



# London Stock Exchange Group plc

Doug Webb  
Chief Financial Officer

June 2009



# Agenda

Full Year Results - summary

Operational Highlights

Outlook

Initial comments from new CEO

Q&A

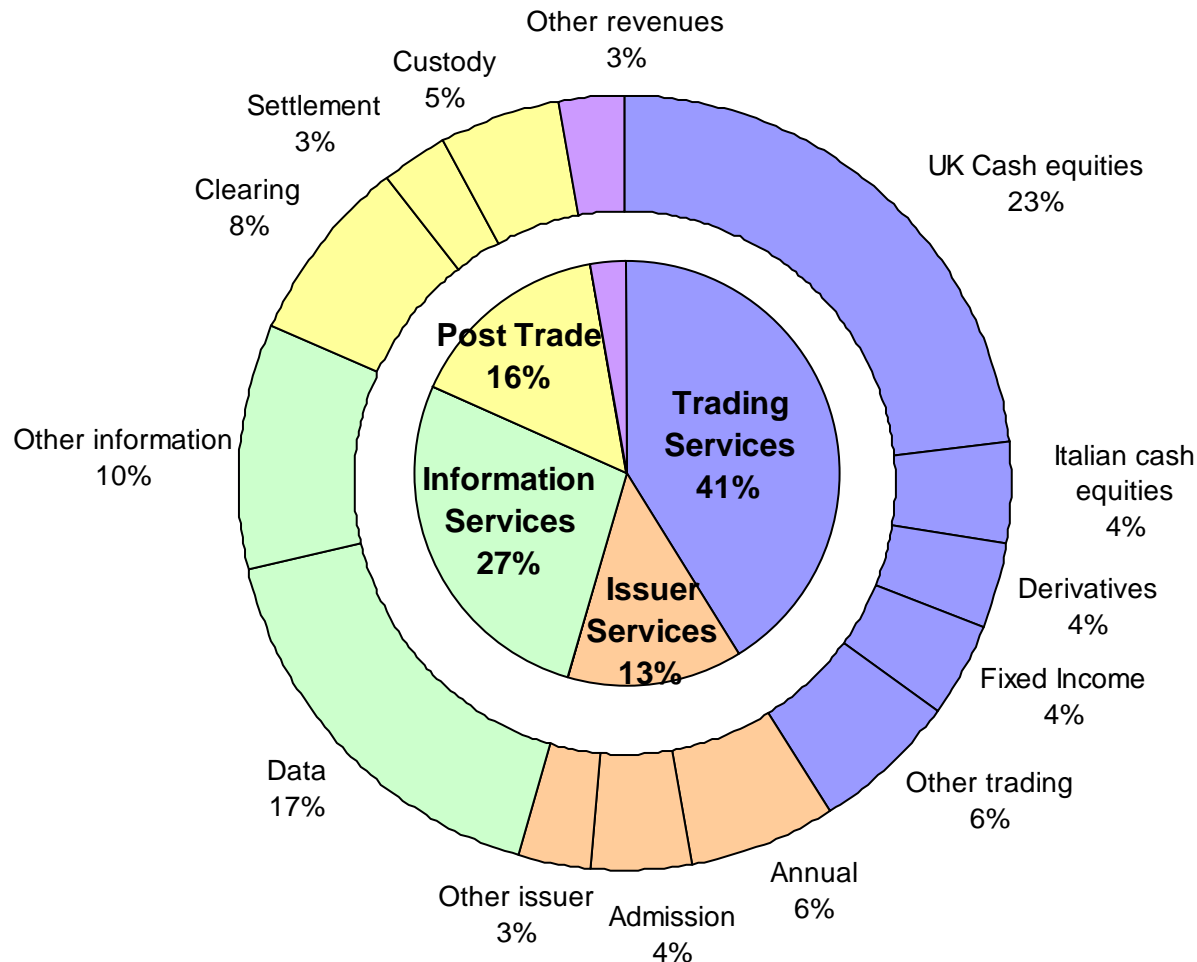


## Key financial highlights

- Good underlying performance in difficult markets - reflects overall resilience and diversification
- Revenue up 23% (up 1% pro forma)
- Adjusted operating profit up 17% (down 1% pro forma)
- Strong focus on cost control - at pro forma constant currency down 5%
- Strong cash flow from operations - up 20% to £353m: free cash flow after dividends £100m
- Adjusted EPS up 2% to 74.2p
- Dividend per share up 2% to 24.4p; £52m share buy back in H1
- Cost synergies increased 60% from £20m to £32m



# A diversified exchange group



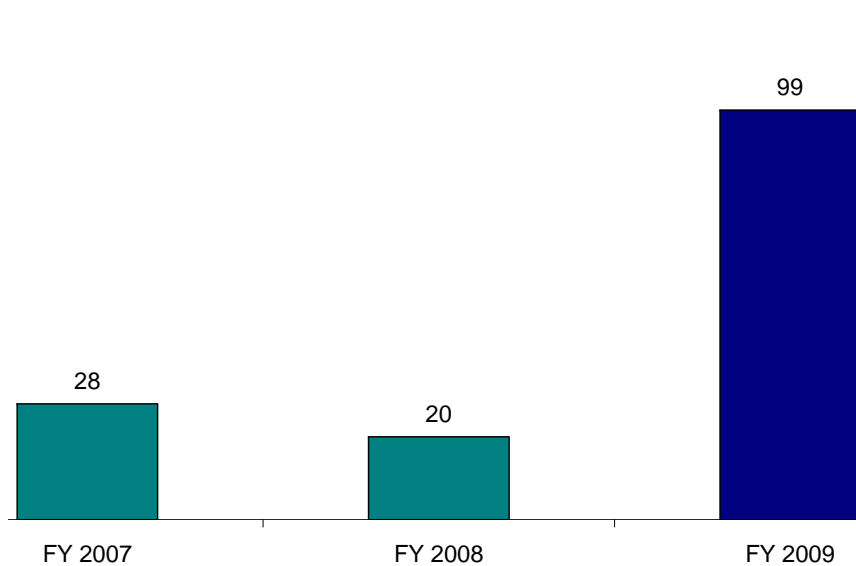
Year end 31 March 2009



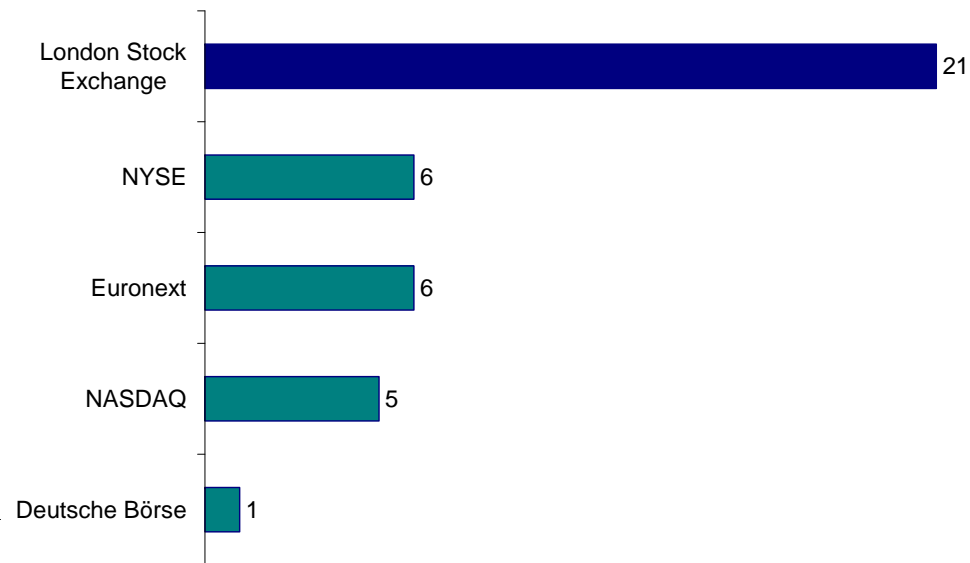
## Markets remain active - record equity capital raising

- Companies raised a record £99 billion of further money
- Total money raised a record £106 billion
- Clear lead as the international market of choice

Further money raised (£ billion)



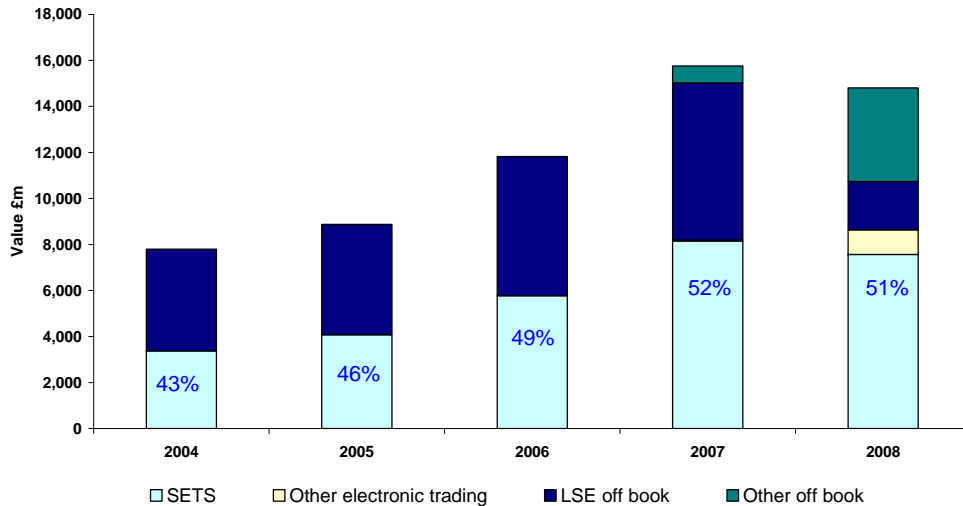
Number of international IPOs



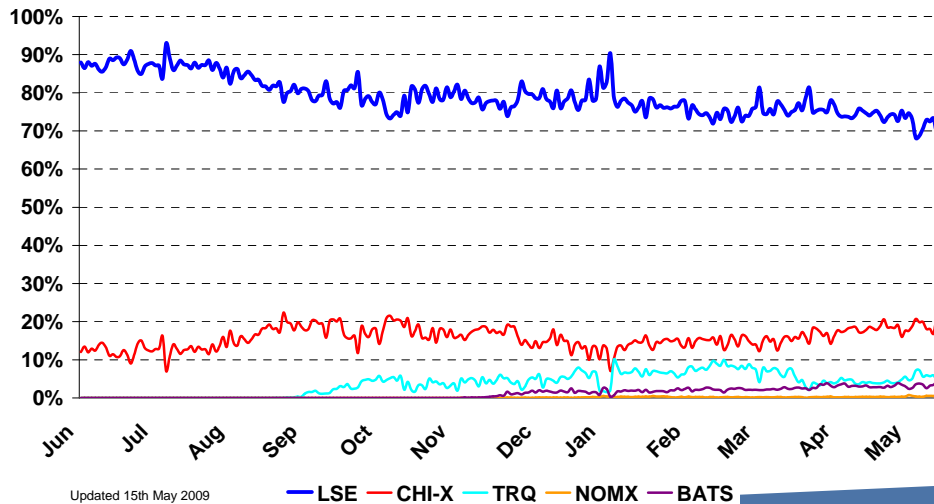


# Trading Services - UK equities

UK trading - average daily £m  
Percentage SETS



FTSE 100 share of electronic trading



Since its inception, SETS has been the price formation venue for the most liquid UK securities, regardless of market share

SETS 2008 market share 51% (incl OTC)

LSE FTSE 100 market share of electronic trading 70% to 80% Sep08 to May09

LSE FTSE 250 market share c85%

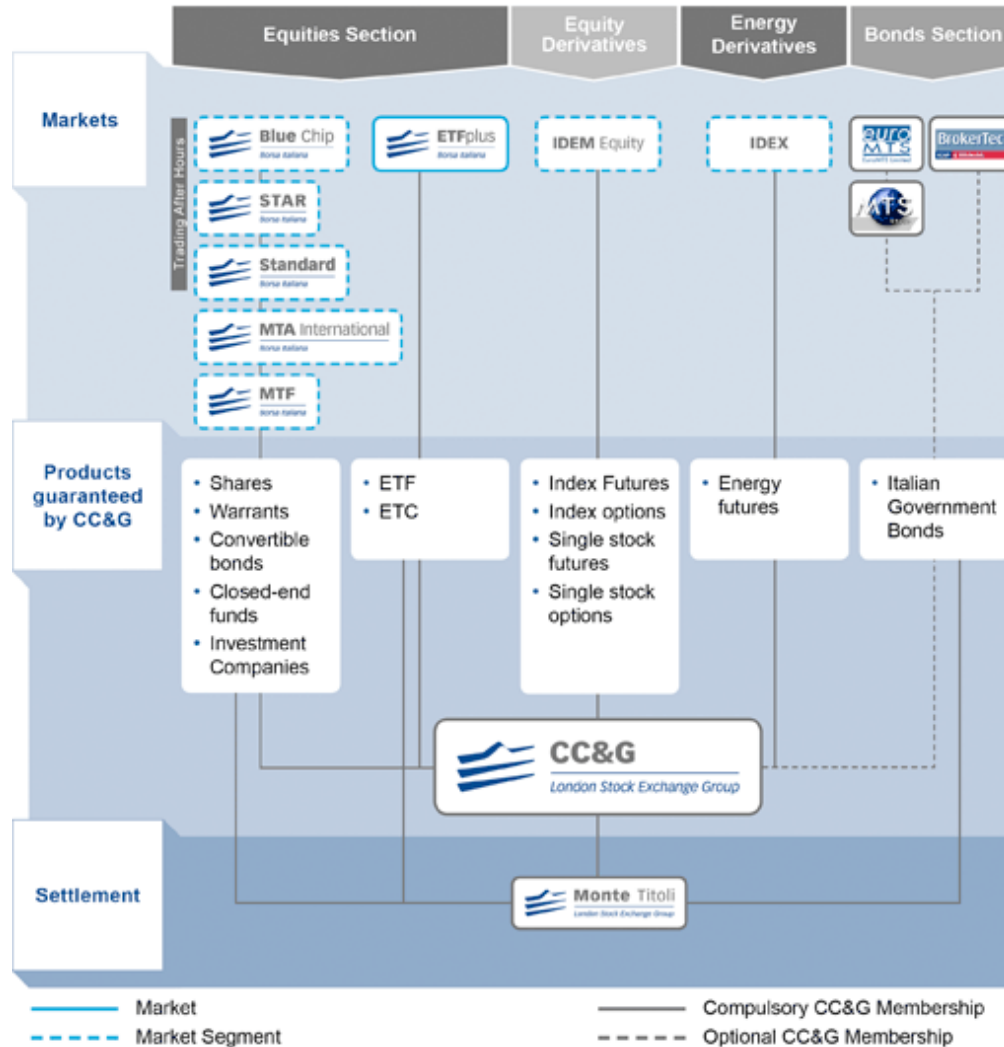


## Information Services - diversified product range

- Data Sales - real-time, price forming data
  - 104,000 LSE professional terminals, of which 62,000 non-UK
  - 151,000 Italian professional terminals
- Other revenues
  - FTSE Group - 50% owned by LSE, contributed over £10m to Group profits
  - Extranex network - firms upgrading to 100mb lines (from 10mb)
  - Proquote - cost effective financial market software and real-time data services over the internet to almost 5,000 users
  - SEDOL - reference data for over 5m global instruments (equities, derivatives and bonds)
  - Hosting service provides customers with direct connectivity



# Post Trade - multi assets



- **Cassa di Compensazione e Garanzia (CC&G)** acts as a central counterparty eliminating counterparty risk on trades for:
  - Italian cash equities
  - Equity derivatives
  - Government bonds
  - Energy derivatives
  - CC&G will soon clear pan-European equities for Baikal MTF
- **Monte Titoli**, provides routing, netting and settlement services. Recognized as the lowest cost provider in the Eurozone<sup>1</sup>

<sup>1</sup> European Central Bank study 2007



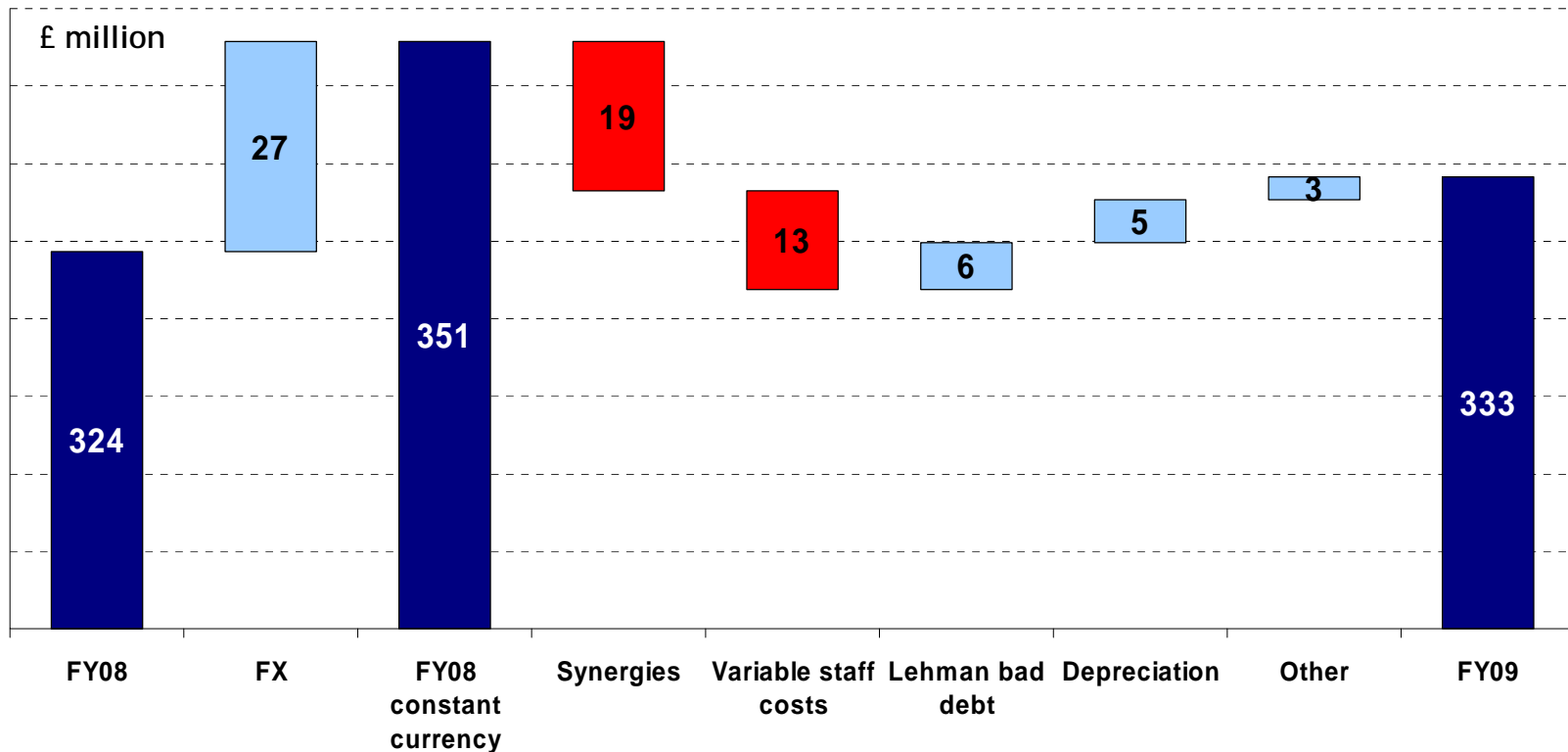


## Delivering benefits from merger

- Major strategic assets in Post Trade Services
- £19 million of cost synergies delivered in FY 2009
- Total cost synergies of at least £32 million, up 60 per cent - implementation costs of £42m (up £2m from original plan)
- Successful migration of Italian cash equities and MOT trading to TradElect - and launch of AIM Italia
- The Italian economy is the 7<sup>th</sup> largest in the world



## Operating expenses - good cost control



- 5% cost reduction in pro forma constant currency



## Current trading

- Market conditions remain challenging: some signs of improvement since financial year end:
  - London SETS trading
    - Average daily trades in April up 4% on the first quarter of 2009,
    - Average daily value traded in April up 2% on the first quarter of 2009.
    - May at similar levels of trading to April.
  - Italian cash equities trading
    - Average daily trades up 34% in April on the first quarter of 2009.
    - May at similar levels of trades to April.
    - Value traded in May up c100% on the first quarter of 2009.
  - Good primary markets pipeline but market subdued, Secondary issues remain strong
  - Demand for real time data resilient, but expected to decline further
  - Post Trade - CC&G continues to perform well with open interest at record levels of 5.1m contracts as at end of April, up 11% on March
- The Group is well placed for the future



## Initial impressions - Xavier Rolet, CEO

- Tremendous opportunities for the Group in a dynamic exchange sector:  
*"Customers are demanding ever more efficient, sophisticated and fast services to help them find liquidity.... I understand the challenge and know we will need to keep moving fast to meet these changing needs. And we will"*
- Undertaking a thorough analysis of the Group's business  
*"I am open-minded and nothing has been ruled out.... there is everything to play for"*
- Baikal is an exciting opportunity  
*"a neutral, pan-European dark pool with smart order-routing to other exchanges, as well as order matching and sophisticated strategy matching, Baikal will offer customers a new option for transacting business"*
- Borsa Italiana provides the Group with a number of very efficient, extremely well designed products  
*"combination of the London Stock Exchange and Borsa Italiana provides the Group with a portfolio of strategic assets which not only provide diversification of revenues but important platforms for growth"*



## Summary

- Good underlying performance in difficult markets
- Diversified Group with mix of UK and Italian operations
- Good cost control and increased merger synergies
- Strong international brand and London market position
- Robust free cash flow and sound balance sheet
- New CEO forming views



Appendix

Preliminary results

Financial Year ended 31 March 2009



## Overview of results - statutory

	Year ended 31 March		Change %
	2009 £m	2008 £m (restated)	
<b>Revenue</b>	<b>671.4</b>	546.4	23%
Operating costs (before exceptionals)	<b>(332.8)</b>	(257.4)	29%
<b>Operating profit (before exceptionals)</b>	<b>338.6</b>	289.0	17%
<b>Operating margin</b>	<b>50%</b>	53%	
Impairment of goodwill	<b>(484.0)</b>	-	
Exceptional items and amortisation	<b>(64.6)</b>	(23.8)	
<b>Operating (loss) / profit</b>	<b>(210.0)</b>	265.2	
<b>Net finance expense</b>	<b>(44.9)</b>	(40.4)	
<b>(Loss) / profit for year</b>	<b>(332.8)</b>	173.0	
<b>Basic earnings per share (p)</b>	<b>(126.1)</b>	70.8	
<b>Adjusted earnings per share (p)</b>	<b>74.2</b>	73.1	2%
<b>Dividend per share (p)</b>	<b>24.4</b>	24.0	2%

See notes in Appendix for basis of preparation



## Exceptional items

### Exceptional items

Integration	£15.2m
Finance expense	£6.9m

Amortisation £49.4m

Goodwill impairment £484m

- Borsa Italiana and Proquote goodwill impaired by £473m and £11m respectively, reflecting deterioration in market conditions and increased uncertainty about the future
- No impact on cash flows, regulatory capital requirements or debt covenants

In sterling terms the value in use of Borsa is comfortably higher today than the £1.3bn when we merged (even after taking the impairment)





## Overview of results – pro forma

	Year ended 31 March		Change %	Change at constant currency %
	2009 £m	2008 £m		
<b>Revenue</b>				
Issuer	90.4	97.1	(7%)	(12%)
Trading	275.3	310.0	(11%)	(16%)
Information	182.9	161.9	13%	8%
Post Trade	104.0	82.0	27%	7%
Other income	18.8	15.8	19%	8%
<b>Total revenue</b>	<b>671.4</b>	<b>666.8</b>	1%	(6%)
Operating costs	(332.8)	(323.8)	3%	(5%)
<b>Operating profit (before exceptionals)</b>	<b>338.6</b>	<b>343.0</b>	(1%)	(7%)
<b>Operating margin</b>	<b>50.4%</b>	<b>51.4%</b>		

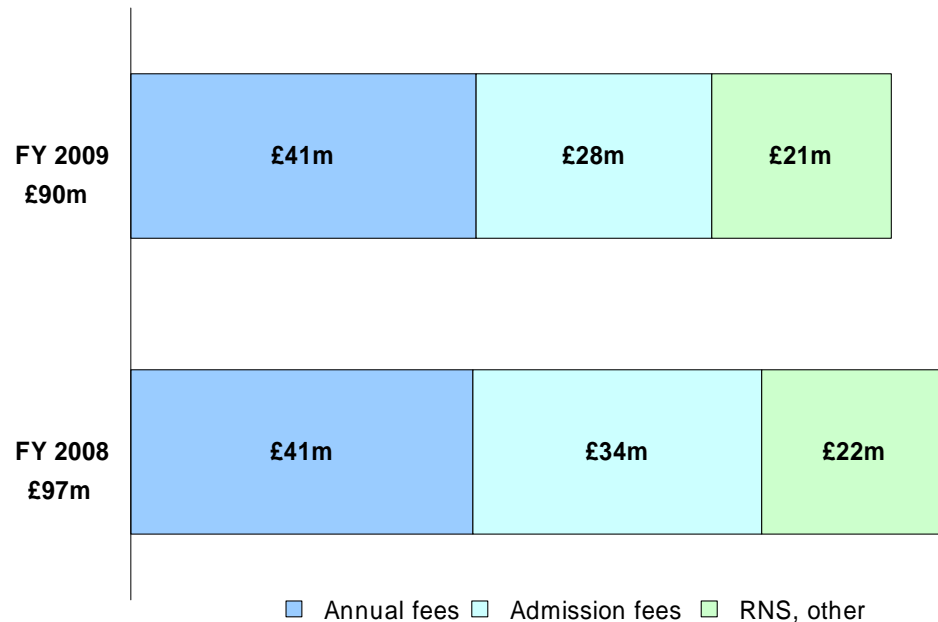
See notes in Appendix for basis of preparation



# Issuer Services

## Central role in linking companies to capital

### Revenues (pro forma)



### Key metrics

	Year ended 31 March	
	2009	2008
<b>New Issues</b>		
Main Market, PSM & SFM	65	116
AIM	87	262
Blt	8	33
<b>Total</b>	<b>160</b>	<b>411</b>

<b>Company Numbers (as at 31 March)</b>		
Main Market, PSM & SFM	1,530	1,592
AIM	1,478	1,681
Blt	296	306
<b>Total</b>	<b>3,304</b>	<b>3,579</b>

<b>Market capitalisation (as at 31 March)</b>		
Main Market (UK only) (£bn)	1,170	1,707
AIM (£bn)	38	89
Borsa Italiana (€bn)	314	604
Borsa Italiana (£bn)	289	482
<b>Total (£bn)</b>	<b>1,497</b>	<b>2,278</b>

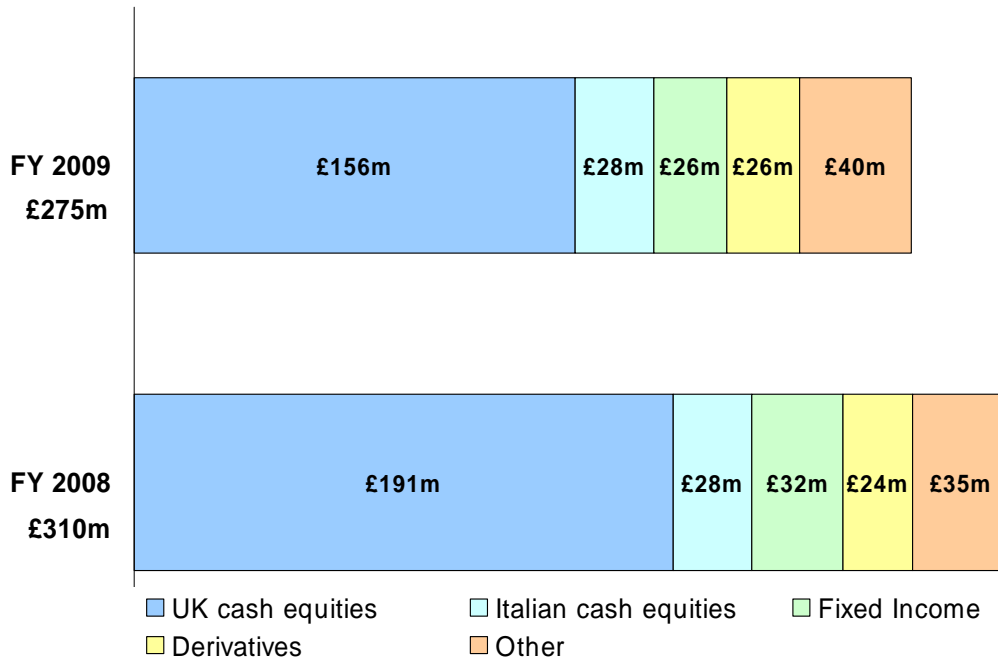
- Difficult market for new issues
- Strong further issues
- Record £106bn raised via equity issues



# Trading Services

## Solid performance in weaker markets

### Revenues (pro forma)



### Key metrics

	Year ended 31 March	
	2009	2008
<b>Equity</b>		
LSE average daily bargains ('000)	740	642
LSE average daily value traded (£bn)	6.9	9.1
Borsa Italiana average daily bargains ('000)	256	290
Borsa Italiana average daily value traded (€bn)	3.3	6.1
<b>Derivatives</b>		
EDX contracts (m)	61.1	48.6
IDEM contracts (m)	37.0	37.2
<b>Fixed Income</b>		
MTS (€bn nominal)	18,310	20,279
Borsa Italiana MOT (€bn)	197	152
Borsa Italiana MOT number of trades (m)	3.4	2.7

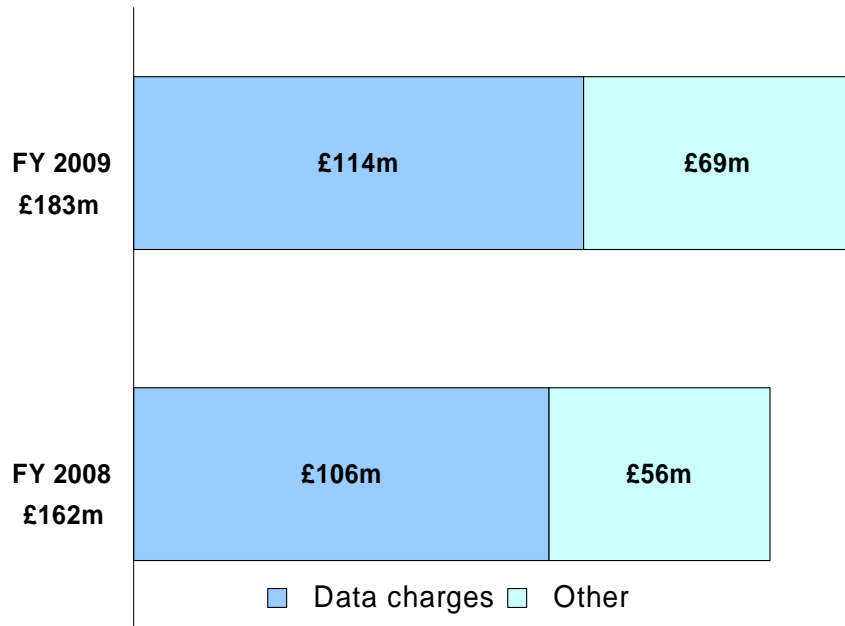
- Value traded reflects fall in markets:  
FTSE 100 down average 22%; S&P MIB down average 35%
- Derivatives performed well, Fixed Income faced difficult markets (stable market share)



# Information Services

Strong demand for data and other products

## Revenues (pro forma)



## Key metrics

	Year ended 31 March	
	2009	2008
<b>LSE Terminals</b>		
Professional - UK	42,000	45,000
Professional - International	62,000	67,000
<b>Total</b>	<b>104,000</b>	<b>112,000</b>
<b>Borsa Italiana Professional Terminals</b>	151,000	160,000
LSE Proquote	4,800	4,200
Borsa Italiana Market Connect	26,000	20,000

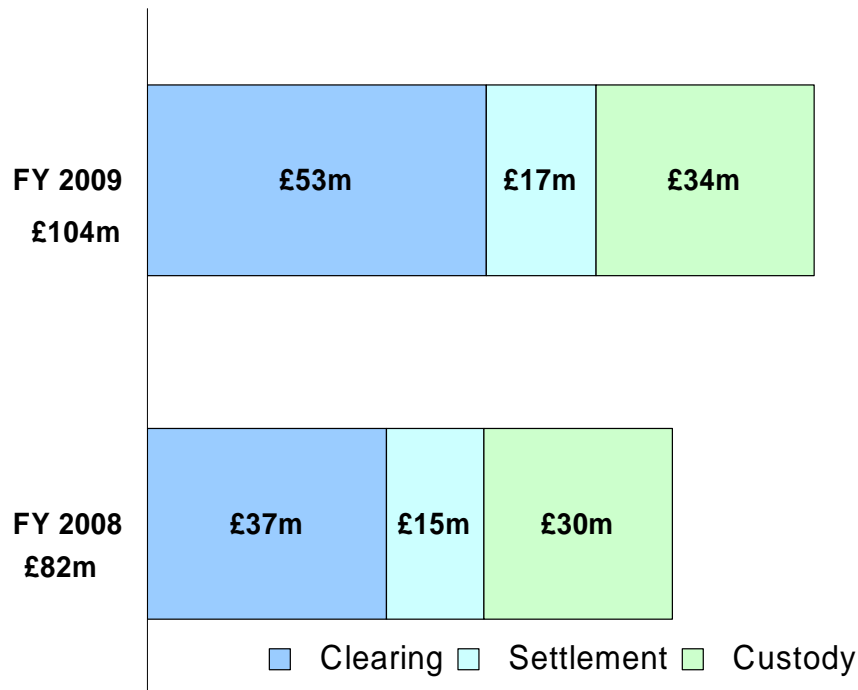
- Demand for real time data strong - average 110,000 professional LSE and 157,000 Borsa Italiana terminals
- Other services including SEDOL, network services, FTSE and Proquote show good growth



# Post Trade

## Clearing at heart of risk management in volatile markets

### Revenues (pro forma)



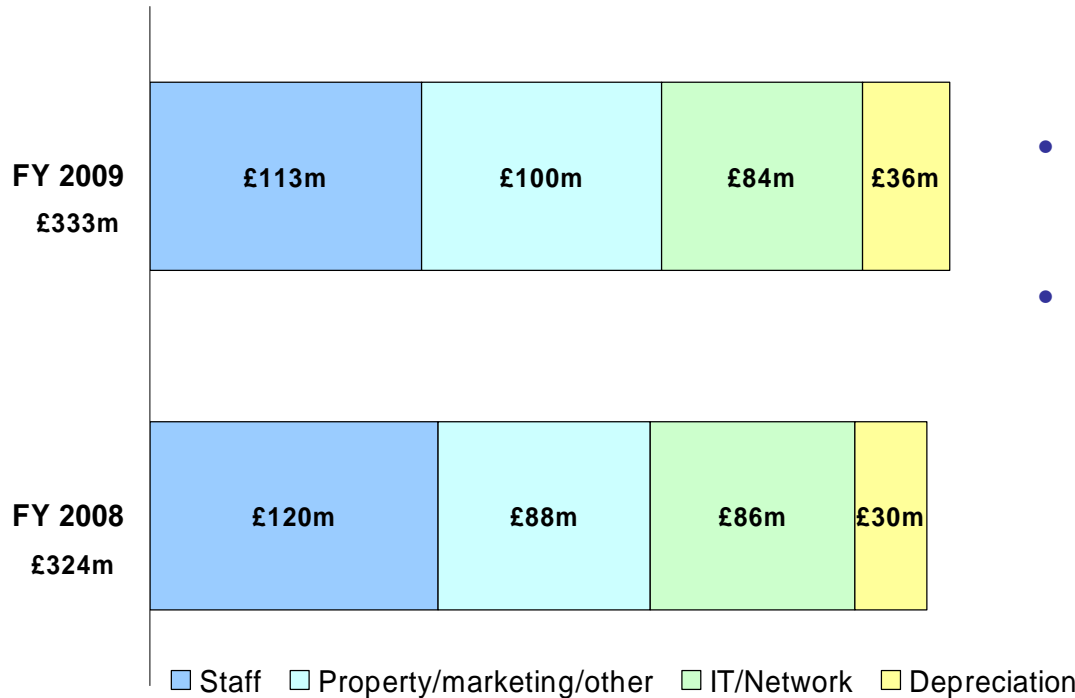
### Key metrics

	Year ended 31 March	
	2009	2008
<b>CC&amp;G Clearing:</b>		
Equity Clearing (m)	66.3	73.8
Derivative Clearing (m)	37.0	37.2
<b>Total Contracts (m)</b>	<b>103.3</b>	<b>111.0</b>
Open interest (m) (as at 31 March)	4.6	3.0
<b>Monte Titoli:</b>		
Settlement Instructions (m)	45.6	52.7
Custody assets under management (€n)	2.7	2.8

- Clearing revenues benefited from strong treasury management of higher margin calls
- Custody revenue stable reflecting an increase in quantum of corporate and Government bonds assets



## Operating costs (pro forma)



- Pro forma costs down 5% in constant currency
- Headcount down 6% to 1,135 including Baikal headcount of 12

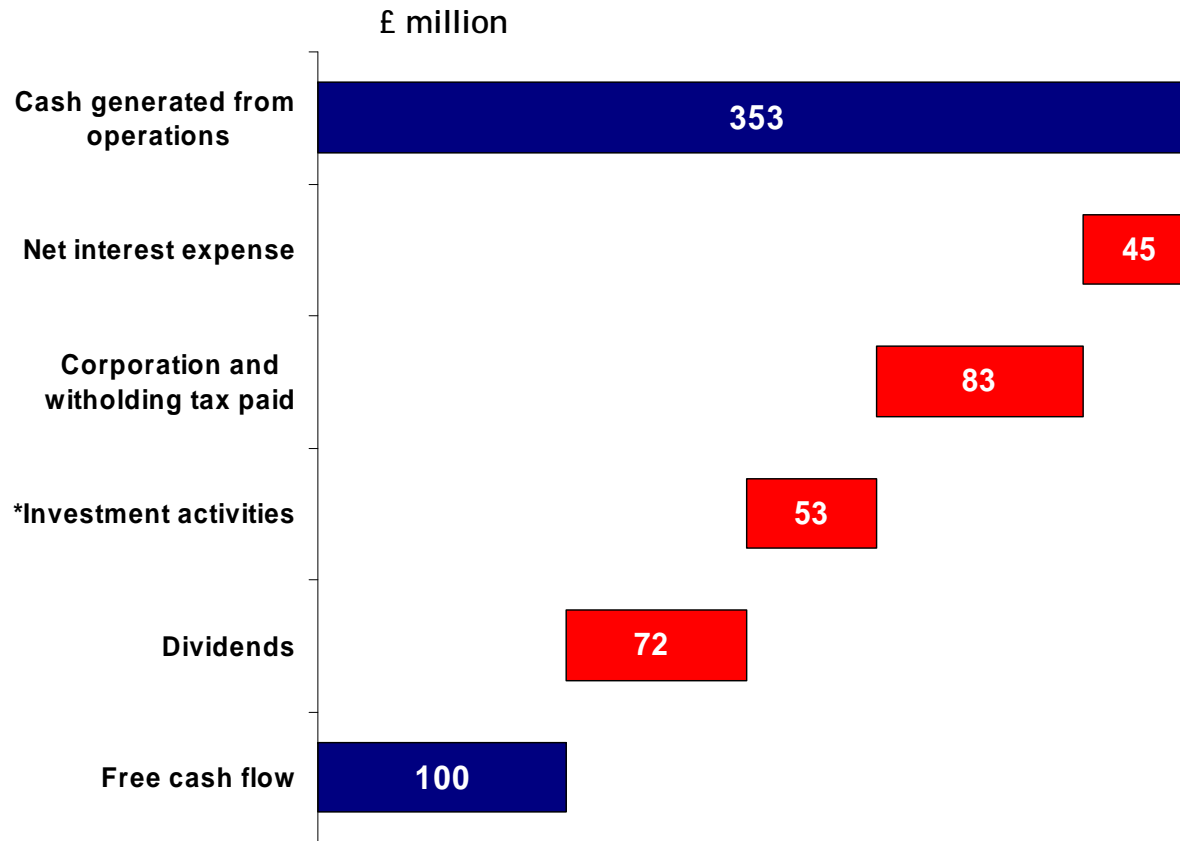
**Cost : Income ratio 50%**  
**(FY08 49%)**

Excluding goodwill impairment, amortisation of purchased intangibles and exceptional items



# Summarised cash flow

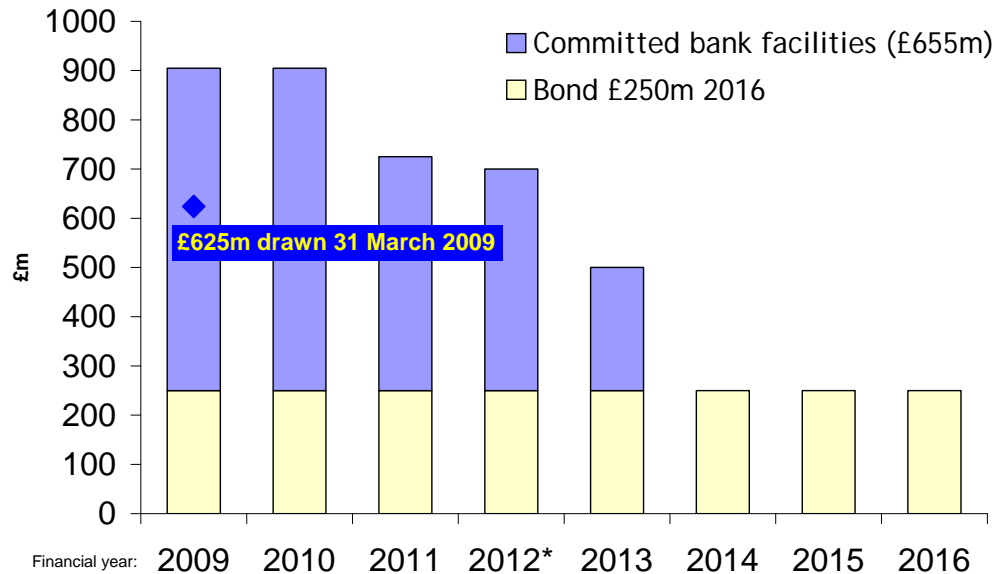
## Robust cash generation from enlarged group operations



\*excluding acquisition or disposal of minority stakes

## Net debt and borrowings

- Gross borrowing £625m at 31 March 2009, reduced by £67m in FY2009 (or c £90m at constant currency)
  - £905m committed facilities; £700m to 2012 or beyond
  - £250m 5 year syndicated revolving credit facility at rate of Libor +80bps
  - £25m 3 year bi-lateral revolving credit facility at a rate of Libor +80bps
  - £200m revolving credit facility and £180m bridge facility - both mature beyond FY2010
  - £250m Bond 2016 at a rate of 6.375%, reducing to 6.125% July 2009 (rating upgrade)



- £125m cash reserved for regulatory and operational purposes

\*£200m RCF matures Feb 2012





## Sound financial position

	<b>31 March 2009</b>	<b>31 March 2008 (restated)</b>	<b>Change</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Non-current assets	1,679.9	1,921.5	(241.6)
Current assets			
- Debtors	35,794.0	17,442.1	18,351.9
<i>of which CCP</i>	35,674.5	17,303.3	18,371.2
- cash	143.7	200.6	(56.9)
<b>Total assets</b>	<b>37,617.6</b>	<b>19,564.2</b>	<b>18,053.4</b>
Current liabilities			
- Bank borrowings	-	(436.0)	436.0
- Other	(35,807.4)	(17,482.7)	18,324.7
<i>of which CCP</i>	(35,679.2)	(17,307.7)	18,371.5
Non-current liabilities			
- Bond	(252.6)	(256.1)	3.5
- Bank borrowings	(369.9)	-	(369.9)
- Other	(134.5)	(126.5)	(8.0)
<b>Net assets</b>	<b>1,053.2</b>	<b>1,262.9</b>	<b>(209.7)</b>



## Notes

### Adjusted earnings per share

Excludes goodwill impairment, amortisation of purchased intangibles and exceptional integration and finance expense, to enable comparison of the underlying earnings of the business with prior periods. Based on number of shares 268.1m, excludes ESOP.

### Free Cash Flow

Net cash flow from operating activities minus capital expenditure, tax and dividends paid and net finance expense.

### Exchange rates

	<b>FY 2009</b>	<b>FY 2008</b>
Average	1.20	1.42
Year end	1.08	1.25

Constant currency growth rates calculated by translating prior year performance at current year monthly exchange rates

### Pro forma

As if merger with Borsa Italiana and Borsa Italiana's acquisition of MBE Holding S.p.A occurred on 1 April 2007



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