



London
Stock Exchange Group



London Stock Exchange Group plc

Interim results FY 2011

18th November 2010

Agenda



London
Stock Exchange Group

Introduction

Financial Review

Doug Webb, Chief Financial Officer

CEO Overview

Xavier Rolet, Chief Executive

Q&A



London
Stock Exchange Group

Xavier Rolet

Chief Executive

- Good financial and operational performance from increasingly diversified international business
- Delivering on stated strategy to 'get in shape, leverage our assets and develop opportunities'
- Making real progress in transforming Group - much to focus on still but now in 'delivery phase'
 - Turquoise Millennium Exchange roll out, SETS to follow
 - Launch of equity derivatives trading scheduled for Q2 2011 on Turquoise
 - Roll out of UnaVista Confirmation and Swaps Portal, IDEM migration to SOLA
 - Announcement of data-centre co-location
- Some encouraging signs from macro environment - IPO activity trending upwards
- Continued focus on cost control, enhancing competitiveness, customer service
- Business financially robust and expect to make further progress in H2



Doug Webb

Chief Financial Officer



Key financial highlights

- Total income up 1% to £318.4m (up 3% in constant currency)
- Diversified revenues - all segments, except Capital Markets, delivered organic revenue increases
- Adjusted operating profit up 15% at £154.8m
- Operating costs down 8% (down 11% organically excluding TradElect accelerated write-off)
- Adjusted EPS up 11% to 32.2p
- Strong cash flow from operations of £193.6m, net debt reduced by £85m
- Dividend per share up 5% at 8.8p



Overview of results

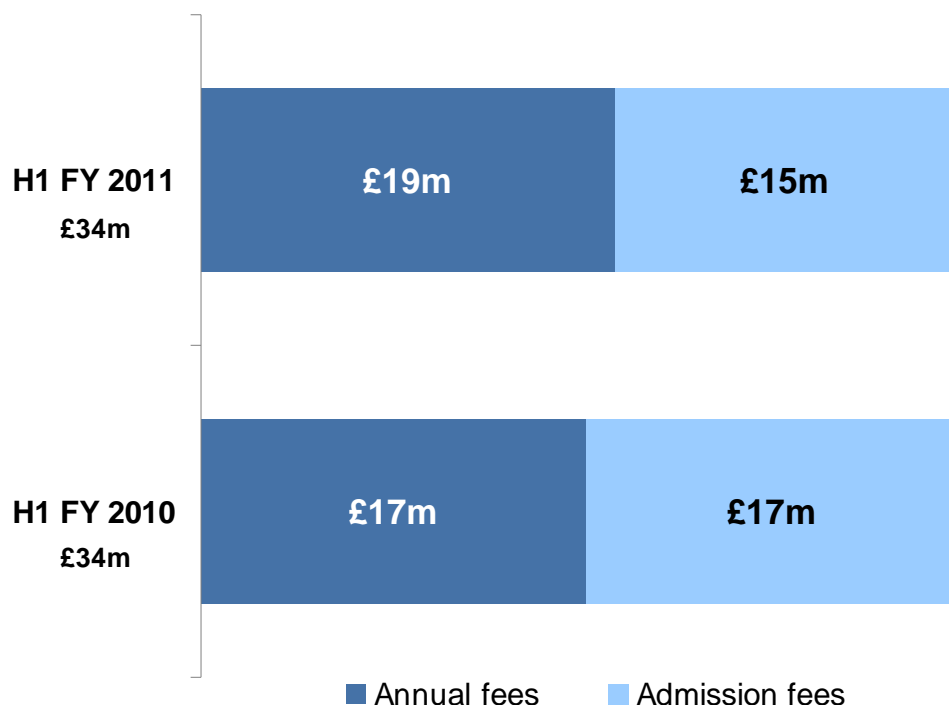
	Six months ended 30 September			Variance at constant currency
	2010 £m	2009 £m	Change %	%
Revenue	297.9	301.2	(1%)	1%
Total income	318.4	314.0	1%	3%
Operating costs (before amortisation and exceptionals)	(165.2)	(180.2)	(8%)	(7%)
Adjusted operating profit	154.8	134.8	15%	17%
Operating profit	122.9	95.8	28%	32%
Adjusted profit before tax	132.1	118.4	12%	
Basic earnings per share (p)	23.2	18.5	25%	
Adjusted earnings per share (p)	32.2	29.0	11%	
Underlying effective tax rate	33%	31%		
Dividend per share (p)	8.8	8.4		

- Excluding amortisation, exceptional items and TradElect accelerated write-off, organic operating profit increased by £11.7m, up 8%
- Effect of Euro weakening 4% against £: Total Income reduced by £5.1m; operating profit reduced by £3.2m; and AEPS by 0.8p

Capital Markets - Primary

Leading venue for international companies

Revenues



Highlights

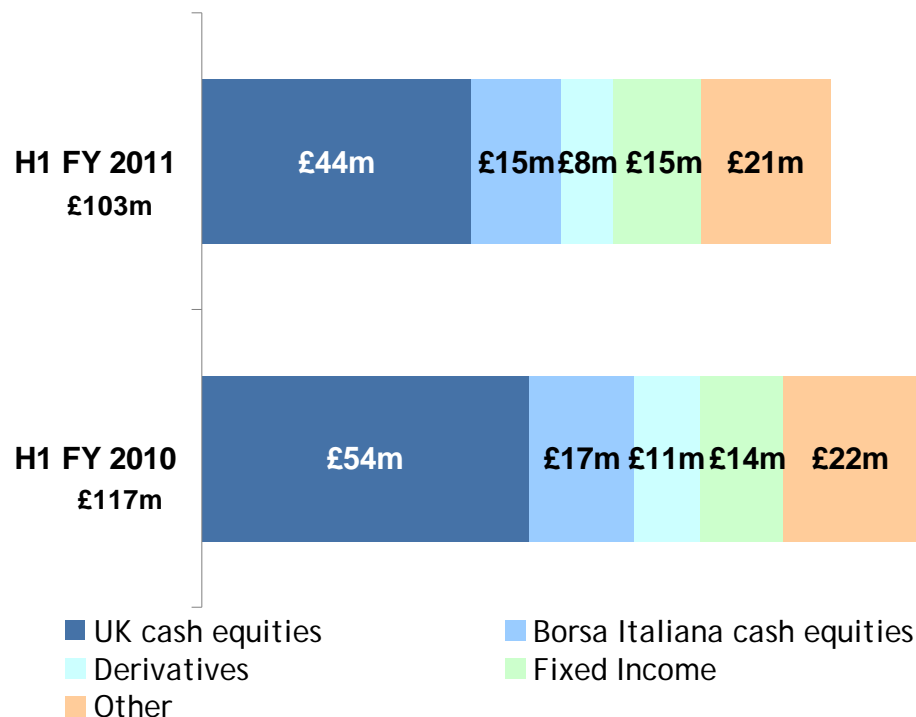
- New issue market growth accelerating
 - 88 new issues (H1 FY2010 37)
 - 19 new international companies (10)
 - Pipeline promising for H2
- £18bn raised via equity issuance (£43bn)
 - reduced level of further issues
- £200bn raised in last two and half years, equivalent to the Bank of England's total quantitative easing programme



Capital Markets - Secondary

Challenging equity markets, fixed income strong growth

Revenues



Highlights

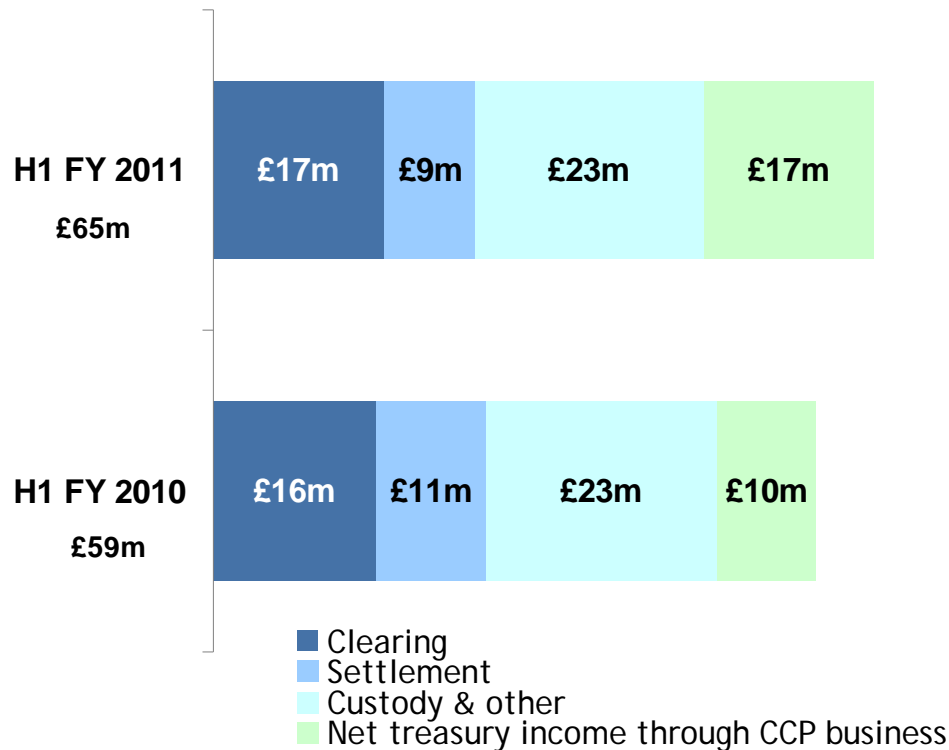
- UK share of equity order book trading stable at 62.8%
 - Average daily value traded up 7% on FY 2010 H1
- Derivatives
 - IDEM 27m contracts traded up 19%
 - Russian IOB 15.7m contracts traded down 9%
- Fixed Income strong
 - MTS cash value traded up 21%, MTS money market up 71%



Post Trade Services

Volumes increase

Total income



Highlights

- Clearing revenues higher on increased derivatives and fixed income volumes
- Settlement revenues lower following decreased volumes (including fixed income and OTC)
- Net treasury income on CCP business higher on increased margin and good treasury management

Initiatives

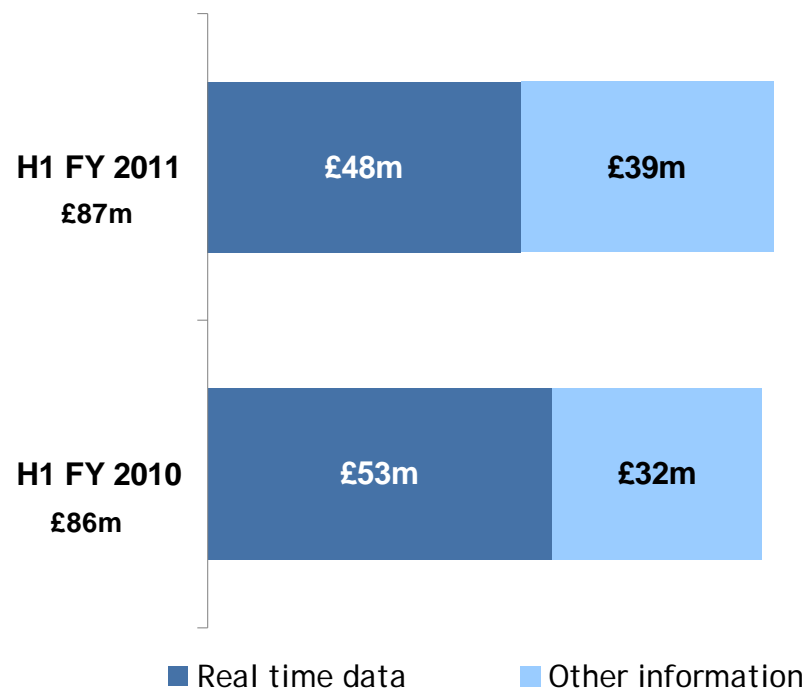
- CC&G assets cleared widens with commencement of clearing of Italian interbank deposit market



Information Services

Strong demand for non-real time data and technology products

Revenues



Highlights

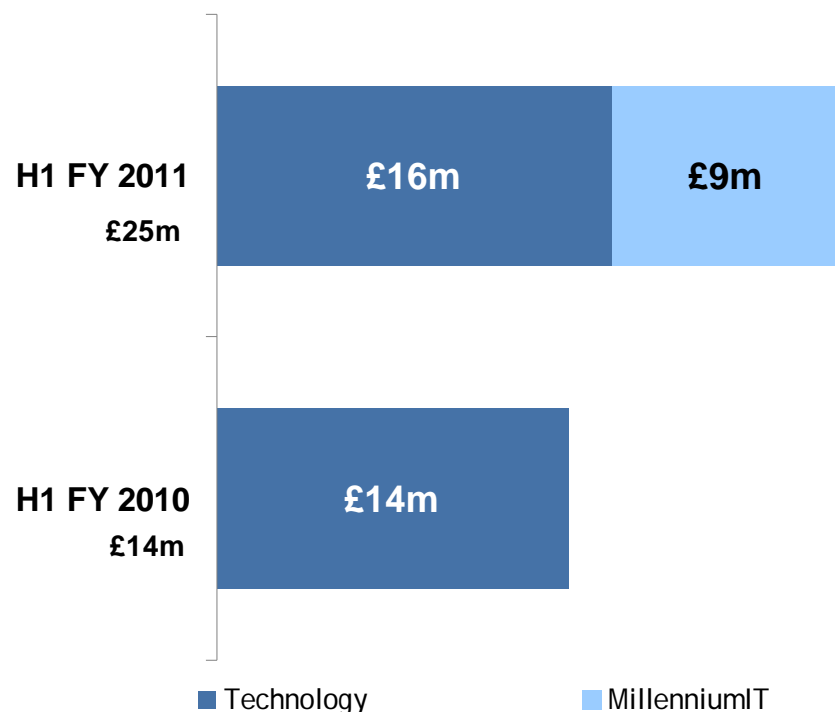
- Real time data terminals stable
 - UK 93,000 unchanged on 31 March 2010
 - Italy 140,000, down 2,000
- Other Information products revenue up 21%
 - FTSE - FTSE/Xinhua index now 100% owned
 - UnaVista - reconciliation software
 - SEDOL - global numbering system
 - ProQuote - RSP network
 - Turquoise - Multilateral trading facility



Technology Services

Network connectivity, data centre services and MillenniumIT

Revenues



Highlights

- Revenue up 78% (up 12% organic)
 - First full 6 month contribution by MillenniumIT
- Millennium Exchange
 - Contracts won:
 - Tullett Prebon
 - Egyptian Exchange
 - ACE Commodity Exchange (India) Live Oct10
- Live - Turquoise

Data Centre:

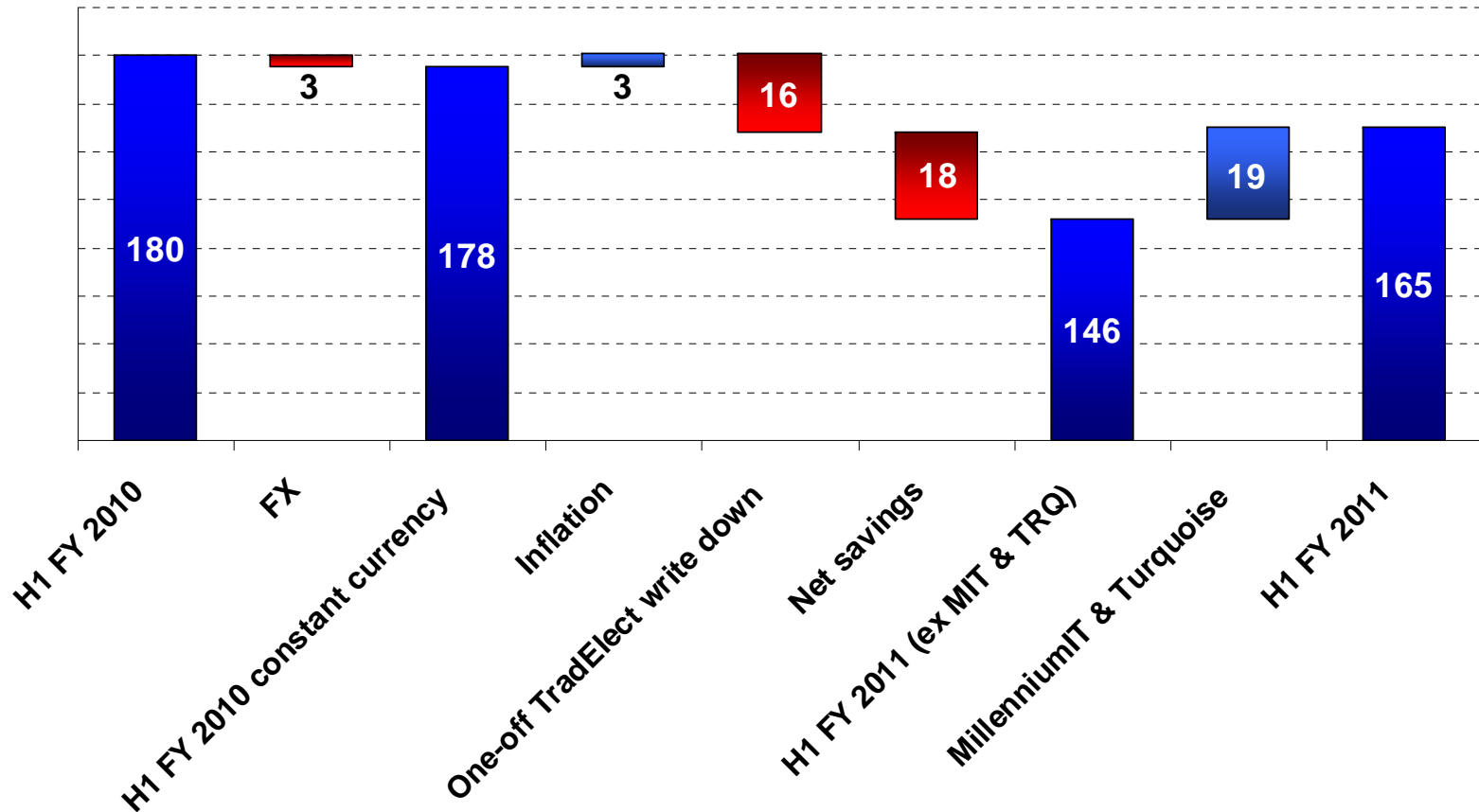
- Co-location expanded
 - Vendors and Service Providers access



Operating costs

Major movements

£ million



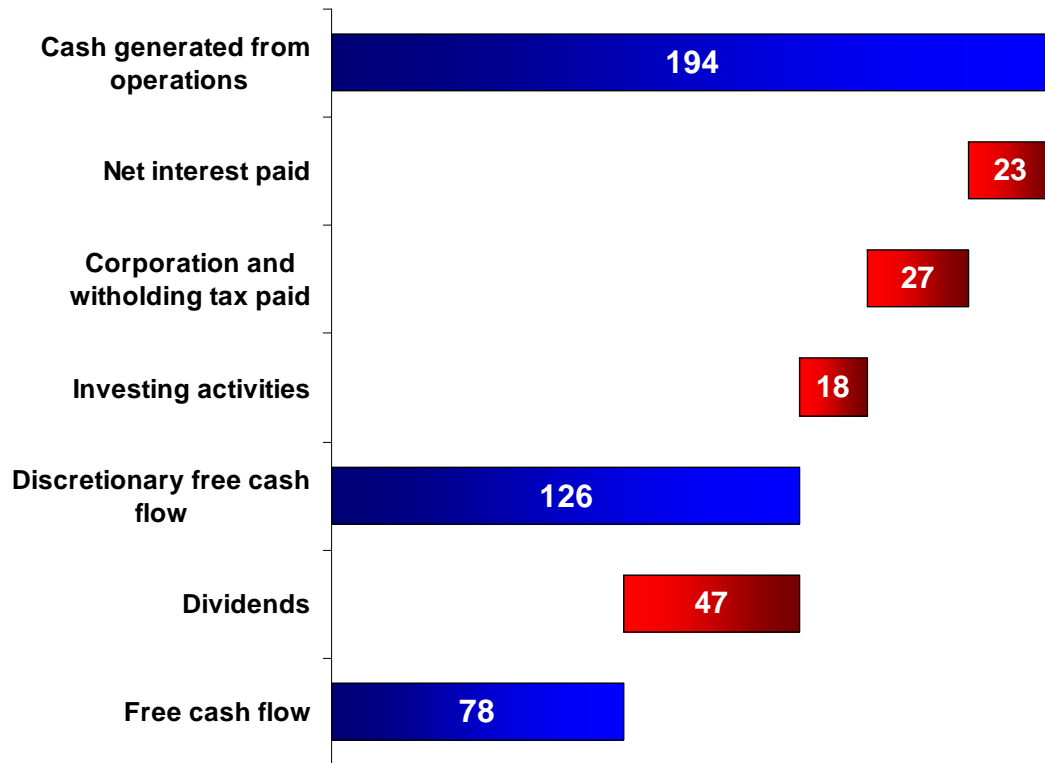
- Organic cost base down 11% in constant currency
- Organic headcount down 6% to 934 (991 31st March 2010)



Summarised cash flow

Strong cash generation

£ million



Investment activities

- £18m capex - includes trading platform development for equities and derivatives
- Full year capex expected to be approaching £55-60m
- Free cash flow per share 46.8p (31.3p)



Sound financial position

	30 September 2010	31 March 2010	Change
	£m	£m	£m
Non-current assets	1,504	1,580	(76)
Current assets			
- Debtors	108,380	84,395	23,985
<i>of which CCP</i>	<i>108,253</i>	<i>84,250</i>	<i>24,003</i>
- cash	194	223	(29)
Total assets	110,078	86,197	23,881
Current liabilities			
- Other	(108,427)	(84,412)	(24,014)
<i>of which CCP</i>	<i>108,252</i>	<i>84,258</i>	<i>23,995</i>
Non-current liabilities			
- Bond	(500)	(500)	0
- Bank borrowings	1	(106)	106
- Other	(132)	(148)	17
Net assets	1,020	1,031	(11)
Net debt (including derivatives)	(317)	(402)	(85)
Net borrowings (excluding derivatives)	(306)	(384)	(78)



Current trading

- Market conditions remain mixed: equity trading picked up in October; November improved further to date
 - Total UK equity average daily value traded £4.4bn in October up 6% on September; November* £4.7bn up 7% on October
 - Italian cash equities average daily trades in October 233,000 unchanged on September; November* 249,000 up 15% on October
 - Fixed income volumes continue to strengthen
 - Post Trade - clearing continues to perform well with open interest at 4.9m contracts as at end of October, up 14% on September
 - Good primary markets pipeline - encouraging start to H2
 - Demand for real time data stable

*to 16th November 2010 inclusive

- Actions to grow the Group and to drive our competitiveness and efficiency will continue to be a priority. We expect delivery of further initiatives and to make further progress in the second half of the year

A decorative background consisting of a network of white fiber optic cables crisscrossing over a dark background. In the background, there are blurred green and blue data points or lights, suggesting a digital or network environment.

Xavier Rolet

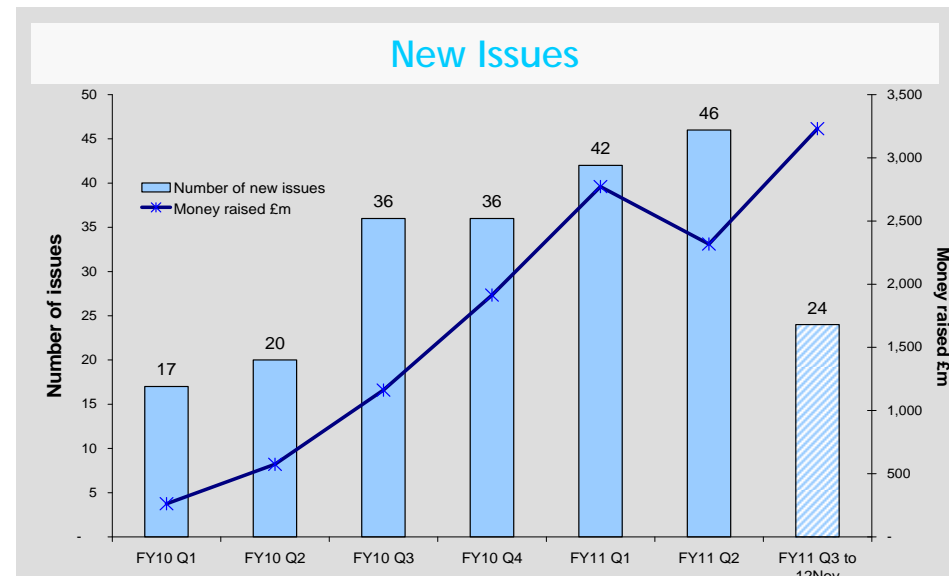
Chief Executive

- Regulation, macro-economy and competition continue to define our operational landscape
- Market dynamics heighten the need for us to be agile, dynamic and forward thinking
- Demand for high performance trading technology and the need for integrated market models fuel the infrastructure debate
- IPO market encouraging, but general economic climate and markets remain variable
- Group increasingly well-placed to meet changing market environment

- Changing regulatory environment creates uncertainty and opportunity
 - MIFID II
 - Ongoing scrutiny of MTFs, BCNs and dark pools
 - Pressure on HFTs may slow their growth, but diversification represents opportunity
 - Consolidated Tape
 - EMIR (European Markets Infrastructure Regulation)
 - Greater post trade transparency in equities, derivatives and fixed income
 - Standardised OTC derivatives to be traded & cleared on organised trading platforms
 - Establishment of trade repositories
 - Interoperability of CCPs
 - UK Regulatory structure
 - Dismantling of FSA into a 'Twin Peaks' model
 - CPMA representation at ESMA

New issues and IPO Market Pointing to economic green shoots...?

- 40 IPOs on LSEG Markets this FY (PY:11)
- 21 on Main Market raising £5.0 billion (PY:7 raising £0.6 billion)
- Good balance of domestic and international companies across sectors, including;
 - Betfair - UK gaming exchange
 - Enel Green Power - Biggest European IPO since 2007
 - 3 Main Market Russian IPOs in November
- First Private Equity backed IPO in some time, AZ Electronic
- Floats on AIM are gaining momentum - recent IPOs include Halosource (USA) and Produce Investments (UK)
- Pipeline encouraging - 50 IPOs in pipeline from November to Q1 2011



Competition

A competitive landscape but the opportunities significant...



DERIVATIVES MARKET

- 2009 Eurex and Liffe derivatives revenues c€1.2 billion on almost 2 billion contracts traded
- European equity index market - Eurex - 75%; Liffe - 15% (contracts traded)
- Eurex & Liffe have 85% of European single-name equity derivatives market (contracts traded)
- US single name option market grew 250% in 5 years after options became available on more than one exchange in 1999; Single name options are growing 8 times as fast as Europe

POST TRADE

- Estimated global post trade market €16-22 billion
- European Post Trade market €3.5-4 billion
- Interoperability and T2S defining framework
- Strategically and financially significant
- OTC derivatives matching & clearing
- Increased focus on collateral management

TECHNOLOGY

- Market estimated to be £50 billion for financial info and tech services
- Quest for speed must be matched with consistency
- MillenniumIT technology attractive to exchanges around the world as a 3rd party solution

We are Transforming our Group...



Strategy: 'Get in shape, leverage our assets and develop opportunities'

In the last 18 months we have made very good progress..

- **Getting in shape**
 - Strengthened management team
 - Delivery on cost reduction programme, and ongoing
 - Putting clients at the heart of our business, and ongoing
 - Share of cash equities stabilised
 - Millennium Exchange roll out on Turquoise
 - IDEM roll out on SOLA
 - Revitalised tariffs to reward greater trading
 - Reduce costs of post trade
- **Leveraging our assets**
 - Co-location initiatives
 - Launching new markets - ORB
 - Roll out of new post trade assets
 - Expansion of Information Services portfolio eg UnaVista
- **Developing opportunities**
 - Building scale and diversity in our business - Turquoise, MillenniumIT
 - JV's e.g. with National Stock Exchange of India
 - Technology sales

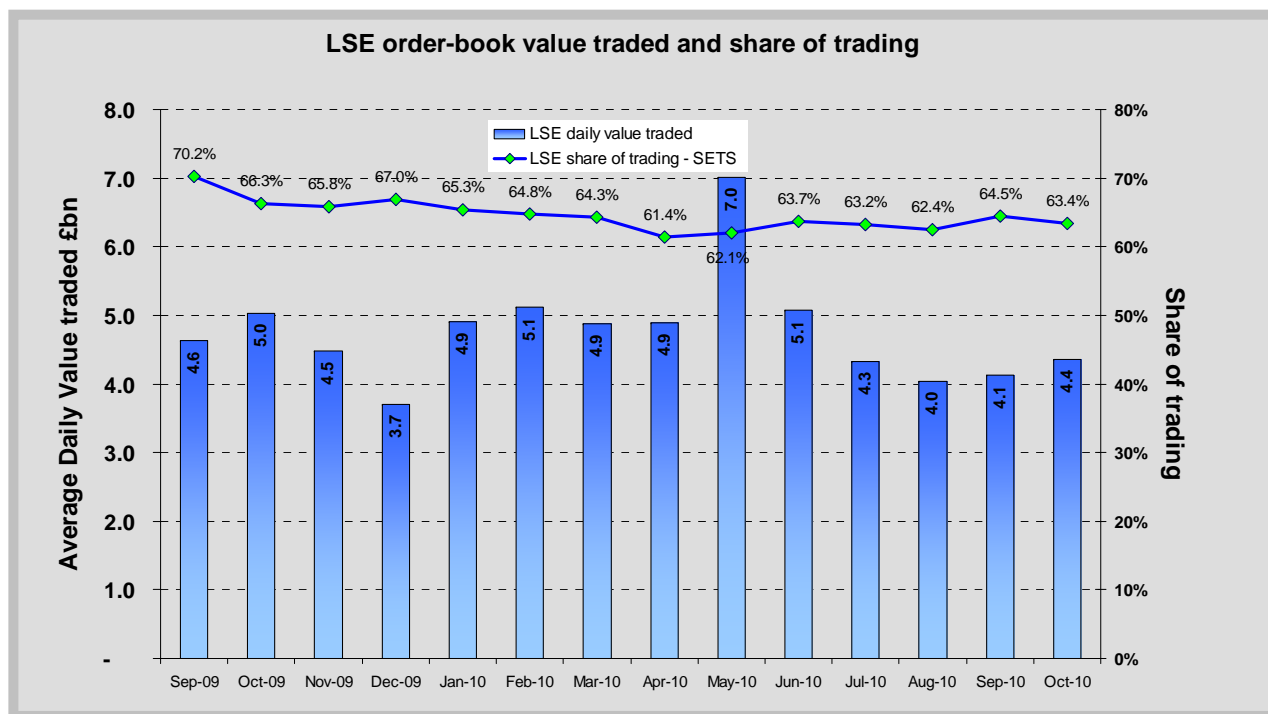


Capital Markets Delivery

Cash Equity market showing resilience



- Share of UK cash equity trading stabilised
- Active management of LSE delivering results
 - pricing initiatives introduced, 05/10
 - Retail service enhancements including order book pricing promotion introduced, 08/10
 - Real time data from 20p per month per private investor
- Post trade costs reduced - Euroclear 02/10 and LCH.Clearnet, 10/10
- Millennium Exchange trading platform to be launched for UK market, early 2011



European Market Strategy

Building a pan-European business

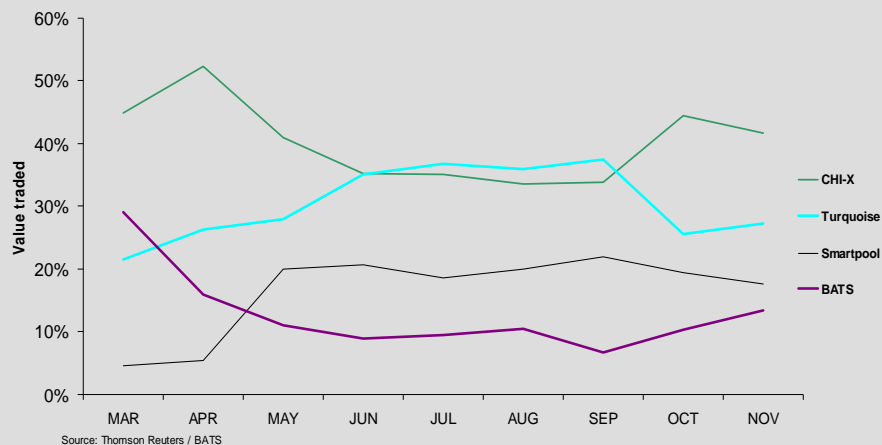


- The next stage for us is to deliver on our strategy to build our pan-European offering
- Execution will focus on platform, products and clearing
- We will build on Turquoise which has had a very positive 6 months
 - LIT trading increasing; Number One MTF dark pool in Europe from June to September
 - Customers being offered world-beating average latency and performance
- Turquoise to offer cash equity derivatives trading from Q2 2011

Turquoise - world's fastest

Order Latency	Latency
Average for all orders	126 μ s
99% of all orders within	210 μ s
99.5% of all orders within	246 μ s
99.9% of all orders within	398 μ s

European MTF dark pools



Leading the Market in Technology

Two-pronged delivery, progress being made



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- Technology at London Stock Exchange Group
 - Millennium Exchange now live, customer feedback very positive
 - Turquoise live Oct 2010 with ultra-low latency - average 126 micro seconds
 - Next, SETS early 2011
 - Successful migration of IDEM onto SOLA
 - Further migrations across our business
 - Significant cost savings already achieved, more to follow on retirement of legacy systems
- Third party technology sales represent strong opportunity
 - Competitive technology landscape has many characteristics of a duopoly
 - MillenniumIT is a proven, scalable, super-fast platform
 - Proven on London Metal Exchange, ICAP, Colombo Stock Exchange, American Stock Exchange and now Turquoise
 - New contracts this half with Egyptian Exchange and Tullett Prebon; ACE Commodity Exchange in India now live
 - Opportunity is sizeable; pipeline strong

Summary



- We have made great strides in a short timeframe
- Much has been achieved but we know we still have lots to do
- The macro environment will remain dynamic - we will continue to actively engage
- Costs, driving our competitiveness and efficiencies, looking for new opportunities and putting our customers at the heart of our business will remain pivotal
- The year ahead will all be about delivery, and we expect to make good progress
- We have our sights firmly set on being one of the world's leading diversified exchange groups



Appendices



Notes

Adjusted operating profit / 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 268.3m (FY 2010 H1: 267.1), excludes ESOP.

Adjusted operating margin is adjusted operating profit divided by total income

Free Cash Flow

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

Exchange rates

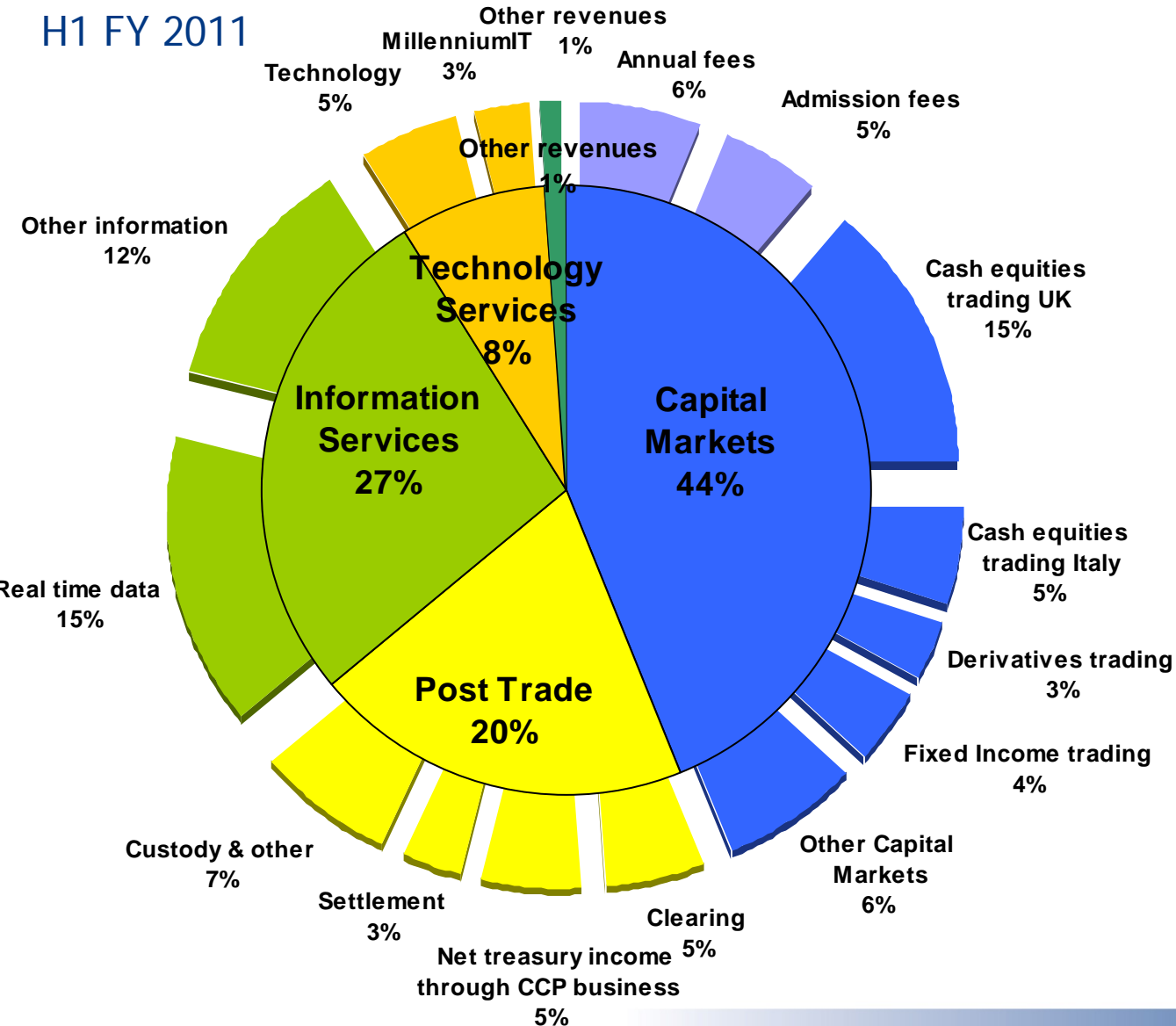
£: €	FY 2011 H1	FY 2010 H1
Average	1.187	1.143
Period end	1.154	1.094

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

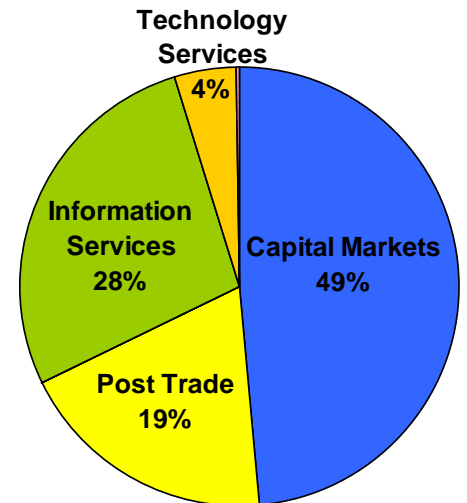


Diversified revenues

H1 FY 2011



H1 FY 2010



Revenues - Quarterly

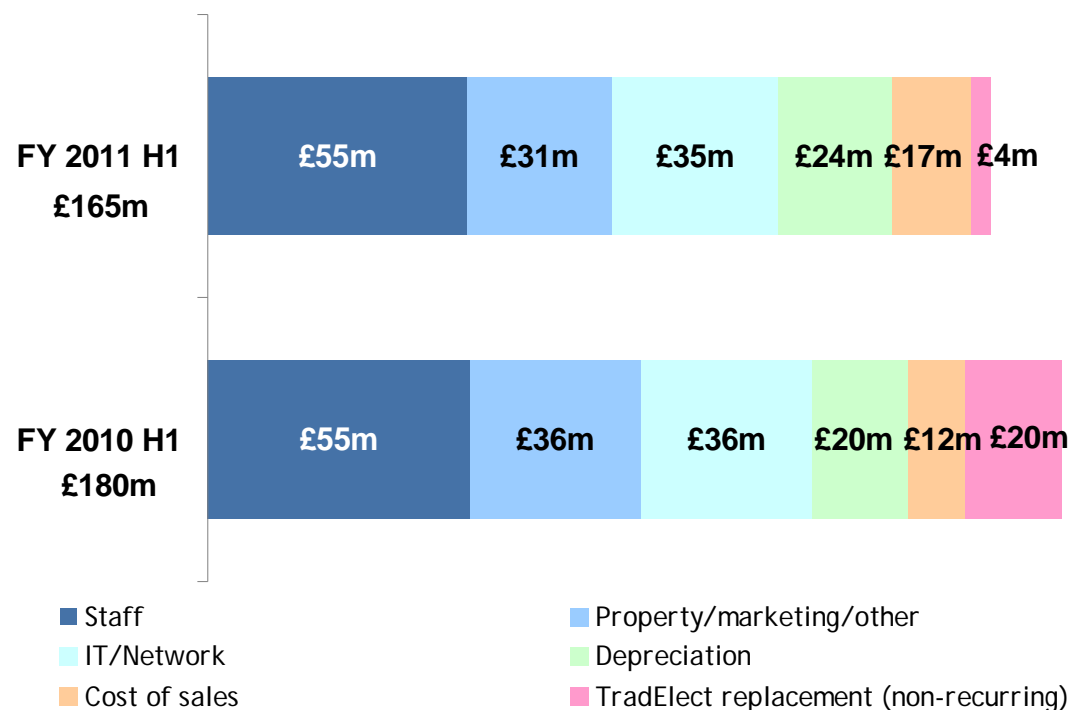


£ millions	FY 2010					FY 2011		
	Q1	Q2	Q3	Q4	FY 2010	Q1	Q2	H1
Annual Fees	8.9	8.6	8.7	9.0	35.2	9.3	9.4	18.7
Admission Fees	9.0	7.7	9.5	7.8	34.0	8.8	6.5	15.3
Cash equities UK	28.4	25.3	23.0	25.1	101.8	24.4	19.6	44.0
Cash equities Italy	9.1	8.1	7.1	7.4	31.7	8.7	6.0	14.7
Derivatives	5.5	5.0	4.7	4.3	19.5	4.9	3.5	8.4
Fixed Income	6.7	7.1	7.6	7.9	29.3	7.4	7.2	14.6
Other	11.0	10.9	11.4	10.5	43.8	10.7	10.5	21.2
Capital Markets	78.6	72.7	72.0	72.0	295.3	74.2	62.7	136.9
Clearing	8.9	7.1	8.9	8.5	33.4	9.7	7.2	16.9
Settlement	6.0	4.8	5.0	5.3	21.1	5.0	3.9	8.9
Custody & other	12.3	10.5	11.8	10.9	45.5	12.2	10.3	22.5
Post Trade	27.2	22.4	25.7	24.7	100.0	26.9	21.4	48.3
Real time data	27.4	26.6	26.3	23.4	103.7	24.0	24.3	48.3
Other information	16.7	15.0	16.7	17.3	65.5	20.0	19.1	39.1
Information Services	44.1	41.6	43.0	40.7	169.2	44.0	43.4	87.4
MillenniumIT	-	-	2.6	4.1	6.7	4.9	4.1	9.0
Technology	6.6	7.2	7.7	11.2	32.7	7.6	7.9	15.5
Technology Services	6.6	7.2	10.3	15.3	39.4	12.5	12.0	24.5
Other	0.5	0.3	0.5	0.4	1.7	0.4	0.4	0.8
Total Revenue	157.0	144.2	151.4	153.1	605.6	158.2	139.9	297.9
Net Treasury income through CCP	4.9	4.8	3.4	3.1	16.2	5.9	10.8	16.7
Other income	1.3	1.8	1.5	1.9	6.5	1.9	1.9	3.8
Total income	163.2	150.8	156.3	158.1	628.3	166.0	152.6	318.4

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



Operating costs



- Organic cost base down 11% in constant currency
- Organic headcount down 6% to 934 (991 31 March 2010)
- 564 staff in MillenniumIT, Turquoise and Pro Mac (497 31 March 2010)

Cost : Income ratio 51% (excluding TradElect effects)
(FY10 52%)



Capital Markets - key performance indicators

Capital Markets - Primary Markets

	Six months ended		Variance %
	30 September		
	2010	2009	
New Issues			
UK Main Market, PSM & SFM	34	22	55%
UK AIM	51	13	292%
Borsa Italiana	3	2	50%
Total	88	37	138%
Company Numbers (as at period end)			
UK Main Market, PSM & SFM	1,479	1,511	(2%)
UK AIM	1,204	1,353	(11%)
Borsa Italiana	295	295	0%
Total	2,978	3,159	(6%)
Market capitalisation (as at period end)			
UK Main Market (£bn)	1,824	1,635	12%
UK AIM (£bn)	66	57	16%
Borsa Italiana (€bn)	418	465	(10%)
Borsa Italiana (£bn)	363	425	(15%)
Total (£bn)	2,253	2,117	6%
Money raised (£bn)			
UK New	5.0	0.8	525%
UK Further	11.5	30.8	(63%)
Borsa Italiana new and further	1.1	11.5	(90%)
Total (£bn)	17.6	43.1	(59%)

Capital Markets - Secondary Markets

	Six months ended		Variance %
	30 September		
	2010	2009	
Equity Volume Bargains (m)			
UK	76.1	78.4	(3%)
Borsa Italiana	32.1	33.4	(4%)
Total	108.2	111.8	(3%)
Equity Value Traded			
UK (£bn)	613	580	6%
Borsa Italiana (€bn)	414	377	10%
Borsa Italiana (£bn)	350	331	6%
Total (£bn)	963	911	6%
Equity Average Daily Bargains ('000)			
UK	604	622	(3%)
Borsa Italiana	249	261	(5%)
Total	853	883	(3%)
Equity Average Daily Value Traded			
UK (£bn)	4.9	4.6	7%
Borsa Italiana (€bn)	3.2	2.9	10%
Borsa Italiana (£bn)	2.7	2.6	4%
Total (£bn)	7.6	7.2	6%
SETS Yield (basis points)	0.71	0.92	(23%)
Derivatives (contracts m)			
EDX	17.2	31.4	(45%)
IDEM	26.6	22.3	19%
Total	43.8	53.7	(18%)
Fixed Income			
MTS cash and Bondvision (€bn)	1,247	1,030	21%
MTS money markets (€bn term adjusted)	31,296	18,288	71%
MOT (€bn)	114	117	(3%)
MOT number of trades (m)	1.83	1.75	5%

Post Trade - key performance indicators



Post Trade

	Six months ended		Variance %
	30 September		
	2010	2009	
CC&G Clearing (m)			
Equity clearing (trades)	34.0	34.7	(2%)
Derivative clearing (contracts)	26.6	22.3	19%
Total Contracts	60.6	57.0	6%
Open interest (contracts as at period end)	4.3	4.9	(12%)
Monte Titoli			
Pre Settlement instructions (trades m)	15.1	18.2	(17%)
Settlement instructions (trades m)	19.9	26.4	(25%)
Custody assets under management (€tn)	2.98	2.80	6%

Information Services - key performance indicators

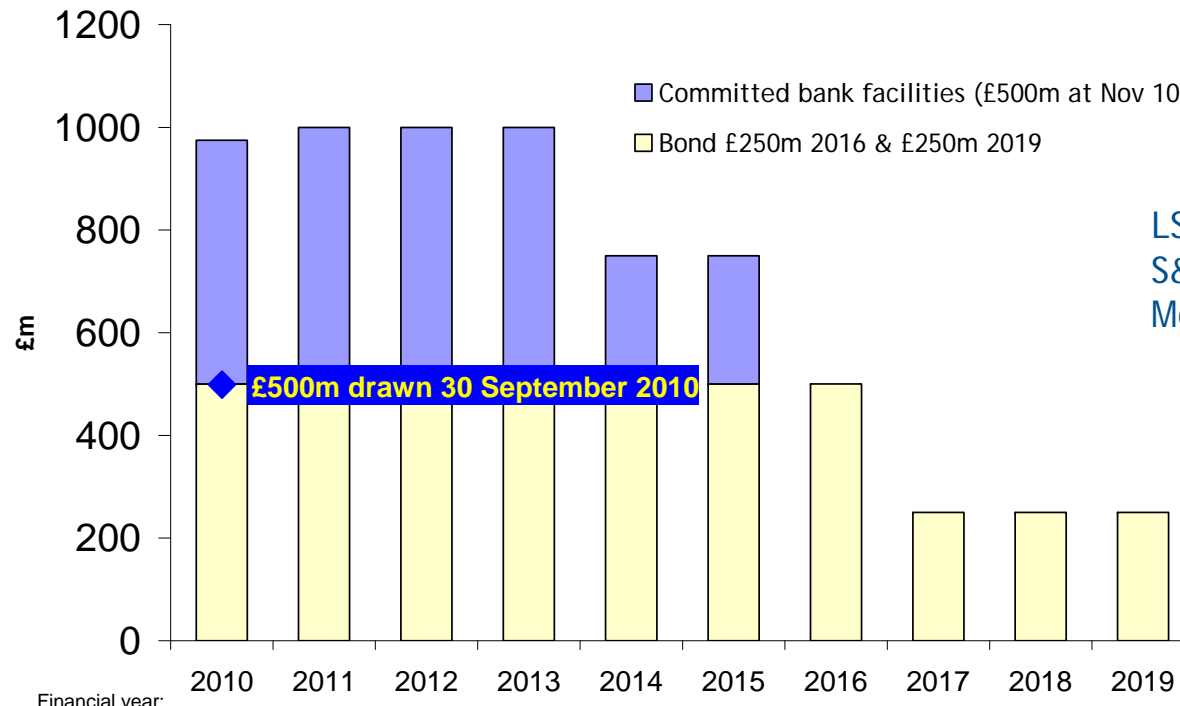
Information Services

	Six months ended		Variance %
	30 September		
	2010	2009	
UK Terminals			
Professional - UK	38,000	38,000	0%
Professional - International	55,000	56,000	(2%)
Total	93,000	94,000	(1%)
Borsa Italiana Professional Terminals	140,000	142,000	(1%)
Proquote UK terminals	4,900	5,000	(2%)
Proquote Italy terminals	35,000	28,000	25%



Net debt and borrowings

- Gross borrowing £500m at 30 September 2010
 - £1bn committed facilities; £750m committed to 2015
 - £250m Bond 2016 at a rate of 6.125%
 - £250m Bond 2019 at a rate of 9.125%
 - £250m syndicated revolving credit facility at rate of Libor +80bps - matures 2013
 - £250m syndicated revolving credit facility at rate of Libor +100bps - matures 2015



LSEG ratings
S&P A- (stable outlook)
Moody's Baa2 (stable outlook)

- £125m cash reserved for regulatory and operational purposes
- £69m free cash available to invest in the business



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