London Stock Exchange Group plc
Preliminary Results - 22 May 2008
Agenda

Introduction

Chris Gibson-Smith
Chairman

Financial Review

Massimo Capuano
Deputy CEO

CEO Overview

Clara Furse
Chief Executive Officer

Q&A
Introduction

- Year of significant achievement – excellent financial performance with pro forma revenue up **15%** and adjusted EPS up **30%**
- Further capital returns to shareholders through share buybacks – **£139m** during the year
- Merger with Borsa Italiana – to form Europe’s leading diversified exchange group
- Strong business performance – excellent trading growth driven by technology investment, leadership in international listings and continued growth in data products
- Dividend increase of **33%** reflects confidence in future
Massimo Capuano
Deputy Chief Executive Officer
Overview of results

<table>
<thead>
<tr>
<th>Year ended</th>
<th>Pro forma²</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March</td>
<td>2008</td>
</tr>
<tr>
<td></td>
<td>£m</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>Issuer</td>
<td>82.4</td>
</tr>
<tr>
<td>Trading</td>
<td>264.7</td>
</tr>
<tr>
<td>Information</td>
<td>143.6</td>
</tr>
<tr>
<td>Post Trade</td>
<td>42.8</td>
</tr>
<tr>
<td>Other income</td>
<td>12.9</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>546.4</td>
</tr>
<tr>
<td>Operating costs¹</td>
<td>257.4</td>
</tr>
<tr>
<td>Operating profit¹</td>
<td>289.0</td>
</tr>
<tr>
<td>Operating margin¹</td>
<td>53%</td>
</tr>
</tbody>
</table>

¹ Before exceptional items and amortisation of purchased intangibles

² For 12 months to 31 March 2008, as if merger with Borsa Italiana occurred 1 April 2006; Comparative FY 2007 figures translated at same average exchange rate for FY 2008 of €1.4196 : £1 to show growth on constant exchange rate basis
Overview of results (continued)

<table>
<thead>
<tr>
<th>Year ended 31 March</th>
<th>2008 £m</th>
<th>2007 £m</th>
<th>Change £m</th>
<th>%</th>
<th>Pro forma3</th>
<th>2008 £m</th>
<th>2007 £m</th>
<th>Change £m</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit1</td>
<td>289.0</td>
<td>185.6</td>
<td>103.4</td>
<td>56</td>
<td>343.0</td>
<td>271.1</td>
<td>27</td>
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<tr>
<td>Amortisation</td>
<td>(21.5)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
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<tr>
<td>Exceptional items</td>
<td>(2.3)</td>
<td>(11.4)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Net finance and investment income2</td>
<td>(30.5)</td>
<td>(12.7)</td>
<td>(17.8)</td>
<td>(31.4)</td>
<td>(15.8)</td>
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<tr>
<td>Profit before tax</td>
<td>234.7</td>
<td>161.5</td>
<td>73.2</td>
<td>45</td>
<td>311.6</td>
<td>255.3</td>
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<td>Tax</td>
<td>(56.2)</td>
<td>(50.9)</td>
<td>(5.3)</td>
<td>(102.0)</td>
<td>(82.3)</td>
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<td></td>
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<tr>
<td>Profit after tax</td>
<td>178.5</td>
<td>110.6</td>
<td>67.9</td>
<td>61</td>
<td>209.6</td>
<td>173.0</td>
<td>26</td>
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<tr>
<td>Earnings per share (p)</td>
<td>73.1</td>
<td>50.5</td>
<td>22.6</td>
<td>45</td>
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<tr>
<td>Adjusted earnings per share (p)</td>
<td>73.1</td>
<td>56.2</td>
<td>6.9</td>
<td>30</td>
<td></td>
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<tr>
<td>Dividend per share (p)</td>
<td>24.0</td>
<td>18.0</td>
<td>6.0</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

1 Before exceptional items and amortisation of purchased intangibles (operating profit includes £57.5 million contribution from Borsa Italiana in the six months since merger)
2 Including share of FTSE joint venture income
3 For 12 months to 31 March 2008, as if merger with Borsa Italiana occurred 1 April 2006; Comparative FY 2007 figures translated at same average exchange rate for FY 2008 of €1.4196 : £1 to show growth on constant exchange rate basis
4 Excludes impact of exceptional items and amortisation of purchased intangibles
**Key metrics – Pro forma**

- **Admission fee income unchanged at £34m**
- **Total 411 new issues (2007: 528)**
  - 110 Main Market (2007: 106)
  - 262 AIM (2007: 395)
  - 33 Blt (2007: 25)
- **Annual fee income up 9% – growth in number of companies on LSE to 3,273 (2007: 3,245) inc 1,681 on AIM (2007: 1,637); Borsa Italiana 306 (2007: 288)**
- **RNS and other services revenue £22.1m (2007: £19.9m)**
Trading Services
Equity trading drives excellent growth

Key metrics – Pro forma

- SETS bargains up 82% to 642,000 per day (2007: 353,000); Q4 up 84% to 812,000
- Value traded on SETS up 39% to £2.3tn (2007: £1.6tn) – yield per bargain reduced, at c£0.88 (2007: c£1.32)
- Blt equities volume up 20% to 290,000 trades per day (2007: 241,000), value up 23% to €1.5tn (2007: €1.2tn)
- EDX derivatives volumes up 55% to 48.6m; IDEM volumes up 12% to 37.2m
- MTS nominal value traded flat at €20.3tn; MOT value traded up 21% to €152bn
- Other revenues includes membership and access fees, and platform sales
Information Services
Terminals reach new record levels

Key metrics – Pro forma

- LSE terminal population up **19%** to **138,000** (2007: 116,000)
- LSE Professional investor terminals up **17%** to **112,000** (2007: 96,000)
- BIt professional users up **9%** to **160,000** (2007: 147,000); 6% increase in private users to **784,000**
- Other revenues of **£56m** includes network charges, Proquote, Market Connect and SEDOL
Post Trade Services
Good performance driven by strong trading

Key metrics – Pro forma

- CC&G equity clearing volumes up 19% to **73.8m** (2007: 62.2m); derivative volumes up 12% to **37.2m** (2007: 33.2m)

- Monte Titoli settlement instructions down 5% to **52.7m** (2007: 55.5m) – mainly reflecting consolidation among Italian bank customers

- Average value of assets under custody up 4% to **€2.8tn** (2007: €2.7tn)
Operating and development costs
Enlarged Group costs well controlled

- Pro forma costs up 5% - mainly reflecting £16m increase in staff costs from in-sourcing IT personnel and performance related remuneration
- IT/Networks down £5m – in-sourcing savings at LSE and BIt
- Other costs up £5m – reflecting higher property, marketing, VAT and cost of sales
- Expect overall rise in expenses from inflation, depreciation and other – however, some offset from integration cost savings

FY 2007 Pro forma

- Cost/Income ratio 53%
- £307.3m
  - £29.9m
  - £90.1m
  - £104.1m

FY 2008 Pro forma

- Cost/Income ratio 49%
- £323.8m
  - £29.9m
  - £85.6m
  - £119.8m

\(^1\) excluding exceptional items and amortisation
### Summarised cash flow

Strong cash generation from enlarged group operations

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 March</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td></td>
<td>£m</td>
</tr>
<tr>
<td>Net cash inflow from operating activities(^1)</td>
<td>282.7</td>
</tr>
<tr>
<td>Taxation</td>
<td>(68.7)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(32.2)</td>
</tr>
<tr>
<td>Ordinary dividends paid</td>
<td>(46.0)</td>
</tr>
<tr>
<td><strong>Free cash flow(^1)</strong></td>
<td><strong>135.8</strong></td>
</tr>
</tbody>
</table>

\(^1\) Before exceptional items
Summarised cash flow (continued)

<table>
<thead>
<tr>
<th>Year ended 31 March</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free cash flow(^1)</td>
<td>135.8</td>
<td>112.0</td>
</tr>
<tr>
<td>Net cash inflow from merger with Borsa Italiana</td>
<td>82.3</td>
<td>-</td>
</tr>
<tr>
<td>Share buyback</td>
<td>(143.8)</td>
<td>(105.3)</td>
</tr>
<tr>
<td>Cash used for capital return(^2)</td>
<td>(8.1)</td>
<td>(497.9)</td>
</tr>
<tr>
<td>ESOP share purchases</td>
<td>(36.7)</td>
<td>(47.8)</td>
</tr>
<tr>
<td>Net proceeds from unsecured borrowings/bond</td>
<td>115.5</td>
<td>404.6</td>
</tr>
<tr>
<td>Exceptional and one-off items(^3)</td>
<td>(5.9)</td>
<td>(18.2)</td>
</tr>
<tr>
<td>Exchange rate gains on cash/cash equivalents</td>
<td>13.9</td>
<td>-</td>
</tr>
<tr>
<td>Net interest, dividends received and other</td>
<td>(25.3)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Increase/(Decrease) in cash</td>
<td>127.7</td>
<td>(153.9)</td>
</tr>
</tbody>
</table>

\(^1\) Before exceptional items

\(^2\) FY 2008 B-share redemption: FY 2007 £512m capital return less B shares

\(^3\) Mainly advisers’ fees – FY 2008 acquisition of Borsa Italiana; FY 2007 bid defence
Summarised Group balance sheet
Balance sheet reflects effects of merger

<table>
<thead>
<tr>
<th></th>
<th>31 March 2008</th>
<th>31 March 2007</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,921.5</td>
<td>132.8</td>
<td>1,788.7</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Debtors</td>
<td>17,442.1</td>
<td>61.4</td>
<td>17,380.7</td>
</tr>
<tr>
<td>- Cash</td>
<td>200.6</td>
<td>72.9</td>
<td>127.7</td>
</tr>
<tr>
<td>Total assets</td>
<td>19,564.2</td>
<td>267.1</td>
<td>19,297.1</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Bank borrowings</td>
<td>(427.2)</td>
<td>(155.7)</td>
<td>(271.5)</td>
</tr>
<tr>
<td>- Other</td>
<td>(17,493.7)</td>
<td>(173.7)</td>
<td>(17,320.0)</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Bond¹</td>
<td>(248.4)</td>
<td>(248.2)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>- Other</td>
<td>(126.5)</td>
<td>(39.4)</td>
<td>(87.1)</td>
</tr>
<tr>
<td>Net (liabilities) / assets</td>
<td>1,268.4</td>
<td>(349.9)</td>
<td>1,618.3</td>
</tr>
</tbody>
</table>

¹ £250m bond net of upfront capitalised costs
Integration of Borsa Italiana
Good Progress - key projects underway to deliver benefits

- New management structure and integration project office – to drive integration workstreams
- Key projects for year:
  - Migration of Italian cash equities trading to TradElect – by September 2008 (subject to customer readiness)
  - Launch of AIM Italia – H2 calendar 2008
  - Single point of access to market data on Infolect Plus – H1 calendar 2009
- Cost synergies to include IT savings, staff related reductions, marketing savings and other efficiencies
Synergy Benefits
On track to deliver financial benefits

- Total synergies of at least £40m with approximately half expected in FY 2009
- Cost synergies of at least £20m with full run rate from start FY 2010
  - at least £10m expected in FY 2009
- Revenue synergies of £20m, full run rate from start FY 2011
  - approaching half expected in FY 2009
- Total costs of no more than £40m – c£6m in FY 2008 with most of remaining c£34m expected in FY 2009, of which c£20m as capex
Current trading

- Excellent performance for enlarged group in FY 2008
- Market conditions more testing – but encouraging start to FY 2009
  - SETS bargains/day in April up 40% and May to date up 25%; Italian cash equities trades/day market strong at 274,000 in April (though 12% down in April and May to date)
  - Primary markets remain active – 13 Main Market new issues in April on LSE and 9 so far in May in London and Milan
  - Demand for real time data resilient
- Well placed to deliver further growth
Clara Furse

Chief Executive Officer
A year of major achievement

- Our strategy is delivering
  - Successful merger with Borsa Italiana – creating Europe’s leading diversified exchange group
  - Launch of TradElect – capacity up ninefold and end-to-end latency down to 6 milliseconds
  - Strong organic growth – average daily SETS trades up 82%
  - Record financial results – pro forma operating profits of £343 million, up 27%
Successful merger with Borsa Italiana

- Strategically significant and financially compelling merger
- New platforms for growth in dynamic global exchange sector
- We are on track to deliver at least £40 million of synergies
- The migration of Italian equities to TradElect will create new trading opportunities

*Diversified Revenues FY 2008*

- 15% Issuer Services
- 47% Trading Services
- 24% Information Services
- 12% Post Trade Services
- 2% Other

*Pro forma figures as if Borsa Italiana was part of Group from 1 April 2007*
A growing number of issuers

- LSE listed companies incorporated in 70 countries at year end

Since year end: Czech Republic, Russia, Ukraine, India, Pakistan, Mongolia, Egypt, Mexico, Kuwait, UAE, Germany, Canada, United States

Based on country of incorporation at year end. Country of operation since year end.
A growing number of issuers

- AIM – the world’s leading growth company market
  - £14.5 billion raised with a record £9 billion in further issues
  - AIM IPOs raised more money than Nasdaq, again
  - AIM Italia opportunity
  - JV with Tokyo Stock Exchange
Extending ETF and ETC coverage

- The Group is #1 in Europe for electronic trading of ETFs & ETCs
- 201% increase in the Group’s number of listed ETFs & ETCs in last year
- 96% year on year growth in order book value traded for the Group
- 4 year CAGR 110%

Pro forma figures are presented as if Borsa Italiana was part of the Group for the periods covered, with translation of prior year using the same average exchange rate as the year ended 31 March 2008.
Diversifying our product range

- Fixed income through our majority interest in MTS
  - Europe’s #1 wholesale electronic market for government bonds
  - Expansion into Israel, Slovenia, Poland and Brazil

- Derivatives through IDEM and EDX
  - 85.8m contracts traded
  - Record 55% growth on EDX
  - Energy derivatives market in Italy to be launched in September

DERIVATIVES GROWTH - CONTRACTS TRADED (m)

<table>
<thead>
<tr>
<th></th>
<th>IDEM</th>
<th>EDX</th>
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</thead>
<tbody>
<tr>
<td>FY2007</td>
<td>33.2</td>
<td>31.4</td>
</tr>
<tr>
<td>FY2008</td>
<td>48.6</td>
<td>37.2</td>
</tr>
</tbody>
</table>

+33%
Diversifying along the value chain

- The Group owns Europe’s most efficient post trade services – CC&G and Monte Titoli
  - Pricing more attractive than that of competitors
  - Sustainable advantage due to significantly lower cost of production
  - Changing post trade environment presents new opportunities
Driving volume growth through technology investment

- 98 of the 100 busiest days ever on the SETS order book
- LSE trading growth has outperformed

Trading growth FY 2008 based on average trades per day for equity exchanges and average daily contract volumes for derivative exchanges
Unlocking new types of trading

- 48 customers are signed-up for 100 megabit lines
- Hosting services to be offered from August 2008
New entrants

PLUS Markets
- New money raised – PLUS Markets £4.1 million vs AIM £5,500 million
- <1 trade / week in PLUS quoted securities

Chi-X
- Adding to liquidity growth, but:
- Relies on LSE price formation
- LSE has tighter spreads for 97% of FTSE100 securities
Innovating to meet customer needs

2008

- Hosting services
- Clearing for IOB
- Capacity to double, latency to halve, new functionality
- Energy derivatives in Italy

2009

- Exchange traded CFDs
- New ways of connecting to our services – FIX interface and FAST data broadcast
- Netting in UK
Enlarging our trading network

- 496 equity trading members across 19 countries
- Borsa Italiana adds 100 equity trading members to the Group
- Strong organic growth – net 25 new members in the last year
Bringing down the cost of trading

- Programme of fee reductions
  - Value of volume discount up 116% in last year
  - 72% of SETS trades qualify for lower fees
  - SETS Internaliser – up to 87% fee cut

- All fee structures remain under review

- Tick sizes may continue to come down
Increasingly valuable information

- Our data is price forming
- International demand for LSE data grows apace
Positioned for growth in a dynamic market

- Dynamic organisation operating in a dynamic environment

- A clear strategy for growth
  - Focused on market efficiency
  - Providing a full service that creates economic value for our market as a whole
  - The international market of choice

- We are fulfilling our vision to be the world’s capital market
### Segmental Information

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Expenses</th>
<th>Operating profit</th>
<th>Assets</th>
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<tbody>
<tr>
<td>Issuer services</td>
<td></td>
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</tr>
<tr>
<td>- ongoing</td>
<td>82.4</td>
<td>63.2</td>
<td>(46.6)</td>
<td>(35.4)</td>
</tr>
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<td>- exceptional</td>
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<td>35.6</td>
<td>27.8</td>
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<tr>
<td>Trading services</td>
<td></td>
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<tr>
<td>- ongoing</td>
<td>264.7</td>
<td>173.1</td>
<td>(107.3)</td>
<td>(58.0)</td>
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<tr>
<td>- exceptional</td>
<td>(0.3)</td>
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<td>157.1</td>
<td>118.2</td>
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<tr>
<td>Information services</td>
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<tr>
<td>- ongoing</td>
<td>143.6</td>
<td>105.9</td>
<td>(76.5)</td>
<td>(53.4)</td>
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<tr>
<td>- exceptional</td>
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<td>Post Trade Services</td>
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<td>42.8</td>
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<td>Other</td>
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<td></td>
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<td>(12.2)</td>
<td>(6.5)</td>
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<td>Corporate</td>
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<tr>
<td>- ongoing</td>
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<td>-</td>
<td>(16.9)</td>
<td>(10.7)</td>
</tr>
<tr>
<td>- exceptional</td>
<td>-</td>
<td>-</td>
<td>(18.4)</td>
<td>(14.5)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>546.4</strong></td>
<td><strong>349.6</strong></td>
<td><strong>(280.2)</strong></td>
<td><strong>19,546.2</strong></td>
</tr>
</tbody>
</table>

1 Includes investment in joint venture
2 Includes investment in associate
3 After exceptional items