



Tullett Prebon plc

Interim Results 2010

August 2010





Terry Smith
Chief Executive



Introduction

- Robust performance
- Market activity generally lower than H1 2009
- Underlying revenue unchanged
- Impact of broker defections in North America
- Interim dividend 5.25p per share

North America

- Re-established presence in all major product areas
- Pause in hiring
- Action being taken to reduce costs and complexity
 - broker exits
 - support staff reductions
 - closure of six small offices

Electronic Broking

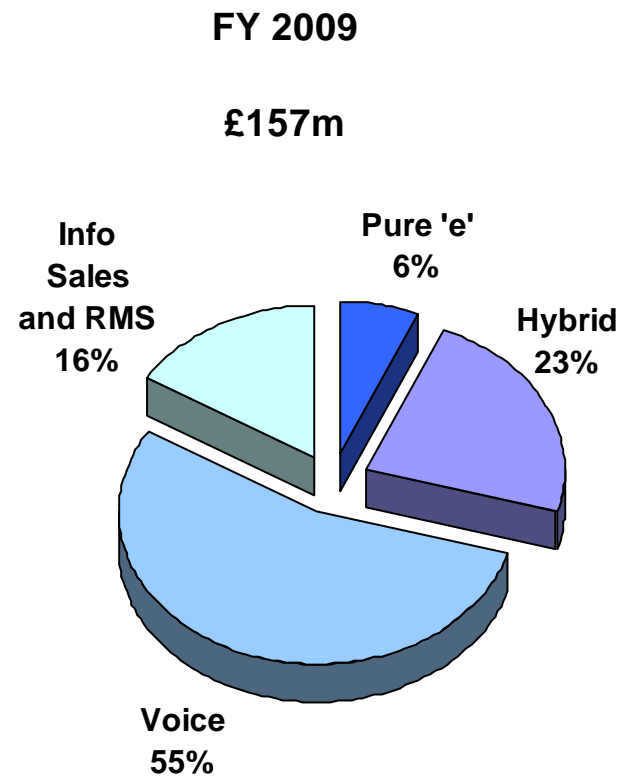
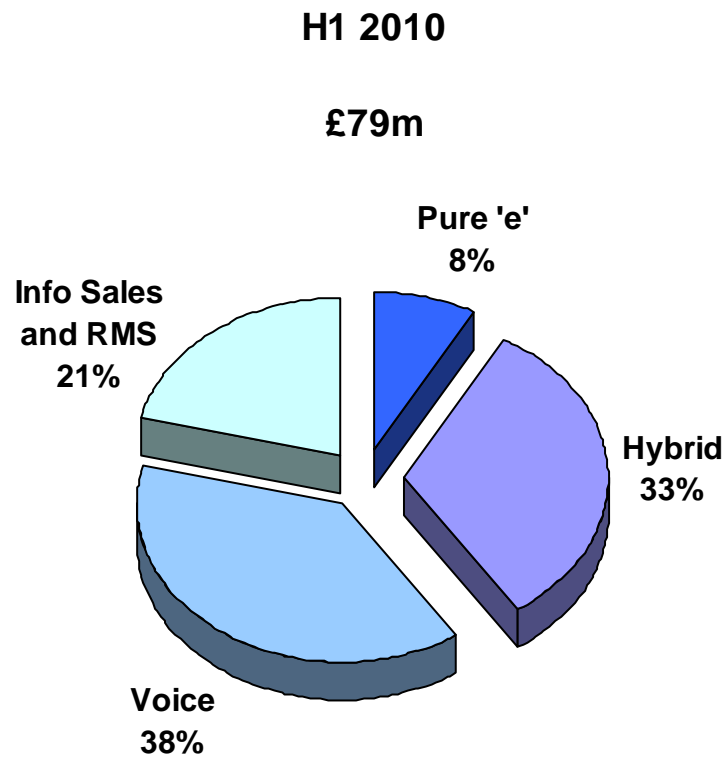
- Continued focus on hybrid model
 - complements voice broker liquidity
 - best suited to most OTC products
 - preferred by clients and brokers
 - facilitates evolution of trade execution
- Current offering competitive
- New platforms in development

Information Sales and Risk Management Services

- Information Sales
 - expand product coverage
 - new geographic markets
- tpMATCH successful launch
- OTC Valuations

Electronic Broking – Revenues

Revenues from products supported by electronic platforms plus Information Sales Proportions of Revenues by type



Litigation Update

- UK
 - Judgment March 2010
 - Damages trial March 2011
- US
 - FINRA arbitration
 - RICO action

Financial Performance

£m	H1 2010	H1 2009	Change	
			Reported	Constant Exchange Rates
Revenue	475.8	517.9	-8%	-7%
Operating profit	84.7	100.6	-16%	-15%
Operating margin	17.8%	19.4%	-1.6% pts	

Revenue by Product Group

£m	H1 2010	H1 2009	Change	
			Reported	Constant Exchange Rates
Treasury Products	125.2	124.0	+1%	+2%
Interest Rate Derivatives	107.5	102.3	+5%	+6%
Fixed Income	132.7	188.3	-30%	-28%
Equities	38.1	38.8	-2%	+1%
Energy	55.6	52.3	+6%	+7%
Info Sales/Risk Management Services	16.7	12.2	+37%	+37%
	475.8	517.9	-8%	-7%

Revenue by Region

£m	H1 2010	H1 2009	Change	
			Reported	Constant Exchange Rates
Europe	288.1	289.1	-0%	-0%
North America	135.6	183.6	-26%	-23%
Asia Pacific	52.1	45.2	+15%	+13%
Reported	475.8	517.9	-8%	-7%

Operating Profit & Margin by Region

£m	Operating Profit				Margin	
	H1 2010	H1 2009	Change		H1 2010	H1 2009
			Reported	Constant Exchange Rates		
Europe	69.6	69.4	+0%	+0%	24.2%	24.0%
North America	11.7	28.7	-59%	-57%	8.6%	15.6%
Asia Pacific	3.4	2.5	+36%	+36%	6.5%	5.5%
	84.7	100.6	-16%	-15%	17.8%	19.4%

Performance Measures

	H1 2010	H1 2009	Change
Broker headcount (period end)	1,624	1,647	-1%
Average revenue per broker	£283k	£308k	-7%*
Broker employment costs: broking revenue	57.9%	57.6%	+0.3% pts
Broking support headcount (period end)	703	713	-1%

* at constant exchange rates

Broker Headcount

	June 2010	December 2009	June 2009
Europe	803	788	775
North America	461	468	526
Asia Pacific	360	356	346
	<hr/> 1,624	<hr/> 1,612	<hr/> 1,647

Comparison with Sector – most recent 12 months

Most recent published 12 months (basis: see appendices)	Revenue £m	Revenue Growth Year on Year %	Operating Margin %
ICAP (Electronic Broking)	252	0%	39.7%
ICAP (Post Trade and Information)	142	+15%	48.6%
ICAP (Voice Broking including New Business)	1,235	+1%	13.0%
ICAP (All activities)	1,629	2%	20.2%
Tullett Prebon	906	-9%	17.1%
Tradition	753	-16%	8.8%
BGC Partners Inc	709	-4%	6.1%
GFI	520	-21%	4.1%

Comparison with Sector – most recent 6 months

Most recent published 6 months (basis: see appendices)	Revenue £m	Revenue Growth Year on Year %	Operating Margin %
ICAP (Electronic Broking)	130	+6%	40.8%
ICAP (Post Trade and Information)	74	+1%	50.0%
ICAP (Voice Broking including New Business)	616	-4%	11.4%
ICAP (All activities)	820	-2%	19.5%
Tullett Prebon	476	-8%	17.8%
Tradition	398	-12%	6.9%
BGC Partners Inc	336	+1%	3.9%
GFI	232	-15%	n/a



Paul Mainwaring
Finance Director



Profit & Loss

£m	H1 2010	H1 2009
Revenue	475.8	517.9
Operating profit	84.7	100.6
Cash finance income/(expense)	(6.1)	(7.8)
Adjusted Profit before tax	78.6	92.8
Tax	(24.8)	(32.5)
Associates	1.0	1.0
Minorities	(0.2)	(0.5)
Adjusted Earnings	54.6	60.8

Cash Finance Income/(Expense)

£m	H1 2010	H1 2009
Interest receivable on cash balances	0.9	1.1
Eurobonds	(5.2)	(6.2)
Net swap interest	-	1.0
Bank loan	(1.2)	(3.1)
Amortisation of debt issue costs	(0.5)	(0.5)
Other interest	(0.1)	(0.1)
	<hr/>	<hr/>
	(6.1)	(7.8)

Taxation

£m	H1 2010	H1 2009
Adjusted Profit before tax	78.6	92.8
Effective tax rate	31.5%	35.0%
Tax charge on adjusted profit	(24.8)	(32.5)

EPS

£m	H1 2010	H1 2009
Adjusted Earnings	54.6	60.8
Weighted average number of shares	214.3m	213.6m
Adjusted Earnings per share	25.5p	28.5p

Operating Cash Flow

£m	H1 2010	H1 2009
Operating profit	84.7	100.6
Share based compensation	1.3	(0.2)
Depreciation/amortisation	4.5	4.1
EBITDA	90.5	104.5
Capital expenditure (net of NBV of disposals)	(5.2)	(4.1)
Working capital	(47.0)	(57.4)
Operating cash flow	38.3	43.0

Net Cash Flow

£m	H1 2010	H1 2009
Operating cash flow	38.3	43.0
Exceptional items – cash payments	-	(6.3)
Interest	(0.5)	(4.4)
Taxation	(20.1)	(15.0)
Pension funding	(6.3)	(6.3)
ESOT transactions	1.7	1.5
Dividends received from associates/paid to minorities	1.4	1.9
Acquisitions/investments	(2.4)	(3.5)
Cash flow before debt repayments and dividends	12.1	10.9

Movement in Cash and Debt

£m	Cash	Debt	Net
At 31 December 2009	396.2	(387.2)	9.0
Cash flow	12.1	-	12.1
Dividends	(21.4)	-	(21.4)
Debt repayments/draw downs	(30.4)	30.4	-
Effect of movement in exchange rates	7.8	0.1	7.9
Movement in fair values/amortisation of costs	-	(0.4)	(0.4)
At 30 June 2010	<u>364.3</u>	<u>(357.1)</u>	<u>7.2</u>

Balance Sheet

£m	June 2010	December 2009	June 2009
Goodwill	378.1	373.5	380.9
Deferred consideration	(9.3)	(10.3)	(19.2)
Associates/investments	7.8	8.3	8.1
Operating assets/(liabilities)	14.8	(34.8)	(11.5)
Accrued interest	(10.4)	(5.3)	(11.2)
Current tax	(39.0)	(32.2)	(41.5)
Deferred tax	3.6	5.6	14.0
Pensions	4.8	(1.3)	(12.1)
Derivative financial instruments	(0.1)	-	(4.3)
	350.3	303.5	303.2
Net funds/(debt)	7.2	9.0	(43.8)
Net assets/Shareholders' funds	357.5	312.5	259.4

Operating Assets/(Liabilities)

£m	June 2010	December 2009	June 2009
Fixed assets	34.5	33.0	31.2
Trade receivables	97.8	73.8	90.9
Net settlement balances	1.3	0.4	8.5
Other debtors/prepayments	61.9	48.8	47.5
Payables/accruals	(170.6)	(181.5)	(179.8)
Provisions	(10.1)	(9.3)	(9.8)
	<u>14.8</u>	<u>(34.8)</u>	<u>(11.5)</u>

Gross settlement balances	- Receivable	15,123.5	5,638.0	21,188.9
	- Payable	(15,122.2)	(5,637.6)	(21,180.4)
		<u>1.3</u>	<u>0.4</u>	<u>8.5</u>



Terry Smith
Chief Executive



Regulatory Developments

- United States
 - Dodd-Frank Act passed into law 21 July 2010
 - detailed rules still to be drafted
- Europe
 - EC proposals on OTC derivatives markets expected during H2

Regulatory Developments

Dodd-Frank principles for OTC derivatives markets

- regulators to determine which swaps should be cleared through CCPs
- cleared swaps required to be executed through:
 - swap execution facility, or
 - board of trade/exchange
- trade information required to be reported to data repository
- detailed rules required within one year

Regulatory Developments

Dodd-Frank legislation recognises

- CCPs not appropriate for all instruments
- access to clearing must be non-discriminatory
- information provision needs to be balanced with maintaining liquidity

Regulatory Developments

Dodd-Frank – our views

- we support the principles
- formalises role of intermediaries
- we will meet requirements for swap execution facilities
- regulations likely to enhance our business
- we will continue to engage with regulators on detailed rules

Outlook

- Unsettled financial markets
- Periods of higher market activity likely in H2
- Underlying revenue run rate expected to improve
- Lower impact from North America broker defections
- Expect to deliver a good outcome for the year



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Appendices



Reconciliation: PBT adjusted to reported

£m	H1 2010	H1 2009
Adjusted Profit before tax	78.6	92.8
Non cash finance income/(expense)	0.7	(1.1)
Reported Profit before tax	<u>79.3</u>	<u>91.7</u>

Reconciliation: Earnings adjusted to reported

£m	H1 2010	H1 2009
Adjusted Earnings	54.6	60.8
Non cash finance income/(expense)	0.7	(1.1)
Tax on non cash finance income/(expense)	(0.2)	0.4
Reported Earnings	<u>55.1</u>	<u>60.1</u>

Net Funds/(Debt)

£m	June 2010	December 2009	June 2009
Eurobond August 2014	(8.5)	(8.8)	(150.0)
Eurobond July 2016	(141.1)	(141.1)	-
Bank term loan	(210.0)	(240.0)	(240.0)
Overdrafts	-	-	(4.0)
Finance leases	(0.3)	(0.5)	(0.5)
Unamortised debt issue costs	2.8	3.2	1.3
	(357.1)	(387.2)	(393.2)
Cash and cash equivalents	331.3	366.1	316.0
Other financial assets	33.0	30.1	33.4
	364.3	396.2	349.4
Net Funds/(Debt)	7.2	9.0	(43.8)

Competitor Analysis – Sources

- ICAP is 12 and 6 months to March 2010 including discontinued Voice Broking activities, with prior year comparatives
- Tradition revenue is 12 and 6 months to June 2010 with prior year comparatives. Operating margin is 12 months to December 2009 quoted as underlying by Tradition, and 6 months to December 2009 estimated on the same basis
- BGC Partners Inc. is 12 months and 6 months to December 2009 with prior year comparatives; Revenue includes Broking, Market Data and Software Solutions revenues; Operating margin is calculated using reported pre-tax profit adjusted for net interest
- GFI revenue is 12 months and 6 months to December 2009 with prior year comparatives; Revenue includes Broking, Software, Analytics and Market Data; Operating margin is calculated using reported pre-tax profit adjusted for net interest
- Average exchange rates applied for each period

Major Shareholders as at 15 July 2010

Investor		Holding	(%)
1	Scottish Widows Investment Partnership	19,480,723	9.05
2	Jupiter Asset Management	14,813,681	6.88
3	Director & Related Holding(s)	9,954,148	4.62
4	Legal & General Investment Management	8,306,720	3.86
5	JP Morgan Asset Management	7,653,736	3.55
6	Aberforth Partners	7,453,476	3.46
7	HSBC Global Asset Management (UK)	7,451,827	3.46
8	Standard Life Investments	7,372,284	3.42
9	Credit Suisse First Boston (Europe)	6,217,072	2.89
10	Oppenheimerfunds	5,310,906	2.47
11	Liverpool Victoria Asset Management	5,308,481	2.47
12	LSV Asset Management	5,066,615	2.35
13	F&C Asset Management	4,282,116	1.99
14	Acadian Asset Management	4,018,482	1.87
15	State Street Global Advisors	3,596,319	1.67
16	Henderson New Star	3,545,061	1.65
17	BlackRock Investment Management (UK)	3,164,348	1.47
18	IG International Management	2,867,766	1.33
19	Norges Bank Investment Management	2,739,029	1.27
20	Toscafund Asset Management	2,709,429	1.26
Source: Capita Registrars		131,312,219	60.99