



London Stock Exchange Group plc Interim results

13 November 2008



Agenda

Introduction

Chris Gibson-Smith
Chairman

Financial Review

Doug Webb
Chief Financial Officer

CEO Overview

Clara Furse
Chief Executive Officer

Q&A



Introduction

- Good overall results - set against backdrop of uncertain and volatile market condition
- Sound financial structure
- Remain focused on providing efficient market services - based on critical capital raising and price forming role, as a well regulated market and strong international brand
- Confident that well positioned to meet evolving customer needs in challenging markets
- Interim dividend increase of 5% to 8.4p per share



Doug Webb

Chief Financial Officer



Overview of results - statutory

	Six months ended 30 September		Change %
	2008 £m	2007 £m	
Revenue	345.5	203.1	70%
Operating costs	165.6	88.4	87%
Operating profit	179.9	114.7	57%
Operating margin	52%	56%	
Profit after tax	83.7	68.7	22%
Basic earnings per share (p)	30.3	34.3	-12%
Adjusted earnings per share (p)	39.3	35.7	10%

See notes in Appendix for basis of preparation



Overview of results – pro forma

	Six months ended 30 September		Change	Change at constant currency
	2008	2007		
	£m	£m	%	%
Revenue				
Issuer	49.4	51.1	-3%	-7%
Trading	151.1	153.0	-1%	-5%
Information	89.8	77.1	16%	13%
Post Trade	46.7	41.0	14%	1%
Other income	8.5	6.8	25%	18%
Total revenue	345.5	329.0	5%	0%
Operating costs	165.6	156.9	6%	0%
Operating profit	179.9	172.1	5%	0%
Operating margin	52%	52%		

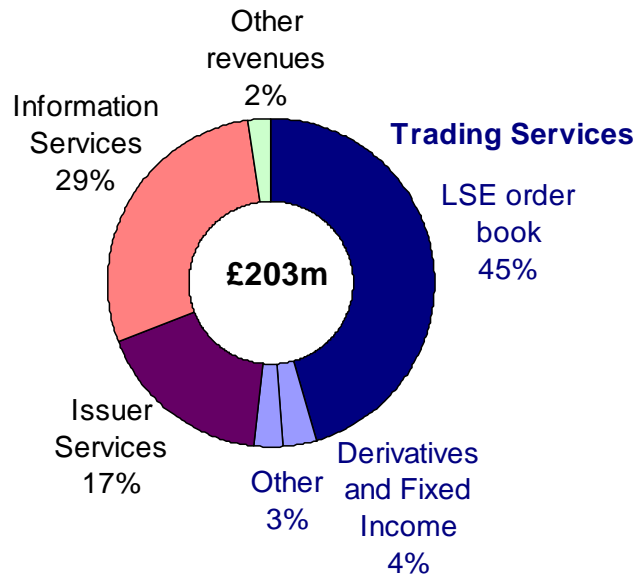
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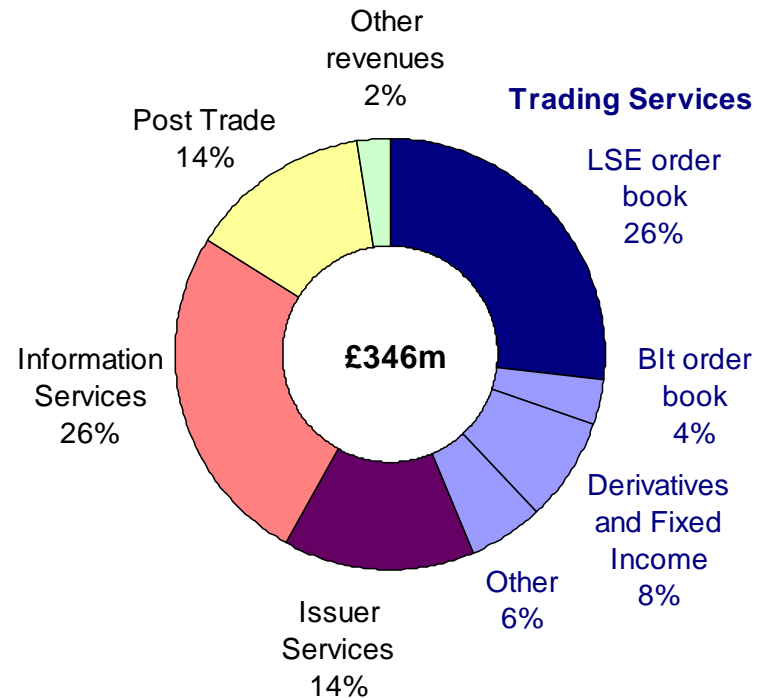
Group revenue

Diversified revenue stream - one-quarter directly from UK cash equity

Group Revenues H1 FY2008



Group Revenues H1 FY2009

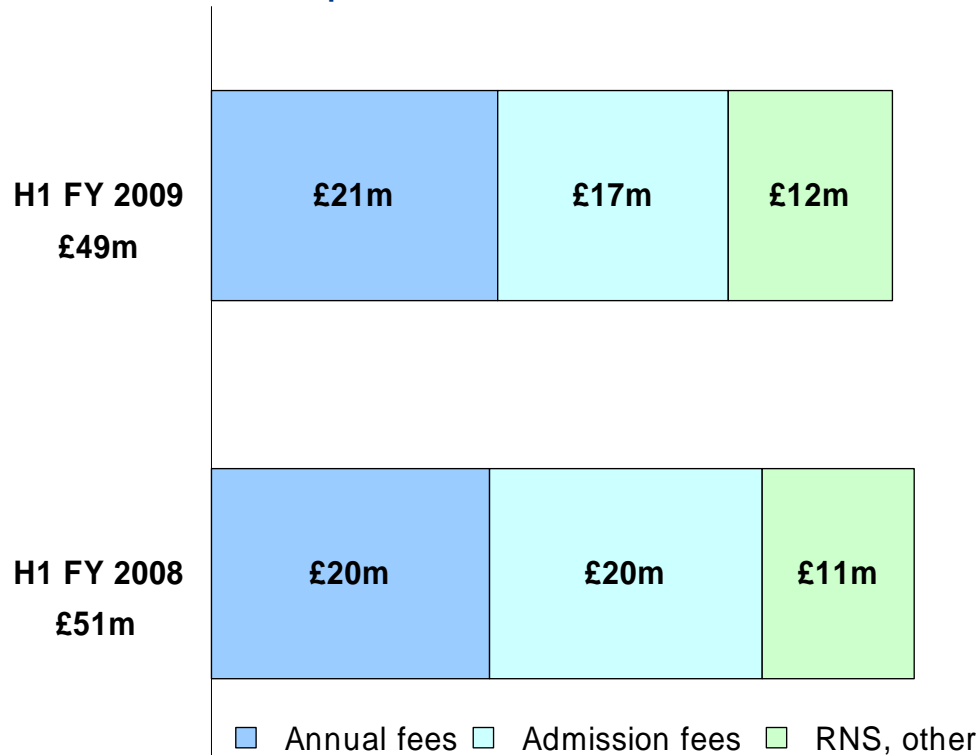




Issuer Services

Resilient performance

Revenues (pro forma)



Key metrics

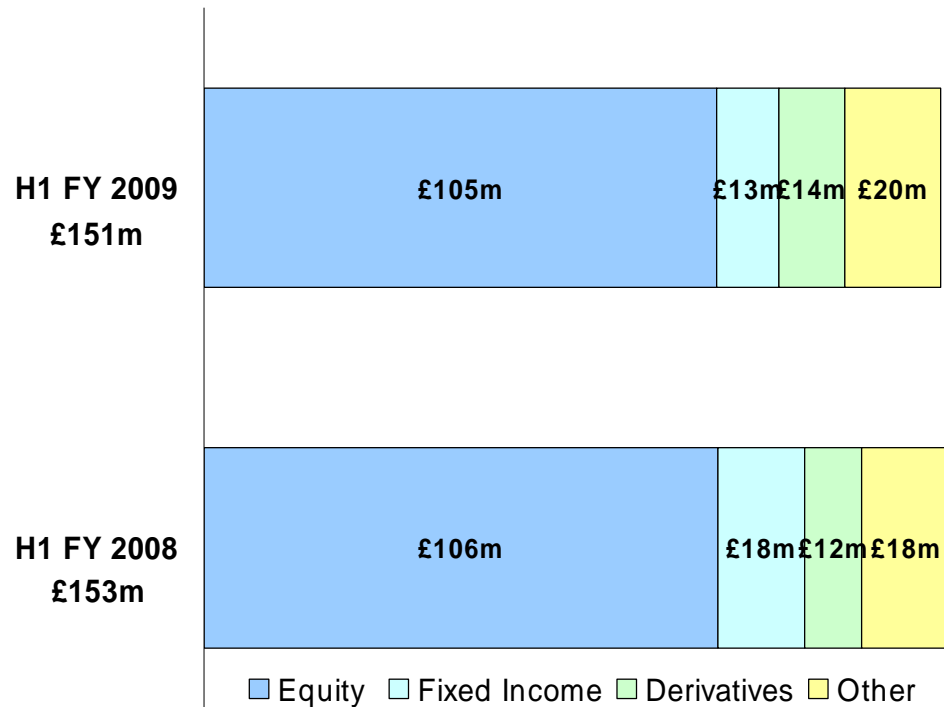
	Six months ended 30 September	
	2008	2007
New Issues		
Main Market, PSM & SFM	49	73
AIM	60	163
Blt	5	23
Total	114	259
<i>of which :</i>		
International Public Offerings	21	52
Company Numbers (as at 30 September)		
Main Market, PSM & SFM	1,575	1,615
AIM	1,609	1,682
Blt	305	304
Total	3,489	3,601
Money raised (£bn)		
LSE New money raised	6.2	14.4
LSE Further money raised	34.0	11.6
Blt new and further	3.5	3.7
Total money raised	43.6	29.6



Trading Services

Strong trading in challenging markets

Revenues (pro forma)



Key metrics

	Six months ended 30 September	
	2008	2007
Equity		
LSE average daily bargains ('000)	739	555
LSE average daily value traded (£bn)	8.3	8.7
Derivatives		
EDX contracts (m)	32.0	21.5
IDEM contracts (m)	19.4	19.6
Fixed Income (Nominal Value Traded)		
MTS (€tn)	9.9	10.9

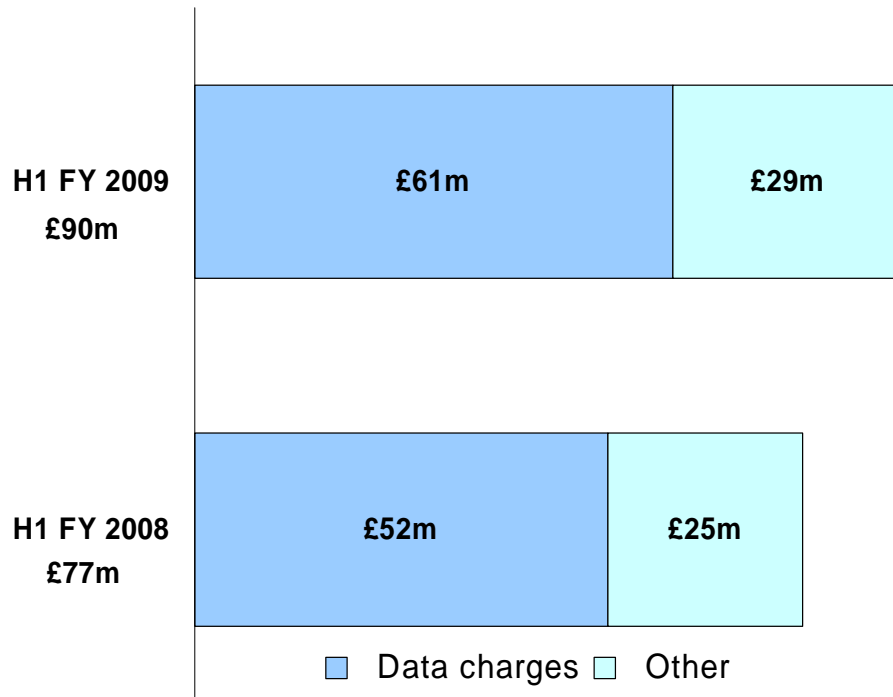
- Resilient value traded in context of fall in markets:
FTSE 100 down average 12%; S&P MIB down average 27%



Information Services

Strong growth

Revenues (pro forma)



Key metrics

	Six months ended 30 September	
	2008	2007
LSE Terminals		
Professional - UK	45,000	43,000
Professional - International	67,000	61,000
Private	28,000	23,000
Total	140,000	127,000
Bit Terminals		
Professional	161,000	154,000
Private	831,000	719,000
Total	992,000	873,000

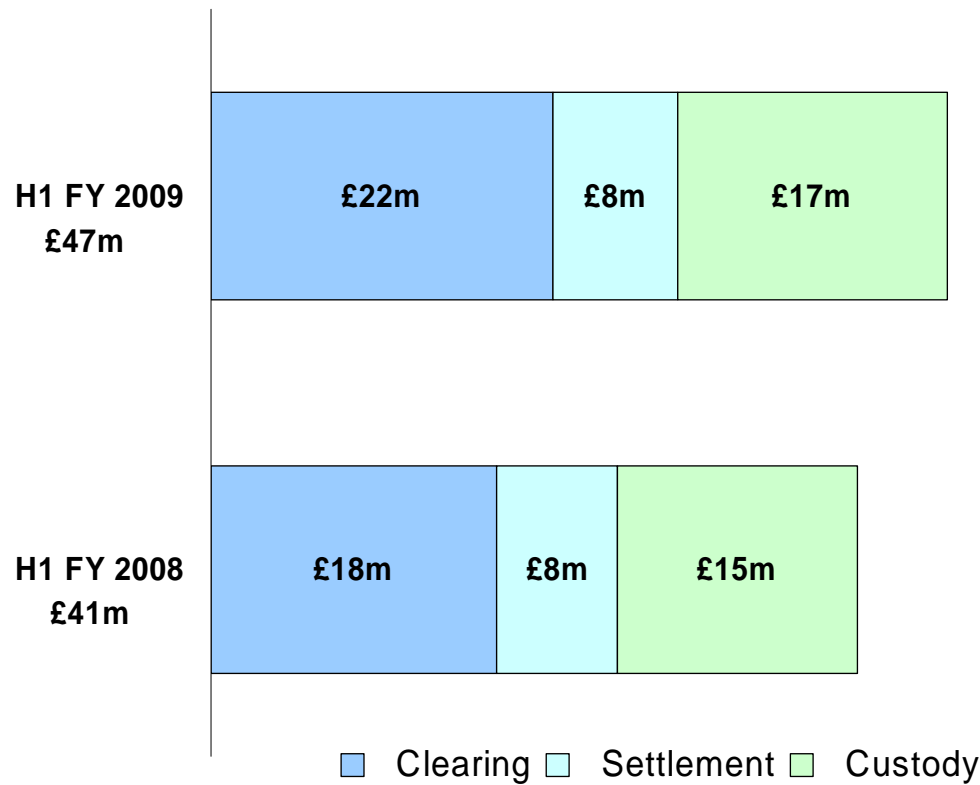
- Growth from Middle East, Russia Kazakhstan, Australia, China and India



Post Trade

Good performance in testing markets

Revenues (pro forma)



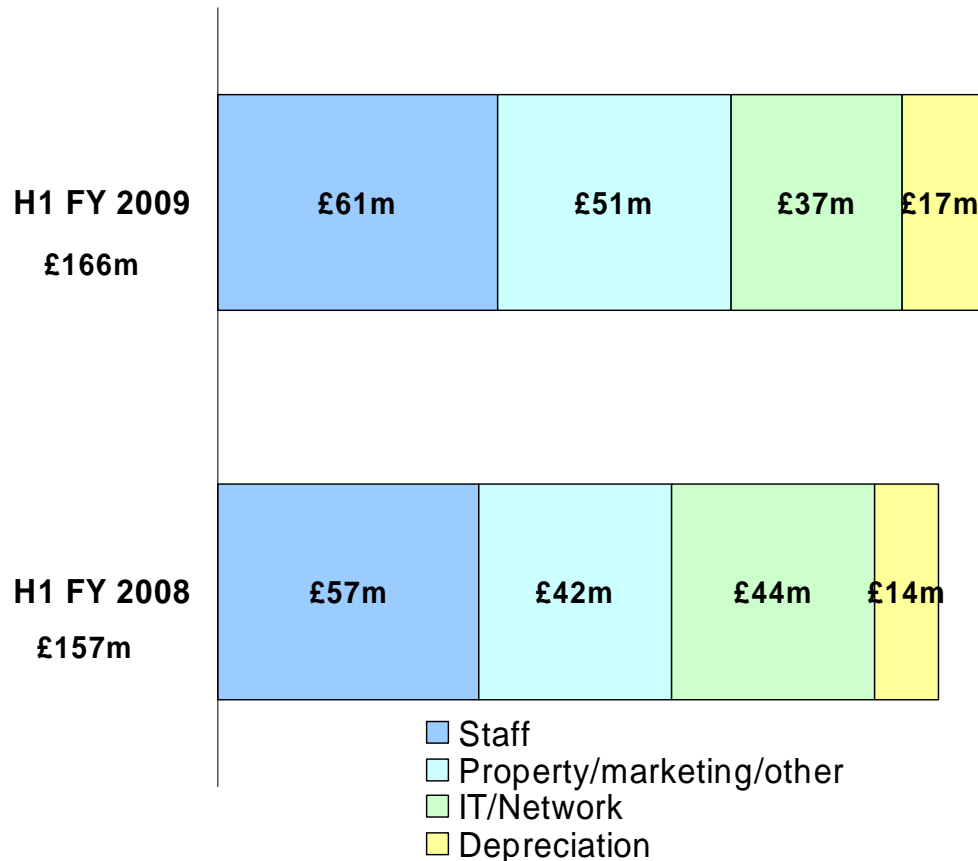
Key metrics

	Six months ended 30 September	
	2008	2007
CC&G Clearing:		
Equity Clearing (m)	34.3	36.5
Derivative Clearing (m)	19.4	19.6
Total Contracts (m)	53.7	56.1
Open interest (m)	3.7	3.0
Monte Titoli:		
Settlement Instructions (m)	18.0	26.8
Custody assets under management (€tn)	2.7	2.8

- Revenues include increased net interest income from higher margin calls and CCP cash collateral held for risk management



Operating costs (pro forma)



Cost : Income ratio 48%
(H1 FY08 48%)

Excluding exceptional items and amortisation

- Pro forma costs up 6% (unchanged in constant currency)
- In-sourcing of Service Delivery moves £5m IT costs to staff costs
- Lehman provision of £6.1m in "other" cost segment
- Total costs excluding Lehman provision down 4% in constant currency



Summarised cash flow

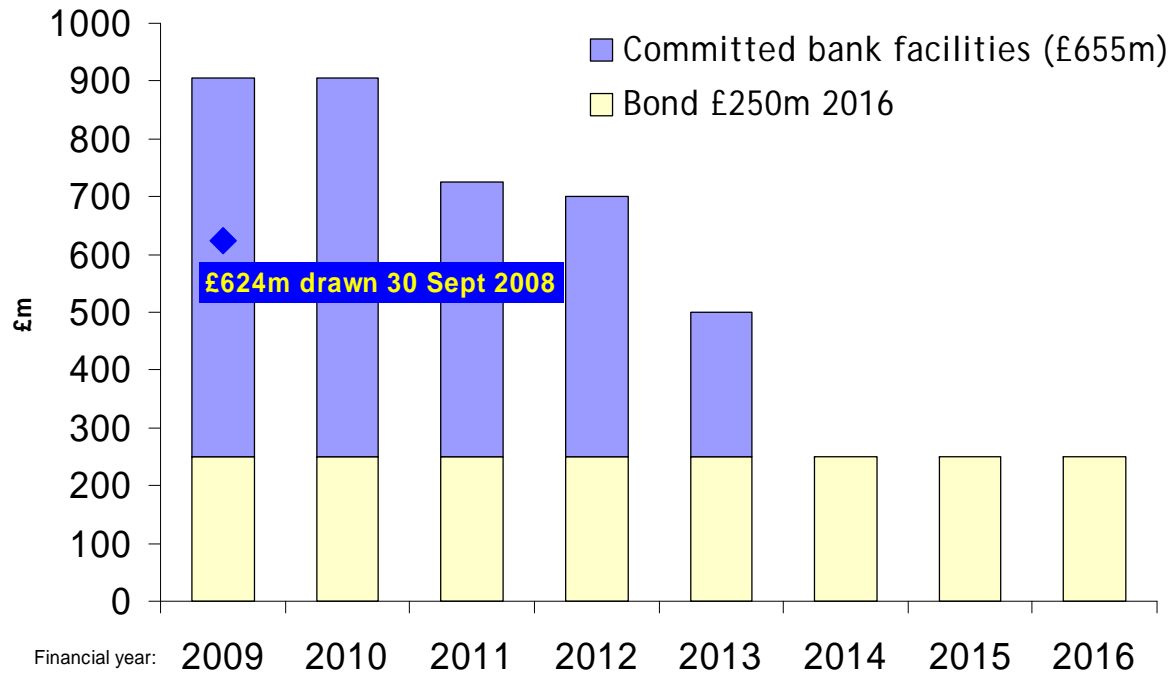
Strong cash generation from enlarged group operations

	Six months ended 30 September		Change %
	2008 £m	2007 £m	
Net cash inflow from operating activities ¹	195.1	127.2	53%
Taxation	(30.1)	(25.2)	19%
Capital expenditure	(24.4)	(7.3)	234%
Ordinary dividends paid	(49.3)	(23.8)	107%
Net finance costs	(19.6)	(14.7)	33%
Free cash flow¹	71.7	56.2	28%
<i>Share buy-backs / EBT purchases</i>	<i>(77.9)</i>	<i>(98.5)</i>	<i>-21%</i>

¹ Before exceptional items

Net debt and borrowings

- Overall borrowing unchanged in H1, £624m drawn at 30 September 2008
 - £905m committed facilities; £700m to 2012 or beyond
 - £250m new 5 year revolving credit facility at rate of Libor +c80bps
 - £25m new 3 year bi-lateral in October
 - £200m revolving credit facility and £180m bridge facility extended



- £125m cash reserved for regulatory and operational purposes



Summarised Group balance sheet

Very limited counterparty risk outside the CCP

		30 September 2008	31 March 2008
		£m	£m
Non-current assets		1,876.6	1,921.5
Current assets	- Debtors	21,615.3	17,442.1
	<i>of which CCP</i>	<i>21,500.8</i>	<i>17,316.1</i>
	- cash	142.2	200.6
Total assets		23,634.1	19,564.2
Current liabilities	- Bank borrowings	(184.6)	(436.0)
	- Other	(21,665.6)	(17,482.7)
	<i>of which CCP</i>	<i>(21,501.6)</i>	<i>(17,307.7)</i>
Non-current liabilities	- Bond	(255.8)	(256.1)
	- Other	(314.1)	(126.5)
Net assets		1,214.0	1,262.9



Borsa Italiana - Integration update

Making good progress

Synergies:

- Cost synergies increased 20% to at least £24m - original £20m target to be delivered 6 months early
- Revenue synergies of £20m, full run rate from start FY 2011
- Costs to achieve synergies expected to be £44m - approximately £11.1m incurred in H1 (£3.4m exceptional costs, £7.7m capitalised)



Current trading

- Good performance in H1 FY 2009
- Market conditions remain challenging and uncertain in some areas
 - SETS bargains/day in October up 69%, average daily value traded in October down 3%
 - Italian cash equities average daily trades up 23% in October
 - Good primary markets pipeline but market subdued
 - Demand for real time data resilient
- The Exchange is well placed and will continue to exploit market opportunities and serve increasingly international community



Clara Furse

Chief Executive Officer



High quality resilient business model

- Crisis underscores the fundamental strength and resilience of the exchange business model
- Creating medium term opportunities for London Stock Exchange Group
 - Move to less complex products
 - Increase in government debt issuance to benefit MTS
 - Positive reappraisal of equity as an asset class
 - To strengthen London's position as the leading international financial centre



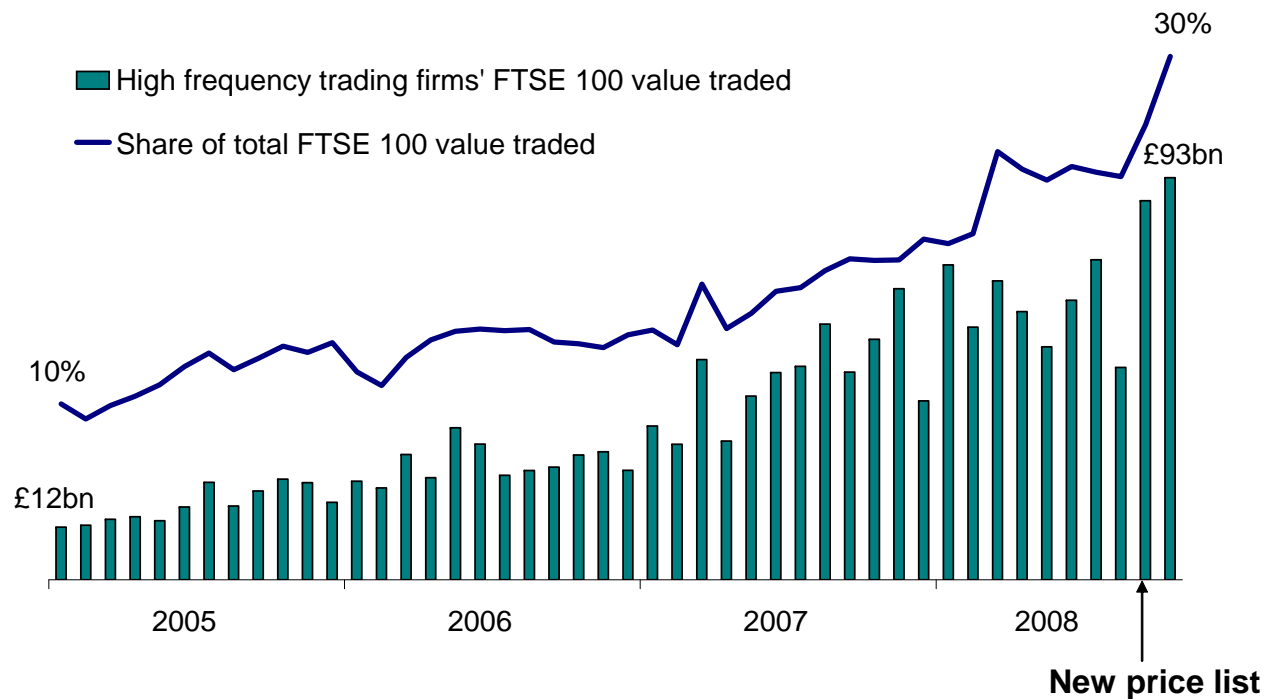
Long term macro-economic trends support global ambition

- Long term fundamentals for the global economy remain strong
 - Cross border investment flows have grown some 14% per annum since 1990
- The UK has the largest capital flows of any single country in the world
- World's pre-eminent listing venue
 - Recent listing forums for Mexico, Brazil, Peru, Kuwait and Bahrain
 - Capital Market Days for Jordan, Brazil and China
- Exploring the potential for efficient cross access with the Tokyo Stock Exchange

Structural shift to high frequency trading

- Growth of high frequency, highly automated trading firms
- New fee structure rewards electronic liquidity provision

Growth of high frequency trading firms

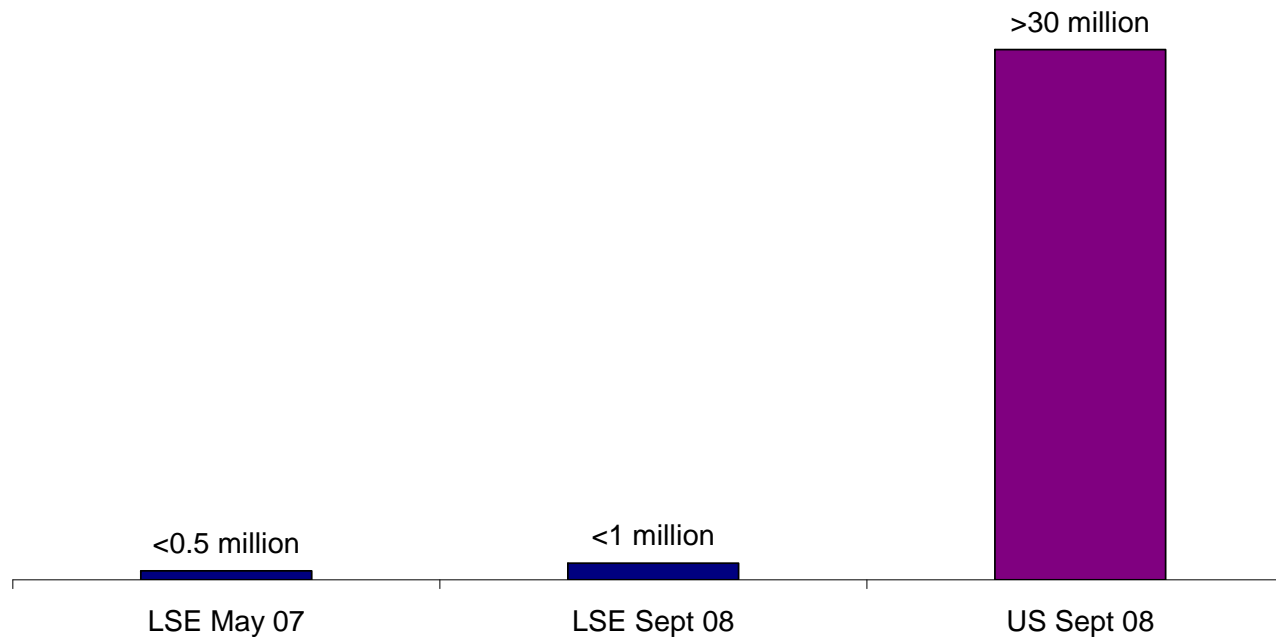




Planning for growth

- We are planning for a huge increase in volumes
- Around 30% of Europe's electronic trading is now being transacted on TradElect since migrating the Italian market

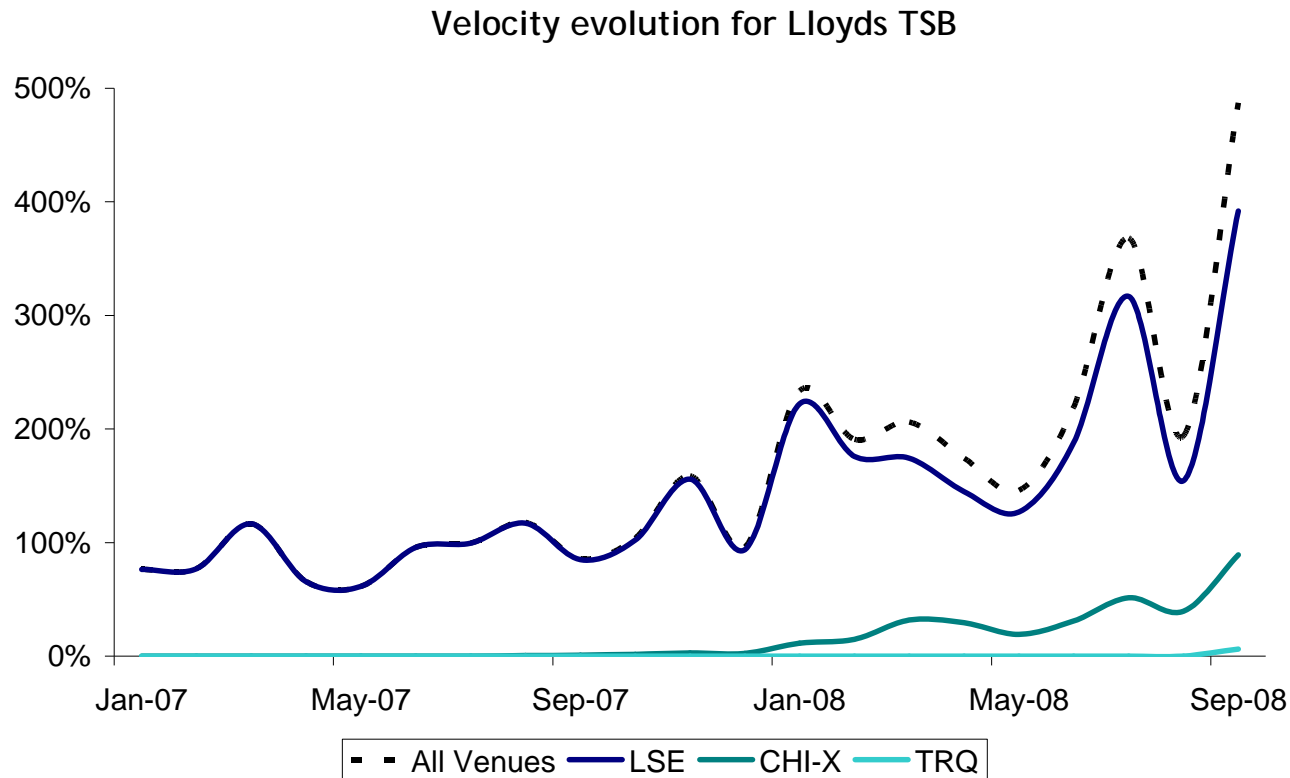
Average trades per day





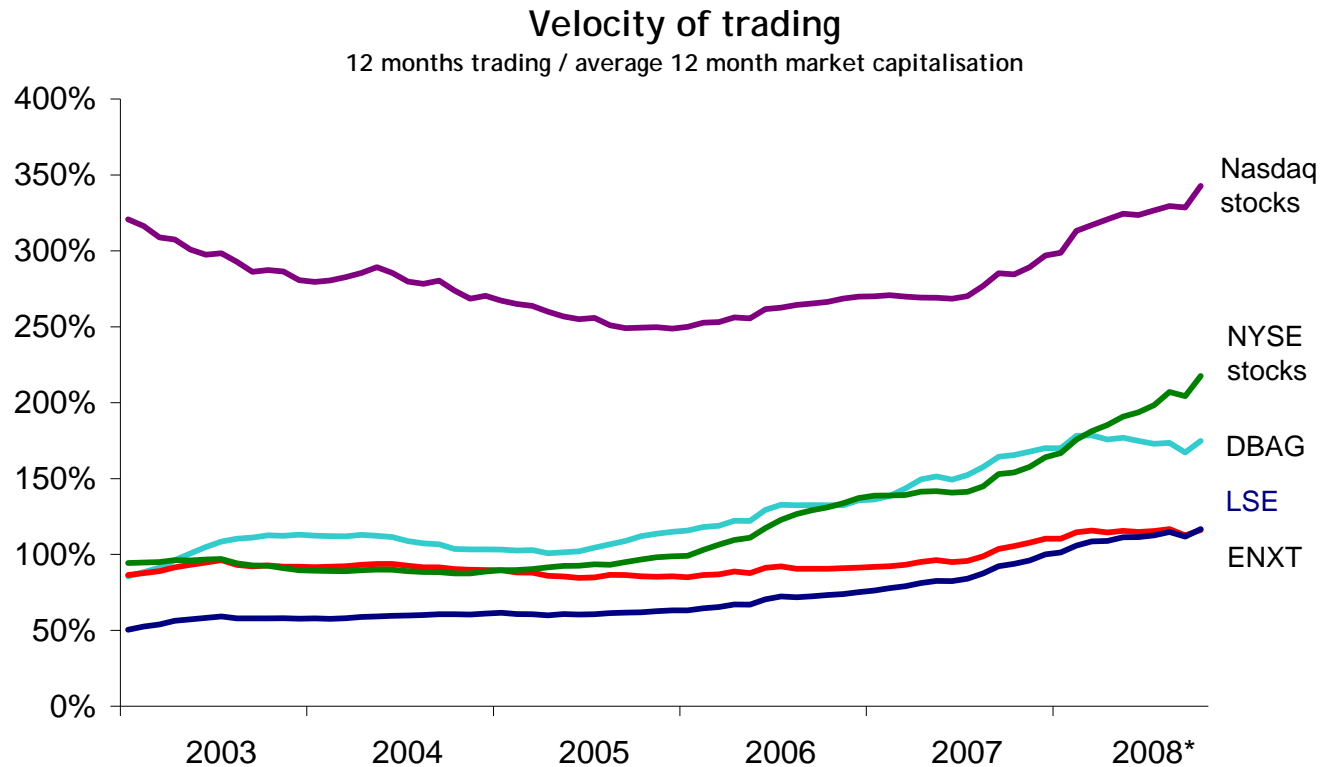
Liquidity fragmentation fuels velocity growth

- Lloyds TSB velocity has doubled this year





... and there is still much further to go...

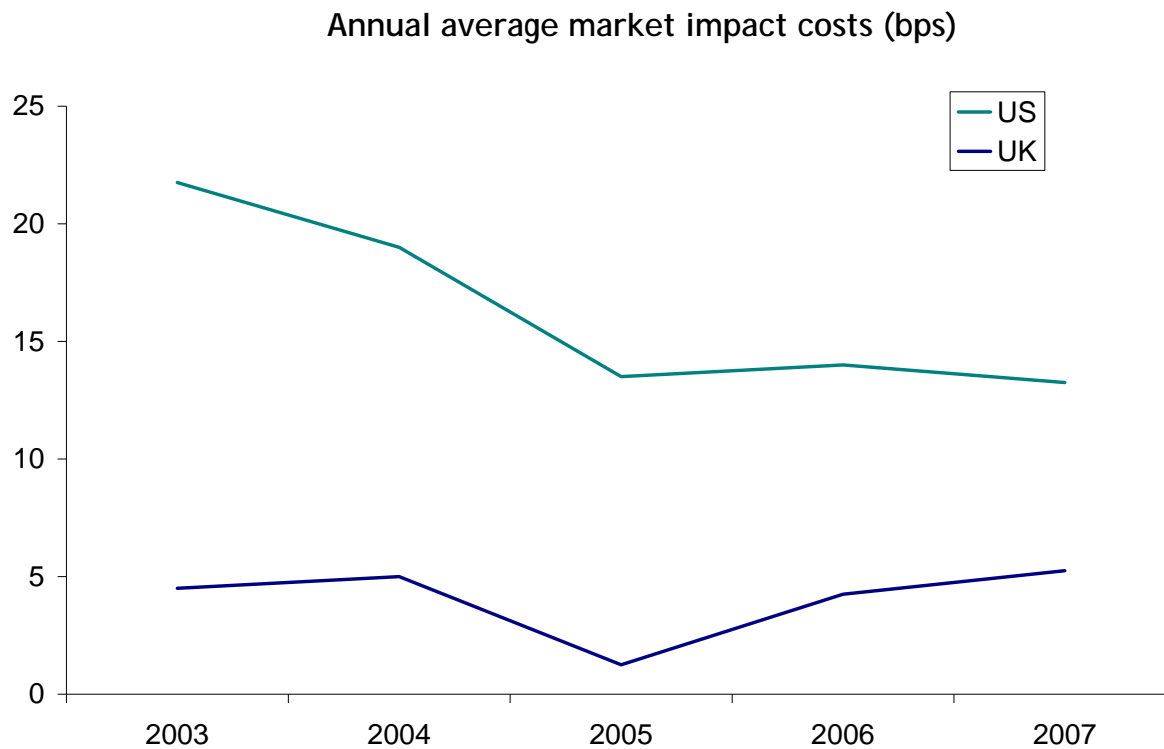


* 12 months to end of September



Excessive fragmentation has drawbacks

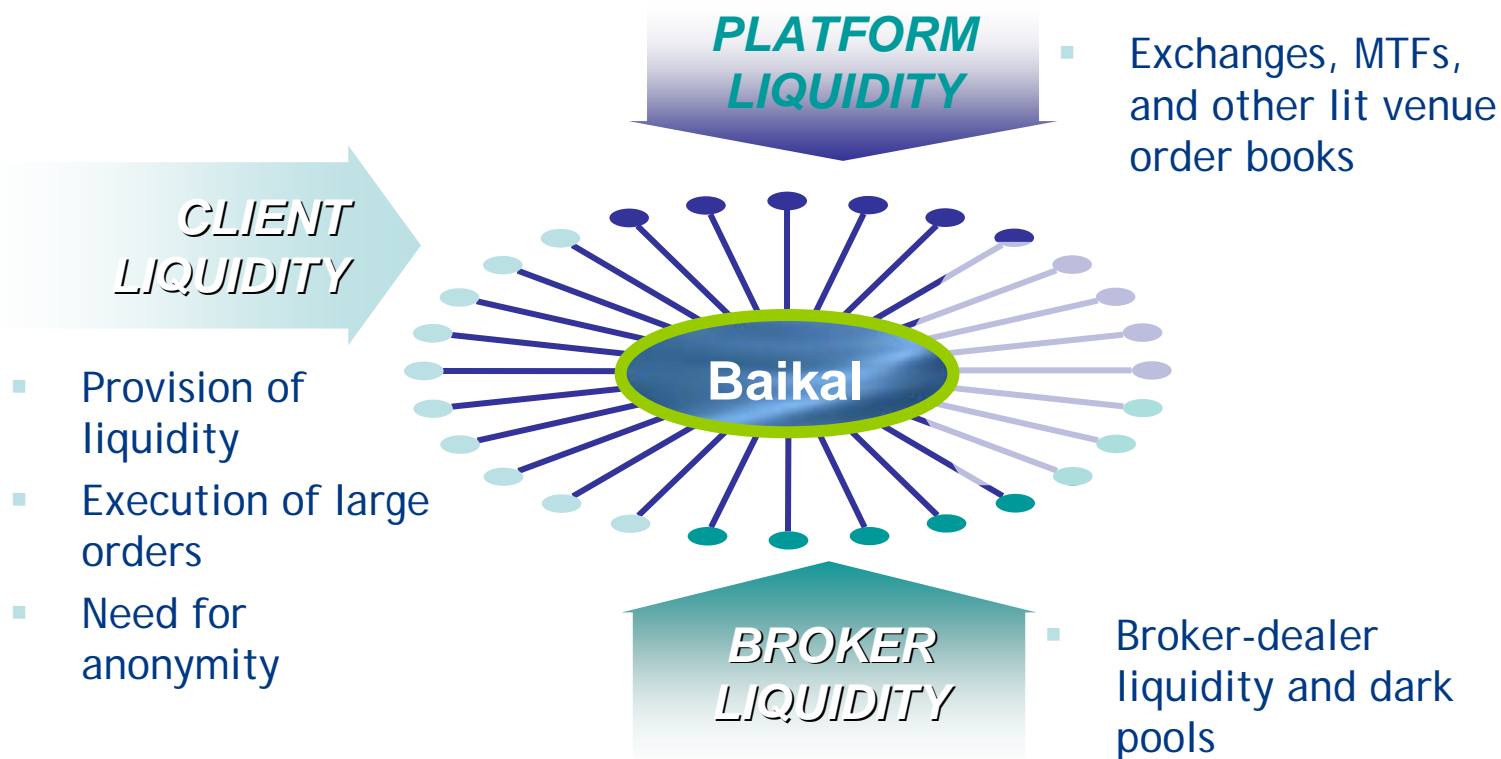
- Poorer execution quality with higher market impact costs in the US compared to the UK



Source: ITG Global Trading Cost Review

Baikal - the ultimate liquidity aggregator

- Baikal meets the buy-side need for efficient and low cost execution of very large trades





Fragmentation of data

- Quality and transparency of trading data has declined post MiFID
- The problem is data production, not data distribution
- US style consolidated tape is superfluous
- Exchange provides a Europe-wide solution with a trade reporting service for all securities, distributed at no extra cost



Post trade will become more important and more cost efficient

Post trade
focus

1. Extending clearing services & supporting product development: IOB, CFDs

2. Driving down the cost of trading

- Dual CCP model
- Diversifying

3. Growing our post trade assets internationally



Summary

- Good performance in challenging market conditions - the fundamentals of our business are strong
- Credit crisis has immediate negative impact but promises long term adjustment in favour of exchanges and equities
- London is the world's leading financial centre

Efficient financial markets are the lifeblood of the real economy



Appendices



Notes

Adjusted earnings per share

Excludes exceptional integration and finance costs, and amortisation of purchased intangibles to enable comparison of the underlying earnings of the business with prior periods. Based on number of shares 269.9m, excludes ESOP.

Free Cash Flow

Net cash flow from operating activities minus capital expenditure, dividends paid and net finance costs, excluding exceptional items

Exchange rates

Comparative H1 FY 2008 figures translated at same average exchange rate for H1 FY 2009 of €1.2603 : £1 in calculating constant currency growth rates

Bond adjustment 2007

Statutory, Profit after Tax and Basic EPS adjusted for restatement of bond value

Pro forma

As if merger with Borsa Italiana occurred 1 April 2007



Issuer Services - key performance indicators

	Six months ended		Variance %
	30 September 2008	2007	
New Issues			
Main Market, PSM & SFM	49	73	-33%
AIM	60	163	-63%
Blt	5	23	-78%
Total	114	259	-56%
Company Numbers (as at 30 September)			
Main Market, PSM & SFM	1,575	1,615	-2%
AIM	1,609	1,682	-4%
Blt	305	304	0%
Total	3,489	3,601	-3%
Market capitalisation (as at 30 September)			
Main Market (UK only) (£bn)	1,445	1,950	-26%
AIM (£bn)	62	102	-39%
Blt (€bn)	480	772	-38%
Blt (£bn)	383	544	
Total (£bn)	1,890	2,596	-27%
IPOs			
Main Market, PSM & SFM	27	48	-44%
AIM	26	100	-74%
Blt	5	22	-77%
Total	58	170	-66%



Trading Services – key performance indicators

Equity Volume Bargains (m)

LSE	94.6	69.4	36%
Blt	33.8	36.0	-6%
Total	128.4	105.4	22%

Equity Value Traded

LSE (£bn)	1,068	1,086	-2%
Blt (€bn)	568	833	-32%
Blt (£bn)	451	587	-23%
Total (£bn)	1,519	1,673	-9%

Equity Average Daily Bargains ('000)

LSE	739	555	33%
Blt	262	286	-8%
Total	1,001	841	19%

Equity Average Daily Value Traded

LSE (£bn)	8.3	8.7	-5%
Blt (€bn)	4.4	6.6	-33%
Blt (£bn)	3.5	4.7	-26%
Total (£bn)	11.8	13.4	-12%

Equity Average Bargain Size

LSE (£'000)	11.3	15.7	-28%
Blt (€000)	16.8	23.1	-27%

Derivatives (contracts m)

EDX	32.0	21.5	49%
IDEM	19.4	19.6	-1%
Total	51.4	41.1	25%

Fixed Income (Nominal Value Traded)

Blt MOT (€bn)	78.3	73.9	6%
MTS (€bn)	9.9	10.9	-9%



Information Services - key performance indicators

	Six months ended 30 September		Variance %
	2008	2007	
LSE Terminals			
Professional - UK	45,000	43,000	5%
Professional - International	67,000	61,000	10%
Private	28,000	23,000	22%
Total	140,000	127,000	10%
Blt Terminals			
Professional	161,000	154,000	5%
Private	831,000	719,000	16%
Total	992,000	873,000	14%



Post Trade Services - key performance indicators

	Six months ended		Variance %
	30 September		
	2008	2007	
CC&G Clearing:			
Equity Clearing (m)	34.3	36.5	-6%
Derivative Clearing (m)	19.4	19.6	-1%
Total Contracts (m)	53.7	56.1	-4%
Open interest (m)	3.7	3.0	23%
Monte Titoli:			
Settlement Instructions (m)	18.0	26.8	-33%
Custody assets under management (€tn)	2.7	2.8	-4%