



London
Stock Exchange Group

London Stock Exchange Group plc

Preliminary results FY 2010

21st May 2010



Agenda

Introduction

Financial Review

Doug Webb
Chief Financial Officer

CEO Overview

Xavier Rolet
Chief Executive

Q&A



London
Stock Exchange Group

Xavier Rolet
Chief Executive



Introduction

- Have set out strategy, focused on delivery
- Costs are front loaded, full benefits will be harvested over time
- Transforming business from a strong financial position



London
Stock Exchange Group

Doug Webb
Chief Financial Officer



Key financial highlights

- Good underlying performance in challenging markets
 - Admission fees, Italian equities, fixed income, Information & Technology Services and Post Trade Services all performed well
- Revenue down 6% to £605.6m
- Adjusted operating profit £280.3m, down 18%
 - £305.6m excluding TradElect replacement related non-recurring costs, down 10%
- Strong focus on cost control - at constant currency down 8%
- Strong cash flow from operations of £301.2m: net borrowings reduced by £97m
- Adjusted EPS down 19% to 60.1p
 - Excluding TradElect replacement related non-recurring costs AEPS would be 66.9p
- Dividend per share maintained at 24.4p



Overview of results

	Year ended 31 March		Variance at constant currency	
	2010 £m	2009 £m	Variance %	%
Total revenue	605.6	644.7	(6%)	(8%)
Interest income through CCP business	16.2	20.8	(22%)	(27%)
Other income	6.5	5.9	10%	10%
Total income	628.3	671.4	(6%)	(9%)
Profit from JV / associates	1.6	2.1		
Operating costs (before amortisation and exceptionals) <i>of which TradElect non-recurring</i>	(349.6) <i>(25.3)</i>	(332.8) -	5% (3%)	2%
Adjusted operating profit	280.3	340.7	(18%)	(20%)
Adjusted operating margin	45%	51%		
Exceptional items and amortisation	(98.0)	(64.6)		
Impairment of goodwill	-	(484.0)		
Operating profit / (loss)	182.3	(207.9)		



Net profit

	Year ended	
	31 March	
	2010	2009
	£m	£m
Operating profit / (loss)	182.3	(207.9)
Net finance expense**	(40.7)	(44.9)
Profit on disposal of shares in subsidiary/associate	2.7	2.0
Profit / (loss) before taxation	144.3	(250.8)
Taxation	(52.6)	(82.0)
Profit / (loss) after taxation	91.7	(332.8)
Minority interests	(1.3)	(5.2)
Profit / (loss) for shareholders	90.4	(338.0)
Basic earnings per share	33.8	(126.1)
Adjusted basic earnings per share	60.1	74.2
Effective tax rate - statutory	36.5%	35.2% *
Effective tax rate - underlying	30.5%	32.0%

* excluding goodwill impairment

** including exceptional items

Exceptional costs and non-recurring item

	Benefit to FY 2010 £m	Full annualised saving £m From		Cost to deliver FY 2010 £m
Exceptionals				
Borsa integration	13	13	FY 2010	0.9
Staff reductions	6	12	FY 2011	17.1
Property	-	3	FY 2011	13.0
Turquoise	-	-		12.4
				<u>43.4</u>
Non-recurring				
TradElect replacement	-	10	FY 2012	25.3
	<u>19</u>	<u>28</u>		<u>68.7</u>

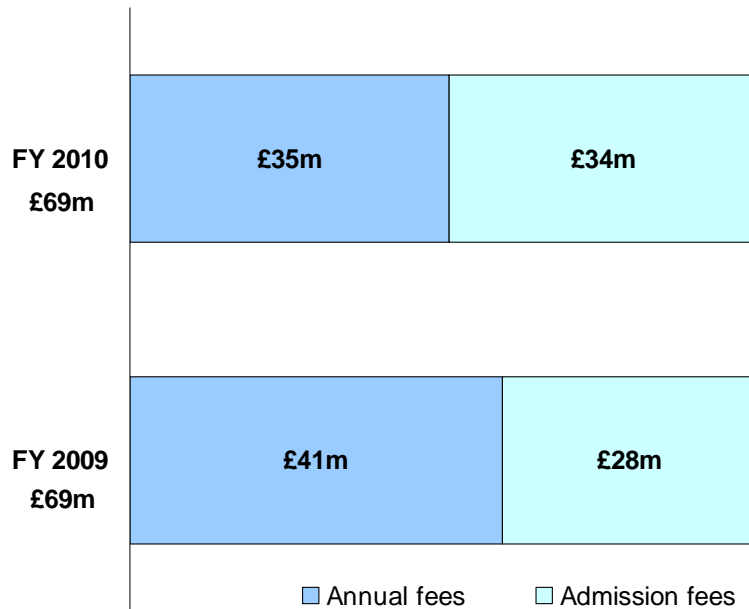
- FY 2011 will include a further £6m TradElect one-off costs - accelerated depreciation
- Of the £68.7m cost to deliver, £29.3m is cash, £23.3m non-cash and £16.1m provisions for future costs



Capital Markets - Primary

Pre-eminent listing venue for international companies

Revenues



- Improving market for new issues
- Secondary issues remain active
- £77bn raised via equity issues

Key metrics

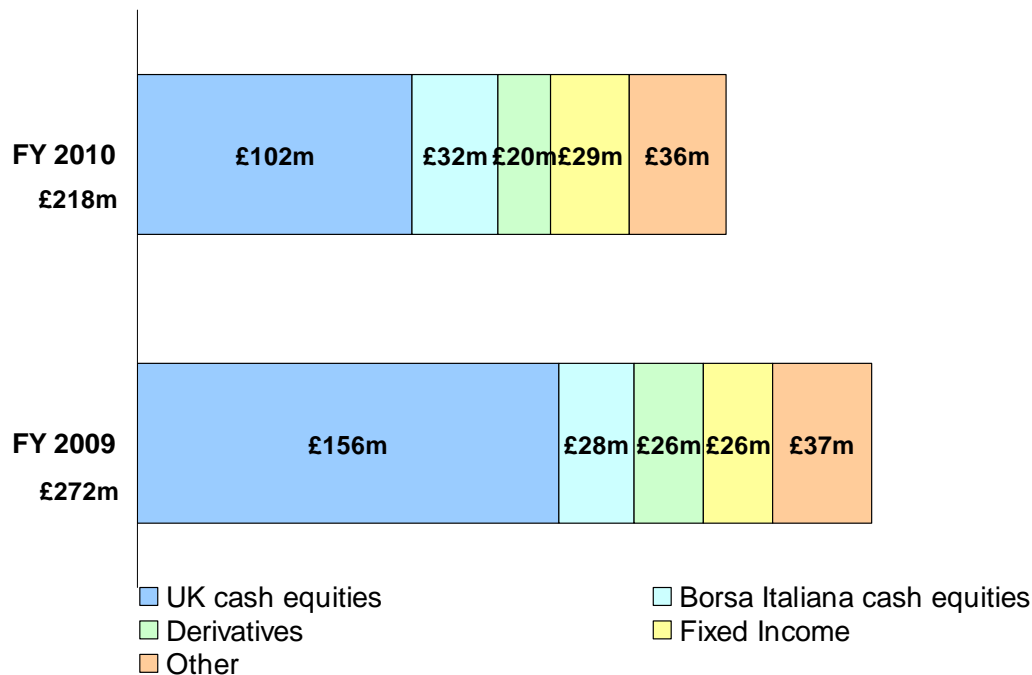
	Year ended	
	31 March	
	2010	2009
New Issues		
UK Main Market, PSM & SFM	52	65
UK AIM	47	87
Borsa Italiana	11	8
Total	110	160
Company Numbers (as at period end)		
UK Main Market, PSM & SFM	1,491	1,530
UK AIM	1,258	1,478
Borsa Italiana	297	296
Total	3,046	3,304
Market capitalisation (as at period end)		
UK Main Market (£bn)	1,828	1,170
UK AIM (£bn)	62	38
Borsa Italiana (€bn)	459	314
Borsa Italiana (£bn)	410	289
Total (£bn)	2,300	1,497
Money raised (£bn)		
UK New	3.8	6.9
UK Further	53.8	91.3
Borsa Italiana new and further	18.9	7.6
Total (£bn)	76.5	105.8



Capital Markets - Secondary

Performance reflects difficult UK equity markets and competition

Revenues



Key metrics

	Year ended	
	31 March	
	2010	2009
Equity Average Daily Bargains ('000)		
UK	590	740
Borsa Italiana	252	256
Total	842	996

Equity Average Daily Value Traded		
UK (£bn)	4.6	6.9
Borsa Italiana (€bn)	2.8	3.3
Borsa Italiana (£bn)	2.5	2.7
Total (£bn)	7.1	9.6

MTS cash and Bondvision (€bn)	2,405	1,727
MTS money markets (€bn term adjusted)	42,450	32,632
Borsa Italiana MOT (€bn)	225	197
Borsa Italiana MOT number of trades (m)	3.5	3.4

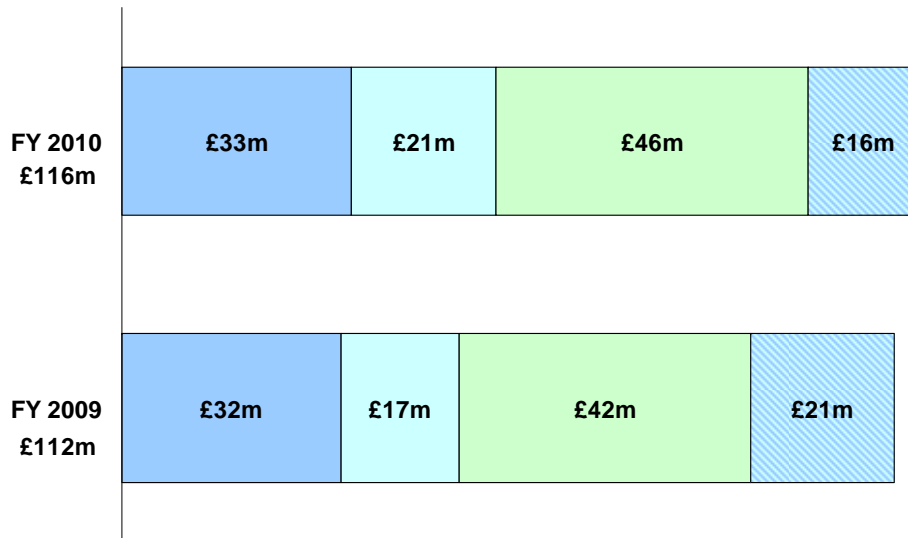
Derivatives (contracts m)		
EDX	56.5	61.1
IDEM	41.0	37.0
Total	97.5	98.1

- UK equity value traded fell, reflecting lower velocity and loss of market share
- Fixed Income volumes increased
- Derivatives revenue down due to product mix and new price list



Post Trade Volumes increase

Total income



■ Clearing
 ■ Settlement
 ■ Custody & other
 ■ Net interest income through CCP business

- Clearing revenues higher on increased derivatives volumes
- Settlement revenues higher following increased volumes (including fixed income and OTC)
- Interest on CCP business lower on reduced margin calls and low interest rate environment

Key metrics

CC&G Clearing:

Equity clearing (m)

Derivative clearing (m)

Total Contracts (m)

Open interest (m) (as at period end)

Monte Titoli:

Settlement instructions (m)

Custody assets under management (€tn)

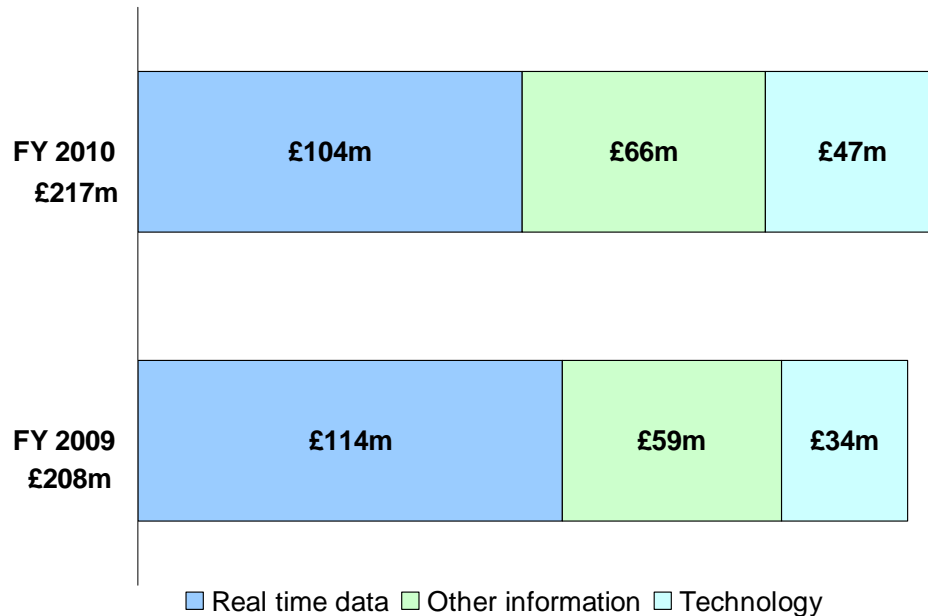
	Year ended	
	31 March	
	2010	2009
Equity clearing (m)	66.7	66.3
Derivative clearing (m)	41.0	37.0
Total Contracts (m)	107.7	103.3
Open interest (m) (as at period end)	4.1	4.6
Settlement instructions (m)	49.3	42.7
Custody assets under management (€tn)	2.9	2.7



Information & Technology Services

Strong demand for non-real time data and technology products

Revenues



Key metrics

	Year ended	
	31 March	
	2010	2009
UK Terminals		
Professional - UK	38,000	42,000
Professional - International	55,000	62,000
Total	93,000	104,000
Borsa Italiana Professional Terminals	142,000	151,000
Proquote	4,900	4,800
Proquote Italy	34,000	26,000

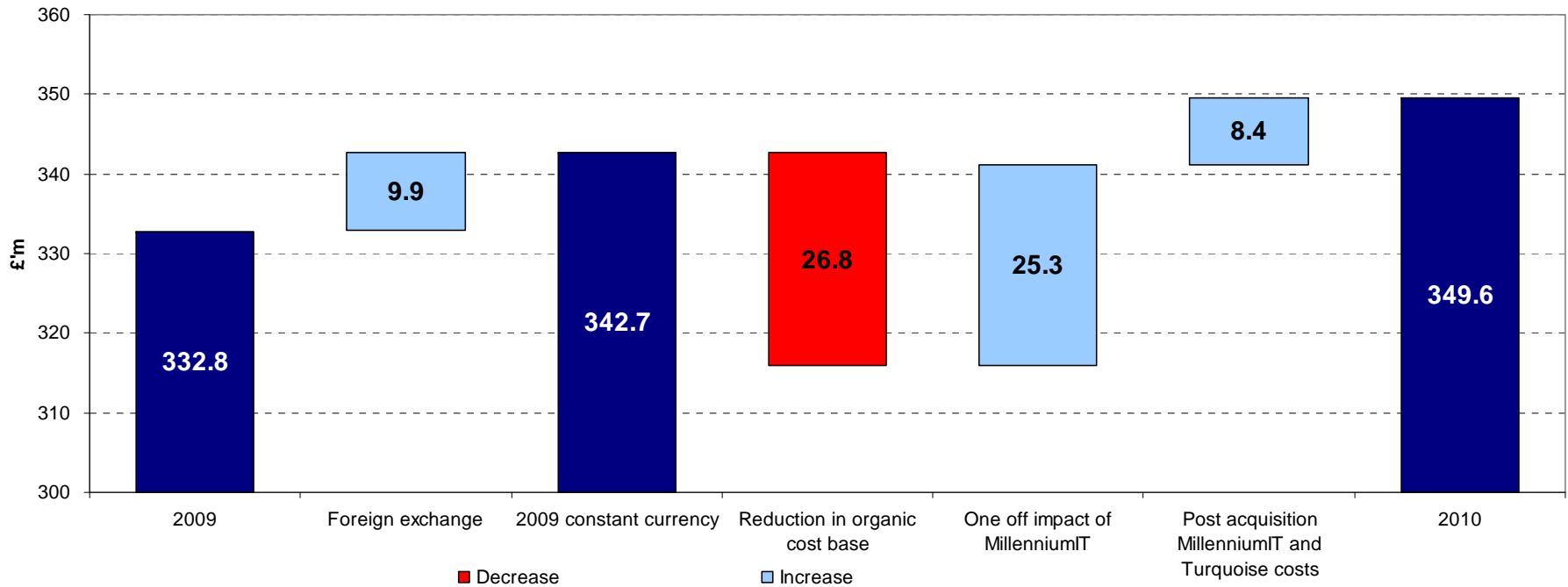
- 18% revenue growth for Technology Services (excluding MIT), from hosting and Oslo
- SEDOL, FTSE, Proquote and UnaVista performing well
- Demand for real time data showing signs of stability (30 Sept 09 - UK terminals 94,000 and Italy 142,000)
- MillenniumIT acquired October 2009, revenues £6.7m



Operating costs

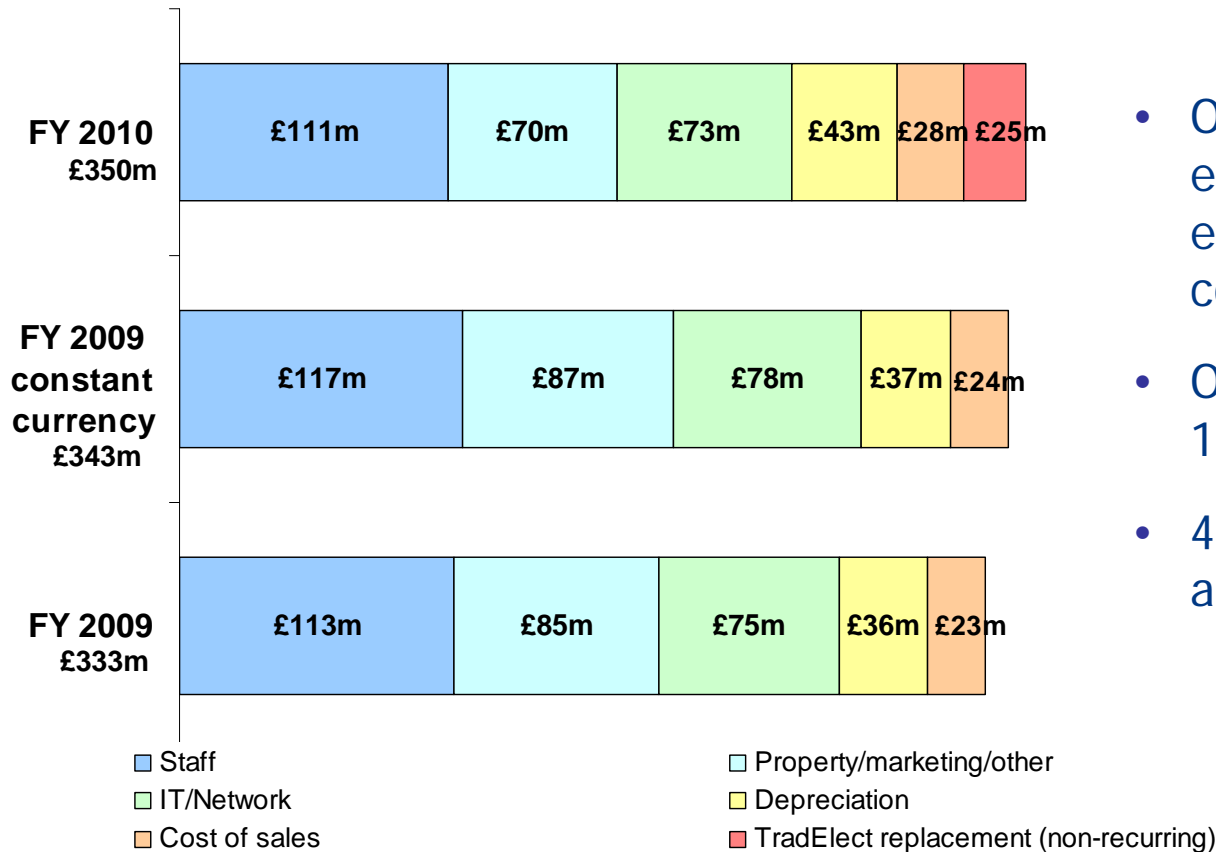
What's changed?

Change in Costs





Operating costs



- Organic cost base excluding TradElect effects, down 8% in constant currency
- Organic headcount down 13% to 991
- 497 staff in MillenniumIT and Turquoise

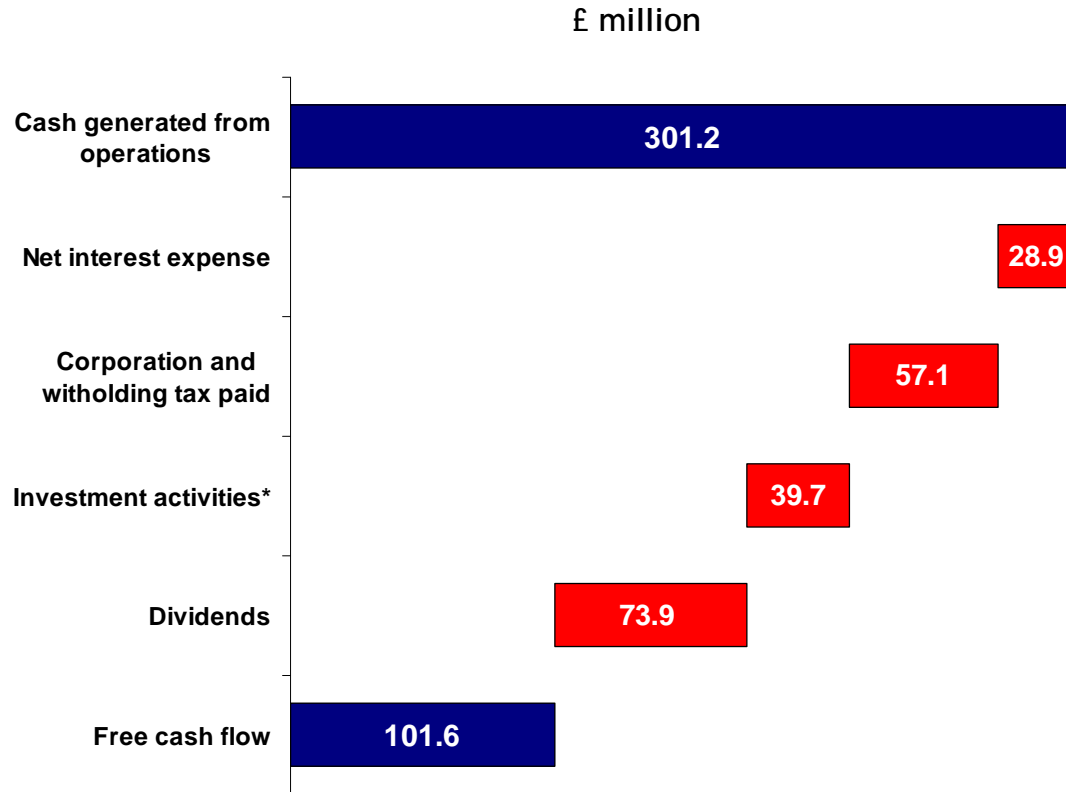
**Cost : Income ratio 52% (excluding TradElect effects)
(FY09 50%)**

Excluding amortisation of purchased intangibles and exceptional items



Summarised cash flow

Robust cash generation from enlarged group operations



Investment activities

- £40m capex - includes EDX derivatives platform, secondary data centre, MillenniumIT and Turquoise
- £23m of free cash flow invested in MillenniumIT and TOKYO AIM - partially offset by £7m received re EDX and Turquoise
- Net borrowings reduced by £97m

*excluding acquisition or disposal of minority stakes



Sound financial position

	31 March 2010	31 March 2009	Change
	£m	£m	£m
Non-current assets	1,580	1,680	(100)
Current assets			
- Debtors	84,395	35,794	48,601
<i>of which CCP</i>	84,250	35,675	48,576
- cash	223	144	79
Total assets	86,197	37,618	48,579
Current liabilities			
- Other	(84,412)	(35,807)	(48,605)
<i>of which CCP</i>	(84,276)	(35,679)	(48,596)
Non-current liabilities			
- Bond	(500)	(253)	(247)
- Bank borrowings	(106)	(370)	264
- Other	(148)	(135)	(14)
Net assets	1,031	1,053	(22)
Net debt (including derivatives)	(402)	(483)	81
Net borrowings (excluding derivatives)	(384)	(481)	97

Current trading

- Market conditions remain variable: equity trading was quiet in April, May started significantly higher due to volatile markets
 - SETS average daily value traded £6.9bn in May* up 42% on April. April/May* £5.7bn up 11% on April/May 2009
 - Italian cash equities average daily trades up 49% in May* on April
 - Fixed income - significantly reduced volumes month on month in both April and May
 - Good primary markets pipeline - conversion dependent on market conditions
 - Demand for real time data stable
 - Post Trade - CC&G clearing continues to perform well with open interest at 4.7m contracts as at end of April, up 15% on March

*to 18th May 2010 inclusive

- In the coming year, as we continue to deliver on the key elements of our strategy within a fluid market and regulatory environment, we expect to see progress across our business.



London
Stock Exchange Group

Xavier Rolet
Chief Executive



Economic and regulatory environment

- Fluid economic and regulatory landscape; likely to persist for some time
- Mixed macro-economic indicators
- Raft of new regulation creates uncertainty
- New regulation must recognise different needs of wholesale and retail participants



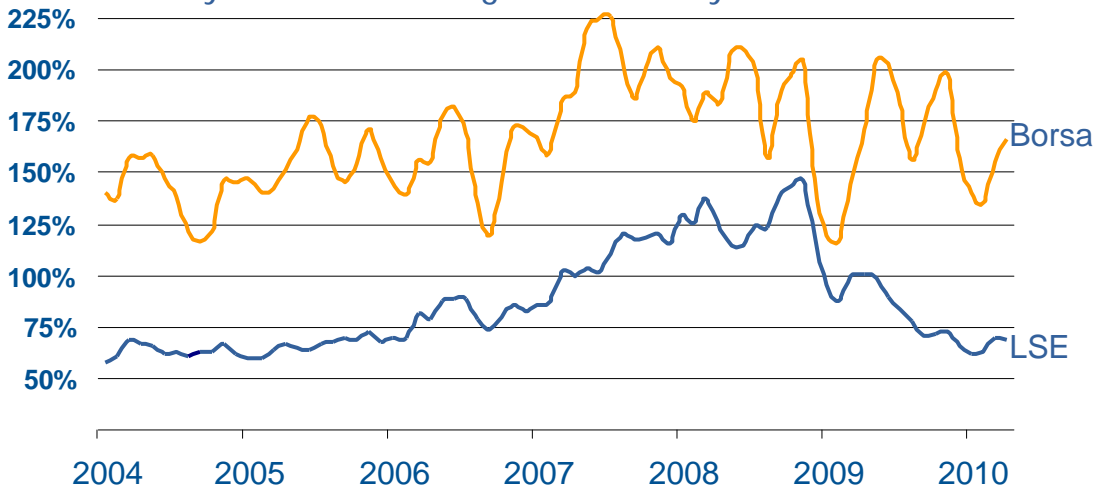
The need for scale in cash equity trading

Volumes and market shares across Group (May 2010)*

	Ave daily value (£m)	Market share (%)	Percentage of Group volume
FTSE100	5,529	59.24	39.89
FTSE250	775	71.67	5.59
FTSE MIB	4,403	84.53	31.77
Other	3,154	-	22.75
<i>Total</i>	<i>13,861</i>	<i>-</i>	<i>100</i>

- Market share has been falling, but is holding up better than some may think
- We are taking action on fees, but this is just one aspect of competitiveness
- The right technology and post trade arrangements are vital

Velocity of share trading: UK and Italy



- Increasing velocity and overall market volumes is fundamental to growth
- Return of retail activity has been key to recovery of Italian velocity and Borsa trading revenues

*Based on data to 18 May; figures include cash equity volumes on LSE, Borsa Italiana and Turquoise



Transformation through MillenniumIT

- A new, high performance, scalable matching engine; migration being overseen by Antoine Shagoury
- In house, off-shore software development expertise with dedicated R&D
- Ability to roll-out multiple new products and services: surveillance, ticker plant, desktop, SOR and post trade technology
- Reduction in software development costs and time to market
- New revenue stream with growing pipeline of clients

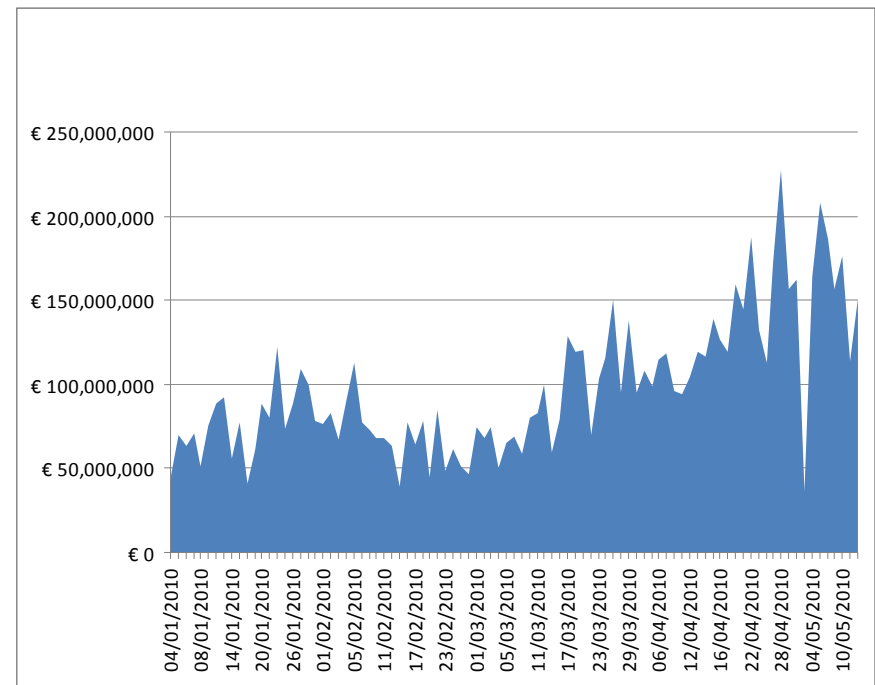




Pan-European opportunity through Turquoise

- Important opportunity to partner with largest banking clients
- Now partnered with 12 banks; LSEG retains 51 per cent
- Pan-European offering, recently extended to US securities
- Significant development opportunity as a dark venue; value up c.100% during last quarter
- Scope to benefit from sharing LSEG infrastructure:
 - Access to London Stock Exchange membership base; another 180 clients could connect to Turquoise at no extra cost
 - Hosting facility covers Turquoise as well as London Stock Exchange; clients representing 80% of Turquoise's current volume are already in LSE data centre

Turquoise: Daily value traded on dark facility

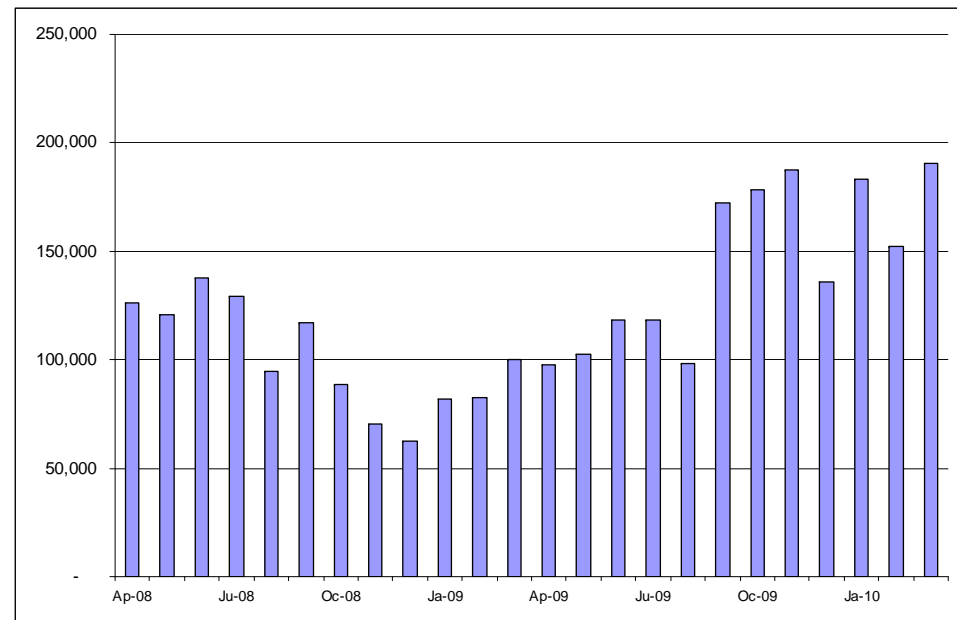




Well positioned in fixed income

- LSEG has strong position in both wholesale and retail market
- MOT daily value traded has reached €1 billion; launch of UK retail bond market
- MTS market has picked up considerably since last autumn; cash trading doubled in Q4
- MTS extending functionality and scope of offering
- Significant debt issuance set to continue in coming years; will continue to stimulate demand

Total MTS Cash Market volumes (€millions)





Post trade development

- Dual purpose: we are both provider and consumer of post trade services
- Integral to our ability to innovate and compete
- Aim to create trade processing super-highway
 - Not a closed silo
 - Allows users to enter/leave process at point of their choosing
- Kevin Milne executing strategy
- Developing the scope of our capabilities and scale of our activities



Summary

- Progressing delivery of strategy
- Developing our competencies and capabilities
- Much more to be done
- Opportunities across the business
- Expect further progress against strategy in coming year



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 267.6m (2009: 268.1), 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

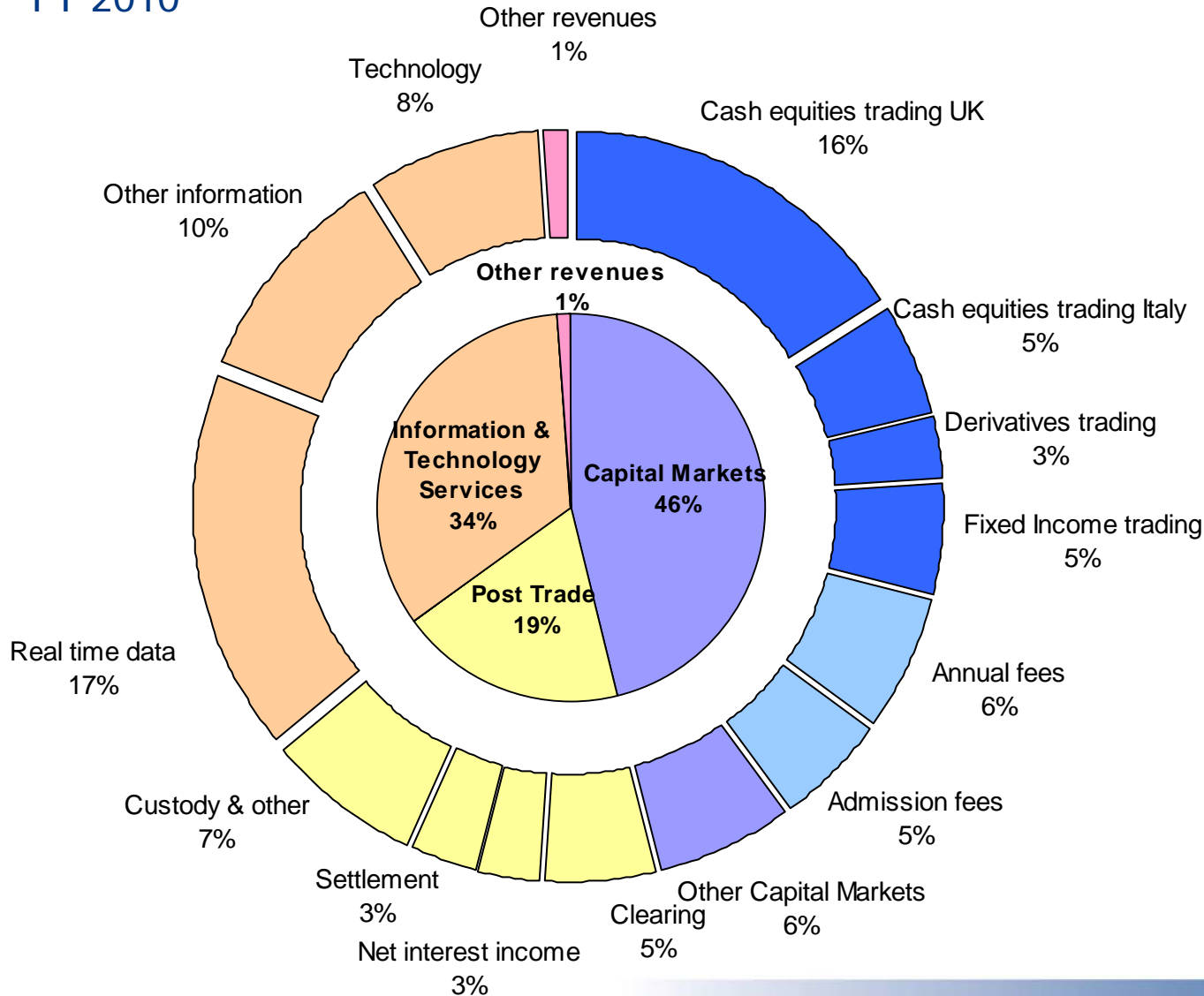
£: €	FY 2010	FY 2009
Average	1.13	1.20
Period end	1.12	1.08

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

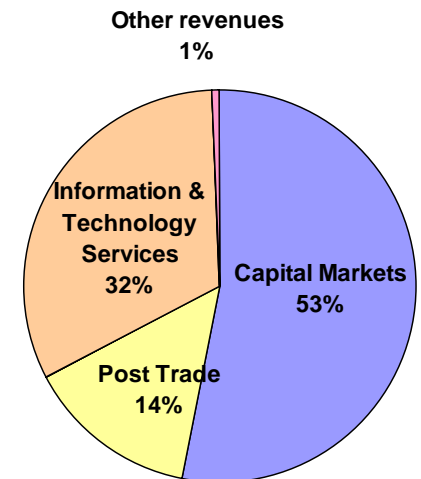


Diversified revenues

FY 2010



FY 2009





Revenues - Quarterly

£ millions	FY 2009				FY 2009	FY 2010				FY 2010
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Annual Fees	10.6	10.2	10.3	9.9	41.0	8.9	8.6	8.7	9.0	35.2
Admission Fees	10.3	6.5	5.7	5.6	28.1	9.0	7.7	9.5	7.8	34.0
Cash equities UK	44.5	48.3	35.1	28.2	156.1	28.4	25.3	23.0	25.1	101.8
Cash equities Italy	7.2	5.1	7.5	8.3	28.1	9.1	8.1	7.1	7.4	31.7
Derivatives	6.9	6.6	6.0	6.1	25.6	5.5	5.0	4.7	4.3	19.5
Fixed Income	7.0	5.9	6.2	6.6	25.8	6.7	7.1	7.6	7.9	29.3
Other	9.0	9.4	9.2	9.2	36.8	8.8	9.0	9.3	8.8	35.9
Capital Markets	95.5	92.0	80.1	73.9	341.5	76.4	70.8	69.9	70.2	287.4
Clearing	8.6	6.8	8.4	8.2	32.0	8.9	7.1	8.9	8.5	33.4
Settlement	4.1	3.9	4.5	4.8	17.2	6.0	4.8	5.0	5.3	21.1
Custody & other	12.2	9.3	10.9	10.0	42.4	12.3	10.5	11.8	10.9	45.5
Post Trade	24.8	20.0	23.8	23.0	91.6	27.2	22.4	25.7	24.7	100.0
Real time data	28.7	28.8	29.0	27.9	114.4	27.4	26.6	26.3	23.4	103.7
Technology	7.9	7.9	9.1	8.8	34.0	9.0	8.8	12.3	17.2	47.3
Other information	14.4	14.7	15.8	14.2	59.1	16.3	15.3	16.7	17.3	65.6
Information & Technology	51.0	51.3	54.0	51.0	207.5	52.8	50.7	55.4	57.9	216.6
Other	1.1	0.6	1.8	0.7	4.1	0.6	0.3	0.5	0.3	1.6
Total Revenue	172.4	163.9	159.8	148.6	644.7	157.0	144.2	151.4	153.1	605.6
Interest income through CCP business	3.9	2.4	9.7	4.8	20.8	4.9	4.8	3.4	3.1	16.2
Other income	1.5	1.5	1.6	1.4	5.9	1.3	1.8	1.5	1.9	6.5
Total income	177.8	167.8	171.1	154.8	671.4	163.2	150.8	156.3	158.1	628.3

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



Issuer and Trading Services - key performance indicators

Capital Markets - Primary Markets

	Year ended		Variance
	31 March		
	2010	2009	%
New Issues			
UK Main Market, PSM & SFM	52	65	-20%
UK AIM	47	87	-46%
Borsa Italiana	11	8	38%
Total	110	160	-31%
Company Numbers (as at period end)			
UK Main Market, PSM & SFM	1,491	1,530	-3%
UK AIM	1,258	1,478	-15%
Borsa Italiana	297	296	0%
Total	3,046	3,304	-8%
Market capitalisation (as at period end)			
UK Main Market (£bn)	1,828	1,170	56%
UK AIM (£bn)	62	38	63%
Borsa Italiana (€bn)	459	314	46%
Borsa Italiana (£bn)	410	291	41%
Total (£bn)	2,300	1,499	53%
Money raised (£bn)			
UK New	3.8	6.9	-45%
UK Further	53.8	91.3	-41%
Borsa Italiana new and further	18.9	7.6	149%
Total (£bn)	76.5	105.8	-28%

Capital Markets - Secondary Markets

	Year ended		Variance
	31 March		
	2010	2009	%
Equity Volume Bargains (m)			
UK	149.2	188.6	-21%
Borsa Italiana	64.0	64.9	-1%
Total	213.2	253.5	-16%
Equity Value Traded			
UK (£bn)	1,175	1,771	-34%
Borsa Italiana (€bn)	722	839	-14%
Borsa Italiana (£bn)	640	684	-6%
Total (£bn)	1,815	2,455	-26%
Equity Average Daily Bargains ('000)			
UK	590	740	-20%
Borsa Italiana	252	256	-2%
Total	842	996	-15%
Equity Average Daily Value Traded			
UK (£bn)	4.6	6.9	-33%
Borsa Italiana (€bn)	2.8	3.3	-15%
Borsa Italiana (£bn)	2.5	2.7	-7%
Total (£bn)	7.1	9.6	-26%
SETS Yield basis points	0.86	0.87	-1%
Equity Average Bargain Size			
UK (£'000)	7.9	9.4	-16%
Borsa Italiana (€'000)	11.3	12.9	-12%
Derivatives (contracts m)			
EDX	56.5	61.1	-8%
IDEM	41.0	37.0	11%
Total	97.5	98.1	-1%
Fixed Income			
MTS cash and Bondvision (€bn)	2,405	1,727	39%
MTS money markets (€bn term adjusted)	42,450	32,632	30%
Borsa Italiana MOT (€bn)	225	197	14%
Borsa Italiana MOT number of trades (m)	3.5	3.4	3%

Post Trade - key performance indicators

	Year ended		Variance
	31 March		
	2010	2009	%
CC&G Clearing (m)			
Equity clearing (trades)	66.7	66.3	1%
Derivative clearing (contracts)	41.0	37.0	11%
Total Contracts	107.7	103.3	4%
Open interest (contracts as at period end)	4.1	4.6	-11%
Monte Titoli			
Pre Settlement instructions (trades m)	35.3	29.3	20%
Settlement instructions (trades m)	49.3	42.7	15%
Custody assets under management (€tn)	2.87	2.69	7%

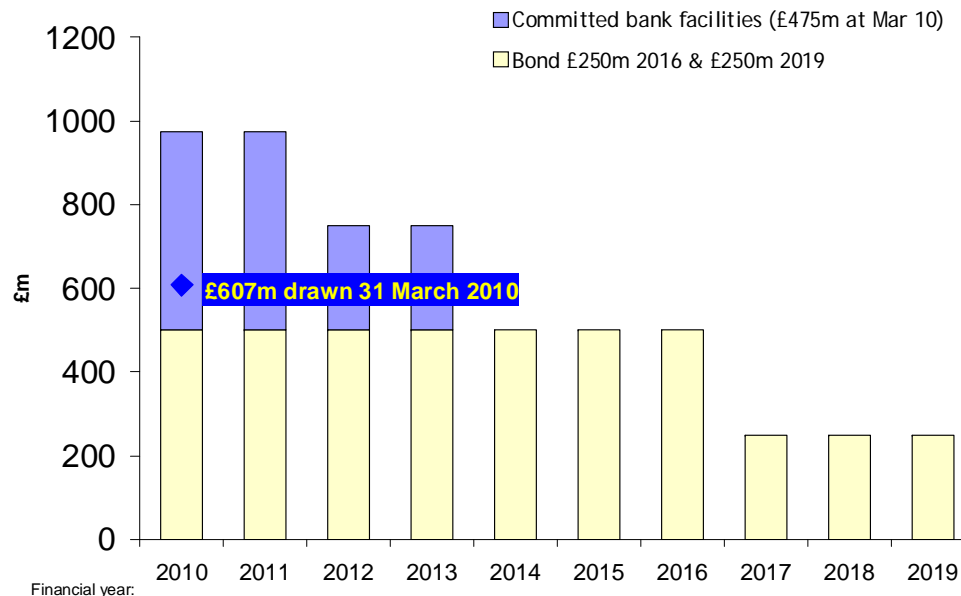
Information & Technology Services - key performance indicators

	31 March		Variance
	2010	2009	
UK Terminals			
Professional - UK	38,000	42,000	-10%
Professional - International	55,000	62,000	-11%
Total	93,000	104,000	-11%
Borsa Italiana Professional Terminals	142,000	151,000	-6%
Proquote	4,900	4,800	2%
Proquote Italy	34,000	26,000	31%



Net debt and borrowings

- Gross borrowing £607m at 31 March 2010
 - £975m committed facilities; £750m to 2012 or beyond
 - £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
 - £25m 3 year bi-lateral revolving credit facility at a rate of Libor +80bps - matures 2012
 - £200m revolving credit facility at rate of Libor +125bps - matures 2012



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

- £125m cash reserved for regulatory and operational purposes
- £98m free cash available to invest in the business



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