



# London Stock Exchange Group plc Preliminary results FY2009

20 May 2009



# Agenda

Introduction

Clara Furse  
Chief Executive

Financial Review

Doug Webb  
Chief Financial Officer

CEO Overview

Xavier Rolet  
Chief Executive

Q&A



# Clara Furse

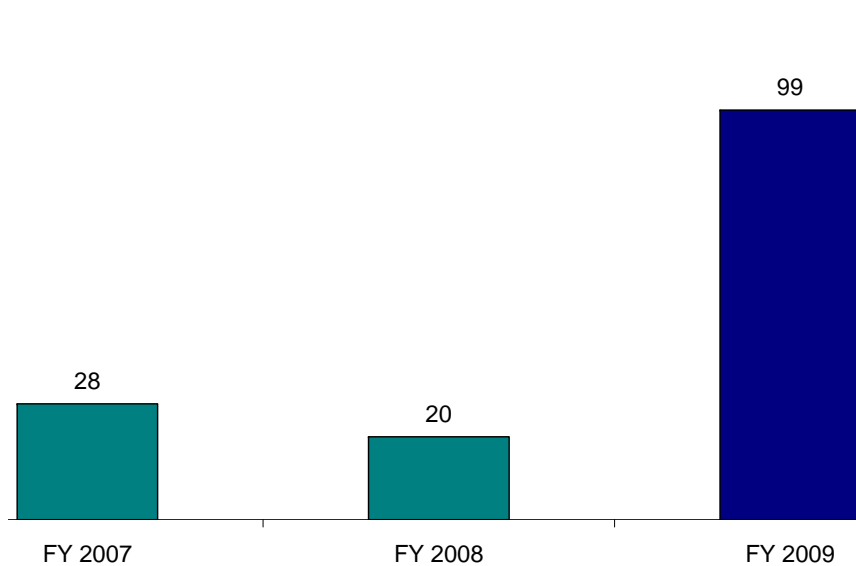
Chief Executive Officer



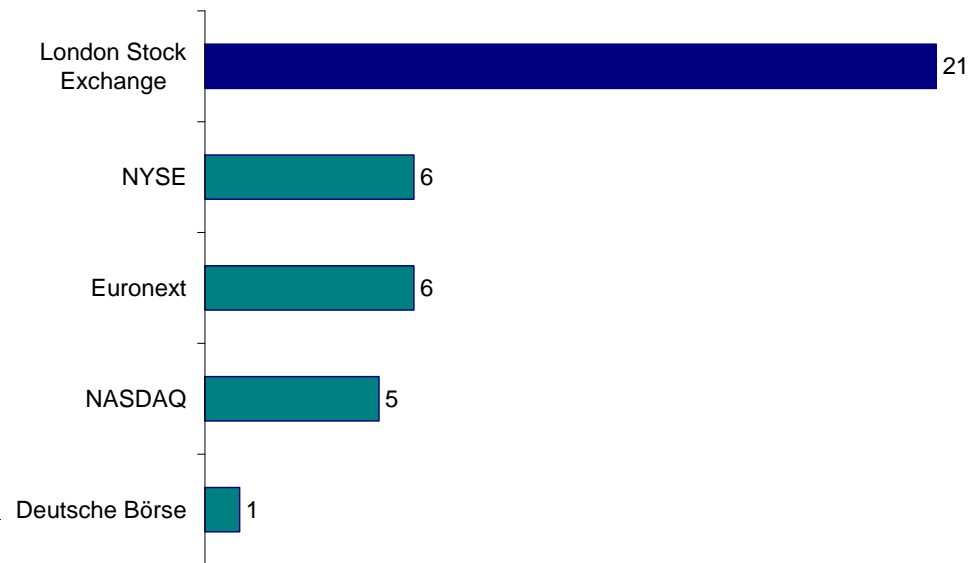
## Good underlying performance

- Companies raised a record £99 billion of further money
- Total money raised a record £106 billion
- Clear lead as the international market of choice

Further money raised (£ billion)



Number of international IPOs

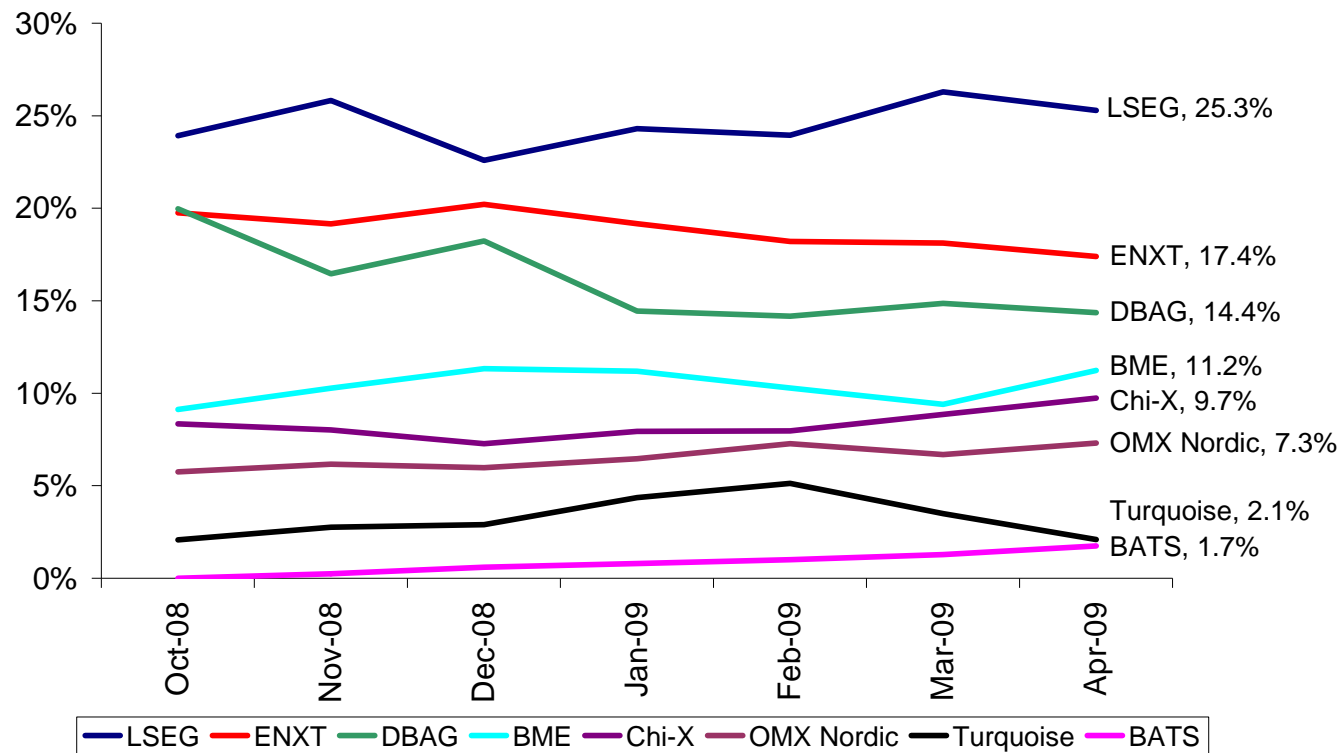




## Good underlying performance

- Resilient market share in European cash equity trading

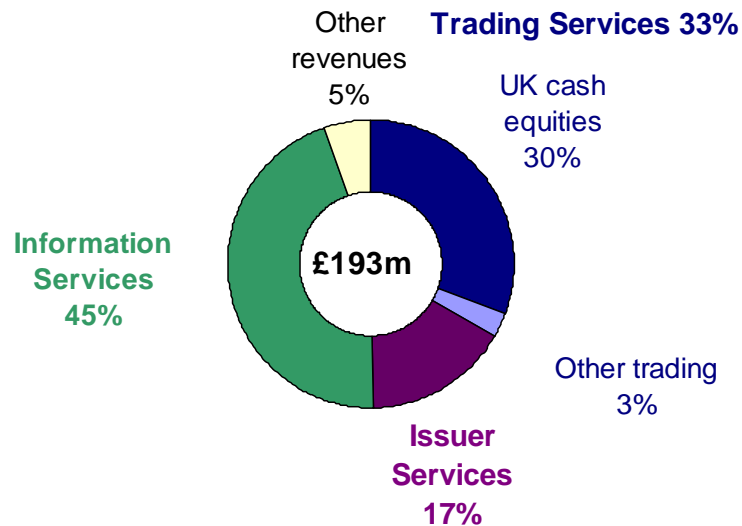
Share of European order book value traded by market



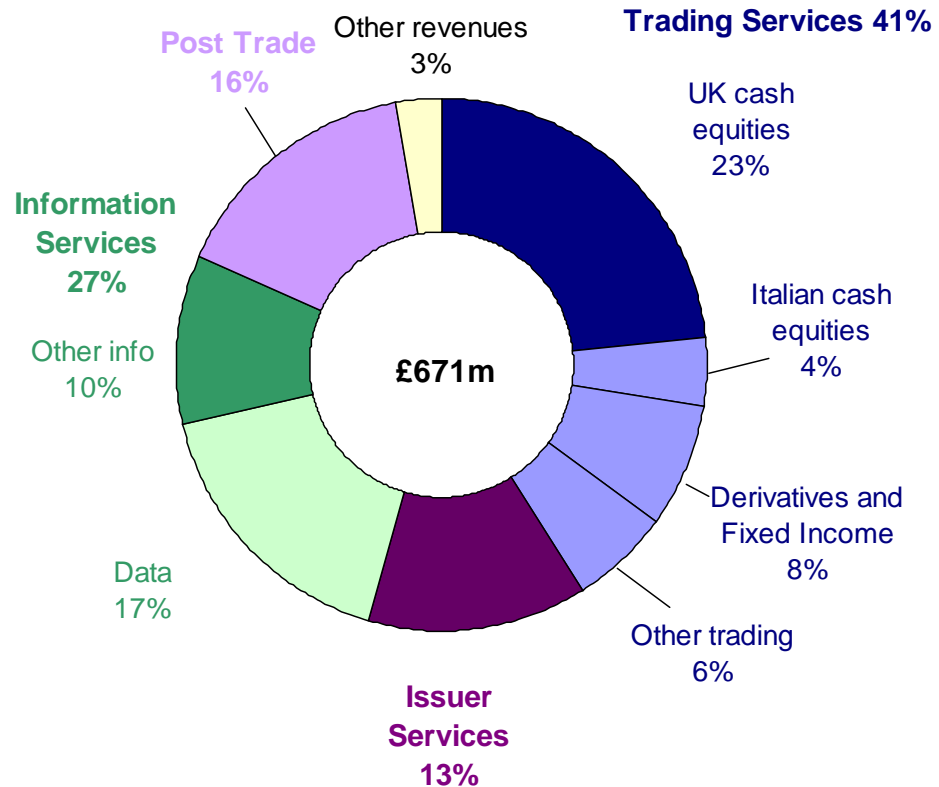


# A more diversified exchange group

Group revenues FY2001\*



Group revenues FY2009



\* UK GAAP



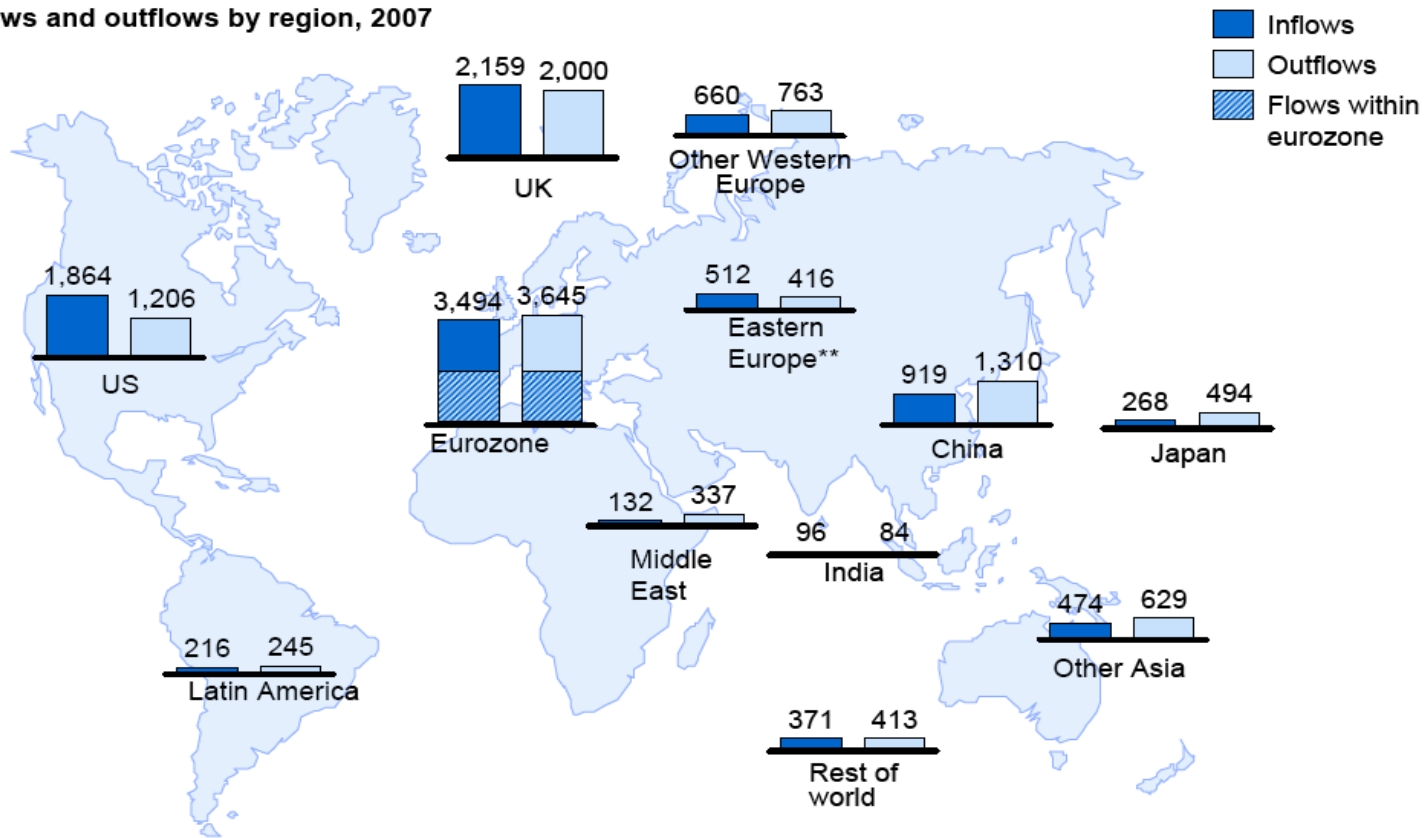
## A merger delivering:

- Major strategic assets in Post Trade Services
- £19 million of cost synergies today
- Total cost synergies of at least £32 million, an increase of 60 per cent
- Successful migration of Italian cash equities trading to TradElect
- The Italian economy is the 7<sup>th</sup> largest in the world



# Global capital of finance

**Capital inflows and outflows by region, 2007**  
\$b



\* Capital inflows and outflows are defined as the total amount of money invested into and out of a country during a given year in foreign direct investment (i.e. investments in more than 10% of equity), equity, debt, currency and deposits, loans, other residual flows, foreign trade credits, and foreign exchange reserve assets

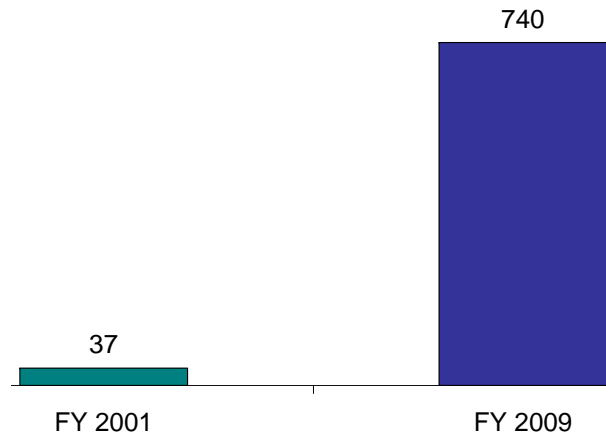
\*\* Includes Russia



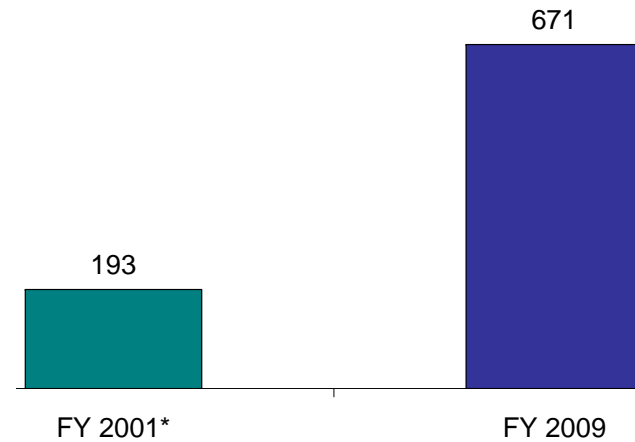


# Progress since listing

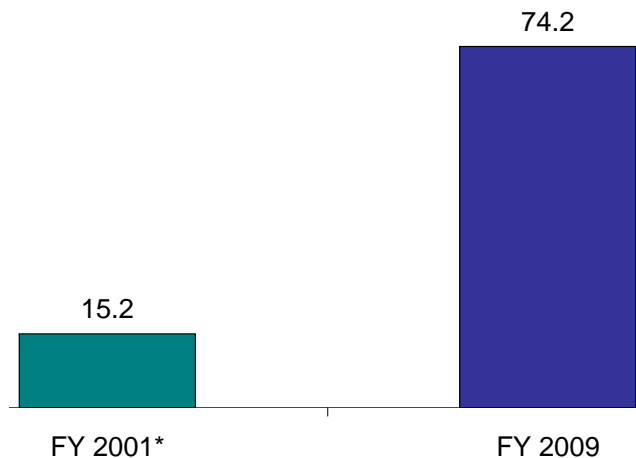
Average SETS trades per day (000s)



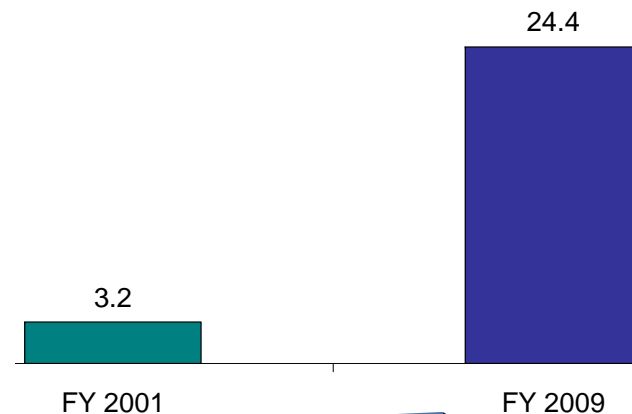
Revenue (£ million)



Adjusted earnings per share (pence)



Dividends (pence per share)



\* UK GAAP



**London Stock Exchange Group occupies a unique strategic position at the heart of the global economy**



# Doug Webb

Chief Financial Officer



## Key financial highlights

- Good underlying performance in difficult markets - reflects overall resilience and diversification
- Revenue up 23% (up 1% pro forma)
- Adjusted operating profit up 17% (down 1% pro forma)
- Strong focus on cost control - at constant currency down 5%
- Strong cash flow from operations - up 20% to £353m: free cash flow after dividends £100m
- Adjusted EPS up 2% to 74.2p
- Dividend per share up 2% to 24.4p ; £52m share buy back in H1
- Cost synergies increased 60% from £20m to £32m



## Overview of results - statutory

	Year ended 31 March		Change %
	2009 £m	2008 £m (restated)	
<b>Revenue</b>	<b>671.4</b>	546.4	23%
Operating costs (before exceptionals)	<b>(332.8)</b>	(257.4)	29%
<b>Operating profit (before exceptionals)</b>	<b>338.6</b>	289.0	17%
<b>Operating margin</b>	<b>50%</b>	53%	
Impairment of goodwill	<b>(484.0)</b>	-	
Exceptional items and amortisation	<b>(64.6)</b>	(23.8)	
<b>Operating (loss) / profit</b>	<b>(210.0)</b>	265.2	
<b>Net finance expense</b>	<b>(44.9)</b>	(40.4)	
<b>(Loss) / profit for year</b>	<b>(332.8)</b>	173.0	
<b>Basic earnings per share (p)</b>	<b>(126.1)</b>	70.8	
<b>Adjusted earnings per share (p)</b>	<b>74.2</b>	73.1	2%
<b>Dividend per share (p)</b>	<b>24.4</b>	24.0	2%

See notes in Appendix for basis of preparation



## Exceptional items

### Exceptional items

Integration	£15.2m
Finance expense	£6.9m

Amortisation £49.4m

Goodwill impairment £484m

- Borsa Italiana and Proquote goodwill impaired by £473m and £11m respectively, reflecting deterioration in market conditions and increased uncertainty about the future
- No impact on cash flows, regulatory capital requirements or debt covenants

In sterling terms the value in use of Borsa is comfortably higher today than the £1.3bn when we merged (even after taking the impairment)



## Overview of results – pro forma

	Year ended 31 March		Change %	Change at constant currency %
	2009 £m	2008 £m		
<b>Revenue</b>				
Issuer	90.4	97.1	(7%)	(12%)
Trading	275.3	310.0	(11%)	(16%)
Information	182.9	161.9	13%	8%
Post Trade	104.0	82.0	27%	7%
Other income	18.8	15.8	19%	8%
<b>Total revenue</b>	<b>671.4</b>	<b>666.8</b>	1%	(6%)
Operating costs	(332.8)	(323.8)	3%	(5%)
<b>Operating profit (before exceptionals)</b>	<b>338.6</b>	<b>343.0</b>	(1%)	(7%)
<b>Operating margin</b>	<b>50.4%</b>	<b>51.4%</b>		

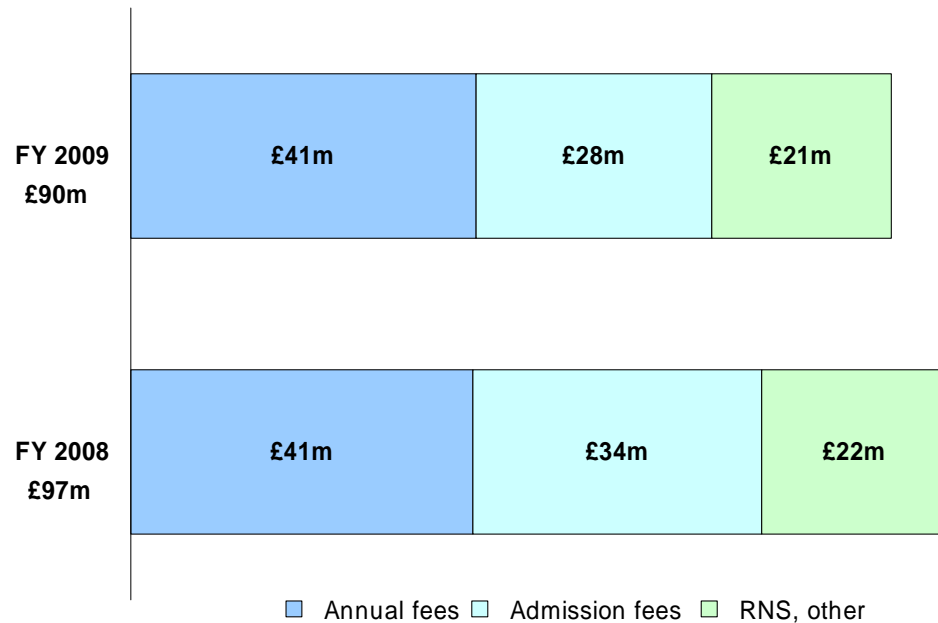
See notes in Appendix for basis of preparation



# Issuer Services

## Central role in linking companies to capital

### Revenues (pro forma)



### Key metrics

	Year ended 31 March	
	2009	2008
<b>New Issues</b>		
Main Market, PSM & SFM	65	116
AIM	87	262
Blt	8	33
<b>Total</b>	<b>160</b>	<b>411</b>

<b>Company Numbers (as at 31 March)</b>		
Main Market, PSM & SFM	1,530	1,592
AIM	1,478	1,681
Blt	296	306
<b>Total</b>	<b>3,304</b>	<b>3,579</b>

<b>Market capitalisation (as at 31 March)</b>		
Main Market (UK only) (£bn)	1,170	1,707
AIM (£bn)	38	89
Borsa Italiana (€bn)	314	604
Borsa Italiana (£bn)	289	482
<b>Total (£bn)</b>	<b>1,497</b>	<b>2,278</b>

- Difficult market for new issues
- Strong further issues
- Record £106bn raised via equity issues

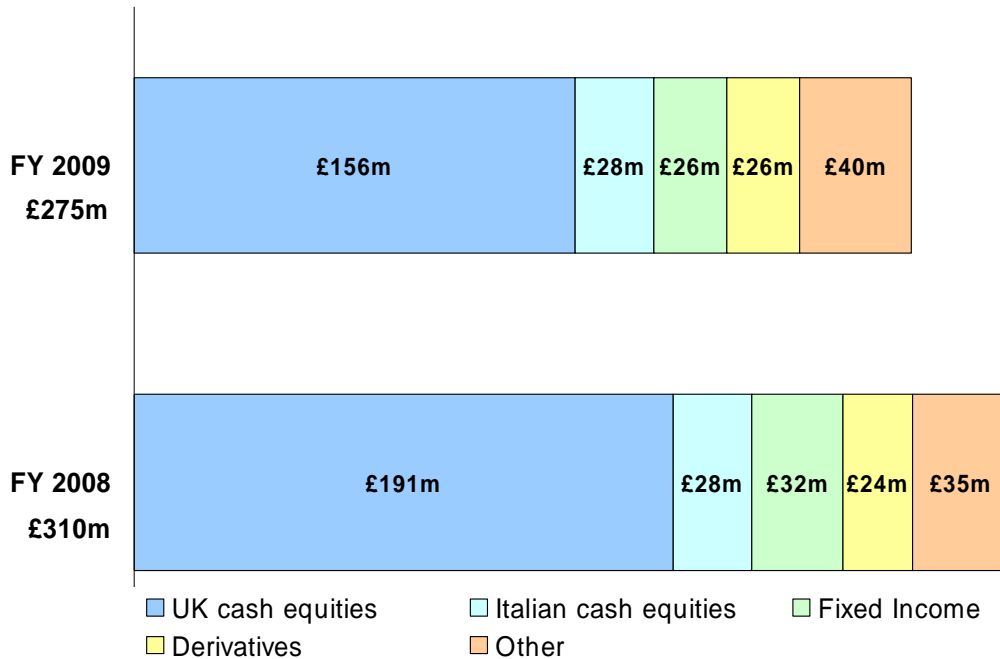




# Trading Services

## Solid performance in weaker markets

### Revenues (pro forma)



### Key metrics

	Year ended 31 March	
	2009	2008
<b>Equity</b>		
LSE average daily bargains ('000)	740	642
LSE average daily value traded (£bn)	6.9	9.1
Borsa Italiana average daily bargains ('000)	256	290
Borsa Italiana average daily value traded (€bn)	3.3	6.1
<b>Derivatives</b>		
EDX contracts (m)	61.1	48.6
IDEM contracts (m)	37.0	37.2
<b>Fixed Income</b>		
MTS (€bn nominal)	18,310	20,279
Borsa Italiana MOT (€bn)	197	152
Borsa Italiana MOT number of trades (m)	3.4	2.7

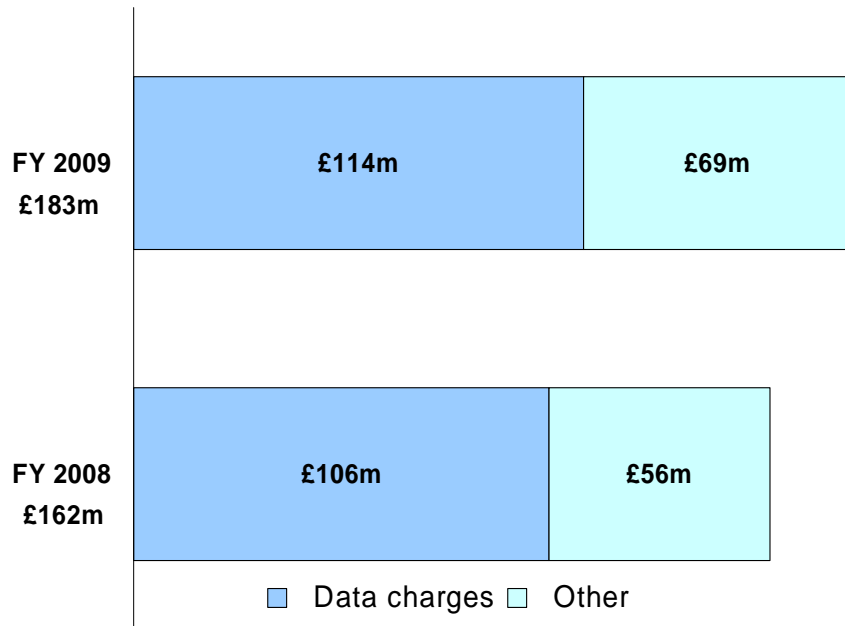
- Value traded reflects fall in markets:  
FTSE 100 down average 22%; S&P MIB down average 35%
- Derivatives performed well, Fixed Income faced difficult markets (stable market share)



# Information Services

Strong demand for data and other products

## Revenues (pro forma)



## Key metrics

	Year ended 31 March	
	2009	2008
<b>LSE Terminals</b>		
Professional - UK	42,000	45,000
Professional - International	62,000	67,000
<b>Total</b>	<b>104,000</b>	<b>112,000</b>
<b>Borsa Italiana Professional Terminals</b>	151,000	160,000
LSE Proquote	4,800	4,200
Borsa Italiana Market Connect	26,000	20,000

- Demand for real time data strong - average 110,000 professional LSE and 157,000 Borsa Italiana terminals
- Other services including SEDOL, network services, FTSE and Proquote show good growth

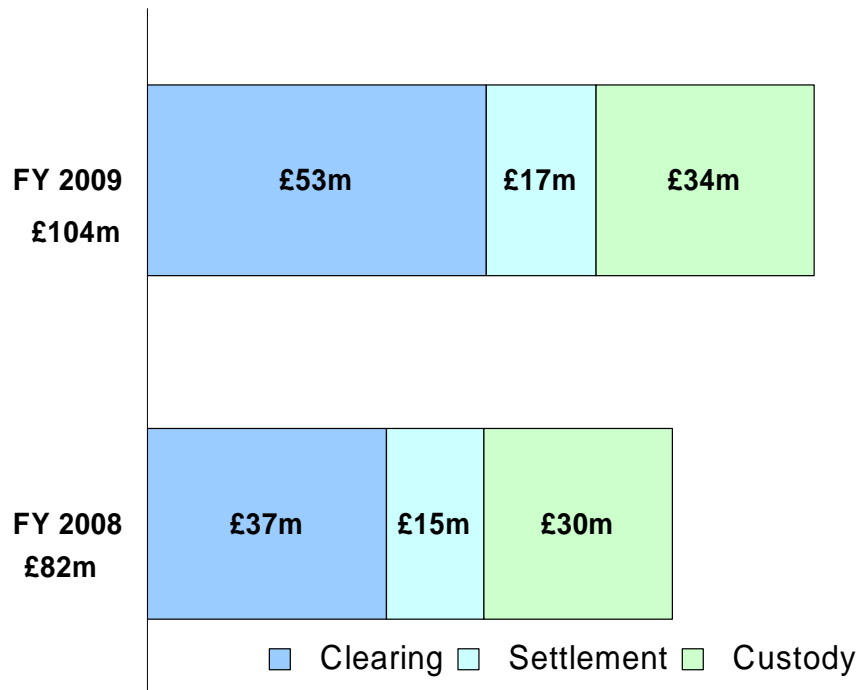


# Post Trade

## Clearing at heart of risk management in volatile markets

### Revenues (pro forma)

### Key metrics



#### CC&G Clearing:

Equity Clearing (m)

Derivative Clearing (m)

**Total Contracts (m)**

Open interest (m) (as at 31 March)

#### Monte Titoli:

Settlement Instructions (m)

Custody assets under management (€n)

	Year ended 31 March	
	2009	2008
Equity Clearing (m)	66.3	73.8
Derivative Clearing (m)	37.0	37.2
<b>Total Contracts (m)</b>	<b>103.3</b>	<b>111.0</b>
Open interest (m) (as at 31 March)	4.6	3.0

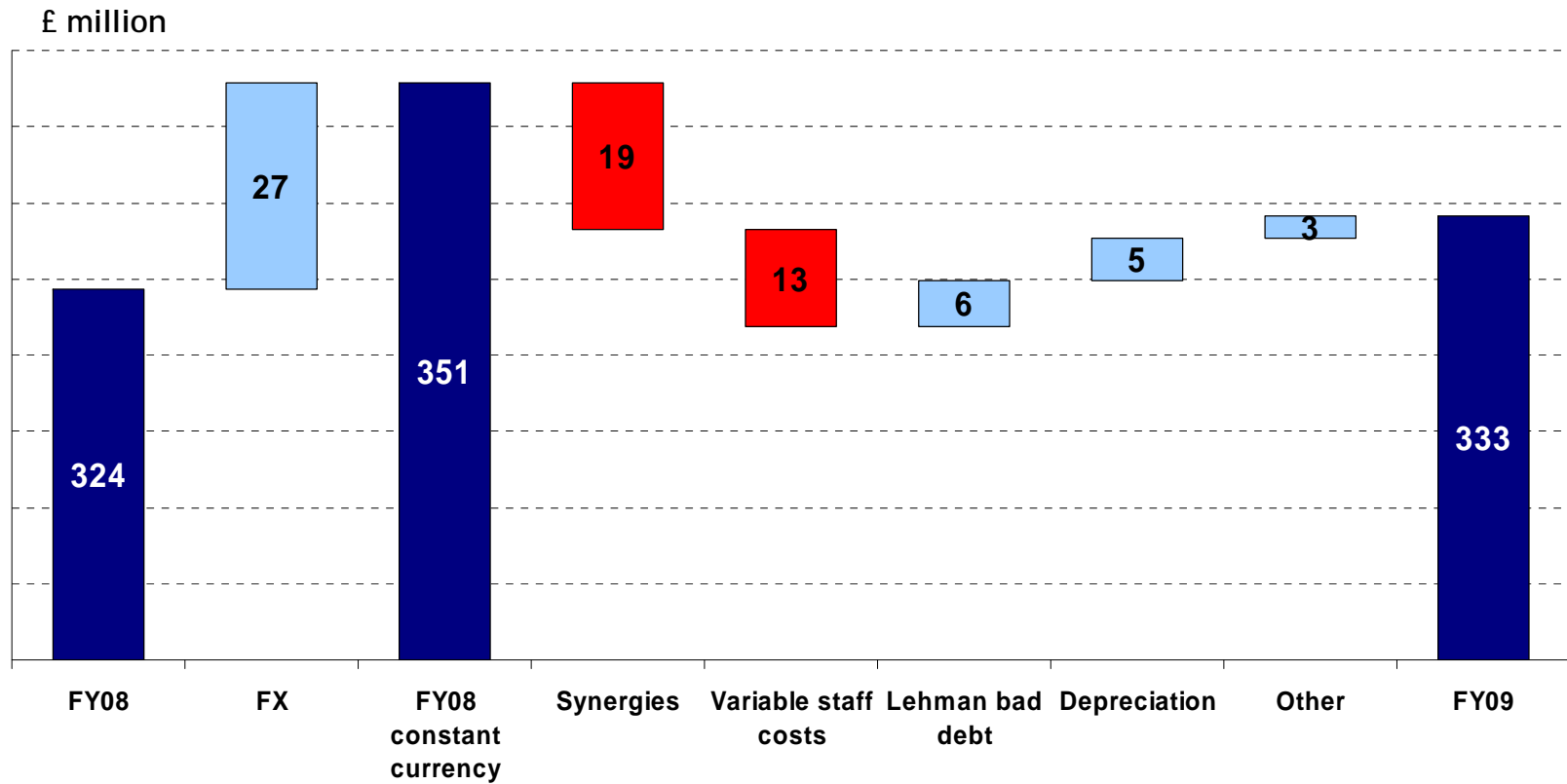
Settlement Instructions (m)	45.6	52.7
Custody assets under management (€n)	2.7	2.8

- Clearing revenues benefited from strong treasury management of higher margin calls
- Custody revenue stable reflecting an increase in quantum of corporate and Government bonds assets



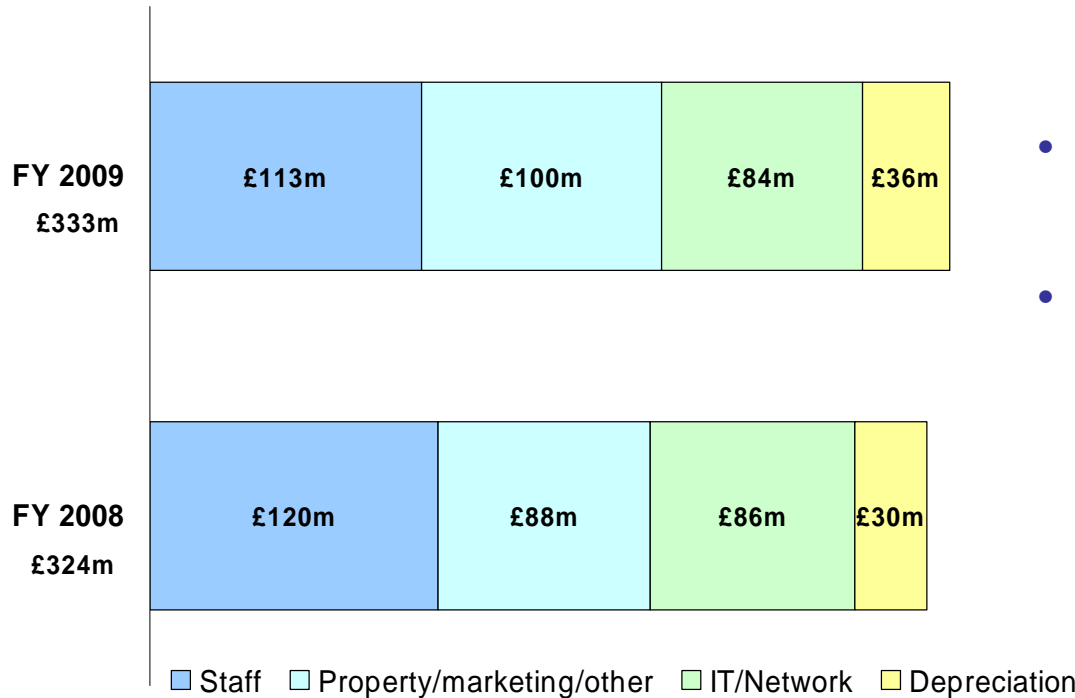
# Operating costs

## What's changed?





## Operating costs (pro forma)



- Pro forma costs down 5% in constant currency
- Headcount down 6% to 1,135 including Baikal headcount of 12

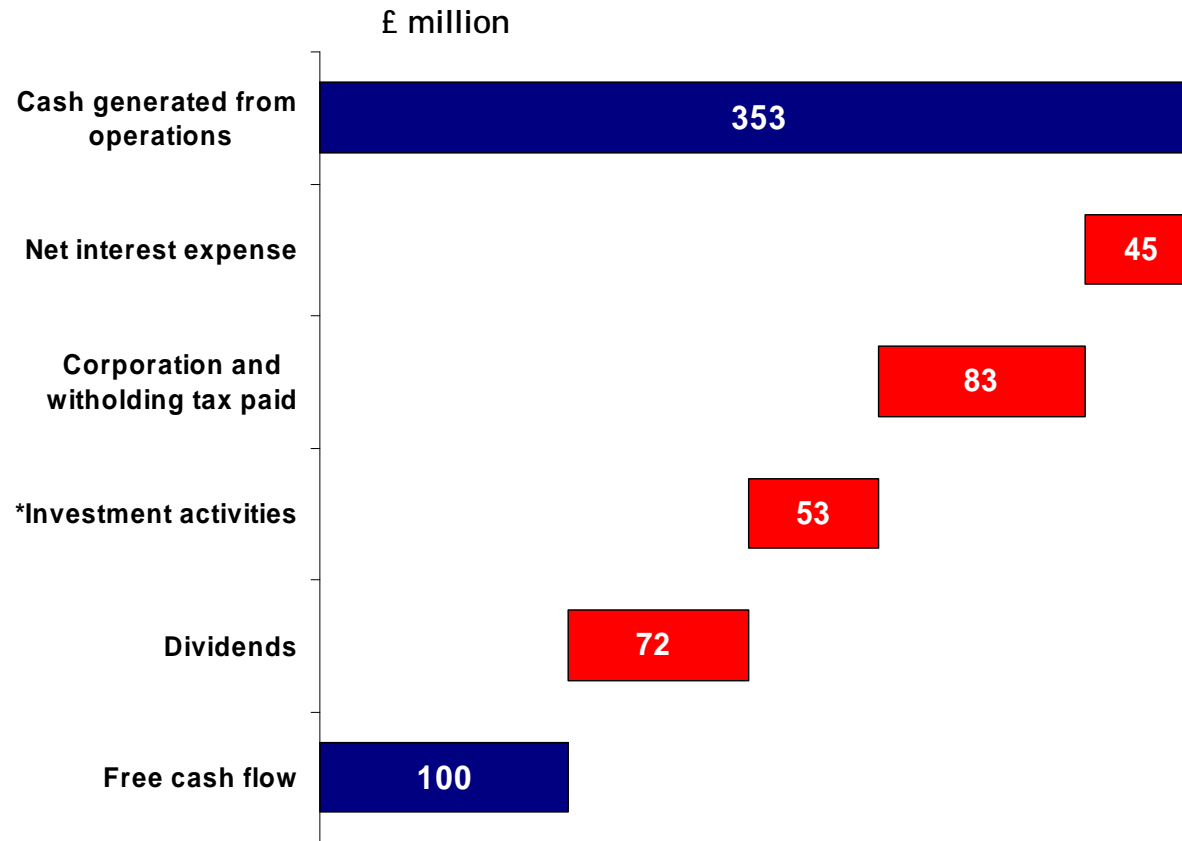
**Cost : Income ratio 50%**  
**(FY08 49%)**

Excluding goodwill impairment, amortisation of purchased intangibles and exceptional items



# Summarised cash flow

## Robust cash generation from enlarged group operations



\*excluding acquisition or disposal of minority stakes



## Borsa Italiana - Integration update

### Synergies

- Cost synergies increased further to £32m (60% above original £20m target)
  - Close to full run rate in FY2010
- Revenue synergies £20m
  - Building blocks in place, market conditions likely to delay full delivery
- Costs to achieve synergies expected to be £42m - of which £34m incurred so far



## Sound financial position

	<b>31 March 2009</b>	<b>31 March 2008 (restated)</b>	<b>Change</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Non-current assets	1,679.9	1,921.5	(241.6)
Current assets			
- Debtors	35,794.0	17,442.1	18,351.9
<i>of which CCP</i>	35,674.5	17,303.3	18,371.2
- cash	143.7	200.6	(56.9)
<b>Total assets</b>	<b>37,617.6</b>	<b>19,564.2</b>	<b>18,053.4</b>
Current liabilities			
- Bank borrowings	-	(436.0)	436.0
- Other	(35,807.4)	(17,482.7)	18,324.7
<i>of which CCP</i>	(35,679.2)	(17,307.7)	18,371.5
Non-current liabilities			
- Bond	(252.6)	(256.1)	3.5
- Bank borrowings	(369.9)	-	(369.9)
- Other	(134.5)	(126.5)	(8.0)
<b>Net assets</b>	<b>1,053.2</b>	<b>1,262.9</b>	<b>(209.7)</b>





## Current trading

- Market conditions remain challenging: some signs of improvement since year end:
  - SETS bargains/day in April up 4% on the first quarter of 2009, May to date up a further 2%, average daily value traded in April up 2% on the first quarter of 2009 and May to date up a further 6%
  - Italian cash equities average daily trades up 34% in April on the first quarter of 2009, May to date up a further 14%
  - Good primary markets pipeline but market subdued, Secondary issues remain strong
  - Demand for real time data resilient
  - Post Trade - CC&G continues to perform well with open interest at record levels of 5.1m contracts as at end of April, up 11% on March
- The Group is well placed for the future



# Xavier Rolet

Chief Executive Officer Designate



## Summary

- There are tremendous opportunities for the Group in a dynamic exchange sector
- Undertaking a thorough analysis of the Group's business
- Baikal is an exciting opportunity
- Borsa Italiana provides the Group with a unique portfolio of strategic assets



# 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 number of shares 268.1m, excludes ESOP.

### Free Cash Flow

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

### Exchange rates

	<b>FY 2009</b>	<b>FY 2008</b>
Average	1.20	1.42
Year end	1.08	1.25

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

### Pro forma

As if merger with Borsa Italiana and Borsa Italiana's acquisition of MBE Holding S.p.A occurred on 1 April 2007



## Revenues - Quarterly

Quarterly revenues £m	FY2008				FY2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Annual fees	10.0	10.2	10.2	10.4	10.6	10.2	10.3	9.9
Admission fees	11.3	8.6	8.8	5.7	10.3	6.5	5.8	5.7
RNS, other	6.2	4.8	6.1	4.8	6.6	5.2	6.4	2.9
<b>Issuer</b>	<b>27.4</b>	<b>23.7</b>	<b>25.1</b>	<b>20.9</b>	<b>27.5</b>	<b>21.9</b>	<b>22.5</b>	<b>18.5</b>
Cash	50.7	54.9	53.6	59.6	51.7	53.4	42.6	36.4
Derivatives	6.0	5.7	5.5	7.1	6.9	6.6	6.0	6.1
Fixed income	8.8	8.8	6.7	8.1	7.0	5.9	6.3	6.6
Other	8.9	9.1	8.4	8.0	9.5	10.1	9.9	10.3
<b>Trading</b>	<b>74.5</b>	<b>78.5</b>	<b>74.2</b>	<b>82.9</b>	<b>75.1</b>	<b>76.0</b>	<b>64.8</b>	<b>59.4</b>
Data charges	23.6	26.1	26.8	28.9	28.7	28.8	29.0	27.9
Other	13.9	13.4	14.3	14.8	16.1	16.2	18.1	18.1
<b>Information</b>	<b>37.5</b>	<b>39.5</b>	<b>41.1</b>	<b>43.7</b>	<b>44.8</b>	<b>45.0</b>	<b>47.1</b>	<b>46.0</b>
Clearing	9.3	8.8	8.3	11.0	12.5	9.2	18.0	13.1
Settlement	4.2	3.5	3.7	3.7	4.1	3.9	4.5	4.8
Custody	8.2	7.1	7.3	7.0	9.2	7.8	8.4	8.5
<b>Post Trade</b>	<b>21.6</b>	<b>19.4</b>	<b>19.3</b>	<b>21.6</b>	<b>25.8</b>	<b>20.9</b>	<b>30.9</b>	<b>26.4</b>
Other income	3.5	3.4	4.7	4.3	4.6	3.9	5.7	4.6
<b>Total revenue</b>	<b>164.5</b>	<b>164.5</b>	<b>164.4</b>	<b>173.4</b>	<b>177.8</b>	<b>167.7</b>	<b>171.0</b>	<b>154.9</b>



## Issuer and Trading Services - key performance indicators

	Year ended 31 March		Variance %
	2009	2008	
<b>New Issues</b>			
Main Market, PSM & SFM	65	116	-44%
AIM	87	262	-67%
Blit	8	33	-76%
<b>Total</b>	<b>160</b>	<b>411</b>	<b>-61%</b>
<b>Company Numbers (as at 31 March)</b>			
Main Market, PSM & SFM	1,530	1,592	-4%
AIM	1,478	1,681	-12%
Blit	296	306	-3%
<b>Total</b>	<b>3,304</b>	<b>3,579</b>	<b>-8%</b>
<b>Market capitalisation (as at 31 March)</b>			
Main Market (UK only) (£bn)	1,170	1,707	-31%
AIM (£bn)	38	89	-57%
Borsa Italiana (€bn)	314	604	-48%
Borsa Italiana (£bn)	289	482	
<b>Total (£bn)</b>	<b>1,497</b>	<b>2,278</b>	<b>-34%</b>
<b>IPOs</b>			
Main Market, PSM & SFM	31	76	-59%
AIM	27	155	-83%
Blit	6	31	-81%
<b>Total</b>	<b>64</b>	<b>262</b>	<b>-76%</b>

	Year ended 31 March		Variance %
	2009	2008	
<b>Equity Volume Bargains (m)</b>			
LSE	188.6	161.0	17%
Borsa Italiana	64.9	72.6	-11%
<b>Total</b>	<b>253.5</b>	<b>233.6</b>	<b>9%</b>
<b>Equity Value Traded</b>			
LSE (£bn)	1,771	2,276	-22%
Borsa Italiana (€bn)	838	1,518	-45%
Borsa Italiana (£bn)	684	1,070	-36%
<b>Total (£bn)</b>	<b>2,455</b>	<b>3,346</b>	<b>-27%</b>
<b>Equity Average Daily Bargains ('000)</b>			
LSE	740	642	15%
Borsa Italiana	256	290	-12%
<b>Total</b>	<b>996</b>	<b>932</b>	<b>7%</b>
<b>Equity Average Daily Value Traded</b>			
LSE (£bn)	6.9	9.1	-24%
Borsa Italiana (€bn)	3.3	6.1	-46%
Borsa Italiana (£bn)	2.7	4.3	-37%
<b>Total (£bn)</b>	<b>9.6</b>	<b>13.4</b>	<b>-28%</b>
<b>Equity Average Bargain Size</b>			
LSE (£'000)	9.4	14.1	-33%
Borsa Italiana (€000)	12.9	20.9	-38%
<b>SETS Yield</b>			
Yield per bargain £	0.82	1.12	-27%
Yield basis points	0.87	0.79	10%
<b>Derivatives (contracts m)</b>			
EDX	61.1	48.6	26%
IDEM	37.0	37.2	-1%
<b>Total</b>	<b>98.1</b>	<b>85.8</b>	<b>14%</b>
<b>Fixed Income</b>			
MTS (€bn nominal)	18,310	20,279	-10%
Borsa Italiana MOT (€bn)	197	152	30%
Borsa Italiana MOT number of trades (m)	3.4	2.7	26%



## Information Services – key performance indicators

	Year ended		Variance
	31 March		
	2009	2008	%
<b>LSE Terminals</b>			
Professional - UK	42,000	45,000	-7%
Professional - International	62,000	67,000	-7%
<b>Total</b>	<b>104,000</b>	<b>112,000</b>	<b>-7%</b>
<b>Borsa Italiana Professional Terminals</b>	151,000	160,000	-6%

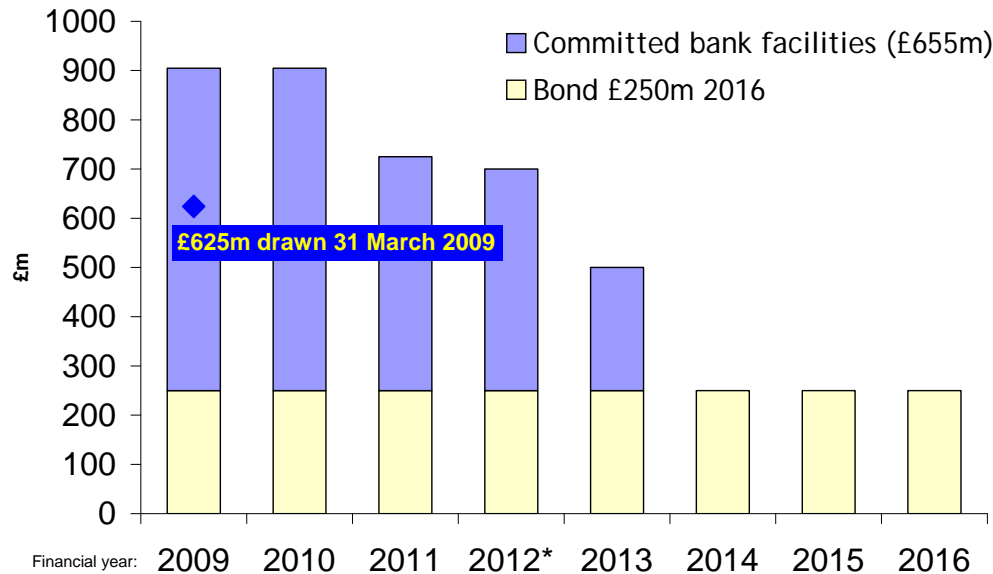
## Post Trade – key performance indicators

	Year ended		Variance
	31 March		
	2009	2008	%
<b>CC&amp;G Clearing:</b>			
Equity Clearing (m)	66.3	73.8	-10%
Derivative Clearing (m)	37.0	37.2	-1%
<b>Total Contracts (m)</b>	<b>103.3</b>	<b>111.0</b>	<b>-7%</b>
Open interest (m) (as at 31 March)	4.6	3.0	53%
<b>Monte Titoli:</b>			
Settlement Instructions (m)	45.6	52.7	-13%
Custody assets under management (€tn)	2.7	2.8	-4%



## Net debt and borrowings

- Gross borrowing £625m at 31 March 2009, reduced by £67m in FY2009 (or c £90m at constant currency)
  - £905m committed facilities; £700m to 2012 or beyond
  - £250m 5 year syndicated revolving credit facility at rate of Libor +80bps
  - £25m 3 year bi-lateral revolving credit facility at a rate of Libor +80bps
  - £200m revolving credit facility and £180m bridge facility - both mature beyond FY2010
  - £250m Bond 2016 at a rate of 6.375%, reducing to 6.125% July 2009 (rating upgrade)



- £125m cash reserved for regulatory and operational purposes

\*£200m RCF matures Feb 2012