Agenda

- Overview of business
- Primary markets - current trends
- Secondary market - trading proposition
  - technology
  - membership
  - structural changes
  - pricing
  - market efficiency
  - competition
  - new products/developments
  - data distribution

- Summary and Q&A
Group revenue

Diversified revenue stream - one-quarter directly from UK cash equity

Group Revenues H1 FY2008

- Information Services: 29%
- Issuer Services: 17%
- Other: 2%
- Derivatives and Fixed Income: 4%
- LSE order book: 45%

Group Revenues H1 FY2009

- Information Services: 26%
- Issuer Services: 14%
- Post Trade: 14%
- Trading Services: 14%
- Other: 6%
- Derivatives and Fixed Income: 8%
- LSE order book: 26%
- Blt order book: 4%
Our strategic approach to growing liquidity

- Continuously drive market efficiency
- Launch market-led new products & services
- Improve access
- Implement planned technology enhancements
- Attract more issuers
- Facilitate more trading
- By more participants
- In more securities
Primary markets - our priorities

- Attract new issuers to our markets from around the globe that will be of interest to the existing investor base and draw new investors into our market
- Target growth markets - “bringing the world to London”
- Provide a number of routes to market in order to attract diversity of companies and investment entities e.g. SFM and PSM
- Expanding the AIM franchise: AIM Italy and Tokyo AIM
Issuer Services

- IPO pipeline for London - not empty, but not flowing!
  - Market appeal not fundamentally impaired - International companies remain attracted to London

- Secondary issues
  - £84bn raised in last 11 months
  - More on the way:
    - Refinancing for distressed companies where the banks and debt markets are closed
    - Companies deleveraging
    - Acquisition opportunities

- Re-equitisation is in progress
Our trading proposition is based on...

**Liquidity**
Europe’s deepest pool of liquidity, with critical, real time price formation and central price reference point

**Technology**
Low latency, high capacity systems with full functionality to provide trading solutions for all market users

**Efficiency**
Greater certainty of execution, the core of best execution, through our deep liquidity, better spreads, innovative services and the high quality of our market data and rules

**Access**
Europe’s largest and most diverse international membership with broad range and mix of order flow
TradElect - enabling more efficient trading

- Autumn 2008 upgrade - capacity up 180% and latency down to 4.6ms
- Migration of Italian equities to TradElect
Enlarging our trading network

- 507 equity trading members across more than 20 countries

- Cross membership with LSE and Borsa

- Diverse membership provides differentiated flows:
  - Liquidity provision e.g. (technical) market making
  - Aggressive flow e.g. both institutional & retail client flow
  - Specialist flow e.g. proprietary desk and algorithmic / statistical arbitrage flows

- Pipeline of High Frequency Traders
Structural shift to high frequency trading

- Growth of high frequency, highly automated trading firms
- New fee structure rewards electronic liquidity provision

Electronic Liquidity Providers
- Market makers

Arbitrage
- Index
- Statistical
- ETFs / ETCs
- Cross platform

Hedging
- Futures and options
- CFDs
Trading fees - new maker / taker structure

- Tariffs under review/changed on several occasions in recent years - to encourage liquidity and reward increased trading

- New fee structure introduced 1st September 2008 applies to all LSE trading clients
  - Reducing trading costs and accelerates growth
  - Rewards liquidity providers with credit scheme
  - Simplification of charges for taking liquidity with a value discount scheme

- Aligned with market requirements

- Producing step change in market liquidity and efficiency - to attract new members / users and facilitate new order flow and trading strategies

- Only exchange in Europe with a maker /taker structure
LSE offers the tightest spreads

- The London Stock Exchange’s position as the best execution venue for FTSE100 securities
Market share dynamics - UK equities

LSE FTSE100 market share of electronic trading steady at 75% to 80% - Sept 2008 to March 2009

Source: LSE Proquote data
Developing to improve market efficiency

- TradElect
  - Capacity to double, latency to halve, new functionality
  - Hosting services
  - New ways of connecting to our services – FIX interface and FAST data broadcast

- Clearing
  - Competitive clearing
  - International Order Book CCP

- Baikal MTF – non display trading platform to use CC&G for pan-European clearing

- Derivatives – SOLA trading platform partnership with TMX Group
Baikal positioning - the ultimate liquidity aggregator

Baikal meets the buy-side need for efficient and low cost execution of very large trades

- Exchanges, MTFs, and other lit venue order books

**OTHER LIQUIDITY VENUES**

- First true liquidity aggregator - committed to connecting to all possible liquidity venues
- Algorithmic trading and routing tools to reduce customer execution cost
- Non-display order book to provide and lower market impact costs

**CLIENT LIQUIDITY**

- Provision of liquidity
- Need for anonymity

**BROKER LIQUIDITY**

- Broker-dealer liquidity and dark pools
  - Equity used to encourage broker liquidity
  - Tariffs, revenue share and other mechanisms
Distribution of trading/price data

- Quality and transparency of trading data has declined post MiFID (particularly OTC) - but the problem is data *production*, not data distribution

- US style consolidated tape is not a panacea - does not provide detailed data that market requires and expensive / difficult to establish on European basis

- Data vendor solutions (rather than imposed legislation) more likely to meet genuine market needs, faster and at lower cost - amalgamated market view from Fidessa, ThomsonReuters, Bloomberg, Proquote etc

- No change/issues for LSE - data already distributed through vendors to multitude of users

- Exchange provides a Europe-wide solution for post trade disclosure with a trade reporting service for all securities, distributed at no extra cost
Summary

- Market conditions remain challenging and uncertain in some areas
- Responding to market challenges and introducing new services/technology
- Highly attractive and successful Primary markets
- Deeply liquid, efficient and well connected trading venues
- Used to competition and adaptive to change
- Remain central price reference point and liquidity pool for UK and Italian cash equities
- Well positioned now and strengthening our competitive advantages
Appendix
FY2009 Q3 Interim Management Statement

Three months to 31 December 2008:
- Revenue up 4% to £171.0 million (down 3% at constant currency)

Nine months to 31 December 2008:
- Revenue up 5% to £516.5 million (down 1% on a pro forma basis at constant currency)

Key trends (including data for 11 months ending 28th February 2009):
- Issuer Services - IPOs subdued, strong increase in capital raising through further issues (£69bn of total £84bn)
- Trading Services - UK equities impacted by c32% fall in FTSE 100 and declining volumes in Italy
- Information Services - data users broadly resilient, LSE terminals down 3,500, Bit down 4,500 year on year
- Post Trade - clearing benefiting from higher margin calls and open interest remains strong
- Retain sound financial position

<table>
<thead>
<tr>
<th></th>
<th>Three months ended 31 December</th>
<th>Variance at constant currency</th>
<th>Nine months ended 31 December</th>
<th>Variance at constant currency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2007</td>
<td>%</td>
<td>2008</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuer</td>
<td>22.5</td>
<td>25.1</td>
<td>-10%</td>
<td>-15%</td>
</tr>
<tr>
<td>Trading</td>
<td>64.8</td>
<td>74.2</td>
<td>-13%</td>
<td>-17%</td>
</tr>
<tr>
<td>Information</td>
<td>47.1</td>
<td>41.1</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>Post Trade</td>
<td>30.9</td>
<td>19.3</td>
<td>60%</td>
<td>34%</td>
</tr>
<tr>
<td>Other income</td>
<td>5.7</td>
<td>4.7</td>
<td>21%</td>
<td>10%</td>
</tr>
<tr>
<td>Total revenue</td>
<td>171.0</td>
<td>164.4</td>
<td>4%</td>
<td>-3%</td>
</tr>
</tbody>
</table>
Control of operating costs

- H1 FY2009 operating costs flat at constant currency - and down c4% before Lehman bad debt
- H1 headcount down c3% (at 1179)
- Costs reflect “full service” exchange eg Issuer, RNS, Post Trade, MTS, Proquote
- Track record of controlling costs - 2004-7 (last FY disclosure before BIt merger) costs from £154m - £164m
- Synergies from Borsa Italiana merger - on track to deliver c£24m pa cost synergies
- But also continue to invest and develop - Baikal, AIM, SOLA etc
Net debt and borrowings

- Overall borrowing unchanged in H1, £624m drawn at 30 September 2008
  - £905m committed facilities; £700m to 2012 or beyond
  - £250m new 5 year revolving credit facility at rate of Libor +c80bps
  - £25m new 3 year bi-lateral in October
  - £200m revolving credit facility and £180m bridge facility extended

- £125m cash reserved for regulatory and operational purposes

![Bar chart showing committed bank facilities and bond issuance](chart.png)