



**London**  
Stock Exchange Group

# **Recommended All-Share Merger: Creating a Leading Europe-based Global Markets Infrastructure Group**

*June 1, 2016*

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# Industry-defining and value-enhancing combination

## Strong Value Creation































- Combination enables shareholders of LSEG and Deutsche Börse to participate in the significant value creation opportunity through their interests in HoldCo
- Accretive to adjusted cash earnings for both sets of shareholders in year one<sup>(1)</sup>
- Deliver significant value creation through cost synergies of approximately €450m per annum to be achieved in year three post transaction close
- Revenue synergies of at least €250m per annum to be achieved in year five post transaction close, with approximately €160m achieved by year three
- Significant additional revenue growth opportunities possible

## Compelling Strategic Rationale

- Create a leading global markets infrastructure group anchored in Europe
- Largest exchange group by total income with a diversified revenue mix by product and geography
- Address changing global customer needs in an evolving regulatory landscape
- Maintain and strengthen its customer partnership and pro customer choice principles
- Enhance both London and Frankfurt as domestic and international financial centres
- Support the development of the EU's Capital Markets Union through the Combined Group's commitment to SME markets and initiatives
- Create a leading venue for capital formation and the facilitation of economic growth
- Deliver a platform of choice for risk and balance sheet management, increasing safety, resiliency and transparency in global markets
- Create a leading information services business, providing innovative benchmarking in index and data products to inform decision-making across the investment life cycle
- Benefit from an enhanced global footprint and the creation of a platform for future growth in Asia and North America

Note(s): (1) This statement is not intended as a profit forecast or a profit estimate and should not be interpreted to mean that earnings or earnings per share for HoldCo, Deutsche Börse or LSEG, as appropriate, for the current or future financial years, or those of the Combined Group, would necessarily match or exceed the historical published earnings or earnings per share for Deutsche Börse or LSEG, as appropriate.

# Leading positions across each of our global business lines

Capital Markets		Post Trade		Information Services and Technology		
Primary and secondary cash markets	Derivatives trading	Clearing	Custody and settlement	Index	Technology	Market data
 <p>  London Stock Exchange   Turquoise   Borsa Italiana   MTS   ORB  AIM  ELITE                 </p>	<p><b>CURVEGLOBAL</b></p> <p>IDEM</p>	<p><b>LCH</b></p> <p>SwapClear</p> <p>CC&amp;G</p>	<p>Monte Titoli</p> <p>globeSettle</p>	<p> FTSE Russell</p> <p><b>FTSE   TMX</b></p>	<p> exactpro</p> <p> millennium information technologies</p> <p> GATE lab</p>	<p>UnaVista</p> <p>RNS</p> <p>SEDOL</p> <p>Real-Time Data</p>
 <p>  BÖRSE FRANKFURT   XETRA  eurex   eurex bonds  ESOT                      TRADING NETWORKS   DEUTSCHE BÖRSE VENTURE NETWORK                 </p>	<p> <b>EX</b> eurex</p> <p> EEX EUROPEAN ENERGY EXCHANGE</p> <p> ESOT TRADING NETWORKS</p>	<p> <b>EC</b> eurex clearing</p> <p> ECC EUROPEAN COMMODITY CLEARING</p>	<p> clearstream (ICSD)</p> <p> clearstream (CSD)</p>	<p><b>STOXX</b></p> <p><b>DAX</b></p>	<p> DEUTSCHE BÖRSE GROUP</p> <p> ESOT TRADING NETWORKS</p>	<p> DEUTSCHE BÖRSE GROUP</p> <p> <b>REGIS-TR</b> EUROPEAN TRADE REPOSITORY</p>
<p><i>Creating an ecosystem for financing European and international companies in all stages of their development across asset classes</i></p>	<p><i>Unlocks customer benefits arising from portfolio margining service between OTC and exchange traded liquidity pools</i></p>	<p><i>Continue to promote safety, resiliency and transparency in global markets via multi asset class clearing and risk management</i></p>	<p><i>Well positioned to attract assets and issuers in a T2S world</i></p>	<p><i>Over €450bn ETF assets benchmarked by FTSE, Russell and STOXX - well positioned for structural growth in asset management sector globally</i></p>	<p><i>A leading provider of low cost trading and technology with ability to develop and sell multi-asset cross currency platforms</i></p>	<p><i>Valuable collection of real time, reference data, technology and software assets supporting clients to stay informed, manage data and fulfil regulatory reporting requirements</i></p>
<p><b>Key:</b> <span style="background-color: #ADD8E6; border: 1px solid black; display: inline-block; width: 15px; height: 10px;"></span> Well established market presence</p>		<p><span style="background-color: #F5F5DC; border: 1px solid black; display: inline-block; width: 15px; height: 10px;"></span> Well placed for growth</p>				

# Attractive financial profile

## Balance sheet and dividend policy

- ✓ Balance sheet with combined ~1.8x leverage as at December 2015<sup>(1)</sup> and ~1.0x leverage in medium term<sup>(2)</sup>
- ✓ Combined Group intends to adopt a progressive dividend policy within the existing range of both London Stock Exchange Group's and Deutsche Börse's current policies

## Cash and earnings generation

- ✓ Highly attractive cash generation profile
  - Enables future investment in growth
  - Permits progressive dividend policy
- ✓ Accretive to adjusted cash earnings for both sets of shareholders in year 1<sup>(3)</sup>

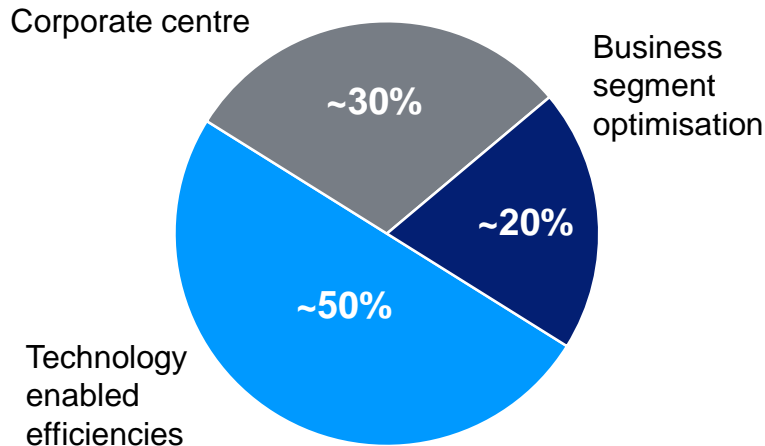
## Synergies

- ✓ Cost synergies of approximately €450m p.a. to be achieved over 3 years, as previously reported
- ✓ Revenue synergies of at least €250m p.a. to be achieved in year 5 post transaction close, with approximately €160m achieved by year 3
- ✓ Significant additional revenue growth opportunities possible

### Note(s):

- (1) Combined Group leverage as of 31 December 2015 based on proforma financials calculated using the following; figures not adjusted for ISE and Russell IM.
- LSEG's leverage of 1.7x based on net debt of GBP1,320.6 million (excluding cash set aside to support regulatory and operational requirements, and net financial derivatives) and adjusted EBITDA of GBP768.5 million. LSEG's net debt translated into Euros based on the spot EUR / GBP exchange rate as at 31 December 2015 of 1.3605 and LSEG's adjusted EBITDA for FY 2015 translated into Euros based on the average 2015 EUR / GBP exchange rate of 1.3782.
  - DBAG's leverage of 1.9x based on gross debt of EUR2,341.5 million and EBITDA of EUR1,264.8 million as disclosed in the DBAG annual report for the year ended 31 December 2015. On 30 July 2015 DBAG placed a hybrid bond maturing in 2014, with a total nominal value of €600 million, on the market. Given the quasi-equity characteristics of the hybrid bond, only 50 per cent of its total nominal amount is included when calculating gross debt.
- (2) Expected medium term leverage of 1.0x takes into account proceeds from disposals of Russell IM and ISE, synergy realisation and organic growth of the Combined Group over the medium term.
- (3) This statement is not intended as a profit forecast or a profit estimate and should not be interpreted to mean that earnings or earnings per share for HoldCo, Deutsche Börse or LSEG, as appropriate, for the current or future financial years, or those of the Combined Group, would necessarily match or exceed the historical published earnings or earnings per share for Deutsche Börse or LSEG, as appropriate.

# Cost savings of ~€450m per annum in year three post transaction close



## Synergies

Year 1

Year 2

Year 3

## Phased in

50%

75%

100%

One-time cost to achieve = ~€600m

### Technology enabled efficiencies

- Harmonisation of trading and post trade platforms based on best of breed technology in the Combined Group
- Reduction of project spending in optimised IT infrastructure
- Removing duplication of central IT functions

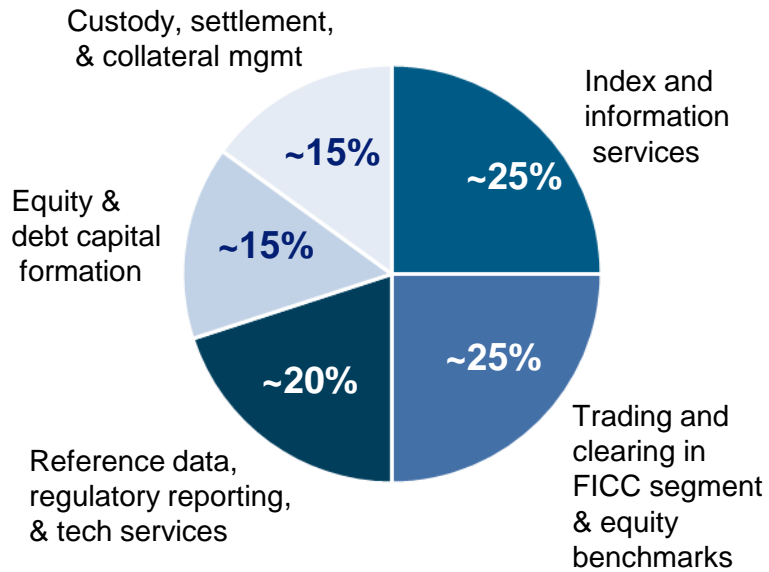
### Corporate centre

- Removing duplication and streamlining of governance
- Harmonisation of support, service functions and corporate systems
- Reduction of professional fees

### Business segment optimisation

- Optimisation of customer-facing organisations
- Scale efficiencies within each common asset class
- Integration of Index businesses

# Revenue synergies of at least €250m p.a. in year five post transaction close



## Index and information services

- Building on the commercial expertise, intellectual property, complementary geographic footprints and distribution networks of the Combined Group's index and information services business, including FTSE Russell and STOXX, to cross-sell products and align commercial strategies

## Trading and clearing in FICC segment & equity benchmarks

- Harnessing the benefits of the multiple CCP operations within the Combined Group
- Develop trading and clearing products in the FICC segment and equity benchmarks

## Reference data, regulatory reporting & tech services

- Creating an enhanced product range and expanding sales across reference data, regulatory reporting and technology related services to the Combined Group's complementary client bases

## Equity & debt capital formation

- Developing enhanced offerings in equity and debt capital formation for listed and pre-IPO companies and trading participants
- Creation of a liquidity bridge for access to markets across the Combined Group

## Custody, settlement & collateral management

- Enhancing growth in custody, settlement and collateral management services across a broader customer base within complementary geographies

### Synergies

### Target phasing

Year 3

~€160m p.a.

Year 5

≥€250m p.a.

One-time cost to achieve = ~€100m

Recurring contribution margin = ~85%

# Significant additional revenue growth opportunities possible

## Portfolio margining services

- ✓ Provide enhanced trading and clearing products and services by unlocking the customer benefits created through portfolio margining

### Key market statistics

*Derivatives trading and clearing total market size*  
**~€6bn p.a. <sup>(1)</sup>**

## Post trade data and analytics – new products

- ✓ Develop customer centric offerings in high growth areas, including workflow processing, data services and analytics

*Post trade data & analytics total revenue pool*  
**~€23-27bn p.a. <sup>(2)</sup>**

## Stronger positioning in North America and Asia

- ✓ Enhance footprint and accelerate growth in North America and Asia
- ✓ Become partner of choice for infrastructure operators, investors and issuers

*Percentage of global GDP in 2020 <sup>(3)</sup>*  
**North America 25%**  
**Asia 31%**

Note(s):

- (1) Includes equity derivatives, interest rate derivatives, FX derivatives, and energy & commodities annual revenues disclosed in latest publically available financial reports for the following listed exchange groups: CME Group, ICE, Eurex, BM&F Bovespa, Moscow Exchange and CBOE. US dollars translated into Euros based on the average 2015 EUR / USD exchange rate of 0.901
- (2) Sourced from joint Morgan Stanley and Oliver Wyman report, "Wholesale & Investment Banking Outlook", dated 19 Mar 2015
- (3) Sourced from Global Insight Macroeconomics report on nominal GDP forecasts (updated February 2016)



# Anticipated transaction timetable

	UK timings	German timings
	Documents published	
<b>1 June</b>	<ul style="list-style-type: none"> <li>• Scheme document posted</li> <li>• HoldCo prospectus published</li> </ul>	<ul style="list-style-type: none"> <li>• Exchange Offer launched</li> </ul>
<b>4 July</b>	<ul style="list-style-type: none"> <li>• General Meeting and Court Meeting</li> <li>• Shareholder vote</li> </ul>	
<b>12 July</b>		<ul style="list-style-type: none"> <li>• End of initial acceptance period (~6 weeks)</li> </ul>
<b>18 July</b>		<ul style="list-style-type: none"> <li>• Publication of the results of the Exchange Offer</li> </ul>
<b>19 July – 1 August</b>		<ul style="list-style-type: none"> <li>• Additional 2 week acceptance period if 75% acceptance threshold has been achieved by end of initial period</li> </ul>
<p><b><i>Expected completion of the transaction likely Q1 2017 subject to receipt of antitrust and regulatory approvals</i></b></p>		

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# Appendix

# Key transaction terms

<b>Structure</b>	<ul style="list-style-type: none"><li>• Deutsche Börse and LSEG to combine under new Holding Company (“UK TopCo”)</li><li>• UK TopCo will issue shares in exchange for Deutsche Börse shares and LSEG shares<ul style="list-style-type: none"><li>▪ UK TopCo securities exchange offer for Deutsche Börse</li><li>▪ Acquisition of LSEG shares via scheme of arrangement</li></ul></li><li>• UK TopCo to be listed in London and Frankfurt and it is envisioned that UK TopCo shares will be eligible for inclusion in DAX, EuroStoxx and FTSE index families</li><li>• Existing regulatory framework for all regulated entities to remain unchanged with centres of excellence in London, Frankfurt and Milan, subject to customary and final regulatory approvals</li></ul>
<b>Corporate Residence / HQ</b>	<ul style="list-style-type: none"><li>• UK TopCo to be UK plc. resident solely in the UK for tax purposes; Euro to be reporting currency</li><li>• Combined Group to have headquarters in London and Frankfurt, with an efficient distribution of central corporate functions in both locations</li></ul>
<b>Consideration</b>	<ul style="list-style-type: none"><li>• 1 share of UK TopCo per share of Deutsche Börse</li><li>• 0.4421 shares of UK TopCo per share of LSEG</li></ul>
<b>Implied Ownership</b>	<ul style="list-style-type: none"><li>• Deutsche Börse shareholders: ~54.2%</li><li>• LSEG shareholders: ~45.8%</li></ul>
<b>Initial Board of Directors</b>	<ul style="list-style-type: none"><li>• Chairman: Donald Brydon</li><li>• Deputy Chairman and Senior Independent Director: Joachim Faber</li><li>• 16 member Board<ul style="list-style-type: none"><li>▪ Chairman, Deputy Chairman, CEO and CFO</li><li>▪ 6 non-executive directors appointed by Deutsche Börse</li><li>▪ 6 non-executive directors appointed by LSEG</li></ul></li></ul>
<b>Management</b>	<ul style="list-style-type: none"><li>• Chief Executive Officer: Carsten Kengeter</li><li>• Chief Financial Officer: David Warren</li></ul>
<b>Timetable</b>	<ul style="list-style-type: none"><li>• Merger expected to close Q1 2017</li></ul>

# Governance for the Combined Group

- Unitary board of 16 directors with equal representation from LSEG and Deutsche Börse
- It is expected that the Board will subsequently be reduced to 14 directors as a non-executive director nominated by each of LSEG and Deutsche Börse will stand down
- Constituted in accordance with the UK Corporate Governance Code

<b>Chairman</b>	<ul style="list-style-type: none"> <li>• Donald Brydon</li> </ul>
<b>Deputy Chairman and Senior Independent Director</b>	<ul style="list-style-type: none"> <li>• Joachim Faber</li> </ul>
<b>Chief Executive Officer</b>	<ul style="list-style-type: none"> <li>• Carsten Kengeter</li> </ul>
<b>Chief Financial Officer</b>	<ul style="list-style-type: none"> <li>• David Warren</li> </ul>
<b>Non-executive Directors</b>	<ul style="list-style-type: none"> <li>• Ann-Kristin Achleitner</li> <li>• Jacques Aigrain</li> <li>• Richard Berliand</li> <li>• Christopher Cole</li> <li>• Karl-Heinz Flöther</li> <li>• Paul Heiden</li> <li>• Lex Hoogduin</li> <li>• Andrea Munari</li> <li>• David Nish</li> <li>• Mary Schapiro</li> <li>• Erhard Schipporeit</li> <li>• Amy Yip</li> </ul>