Snapshot of the Enlarged Group

- Successful completion of merger with Borsa Italiana – 1 October 2007
- LSE entered **FTSE 100** in December 2007 – market cap now **c£3.7bn**
- Q3 2008 first reporting as enlarged group under new structure
- Combined revenues (9 months ended 31 December 2007) of **c£494m** – 19% increase (on pro forma basis)
- New organisation structure in place – integration work streams underway
LSE and Borsa Italiana merger successfully creates Europe’s leading diversified exchange group

- **Synergies**
  - Cost savings / synergies of £20m (50% IT, 50% other) in **FY 2010**
  - Revenue synergies of £20m (€29m) in **FY 2011**
  - Expected to be earnings neutral to positive in **FY 2008**, accretive by at least **10%** in **FY 2009**

- **Technology rationalisation**
  - Migration of Italian equities onto TradElect
  - Integration of AIM’s market model with Bit’s SME market segments
  - Expansion and development of MTS bond platform
  - Combining our derivatives expertise and potential in IDEM and EDX

- **Cross market access and development of new products / services**
  - Extension of efficient and low-cost post-trade services
  - Innovation and cross-selling of derivatives products
  - Potential to unlock retail participation in the UK, building on the success of the Italian market in cash equities, ETFs and securitised derivatives
  - Potential to leverage LSE’s expertise with institutional investors (e.g. algorithmic traders)
London Stock Exchange Group

- Revenues primarily derived from cash equity market services
- Primary business divisions
  - **Issuer** – admits companies to UK and Italian markets
  - **Trading** – efficient trading structures for UK and international securities
  - **Information** – high quality price and trading data
  - **Post Trade** – efficient clearing, settlement and custody services

![Group Revenue (9 months YTD FY 2008 pro-forma - £494m)](chart)

Note: Pro-forma data for nine months ended 31 December 2007 as if Borsa Italiana acquired from 1 April 2007. Revenue for Borsa Italiana translated using average exchange rate of €1.443 : £1
Issuer Services is global

- Strong level of international **IPOs** – **84** year to date
- More than NYSE/Euronext, NASDAQ and DBAG combined

**International IPOs on major European and US exchanges**
(11 months April 2007 to February 2008)

- LSE: **84**
- NYSE / ENXT: **48**
- Nasdaq: **16**
- DBAG: **1**

Source: Exchange websites
AIM delivers

- AIM raised **£5.5bn** of new capital and brought over **77** new overseas companies to market (for 9 months YTD FY 2008)
- **£56bn** raised since 1995 (inc 44% from further issues)
- AIM liquidity is comparable to Main Market for similar size stocks - failure rate of less than **3%** is low¹
- AIM generates income of around **£1bn pa** for the City¹

¹ Source: London School of Economics
Trading Services - setting new records

- **9** days of **1,000,000+** trades with a new record of **1,428,000**
- **98** of the **100** busiest days ever have taken place since TradElect went live (18 June 2007)
- **Average 629,000** SETS trades/day YTD FY 2008 – up **86%**, and on course for record Q4 (Jan - March 2008)
- **Average 288,000** Borsa Italiana trades/day YTD FY 2008 – up **23%**
TradElect - a growth driver

- October upgrade – capacity up **70%** and latency down to **6ms**
Strong growth in order book volumes - and benefits shared with market

- LSE and Borsa Italiana take relatively less out of market than other major exchanges
- Highly effective volume discount schemes – in London 32 firms and more than 70% of SETS trades benefit from discounts

Source: Company announcements
Note: European exchanges orderbook trades volume growth; US exchanges matched shares volume growth; Revenue growth - LSE: Broker Services; Borsa Italian: Cash Services; DBAG: Xetra; OMX: Nordic market equity trading; NYSE/ Euronext: US/ Europe Cash Products; Nasdaq: Market Center.
Cost of buying UK equity

- Very low exchange fee – stamp duty remains principal cost
- Blt – lowest cost trading, clearing and settlement in Europe\(^2\)

---

1. Blended passive / aggressive rate
2. EU DG competition analysis 2006
Trading values and volume **resilient** to falls in market capitalisation

Equity value and volume traded vs UK Main Market capitalisation
Fixed income liquidity improving in recent quarter

- MTS bond trading platform - good growth potential
- 2008 trading shows signs of encouragement following 2007 second half slowdown
Derivatives showing good growth

- January saw record volumes of over 8.5 million contracts
- Average daily contracts traded Q4 (Jan - March 2008) up c40% year on year
Strong demand for data drives growth in Information Services

- **4,000** of the **7,000** new professional terminals in H1 from outside the UK
- **59%** of total professional terminals taking LSE data now **overseas**
Current trading and prospects

Overall trends remain good:

- **Primary** markets remain active though market conditions are slow
- **Secondary** markets remain strong – UK and Italian order book bargains/day up 85% in January 2008 (to 1.3 million bargains/day) and SETS continues strong volume growth since
- Demand for **real time pricing and trading** data remains good
- **Merger** expected to be earnings neutral to positive for this financial year
- Overall expect **good outcome** for enlarged Group for the full year
Thank You

Q&As