David Lester
Director of Information Services
London Stock Exchange Group

- Joined the Group in 2001
- Previous experience - Accenture and Thomson Reuters
- Responsible for LSE Information Services division (27% of Group Income)
- Chairman of Turquoise, MillenniumIT and ProQuote
- Chairman of FTSE International (50:50 jv with Financial Times)

- Led negotiations for acquisition of MillenniumIT, Turquoise and proposed merger with TMX Group
Agenda

- Group strategy and progress
- Information Services
  - Operations
  - Recent performance
  - Market opportunities
- Capital Markets - Turquoise
- Q&A
FY 2012 Q1
- Interim Management Statement 20 July 2011

• Strong increase in total income, up 14% on Q1 last year (up 12% at constant currency) to £190.2 million

• Primary markets revenues up 22%, with growth in number of new issues and money raised

• Turquoise progressing well - the no.2 MTF for pan-European lit and dark trading

• Post Trade Services total income up 58%; revenues up 7% on like-for-like basis

- Pre-close statement - 29 September 2011

• Strong performance in first 5 months; expect to report good H1 results

- New initiatives:
  • Turquoise Derivatives launched - FTSE 100 Index Futures and Options
  • MTS market for UK Government bonds and European corporate bonds
  • Contract for clearing technology services for Central and Eastern European Capital Markets (OeKB)
Diversified Group income
FY 2012 Q1: £190.2m

Total income £m
FY 2011 Q1
Capital Markets 76.5
Post Trade 32.8
Information 42.0
Technology 12.6
Other 3.4
Total income £167.3m

FY 2012 Q1
Capital Markets 79.7
Post Trade 51.8
Information 44.7
Technology 10.6
Other 5.4
Total income £190.2m

Total income %
FY 2012 Q1
Primary markets 11%
Cash equities trading UK 13%
Cash equities trading Italy 5%
Derivatives & Fixed Income trading 7%
Other Capital Markets 6%
Clearing incl Treasury income 19%
Real time data 13%
Other information 10%
Technology 2%
MillenniumIT 4%
Other 2%

Capital Markets 42%
Post Trade 27%
Information 23%
Technology 6%
Other 2%
Delivering on our strategy

Getting in shape

• Driving efficiency
  – Control operational costs
  – Implement new technology
  – Adjust business model and pricing to align with customer needs

Building scale

• Building scale
  – Service to international customers
  – Scale drives efficiencies

Increasing scope

• Increasing scope
  – Increase diversification of products / markets
  – Service customer needs across multiple asset classes

Extending reach

• Extending reach
  – Organic and inorganic extension of services as capital markets globalise

Leveraging our assets

Developing opportunities
Information Services

Group provides a diverse range of data and tools that enable decision making and operational efficiencies of an international client base.

<table>
<thead>
<tr>
<th>Real time data</th>
<th>Reference and historical data</th>
<th>Desktop and workflow</th>
<th>Global indices</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK and Italian price, trading and analytical data</td>
<td>SEDOL UnaVista Datalect RNS / NIS</td>
<td>ProQuote / Market Connect OMS / EMS RSP / FIX Website</td>
<td>FTSE International</td>
</tr>
</tbody>
</table>

Strategy

- Deliver information services that improve the efficiency of our industry
- Leverage our platform to expand scale and scope of product offering across the Group
- Tailor our offering to meet customers’ needs
- Developing growth opportunities - organically, through partnerships or acquisitions - across range of areas
• Real time data - terminals stable for last 18 months
  ‒ 40% / 60% split UK / International
• New initiatives:
  ‒ Non-displayed data fees implemented January 2011
  ‒ Direct reporting service live 2011
  ‒ Separate, low cost post trade data feed - to develop high quality data availability in multi-venue environment
Information Services - other products

- **FTSE**
  - over $5 trillion of assets benchmarked to FTSE indices globally (3rd largest index provider worldwide)
  - FTSE/Xinhua index now 100% owned - largest Chinese ETF benchmark
- **UnaVista**
  - post trade solutions: matching, validation and reconciliation
  - Swaps Portal launched
  - Transaction reporting to multiple regulators; FSA TRS acquisition to close Oct 2011
- **SEDOL**
  - Multi-asset global numbering system - 19m instruments from 80+ countries
- **ProQuote**
  - Efficient access for clients to market price, news, trading and company data; connects 135 brokers to network of 40 RSPs with c£5bn trading in August
- **RNS**
  - Real time regulatory news service - 180,000 company announcements last year
Information Services

FY 2011 - results

**Highlights**

- **Real time data professional terminals stable**
  - UK 93,000 unchanged on 31 March 2010
  - Italy 139,000, down 3,000
  - Non-displayed data increasing (HFTs, MTFs, Algo)

- **Revenue from Other Information products up 13%**
  - FTSE - revenues up 18%
  - UnaVista - strong growth from launch
  - SEDOL - revenues up 13%
  - ProQuote - revenues up 5%

- **Turquoise - Multilateral trading facility**
  - Share of European trading Q4 4.0% (Q1 3.1%)
  - Gross revenues £10m (before maker rebates)

* included in Information Services in FY 2011, now part of Capital Markets

Note: Minor rounding differences, figures may not cast down
Capital Markets - Turquoise

- Turquoise growing; now >6% of European cash equities trading - no 2 MTF in Europe
- 28% share of European MTF dark segment; no 2 in Europe
- Launch of Turquoise Derivatives - June 2011
**Strength in diversification**

Attractive and established building blocks for growth

<table>
<thead>
<tr>
<th><strong>Primary markets</strong></th>
<th>Expand our global franchise - #1 global listing venue for international companies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td>Modernise cash equity franchise - revised tariffs, new technology, lower cost post trade and new services</td>
</tr>
<tr>
<td><strong>Derivatives</strong></td>
<td>Integrate derivatives assets to build European and Emerging Market scale</td>
</tr>
<tr>
<td><strong>Fixed income</strong></td>
<td>Build upon assets to develop leading integrated Pan-European fixed income platform</td>
</tr>
<tr>
<td><strong>Turquoise</strong></td>
<td>Establish as the leading multi-asset pan-European crossing network (including dark pool trading)</td>
</tr>
<tr>
<td><strong>Information</strong></td>
<td>Expand range of non-real time data services providing efficiencies for clients</td>
</tr>
<tr>
<td><strong>Post-trade</strong></td>
<td>Build upon Italian assets to create efficient, interoperable pan-European post-trade provider</td>
</tr>
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| **Main Market**     | #1 market globally for international listings |
| **AIM**             | #1 cash equity trading business in Europe |
| **London Stock Exchange** | #1 ETF / ETC market in Europe by volume |
| **Borsa Italiana**  | #1 electronic retail bond platform in Europe |
| **ETPlus**          | #1 European MTF dark pool for cash and derivatives |
| **MOT**             | #3 derivatives exchange in Europe |
| **Turquoise**       | #1 electronic government fixed income trading market in Europe |
| **IDEX**            | Italian Post-trade - clearing, settlement, custody |
| **MTS**             | Global index provider; #1 provider of Chinese ETFs |
| **CC&G**            | Core capital markets technology used both internally and by third parties, e.g. LME, ICAP, Tullet Prebon |
| **X-TRM**           | Secure hosted platform for data validation, matching and reconciliation for over 7500 customers |
| **FTSE**            | Regulatory and financial communications channel with the professional investor |
| **UnaVista**        | Unique global securities identifiers (over 19m unique identifiers) |
| **RNS**             |                                                                 |
| **SEDOL**           |                                                                 |
Summary

Financial Performance

- Solid FY 2011 financial results - total income up 7%, 4% reduction in operating expense and AEPS up 23%
- Q1 FY 2012 income up 14% to £190m
- Expect to deliver good H1 results

Delivering on Strategy

- Getting in shape - key steps taken include:
  - Millennium Exchange roll out for Turquoise and SETS UK trading platform, SOLA for IDEM and Turquoise Derivatives
  - On-going focus on cost control, improving client service and increasing competitiveness
- Leveraging our assets and developing opportunities
  - Turquoise derivatives FTSE 100 Index Futures and Options launched
  - Launch of new Information, Technology and Post Trade products
- Growth opportunities
  - Many organic / inorganic development opportunities - disciplined approach to deliver shareholder value
Appendices
Regulation

Changing regulatory environment creates uncertainty and opportunity

- **MIFID/MIFIR review**
  - Transparency regimes for all non-equity trading - issues re “calibration” of regimes
  - Increased regulatory oversight of RMs, MTFs, BCNs (inc dark pools)
  - Possible restrictions on automated and High Frequency trading and of reviews of impact of technology on market integrity and efficiency
  - Improved quality of post trade data and introduction of consolidated tape

- **EMIR (European Markets Infrastructure Regulation)**
  - OTC derivatives mandated to use CCP service - limited scope has impact on competition in exchange traded derivatives
  - UK isolated on scope and ESMA powers (and suing ECB)
  - Establishment of trade repositories
  - Harmonised requirements for CCPs
  - Mixed interest in interoperability

- **FTT (Financial Transaction Tax)**
  - EC proposed on 28 September - Parliament and many EU states support
  - For UK, is a tax on London unless universal as UK is majority of EU financial services - G20 previously rejected
  - UK has veto power, though FTT is part of EU budget process

- **Other**
  - Threat to London’s position as global financial centre
    - UK under-represented in Europe; FSA seat on European Securities Markets Authority: 8% of vote while the UK represents two-thirds of financial services activity in Europe
    - Deutsche Börse / NYSE Euronext merger - two existing EU derivatives players merging into a single, dominant player, all but eliminating competition in exchange traded derivatives
    - Re-organisation of UK regulatory structure creates uncertainty and introspection when focus is on EU
  - **CRD IV (Capital requirements directive) for banks, firms, Banking Commission- impact on capital and liquidity**
    - Extension of crisis management framework to cover market infrastructure including exchanges and CCPs
  - **Target 2 Securities (T2S) - potential for reduced cross border settlement costs, postponed again**

Proposal due 19 October 2011, Live 2013/14
Live 2012
Live 2015
Markets / business model

**Capital Markets**

**Primary**
- Clients: listed companies and other issuers
- Revenues:
  - Annual Listings
  - IPOs and other capital raisings/admission to markets

**Secondary**
- Clients: trading firms/banks/brokers
- Revenues from trading:
  - Equities
  - Fixed income
  - Derivatives

**Post Trade**
- Clients: trading firms, banks, issuers and fund managers
- Revenues from:
  - Clearing of trades
  - Interest on margin collateral
  - Settlement
  - Custody and other services

**Information**
- Real time price and trading data: distributed directly and through vendors (e.g., Bloomberg/Thomson Reuters)
- Other information products: e.g., SEDOL securities identifier, UnaVista post trade confirmation/reconciliation services, FTSE Indices - used by fund managers, brokers and banks

**Technology**
- Revenues from network connections, co-location of client servers in our data centres and technology/systems sales to capital market firms (through MillenniumIT)
Capital Markets - Share of trading

- UK and Italy share of trading 63.5% and 83.6% (Jan-Aug 2011, excluding Turquoise)
Post Trade: Delivering on our strategy

Clearing

Net treasury income benefiting from:

• Management changes - greater use of broader range of banks
• Investment made in risk and treasury management
• Increased margin collected from higher volumes, new markets and increased direct participation from non-Italian banks
• Relative low liquidity in Italian inter-bank loan market
Technology Services

- Millennium Exchange successfully rolled out on Turquoise and LSE - and will be used by Johannesburg SE and Oslo Bors
- World leading consistent low latency performance
- IDEM roll out on SOLA and upgrade for Turquoise Derivatives
Summarised cash flow

Strong cash generation

Investment activities

- £43m capex - includes trading platform implementations for Turquoise, UK equities and IDEM derivatives
- £5.5m invested in the acquisitions of ProMac and MTS France
- Free cash flow per share 80.4p (65.6p)

£ million

- Cash generated from operations: 382
- Net interest paid: 44
- Corporation and withholding tax paid: 74
- Investing activities: 49
- Discretionary free cash flow: 216
- Dividends: 73
- Free cash flow: 143
Shareholder returns

Progressive dividend Policy

Total dividends paid as a percentage of “Adjusted basic earnings per share” as reported by LSEG, FY 2005+ IFRS, Pre FY 2005 UK GAAP
Borrowings

- Net borrowings £245m
- £125m cash reserved for regulatory and operational purposes

LSEG ratings
(updated July 2011)
- S&P A- (stable)
- Moody’s Baa2 (negative watch)
  - **Group at a glance** - main types of revenue, customers and KPIs (page 4)
  - **What we do** - description of our business segments (page 6)
  - **Strategy in action** - strategic imperatives and drivers (page 14)
  - **Segmental review** - introduction to our Executive Committee (page 15)
  - **Corporate Social Responsibility** - our people, community and environment (page 30)
  - **Corporate Governance** - compliance with the Combined Code (page 40)
  - **Remuneration report** - details of Directors’ remuneration and incentives (page 48)
  - **How the markets work** - the process of trading, post trade and MiFID (page 102)
  - **Glossary** (page 104)

http://www.londonstockexchangegroup.com/investor-relations/investor-relations.htm
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