



London Stock Exchange Group plc

Growth, Opportunity & Diversification

Xavier Rolet - Chief Executive Officer
Morgan Stanley Financials Conference
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Today's agenda:

- Our Strategy
- The implementation of our strategy
- Recent relevant transactions:

 LCH.CLEARNET


FTSE
THE INDEX COMPANY

Delivering on our strategy

Priorities for the Group



Getting in shape

- **Driving efficiency**
 - Control operational costs
 - Implement improved technology
 - Adjust business model to align with customer needs (partnerships)

Leveraging our assets Developing opportunities

- **Building scale**
 - Service to international customers
 - Scale drives efficiencies
- **Increasing scope**
 - Increase diversification of products / markets
 - Service customer needs across multiple asset classes
- **Extending reach**
 - Organic and inorganic extension of services as capital markets globalise

Successful strategy implementation

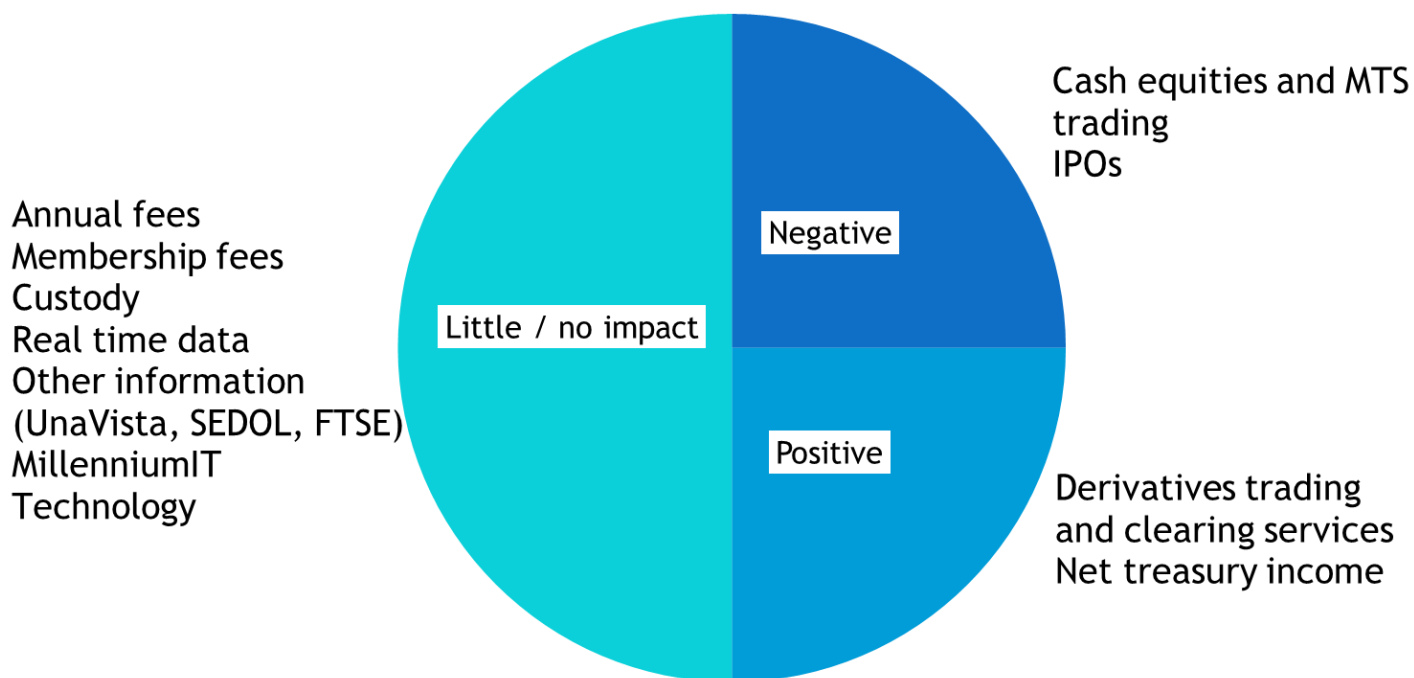


- Executing against clear stated strategy to deliver operational efficiency and drive growth:
 - **Getting in shape**
 - Costs well controlled, flat in real terms
 - High performance, low cost technology being rolled out to equities trading
 - **Leveraging our assets**
 - Range of initiatives launched - new derivative, fixed income, information and technology services/products
 - **Developing opportunities**
 - Acquisition of outstanding 50% of FTSE
 - LSE to acquire majority stake in LCH.Clearnet
(subject to approvals)
- Reaping the rewards of successful M&A implementation - Borsa Italiana, Turquoise and MillenniumIT

Strength through business balance

- Large majority of our business either unaffected or positively impacted by short term volatility
- Diversified and balanced portfolio presents opportunities in both volatile and stable markets

Typical sensitivity to elevated short term volatility



Illustrative of general effects rather than exact revenue

Partnership transforms LSEG's Global Clearing and Trading Capabilities

Strategically Compelling

- ⇒ A global leader in multi-asset, multi-venue clearing services
- ⇒ Delivers diversification, builds on LSEG's existing assets and expertise
- ⇒ Strongly positions Enlarged Group for long-term, leading role in global market infrastructure, in partnership with customers

Growth Oriented

- ⇒ Well placed to capture growth in key existing product areas
- ⇒ Strong platform for new product & geographic expansion
- ⇒ Well-positioned to benefit from market & regulatory opportunities
- ⇒ Responds to evolving customer needs for stable and efficient market infrastructure

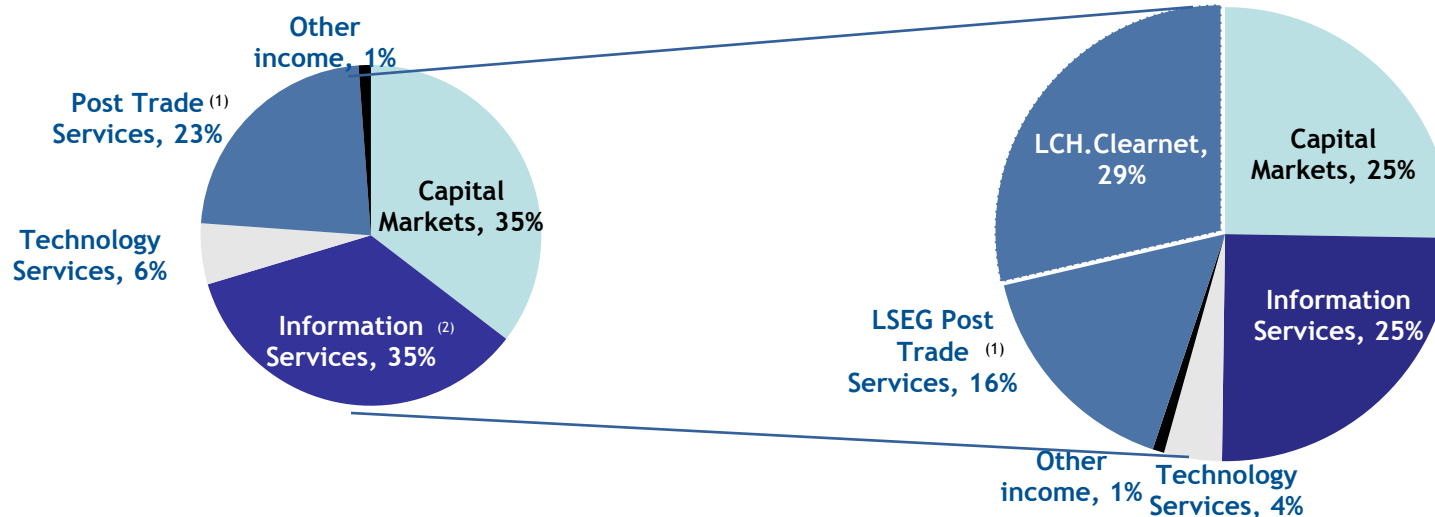
Financially attractive

- ⇒ Immediately earnings accretive
- ⇒ Return exceeds WACC in year 1
- ⇒ Attractive synergies and highly deliverable cost efficiencies

Enhanced Financial Scale and Diversification for LSEG



Post Trade to contribute c.45% of Enlarged Group Total Income



Total Income - LTM Sep 2011 (incl. FTSE) ⁽²⁾
£847m

Total Income - Enlarged Group Pro Forma ⁽³⁾
£1,186m

Financial Position

	LSEG - LTM Sep 2011 ⁽²⁾	Enlarged Group Pro Forma ⁽³⁾
Total Income	£847m	£1,186m
Adjusted EBITDA	£476m	£590m
Adj. Net Debt/ adj. EBITDA	1.6x	2.1x

(1) Including Net Treasury income from CCP business

(2) Including FTSE Total Income LTM Dec 2011 of £119.1m

(3) Enlarged Group Pro forma Total Income include LSEG LTM as of Sep 2011, LCH.Clearnet LTM as of Dec 2011 of £339.6m, FTSE LTM as of Dec 2011 of £119.1m; Adjusted EBITDA calculated using LSEG LTM Sep 11, LCH.Clearnet LTM Dec 2011 of £114.1m, FTSE LTM Dec 2011 of £53.6m; Adjusted EBITDA and Net Debt calculations are detailed in appendix

Compelling Strategic Rationale for LSEG



Pre-eminent OTC Clearer

- Global OTC derivatives grew by circa 20% p.a. in terms of notional outstanding value between 1998 and 2011
 - **IRS:** leading interest rate swap clearing service; industry value of IRS cleared through CCP expected to be \$340.5 trillion by 2013⁽¹⁾
 - **CDS:** launched in France 2010; industry value of CDS cleared through CCP expected to be \$22.8 trillion by 2013⁽¹⁾
 - **FX:** to be launched in 2012; industry value of FX cleared through CCP expected to be \$23.1 trillion by 2013⁽¹⁾

Leading Commodities and Listed Products Clearing Provider

- A leading fixed income & repo position benefiting from volatile funding environment
- One of the largest clearer of European cash equities - attracting new venues in Europe and potential in Asia
- Opportunity to seek to develop Turquoise listed derivatives offering
- Broad portfolio of leading positions in commodities with expansion in high growth products (energy, emissions, coal, precious metals) and expansion in Asia

(1) Source: Keefe, Bruyette, Woods (September 27th 2011)

Top 3 Global Index Services Provider

- High quality, high growth global indices brand with excellent development opportunities
- A leading worldwide provider of information solutions, helping users benchmark the performance of their investments and make informed investment decisions
 - Calculates over 200,000 indices covering 80 countries
 - Over \$3 trillion in assets under management linked to FTSE indices worldwide
- Comprehensive portfolio of indices covering all major markets and asset classes
 - #2 provider of global equity benchmarks to asset owners by revenues ⁽¹⁾
 - #3 index provider globally by revenues⁽¹⁾
- Widely used benchmarks, including FTSE All-World, FTSE China A50 and China 25 (leading China ETF indices worldwide), FTSE 100, FTSE All-Share, FTSE EPRA/NAREIT and FTSE MIB
- Growing US and Asian presence provides platform for significant further expansion

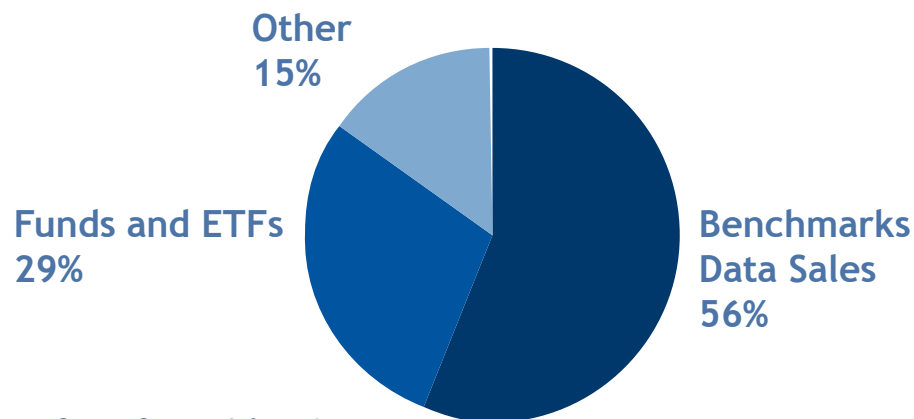
Notes:

1) FTSE estimates

Rapid Growth and Success since 1995

- Rapid growth through organic development and partnerships
- Track record of innovation, responding to growing complexity of markets and provision of market data, offering multiple services including:
 - Sale of real time, delayed and end of day index data
 - Licensing of FTSE indices for use in index funds and ETFs
 - Licensing revenues from venues that trade or clear derivatives contracts and structured products on an index
- Customer renewal rates consistently 97%, based on broad and deep customer relationships
- FTSE's scalable platform already proven in high growth geographies - can be rolled out into other growth markets

FTSE Revenue Split



Source: Company Information

Market background

- Global indices revenues estimated at \$1.5 billion
- FTSE has 13% global share



Successful Revenue Model

Subscription Fees Benchmark Indices

c.60% Revenue



Data and services

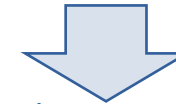
- Annual subscriptions
- 97% renewal rates
- High quality data

Users:

- Asset owners and consultants
- Active fund managers
- Passive fund managers (internal and external)
- Sell-side
- Data vendors, service providers

Asset Based Fees Index Licences

c.40% Revenue



IPR Licensing

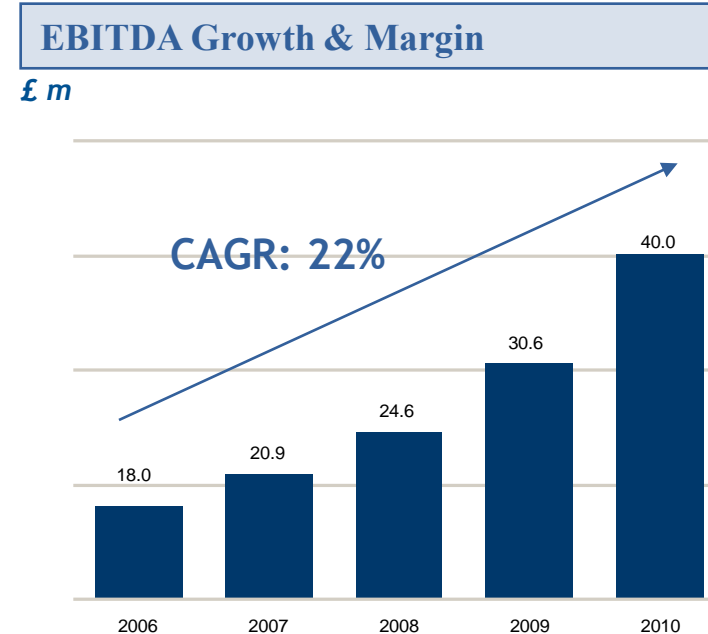
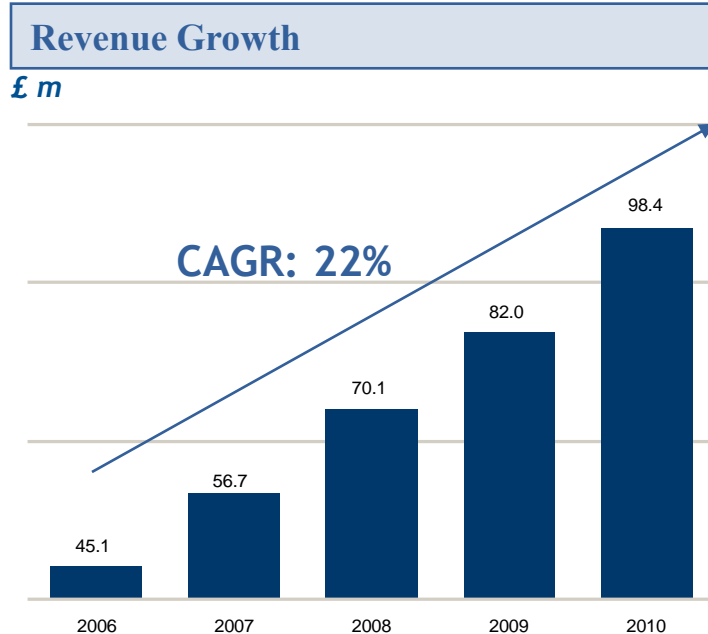
- Linked to growth in assets, especially alternative
- Fast growing
- Builds on success in data

Users:

- Passive fund managers (internal and external)
- Sell-side
- Equity and derivative trading venues

Strong Track Record of Growth

- **Strong growth track record and attractive financial profile**
 - Consistently high historical growth: 2006-2010 revenue CAGR of 22% and EBITDA CAGR of 22%
 - Adds a substantial revenue stream, based on good customer relationships, which performed well in volatile markets
 - Strong EBITDA margins
- **Strong growth maintained by FTSE in 2011**
 - Revenue growth FY 2011 up 21% to £119.1m
 - EBITDA FY 2011 up 34% to £53.6m



Complementary Combination will Drive LSEG and FTSE Growth



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- **Derivatives**: Close collaboration to seek to develop innovative index products and derivative contracts to trade against them
- **Data Products**: Enhancement of FTSE's real-time calculations and data fees from improved service (faster distribution from shared ticker plant and data warehouse infrastructure)
- **ETFs and Structured Products**: Joint package of products to ETF issuers with wider sales exposure
- **Index Licences**: Use LSEG brand and LSEG global relationships (including MillenniumIT) to develop opportunities
- **Fixed Income Index Licences**: FTSE global sales and relationships to diversify into fixed income indices

Changes create both opportunity and challenges

- MIFID/MIFIR review *Live 2013/14*
 - Non-discriminatory access to CCPs, fungibility and cross-asset margining
 - Non-exclusive licensing of IPR in indices

- EMIR (European Markets Infrastructure Regulation) *Live 2012*
 - OTC derivatives mandated to use CCP service - limited scope has impact on competition in exchange traded derivatives
 - Harmonised requirements for CCPs

- Other
 - Capital Requirements Directive IV, FTT, T2S, Short selling



Summary

- **Strong financial performance**
- **Balanced and diversified Group**
- **Well placed to deliver further performance:**
 - Core businesses performing well in subdued markets
 - Strong cost control and highly cash generative
 - Focused on growth opportunities and partnering with customers to drive innovation and new services

Our sights remain firmly set on being one of the world's leading diversified exchange groups



Appendix

Capital Markets

Primary

Clients - listed companies and other issuers

Revenues from:

- Annual Listings
- IPOs and other capital raisings/admission to markets

Secondary

Clients - trading firms/banks/brokers

Revenues from trading:

- Equities
- Fixed income
- Derivatives

Post Trade

Clients- trading firms, banks, issuers and fund managers

Revenues from:

- Clearing of trades
- Interest on margin collateral
- Settlement
- Custody and other services

Information

Real time price and trading data - distributed directly and through vendors (eg Bloomberg/Thomson Reuters)

Other information products - eg SEDOL securities identifier, UnaVista post trade confirmation / reconciliation services, FTSE Indices - used by fund managers, brokers and banks

Technology

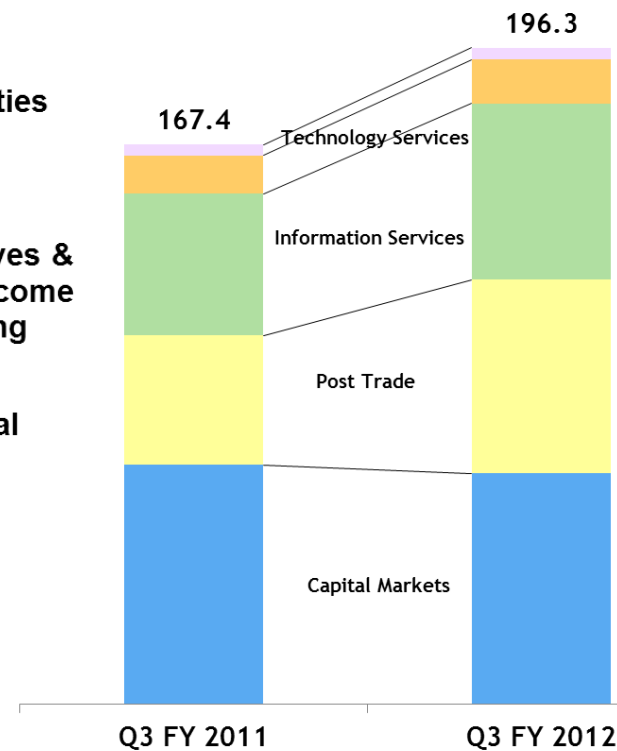
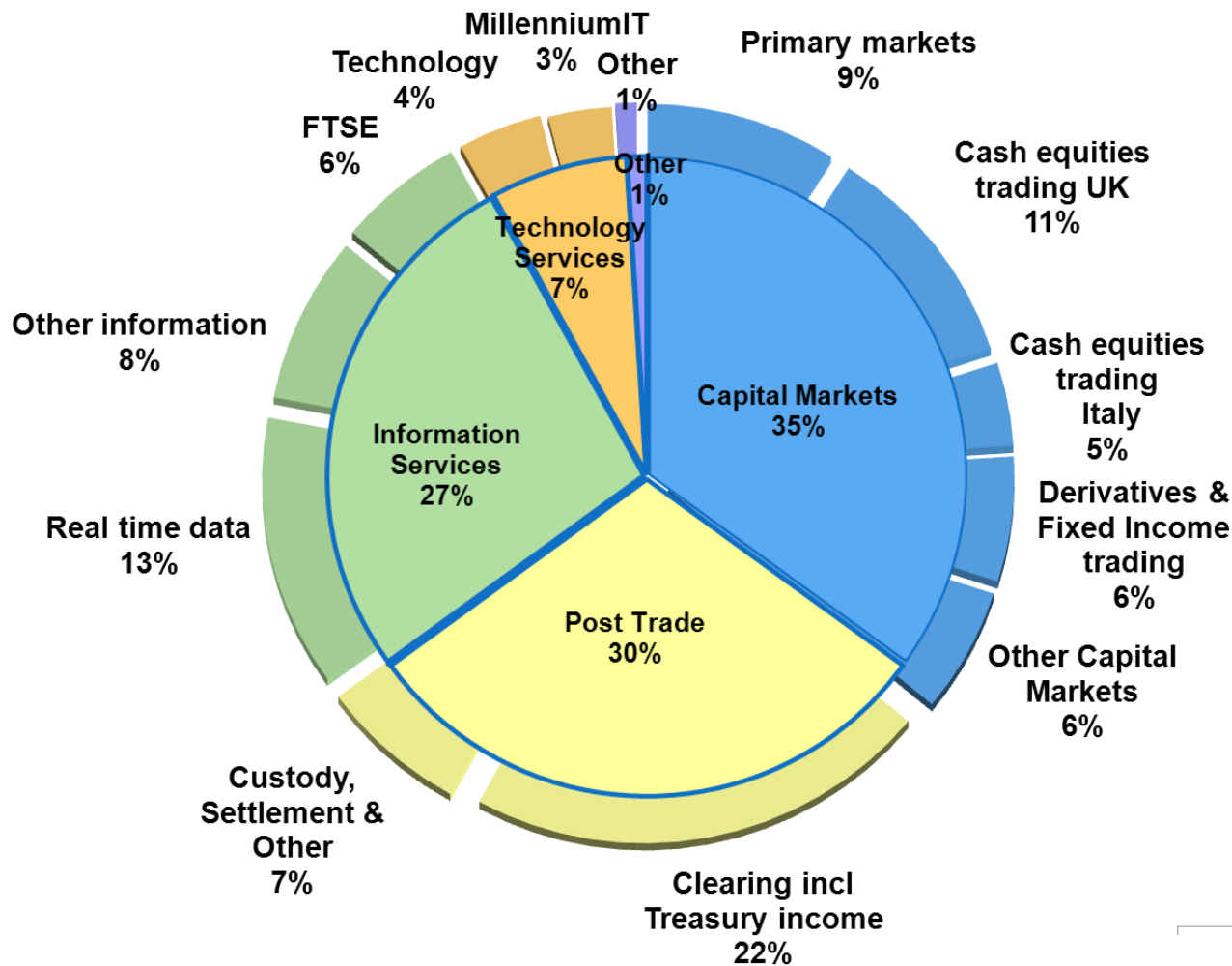
Revenues from network connections, co-location of client servers in our data centres and technology / systems sales to capital market firms (through MillenniumIT) - provider of LSE Group technology



- Continued delivery on strategy to grow and diversify
- Strong increase in total income, up 17% on Q3 last year, growth in 3 out of 4 divisions:
 - Post Trade Services income up 50%, driven by further sequential growth (over Q2) in treasury management income from clearing operations
 - Information Services revenue up 24% including FTSE and TRS (organic revenue up 4%)
 - Technology Services revenues up 15%, mostly driven by growth from MillenniumIT
 - Capital Markets revenues down 4%, growth in annual fee income, derivatives and Italian equities, offset by lower IPO activity, UK equities and fixed income trading
- Key developments in past quarter
 - Acquired the outstanding 50% of FTSE International
 - Purchased minority stake in CC&G and acquired the FSA's transaction reporting service (TRS)

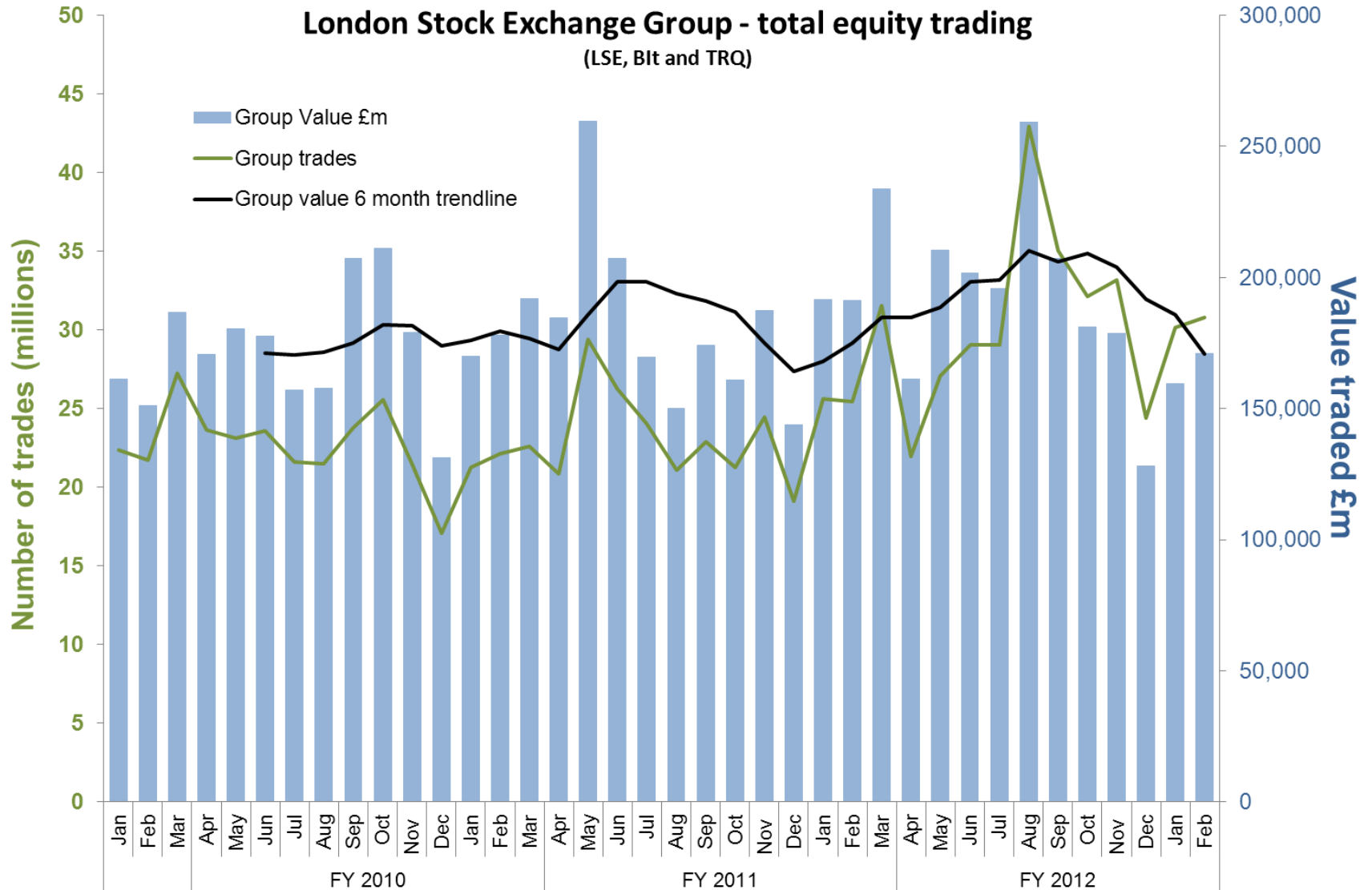
Continued diversification of Group income

FY 2012 Q3 £196.3m

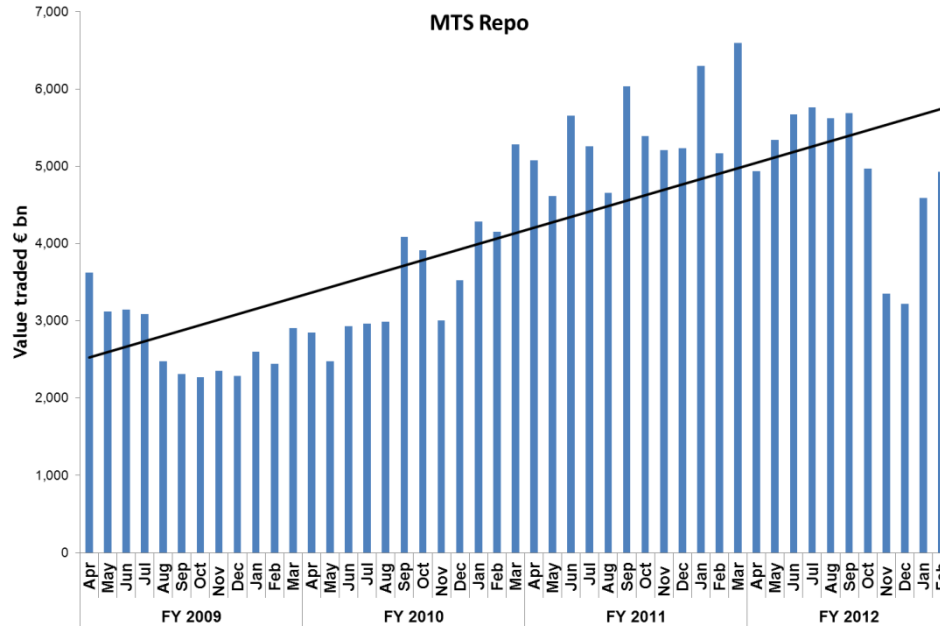


Capital Markets - Equity

Group value and number of trades



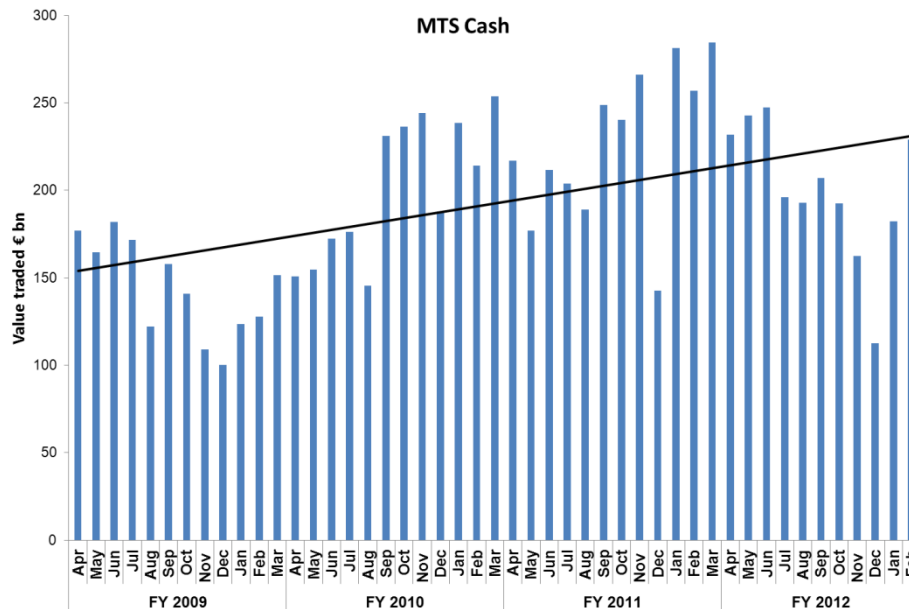
Capital Markets - Fixed Income



MTS Repo

CAGR 21.8%
FY 2009 to FY 2012 (to Feb)
(average monthly value)

Increasing use of CCP



MTS Cash

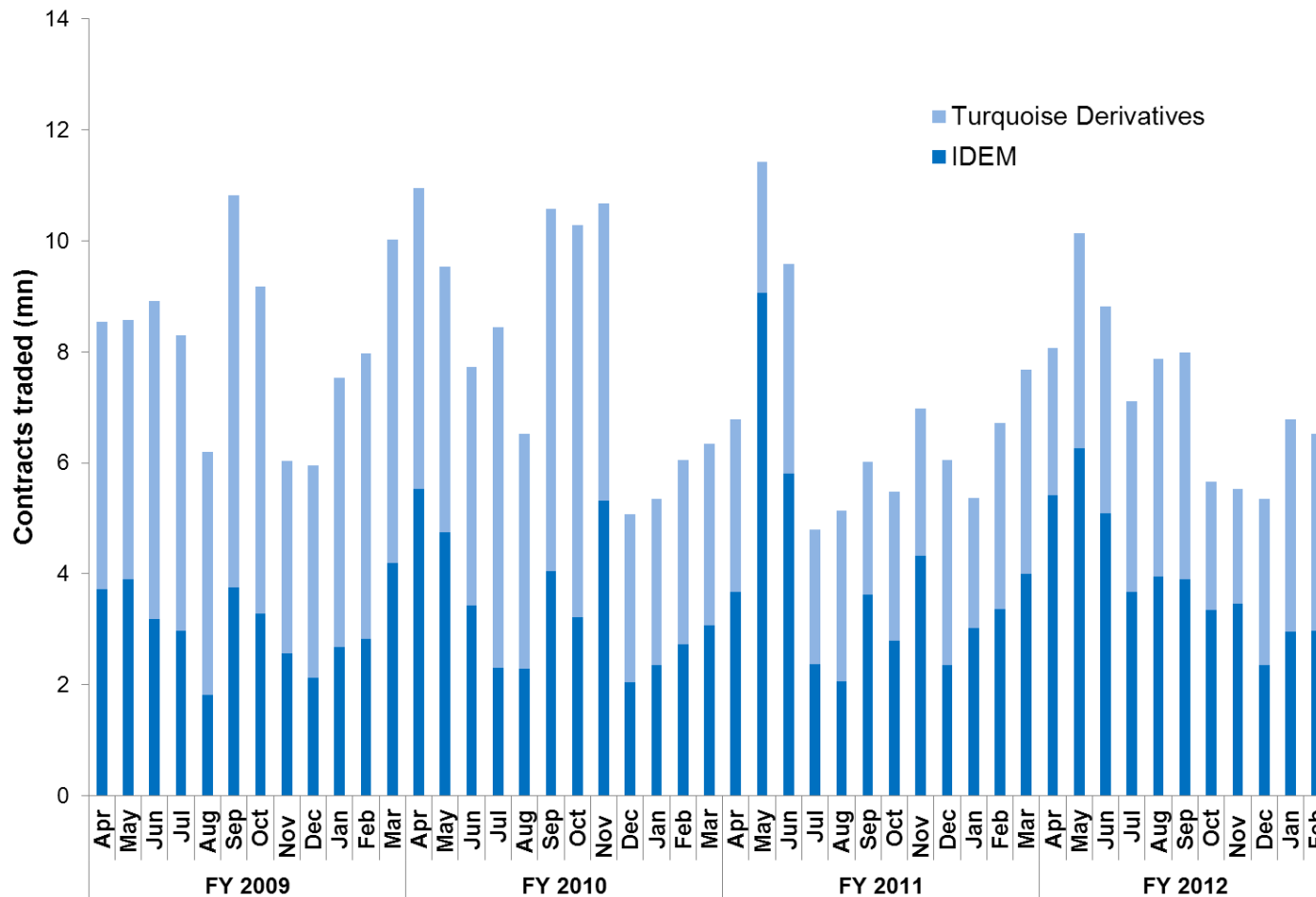
CAGR 11.5%
FY 2009 to FY 2012 (to Feb)
(average monthly value)



IDEM - Italian derivatives - CAGR 8.5% FY 2009 to FY 2012 (to Feb) (average monthly contracts)

Turquoise Derivatives - Equity and Indices futures and options on International Order Book securities, Norwegian stocks, recently launched FTSE 100 futures and options and up-coming pan-European single stock and indices.

FY 2012 trading to February up 14% on same period FY 2011.



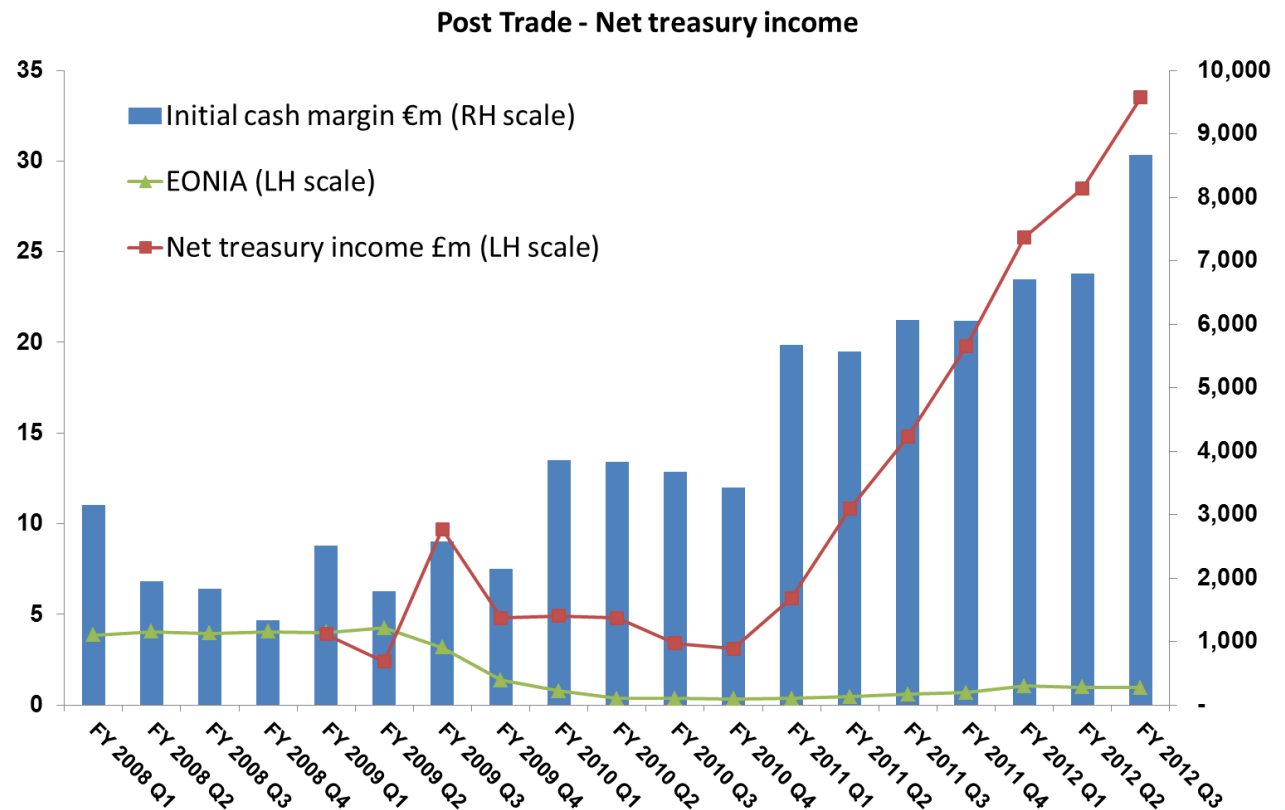
Post Trade - risk management and opportunities

- **Risk management**

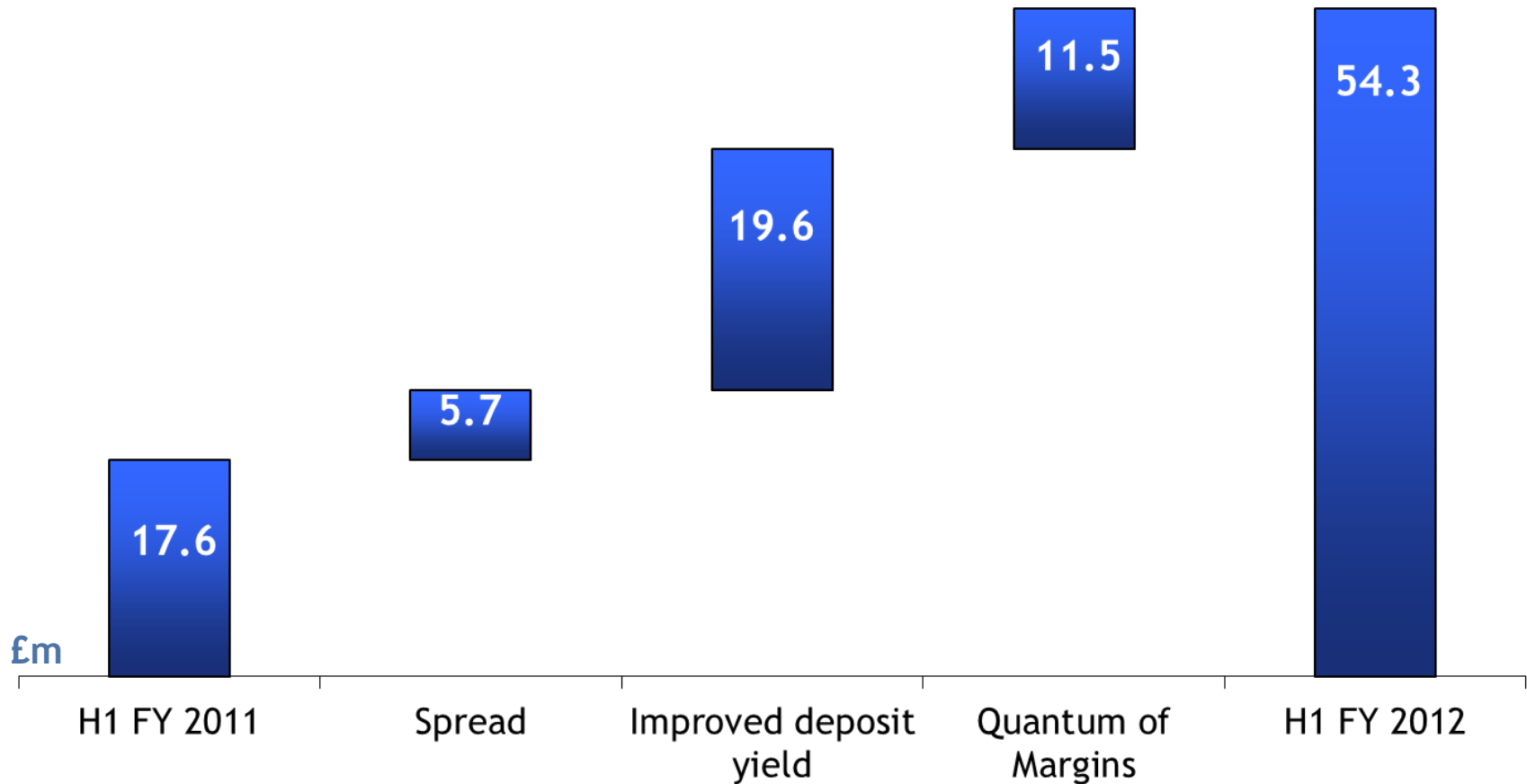
- CC&G carefully managing clearing and treasury risks
- Growth in trading - derivatives and fixed income
- Regulators want trusted infrastructure to provide solutions

- **Opportunities**

- LCH.Clearnet



CCP Net treasury income - significant step up in performance



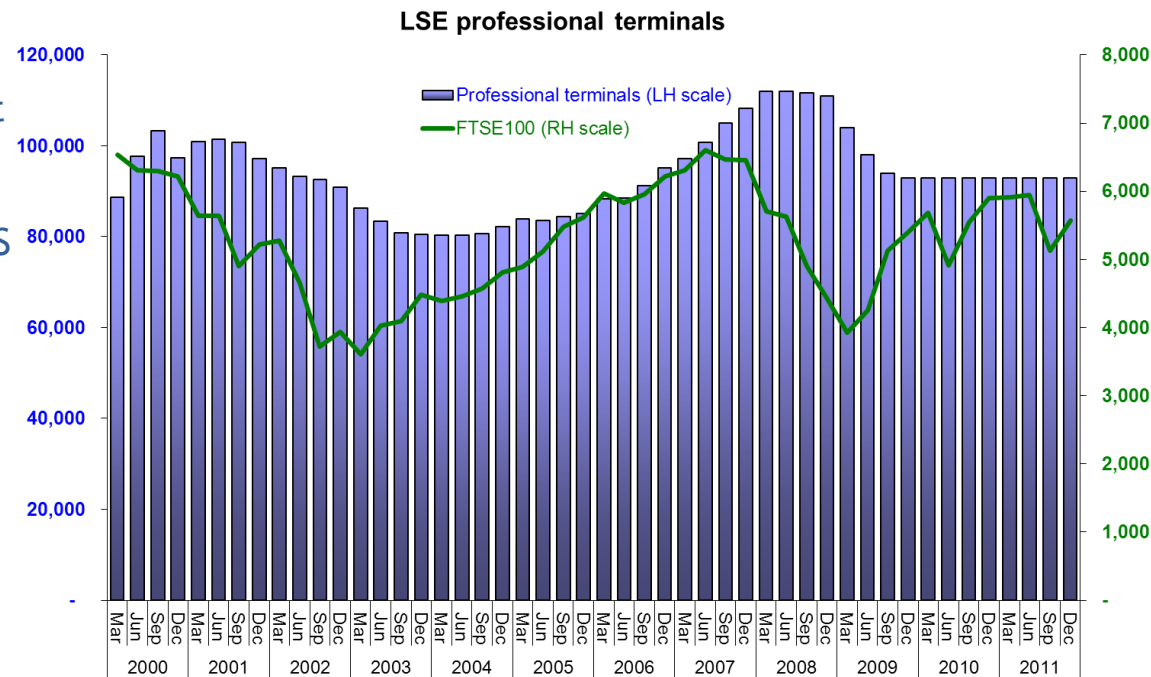
- Spread - difference between Euribor over EONIA
- Improved deposit yield - negotiated rate above Euribor
- Quantum of margins - increase in cash margins held and deposited with banks

H1 FY 2011 restated for FX movement

Significant potential areas of business development:

- **Index business:** Leveraging 50:50 JV FTSE to create significant value
 - 120,000 indices covering 80 countries
 - FTSE 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



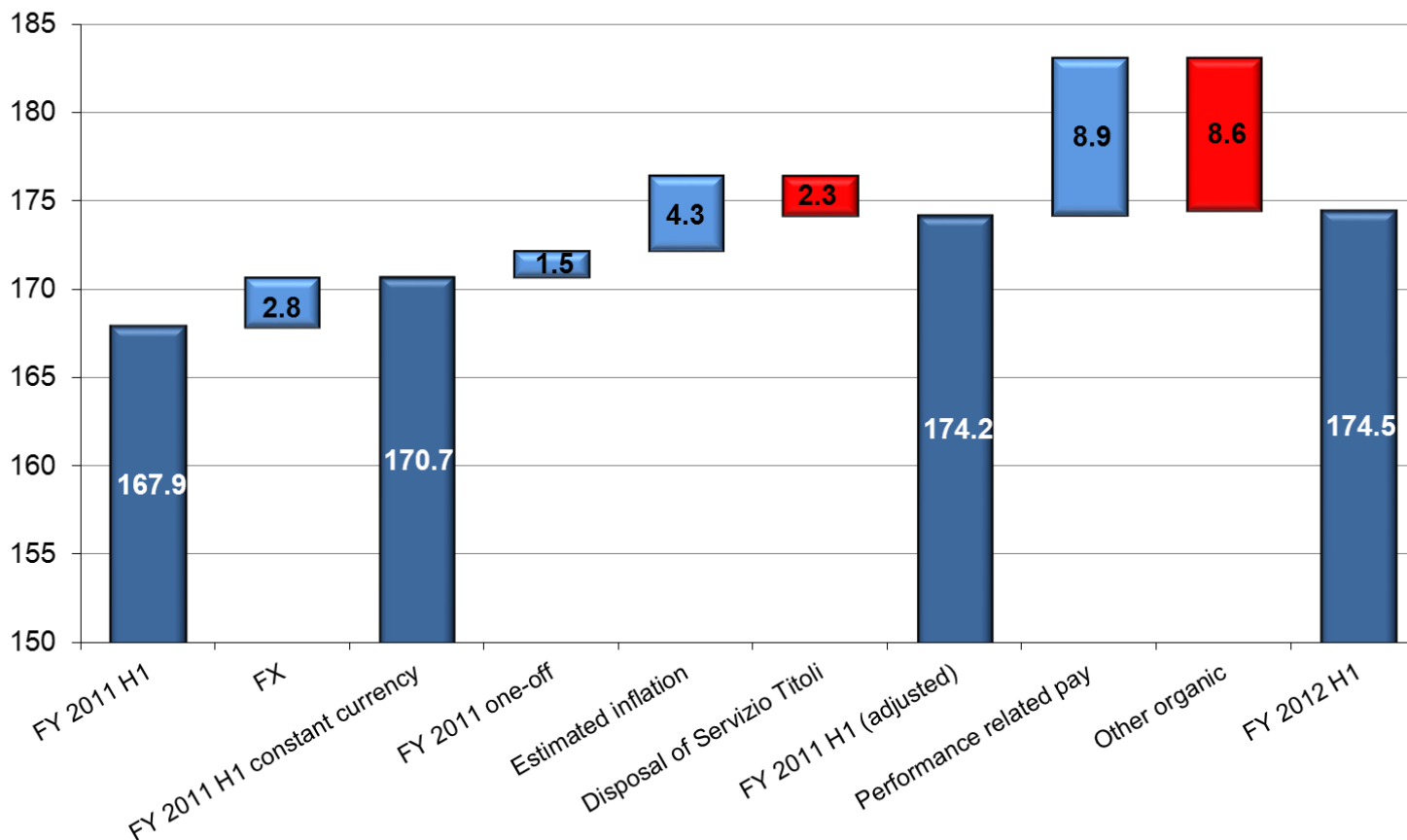
Interim results - Operating expenses

FY 2012 H1



Major movements

£ million



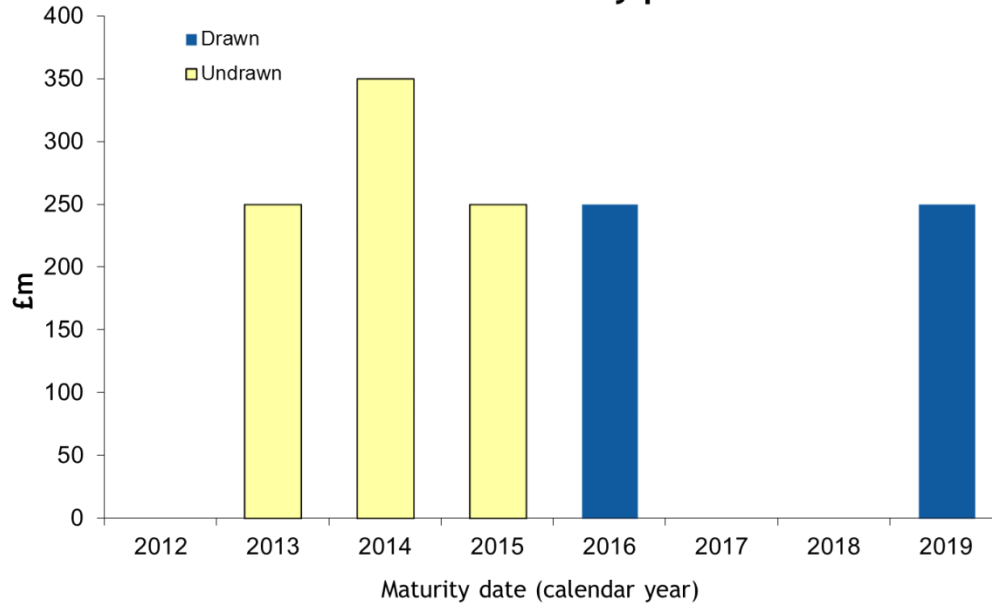
- Underlying costs remain flat in real terms

Note: Excluding amortisation of purchased intangibles and non-recurring items

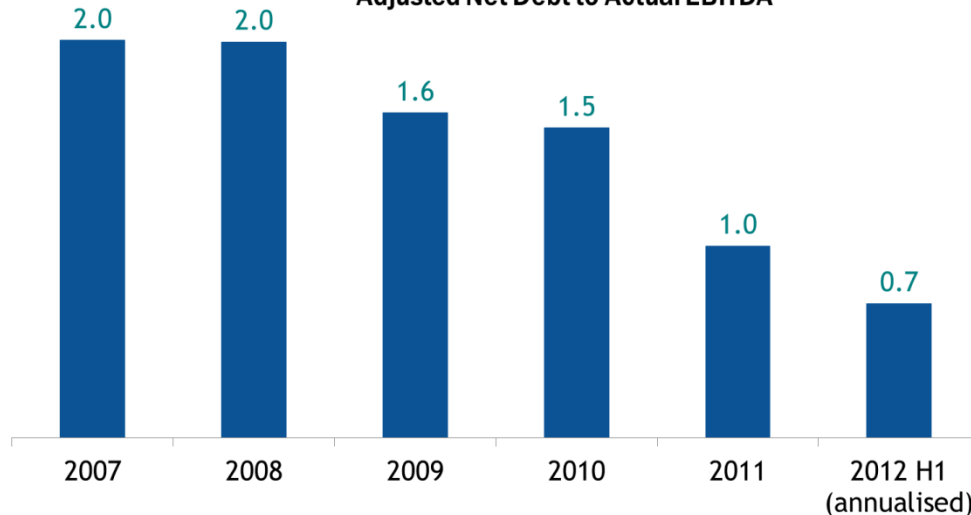
Borrowings



Debt maturity profile



Adjusted Net Debt to Actual EBITDA



Adjusted Net debt to Actual EBITDA excludes cash held for regulatory purposes

- Net debt £582m (31 December 2011)
- £165m cash reserved for regulatory and operational purposes (FY 2011 : £125m)
- Post FTSE
 - Completed (16 December 2011)
 - £350m of new committed facilities (up to 3 years)
 - over £500m of cash and unutilised committed facilities
 - Pro forma, the group leverage of 1.6X (adjusted Net Debt / LTM 30/9/11 EBITDA)
- Post LCH.Clearnet
 - Completion expected 2012 Q4
 - Pro forma, the group leverage of ~2.1X (adjusted Net Debt / LTM 30/9/11 EBITDA)

Revenues - Quarterly



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£ millions	FY 2011					FY 2012			FY12
	Q1	Q2	Q3	Q4	FY 2011	Q1	Q2	Q3	9mths
Annual Fees	9.3	9.4	9.6	9.4	37.8	9.9	10.2	10.0	30.1
Admission Fees	8.8	6.5	9.5	8.3	33.0	12.2	8.2	7.1	27.5
Cash equities UK & Turquoise	26.7	21.9	21.6	26.2	96.4	24.3	27.8	21.1	73.2
Cash equities Italy	8.7	6.0	6.8	9.3	30.7	7.7	8.5	7.2	23.4
Derivatives	4.9	3.5	3.8	4.5	16.8	4.3	4.7	3.9	12.9
Fixed Income	7.4	7.2	8.3	9.5	32.4	9.8	9.0	8.0	26.8
Other	10.7	10.5	11.9	11.2	44.4	11.5	11.7	11.6	34.8
Capital Markets	76.5	65.0	71.5	78.4	291.5	79.7	80.1	68.9	228.7
Clearing	9.7	7.2	8.4	10.7	35.9	9.9	11.7	10.2	31.8
Settlement	5.0	3.9	4.5	4.8	18.2	4.8	5.0	4.3	14.1
Custody & other	12.2	10.3	11.0	11.6	45.2	11.3	9.7	10.0	31.0
Post Trade Services	26.9	21.4	23.9	27.1	99.3	26.0	26.4	24.5	76.9
Real time data	24.4	23.9	24.4	27.1	99.8	25.2	25.0	25.4	75.6
Other information	15.5	15.0	15.2	15.0	60.7	16.3	15.8	16.3	48.4
FTSE royalties	2.6	2.7	2.9	3.1	11.3	3.2	3.5	6.4	13.1
FTSE revenue								4.7	4.7
Information Services	42.5	41.6	42.5	45.2	171.8	44.7	44.3	52.8	141.8
MillenniumIT	5.0	4.0	4.1	5.0	18.2	3.2	6.4	5.5	15.1
Technology	7.6	7.9	7.3	7.7	30.4	7.4	7.8	7.6	22.8
Technology Services	12.6	11.9	11.4	12.7	48.6	10.6	14.2	13.1	37.9
Other	1.5	0.7	1.3	1.2	4.7	1.4	0.7	1.5	3.6
Total Revenue	159.6	140.6	150.6	164.6	615.9	162.4	165.7	160.8	488.9
Net treasury income through CCP	5.9	10.8	14.8	19.8	51.3	25.8	28.5	33.5	87.8
Other income	1.9	1.9	2.0	1.9	7.7	2.0	2.1	2.0	6.1
Total income	167.8	153.4	167.4	186.3	674.9	190.2	196.3	196.3	582.8

Note: Minor rounding differences may mean quarterly and other segmental figures may differ slightly.
FY 2011 Capital Markets prior quarters restated to include Turquoise revenues gross of maker rebates

Contacts and Information



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Information on the full range of products and services can be found at:
www.londonstockexchange.com

If you need information on any Group products, please contact:

Paul Froud
Head of Investor Relations

Tom Woodley
Investor Relations Manager

Tel: +44 (0)207 797 1186

Tel: +44 (0)207 797 1293

email: pfroud@londonstockexchange.com

email: twoodley@londonstockexchange.com

London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

For investor related information on the Group: www.londonstockexchange.com



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