



London
STOCK EXCHANGE

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London Stock Exchange Group plc

Morgan Stanley Conference - 2 April 2008

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**

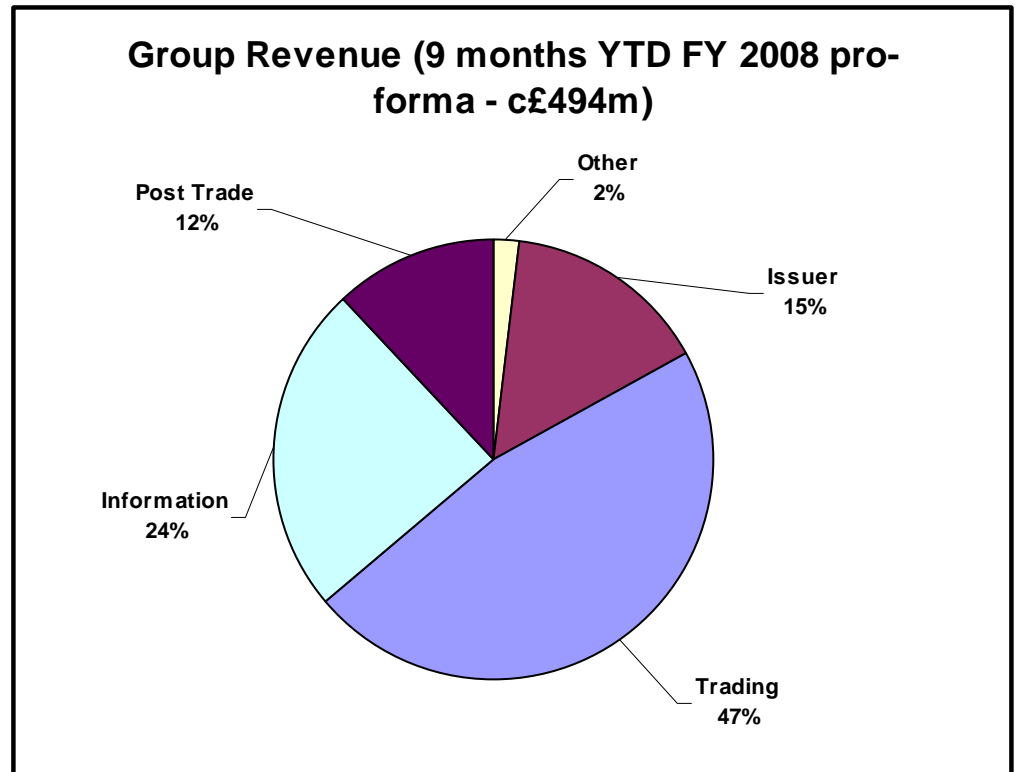
- Migration of Italian equities onto TradElect
- Integration of AIM's market model with Bit's SME market segments
- Expansion and development of MTS bond platform
- Combining our derivatives expertise and potential in IDEM and EDX

- **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

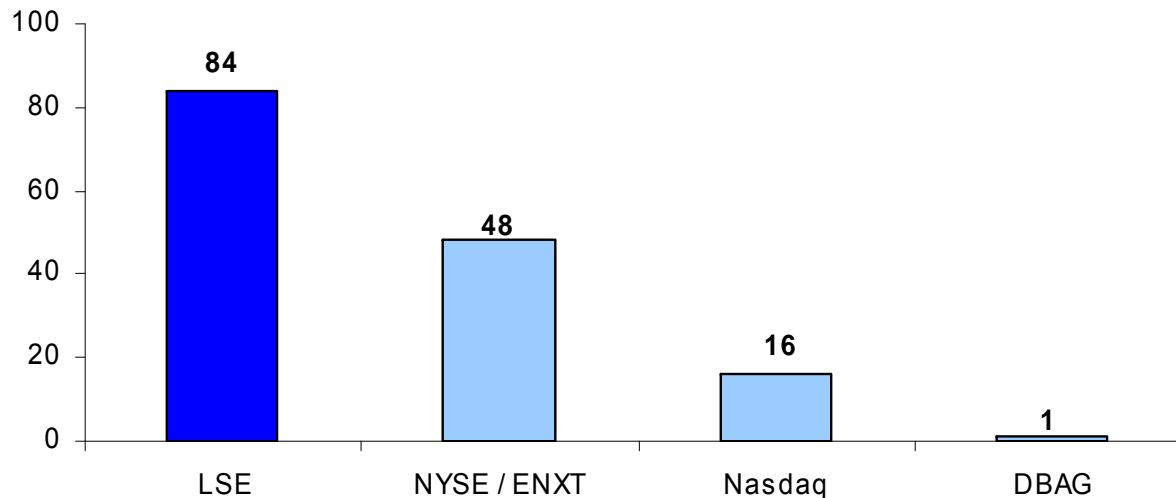


Note: Pro-forma data for nine months ended 31 December 2007 as if Borsa Italiana acquired from 1 April 2007. Revenue for Borsa Italiana translated using average exchange rate of €1.443 : £1

Issuer Services is global

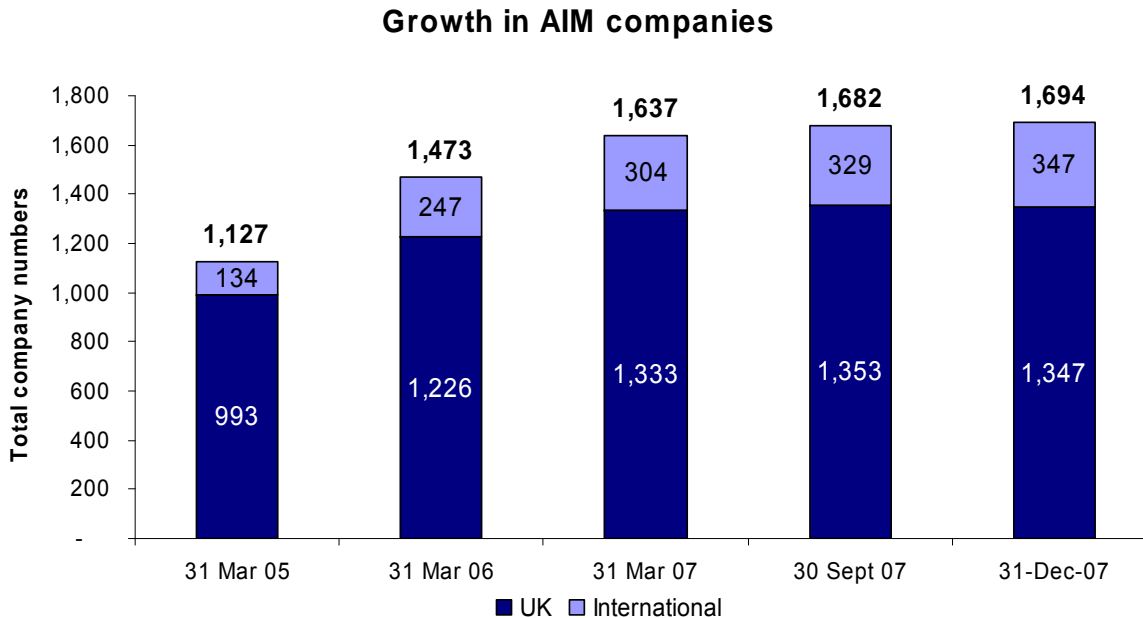
- Strong level of international **IPOs** – **84** year to date
- More than NYSE/Euronext, NASDAQ and DBAG combined

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



Source: Exchange websites

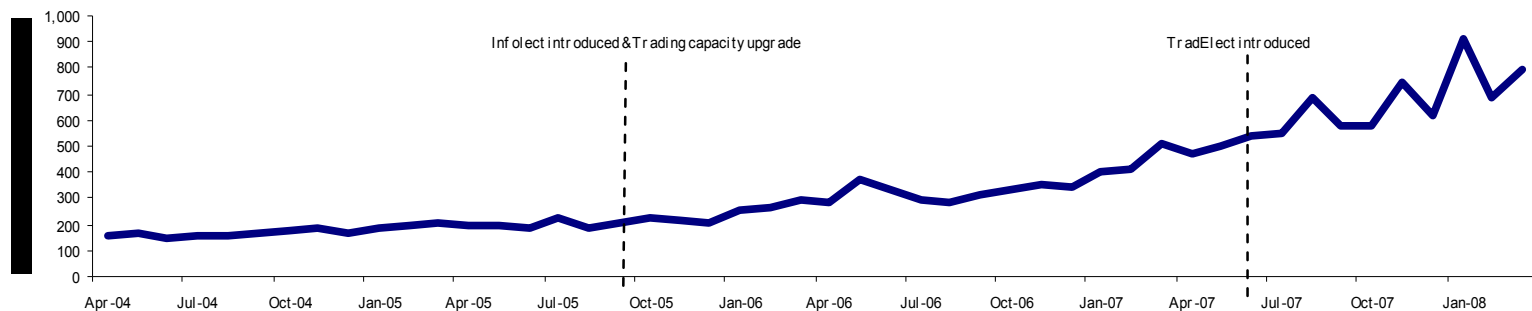
AIM delivers



- 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

Trading Services - setting new records

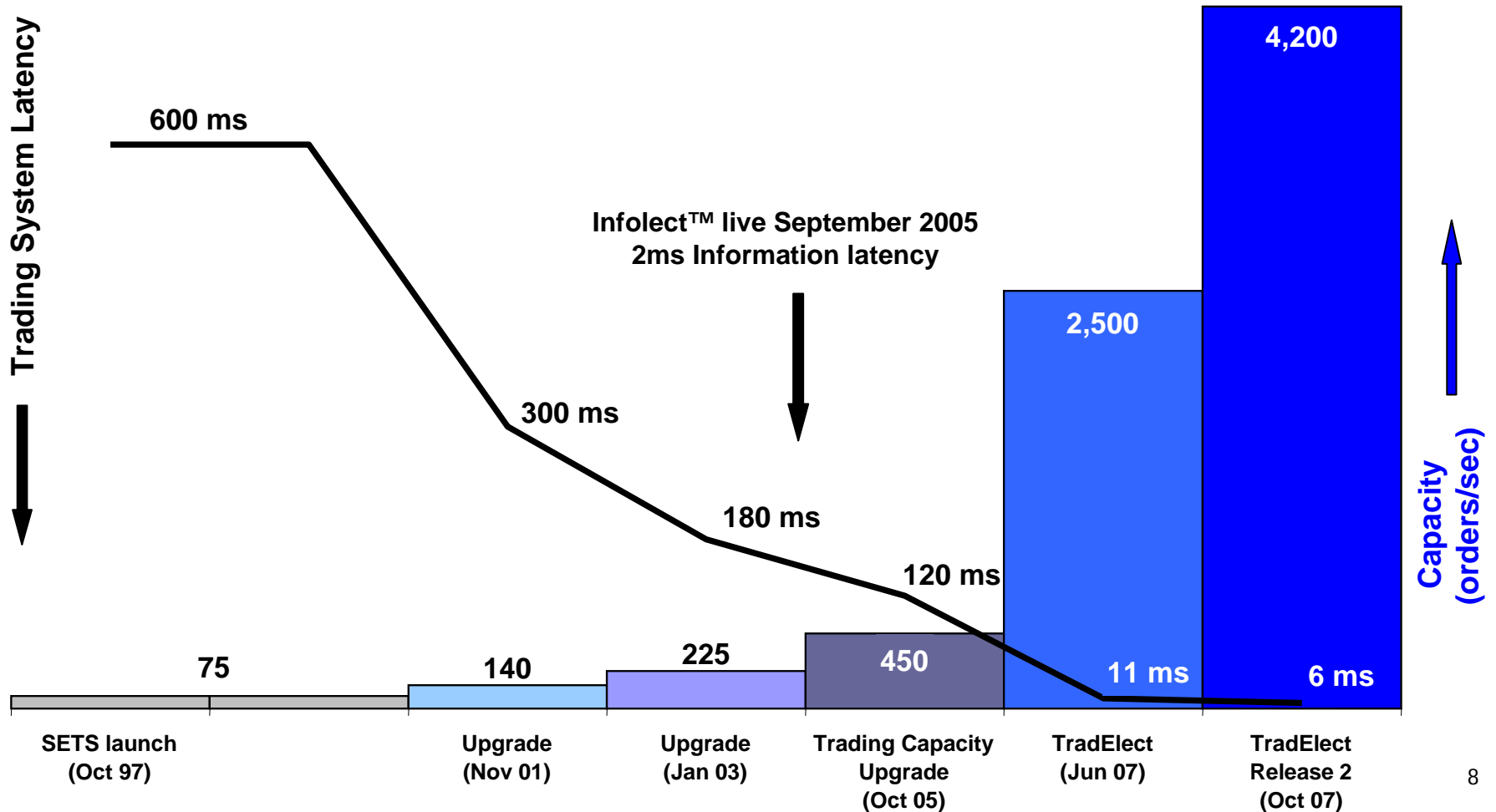
Average Daily SETS Orderbook Trades



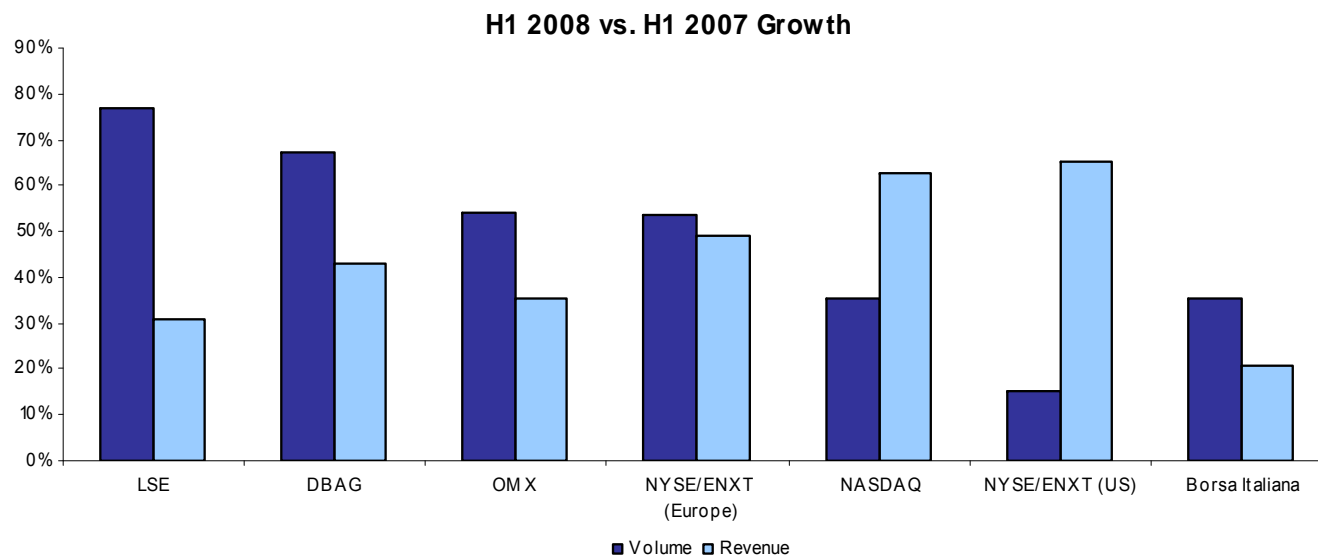
- **9** days of **1,000,000+** trades with a new record of **1,428,000**
- **98** of the **100** busiest days ever have taken place since TradElect went live (18 June 2007)
- Average **629,000** SETS trades/day YTD FY 2008 – up **86%**, and on course for record Q4 (Jan - March 2008)
- Average **288,000**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



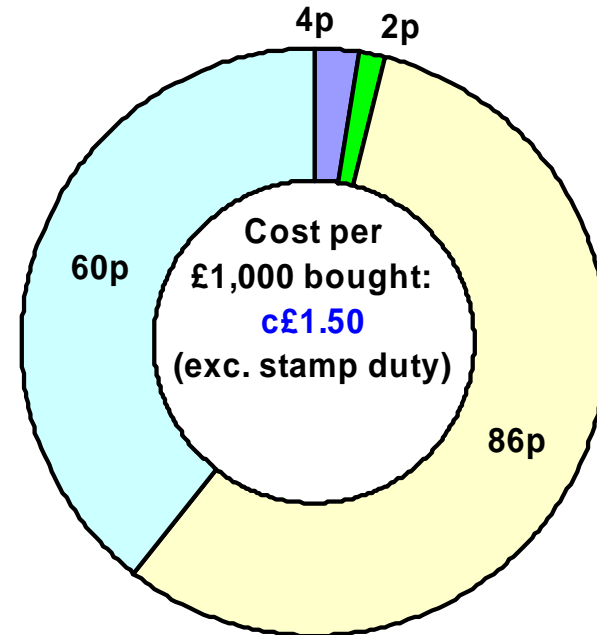
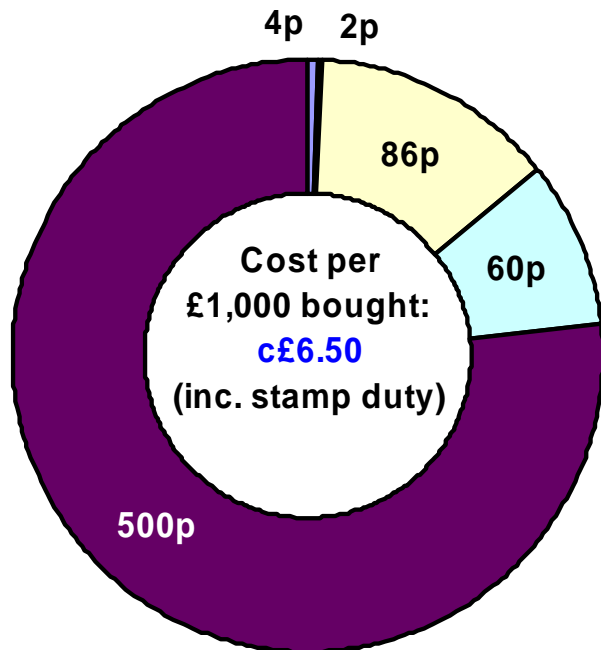
- LSE and Borsa Italiana take relatively less out of market than other major exchanges
- Highly effective volume discount schemes – in London **32** firms and more than **70%** of SETS trades benefit from discounts

Source: Company announcements

Note: European exchanges orderbook trades volume growth; US exchanges matched shares volume growth; Revenue growth - LSE: Broker Services; Borsa Italiana: 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 Europe²



- Exchange Fee¹
- Commissions
- Stamp Duty
- C & S
- Market impact / spread

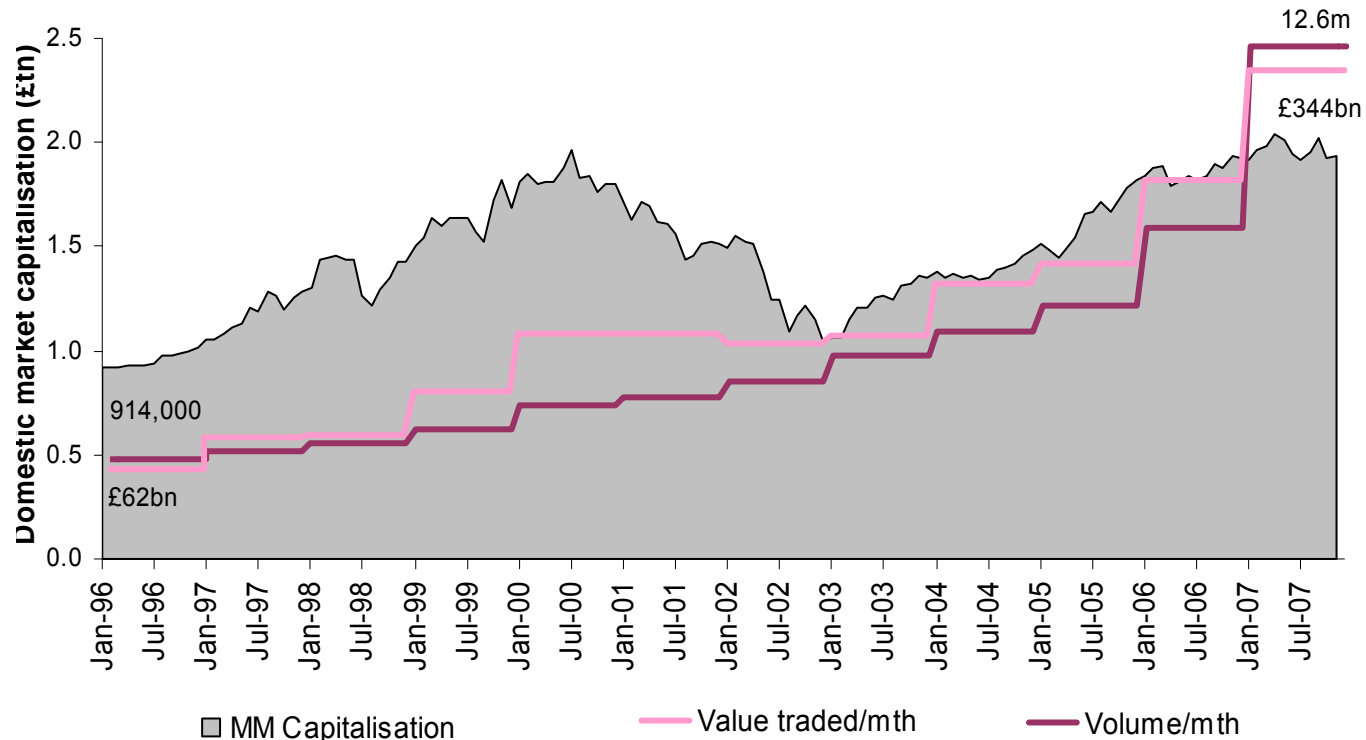
- Exchange Fee¹
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¹ Blended passive / aggressive rate

² EU DG competition analysis 2006

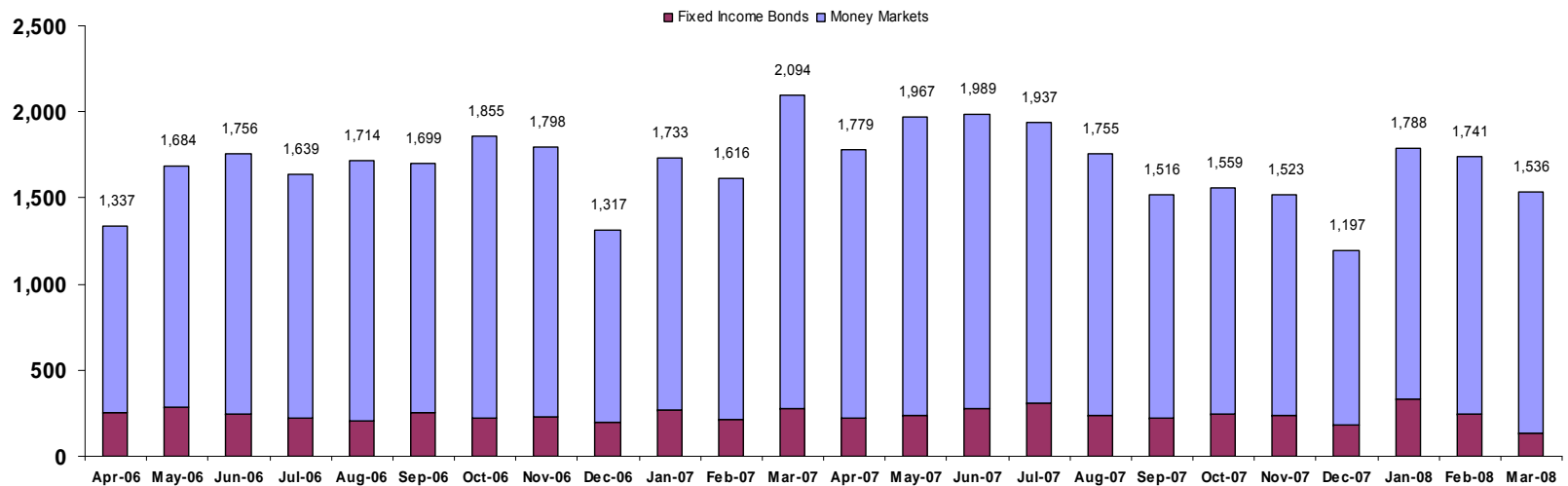
Trading values and volume resilient to falls in market capitalisation

Equity value and volume traded vs UK Main Market capitalisation



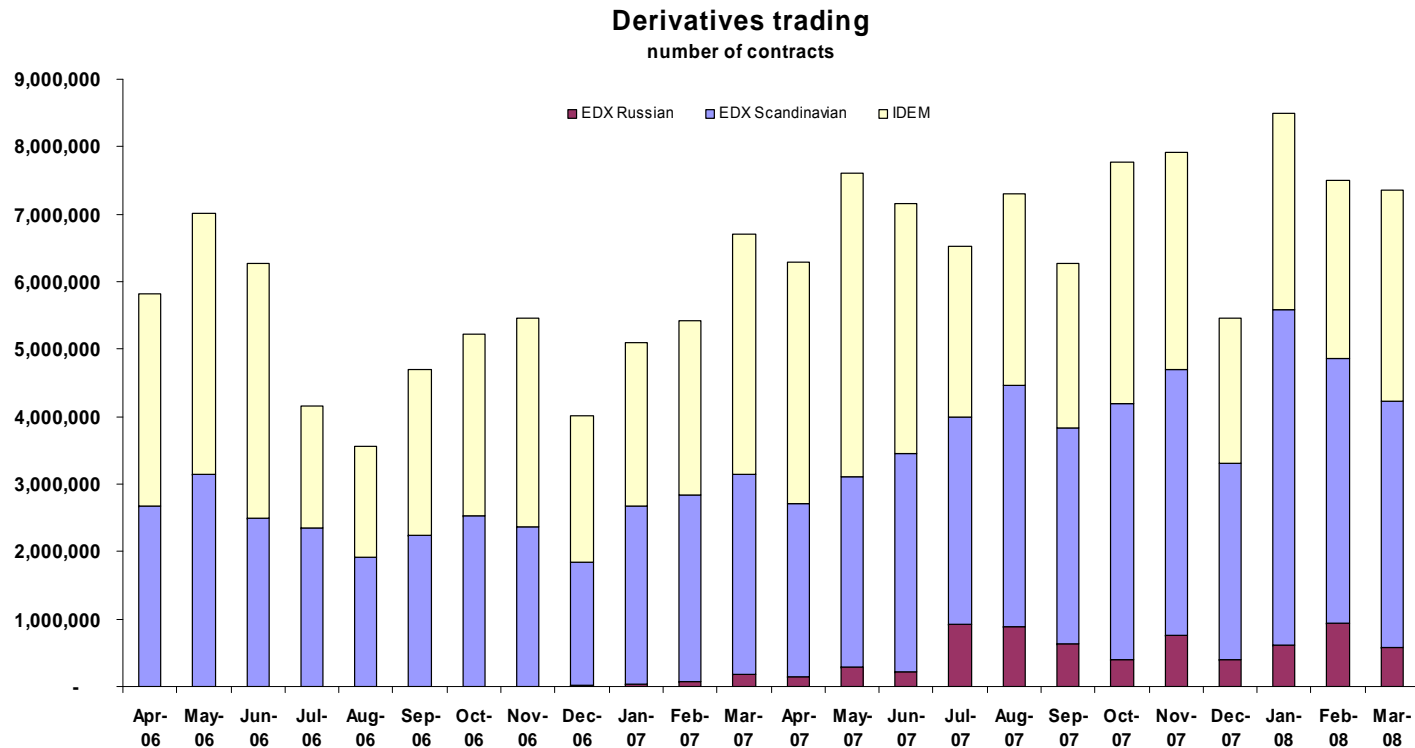
Fixed income liquidity improving in recent quarter

MTS trading
Nominal volumes single counted euro/blns



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

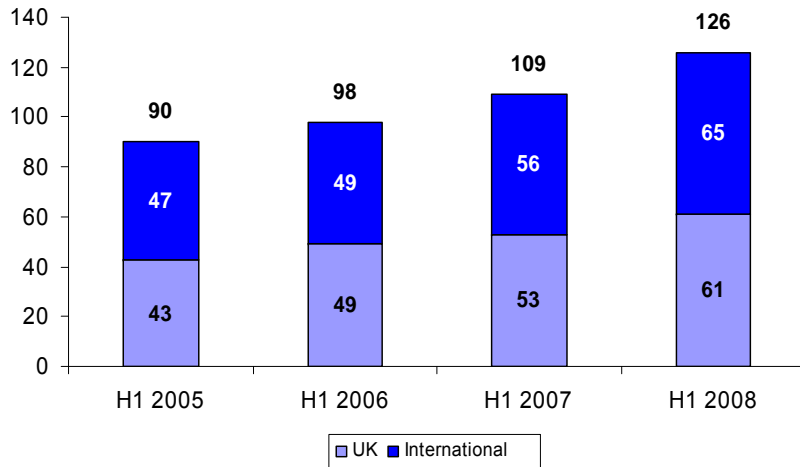
Derivatives showing good growth



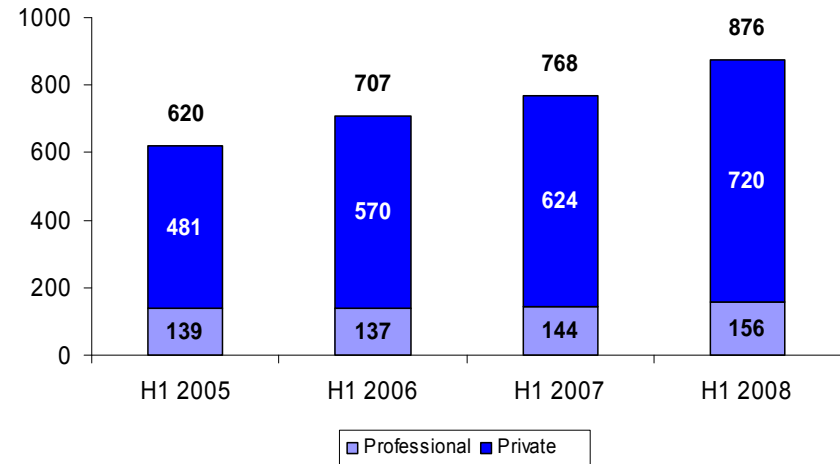
- January saw record volumes of over **8.5** million contracts
- Average daily contracts traded Q4 (Jan - March 2008) up **c40%** year on year

Strong demand for data drives growth in Information Services

LSE - total number of terminals (000)



Borsa Italiana - total number of terminals (000)



- **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



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Thank You

Q&As