London Stock Exchange Group plc
Management Update

24 September 2009
Xavier Rolet
Chief Executive
Introduction

• Executive team members
  – Xavier Rolet - CEO
  – Doug Webb - CFO
  – Massimo Capuano - Post Trade, and deputy CEO
  – Raffaele Jerusalmi - Capital Markets
  – David Lester - Information & Technology

• Outline for this morning
  – Observations, developments, way forward - XR
  – Pre-close trading update - DW
  – Update by business area - RJ, MC, DL

• Summary
• Q&A
Starting Point

Backdrop

• Difficult markets, but opportunities:
  – Equity capital raising to fuel growth (debt markets remain difficult)
  – European market still immature (US daily value traded 10x level of Europe despite comparable economic scale)

• Regulatory changes underway:
  – Regulators and market require liquidity and transparency
  – Exchanges are stable, trusted and neutral providers of market infrastructure
Starting Point

Strengths

• Brand - internationally renowned - leading international listings franchise
  – Need to ensure not disadvantaged by regulation
• Lead position in European cash equities trading - strong network of trading members
  – Area of greatest current challenge; need to keep enhancing our proposition
• Good product portfolio (inc derivatives and fixed income)
  – Need to scale-up, expand product users and geographies
• Track record of integration
  – Merger with Borsa Italiana completed, savings exceeded
• Value of Exchange as independent, neutral, efficient and profitable provider of core capital markets infrastructure
  – Need to ensure value is recognised, clear client focus and addressing market needs
Challenges

- Clients becoming increasingly international
  - *Need service providers across range of products with scale and efficiency*

- Competition in trading will continue (and clients becoming competitors)
  - *Pricing pressure and challenge to market share will remain - need the right technology and to re-engage with clients*

- Cost base needs to come down
  - *Ongoing focus on costs across all areas to continue*

- Need scale in operations
  - *Grow derivatives and fixed income; more efficient equities trading with increased volumes to offset price pressures*
Getting in shape

Actions already undertaken

- New management team
  - *Streamlined, faster decision taking, reorganising business with client facing activities*

- Client engagement
  - *Large investment banks are biggest customers so renewing relationships*

- Reducing costs
  - *12% headcount reduction actioned in H1, with continued and ongoing focus on cost efficiency*

- Tariff changes
  - *Equal treatment of liquidity, re-alignment of discounts, reducing costs of trading to grow volume*
Getting in shape (cont’d…)

• Technology review
  – Complete review of options in 3 months; Millennium IT acquired to provide in-house, high performance systems, faster development and innovation, and lower costs

• Launching new products
  – Baikal phased start since June; UK retail bond market
Way Forward

We intend to be a top tier exchange:

• Client focused business

• Offense, not defence - on basis of more efficient services

• Leveraging the assets we have - scaling-up operations, extending product and geographic scope to accelerate organic growth

• Examine non-organic opportunities
Doug Webb
CFO
Pre-close trading statement

Capital Markets
- Primary market fund-raising in line with prior year
- UK cash equity average value traded down 43% against strong comparators
- Italian cash equity volumes up 4%
- Derivatives volumes up 6% following price cuts

Post Trade
- Clearing and settlement benefiting from higher Italian equity and derivative volumes

Information & Technology Services
- UK professional terminals down 4,000 to date in Q2
- Continued strength from other information services businesses
Operating Costs

- Continued and on-going cost management
- Specific initiatives:

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Annual saving £m</th>
<th>From</th>
<th>Cost to deliver in FY 10 £m</th>
<th>£m</th>
<th>£m</th>
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<td>Borsa integration</td>
<td>13</td>
<td>FY10</td>
<td>2</td>
<td>2</td>
<td>All in H1</td>
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<tr>
<td>Staff reductions</td>
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<td>H2 FY10</td>
<td>14</td>
<td>14</td>
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<tr>
<td>TradElect replacement</td>
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<td>FY12</td>
<td>25</td>
<td>25</td>
<td>18.5 in H1</td>
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<td><strong>34</strong></td>
<td></td>
<td><strong>41</strong></td>
<td></td>
<td>34.5 in H1</td>
</tr>
</tbody>
</table>

- If €:£ rate holds at 1.15, FY 2009 costs would increase by £7m
Capital Markets
Raffaele Jerusalmi
Capital Markets

A team with years of experience, a solid track record, great focus on clients and capable of facing and countering competition

- LSEG - leader in European listing attracting on its markets more than 300 foreign companies
- AIM - with more than 1350 companies listed of which 500 are internationally based
- Equity - Italian cash equity has the highest turnover velocity in Europe in the past 10 years
- IDEM (Equity derivatives) - third market in Europe by turnover
- MTS - leading electronic platform in Europe for wholesale trading
- MOT - largest Fixed Income electronic retail market in Europe
- ETF - n.1 market for number of contracts traded
- SEDEX - second largest market in Europe for securitised derivatives
Capital Markets

The future

- Equity derivatives - new opportunities in UK and Europe
- TMX partnership - provides a complementary client base - state of the art derivatives platform- opens the door to the North American market-increases the scale of our product developments-commodities
- Baikal - Dark pool space
- MTS - geographical expansion
  - product expansion
- MOT - to develop a UK retail Fixed Income market
- Primary Market - not only a listing venue but a way to develop new products (Russian derivatives)
- ETF - huge potential to grow
  - year to date average daily trading volume in the USA is $57.7bn, in Europe $2.2bn
Post Trade
Massimo Capuano
Post Trade - Strategic objectives

- To maximise and extend our existing cross asset class capability across other markets, supporting our capital markets developments
- To reduce process complexity and fees in the markets we serve
- To internationalise our services beyond Italy and the UK
- To provide appropriate post trade services to OTC trades
- To provide new services to support innovation in markets

We aim to double Post Trade’s contribution to group revenues
Progress is on track

- Using X-TRM (Monte Titoli pre-settlement system) for IOB, for Baikal and with UK retail bonds to follow
- Planning to use X-TRM to support cheaper and wider interoperability in the UK
- Having received ROCH accreditation, CC&G will offer services to other parts of LSEG’s business and external providers
  - Baikal will use later CC&G, which will have full European capability
  - EDX will use CC&G’s process
- Will also continue to support external markets (e.g. BrokerTec, TLX)
Information & Technology Services - David Lester
MillenniumIT

The acquisition of MillenniumIT provides LSE Group with:

- A new, high performance, scalable matching engine
- In-house software development expertise with dedicated R&D
- The ability to roll-out multiple new products and services
- Surveillance, ticker plant, desktop, SOR and post trade technology
- A vibrant and innovative culture in capital markets IT
- A reduction in software development charges
- An offshore footprint; presence in Asia
- A new revenue stream with a good pipeline of existing and new clients

**UK/Italy current 100m messages per day; US 10 billion messages per day for equity flows**
Information and Technology - Products

Since 2002 the Group has been growing its products in many segments of the £50bn market for financial information and technology services

- Our position in central price formation is central to efficient functioning of the overall market
- We are actively looking at opportunities to grow organically, through partnership or acquisition in a number of areas
Xavier Rolet
Summary

• A good business, strong in many places, but challenges to be met

• Actions already underway, benefits coming through

• Getting in shape
  – streamlined management team
  – technology transformation/improvement
  – lowering costs
  – re-focusing the business

• Leveraging our assets
  – organic growth across range of assets - equities, derivatives, fixed income, information products and post trade services
  – jvs, partnerships, other links

• A dynamic market environment, many opportunities, still everything to play for

• We will stay in regular contact to keep you updated
Questions?