



London Stock Exchange Group plc Interim results FY 2010

25 November 2009



Agenda

Introduction

Financial Review

Doug Webb
Chief Financial Officer

CEO Overview

Xavier Rolet
Chief Executive

Q&A



Doug Webb

Chief Financial Officer



Key financial headlines

- Revenue down 4% on H2 FY 2009, down 9% on H1 FY 2009
- Performance reflects competitive and difficult markets, but encouraging results in Post Trade and Information & Technology
- Adjusted operating profit down 16% on H2 FY 2009, down 26% on H1 FY 2009
- Strong focus on cost control - at constant currency down 8% on H1 FY 2009 - excluding MillenniumIT
- Strong cash flow from operations - free cash flow after dividends £37m
- Adjusted basic EPS 29.0p down 17%
 - Excluding MillenniumIT related non-recurring costs EPS 34.5p
- Dividend per share maintained at 8.4p



Overview of results

	Six months ended			Change at constant		
	30 Sep 2009 £m	31 Mar 2009 £m	Change %	30 Sep 2008 £m	Change %	constant currency %
Revenue	310.9	323.0	(4%)	342.5	(9%)	(13%)
Other income, profit from JV/associates	4.1	3.9		4.1	0%	
Operating costs (before amortisation and exceptionals) <i>of which MillenniumIT non-recurring</i>	(180.2) (20.4)	(167.2) -	8%	(165.6) -	9%	4%
Operating profit (before amortisation and exceptionals)	134.8	159.7	(16%)	181.0	(26%)	(28%)
Operating margin	43%	49%		53%		
Exceptional items and amortisation	(39.0)	(521.8)		(26.8)		
Operating profit / (loss)	95.8	(362.1)	(126%)	154.2	(38%)	(40%)
Net finance expense	(18.8)	(17.7)		(27.2)		
Basic earnings per share (p)	18.5	(156.5)		30.3	(39%)	
Adjusted earnings per share (p)	29.0	34.9	(17%)	39.3	(26%)	
Underlying effective tax rate	31%	32%		32%		



Exceptional and non-recurring items

Exceptional items:

	<u>H1 Cost</u>	<u>H2 Cost</u>	<u>Annual Savings</u>	
	£m	£m	£m	From
Staff reductions	12.7		11.0	H2 FY 2010
Integration	<u>0.9</u>		13.0	FY 2010
	13.6			

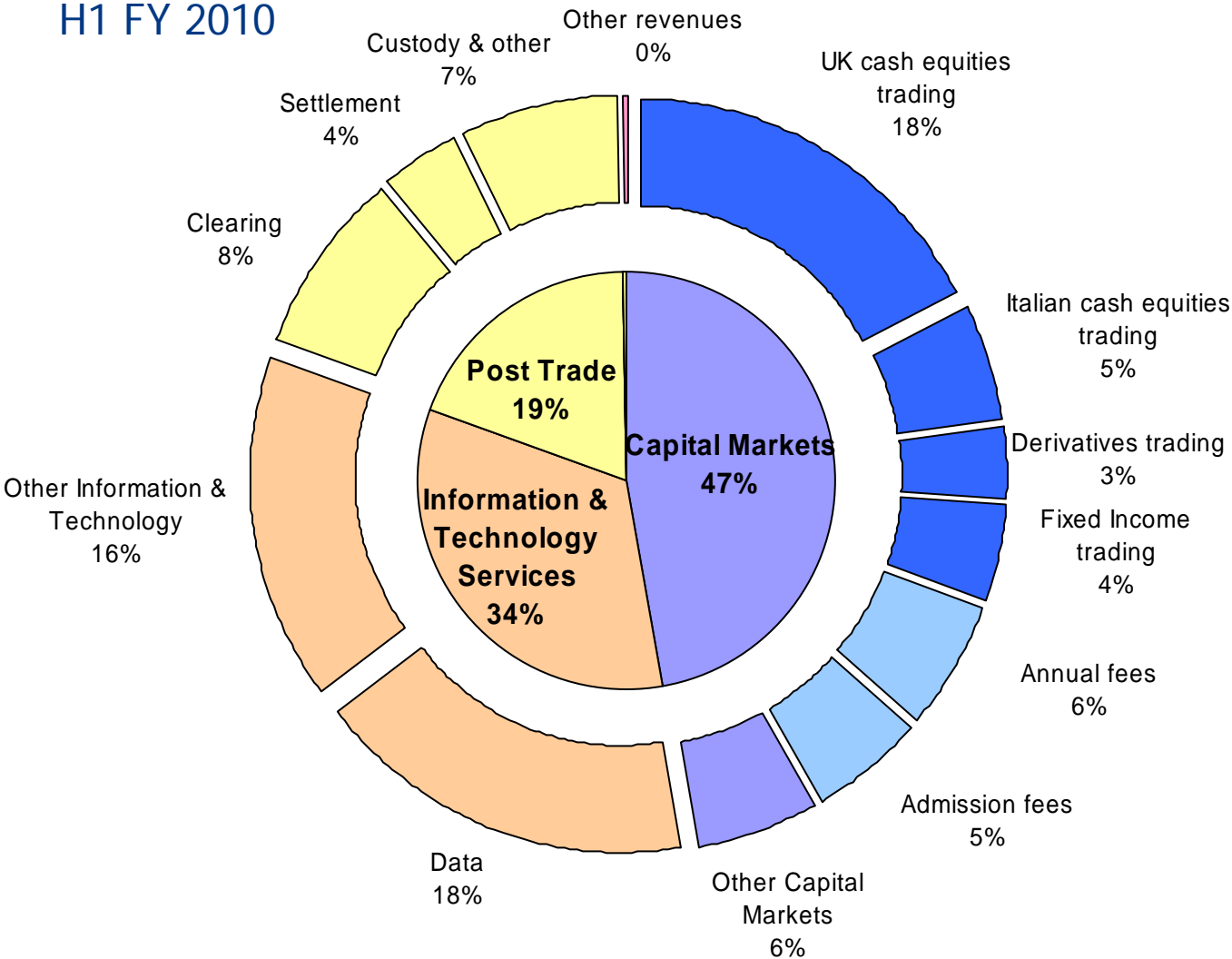
Non-recurring item:

TradElect	20.4	5.0	10.0	FY 2012
(MillenniumIT effect)				
EPS impact H1 (5.5p)				
Additional £6m one-off costs in H1 FY 2011				

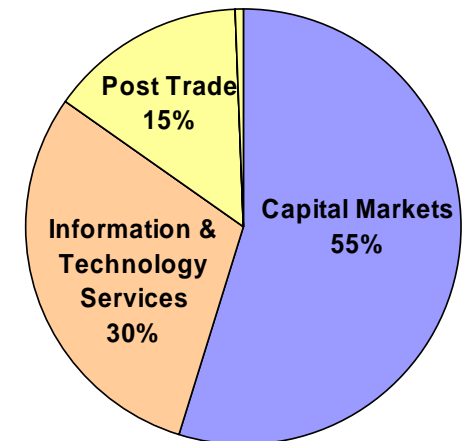


Diversified revenues

H1 FY 2010



H1 FY 2009

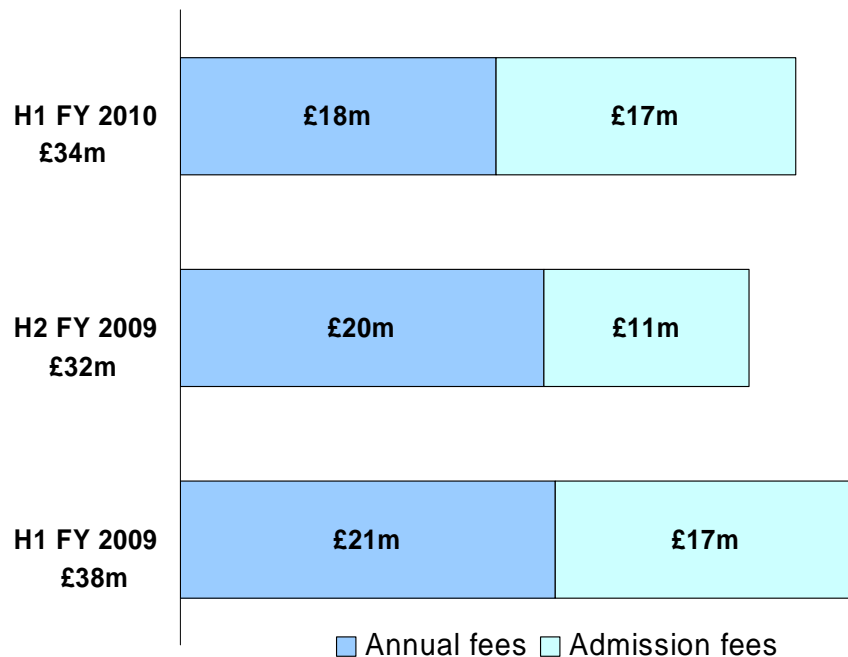




Capital Markets - Primary

Vital capital raising venue for companies

Revenues



- Improving market for MM new issues
- Secondary issues remain strong
- £43.5bn raised via equity issues

Key metrics

	Six months ended		
	30 Sep 2009	31 Mar 2009	30 Sep 2008
New Issues			
UK Main Market, PSM & SFM	22	16	49
UK AIM	13	27	60
Borsa Italiana	3	3	5
Total	38	46	114

Company Numbers (as at period end)			
UK Main Market, PSM & SFM	1,511	1,530	1,575
UK AIM	1,353	1,478	1,609
Borsa Italiana	295	296	305
Total	3,159	3,304	3,489

Market capitalisation (as at period end)			
UK Main Market (£bn)	1,635	1,170	1,445
UK AIM (£bn)	57	38	62
Borsa Italiana (€bn)	465	314	480
Borsa Italiana (£bn)	425	289	383
Total (£bn)	2,117	1,497	1,890

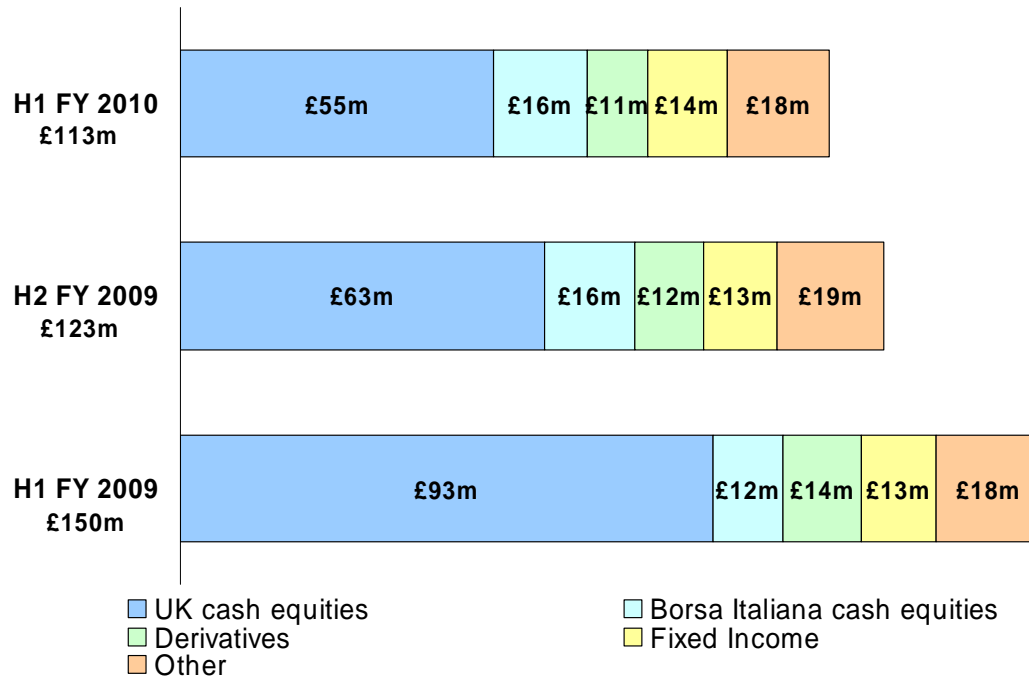
Money raised (£bn)			
UK New	1.2	0.7	6.2
UK Further	30.9	57.3	34.0
Borsa Italiana new and further	11.4	4.1	3.5
Total (£bn)	43.5	62.1	43.7



Capital Markets - Secondary

Performance reflects difficult UK equity markets

Revenues



Key metrics

	Six months ended		
	30 Sep 2009	31 Mar 2009	30 Sep 2008
Equity Average Daily Bargains ('000)			
UK	622	740	739
Borsa Italiana	261	249	262
Total	883	989	1,001
Equity Average Daily Value Traded			
UK (£bn)	4.6	5.5	8.3
Borsa Italiana (€bn)	2.9	2.2	4.4
Borsa Italiana (£bn)	2.6	1.9	3.5
Total (£bn)	7.2	7.4	11.8
Fixed Income			
MTS cash and Bondvision (€bn)	1,030	753	975
MTS money markets (€bn term adjusted)	18,288	14,856	17,777
Borsa Italiana MOT (€bn)	116	119	78
Borsa Italiana MOT number of trades (m)	1.7	2.0	1.4
Derivatives (contracts m)			
EDX	31.3	29.1	32.0
IDEM	22.3	17.6	19.4
Total	53.6	46.7	51.4

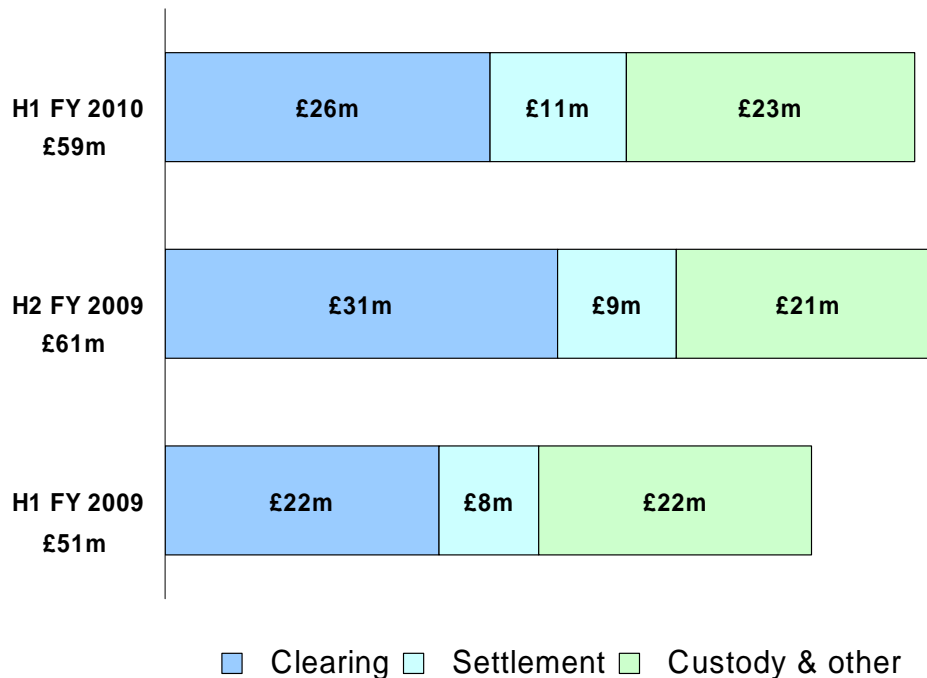
- UK equity value traded fell, reflecting lower market levels and loss of market share
- Derivatives and Fixed Income volumes increased



Post Trade

Resilient performance as volumes increase

Revenues



Key metrics

	Six months ended		
	30 Sep 2009	31 Mar 2009	30 Sep 2008
CC&G Clearing:			
Equity clearing (m)	34.4	32.0	34.4
Derivative clearing (m)	22.3	17.6	19.4
Total Contracts (m)	56.7	49.6	53.8
Open interest (m) (as at period end)	4.9	4.6	3.7
Monte Titoli:			
Settlement instructions (m)	26.4	23.7	21.9
Custody assets under management (€tn)	2.8	2.7	2.7

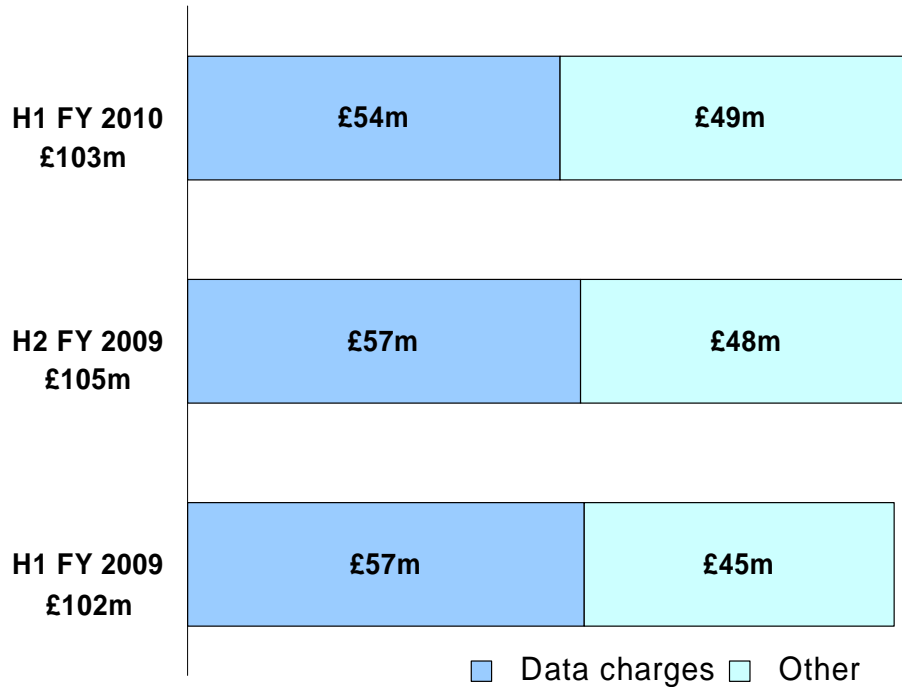
- Clearing revenues reflect lower interest spread on margins held
- Settlement revenues higher following increased equity volumes



Information & Technology Services

Strong demand for non-real time data products

Revenues



Key metrics

	Six months ended		
	30 Sep 2009	31 Mar 2009	30 Sep 2008
UK Terminals			
Professional - UK	38,000	42,000	45,000
Professional - International	56,000	62,000	67,000
Total	94,000	104,000	112,000
Borsa Italiana Professional Terminals	142,000	151,000	161,000
Proquote	5,000	4,800	4,500
Borsa Italiana Market Connect	28,000	26,000	21,000

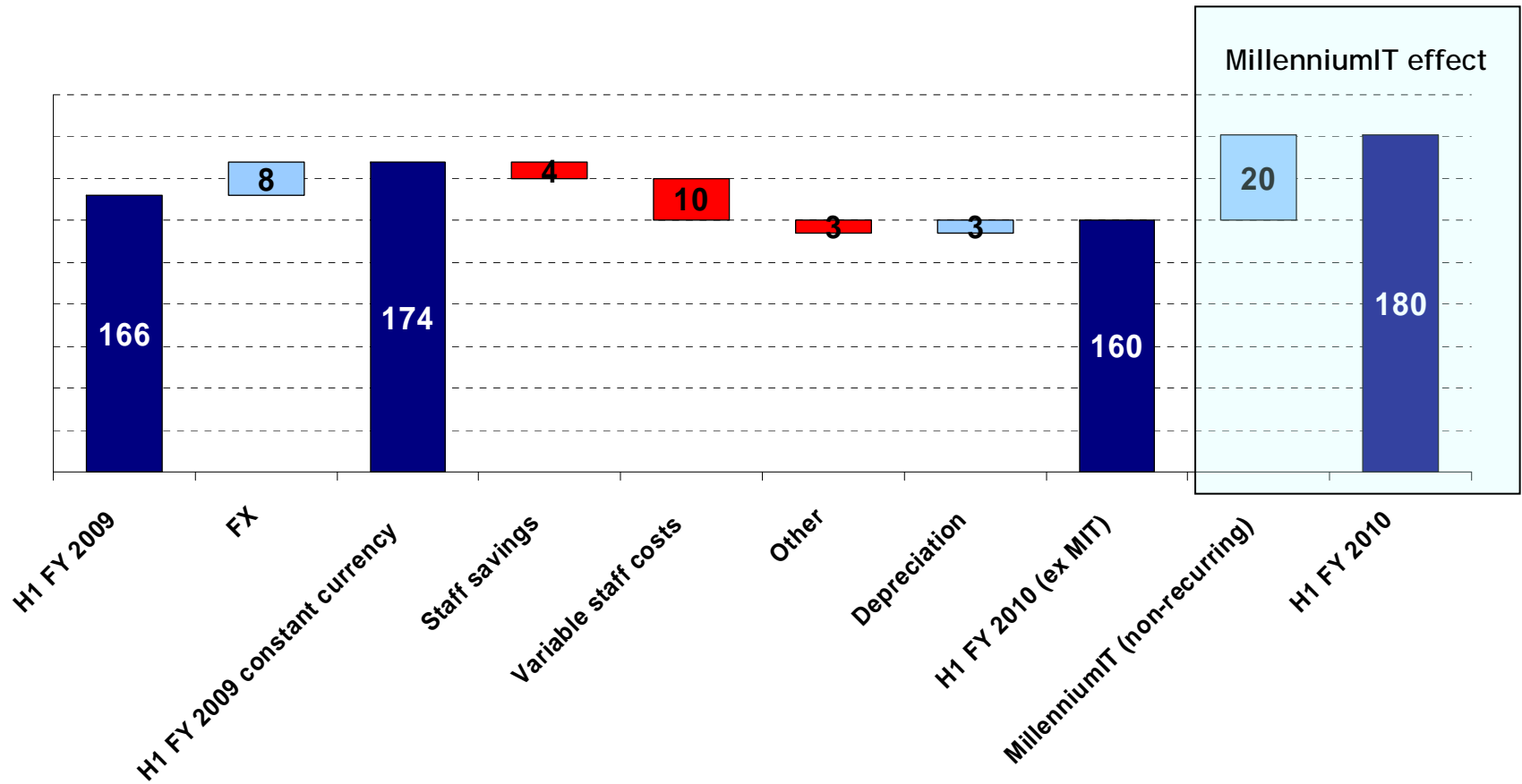
- Demand for real time data reflects expected cut backs by professional users
- Other services, including FTSE, SEDOL and hosting, show good growth



Operating costs

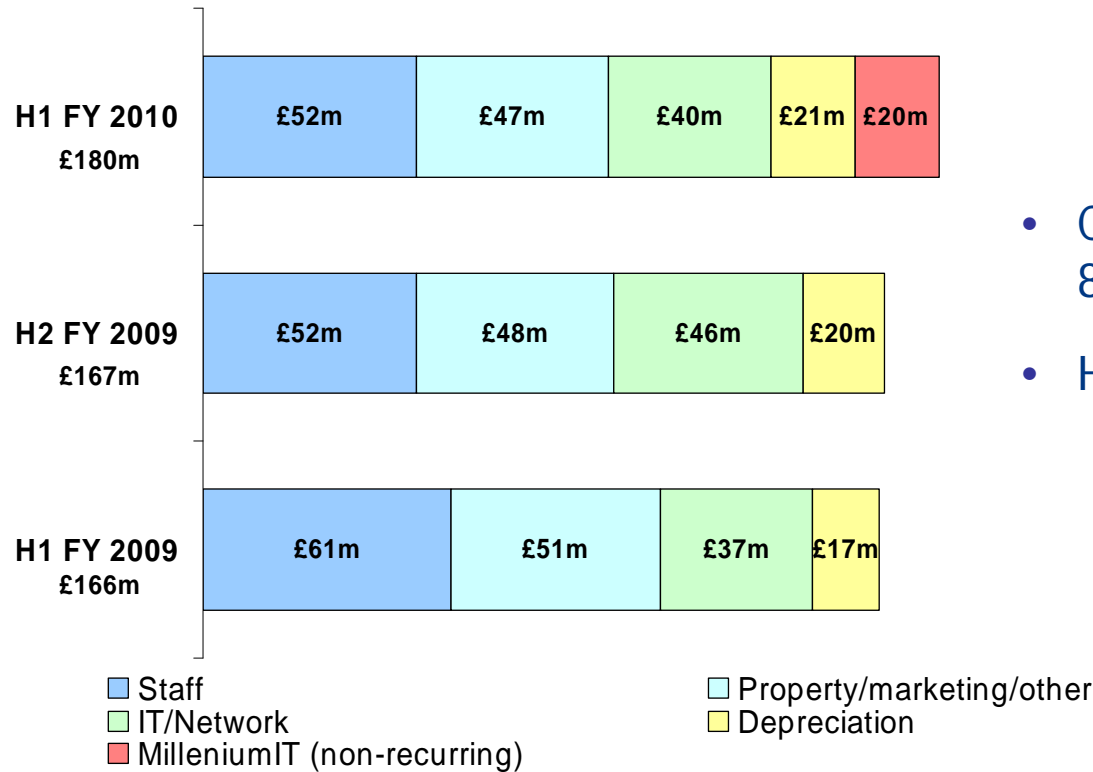
Key changes

£ million





Operating costs



- Costs excluding MIT effects down 8% in constant currency
- Headcount down 11% to 1,006

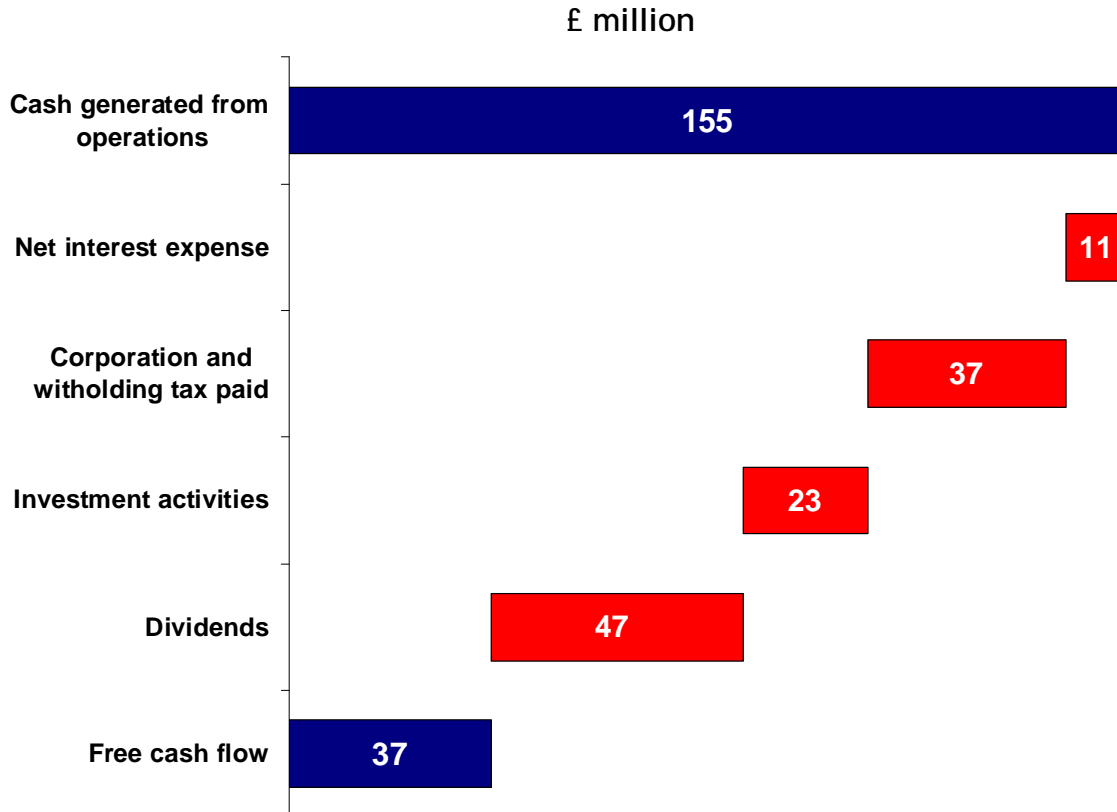
**Cost : Income ratio 51% (excluding MIT)
(FY09 50%)**

Excluding amortisation of purchased intangibles and exceptional items



Summarised cash flow

Good cash generation



Investment activities

- £22m capex - includes EDX derivatives platform, secondary data centre and Baikal
- £6m investment in TOKYO AIM joint venture
- £5m receipts from sale of minority interest in EDX and dividends received



Sound financial position

	30 September 2009	31 March 2009	Change
	£m	£m	£m
Non-current assets	1,619	1,680	(61)
Current assets			
- Debtors	52,085	35,794	16,291
<i>of which CCP</i>	<i>51,955</i>	<i>35,675</i>	<i>16,280</i>
- cash	170	144	26
Total assets	53,874	37,618	16,257
Current liabilities			
- Other	(52,111)	(35,807)	(16,304)
<i>of which CCP</i>	<i>(51,955)</i>	<i>(35,679)</i>	<i>(16,276)</i>
Non-current liabilities			
- Bond	(500)	(253)	(247)
- Bank borrowings	(109)	(370)	261
- Other	(141)	(135)	(7)
Net assets	1,014	1,053	(40)
Net debt (including derivatives)	456	488	(32)

Financial assets of the CCP clearing business substantially offset its financial liabilities. The significant year on year increase principally reflects the higher number and value of repurchase transactions ("repos") that remained open on 30 September 2009 together with an increase in the volatility of their nominal values compared to prior reporting dates



Current trading

- Market conditions remain uncertain in near term:
 - SETS average daily value in October up 8% on September; November to date down 12% on October
 - Italian cash equities average daily trades in October up 13% on September; November to date down 18% on October
 - Good primary markets pipeline but timing uncertain, secondary issues remain strong
 - Post Trade - Clearing and settlement follow equity and derivative trading volumes; October open interest 5.7m contracts (September 4.9m)
 - Demand for non-real time Information & Technology Services products strong; October professional terminal numbers broadly unchanged from end September
- Work continues to ensure the Group grows, diversifies and further strengthens the business



Xavier Rolet

Chief Executive Officer



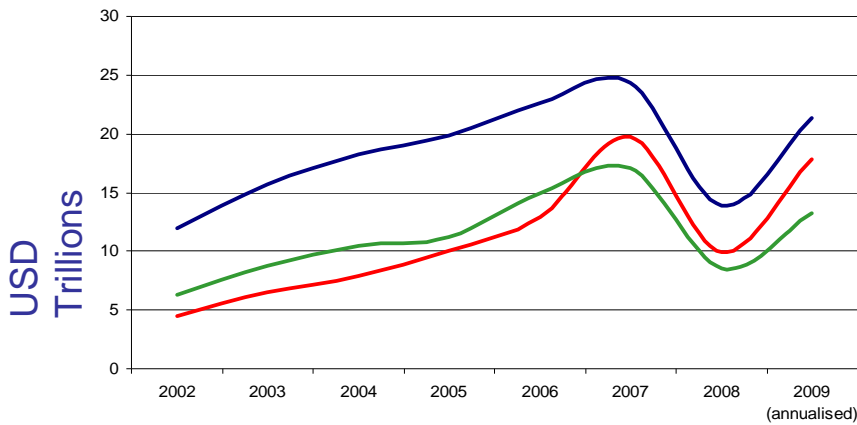
Strategy

- **Cut costs**
 - Reducing headcount and technology costs
- **Innovate**
 - Includes introduction of improved technology and development of retail bond market in UK
- **Scale up**
 - Leveraging portfolio of assets and attracting more volume

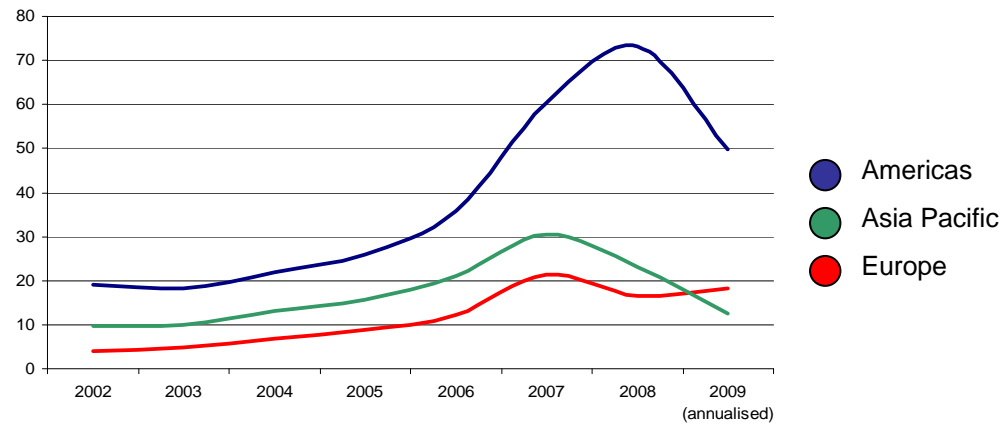


Scope for Growth in European equity trading

Market Cap



Value Traded



Source: WFE

	US	Europe	Europe/US
Economy (2008)			
GDP (USD Bn)	14,441	15,836	110%
Population (m)	304	508	167%

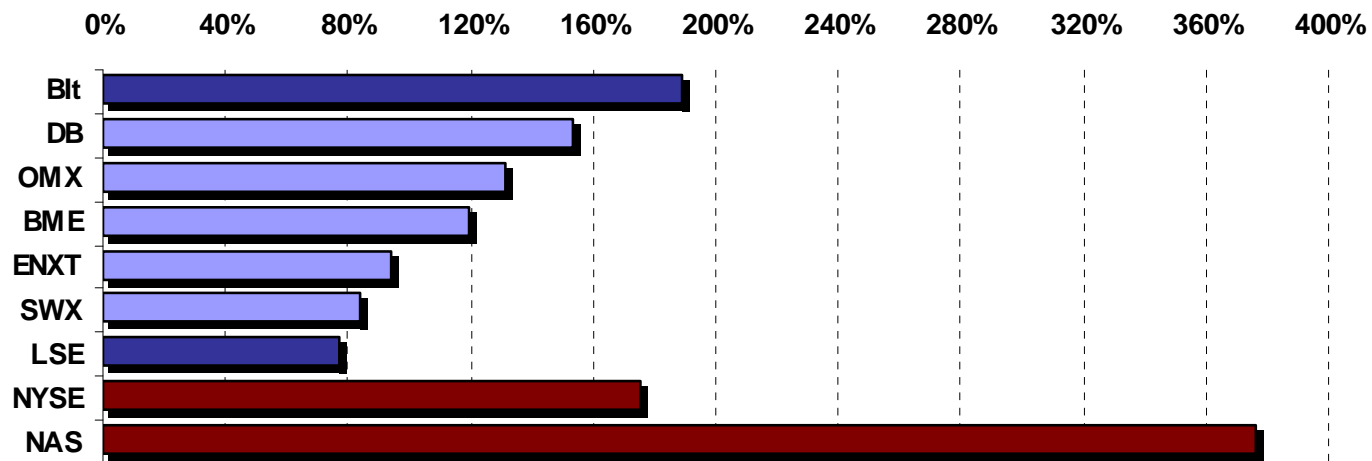
Source: IMF



UK exhibits lowest turnover velocity in Europe

Global Exchanges - Turnover velocity (order book trading)

October 2009



Source: FESE, WFE, NASDAQ



Competitive pricing

- Resource dedicated to pricing of trading services across the Group
- Steps taken to:
 - Neutralise tariff, reward all liquidity
 - Simplify the fee structure and make it more predictable
 - Lower equity trading fees in UK
- Shorter notice period; more flexibility and agility



MillenniumIT enhances Group's prospects

- Provides a high-performance, easily scalable platform
- Transforms in-house IT development capabilities
- Provides more cost-effective solution, which will enable us to offer more competitively priced services
- Creates new revenue stream for the Group





Post-trade services

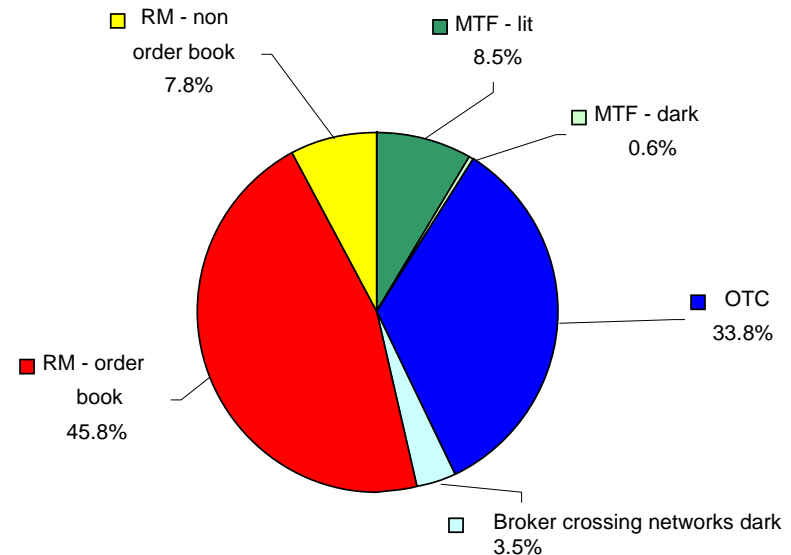
- Critical dependency for capital markets business
- Efficiency of operations in Italy contrasts with UK
- Structural inefficiency in UK impedes competitiveness
- Group supports interoperability
- Regulatory deliberations/uncertainties weigh on industry



An evolving regulatory landscape

- Changing scope of regulators
- Review of Interoperability in UK Netherlands
- Review of MiFID two years on
- Internalised broker flows vs dark pools vs exchanges

Distribution of European Trading



Key: RM - Regulated Market

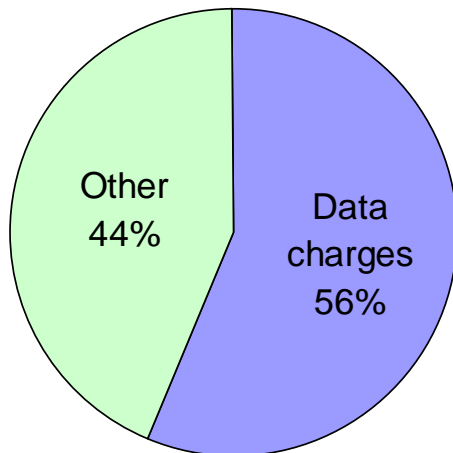
Source: Thomson Reuters, TABB



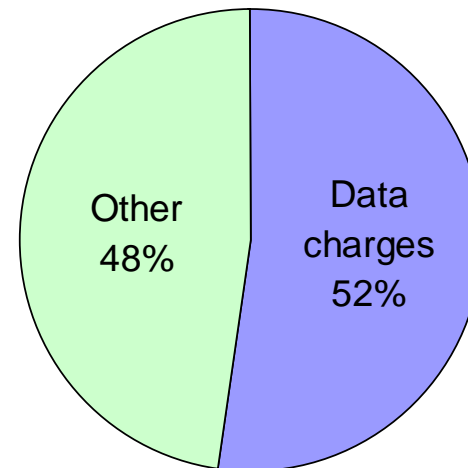
Information & Technology Services

- Excellent range of products; Potential for further expansion
- Room for more “middle office” solutions
- Strategic nature of indices business

H1 FY 2009
Revenues £102.4m



H1 FY 2010
Revenues £103.5m





Conclusion and Outlook

- Market conditions and competition continue to pose challenges
- Progress being made in addressing weaknesses and building on strengths
- Opportunities exist across different business areas



Appendices



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 267.1m shares, excludes ESOP.

Free Cash Flow

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

Exchange rates

£: €	FY 2009		FY 2010
	H1	H2	H1
Average	1.26	1.15	1.14
Period end	1.27	1.08	1.09

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



Capital Markets - Primary - key performance indicators

Capital Markets - Primary Markets

	Six months ended				
	30 Sep	31 Mar	Variance	30 Sep	Variance
	2009	2009	%	2008	%
New Issues					
UK Main Market, PSM & SFM	22	16	38%	49	-55%
UK AIM	13	27	-52%	60	-78%
Borsa Italiana	3	3	0%	5	-40%
Total	38	46	-17%	114	-67%
Company Numbers (as at period end)					
UK Main Market, PSM & SFM	1,511	1,530	-1%	1,575	-4%
UK AIM	1,353	1,478	-8%	1,609	-16%
Borsa Italiana	295	296	0%	305	-3%
Total	3,159	3,304	-4%	3,489	-9%
Market capitalisation (as at period end)					
UK Main Market (£bn)	1,635	1,170	40%	1,445	13%
UK AIM (£bn)	57	38	50%	62	-8%
Borsa Italiana (€bn)	465	314	48%	480	-3%
Borsa Italiana (£bn)	425	289	47%	383	11%
Total (£bn)	2,117	1,497	41%	1,890	12%
Money raised (£bn)					
UK New	1.2	0.7	71%	6.2	-81%
UK Further	30.9	57.3	-46%	34.0	-9%
Borsa Italiana new and further	11.4	4.1	178%	3.5	226%
Total (£bn)	43.5	62.1	-30%	43.7	0%

Note : PSM - Professional Securities Market and SFM - Specialist Fund Market



Capital Markets - Secondary - key performance indicators

Capital Markets - Secondary Markets

	Six months ended					
	30 Sep			31 Mar		
	2009	2009	Variance %	2008	Variance %	
Equity Volume Bargains (m)						
UK	78.4	94.0	-17%	94.6	-17%	
Borsa Italiana	33.4	31.1	7%	33.8	-1%	
Total	111.8	125.1	-11%	128.4	-13%	
Equity Value Traded						
UK (£bn)	580	703	-17%	1,068	-46%	
Borsa Italiana (€bn)	377	271	39%	568	-34%	
Borsa Italiana (£bn)	331	233	42%	451	-27%	
Total (£bn)	911	936	-3%	1,519	-40%	
Equity Average Daily Bargains ('000)						
UK	622	740	-16%	739	-16%	
Borsa Italiana	261	249	5%	262	0%	
Total	883	989	-11%	1,001	-12%	
Equity Average Daily Value Traded						
UK (£bn)	4.6	5.5	-16%	8.3	-45%	
Borsa Italiana (€bn)	2.9	2.2	32%	4.4	-34%	
Borsa Italiana (£bn)	2.6	1.9	37%	3.5	-26%	
Total (£bn)	7.2	7.4	-3%	11.8	-39%	
SETS Yield						
Yield basis points	0.92	0.89	3%	0.86	7%	

	Six months ended					
	30 Sep			31 Mar		
	2009	2009	Variance %	2008	Variance %	
Derivatives (contracts m)						
EDX	31.3	29.1	8%	32.0	-2%	
IDEM	22.3	17.6	27%	19.4	15%	
Total	53.6	46.7	15%	51.4	4%	
Fixed Income						
MTS cash and Bondvision (€bn)	1,030	753	37%	975	6%	
MTS money markets (€bn term adjusted)	18,288	14,856	23%	17,777	3%	
Borsa Italiana MOT (€bn)	116	119	-3%	78	49%	
Borsa Italiana MOT number of trades (m)	1.7	2.0	-15%	1.4	21%	



Information & Technology – key performance indicators

	Six months ended				
	30 Sep	31 Mar	Variance	30 Sep	Variance
	2009	2009	%	2008	%
UK Terminals					
Professional - UK	38,000	42,000	-10%	45,000	-16%
Professional - International	56,000	62,000	-10%	67,000	-16%
Total	94,000	104,000	-10%	112,000	-16%
Borsa Italiana Professional Terminals	142,000	151,000	-6%	161,000	-12%
Proquote	5,000	4,800	4%	4,500	11%
Borsa Italiana Market Connect	28,000	26,000	8%	21,000	33%

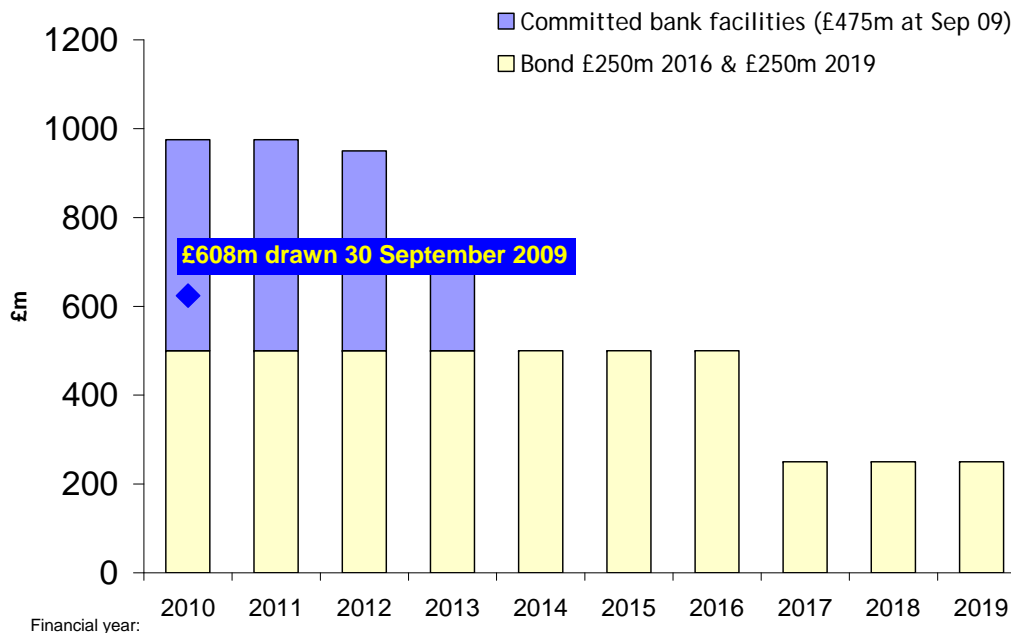
Post Trade – key performance indicators

	Six months ended				
	30 Sep	31 Mar	Variance	30 Sep	Variance
	2009	2009	%	2008	%
CC&G Clearing:					
Equity clearing (m)	34.4	32.0	8%	34.4	0%
Derivative clearing (m)	22.3	17.6	27%	19.4	15%
Total Contracts (m)	56.7	49.6	14%	53.8	5%
Open interest (m) (as at period end)	4.9	4.6	7%	3.7	32%
Monte Titoli:					
Settlement instructions (m)	26.4	23.7	11%	21.9	21%
Custody assets under management (€tn)	2.8	2.7	4%	2.7	4%



Net debt and borrowings

- Gross borrowing £608m at 30 September 2009
 - £975m committed facilities, £950m 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 bi-lateral revolving credit facility at a rate of Libor +80bps - matures 2011
 - £200m revolving credit facility at a rate of Libor +125bps - matures 2012



- £125m cash reserved for regulatory and operational purposes

*£200m RCF matures Feb 2012



Revenues - Quarterly

£ millions	FY 2009				FY09	FY 2010	
	Q1	Q2	Q3	Q4		Q1	Q2
Annual Fees	10.6	10.2	10.3	9.9	41.0	8.9	8.6
Admission Fees	10.3	6.5	5.7	5.6	28.1	9.0	7.7
Cash equities	51.7	53.4	42.6	36.5	184.1	37.5	33.4
Derivatives	6.9	6.6	6.0	6.1	25.6	5.5	5.0
Fixed Income	7.0	5.9	6.2	6.6	25.8	6.7	7.1
Other	9.0	9.4	9.2	9.2	36.8	8.8	9.0
Capital Markets	95.5	92.0	80.1	73.9	341.5	76.4	70.8
Data Charges	28.7	28.8	29.0	27.9	114.4	27.4	26.6
Other	22.3	22.5	25.0	23.1	92.9	25.4	24.1
Information & Technology	51.0	51.3	54.0	51.0	207.3	52.8	50.7
Clearing	12.5	9.2	18.0	13.1	52.8	13.8	11.9
Settlement	4.1	3.9	4.5	4.8	17.2	6.0	4.8
Custody & other	12.2	9.3	10.9	10.0	42.4	12.3	10.5
Post Trade	28.7	22.4	33.5	27.8	112.4	32.1	27.2
Other	1.1	0.6	1.8	0.7	4.3	0.6	0.3
Total Revenue	176.3	166.3	169.4	153.5	665.5	161.9	149.0

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