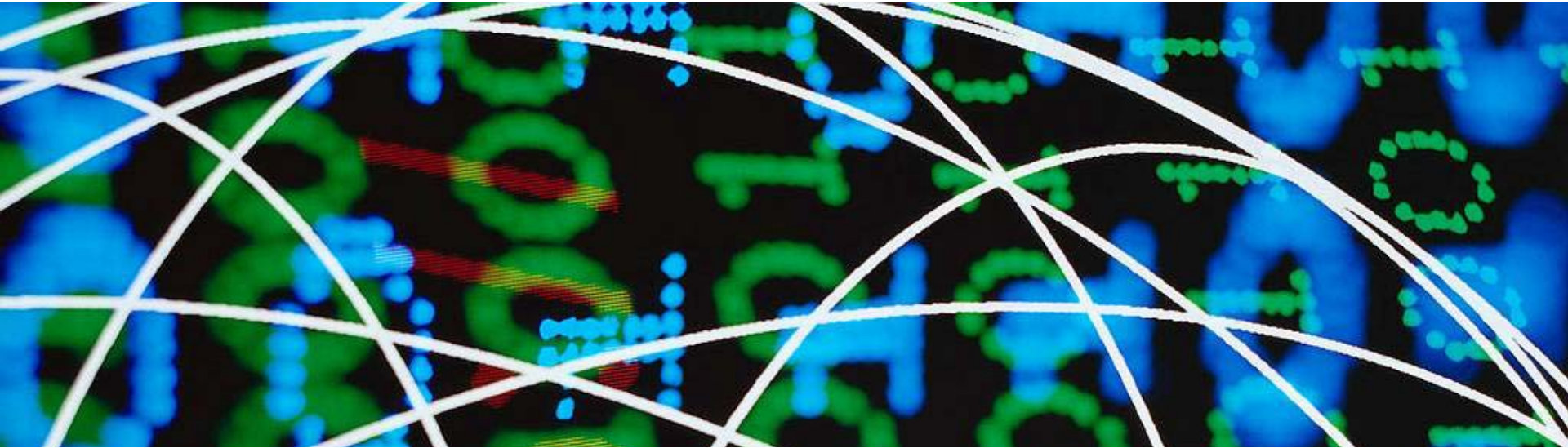




London
Stock Exchange Group



Doug Webb, CFO
London Stock Exchange Group plc

Morgan Stanley European Financials Conference
31st March 2011



Overview

- **Progress on strategy**
 - Getting in shape - operational efficiencies
 - Leveraging assets - product development
 - Developing opportunities - partnerships, JVs and other combinations
- **Capital Markets Update**
 - Primary markets
 - Trading
 - Derivatives
- **London Stock Exchange Group / TMX Group - Merger of Equals**
 - Transaction highlights
 - Merger rationale
 - Process/Timetable



Executing strategy - to transform the Group

- **Getting in Shape**
 - Putting clients at heart of business eg Turquoise JV for pan-European trading with 12 banks
 - Delivering on cost reductions - H1 operating costs down 11% on organic basis
 - New, high performance technology being rolled out - **world's fastest equities trading system**
 - Share of equities trading in London stabilised since May 2010 (up in January and February) - trading tariffs adjusted and post trade costs reduced
- **Leveraging assets**
 - Launched co-location, retail bond market in London and new Information services products eg UnaVista
 - Derivatives trading to launch in Q2 2011
 - FTSE Indices business growing globally and helps development of derivatives trading
 - Expansion of Post Trade Services - developing right infrastructure
- **Developing opportunities**
 - Merger with TMX Group



Landscape

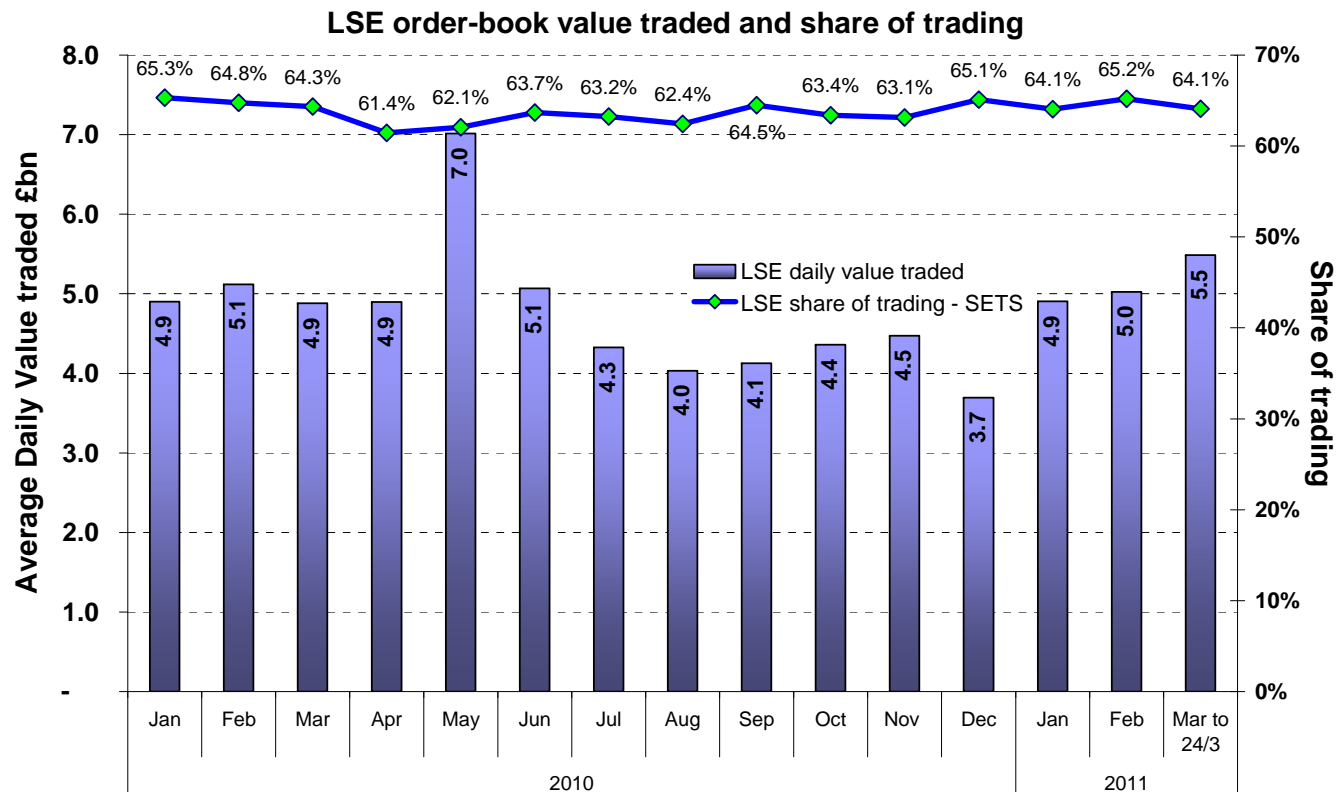
- Regulation, macro-economy and competition continue to define our operational landscape
 - MiFID II - Scrutiny of MTFs, BCNs, dark pools and possible consolidated tape
 - EMIR (European Markets Infrastructure Regulation)
 - Review of OTC and exchange traded derivatives
 - Interoperability / functions of CCP
- Market dynamics heighten the need for us to be agile, dynamic and forward thinking
- Demand for high performance trading technology and the need for integrated market models fuel the infrastructure debate
- IPO market encouraging but uncertain economic environment and geo-political environment, plus recent volatile markets, may delay some issue plans
- Group increasingly well-placed to meet changing market environment



Capital Markets Delivery

Cash Equity market showing resilience

- Share of UK cash equity trading stabilised
- Active management of LSE delivering results
 - pricing initiatives introduced, May 2010



- Post trade costs reduced - Euroclear February 2010 and LCH.Clearnet, October 2010
- Millennium Exchange trading platform launched for UK market, February 2011



European Market Strategy

Building a pan-European business

- The next stage for us is to deliver on our strategy to build our pan-European offering
- Execution will focus on platform, products and clearing
- We will build on Turquoise
 - LIT trading increasing; Number One / Two MTF dark pool in Europe since June 2010
 - Customers being offered world-beating average latency and performance
- Turquoise to offer cash equity derivatives trading from Q2 2011

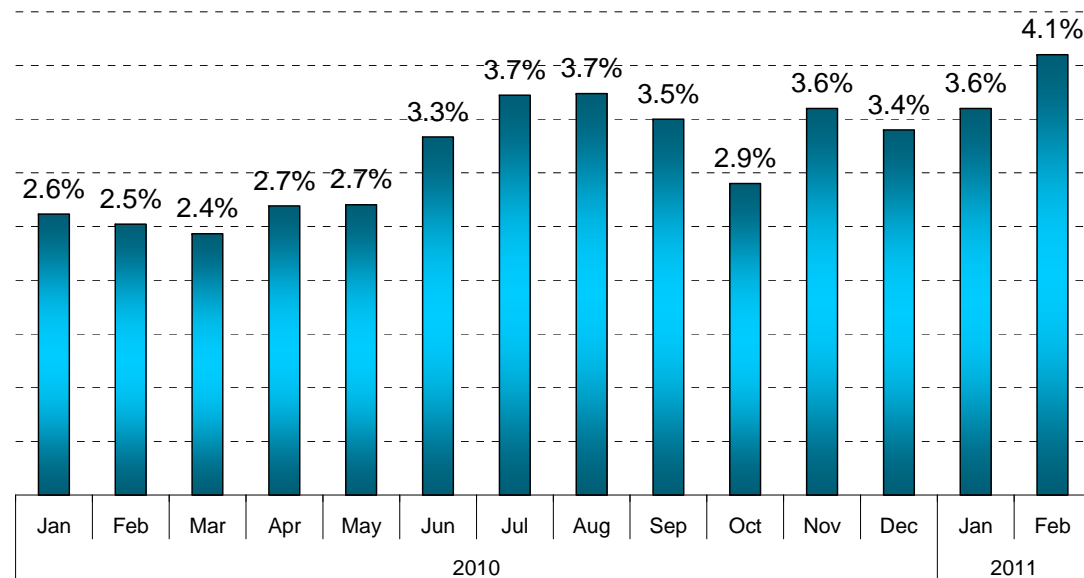


World's fastest

Order Latency	Latency
Average for all orders	107 μ s
99% of all orders average	103 μ s
99.5% of all orders average	104 μ s
99.9% of all orders average	106 μ s

μ s - micro-second

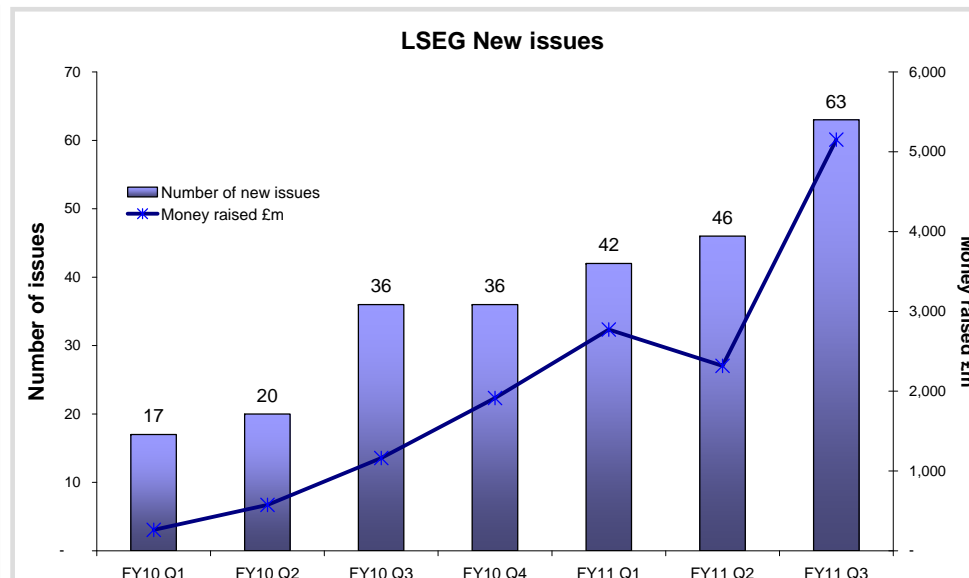
Turquoise - Share of European trading (Lit & Dark)





New issues and IPO Market

- 87 IPOs on LSEG Markets this FY (PY:37);
- 40 on Main Market raising £8.8 billion (PY:13 raising £1.5 billion)
- Good balance of domestic and international companies across sectors, including;
 - Jupiter Fund Management - UK asset management
 - Enel Green Power - Biggest European IPO since 2007
 - Essar Energy - Indian energy and power operator / FTSE 100 constituent
- First Private Equity backed IPO in some time, AZ Electronic Materials
- Floats on AIM are gaining momentum
 - 5 Indian companies joined AIM in 10 weeks to end November 2010
- Pipeline encouraging, but market volatility will have impact in short term





London Stock Exchange Group and TMX Group Creation of an International Exchange Leader



London
Stock Exchange Group



- Premier international listings venue
- Leader in pan-European equities
- Leading fixed income business
- London is the price discovery centre for Europe
- Post-trade expertise across asset classes
- Diversified global information services business
- High-performance cost-effective technologies
- Global leader in resource and SME listings
- Trade across multiple asset classes
- Canada's premier equities platform
- Canada's derivatives exchange/clearinghouse
- Leading North American physical energy trading/clearing
- Comprehensive market data offerings
- Leading derivatives trading/clearing technology

Strongly Positioned for Global Growth Opportunities



Merger of Equals: Transaction Highlights

Key Merger Terms	<ul style="list-style-type: none">• All-share merger of equals<ul style="list-style-type: none">- TMX Group Inc. (“TMX”) shareholders to receive consideration in London Stock Exchange Group plc (“LSEG”) shares or Toronto Stock Exchange-listed exchangeable shares of a Canadian subsidiary of LSEG- Post-merger ownership share: LSEG shareholders 55%, TMX shareholders 45%• Merger unanimously recommended by the Boards of both LSEG and TMX• Listings on the London Stock Exchange and Toronto Stock Exchange
Financial Highlights	<ul style="list-style-type: none">• Expected to be accretive to adjusted earnings per share ⁽¹⁾ (post-cost synergies) in year one• Targeting annual run-rate cost synergies of £35m (C\$56m) by end of year two• Targeting revenue benefits of £35m (C\$56m) in year three growing to £100m (C\$160m) in year five• Intention to maintain current gross amount of dividends paid, then maintain dividends on a progressive basis going forward
Headquarters	<ul style="list-style-type: none">• Jointly headquartered in London and Toronto• Enhances Calgary, Colombo, London, Milan, Montreal, Toronto and Vancouver as global financial centres
Board Composition	<ul style="list-style-type: none">• Chairman: Wayne Fox; Deputy Chairmen: Chris Gibson-Smith and Paolo Scaroni• 15 Board members; LSEG: eight members (envisage three from Borsa Italiana); TMX: seven members
Key Management	<ul style="list-style-type: none">• CEO: Xavier Rolet; President: Tom Kloet; CEO Borsa Italiana: Raffaele Jerusalemi; CFO: Michael Ptasznik• Global business units and support functions balanced across TMX and LSEG
Regulatory	<ul style="list-style-type: none">• Each of the combined group’s markets will continue to be regulated by their existing regulators

Note: Currencies converted using spot GBP-CAD exchange rate of 1.5991 as at 8 February 2011.

1. See “Accounting Matters”.



Significant Growth Opportunities

Issuer Services

- Build on #1 global positions in natural resources, mining, energy, clean technology and SMEs to attract new listings
- Facilitate cross-listing and admissions subject to regulatory approval

Trading and Post-Trade

Cash Equities

- Roll out MTF dark pool expertise to new geographies

Derivatives

- Utilise TMX expertise to further develop derivatives

Energy

- Develop strategy for global commodities trading and clearing

Cash Fixed Income

- Expand capabilities in B2B (MTS / Shorcan) and B2C (Bondvision / CanDeal)

Post-Trade

- Extend post-trade capabilities across asset classes in North America/Europe

Information Services

- Cross-sell data and delivery solutions (including co-location) to a wider audience
- Richer market data offering for high frequency traders
- Development of new indices

Technology Services

- Capitalise on combined expertise to develop innovative products and services
- Broaden customer base with new services and functionality

Targeting revenue benefits of £35m (C\$56m) in year three growing to £100m (C\$160m) in year five

Note: Currencies converted using spot GBP-CAD exchange rate of 1.5991 as at 8 February 2011.



Significant Cost Efficiencies Based on Successful Integration Track Records

IT

- Primarily driven by common technology platforms for cash markets
- Fully deploy SOLA technology across derivatives platforms

Non-IT

- Rationalise / consolidate functions and systems
- Reduce corporate costs

Total

- Represents 8.0% of combined expense base
- Estimated £40m (C\$64m) of one-time implementation costs over two years

Targeting annual run-rate cost synergies of £35m (C\$56m) by end of year two



Timetable / Key Approvals

Timetable

Posting of Documentation

- UK class 1 circular, prospectus and Canadian plan of arrangement information circular
- Estimate posting 13-15 weeks post announcement ⁽¹⁾

Shareholder Votes

- LSEG Extraordinary General Meeting
- TMX Special Meeting of Shareholders

Approvals

- Process to commence immediately following announcement

Timing

- Expected to close in calendar H2 2011

Key Approvals

Canada	Investment Canada Act
	Competition Act
	Ontario Securities Commission / Autorité des Marchés Financiers / Alberta Securities Commission / British Columbia Securities Commission
	Canadian court approval in relation to the plan of arrangement
US	Hart-Scott-Rodino Act / Securities and Exchange Commission
UK	Financial Services Authority (FSA) / United Kingdom Listing Authority (UKLA)
Italy	Commissione Nazionale per le Società e la Borsa / Bank of Italy
Shareholder	Shareholder approvals
Other	UK merger and other filings may be required

1. Updated 16 March 2011.



Summary

- Good progress on strategy in a short timeframe
- More to do - further plans
- Macro economic and regulatory environment will remain dynamic - we will continue to actively engage
- Reducing costs, client focus, driving our competitiveness and efficiencies, pursuing new opportunities
- Focus on completion of merger with TMX - to extract benefits from combination

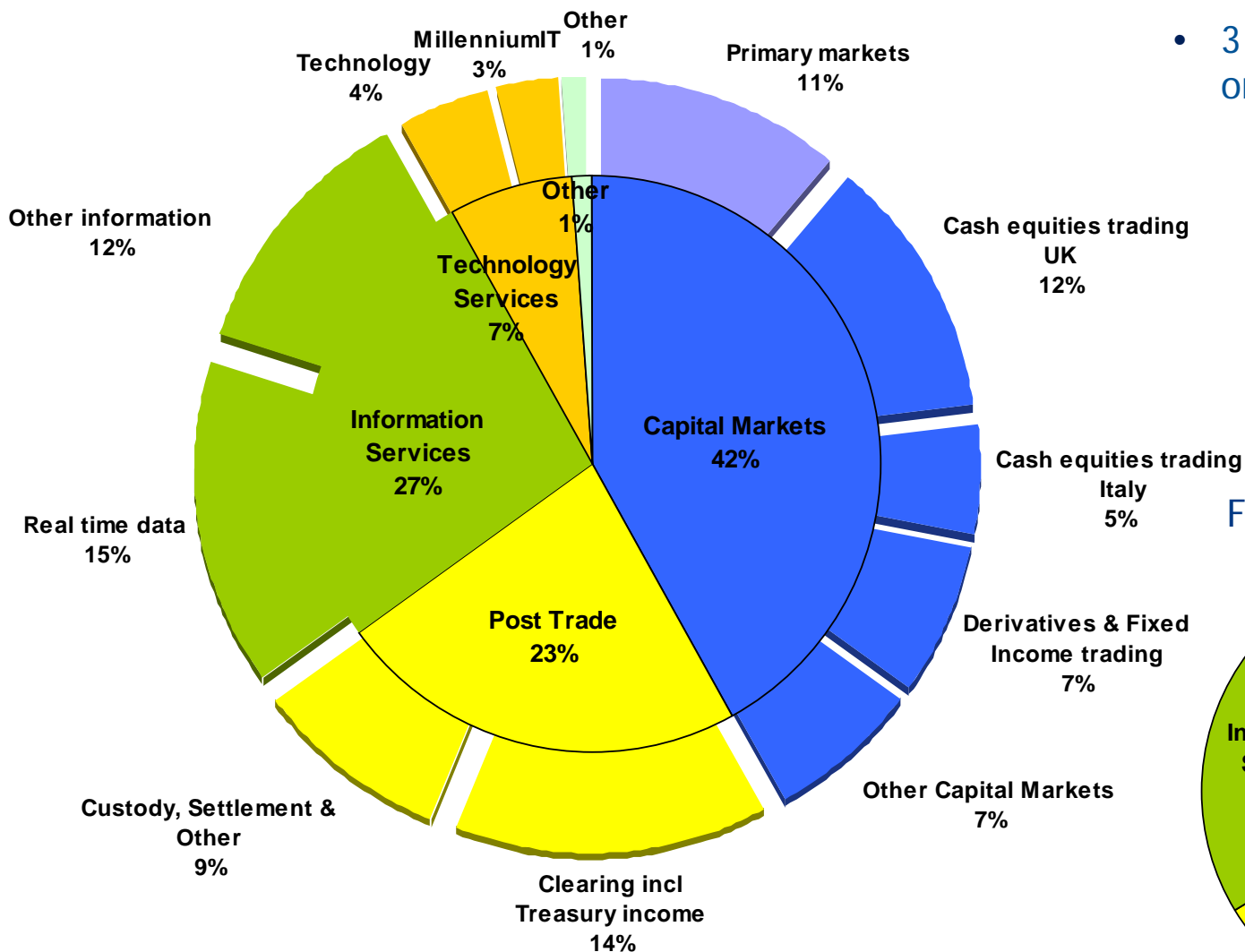


Appendices

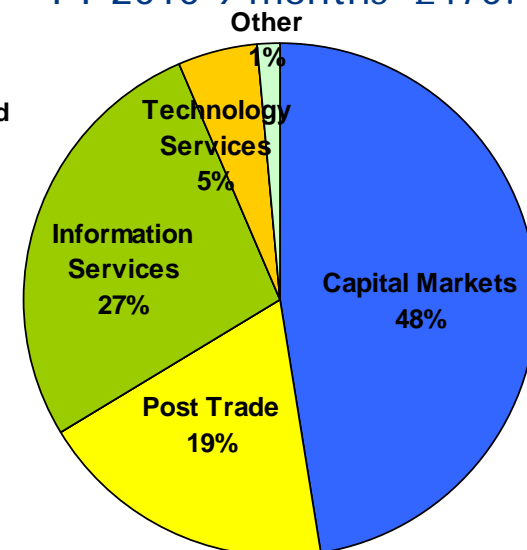
Diversified revenues

FY 2011 9 months: £484.3m

- 3 of 4 divisions delivered organic growth



FY 2010 9 months £470.4m





Regulation

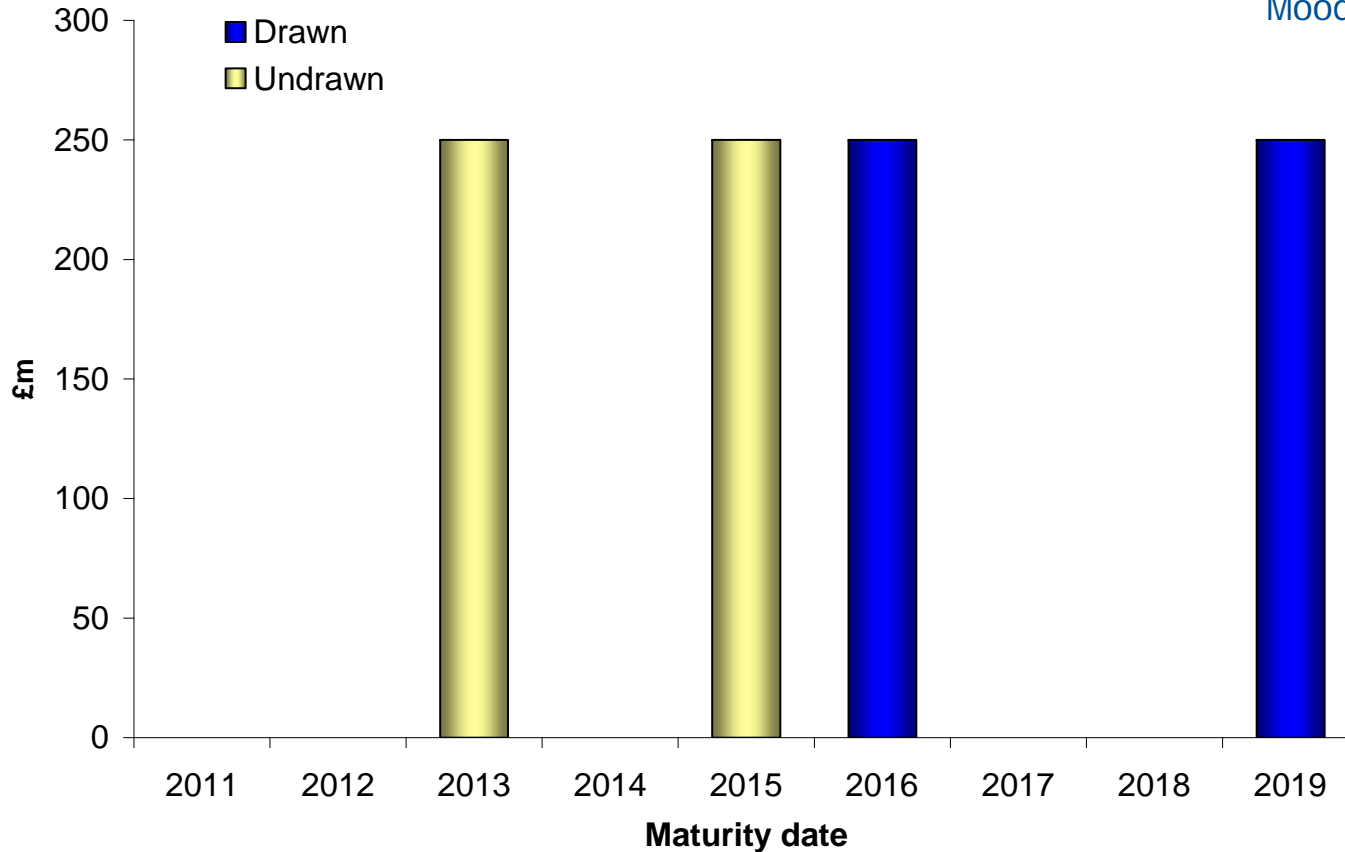
- Changing regulatory environment creates uncertainty and opportunity
 - MIFID II
 - Ongoing scrutiny of MTFs, BCNs and dark pools
 - Pressure on HFTs may slow their growth, but diversification represents opportunity
 - Consolidated Tape
 - EMIR (European Markets Infrastructure Regulation)
 - Greater post trade transparency in equities, derivatives and fixed income
 - Standardised OTC derivatives to be traded & cleared on organised trading platforms
 - Establishment of trade repositories
 - Interoperability of CCPs
 - UK Regulatory structure
 - Dismantling of FSA into a 'Twin Peaks' model
 - CPMA representation at ESMA
- Exchange well placed as transparent, neutral and efficient service provider



Debt maturity profile

- Net borrowings £306m (excluding derivatives)

LSEG ratings
S&P A- (positive watch)
Moody's Baa2 (positive watch)



- £125m cash reserved for regulatory and operational purposes
- £69m free cash available to invest in the business



Revenues - Quarterly

£ millions	FY 2010					FY 2011		
	Q1	Q2	Q3	Q4	FY 2010	Q1	Q2	Q3
Annual Fees	8.9	8.6	8.7	9.0	35.2	9.3	9.4	9.6
Admission Fees	9.0	7.7	9.5	7.8	34.0	8.8	6.5	9.5
Cash equities UK	28.4	25.3	23.0	25.1	101.8	24.4	19.6	19.5
Cash equities Italy	9.1	8.1	7.1	7.4	31.7	8.7	6.0	6.8
Derivatives	5.5	5.0	4.7	4.3	19.5	4.9	3.5	3.8
Fixed Income	6.7	7.1	7.6	7.9	29.3	7.4	7.2	8.3
Other	11.0	10.9	11.4	10.5	43.8	10.7	10.5	11.9
Capital Markets	78.6	72.7	72.0	72.0	295.3	74.2	62.7	69.4
Clearing	8.9	7.1	8.9	8.5	33.4	9.7	7.2	8.4
Settlement	6.0	4.8	5.0	5.3	21.1	5.0	3.9	4.5
Custody & other	12.3	10.5	11.8	10.9	45.5	12.2	10.3	11.0
Post Trade Services	27.2	22.4	25.7	24.7	100.1	26.9	21.4	23.9
Real time data	27.4	26.6	26.3	23.4	103.7	24.0	24.3	24.4
Other information	16.7	15.0	16.7	17.3	65.5	20.0	19.1	19.5
Information Services	44.1	41.6	43.0	40.7	169.2	44.0	43.4	43.9
MillenniumIT	-	-	2.6	4.1	6.7	4.9	4.1	4.1
Technology	6.6	7.2	7.7	11.2	32.7	7.6	7.9	7.3
Technology Services	6.6	7.2	10.3	15.3	39.4	12.5	12.0	11.4
Other	0.5	0.3	0.3	0.4	1.5	0.4	0.4	0.5
Total Revenue	157.0	144.2	151.3	153.1	605.5	158.2	139.9	149.1
Net treasury income through CCP	4.9	4.8	3.4	3.1	16.2	5.9	10.8	14.8
Other income	1.3	1.8	1.5	1.9	6.5	1.9	1.9	2.0
Total income	163.2	150.8	156.3	158.1	628.3	166.0	152.6	165.9

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



ACCOUNTING MATTERS

LSEG reports under IFRS and the merged company will report under IFRS. TMX will report under IFRS commencing 1 January 2011 but, unless otherwise indicated, financial information contained in this presentation with respect to TMX has been compiled based on Canadian GAAP in effect at 31 December 2010.

Adjusted earnings per share is derived from IFRS basic earnings per share adjusted to exclude the impact of exceptional items (being items of income and expense that are material by size and/or nature and are non-recurring) and amortisation of acquired intangible assets. It is not a measure required under IFRS, does not have standardised meaning under IFRS and, therefore, may not be comparable to similar measures presented by other peers. We may present this measure in order to quantify the impact of combining LSEG and TMX on financial performance. In determining accretion of adjusted earnings per share, one-off costs to achieve synergies and deal related costs are also excluded in addition to the above.

TMX revenue adjusted for initial and additional listing fees billed ("billed revenue") is a Non GAAP measure because under Canadian GAAP in effect until 31 December 2010, the date of TMX's most recent financial reporting, revenue from initial and additional listing fees are amortised over a ten-year period.

The following is a reconciliation of TMX reported revenue to TMX billed revenue:

(in millions of dollars)	<u>Year Ended 31 Dec 2010</u>
2010 Reported Revenue	\$575.5
Initial and additional listing fees - reported	(\$84.7)
Initial and additional listing fees - billed	<u>\$134.8</u>
2010 Billed Revenue	<u>\$625.6</u>

A detailed reconciliation of TMX Non-GAAP to GAAP revenue and the rationale for presenting this measure is described in TMX's 2010 Annual MD&A which is posted on its website at www.tmx.com

Net Debt / Billed EBITDA is a Non GAAP measure and does not have a standardised meaning under Canadian GAAP and, therefore, may not be comparable to similar measures presented by other peers. We may present this measure in order to quantify the impact of combining LSEG and TMX on leverage.

The following is a reconciliation of TMX reported income from operations to billed EBITDA and 2010 Gross Debt to 2010 Net Debt:

(in millions of dollars)	<u>Year Ended 31 Dec 2010</u>	(in millions of dollars)	<u>Year Ended 31 Dec 2010</u>
2010 Income from Operations	\$289.0	2010 Gross Debt	\$429.8
Amortization	\$32.3	Cash, Cash Equivalents and Marketable Securities	(\$330.4)
Initial and additional listing fees - reported	(\$84.7)	Target Minimum Balance of Cash and Marketable Securities	<u>\$100.0</u>
Initial and additional listing fees - billed	<u>\$134.8</u>	2010 Net Debt	<u>\$199.4</u>
2010 Billed EBITDA	<u>\$371.4</u>		



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