London Stock Exchange Group plc

December 2008

London Stock Exchange Group

Vision – to be the world's capital market

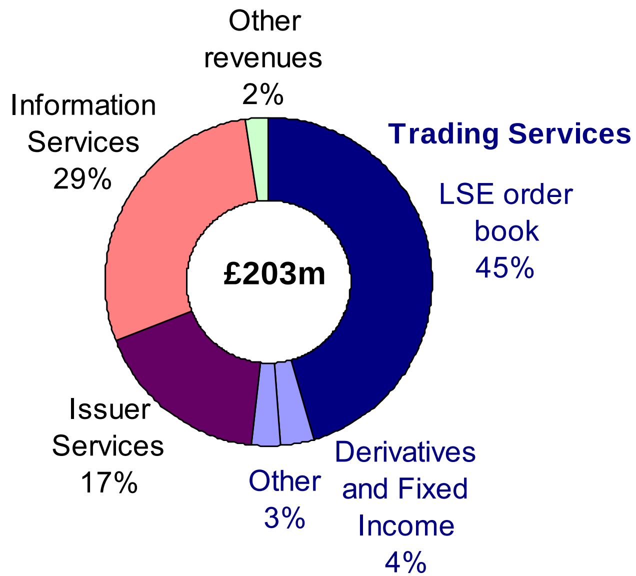
- **Market of choice for international issuers** – based on low cost of capital raising and world class regulatory / governance regimes
- **Reducing the cost of capital** – improving spreads and reducing trading and post trade costs for greater market efficiency
- **Leading technology** – fast, highly reliable and high capacity systems for global customers facilitating structural shift in equity trading
- **Shaping the future** – reinforcing our unique international position, through product development and technology leadership, anticipating market development and changing exchange landscape
- **Strategic growth opportunities** – combination / collaboration to deliver increased liquidity, synergies and geographical / asset class diversification

Bringing international companies to market; driving greater efficiencies and lowering cost of trading through intelligent pricing strategies and technology investment

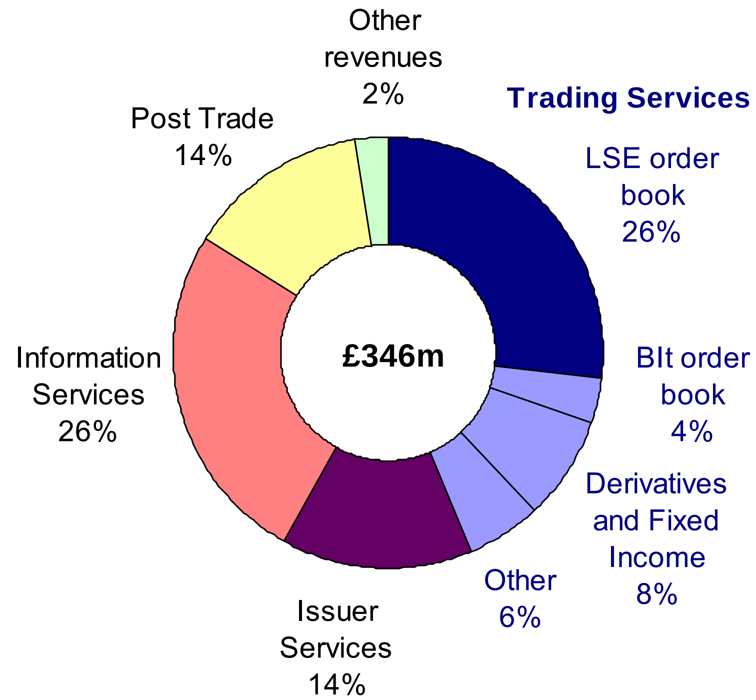
Group revenue

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

Group Revenues H1 FY2008



Group Revenues H1 FY2009



High quality resilient business model

- Crisis underscores the fundamental strength and resilience of the exchange business model
- Creating medium term opportunities for London Stock Exchange Group
  - Move to less complex products
  - Increase in government debt issuance to benefit MTS
  - Positive reappraisal of equity as an asset class
  - To strengthen London's position as the leading international financial centre

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Long term macro-economic trends support global ambition

- Long term fundamentals for the global economy remain strong
  - Cross border investment flows have grown some 14% per annum since 1990

- The UK has the largest capital flows of any single country in the world

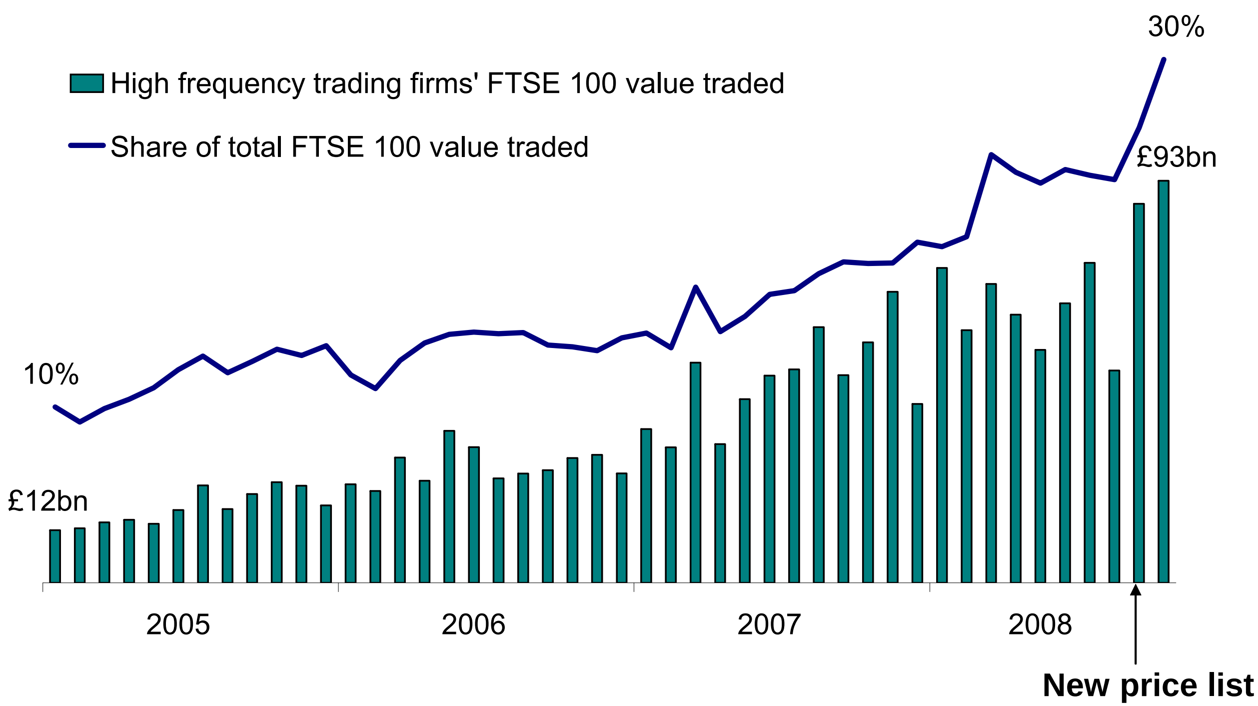
- World’s pre-eminent listing venue
  - Recent listing forums for Mexico, Brazil, Peru, Kuwait and Bahrain
  - Capital Market Days for Jordan, Brazil and China

- Exploring the potential for efficient cross access with the Tokyo Stock Exchange

Structural shift to high frequency trading

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

Growth of high frequency trading firms



Electronic Liquidity Providers

- Market makers

Arbitrage

- Index
- Statistical
- ETFs / ETCs
- Cross platform

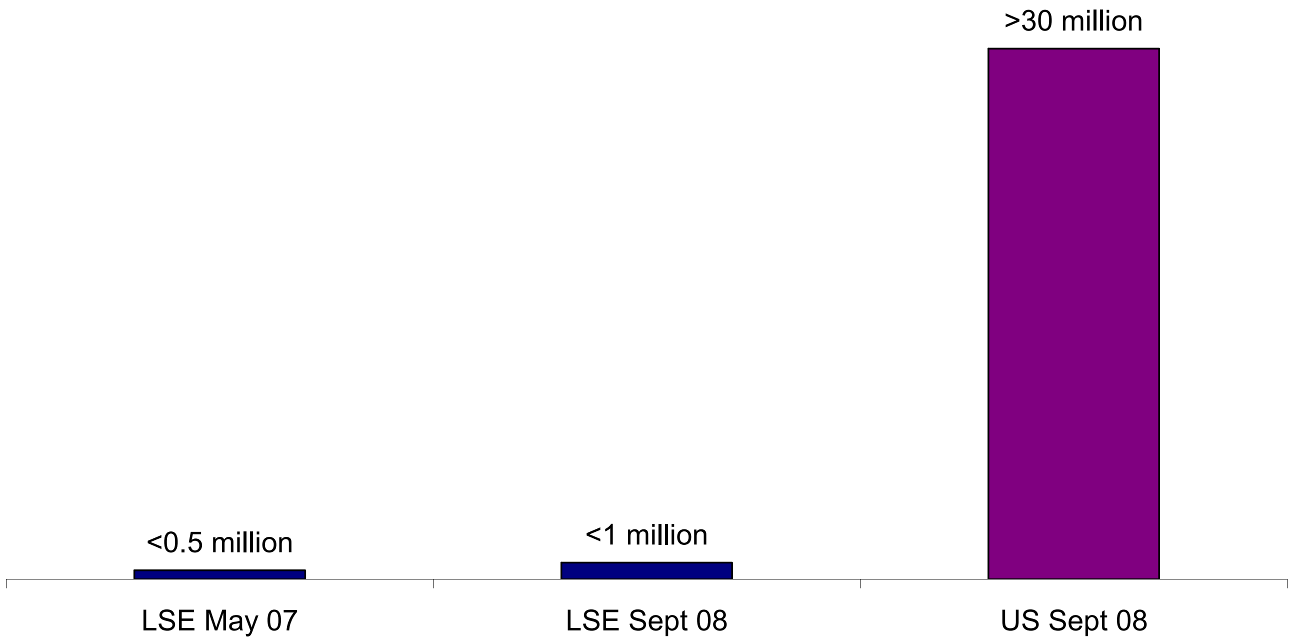
Hedging

- Futures and options
- CFDs

Planning for growth

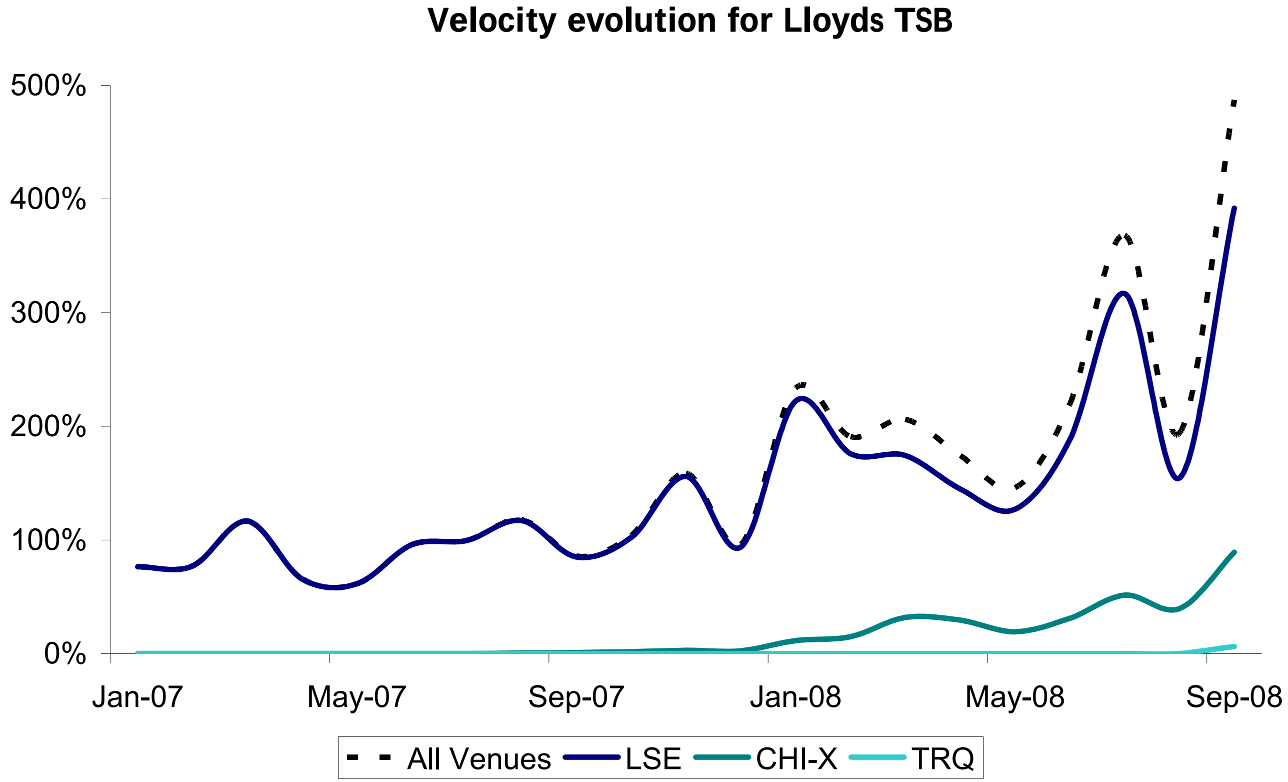
- We are planning for a huge increase in volumes
- Around 30% of Europe's electronic trading is now being transacted on TradElect since migrating the Italian market

Average trades per day

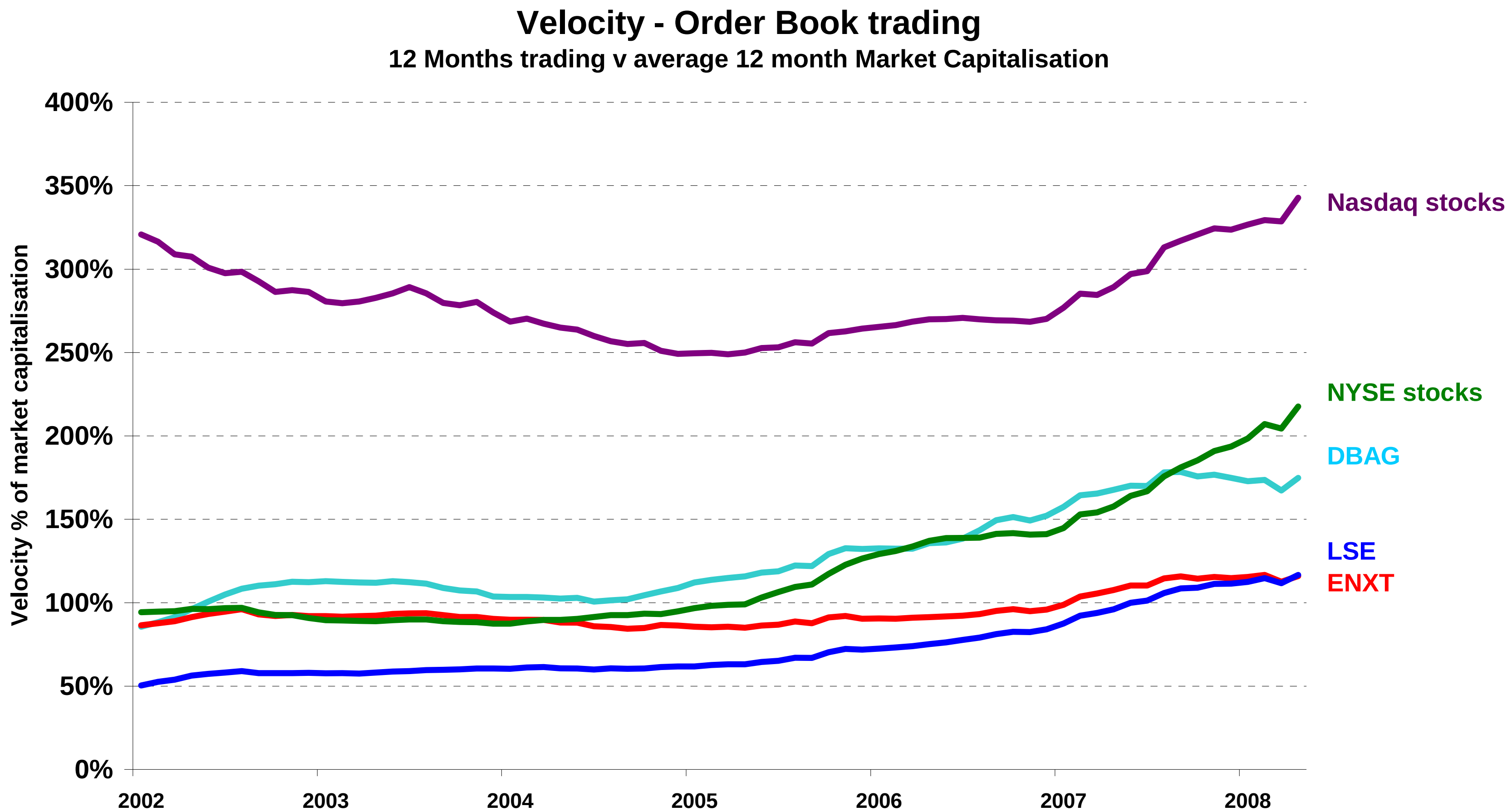


Liquidity fragmentation fuels velocity growth

- Lloyds TSB velocity has doubled this year

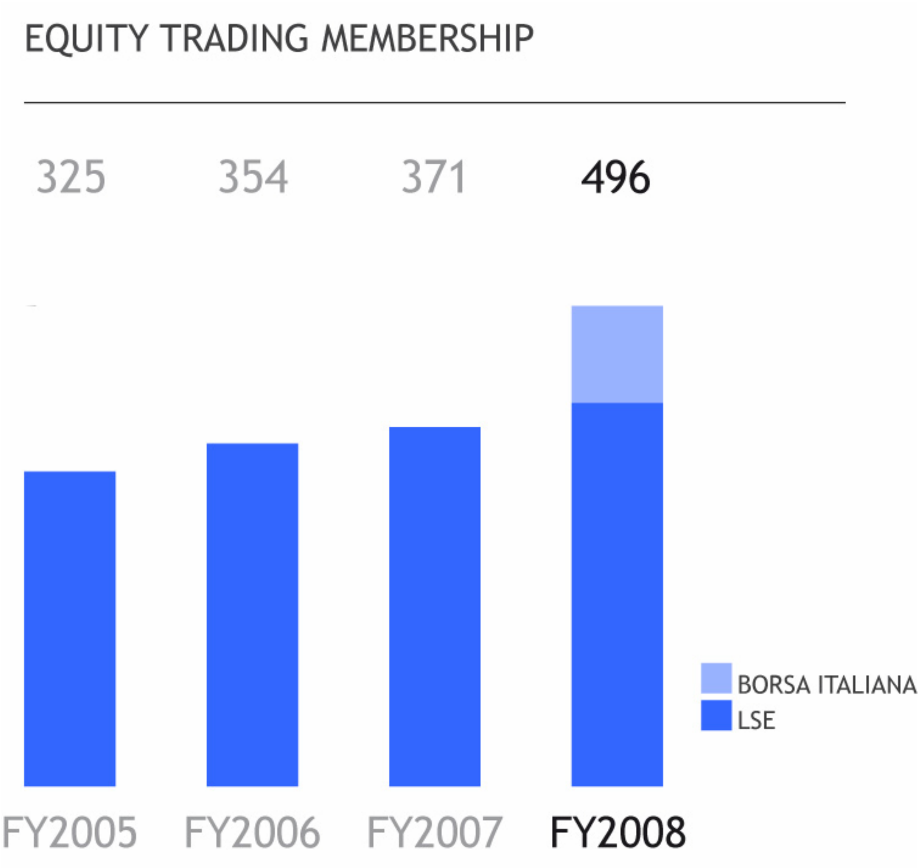


… and there is still much further to go…

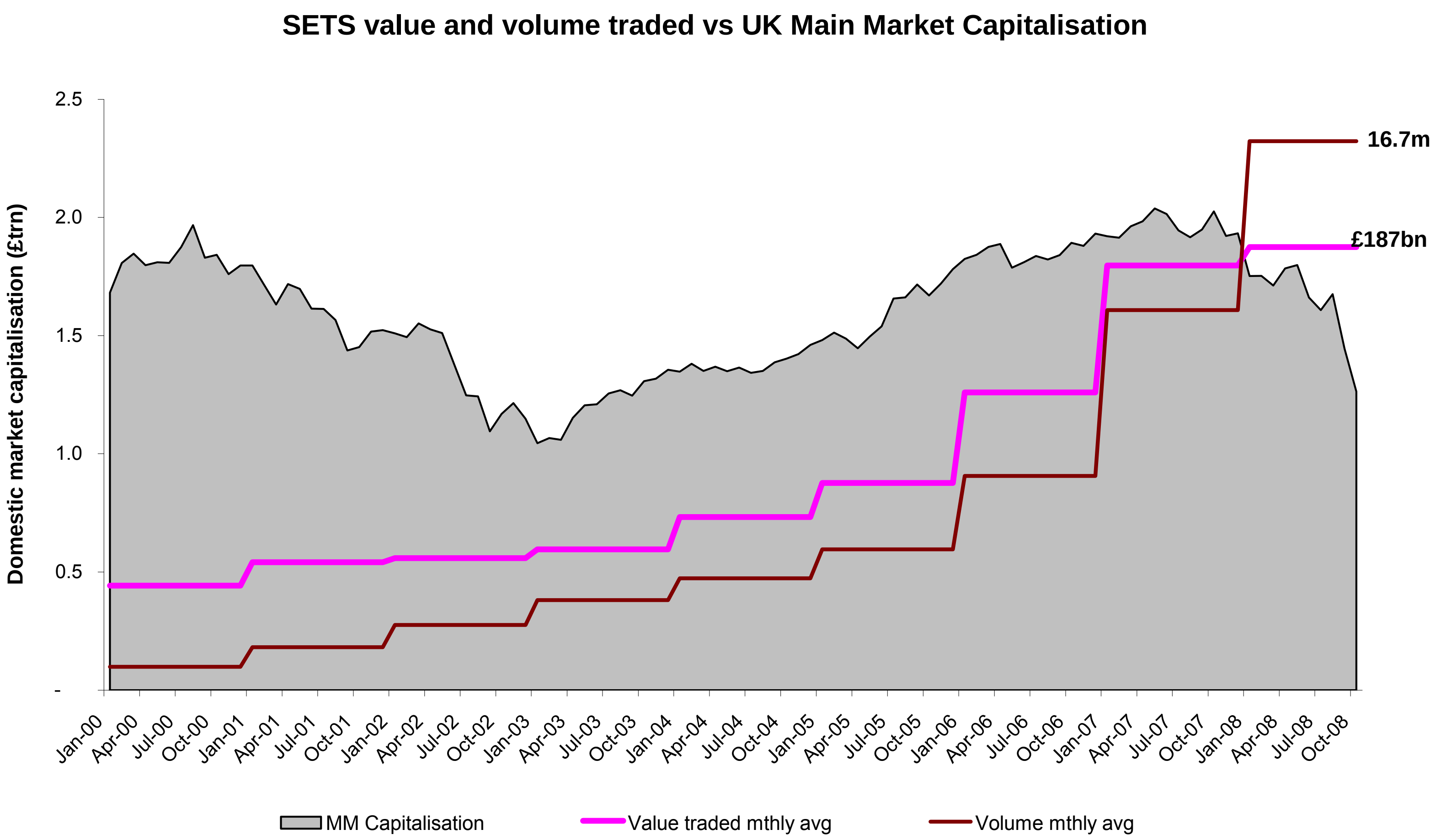


Enlarging our trading network

- 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
- Pipeline of ELPs



Trading values and volume resilient to falls in market capitalisation



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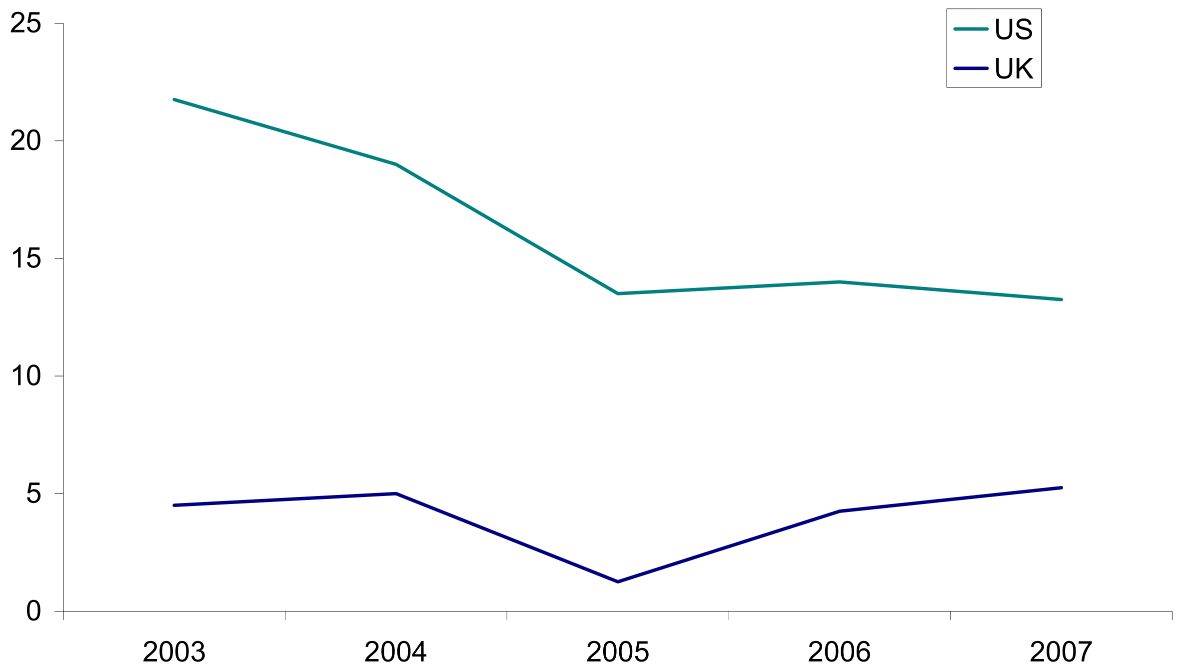
Excessive fragmentation has drawbacks

- Poorer execution quality with higher market impact costs in the US compared to the UK

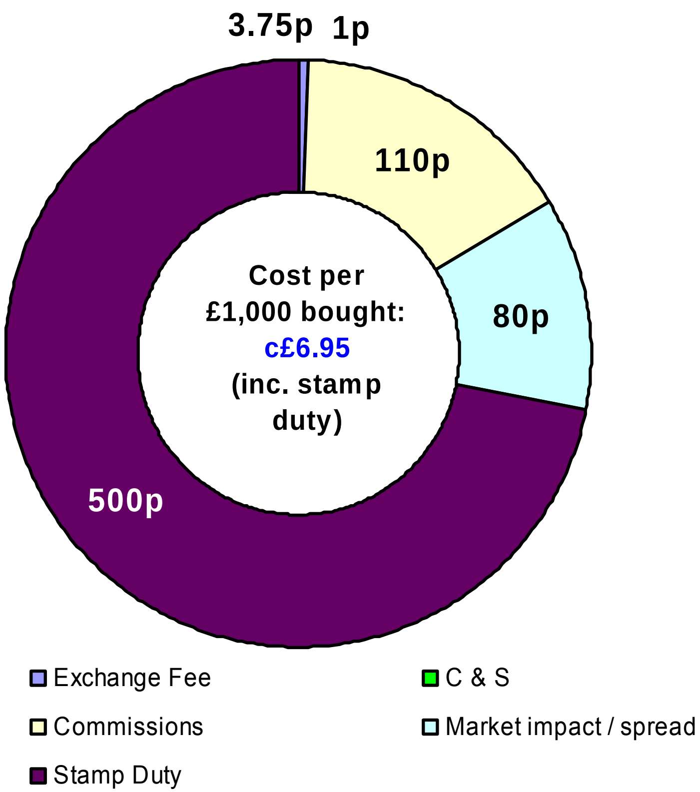
Annual average market impact costs (bps)

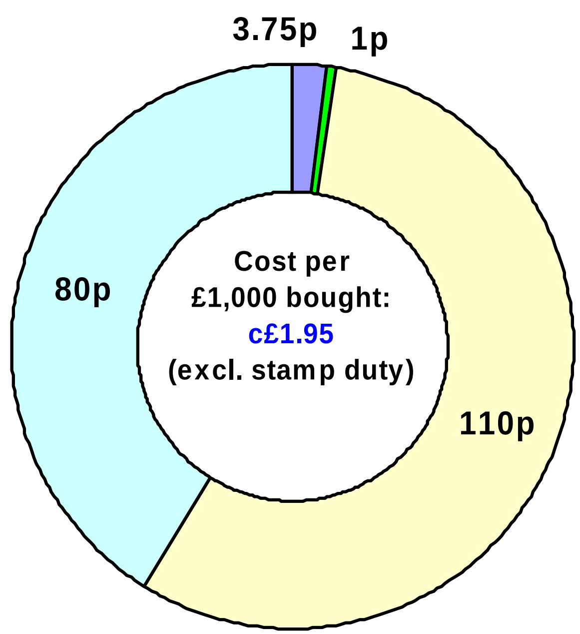


Source: ITG Global Trading Cost Review

Cost of buying UK equity

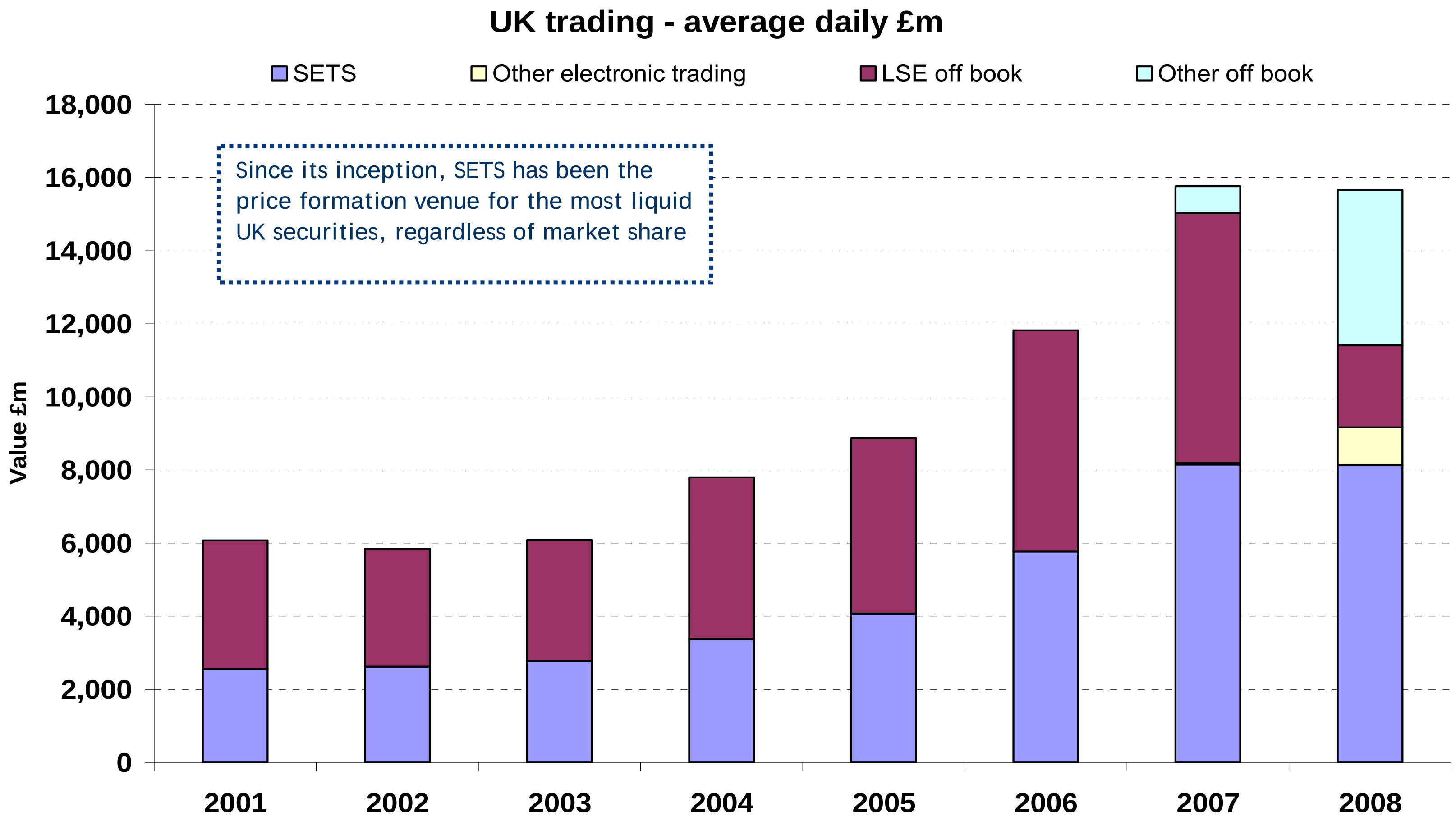
- Very low exchange fee – stamp duty remains principal cost





[1] Blended passive / aggressive rate

Historic on-book / off-book split in UK equities



SETS share	42%	45%	46%	43%	46%	49%	52%	52%

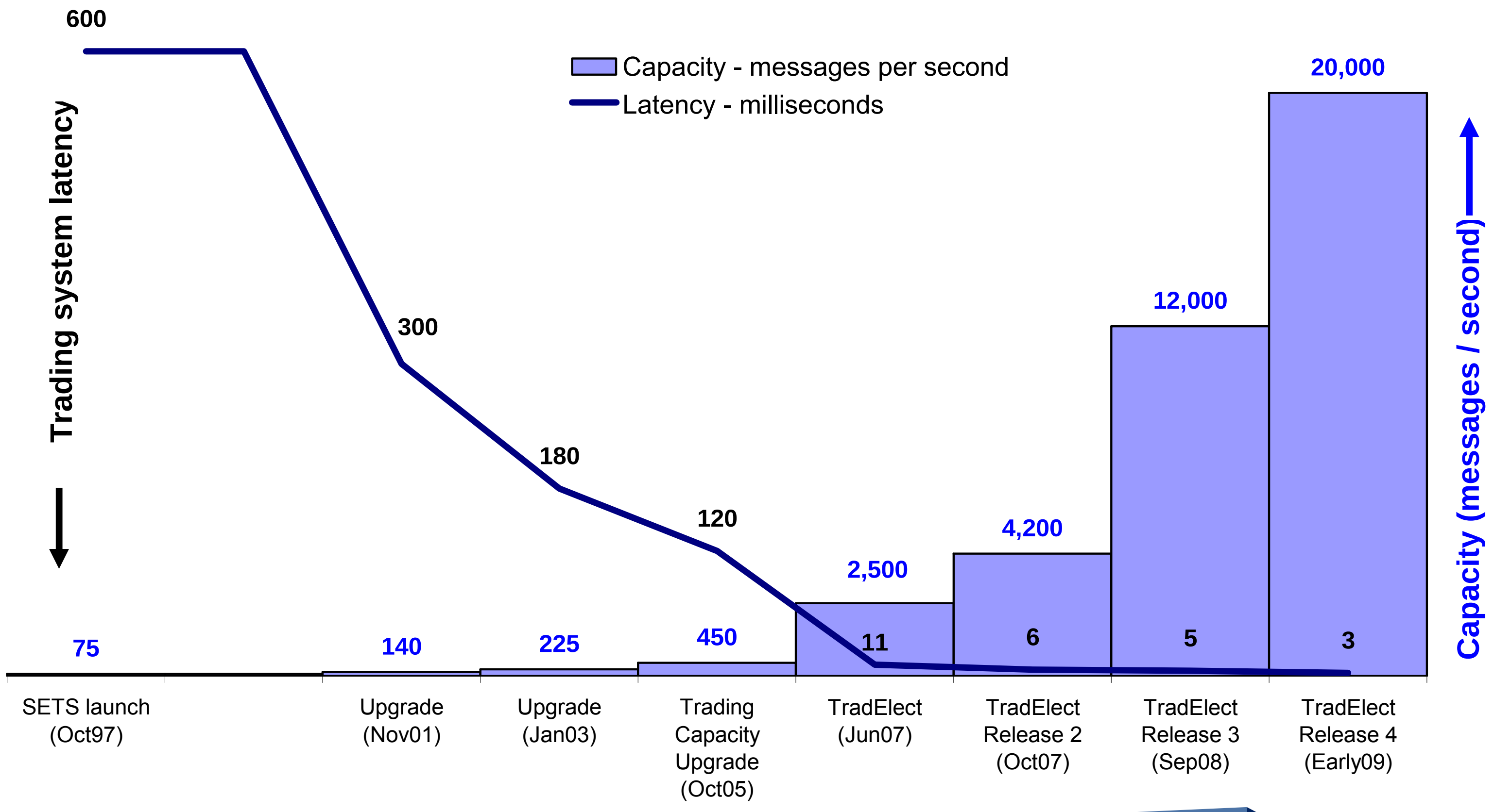
Source: LSE, Reuters

Innovating to improve market efficiency

- TradElect
  - Capacity to double, latency to halve, new functionality
  - Migration of Italian ETFs and SeDeX
  - Hosting services
  - New ways of connecting to our services – FIX interface and FAST data broadcast
- Clearing
  - Competitive clearing
  - IOB CCP
- AIM Italy and Tokyo AIM
- Exchange traded CFDs
- Baikal MTF – non display trading platform to use CC&G for pan-European clearing

TradElect - a growth driver

- Autumn 2008 upgrade – capacity up **180%** and latency down to **4.6ms**
- Migration of Italian equities to TradElect



European Market Structure

Two distinct segments are evolving in the European liquidity landscape

Lit Liquidity	Dark Liquidity

Other BD Dark Pools

Characteristics

- Primarily lit order-book functionality with pre-trade transparency
- Offers buy and sell side clients existing liquidity and certainty of execution
- Latency, speed and robustness are critical to success
- Recent growth in new entrants

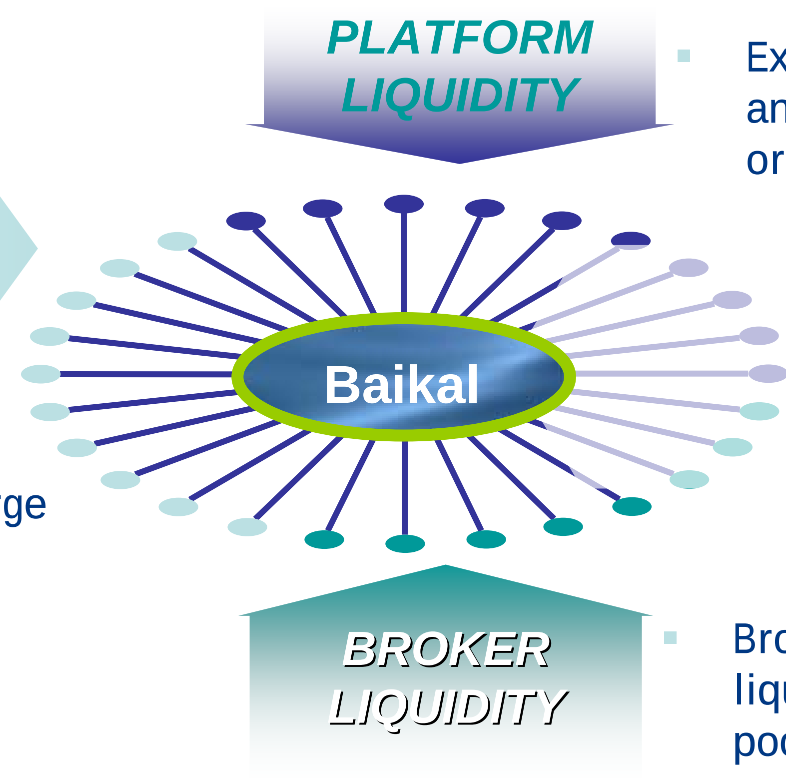
Characteristics

- Primarily dark functionality with pre-trade transparency via primary exchange
- Offers buy and sell side clients the opportunity to execute large orders with minimum information leakage
- High volume growth area:
  - Order tactics evolving
  - Idle orders becoming accessible liquidity

*subject to regulatory approval

Baikal – 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

- Provision of liquidity
- Execution of large orders
- Need for anonymity

- Broker-dealer liquidity and dark pools

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International opportunities

- Offices in Beijing and Hong Kong
- International marketing programmes in all continents
- 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, FY2007 & FY2008
  - AIM Italia to launch by the end of 2008
  - JV with Tokyo Stock Exchange to launch early 2009
- Data sales globally
- MTS expanding globally e.g. Brazil

Post trade will become more important and more cost efficient

Post trade focus

1. Extending clearing services & supporting product development: IOB, CFDs

2. Driving down the cost of trading
   - Dual CCP model
   - Diversifying

3. Growing our post trade assets internationally

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Fragmentation of data

- Quality and transparency of trading data has declined post MiFID
- The problem is data production, not data distribution
- US style consolidated tape is superfluous
- Exchange provides a Europe-wide solution with a trade reporting service for all securities, distributed at no extra cost

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Summary

- Good performance in challenging market conditions – the fundamentals of our business are strong
- Credit crisis has immediate negative impact but promises long term adjustment in favour of exchanges and equities
- London is the world's leading financial centre

Efficient financial markets are the lifeblood of the real economy

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Interim results

H1 FY2009

Overview of results - statutory

	Six months ended 30 September 2008 £m	2007 £m	Change %
Revenue	**345.5**	203.1	70%
Operating costs	**165.6**	88.4	87%
Operating profit	**179.9**	114.7	57%
Operating margin	**52%**	56%	
Profit after tax	**83.7**	68.7	22%
Basic earnings per share (p)	**30.3**	34.3	-12%
Adjusted earnings per share (p)	**39.3**	35.7	10%

See notes in Appendix for basis of preparation

Overview of results – pro forma

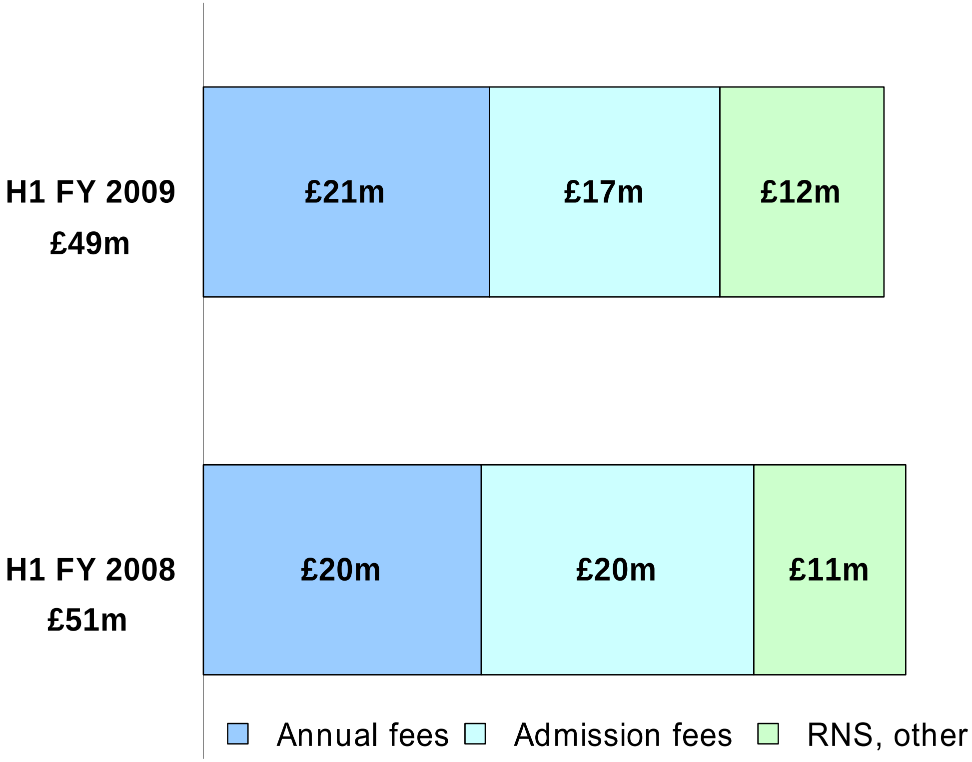
	Six months ended 30 September 2008	2007	Change	Change at constant currency
	£m	£m	%	%
Revenue				
Issuer	**49.4**	51.1	-3%	-7%
Trading	**151.1**	153.0	-1%	-5%
Information	**89.8**	77.1	16%	13%
Post Trade	**46.7**	41.0	14%	1%
Other income	**8.5**	6.8	25%	18%
Total revenue	**345.5**	329.0	5%	0%
Operating costs	**165.6**	156.9	6%	0%
Operating profit	**179.9**	172.1	5%	0%
Operating margin	**52%**	52%		

See notes in Appendix for basis of preparation

Issuer Services

Resilient performance

Revenues (pro forma)



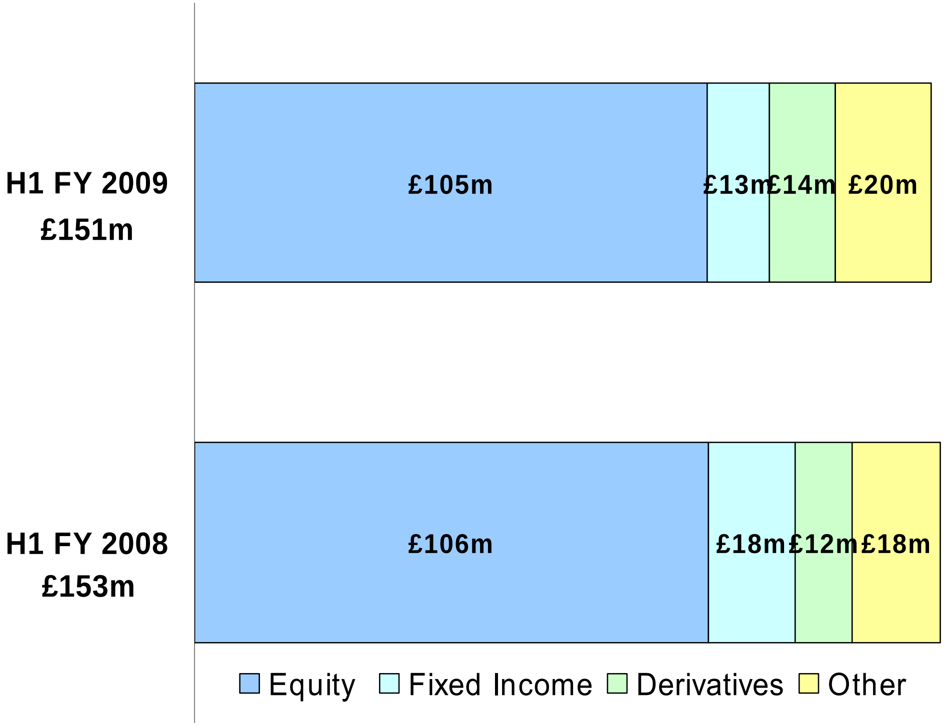
Key metrics

	Six months ended 30 September	
	2008	2007
New Issues		
Main Market, PSM & SFM	49	73
AIM	60	163
BIt	5	23
Total	**114**	**259**
of which :		
International Public Offerings	21	52
Company Numbers (as at 30 September)		
Main Market, PSM & SFM	1,575	1,615
AIM	1,609	1,682
BIt	305	304
Total	**3,489**	**3,601**
Money raised (£bn)		
LSE New money raised	6.2	14.4
LSE Further money raised	34.0	11.6
BIt new and further	3.5	3.7
Total money raised	**43.6**	**29.6**

Trading Services

Strong trading in challenging markets

Revenues (pro forma)



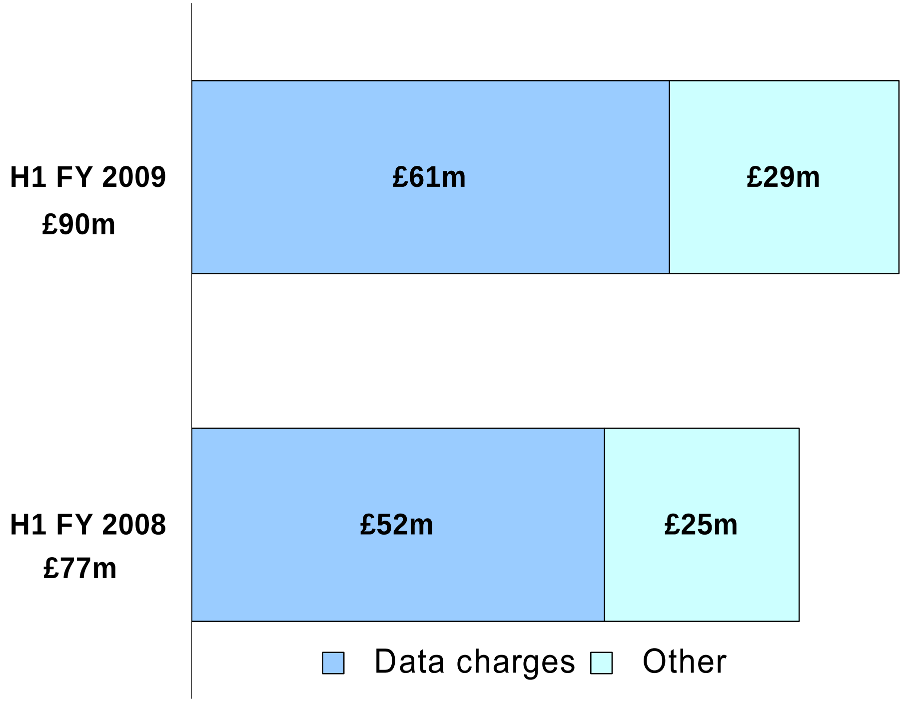
Key metrics

	Six months ended 30 September 2008	2007
Equity		
LSE average daily bargains ('000)	739	555
LSE average daily value traded (£bn)	8.3	8.7
BIt average daily bargains ('000)	262	286
BIt average daily value traded (€bn)	4.4	6.6
Derivatives		
EDX contracts (m)	32.0	21.5
IDEM contracts (m)	19.4	19.6
Fixed Income (Nominal Value Traded)		
MTS (€tn)	9.9	10.9

- Resilient value traded in context of fall in markets:
  FTSE 100 down average 12%; S&P MIB down average 27%

Information Services
Strong growth

Revenues (pro forma)



Key metrics

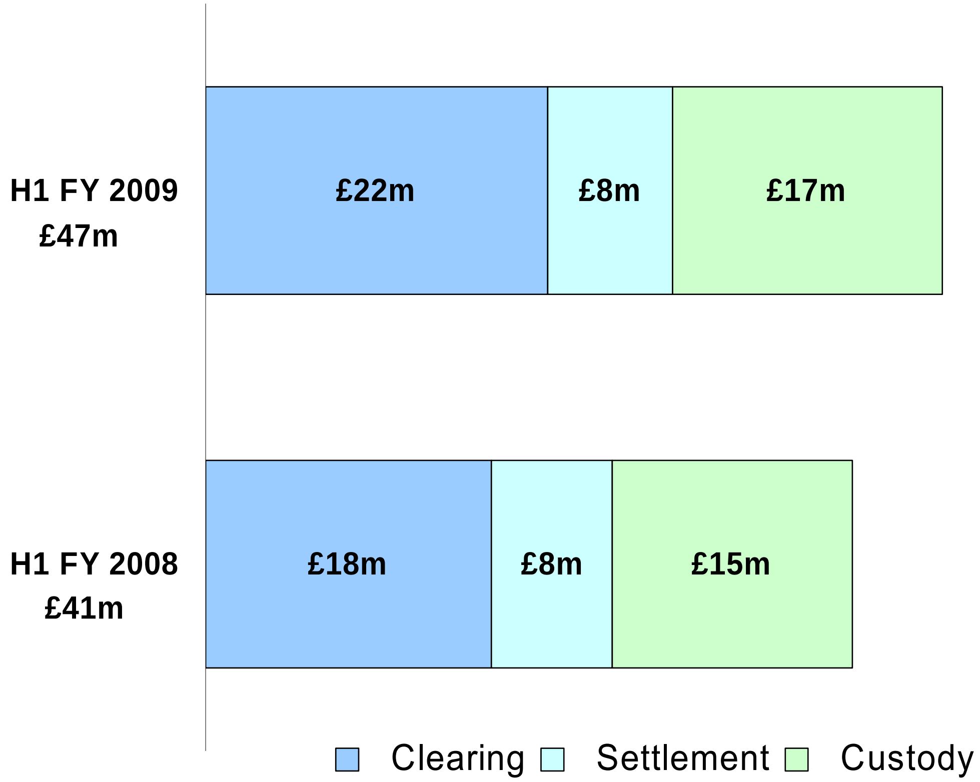
	Six months ended 30 September 2008	2007
LSE Terminals		
Professional - UK	45,000	43,000
Professional - International	67,000	61,000
Private	28,000	23,000
Total	**140,000**	**127,000**
Blt Terminals		
Professional	161,000	154,000
Private	831,000	719,000
Total	**992,000**	**873,000**

- Growth from Middle East, Russia Kazakhstan, Australia, China and India

Post Trade

Good performance in testing markets

Revenues (pro forma)

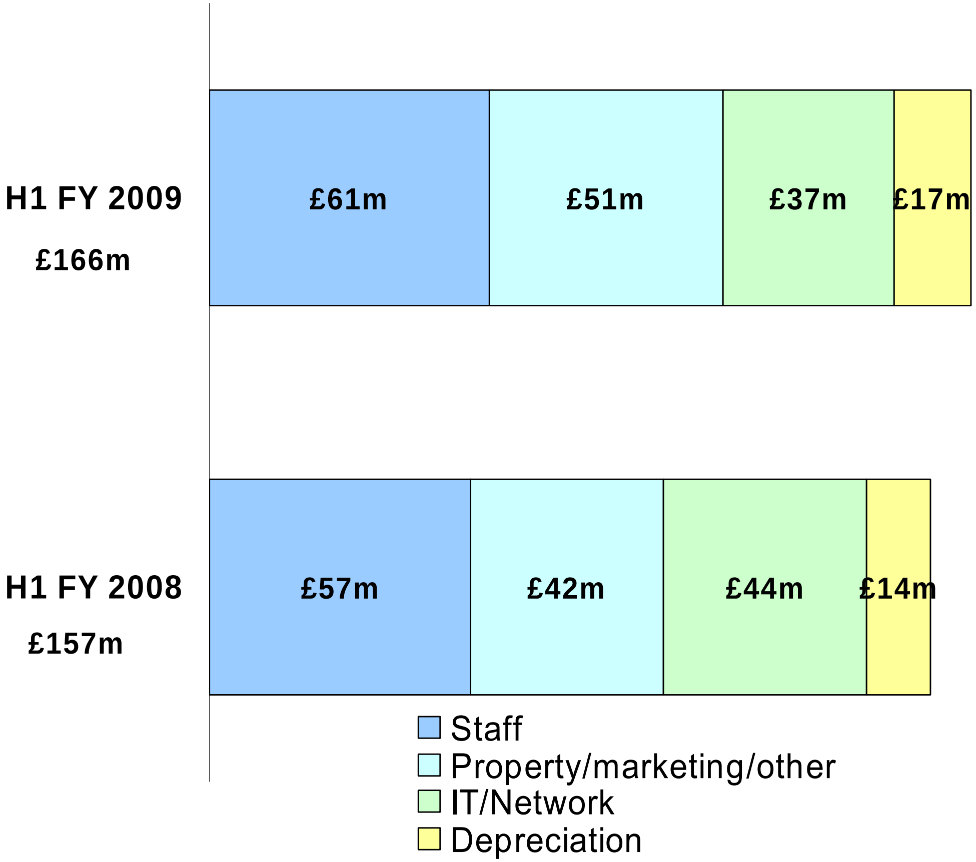


Key metrics

	Six months ended 30 September 2008	2007
CC&G Clearing:		
Equity Clearing (m)	34.3	36.5
Derivative Clearing (m)	19.4	19.6
Total Contracts (m)	**53.7**	**56.1**
Open interest (m)	3.7	3.0
Monte Titoli:		
Settlement Instructions (m)	18.0	26.8
Custody assets under management (€tn)	2.7	2.8

- Revenues include increased net interest income from higher margin calls and CCP cash collateral held for risk management

Operating costs (pro forma)



- Pro forma costs up **6%** (unchanged in constant currency)
- In-sourcing of Service Delivery moves £5m IT costs to staff costs
- Lehman provision of £6.1m in “other” cost segment
- Total costs excluding Lehman provision down 4% in constant currency

Cost : Income ratio 48% (H1 FY08 48%)

Excluding exceptional items and amortisation

London Stock Exchange Group

Summarised cash flow

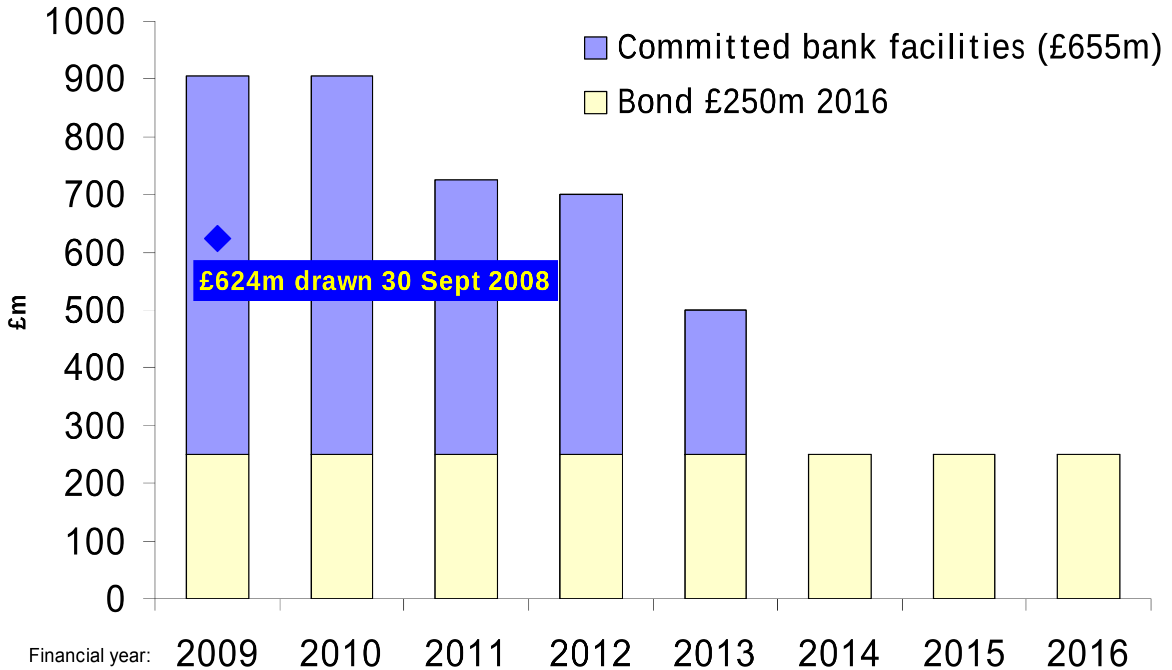
Strong cash generation from enlarged group operations

	Six months ended 30 September		
	2008 £m	**2007 £m**	**Change %**
Net cash inflow from operating activities[1]	**195.1**	**127.2**	53%
Taxation	(30.1)	(25.2)	19%
Capital expenditure	(24.4)	(7.3)	234%
Ordinary dividends paid	(49.3)	(23.8)	107%
Net finance costs	(19.6)	(14.7)	33%
Free cash flow[1]	**71.7**	**56.2**	28%
Share buy-backs / EBT purchases	*(77.9)*	*(98.5)*	-21%

[1] Before exceptional items

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

Summarised Group balance sheet
Very limited counterparty risk outside the CCP

		30 September 2008	31 March 2008
		£m	£m
Non-current assets		1,876.6	1,921.5
Current assets	- Debtors	21,615.3	17,442.1
	of which CCP	*21,500.8*	*17,316.1*
	- cash	142.2	200.6
Total assets		**23,634.1**	**19,564.2**
Current liabilities	- Bank borrowings	(184.6)	(436.0)
	- Other	(21,665.6)	(17,482.7)
	of which CCP	*(21,501.6)*	*(17,307.7)*
Non-current liabilities	- Bond	(255.8)	(256.1)
	- Other	(314.1)	(126.5)
Net assets		**1,214.0**	**1,262.9**

Borsa Italiana – Integration update
Making good progress

Synergies:

- Cost synergies increased 20% to at least £24m – original £20m target to be delivered 6 months early
- Revenue synergies of £20m, full run rate from start FY 2011
- Costs to achieve synergies expected to be £44m – approximately £11.1m incurred in H1 (£3.4m exceptional costs, £7.7m capitalised)

Current trading

- Good performance in H1 FY 2009
- Market conditions remain challenging and uncertain in some areas
  - SETS bargains/day in October up 69%, average daily value traded in October down 3%
  - Italian cash equities average daily trades up 23% in October
  - Good primary markets pipeline but market subdued
  - Demand for real time data resilient
- The Exchange is well placed and will continue to exploit market opportunities and serve increasingly international community

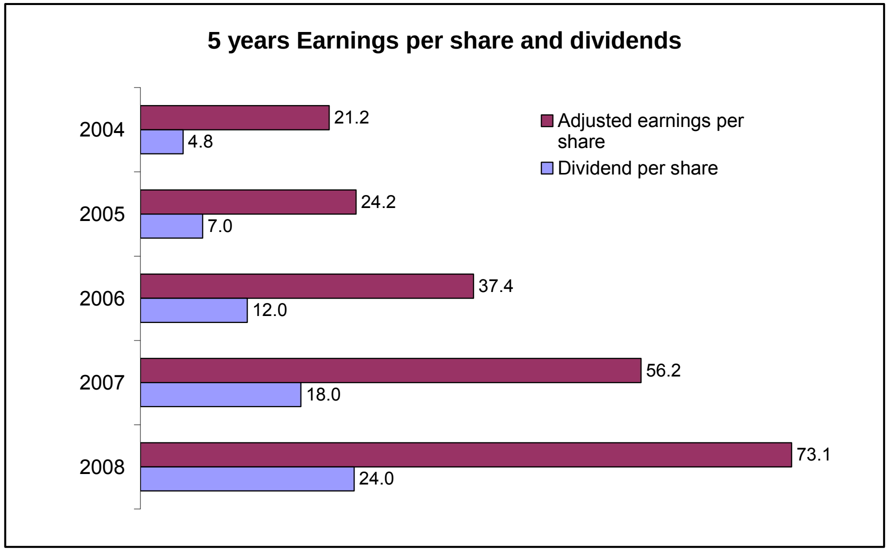
Appendices

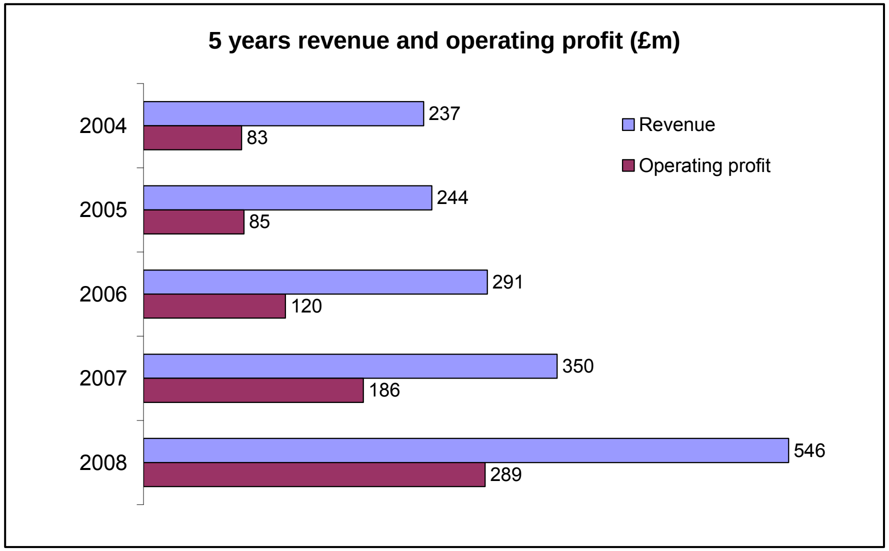
Financial performance - 5 year track record

CAGR 2004-08

- **Revenues 23%**
- **Operating profit 37%**
- **Adjusted earnings per share 36%**
- **Dividend per share 50%**

- **Over £950m returned to shareholders and current ongoing share buyback programme [1]**





Note: Year ended 31 March, 2004 UK GAAP thereafter IFRS, Adjusted operating profit before amortisation of purchased intangibles and exceptional items, 2008 includes the results of Borsa Italiana from 1 October 2007

[1] £950m returned to shareholders via special dividends, capital reduction and share buybacks FY2005 to Q1 FY2009

Notes

Adjusted earnings per share

Excludes exceptional integration and finance costs, and amortisation of purchased intangibles to enable comparison of the underlying earnings of the business with prior periods. Based on number of shares 269.9m, excludes ESOP.

Free Cash Flow

Net cash flow from operating activities minus capital expenditure, dividends paid and net finance costs, excluding exceptional items

Exchange rates

Comparative H1 FY 2008 figures translated at same average exchange rate for H1 FY 2009 of €1.2603 : £1 in calculating constant currency growth rates

Bond adjustment 2007

Statutory, Profit after Tax and Basic EPS adjusted for restatement of bond value

Pro forma

As if merger with Borsa Italiana occurred 1 April 2007