Euronext Publishes Full Year 2014 Results

Euronext (Paris:ENX) (Amsterdam:ENX) (Brussels:ENX) today announced its results for the full year of 2014.

- **Third party annual revenue increased by +9.0% on an adjusted basis [1] to €458.5 million (FY 2013 adjusted: €420.5 million), or +18.6% on a reported basis (FY 2013 reported: €386.7 million)**
- **Substantial reduction in operational expenses excluding depreciation and amortization: -11.4% compared to FY 2013 adjusted [1] (decrease by -5.2% compared to FY 2013 reported)**
- **Full-year EBITDA margin of 45.8% - €38million of efficiencies already achieved**
- **Revised commitment to deliver total net efficiencies [2] of €80 million by the end of 2016 - the €60 million efficiencies [2] originally mentioned will be delivered by the end of H1 2015 (run-rate basis)**
- **A €0.84 per share dividend will be proposed for approval at the AGM on 6 May 2015, representing a 50% payout ratio on net profit.**

”*Over the past 12 months we have been focussed on the execution of our ambitious strategy. Today's results are evidence of our ability to drive Euronext forward, underscored by continued strong growth in our revenue, a substantial reduction in our expenses and attaining an EBITDA margin of 45.8%. We will continue to optimize Euronext and we are committing to increase our efficiencies to €80 million by the end of 2016 on a run-rate basis. We have appointed a number of highly accomplished individuals to Euronext this year and I am extremely proud of the talent that we now have within the group, creating a superior team in this industry. Together we will continue our work to build Euronext into a leading financing centre and thereby position us as a champion in Europe*,” said Dominique Cerutti, CEO and Chairman of the Managing Board of Euronext NV.

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[1] for the nine month period ending 31 December 2013 the changes in third party revenue and operational expenses have also been included when adjusted for the new derivative clearing agreement with LCH.Clearnet. This was included based on our estimate of the amount of revenue we would have received and the amount of associated expenses we would have paid under the Derivatives Clearing Agreement, based on our actual trading volume for the periods presented and assuming the Derivatives Clearing Agreement had been in effect from 1 April

2013, see also specific paragraph and reconciliation pages 6 and 7.
[2] pre tax operating optimisation and efficiencies. Net amount, on a run-rate basis, ie taking into account the full year impact of any cost saving measure to be undertaken before the end of the period mentioned.

Financial performance

Third party annual revenue increased by +9.0% on an adjusted[1] basis to €458.5 million (FY 2013 adjusted: €420.5m) or +18.6% on a reported basis, driven by sustained listing activity and strong revenues from cash trading and from market data businesses throughout the year. This revenue includes €36 million from the derivatives clearing contract with LCH.Clearnet which came into force on 1 April 2014 (adjusted[1] clearing revenue for 2013: €33.8 million).

Operational expenses excluding Depreciation & Amortization decreased by 11.4% on an adjusted[1] basis to €267.1 million (2013 adjusted: €301.6 million) and by -5.2% on a reported basis (2013 reported: €281.8 million), thanks to very strong cost discipline. These expenses include € 20.3 million of costs related to the contract with LCH.Clearnet above mentioned (2013: €19.8 million if this contract had been in place at that time).

As a result of this strong activity combined with a reduced cost base, the EBITDA margin increased strongly in 2014 to 45.8% compared to 41.5% in 2013 adjusted[1] and reported. In 2013 this number included €95 million of ICE transitional revenue and other income while these revenues were limited to €34 million this year.

These 2014 revenues reflect primarily the IT support services provided to Liffe for €22.5 million for the operation of its derivatives exchanges in the UK and in the US. The impact of the Cannon Bridge House sublease rent in London was €8.5 million in 2014. These transitional revenues are not expected to be recurring beyond the fiscal year 2014.

Depreciation and Amortization decreased by € 3.3 million, from € 19.9 million in 2013 to €16.6 million this year. As already explained during the year, this is due to the end of the amortization of the historic Euronext UTP value in April 2014.

Full year 2014 operating profit before exceptional items was €208.8 million, a 7.6% increase compared to last year on an adjusted[1] basis.

€44.6 million of exceptional costs were booked in 2014, with new decisions in Q4 2014: decisions were made during the last quarter of the year to exit the disaster recovery site of the

Cannon Bridge House building in London at the end of 2015 and to relocate the Paris head office to La Defense. Exceptional costs also include restructuring costs linked to the separation programme.

The result from equity investment of €4.6 million for 2014 relates to our direct and indirect stakes in Euroclear. It should be compared to a loss of €18 million in 2013 due to an impairment of Sicovam holding, partially offset by a gain on partial disposal of the LCH.Clearnet stake.

The income tax for the full year of 2014 amounted to €44.1 million, on balance positively impacted mainly by the following discrete items in the course of the year:

- The derecognition of some deferred tax assets in connection with the demerger in Q1 2014 has induced a €15.7 million one-off tax item,
- A gross release of a provision for uncertain tax position of €18.6 million relating mainly to the non-deductibility of intercompany interest paid in 2014,
- An additional loss of €4.8 million was recognized in Q4 2014 on the liquidation of Bluenext in 2012 following discussions with French tax authorities.

Thus, for the full year the tax rate stands at 27.2%, while restated for all discrete one-off items, it would have been 33%, slightly higher than the Company normalized tax rate (31%), due to non-deductible restructuring and IPO costs.

The net profit for the year 2014 amounted to €118.2 million, a +35.0% increase compared to the full year of 2013. This represents an EPS of €1.69 (both basic and fully diluted), compared to €1.25 in 2013.

The Supervisory Board, upon the proposal of the Managing Board, has decided to propose for approval at the Annual General Meeting on 6 May 2015, the payment of a dividend of €0.84 per share. This represents a pay-out ratio of 50% of the net profit.

As of 31 December 2014 the Company had cash and cash equivalents excluding financial investments of €241.6 million, and total debt of € 248 million.

Business highlights

<u>Q4 2014 trends</u>

- **Listing**

Listing revenues were €16 million in Q4 2014, an increase of 3.2% compared to the €15.5 million achieved in Q4 2013. This performance was primarily driven by strong secondary market activity, with €15.5 billion raised in equity (against €5 billion in Q4'2013) and €13.5 billion raised in corporate debt (against €12.8 billion in 2013) and by new listings activity. The largest non-financial transaction in Europe for the past five years took place on Euronext markets in November when Numericable Group raised €4.7 billion in a capital increase while Pershing Square Holdings, the largest IPO in Europe in 2014 raised €2.4 billion in October.

- **Trading**

Cash trading

The fourth quarter of 2014 was the strongest this year in terms of revenues from the cash trading business with revenues of €44.7 million, an increase of 29.9% compared to €34.4 million in Q4 2013. Activity remained buoyant during this last quarter of the year with cash market average daily volumes of +34.1% compared to Q4 2013. 19 December was the most active day in terms of transaction value since March 2011 with over €16 billion traded.

The fourth quarter also saw our best quarter in ETFs since Q3 2011, with volumes up by +98% compared to Q4 2013.

Our Warrants and Certificates business experienced strong performance in Q4 2014 with volumes up +7% versus Q4 2013. Euronext ended the year with over 41,000 listed products, up 40% versus the end of December 2013.

Derivatives trading

Derivatives trading revenue increased by +8.8% in Q4 2014 compared to the same quarter last year, amounting to €12.1 million (Q4 2013: €11.1m). This business benefited from both the structural return of volatility which boosted volumes in equity derivatives and from continued strong interest in our commodity franchise.

In equity derivatives the return of higher volatility in October and December positively impacted volumes across the quarter, with index futures and options showing an increase of 20% versus Q4'2013 and individual equity derivatives flat.

The fourth quarter of the year was the best quarter ever on commodity derivatives and included a record week between 15 December and 19 December. Volumes in commodities increased by 34% in Q4 2014 compared to the same quarter in 2013 and open interest stood at a record one million contracts.

- **Market data & indices**

Market data & indices revenue in Q4 2014 was up 5.4% compared to the same quarter in 2013, to €23.8 million (Q4 2013: €22.6 million) benefiting from the products launched since the beginning of the year.

- **Post-trade**

Clearing

The financial benefits of the derivatives clearing agreement with LCH.Clearnet came into force on 1 April 2014. To facilitate the comparison, Euronext has decided to provide adjusted figures for 2013, estimating the impact this contract would have had, had it been in place from Q2 2013 onwards.

For Q4 2014 Euronext recorded clearing revenues of €13.5 million, (Q4 2013 adjusted[1]: €11.4 million, or Q4 2013 reported: €0.0 million). This 18.4% increase compared to the adjusted number for Q4 2013 results from the strong activity in the commodity franchise, as mentioned above.

Settlement & Custody

Revenues for Interbolsa in Portugal decreased by 6.2% in Q4 2014, to €5.0 million, compared to €5.3 million in Q4 2013.

- **Market solutions & other**

Revenues from market solutions decreased in Q4 2014 compared to the same quarter in 2013 (from €9.9 million to €8.4 million). This is largely due to the change in accounting principles. Some allocations (SFTI and Colo revenues) have been replaced by an SLA (Service Level Agreement) effective 1 April 2014. While allocations were accounted on a gross basis in 2013 with associated expenses impacting the costs, starting 2014 onwards these revenues are recognised on a net basis.

<u>Full year analysis</u>

- **Listing**

Listing revenues were €61.7 million in 2014, an increase of 15.8% compared to the €53.3 million achieved in 2013. This strong performance was driven by healthy IPO and secondary market activity. 50 new listings took place in 2014 (versus 36 in 2013), of which 35 IPOs (versus 21 in 2013), and a total of €10.8 billion of capital raised, compared to €3.1 billion in 2013. In terms of IPO proceeds, Euronext was the second largest exchange in Europe and the sixth largest globally. Three of the 10 largest IPOs in Europe (Altice, NN and Pershing Square Holdings) took place on Euronext. In total €104 billion in equity and debt was raised on our markets compared to €92 billion in 2013.

Enternext, our subsidiary dedicated to the promotion and growth of small and medium-size companies had a very successful 2014. Companies backed by Enternext raised a total of €9 billion across our primary and secondary offerings (compared to €6.5 billion in 2013) and a resurgence in IPOs resulted in 34 SME listings (compared to 25 in 2013).

- **Trading**

Cash trading

The cash trading business achieved a strong full-year performance with revenues of €165.6 million, an increase of 19.7% compared to €138.4 million in 2013. This performance results from strong trading volumes, up 17.6% compared to 2013, combined with successful yield management and a stable market share. The yields remained stable over the year thanks to the fee change in February 2014 and to the revised fees charged to liquidity providers on blue chips as from November. Our domestic market share in a highly competitive environment was 64.2% for the full year.

The ETF segment was particularly dynamic this year with volumes up 24% compared to 2013.

Derivatives trading

Derivatives trading revenue decreased by 4.5% in 2014 compared to 2013, amounting to €46.5 million (compared to €48.7 million in 2013). This is due to the dampening effects of lower volatility in the second and in the third quarters of the year and to competition in the Dutch segment of the individual equity options business.

For the full year commodity products achieved a strong performance, with an increase in volumes traded of 25% compared to 2013.

- **Market data & indices**

Market data & indices revenue, which now account for 20% of our revenues, posted an 11% increase in 2014 revenues compared to 2013: €93.3 million versus €84 million.

This growth was due to a strong client take up of the Continental Derivatives data packages, delayed data agreements and a record number of licensed products on Euronext indices which rose by 40% to over 5,600. We have secured 120 new vendors distributing 15-minute delayed data, making a total of 375 vendors worldwide and 150,000 screens across 130 countries viewing our data.

- **Post-trade**

Clearing

The financial benefits of the derivatives clearing agreement with LCH.Clearnet came into force on 1 April 2014. To facilitate the comparison, Euronext has decided to provide adjusted figures for 2013, estimating the impact this contract would have had, had it been in place from Q2 2013 onwards.

For the full year of 2014 Euronext recorded clearing revenues of €36 million, (full year 2013 adjusted[1]: €33.8 million, or 2013 reported: €0.0 million).

As explained above, this increase compared to the adjusted number for 2013 results from the favourable impact of the derivatives product mix.

Settlement & Custody

Full year revenues for Interbolsa in Portugal in 2014 amounted to €21.3 million, flat compared to 2013.

- **Market solutions & other**

Revenues from market solutions decreased in 2014 compared to 2013 (from €41 million to €33.5 million), as expected in the middle of the adaptation period to refocus the strategy of commercial technology and due to the change in accounting principles outlined above.

Four Euronext UTP deals were signed in 2014, the highest annual number since the launch of the platform.

ICE transitional revenue & other income

In the fourth quarter of 2014 ICE transitional revenue amounted to €7.2 million, whilst it was €34 million for the full year of 2014.

This revenue reflects (i) the IT support services provided to Liffe for the operation of its derivatives exchanges in the UK and in the US and its foreseen migration onto the ICE platform; (ii) the invoicing of Cannon Bridge House on a full quarter basis (started as of 19 May 2014) and (iii) ancillary services. This should not be compared to the revenues booked last year as, until 1 January 2014, the financial statements were combined financial statements and included recharge of shared costs made in accordance with the historical transfer pricing agreement between the legal entities which has been terminated and replaced by SLAs for providing services to ICE. These SLAs are priced separately for each service rendered in accordance with market prices.

Update on Euronext medium term objectives

The priority in 2014, a unique year for the Company, was to establish Euronext as an independent enterprise and enhance its position as the leading capital raising centre in continental Europe. Euronext translated its vision into revenue growth, through executing on its highly focused product and platform roadmap so as to deliver shareholder return.

In 2015, Euronext remains fully focused on executing the strategic plan launched in 2014. Through more optimal resource allocation and cost control, enhanced execution of the plan to optimise, defend, reposition and grow, and through stronger development of underexploited businesses, Euronext will strive to deliver its solutions with a high level of customer value and profitability.

As announced in November 2014, we are in a position to confirm that we will deliver the €60 million of efficiencies[3] by the end of H1 2015 on a run-rate basis.

As part of the in-depth review of all our cost items, the execution team has identified a strong potential for additional costs benefits to be generated by further restructuring of the Company. Euronext is now in a position to commit to deliver an additional €20 million of net costs efficiencies by the end of 2016 on a run-rate basis.

Euronext's revised medium term objectives are therefore as follows:

- a target third party revenue compound annual growth rate of approximately 5% over the period 2013-2016, restated for the impact of the Derivatives Clearing agreement with LCH.Clearnet;
- €80 million of net operating efficiencies[3] and costs savings to be delivered by the end of 2016 on a run-rate basis, compared to 2013 restated for the impact of the Derivatives Clearing agreement mentioned above;
- This should lead to an EBITDA margin close to 53% by the end of 2016, in line with our European peers.

Our dividend policy remains unchanged, we plan to achieve a dividend pay-out ratio of approximately 50% of net income.

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[3] pre tax operating optimisation and efficiencies. Net amount, on a run-rate basis, ie taking into account the full year impact of any cost saving measure to be undertaken before the end of the period mentioned.

Corporate Highlights

- Flexibilisation of the funding structure: €140 million of term loan to be repaid in March 2015, while RCF to increase by the same amount

At IPO date Euronext NV obtained a Term Loan of € 250 million (drawn) and a Revolving Credit Facility of €250 million (undrawn) from a 12-bank banking syndicate. The business has been generating and accumulating substantial cash throughout 2014, leading to a total cash position (cash & cash equivalents and other financials investments) of €257 million by the end of December 2014. Euronext has decided to repay €140 million of the term loan and to increase the RCF by the same amount. This will enable us to optimize our balance sheet structure while maintaining our flexibility. The conversion of drawn term loan into undrawn RCF will also reduce cost for available liquidity (negative carry). Following this repayment expected in March 2015, Euronext's total debt leverage will decline sharply (0.5x to 0.6x).

- Corporate governance

The **Supervisory Board** was completed on 19 December 2014 with the apointement by an Extraordinary General Meeting of three Board members proposed by our Reference Shareholders:

- Dominique Aubernon is a member of the Supervisory Board and a member of the Nomination and Governance Committee. Ms Aubernon is currently the Head of Strategic Advisory of BNP Paribas Group which focuses on defining and implementing the financial policy. She serves as vice-chair of the Supervisory Board of Klépierre and she is a board member of BNP Paribas New Zealand LTD.
- Koenraad Dom is a member of the Supervisory Board and a member of the Audit Committee. Mr Dom is a finance and risk professional with extensive experience in banking, financial markets, energy and commodities. He has been a member of the Board of Directors and chairs the Audit Committee at Federal Holding & Investment Company (FHIC) since 2006.
- Godelieve Mostrey is a member of the Supervisory Board and chairs the Remuneration Committee. Ms Mostrey joined Euroclear in 2010 as Executive Director and Chief Technology & Services Officer of the Euroclear group. She is a member of the Euroclear Group Management Committee and an Executive Director of the Board. She also chairs the boards of Euroclear Belgium, Euroclear Finland, Euroclear France, Euroclear Nederland and Euroclear Sweden, non-executive director at Euroclear Bank and member of the board of RealDolmen.

The Managing Board was completed on 3 February 2015 with the appointement of Maurice van Tilburg as Chief Executive Officer (CEO) of Euronext Amsterdam, pending regulatory approvals and shareholders' approval. Mr. Van Tilburg has almost 20 years' experience in the exchange sector. Until this appointment, he was Head of Business Projects & Design of the European Equity and Equity Derivatives Markets at Euronext, where he was responsible for the process reform of business initiatives and project delivery of new products and services.

- Shareholding structure

After the IPO and due to the greenshoe ICE kept a 6.02% stake in Euronext NV's outstanding capital. ICE announced on December 2014 that it had sold all of its remaining shares. Following this placement and the end of the cornerstone lock-up on 20 December 2014, Euronext's free float is strongly enhanced and is now around 66.38% (33.36% is held by the Group of the 11 Reference Shareholders while 0.26% is held by employees).

- Appeal on capital requirements

Euronext has recently received the decision from the Dutch Minister of Finance to reject its "statement of objections" against certain elements of the exchange license granted to Euronext N.V. The Managing Board of Euronext acknowledges this decision and is considering all potential courses of action including the lodging of an appeal at the Court of

Appeal in Rotterdam. In the interim, the capital requirements of Euronext NV are unchanged and the company remains in full compliance with its obligations in this regard.

Non-IFRS financial measures

For comparative purposes, the company provides unaudited non-IFRS measures including:

- Operational expenses excluding depreciation and amortization;
- EBITDA, EBITDA margin.

We define the non-IFRS measures as follows:

- Operational expenses excluding depreciation and amortization as the total of Salaries and employee benefits, and Other operational expenses;
- EBITDA as the operating profit before exceptional items and depreciation and amortization;
- EBITDA margin as the operating profit before exceptional items and depreciation and amortization, divided by revenue.

Non-IFRS financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with the consolidated financial statements.

Adjusted fourth quarter and full year 2013 Clearing revenue and Clearing expenses

For comparative purpose, for the three month period and for the twelve month period ending 31 December 2013 the changes in clearing revenue, clearing expenses and the subsequent impact on third party revenue, operational expenses excluding depreciation and amortization have also been included when adjusted for the new derivative clearing agreement with LCH.Clearnet. This was included based on our estimate of the amount of revenue we would have received and the amount of associated expenses we would have paid under the Derivatives Clearing Agreement, based on our actual trading volume for the periods presented and assuming the Derivatives Clearing Agreement had been in effect starting on 1 April 2013.

Reconciliation with IFRS income statement

The reconciliation of Non-IFRS measurements and adjusted measures with the IFRS income statement is presented hereafter:

Million of €	Q4'2014	Q4'2013 reported	Adjustment	Q4'2013 Adjusted	Var vs reported	Var vs adjusted
Third party revenue	**123,6**	**98,9**	**11,4**	**110,3**	**25,0%**	**12,1%**
o/w Clearing revenue	*13,5*		*11,4*	*11,4*		
ICE transitional revenue & Other Income	7,2	33,6		33,6		
Total revenue	130,8	132,5	11,4	143,9	-1,3%	-9,1%
Operational expenses excl. depreciation and amortization	**69,8**	**70,4**	**6,6**	**77,0**	**-0,9%**	**-9,4%**
o/w Clearing expenses	*7,1*		*6,6*	*6,6*		
EBITDA	**61,0**	**62,1**	**4,8**	**66,9**	**-1,8%**	**-8,8%**
EBITDA margin	**46,6%**	**46,9%**		**46,5%**		
Depreciation & amortization	3,7	5,3		5,3		
Operating profit before exceptional items	**57,3**	**56,8**	**4,8**	**61,6**	**0,9%**	**-7,0%**

Million of €	12M'2014	12M'2013 reported	Adjustment	12M'2013 Adjusted	Var vs reported	Var vs adjusted
Third party revenue	**458,5**	**386,7**	**33,8**	**420,5**	**18,6%**	**9,0%**
o/w Clearing revenue	*36,0*		*33,8*	*33,8*		
ICE transitional revenue & Other Income	34,0	95,0		95,0		
Total revenue	492,5	481,7	33,8	515,5	2,2%	-4,5%
Operational expenses excl. depreciation and amortization	**267,1**	**281,8**	**19,8**	**301,6**	**-5,2%**	**-11,4%**
o/w Clearing expenses	*20,3*		*19,8*	*19,8*		
EBITDA	**225,4**	**199,9**	**14,0**	**213,9**	**12,8%**	**5,4%**
EBITDA margin	**45,8%**	**41,5%**		**41,5%**		
Depreciation & amortization	16,6	19,9		19,9		
Operating profit before exceptional items	**208,8**	**180,0**	**14,0**	**194,0**	**16,0%**	**7,6%**

Excel files available on the web site.

Financial calendar

Q1'2015 results 6 May 2015
Annual General Meeting of the Shareholders 6 May 2015
Q2'2015 results 30 July 2015

About Euronext

Euronext is the primary exchange in the Euro zone with over 1 300 issuers worth €2.6 trillion in market capitalisation, an unmatched blue-chip franchise consisting of 20+ issuers in the EURO STOXX 50® benchmark and a strong, diverse domestic and international client base.

Euronext operates regulated and transparent equity and derivatives markets. Its total product offering includes Equities, Exchange Traded Funds, Warrants & Certificates, Bonds, Derivatives, Commodities and Indices. Euronext also leverages its expertise in running markets by providing technology and managed services to third parties. Euronext operates regulated markets, Alternext and the Free Market; in addition it offers EnterNext, which facilitates SMEs' access to capital markets.

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