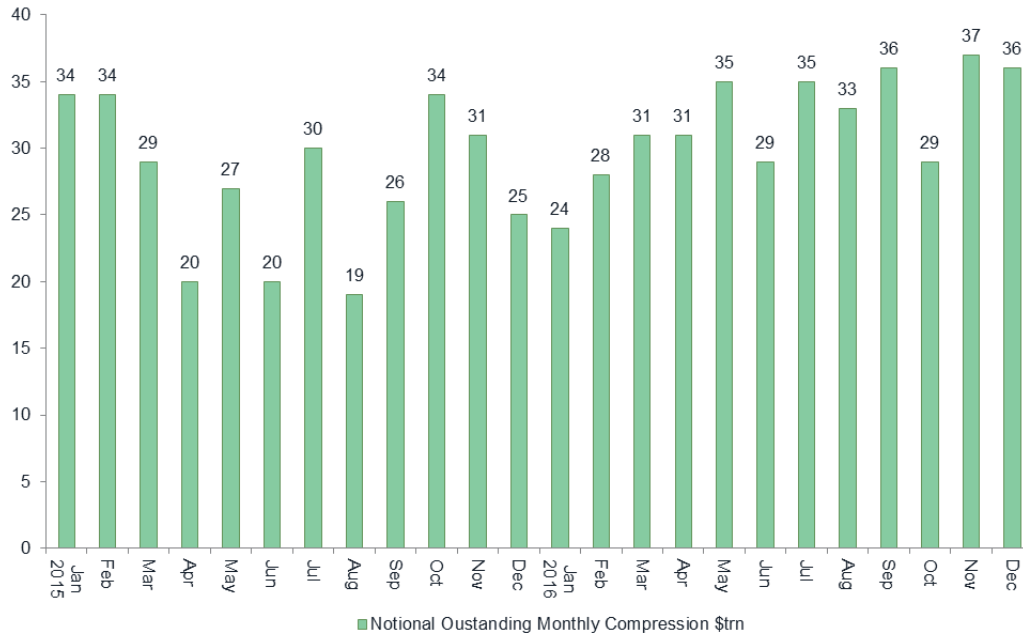
- **\$666 trillion** notional cleared – up 25%
- **\$139 trillion** Client notional cleared - up 50%
- **952k** Client trades cleared – up 40%
- **95%** share of Clearing notional value (Client and member)
- **LCH SwapAgent** to launch 2017 H1

Chart shows SwapClear client volumes only vs CME client and member

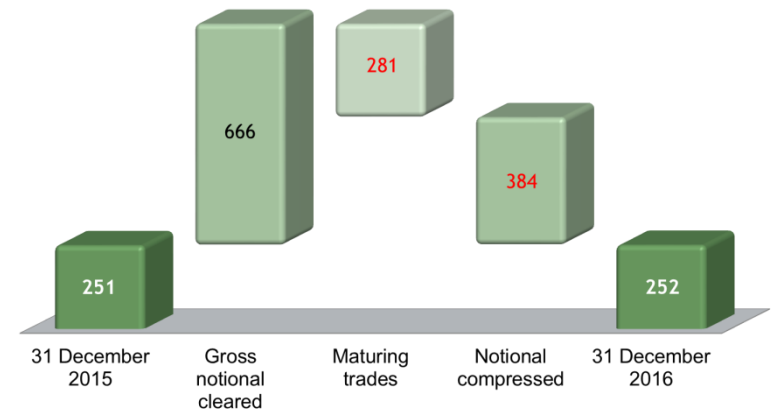
OTC clearing - Compression

SwapClear – global leader in interest rate swap clearing

LCH - SwapClear
Compression - \$trillion



- **\$384 trillion** compressed (2015 : \$328trn)
- **2.9 million** trade sides compressed (2015 : 3.0m)

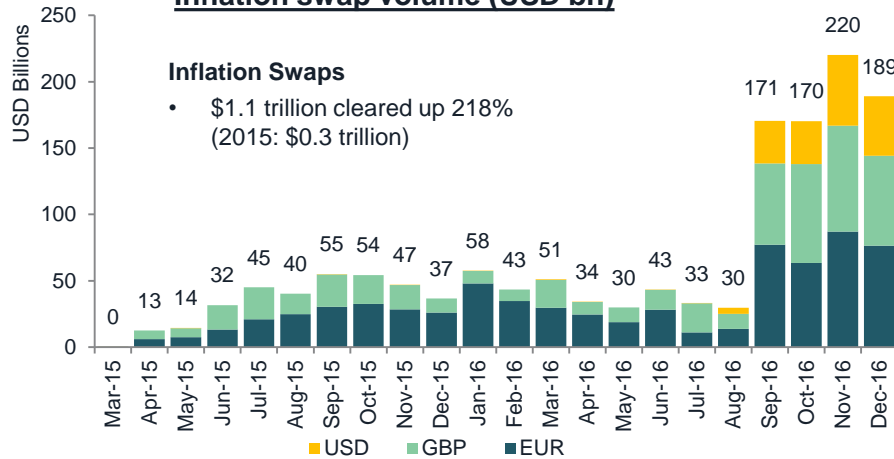


In May 2016, SwapClear announced that it had compressed over \$1 quadrillion (\$1,000,000,000,000,000) of cleared notional since the service launched in 2008

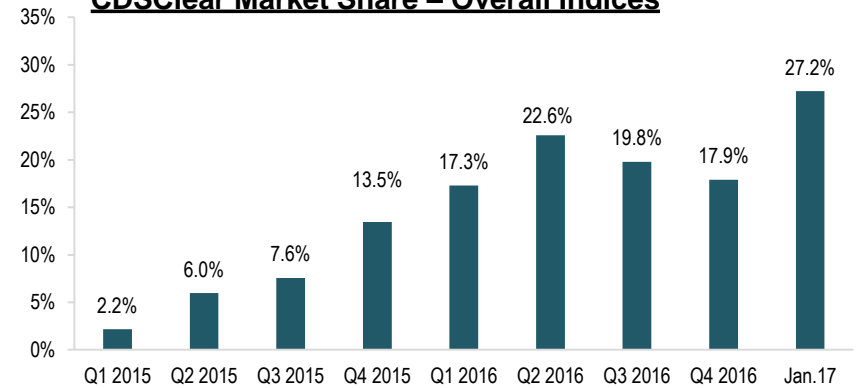
OTC clearing – further growth

Uncleared margin rules – driving volumes

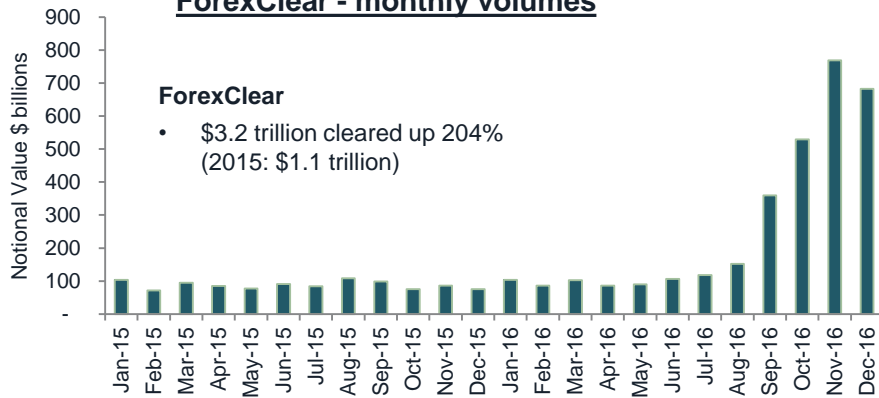
Inflation swap volume (USD bn)



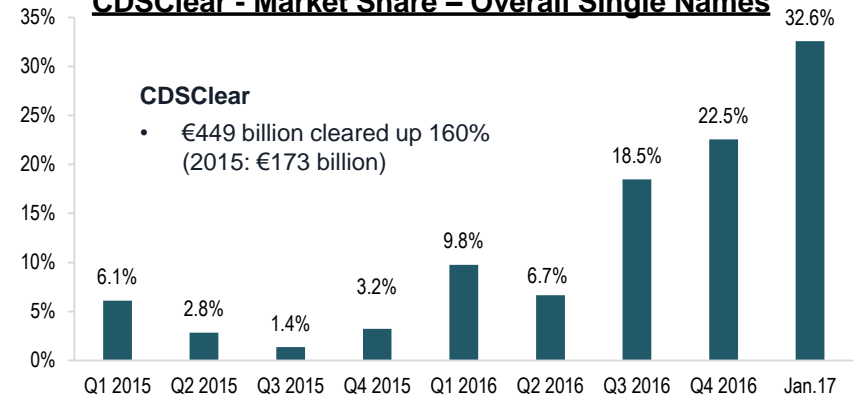
CDSClear Market Share – Overall Indices



ForexClear - monthly volumes



CDSClear - Market Share – Overall Single Names



LCH SwapAgent

New service to simplify the processing, margining, and settlement of non-cleared derivatives

Overview

- Extends the centralised clearing infrastructure to the bilateral market without requiring novation to a central counterparty
- Service provides benefits such as:
 - Dispute Elimination,
 - Standardisation,
 - Compression,
 - Payment Netting, and
 - Portfolio Optimisation
- Launch in Q2 2017

Opportunity

- SwapAgent targets the non-cleared rate and FX derivative markets

Contracts	Notional amounts outstanding in H1 2016 (\$ billion)
IRS	383,339
Swaptions / XCCY	58,228
Foreign Exchange	50,551
Credit Derivatives	11,890
Equity	6,631

Source: Bank for International Settlements

- Cross currency swaps (XCCY) and interest rate options likely to remain primarily non-cleared

Service Adoption

- Commitment and partnership from 14 Dealers:



Successful strategy drives growth

- **Strategy is delivering** – resilient model, well diversified by business activity, geography and currency
- **Growth across market-leading businesses** – consistent investment in growth opportunities continues to drive revenue increases
- **MiFID II** – LSEG well positioned to benefit from our strong track record operating Open Access business as MiFID II's open access provisions come into force



Appendices

Notes

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 348.9m (2015: 347.0m), excludes ESOP

Exchange rates

	Average rate		Average rate	
	12 months ended	Closing rate at	12 months ended	Closing rate at
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
GBP : EUR	1.22	1.17	1.38	1.36
GBP : USD	1.36	1.23	1.53	1.47

A €10c movement in the average £/€ rate for the six months would have changed the Group's continuing operating profit for the period before amortisation of purchased intangibles and non-recurring items by approximately £25 million.

A \$10c movement in the average £/\$ rate for the six months would have changed the Group's continuing operating profit for the period before amortisation of purchased intangibles and non-recurring items by approximately £16 million.

Key performance indicators

Capital Markets - Primary Markets

	Twelve months ended		Variance %
	31 December		
	2016	2015	
New Issues			
UK Main Market, PSM & SFM	51	88	(42%)
UK AIM	64	61	5%
Borsa Italiana	19	27	(30%)
Total	134	176	(24%)
Money Raised (£bn)			
UK New	4.7	10.2	(54%)
UK Further	16.1	24.4	(34%)
Borsa Italiana new and further	4.8	7.1	(32%)
Total (£bn)	25.6	41.7	(39%)

Capital Markets - Secondary Markets

	Twelve months ended		Variance %
	31 December		
	2016	2015	
Equity			
Totals for period			
UK value traded (£bn)	1,280	1,236	4%
Borsa Italiana (no of trades m)	75.4	71.1	6%
Turquoise value traded (€bn)	1,383	1,094	26%
SETS Yield (basis points)	0.63	0.62	2%
Average daily			
UK value traded (£bn)	5.1	4.9	4%
Borsa Italiana (no of trades '000)	295	280	5%
Turquoise value traded (€bn)	5.4	4.3	26%
Derivatives (contracts m)			
LSE Derivatives	4.9	4.5	9%
IDEM	49.0	44.4	10%
Total	53.9	48.9	10%
Fixed Income			
MTS cash and BondVision (€bn)	3,944	4,081	(3%)
MTS money markets (€bn term adjusted)	84,354	88,899	(5%)

Note: Minor rounding differences may mean quarterly and other segmental figures may differ slightly.



Key performance indicators

Post Trade Services - CC&G and Monte Titoli

	Twelve months ended		Variance %
	31 December		
	2016	2015	
CC&G Clearing			
Contracts (m)	129.6	120.1	8%
Initial margin held (average €bn)	12.1	12.3	(2%)
Monte Titoli			
Settlement instructions (trades m)	43.3	60.3	(28%)
Custody assets under management (average €trn)	3.17	3.31	(4%)

Information Services

	As at		Variance %
	31 December		
	2016	2015	
ETF assets under management benchmarked (\$bn)			
FTSE	249	217	15%
Russell Indexes	203	164	24%
Total	452	381	19%

Terminals

UK	72,000	75,000	(4%)
Borsa Italiana Professional Terminals	128,000	132,000	(3%)

Post Trade Services - LCH

	Twelve months ended		Variance %
	31 December		
	2016	2015	
OTC derivatives			
SwapClear			
IRS notional cleared (\$tn)	666	533	25%
SwapClear members	107	116	(8%)
Client trades ('000)	952	678	40%
CDSClear			
Notional cleared (€bn)	448.7	172.8	160%
CDSClear members	12	11	9%
ForexClear			
Notional value cleared (\$bn)	3,191	1,050	204%
ForexClear members	25	23	9%
Non-OTC			
Fixed income - Nominal value (€tn)	70.8	72.6	(2%)
Listed derivatives (contracts m)	131.9	142.8	(8%)
Cash equities trades (m)	697.2	549.1	27%
Average cash collateral (€bn)	67.0	56.9	18%

Note: Minor rounding differences may mean quarterly and other segmental figures may differ slightly.



Revenues - Quarterly

£ millions	CY 2015				CY 2015	CY 2016				CY 2016
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Primary Markets	21.4	24.0	19.1	24.3	88.8	22.2	22.0	21.1	25.5	90.8
Secondary Markets - Equities	38.2	36.5	35.1	33.9	143.7	42.2	40.9	40.0	41.8	164.9
Secondary Markets - Fixed income, derivatives & other	26.3	23.6	22.9	25.0	97.8	28.0	26.3	28.5	29.8	112.6
Capital Markets	85.9	84.1	77.1	83.2	330.3	92.4	89.2	89.6	97.1	368.3
Clearing	10.0	9.8	9.4	8.8	38.0	10.6	10.1	10.0	11.8	42.5
Settlement, Custody & other	13.4	13.6	12.4	12.4	51.8	12.9	14.5	15.2	18.6	61.2
Post Trade Services - CC&G and Monte Titoli	23.4	23.4	21.8	21.2	89.8	23.5	24.6	25.2	30.4	103.7
OTC - SwapClear, ForexClear & CDSClear	36.5	38.8	39.4	42.1	156.8	44.6	44.4	47.6	54.0	190.6
Non OTC - Fixed income, Cash equities & Listed derivatives	29.0	28.9	30.0	26.6	114.5	28.6	29.1	28.3	30.5	116.5
Other	8.4	7.5	6.4	8.5	30.8	11.1	9.3	13.6	15.4	49.4
Post Trade Services - LCH	73.9	75.2	75.8	77.2	302.1	84.3	82.8	89.5	99.9	356.5
FTSE Russell Indexes	85.0	86.2	90.7	87.0	348.9	96.4	97.1	102.1	113.7	409.3
Real time data	21.3	20.7	19.9	20.3	82.2	22.7	21.8	23.3	23.1	90.9
Other information	22.2	21.0	20.9	22.2	86.3	22.4	25.5	23.1	23.5	94.5
Information Services	128.5	127.9	131.5	129.5	517.4	141.5	144.4	148.5	160.3	594.7
Technology Services	19.6	18.6	19.8	22.5	80.6	16.2	21.9	20.8	29.4	88.3
Other	0.8	0.8	0.5	2.4	4.5	1.0	0.1	2.6	0.4	4.1
Total Revenue	332.1	330.0	326.5	336.0	1,324.7	358.9	363.0	376.2	417.5	1,515.6
Net treasury income through CCP:										
CC&G	6.8	6.6	7.7	8.2	29.3	10.3	10.7	11.2	10.4	42.6
LCH	13.4	13.6	13.5	15.9	56.4	17.6	17.4	24.1	23.1	82.2
Other income	1.7	0.9	1.7	4.0	8.2	0.8	7.1	3.1	5.7	16.7
Total income	354.0	351.1	349.4	364.1	1,418.6	387.6	398.2	414.6	456.7	1,657.1



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