Agenda

“Competing in an Age of Austerity”

- Overview of business and strategy
- Cash equities - markets overview and actions to strengthen our market position
- Information Services - importance of LSE data and development of other services
- Development - expanding Post Trade and Derivatives businesses
- Regulatory uncertainty
Diversified revenues

FY 2011 Q1

FY 2010 Q1
Strategy and priorities

Strategic focus and priorities:

1) Drive efficiencies - “Getting in shape”
   - Lowering costs, re-focusing the business on major clients, transforming the technology, strengthening the management team

2) Build scale, increase scope, extend reach - “Leveraging our assets”
   - organic growth across range of assets - equities, derivatives, fixed income, information products and post trade services

3) “Developing other opportunities”
   - JVs, partnerships, other links to grow the Group’s scale and scope

Objective: to be a leading global exchange group within 5 years
The Future of the Sector - European consolidation

- **Total fee pool**: $630 million
- **Number of major equity trading venues**: 4
- **Total notional fee pool using MTF tariff**: €75 million
- **Order Book Trading (USD)**: $23,902 bn
- **Number of major equity trading venues**: 28

1 Figures for Jan–Sep 09, Source: WFE, FESE
2 Four venues have a market share over 2.5% of trading in 2009: NASDAQ 27.1%, NYSE 37.3%, DirectEdge 13.9%, BATS 12.9%
3 Per annum calculated using data from the Goldman Sachs Global Investment Research (November 2009)
4 Per annum calculated using an MTF tariff and Thomson Reuters data
Specialist technical traders' share of FTSE 100

Introduction of MiFID
Capital markets - secondary

Share of trading stable

LSE order-book value traded and share of trading

Actions taken

- **SETS Pricing changes** - Sep 2009 and May 2010, removal of maker/taker, qualifying aggressive fee 0.29bps and qualifying passive free
- **Post trade** fees reduced Feb 2010 - LCH / Euroclear netting fee reduced for large users
- **MillenniumIT** acquired Oct 2009 - TradElect trading platform to be replaced Nov 2010
- **Retail incentives** introduced Aug 2010 - low cost real-time data and no trading fees for 6 months

*Trading figures exclude Turquoise*
Turquoise - Pan-European opportunity

- Important opportunity to partner with largest banking clients
  - Acquired February 2010
  - Now partnered with 12 banks;
  - LSEG retains 51 per cent

- Pan-European offering, recently extended to US securities

- Significant development opportunity as a dark venue; value up c.100% during last quarter

- Scope to benefit from sharing LSEG infrastructure:
  - Access to London Stock Exchange membership base; another 180 clients could connect at no extra cost
  - Server co-location facility covers Turquoise as well as London Stock Exchange

#1 European MTF dark pool

![European MTF dark pools 2010](chart.png)

Source: Thomson Reuters / BATS
Technology

- **MillenniumIT (MIT)**
  - Trading platform migration work in progress:
    - Turquoise go-live 4th October 2010
    - SETS go-live 1st November 2010
  - Planned migrations 2011:
    - Italian equity and fixed income
    - Johannesburg SE & Oslo Bors
  - Shutdown TradElect FY 2012, savings at least £10m pa

- **Co-location services**
  - Strong demand, further facilities will become available on migration to MIT
Leveraging our core assets: Information Services

Significant potential areas of business development:

- **Index business**: Leveraging 50:50 JV FTSE to create significant value
  - 120,000 indices covering 80 countries
  - FTSE Xinhua China - largest Chinese ETF benchmark

- **Trade processing**: Developing Proquote, SEDOL, UnaVista and X-TRM into an expanding trade processing market segment
  - Trade processing market is inefficient, firms are at risk
  - Transaction reporting - Approved Reporting Mechanism (ARM)
  - Proquote - OMS support for retail strategy

- **Real time data**:
  - New unbundled post-trade market data service
  - Post trade data costs = same as US consolidated tape
  - Private investor volume discount pricing scheme - as low as 20p per investor per month
Leveraging our core assets: Derivatives

- Small scale at present, but good base to develop
- IDEM trades Italian equity, equity index and electricity futures and options
- EDX trades International Order Book (mostly Russian) and Scandinavian futures and options
- TMX SOLA technology - EDX migration completed, IDEM go-live 23rd October 2010
- Exploring European and Emerging Markets opportunities
  - 73% of European equity derivatives traded OTC*
  - USD600bn European equity OTC derivatives outstanding vs USD 250bn US equity*

*source BIS / ECB study published Sep 2009
Leveraging our core assets: Post Trade

- Determining opportunities to extend scope and scale of our assets inorganically into a pan-European platform to support Capital Markets business
  - MillenniumIT
  - CC&G
  - Monte Titoli

- Reducing fees
  - LCH.Clearnet reduced clearing fees to large users 1st October 2010
  - Euroclear reduced post trade costs by removing the gross charge for netting 1st March 2010

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**Post Trade Revenues in Europe**

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<th>Settlement &amp; Custody</th>
<th>2007</th>
<th>2008</th>
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<tr>
<td>€2.290m</td>
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<td>€1.160 m</td>
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<td>€1.301 m</td>
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**Average fee rates**

<table>
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<tr>
<th>Trades / day</th>
<th>LCH Oct10</th>
<th>EMCF proposed</th>
<th>x-clear proposed</th>
<th>EuroCCP</th>
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</tbody>
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Note: EMCF fees identical to EuroCCP up to 500k trades/day, so not visible on this chart as overlayed by EuroCCP.
Regulatory changes / uncertainty

Basel III

• Attempts to address over leverage should be welcomed
• If fully implemented, reality could be capital requirements up to 10-12%
• Must beware reduction in lending - 70% of SME funding is bank finance

Short selling

• Reaction to sovereign debt crisis
• No evidence that short selling is harmful
• Our research indicated it reduces volatility

Post Trade

• Driving down cost is key
• Harmonisation of CCP standards will support risk management and competition
• Central clearing not suitable for all OTC assets
• Access to central bank liquidity

MiFID II

• Appears to be driven by London’s competitors
• We support drive towards better post trade data as a means to improve transparency
• Dark pools do offer choice, we should be careful not to damage price formation
Summary

- Clear strategy - delivery progressing
- Management team strengthened - broader experience and skills
- Developing our competencies and capabilities - priority now to continue efficiencies and develop post trade and derivatives products
- More to be done - infrastructure changes over time
- Opportunities across the business
- Strong cash generation
- Expect further progress against strategy in coming year
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