



London
Stock Exchange Group

London Stock Exchange Group plc

Interim results FY 2013

16th November 2012



Agenda

Introduction

Financial Review

David Warren, Chief Financial Officer

CEO Overview

Xavier Rolet, Chief Executive

Q&A



Xavier Rolet
Chief Executive

Highlights



London
Stock Exchange Group

- Strong financial performance in challenging markets - good contributions from Information Services, Post Trade and Technology
- Continuing to deliver on strategy; focus on integration and operational efficiencies, organic opportunities and leveraging assets
- Busy period characterised by successful business wins and development of new initiatives
- FTSE performing well, winning new business; successful roll out of MillenniumIT platforms; continued success of UK and Italian bond markets
- Evolving industry and regulatory landscape - Group well placed to develop further



David Warren
Chief Financial Officer

Key financial highlights



London
Stock Exchange Group

- Strong performance - total income up 10% to £423.7m; down 1% on organic and constant currency basis
- Underlying operating expenses remain broadly flat - close control of costs
- Adjusted operating profit up 1% at £217.2m
- Adjusted basic EPS up 9% to 51.8p; basic EPS flat at 43.0p
- Interim dividend up 4% at 9.7 pence per share
- Strong net cash flow from operations of £172.5m; net debt £663m
- Adjusted net debt:EBITDA stable at 1.4x

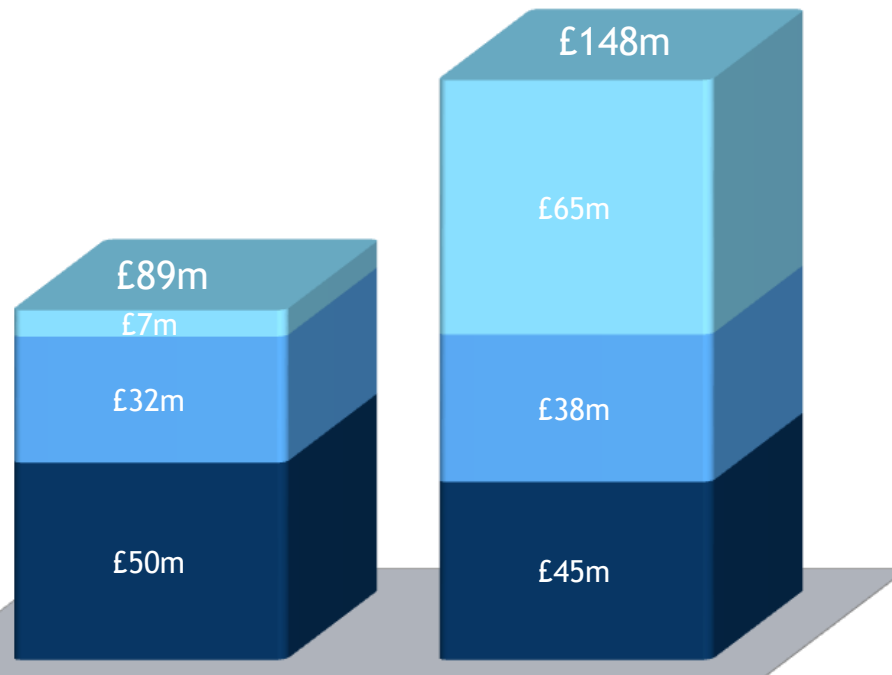
Overview of results

	Six months ended 30 September			Organic and constant currency variance %
	2012 £m	2011 £m	Change %	
Revenue	349.8	328.1	7%	(8%)
Total income	423.7	386.5	10%	(1%)
Profit from JV / associates	-	2.3		
Adjusted operating expenses*	(206.5)	(174.5)	18%	3%
Adjusted operating profit *	217.2	214.3	1%	(2%)
Exceptional items and amortisation	(30.4)	(21.8)		
Operating profit	186.8	192.5	(3%)	8%
Net finance expense	(21.4)	(19.2)	11%	
Adjusted profit before tax*	195.8	201.5	(3%)	
Underlying effective tax rate	29.2%	28.5%		
Basic earnings per share (p)	43.0	43.1	(0%)	
Adjusted earnings per share (p)*	51.8	47.6	9%	
Dividend per share (p)	9.7	9.3	4%	

*Excluding amortisation of purchased intangibles (-£44.6m) and non-recurring items (+£14.2m)
A €0.05 movement of the Euro versus GBP would have changed adjusted operating profit by c£5m

FTSE, UnaVista and SEDOL driving growth

Revenue up 66%
organic constant currency up 1%



FY 2012 H1

FY 2013 H1

■ Real time data

■ Other information

■ FTSE

FTSE revenue £64.9m

- Vanguard to switch \$170bn assets to FTSE indices
- Lyxor to switch two equity funds to FTSE
- Double digit revenue growth expected FY 2013

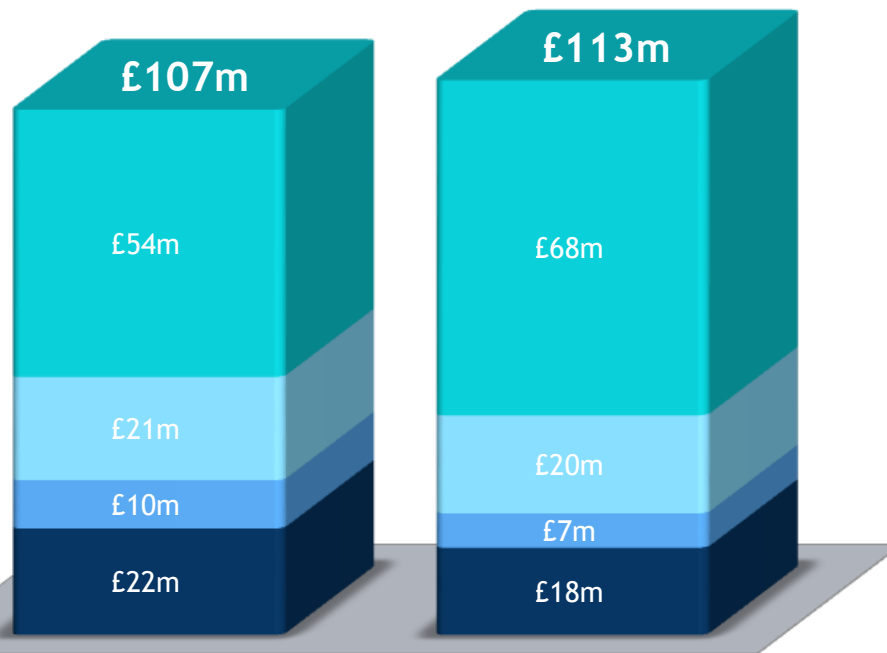
Revenue from non real-time data information products up 17%

- UnaVista
- SEDOL
- ProQuote

Real time data revenue down 10%

Strong treasury management income drives growth

Total income up 6%



FY 2012 H1

FY 2013 H1

■ Clearing
 ■ Settlement
 ■ Custody
 ■ Net treasury income through CCP business

Clearing - Net treasury income up 38%

- Average total initial margin up 21% to €10.5bn
- Clearing revenue down 10% on weaker trading

Settlement revenue down 21%

- Reduction in trading

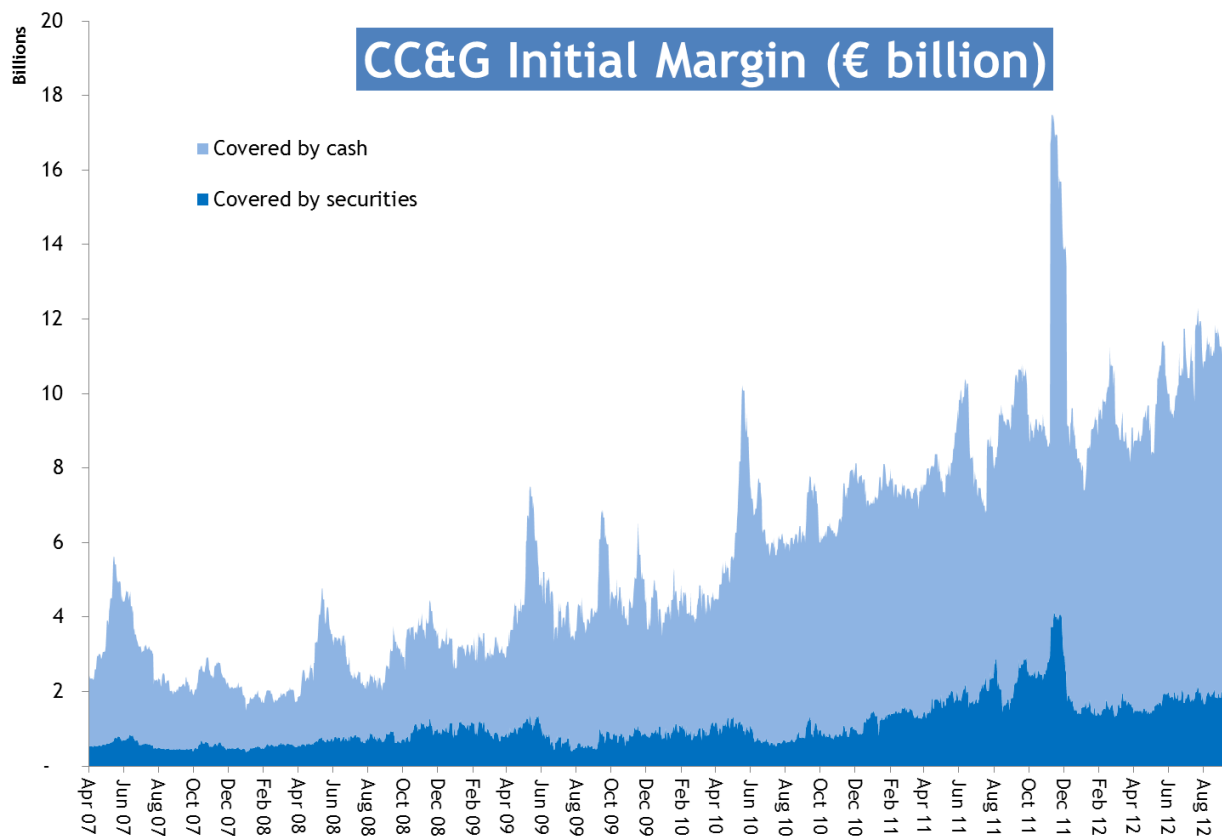
Custody revenue up 4%

- Increased bond issuance
- Assets under custody up 5%

Note Revenues / income shown on constant currency basis

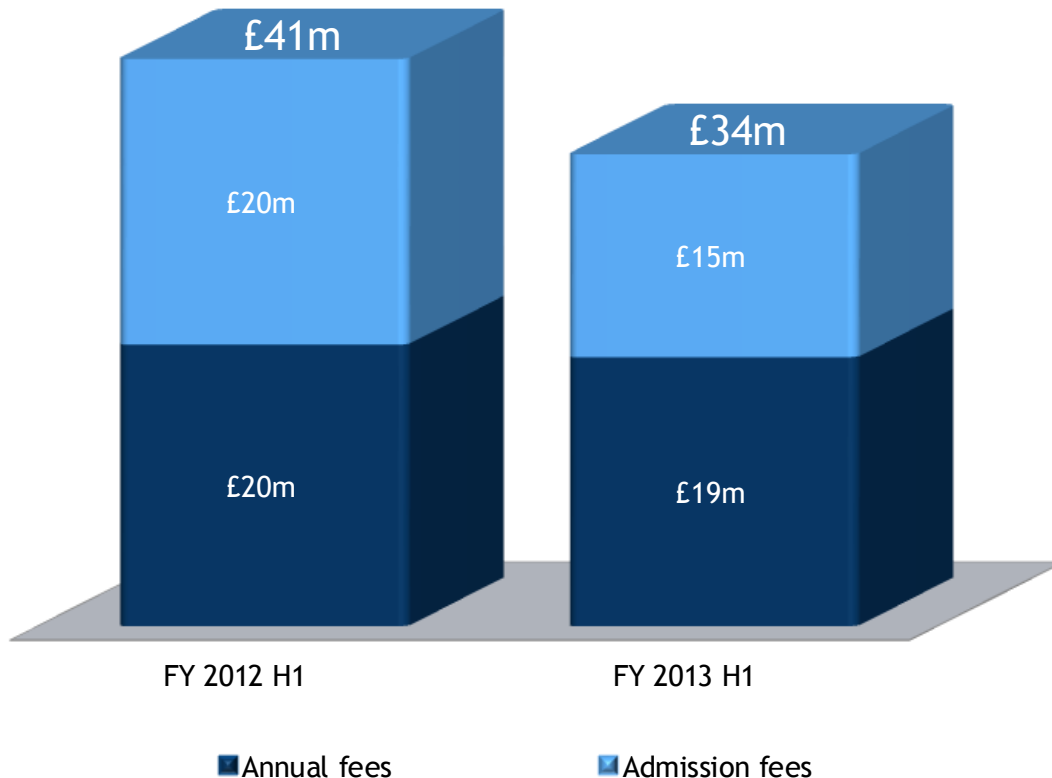
Net Treasury Income

- NTI driven by 21% year-on-year increase in initial cash margin held
- CC&G adapting investment policy - moving to secured investments
- Since end October: over €4bn of cash margin with CC&G fully collateralised through investments, mainly in Italian government securities



Fixed income issuance strong in UK and Italy

Revenue FY 2013 H1 down 17%



Annual fees down 4%

Admission revenue down 29%

- 59 new issues
- £7.9bn raised via equity issuance

Bond issuance strong

- “BTP Italia” - further success
- October 2012 issue raised €18bn

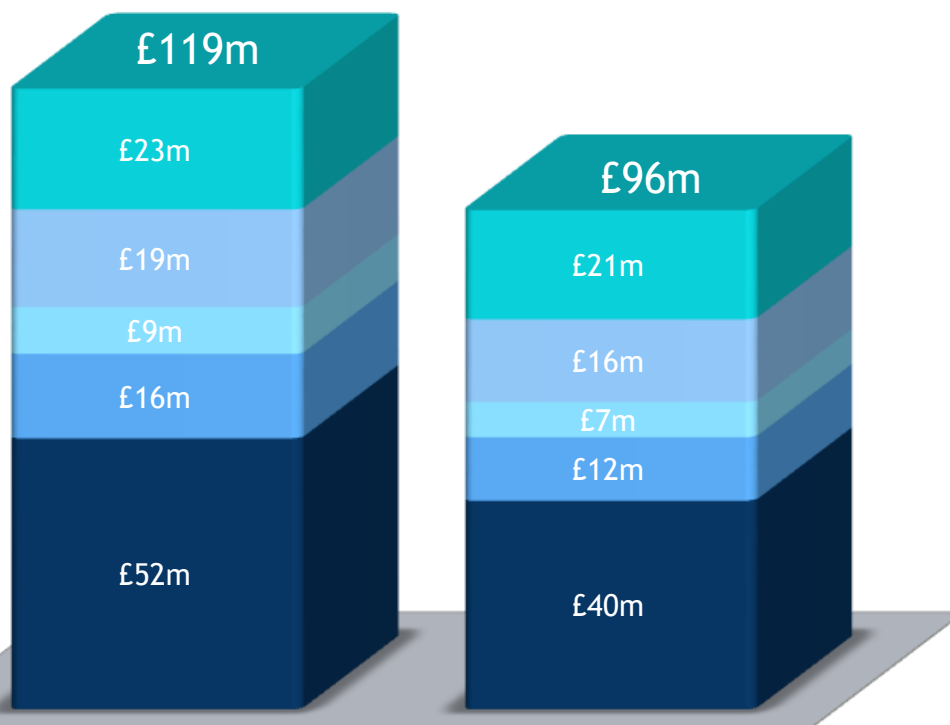
ORB

- 29 bonds have raised £2.8bn since launch
- October 2012: London Stock Exchange Group raised £300m

Capital Markets - Secondary

Subdued trading in challenging markets

Revenue FY 2013 H1 down 22%



UK cash equities & Turquoise
 Fixed Income
 Italy cash equities
 Derivatives
 Other

Note: Minor rounding differences, figures may not cast down

Secondary Markets:

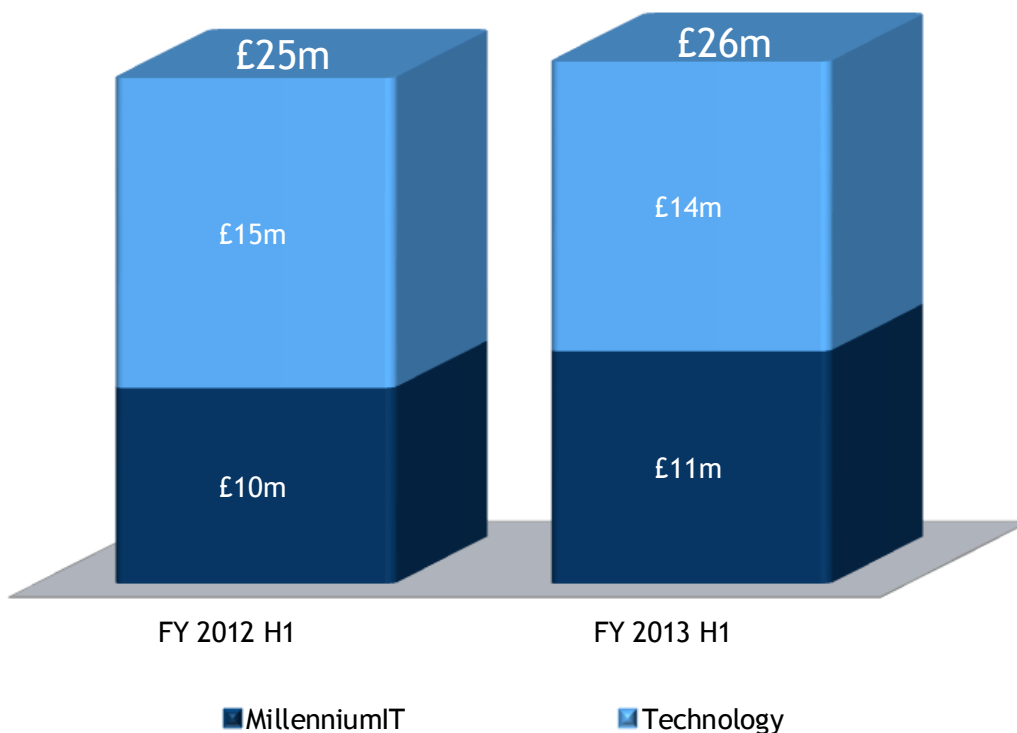
- Performance reflects effect of macro economic uncertainties
- UK equities ADV traded down 18%
- Italian equities average daily number of trades down 15%
- FTSE 100 mini-futures on IDEM

Fixed income revenue down 8% at constant currency:

- MOT trades up 26%
- MTS Repo value traded stable
- MTS Cash value traded down 16%

MillenniumIT technology implementation across range of customers

Revenue FY 2013 H1 up 3%

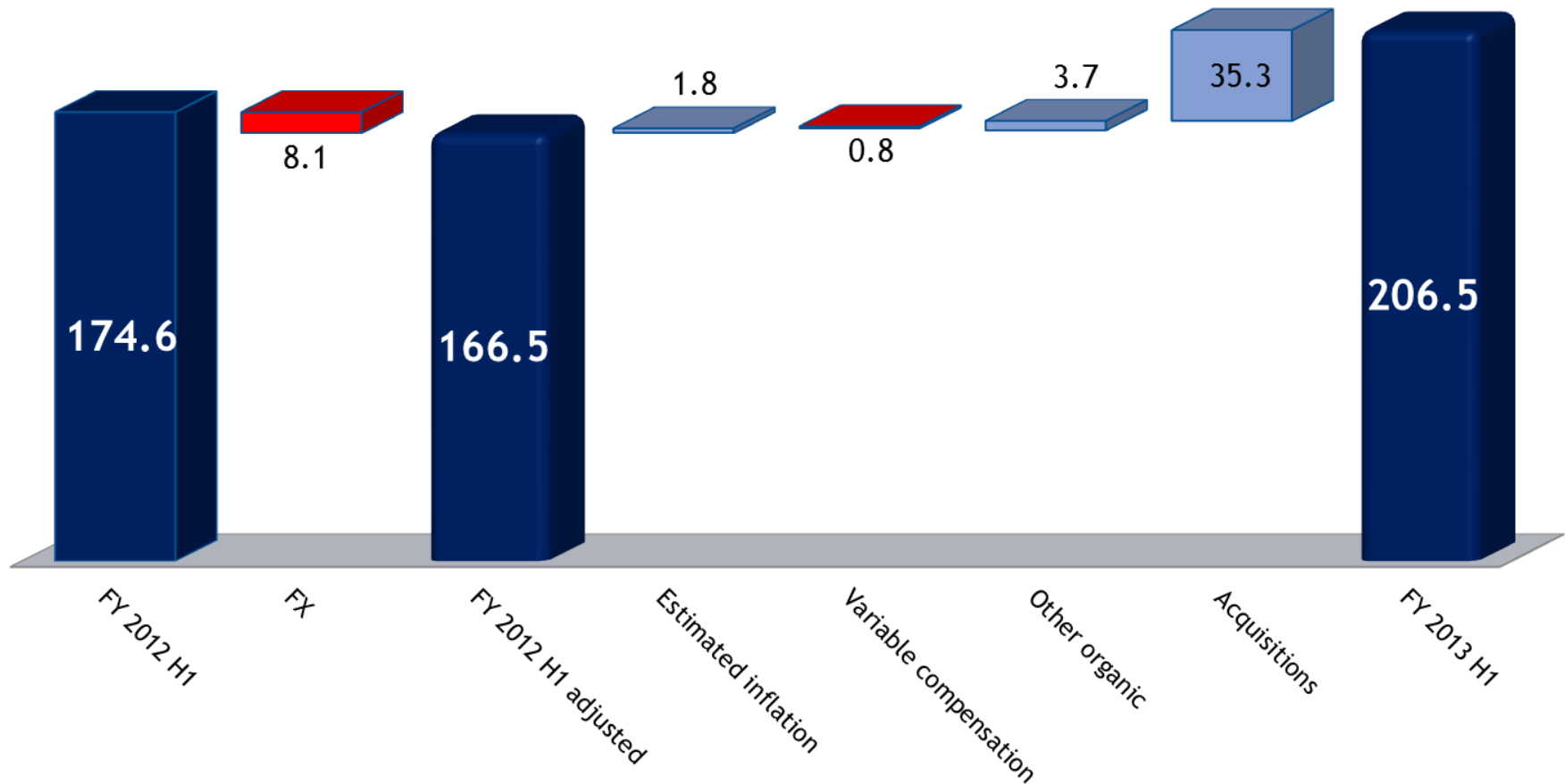


MillenniumIT

- Revenue up 36% at constant currency
- Now live at:
 - Borsa Italiana:
 - Equity
 - Fixed income
 - Structured products
 - Mongolian SE
 - Johannesburg SE
 - Botswana SE
 - Oslo Børs

Operating expenses

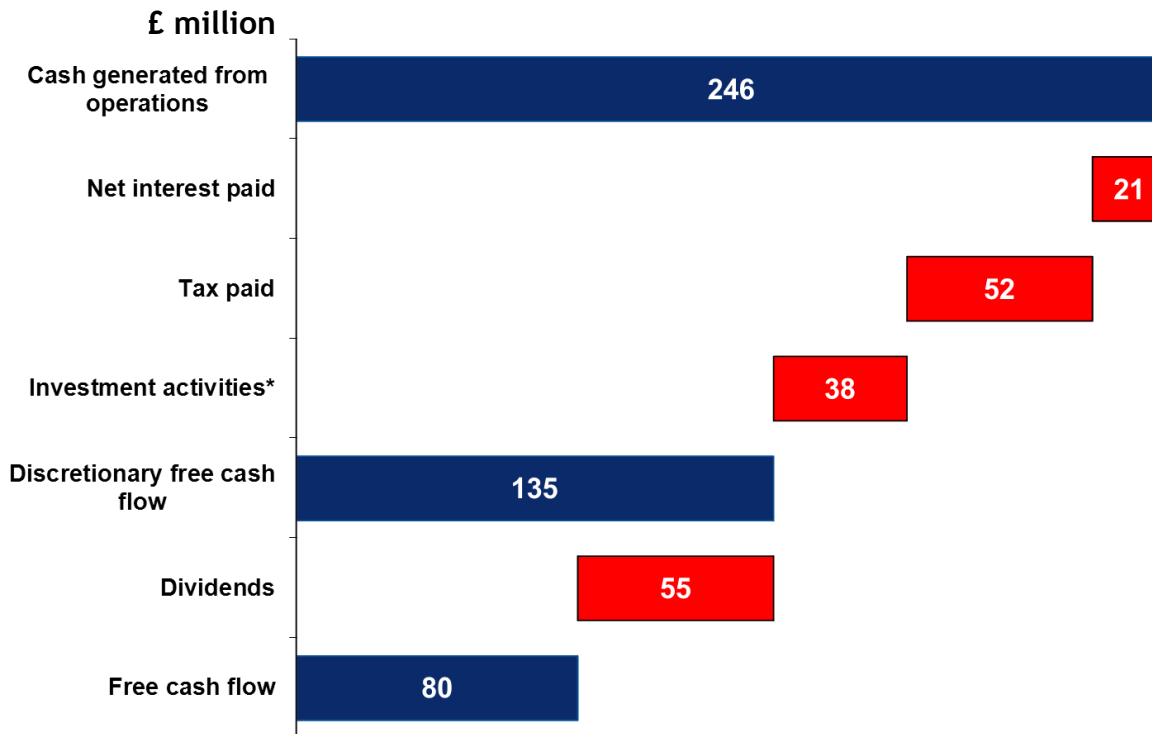
Good cost control - underlying operating expenses remain broadly flat



Note: Excluding amortisation of purchased intangibles and non-recurring items

Summarised cash flow

Strong cash generation



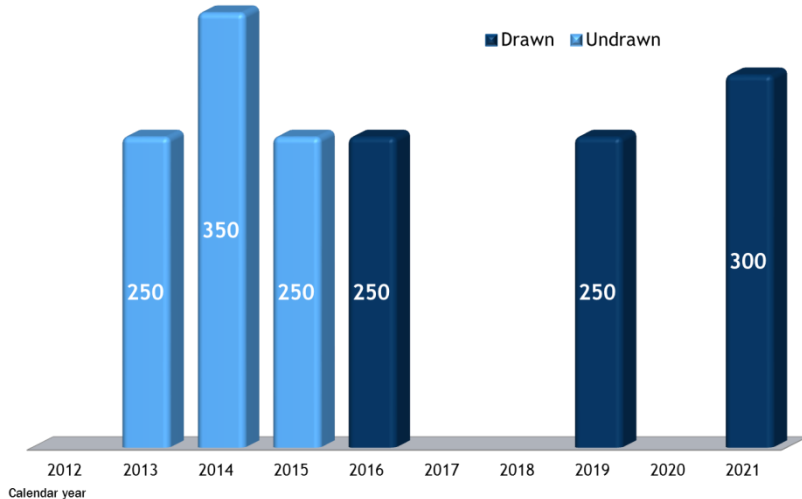
* Investing activities includes capital expenditure less dividends received

- Investment activities
 - £26.7m capex - primarily IT systems and data centre
 - Additional £18.3m received from TMX Group following termination of merger agreement
 - LCH.Clearnet shares purchased from MF Global (2.4% stake)
- Discretionary free cash flow after investment activities remains strong at 50.0p per share (FY 2012 H1: 63.0p)

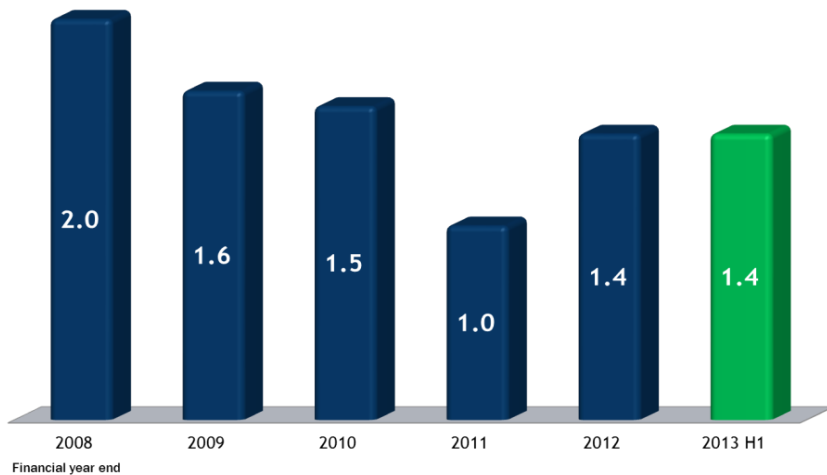
Borrowings



Facilities (as at 2 November 2012)



Leverage



- Operating net debt £663m (at 30 September 2012)
- Net debt: Pro forma* EBITDA 1.4x (excludes cash held for regulatory purposes (FY 2013 H1: £200m; FY 2012: £165m))
- £1.65bn total committed debt and facilities
- £1.05bn extending to 2015 or beyond (at 2nd November 2012)
- Retail bond issued in November
 - £300m at 4.75%, maturing 2021

*calculated using FTSE LTM Sep12

- Resilient performance in many business areas as markets remained challenging
- Income growth driven by FTSE - clear benefit of strategy to diversify and grow through organic development and good acquisitions
- Focus to continue on integration benefits, cost control and leveraging assets



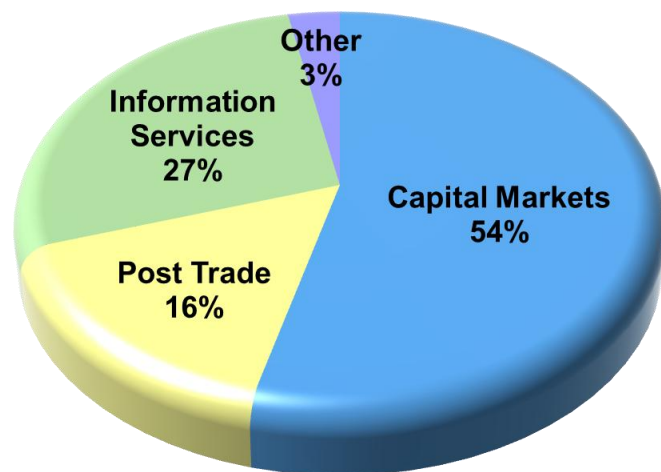
Xavier Rolet
Chief Executive



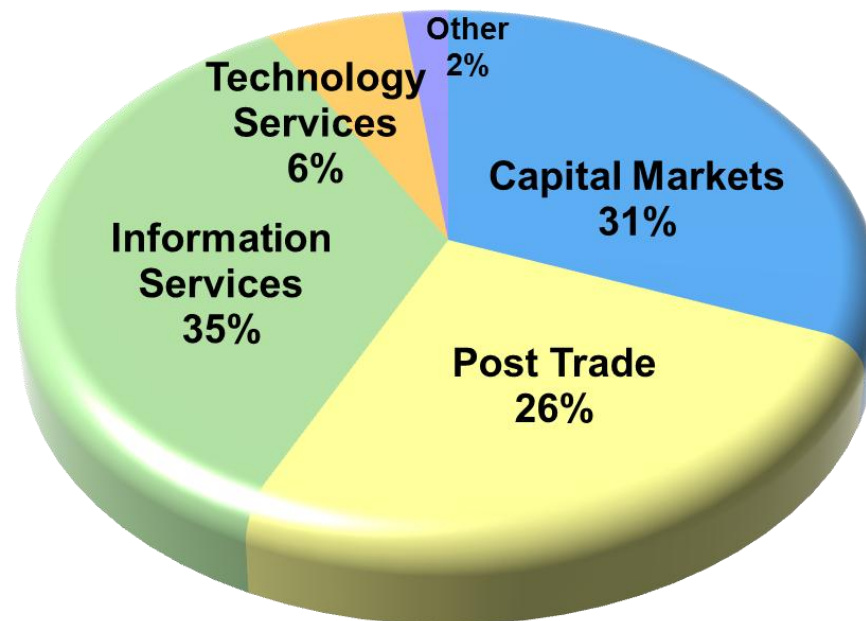
- **Further good progress in delivering on strategy for growth and diversification**
- **Strong financial results despite market challenges**
- **Getting in shape**
 - Costs well controlled - broadly flat on underlying basis
- **Leveraging our assets**
 - New products and initiatives launched
- **Developing opportunities**
 - FTSE - US and European client wins
 - Progress continues with transaction for up to 60% majority of LCH.Clearnet - ACP approval received
 - MillenniumIT live in Johannesburg, Mongolia, Oslo and Botswana; award of surveillance system for LME
 - International Board

Group transformation continues - scale, diversification and better balance of revenues

FY 2009



FY 2013 H1



Getting in shape : Good cost control and operational efficiencies



- Focus on operational efficiencies; underlying H1 costs broadly flat
- FTSE - integration progressing, synergies being delivered
 - FTSE being integrated into Information Services business
 - Mark Makepeace leads expanded division
- MillenniumIT - ongoing programme of technology upgrades across Group - 3 systems live in Italy
- Management team strengthened as Group becomes more international and diversified

Getting in shape : Strengthened Senior Management Team

		<u>Joined LSEG</u>	<u>Previously</u>
Xavier Rolet*	Chief Executive	March 2009	Lehman/Goldman Sachs
David Warren*	Chief Financial Officer	July 2012	NASDAQ OMX/CS First Boston
Raffaele Jerusalmi*	Director of Capital Markets and CEO of Borsa Italiana	October 2007	Credit Suisse
Alexander Justham	CEO London Stock Exchange plc and Head of Regulatory Affairs	June 2012	FSA / JP Morgan Cazenove
David Lester	Director of Strategy Chairman FTSE and Turquoise	June 2001	Thomson Financial
Mark Makepeace	Director of Information Services and CEO of FTSE	December 2011	FTSE
Antoine Shagoury	Chief Information Officer and Chief Operating Officer	February 2010	American Stock Exchange
Tony Weeresinghe	Director of Global Development and CEO Millennium IT	October 2009	Oracle

* Executive Directors on main London Stock Exchange Group plc Board

Leveraging assets : new products and initiatives



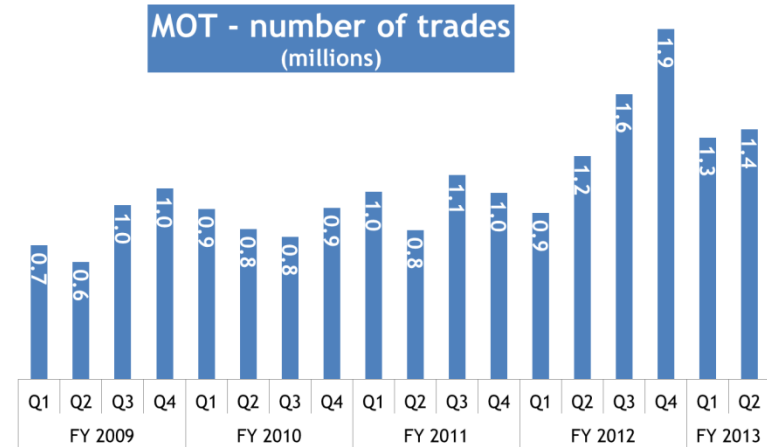
- **Information Services**
 - UnaVista expanding and gaining clients
 - SEDOL and Corporate Actions to migrate to UnaVista platform
 - Group Ticker Plant launched
- **Post Trade Services**
 - Monte Titoli affirmed as T2S first wave participant; ranked as a top 10 depository by Thomas Murray
 - Monte Titoli launches ‘X-COM’ - new service for tri-party collateral management
- **Capital Markets**
 - Continued ORB retail bond market development; MOT and “BTP Italia” issuance and trading strong
 - MTS to launch Repo Euro index series with two partners
 - International Board agreement with SGX to trade largest stocks on each exchange
 - Euro denominated FTSE 100 Mini-futures and Durum wheat futures launching in Italy
- **Technology Services**
 - IT Sales and partnerships: Delhi SE and Mongolian SE
 - Millennium Exchange completed migration at Borsa Italiana, Mongolian SE, Johannesburg SE and Oslo Børs
 - London Metal Exchange surveillance system contract confirmed

Leveraging assets : MOT and ORB



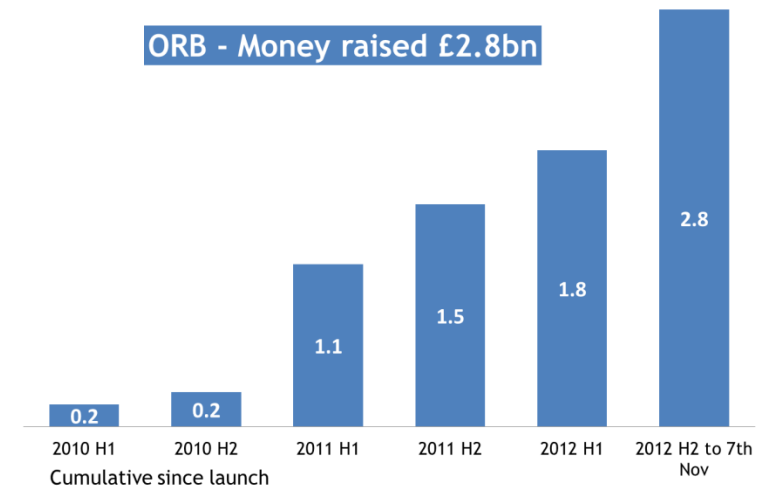
MOT

- BTP Italia - innovative subscription method using MOT as an electronic distribution network:
 - First two issues raised a total €9.0bn (March 2012 & June 2012)
 - Third Issue raised €18bn in October 2012 - a European record for a product directly addressed to the retail community
- MOT trading H1 FY 2013 up 26% on year on year



ORB

- 29 issues since launch have raised £2.8bn
- Broad range of issuers, including HSBC, Tesco Bank, National Grid and Beazley
- London Stock Exchange Group raised £300m
- Strong support for new credible alternative for corporates to bank financing



Retail fixed income market presenting diversification opportunities

Developing opportunities : FTSE

- **Innovative partnerships**
 - Vanguard selected FTSE as index benchmark provider for six international stock index funds - \$170bn assets - largest ever international index provider switch
 - FTSE Cürex FX Index series launched
 - Lyxor switches to FTSE for Global Real Estate indices
- **Expanding global presence**
 - **US:** FTSE presence for 10 years; 60 staff across New York and San Francisco offices
 - **Asia:** Building on FTSE partnerships with exchanges e.g. Singapore, Malaysia, Taiwan, Thailand; Leading China ETF indices



- **MiFID / MiFIR**

- Access, transparency and market structure (OTFs) are current focus of discussions in Council
- HFT - minimum resting period proposed by European Parliament, but may be negotiated away for other controls (e.g. tick sizes)

- **EMIR / Dodd-Frank**

- EMIR live 2013, following adoption of Regulatory Technical Standards by European Commission - subject to Commission's final text due in December 2012:
 - Regulatory capital - CC&G requirements met from existing capital resources and retained profit
 - Cash deposits - 95% to be collateralised using debt instruments with liquidity and credit and market risk conditions
- Dodd-Frank expected to be substantially operating by end of 2013 - eligible OTC derivatives mandated to use CCP services

- **Financial transaction tax**

- Possible impact in Italy - equity and derivatives - but timelines and detail not clear

- **SME - growing focus of policy makers**

- Opportunity to expand equity financing as effective source of capital for SMEs



- **Progress**

- Regulatory approval received from lead regulator - ACP - in France
- Anti-trust clearance received from CNC in Spain
- UK OFT decision - expected December 2012
- Other regulatory reviews expected to complete shortly

- **Other developments**

- US “one-pot” margining - LCH / NYPC / DTCC & NYSE Euronext
- LCH/NASDAQ IDCG - US interest rate swaps, expansion of one-pot margining
- NYSE Euronext cash equities - potential long term arrangement

- **Next steps**

- Discussions ongoing with LCH.Clearnet regarding potential financial implications of increased regulatory capital
- Disclosure of outcome in due course

Outlook and priorities



- Diversification and geographical expansion delivering success for Group
- Industry conditions present challenges in some areas but markets remain active
- Group poised and well placed for market improvements
- Significant opportunities from evolving industry and regulatory landscape
- Focus continues on integration and operational efficiencies, and leveraging of assets and product innovation



Appendices

Adjusted operating profit - excludes amortisation of purchased intangible assets and non-recurring items, to enable comparison of the underlying earnings of the business with prior periods.

Adjusted earnings per share

Based on number of shares 269.6m (FY 2012 H1: 269.4m), excludes ESOP.

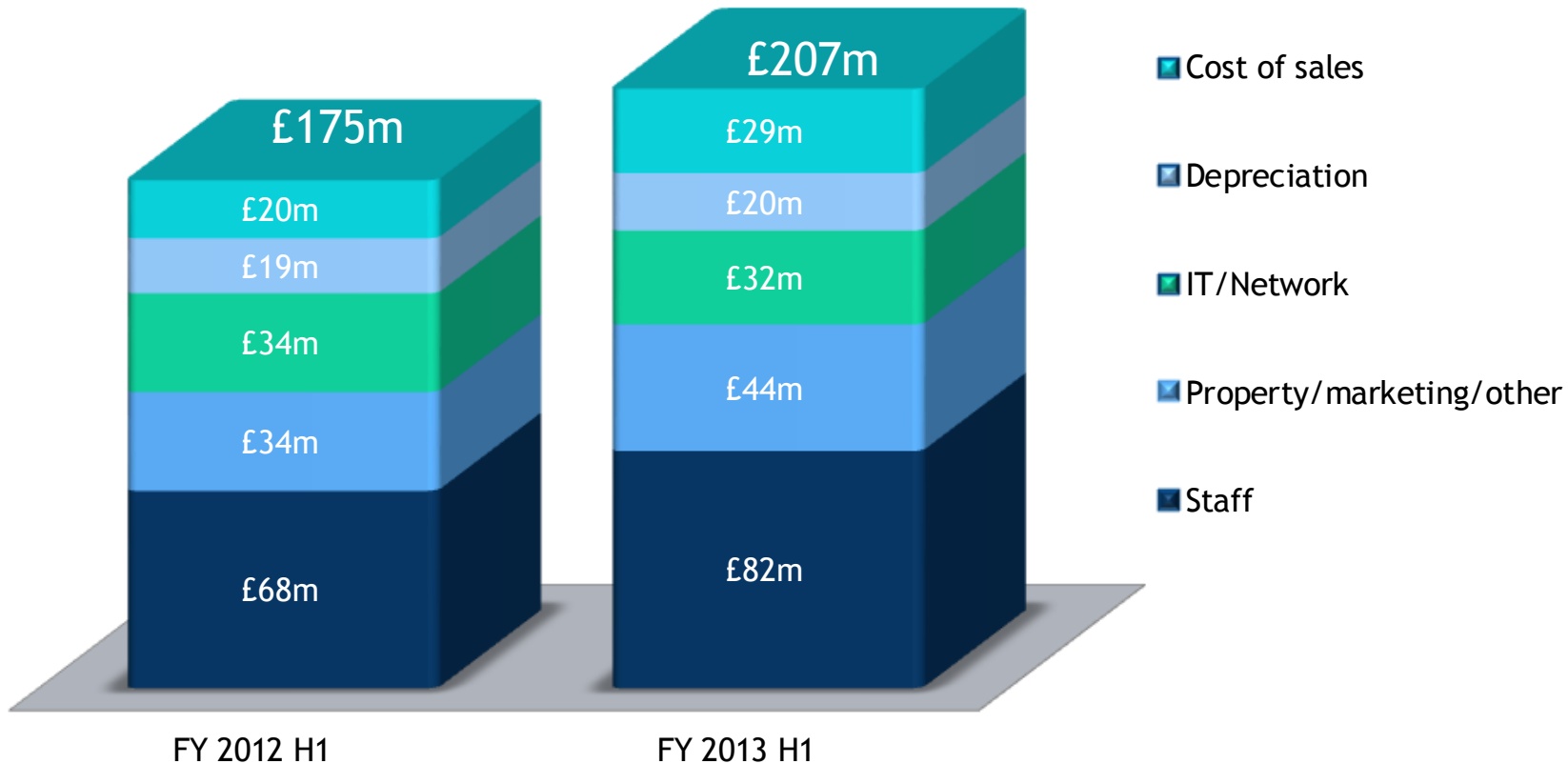
Exchange rates

	Closing € : £ rate	Average € : £ rate for the period ended
30 September 2012	€1.25	€1.25
30 September 2011	€1.15	€1.14
31 March 2012	€1.20	€1.16

Operating expenses



Cost : Income ratio 49%
(FY 2012 H1 45%)



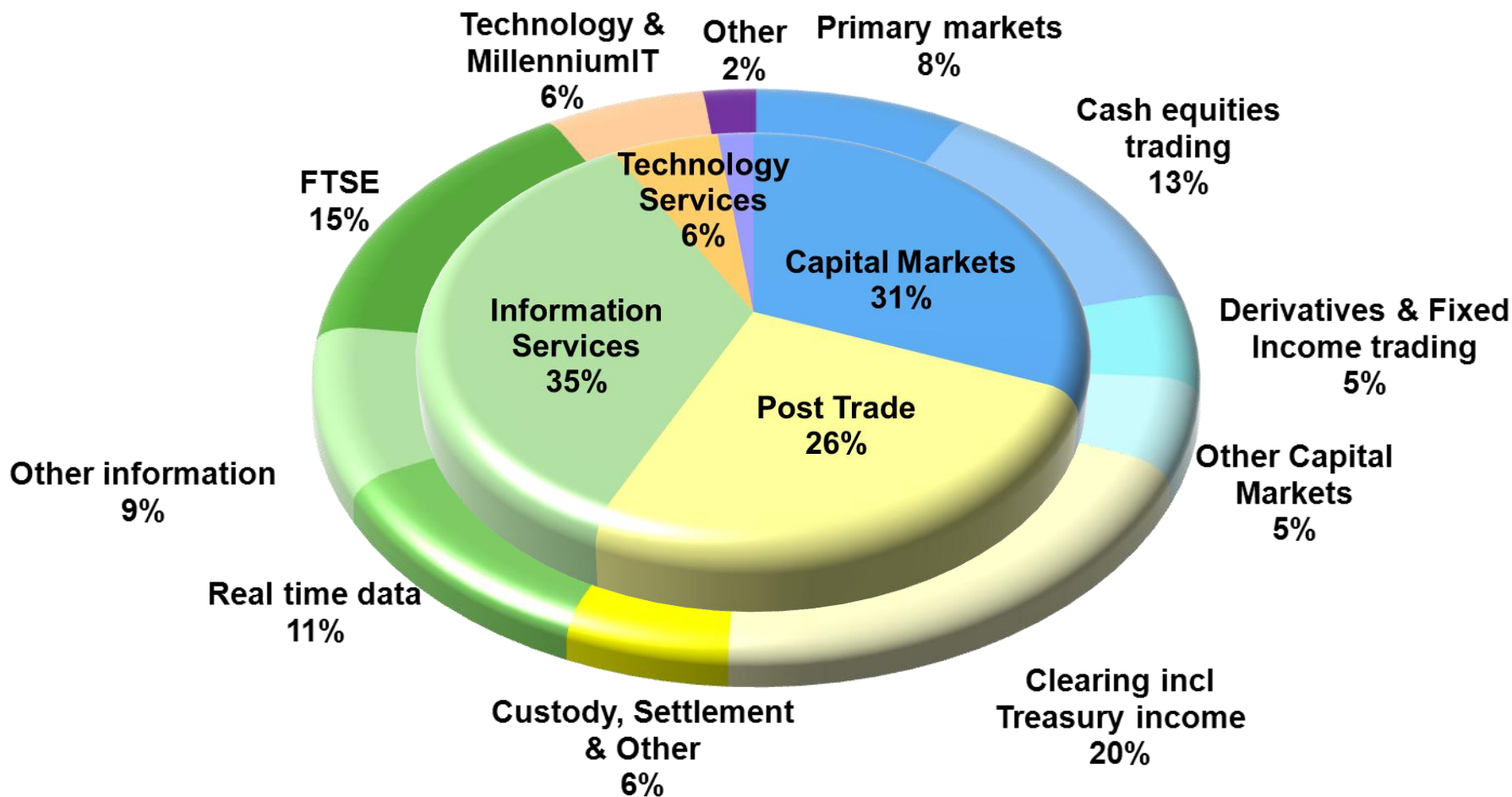
FY 2013 H1 costs include £35.3m for FTSE

Excluding amortisation of purchased intangibles and non-recurring items
Note: Minor rounding differences, figures may not cast down

Diversified Group income



FY 2012 H1 Total income £423.7m up 10% (FY 2012 H1 £386.5m)



Revenues - Quarterly



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£ millions	FY 2012				FY 2012	FY 2013	
	Q1	Q2	Q3	Q4		Q1	Q2
Annual Fees	9.9	10.2	10.0	9.4	39.5	9.8	9.4
Admission Fees	12.2	8.2	7.1	9.5	37.0	7.9	6.6
Cash equities UK & Turquoise	24.3	27.8	21.1	22.2	95.4	21.1	19.0
Cash equities Italy	7.7	8.5	7.2	8.0	31.4	6.6	5.6
Derivatives	4.3	4.7	3.9	3.8	16.7	3.6	3.2
Fixed Income	9.8	9.0	8.0	8.9	35.7	8.1	7.8
Other	11.5	11.7	11.6	11.4	46.2	10.4	10.6
Capital Markets	79.7	80.1	68.9	73.2	301.9	67.5	62.2
Clearing	9.9	11.7	10.2	9.3	41.1	9.0	8.7
Settlement	4.8	5.0	4.3	4.8	18.9	3.6	3.4
Custody & other	11.3	9.7	10.0	10.6	41.6	10.2	9.7
Post Trade Services	26.0	26.4	24.5	24.7	101.6	22.8	21.8
Real time data	25.2	25.0	25.4	27.2	102.8	23.7	21.6
Other information	16.3	15.8	16.3	17.2	65.6	18.6	18.9
FTSE royalties	3.2	3.5	6.4	0.0	13.1	-	-
FTSE revenue			4.7	32.7	37.4	33.0	31.8
Information Services	44.7	44.3	52.8	77.0	218.9	75.3	72.3
MillenniumIT	3.2	6.4	5.5	7.2	22.2	4.9	6.5
Technology	7.4	7.8	7.6	7.6	30.4	7.2	7.0
Technology Services	10.6	14.2	13.1	14.8	52.6	12.1	13.5
Other	1.4	0.7	1.5	1.2	4.8	1.3	1.0
Total Revenue	162.4	165.7	160.8	190.9	679.8	179.0	170.8
Net treasury income through CCP	25.8	28.5	33.5	39.1	126.9	28.5	39.6
Other income	2.0	2.1	2.0	2.0	8.1	2.0	3.8
Total income	190.2	196.3	196.3	232.0	814.8	209.5	214.2

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

Capital Markets - key performance indicators



London
Stock Exchange Group

Capital Markets - Primary Markets

	Six months ended		Variance %
	30 September		
	2012	2011	
New Issues			
UK Main Market, PSM & SFM	12	39	(69%)
UK AIM	43	58	(26%)
Borsa Italiana	4	5	(20%)
Total	59	102	(42%)

Company Numbers (as at period end)

UK Main Market, PSM & SFM	1,393	1,457	(4%)
UK AIM	1,107	1,156	(4%)
Borsa Italiana	288	294	(2%)
Total	2,788	2,907	(4%)

Market Capitalisation (as at period end)

UK Main Market (£bn)	1,885	1,713	10%
UK AIM (£bn)	64	64	0%
Borsa Italiana (€bn)	345	337	2%
Borsa Italiana (£bn)	275	292	(6%)
Total (£bn)	2,224	2,069	7%

Money Raised (£bn)

UK New	4.1	11.5	(64%)
UK Further	2.4	3.3	(27%)
Borsa Italiana new and further	1.4	8.5	(84%)
Total (£bn)	7.9	23.3	(66%)

Capital Markets - Secondary Markets

	Six months ended		Variance %
	30 September		
	2012	2011	
Equity			
Totals for period			
UK value traded (£bn)	508	626	(19%)
Borsa Italiana (no of trades m)	28.6	34.2	(16%)
Turquoise value traded (€bn)	200.8	276.3	(27%)
SETS Yield (basis points)	0.68	0.70	(3%)
Average daily			
UK value traded (£bn)	4.1	5.0	(18%)
Borsa Italiana (no of trades '000)	227	267	(15%)
Turquoise value traded (€bn)	1.57	2.14	(27%)
Derivatives (contracts m)			
Turquoise	13.4	21.7	(38%)
IDEM	20.4	28.3	(28%)
Total	33.8	50.0	(32%)

Fixed Income

MTS cash and Bondvision (€bn)	1,103	1,318	(16%)
MTS money markets (€bn term adjusted)	32,977	33,008	(0%)
MOT number of trades (m)	2.68	2.12	26%

Post Trade - key performance indicators



Post Trade Services

	Six months ended		Variance %
	30 September 2012	2011	
CC&G Clearing (m)			
Equity clearing (no of trades)	30.1	36.1	(17%)
Derivative clearing (no of contracts)	20.4	28.3	(28%)
Total	50.5	64.4	(22%)
Open interest (contracts as at period end)			
	4.8	5.6	(14%)
Initial margin held (average €bn)	10.5	8.7	21%
Monte Titoli			
Pre Settlement instructions (trades m)	13.8	16.8	(18%)
Settlement instructions (trades m)	12.6	17.4	(28%)
Total Settlement	26.4	34.2	(23%)
Custody assets under management (average €tn)			
	3.19	3.05	5%

Information Services - key performance indicators

Information Services

	As at		Variance %
	30 September 2012	2011	
UK Terminals			
Professional - UK	35,000	38,500	(9%)
Professional - International	51,000	54,500	(6%)
Total	86,000	93,000	(8%)
Borsa Italiana Professional Terminals	140,000	134,000	4%



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