

Press Release

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LCH.Clearnet Group results and announcements

London, 29 April 2008 – LCH.Clearnet announces its results for the year ended 31 December 2007

Financial highlights

- Dividend of €26 million (€0.35 per share) to shareholders;
- Strong growth in net revenue of 12.8%¹ to €500.6 million from record cleared volumes in 2007;
- Operating profit increased by 44.9% to €257.4 million;
- 1.72 billion trades cleared, an increase of 36%² on 2006;
- Record cleared values of €616 trillion;
- Substantial tariff reductions implemented of more than 25% in cash equities, 25% in energy products and 5% in fixed income, with further reductions of 25% in cash equities and 30% in energy products implemented in 2008.
- Successful issue of €200 million preferred securities during the year
- Redemption of €198.8 million redeemable convertible purchase shares from NYSE Euronext;
- Repurchase of €200 million of ordinary shares from NYSE Euronext with a further €61.8 million to be repurchased in the first half of 2008;

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¹ Percentage changes are on an annualised basis compared to the year ended 31 December 2006.

² Measured on a like-for-like basis.

Commenting on the Group's performance, LCH.Clearnet's Chief Executive Roger Liddell said:

"I opened my Review last year by saying that 2006 had been a challenging year for the Group. 2007 was certainly no different. A period of enormous change in the industry, coupled with ever greater levels of clearing activity across all sectors, presented us with very considerable opportunities as well as a number of threats to our pre-eminence in European central counterparty clearing. At the same time, the Group has delivered a very robust financial performance.

LCH.Clearnet achieved a new record in clearing activity, with 1.72 billion contracts cleared, an increase of 36% over the 1.27 billion contracts cleared in 2006. These reflected a traded value of €616 trillion, 23% up on 2006.

Clearing revenue increased by 11.1% over 2006 to €404.3 million, despite an average reduction of 7% in clearing fees across all classes. Growth was primarily due to the very high levels of activity in several of our business areas, but particularly in the equity, energy and freight markets during the year, and resulted in a higher proportional increase in transaction revenue than in overall volumes. Treasury revenues grew very considerably, driven by not only high levels of cash and non-cash margin commitments, but also by very high demand for short term investment following the general deterioration in capital markets in the second half of the year. Cash margins and default fund contributions under Treasury management peaked in December at €19.7 billion, against an average over the year of €16.4 billion. Interest payments to members, in respect of cash and collateral margin payments, increased by 16.3% to €769.7 million, again reflecting the size of balances arising from these high activity levels. Administrative expenditure increased by 11.4% to €243.2 million reflecting the increase in staff numbers in 2007 and the renewal of some IT infrastructure which has reinforced headcount and the resilience of the systems as well as enhanced the capacity to deliver significant projects to customers, particularly in the second half of 2007."

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Financial review

Summarised consolidated income statement for LCH.Clearnet Group

	2007 €m	2006 €m
Total revenue	1,362.7	1,234.9
Interest expense and similar charges	(862.1)	(733.3)
Fees payable and similar charges	-	(57.9)
Net revenue	<u>500.6</u>	<u>443.7</u>
Administrative expenditure	(243.2)	(218.3)
Write off of capitalised development costs	-	(47.8)
Operating costs	<u>(243.2)</u>	<u>(266.1)</u>
Operating profit	257.4	177.6
Net finance income	4.5	4.2
Profit before taxation	<u>261.9</u>	<u>181.8</u>
Taxation expense	(83.0)	(58.2)
Profit for the year	<u>178.9</u>	<u>123.6</u>

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Total revenue

	2007 €m	2006* €m	Increase %
Clearing fees	404.3	363.9	11.1
Interest from cash and collateral margin	847.1	728.8	16.2
Interest earned on Default Funds	82.6	62.0	33.2
Other income	28.7	22.3	28.7
Total revenue	1,362.7	1,177.0	15.8

**Clearing fees in 2006 have been adjusted to deduct fees payable and similar charges to be comparable to 2007.*

Group turnover from continuing operations, on a like-for-like basis, increased by 15.8% to €1,362.7 million.

Interest income from cash and collateral margin balances increased by €118.3 million (16.2%) to €847.1 million (2006: €728.8 million) principally due to the substantially higher cash and collateral margin balances arising from increased levels of market activity during the year, along with rising sterling and euro interest rates.

Default Fund interest earnings increased by €20.6 million (33.2%) to €82.6 million (2006: €62.0 million) due to the rising sterling interest rate.

Other income has increased by €6.4 million (28.7%) to €28.7 million (2006: €22.3 million). Other income includes annual fees charged to members, recovery of settlement fees and transfer fees.

Interest payments to clearing members

Interest expense and similar charges have risen by €128.8 million (17.6%) to €326.1 million (2006: €733.3 million). This includes interest payments to clearing members in respect of cash and collateral margins that have increased by €108.1 million (16.3%) to €769.7 million (2006: €661.6 million) and interest paid in respect of contributions to the Default Funds that have increased by €20.7 million (28.9%) to €92.4 million (2006: €71.7million).

Fees payable and similar charges

Since 1 January 2007, the Group is transparently acting as a collection agent for fees that are transferred to NYSE Euronext. Previously these retrocession fees had passed through the Group's income statement.

Administrative expenditure

Administrative expenditure has risen by €24.9 million (11.4%) to €243.2 million (2006: €218.3 million).

The rise reflects an increase in staff numbers in 2007, in particular within the IT department, and the renewal of some IT infrastructure. This follows the recruitment of a new IT management team in late 2006. The effect of this has been to reinforce headcount and the resilience of the systems as well as to enhance the capacity to deliver a significant number of projects to customers, particularly in the second half of 2007.

Write-off of capitalised development costs

In 2006 the Group wrote off €47.8 million, which substantially related to assets from the Generic Clearing System (GCS) within its technology strategy. The programme was fully written off in 2006.

Operating profit

Strong trading volumes across all markets enabled the business to implement a programme of tariff reductions in 2007, which has continued into 2008. This has also resulted in an increase in operating profit of €79.8 million (44.9%) to €257.4 million (2006: €177.6 million after allowing for the write off of capitalised development costs of €47.8 million).

LCH.Clearnet Group Limited
Extracts from the 2007 Annual Report and Consolidated Financial Statements
Consolidated income statement for the year ended 31 December 2007

	2007 €000	2006 €000
Revenue		
Interest income	929,713	790,798
Interest expense and similar charges	(862,084)	(733,278)
Net interest income	<u>67,629</u>	<u>57,520</u>
Clearing fees	404,279	421,844
Other income	28,714	22,254
	<u>500,622</u>	<u>501,618</u>
Fees payable and similar charges	-	(57,926)
Net revenue	<u>500,622</u>	<u>443,692</u>
Costs and expenses		
Employee benefits expense	(81,486)	(71,929)
Depreciation and amortisation charge	(11,684)	(14,639)
Write-off of capitalised development costs	-	(47,822)
Other operating expenses	(150,064)	(131,667)
Total costs and expenses	<u>(243,234)</u>	<u>(266,057)</u>
Operating profit	257,388	177,635
Finance income	20,564	14,262
Finance costs	(16,094)	(10,032)
Profit before taxation	<u>261,858</u>	<u>181,865</u>
Taxation expense	(82,934)	(58,216)
Profit for the year	<u>178,924</u>	<u>123,649</u>

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Consolidated balance sheet as at 31 December 2007

	2007 €000	2006 €000
Non-current assets		
Intangible assets	516,616	520,261
Property, plant and equipment	13,265	7,616
Other financial assets	-	15,000
Deferred taxation	12,110	18,821
	<u>541,991</u>	<u>561,698</u>
Current assets		
Cash and short-term deposits	16,823,831	15,701,719
Derivative financial assets	4,683	-
Debtors and other receivables	52,725	70,563
Balances with clearing members	278,041,605	257,779,047
	<u>294,922,844</u>	<u>273,551,329</u>
TOTAL ASSETS	<u><u>295,464,835</u></u>	<u><u>274,113,027</u></u>
Capital and reserves		
Called up share capital	80,116	100,116
Capital reserves	15,327	376,371
Capital redemption reserve	20,000	-
Translation reserve	-	5,263
Retained earnings	603,515	243,358
	<u>718,958</u>	<u>725,108</u>
Non-current liabilities		
Interest bearing loans and borrowings	223,961	225,840
Default Funds	1,540,862	1,732,671
Employee benefits	7,869	46,953
	<u>1,772,692</u>	<u>2,005,464</u>
Current liabilities		
Interest bearing loans and borrowings	5,276	1,249
Derivative financial liabilities	278	-
Income tax payable	24,927	30,413
Creditors and other payables	110,315	82,949
Balances with clearing members	292,832,389	271,267,844
	<u>292,973,185</u>	<u>271,382,455</u>
TOTAL EQUITY AND LIABILITIES	<u><u>295,464,835</u></u>	<u><u>274,113,027</u></u>

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Editors Notes

LCH.Clearnet is currently owned 67.6% by users, 17.8% by exchanges with the balance of 14.6% being held by Euroclear. Upon completion of the Euronext share buy-back program in the first half of 2008, the Group will be owned 73.3% by users, 10.9% by exchanges and 15.8% by Euroclear.

LCH.Clearnet is committed to operating under strict principles of non-discrimination across its user base. LCH.Clearnet serves major international exchanges and platforms, equity, exchange-traded derivatives, energy, interbank interest rate swaps markets and the majority of the Euro-denominated and sterling bond and repo markets.

LCH.Clearnet markets served

