



London Stock Exchange Group plc

Xavier Rolet - Chief Executive

Morgan Stanley Financials Conference

Managing for value in an uncertain economic and regulatory environment

25th March 2010



Agenda

Introduction to LSE - a diversified Group, and a business in transition

Strategy and Priorities

Actions taken so far - to become more efficient and deliver value

Opportunities for further development

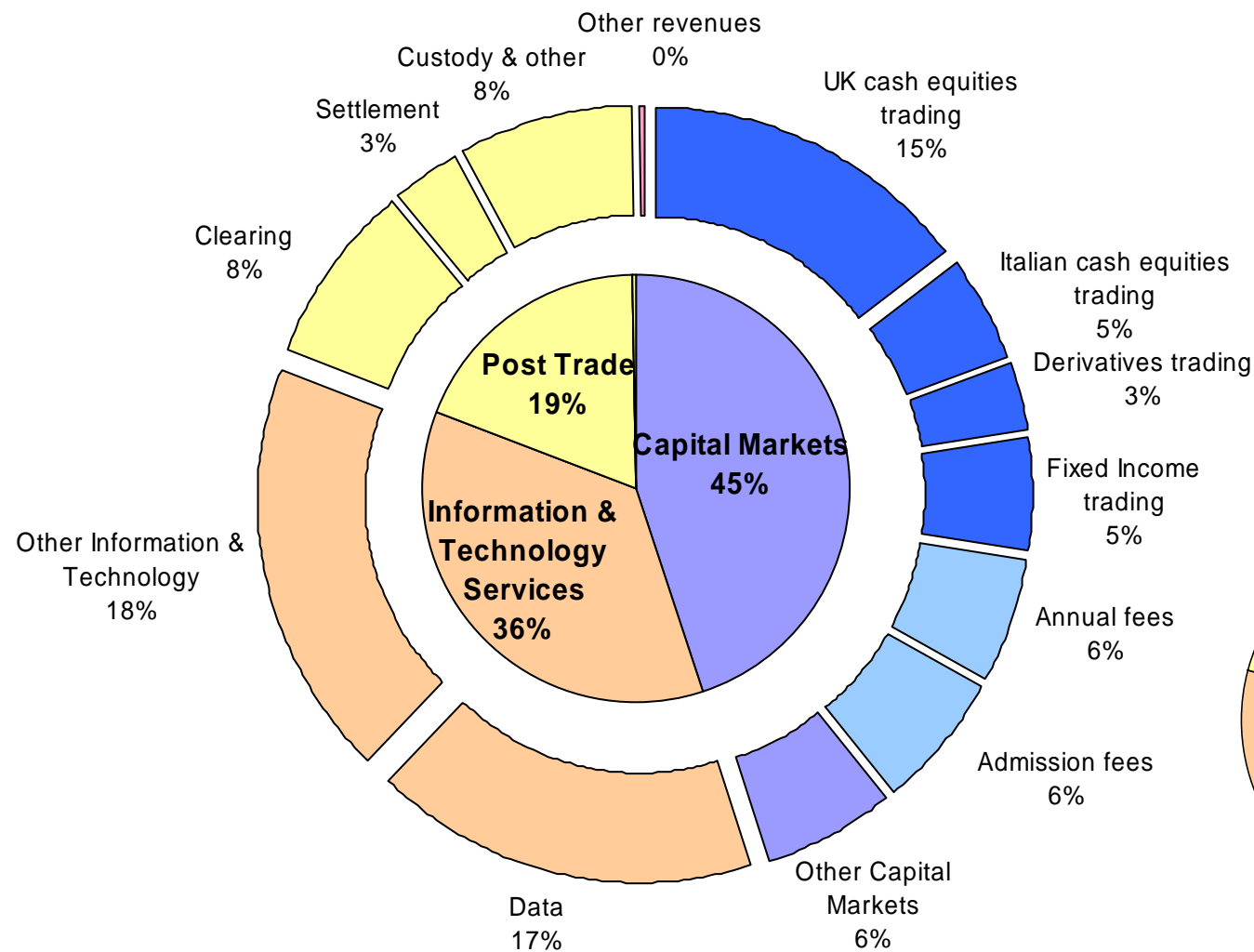
Regulatory uncertainty

Way forward

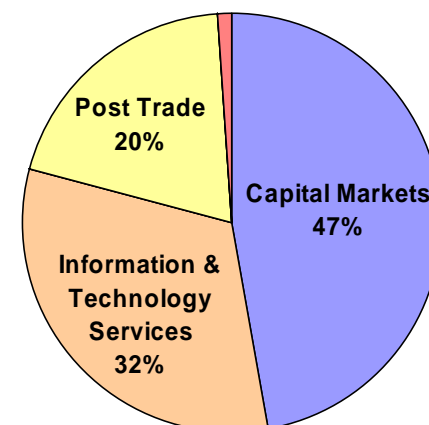


Diversified revenues

Q3 FY 2010



Q3 FY 2009





Strategy and priorities

- A good business, strong in many places, but challenges to be met
 - Actions already underway, benefits coming through
- 1) Getting in shape
 - *Lowering costs, re-focusing the business on major clients, transforming the technology, strengthening of management team*
 - 2) Leveraging our assets
 - *organic growth across range of assets - equities, derivatives, fixed income, information products and post trade services*
 - 3) JVs, partnerships, other links to grow the Group's scale and scope



Actions already undertaken

- Management team restructured and strengthened - addition of new Director of Post Trade, and new CIO
- Cost saving programme initiated - 12% headcount reduction - £11m pa savings from H2 FY 2010
- Tariff changes to UK equities and Italian derivatives - to reward best clients
- Addressing problem of high post trade costs in UK - Euroclear moved to net charging
- Acquisition of Millennium IT - to provide high performance trading system and cost savings of at least £10m pa from FY 2012 (trading platform migration brought forward to September 2010)
- Acquisition of Turquoise MTF - to form pan-European lit and dark trading platform in partnership with major banks - positive earnings from FY 2012
- Various organic and strategic actions underway in the Capital Markets, Post Trade and Information & Technology Services

Operating Costs

- Continued and on-going cost management
- Specific initiatives:

	Annual benefit		Cost to deliver FY 2010
	£m	From	£m
Borsa integration	13	FY 2010	1
Staff reductions	11	H2 FY 2010	14
Property	3	FY 2011	13
TradElect replacement	10	FY 2012	25
	<hr/> 37 <hr/>		<hr/> 53 <hr/>

- Up to £20m exceptional costs for Turquoise
- €:£ rate at 1.13 (average for past 11 months), FY 2009 costs would increase by £9.5m
- H1 FY2010: underlying costs (exc one-off items) at constant currency down 8% vs H1 of previous year



Millennium IT

- A new, high performance, scalable matching engine
- In-house software development expertise with dedicated R&D
- The ability to roll-out multiple new products and services
- Surveillance, ticker plant, desktop, SOR and post trade technology
- A reduction in software development charges
- A new revenue stream with a growing pipeline of existing and new clients



Turquoise

- Acquired February 2010 – provides basis for creation of pan-European trading venture through merger of Baikal and Turquoise MTFs
- Partnership with 12 leading global investment banks – LSE to retain controlling 51%
- Lit and dark pool pan-European trading and connections to other liquidity pools
- Neutral, exchange run venue designed to inspire confidence in region's regulators and buy-side clients
- MillenniumIT trading technology provides low cost and high performance system to support competitive service
- Earnings positive from FY 2012



Regulatory uncertainty

- Fall out from financial markets crisis - European regulation focused on:
 - risks to be better understood and mitigated - move to mandated use of CCP services for OTC derivatives
 - harmonised European CCP standards and requirements - interoperability and risk/margin management
 - capital requirements affecting risk and proprietary trading
- MiFID Review - (2010 -2011) will include:
 - more transparency for bonds and derivatives
 - better quality post trade data (to counter effects of fragmentation) - form of consolidated tape?
 - review of dark pools, internal crossing networks (OTC) and HFT
 - greater harmonisation of standards
- Other developments:
 - power shift to EU - less likely to support London
 - greater harmonisation and supervision powers in ESMA
 - new Internal Markets Commissioner - Michel Barnier
 - implications of Target 2 Securities (T2S) for pan-European settlement
 - domestic and EU transaction tax policies



Way Forward

We intend to be a top tier exchange:

- Client focused business
- Offense, not defence - on basis of more efficient services
- Leveraging the assets we have - scaling-up operations, extending product and geographic scope to accelerate organic growth
- Examine non-organic opportunities



Summary

- A good business, strong in many places, but challenges to be met
- Actions already underway, benefits coming through
- Getting in shape
 - *streamlined management team*
 - *technology transformation/improvement*
 - *lowering costs*
 - *re-focusing the business*
- Leveraging our assets
 - *organic growth across range of assets - equities, derivatives, fixed income, information products and post trade services*
 - *jvs, partnerships, other strategic opportunities*
- A dynamic market environment, many opportunities, regulatory developments will shape future actions



Appendix

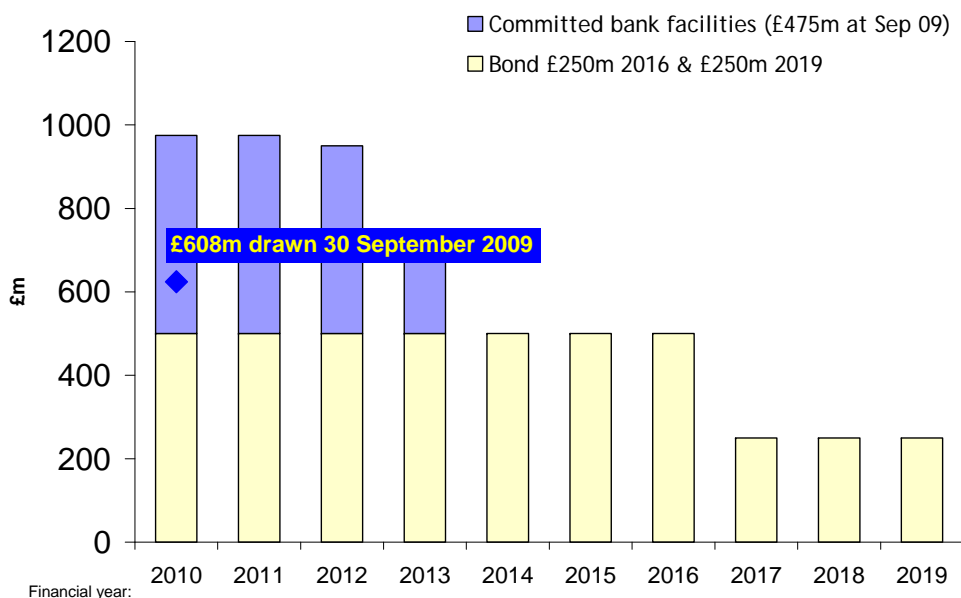
Senior Management Team

	<u>Joined LSE</u>
Xavier Rolet* - CEO	March 2009
Doug Webb* - CFO	June 2008
Massimo Capuano* - Deputy Group CEO and CEO of Borsa Italiana	October 2007
Raffaele Jerusalemi - Director of Capital Markets	October 2007
Kevin Milne - Director of Post Trade Services	January 2010
David Lester - Director of Information Services and CEO of Turquoise	June 2001
Antoine Shagoury - CIO	February 2010
Tony Weeresinghe - CEO Millennium IT and Global Head of Development and Exchange Sales	October 2009

* Executive Directors on main London Stock Exchange Group plc board

Net debt and borrowings

- Gross borrowing £608m at 30 September 2009
 - £975m committed facilities, £950m to 2012 or beyond
 - £250m Bond 2016 at a rate of 6.125%
 - £250m Bond 2019 at a rate of 9.125%
 - £250m syndicated revolving credit facility at rate of Libor +80bps - matures 2013
 - £25m bi-lateral revolving credit facility at a rate of Libor +80bps - matures 2011
 - £200m revolving credit facility at a rate of Libor +125bps - matures 2012



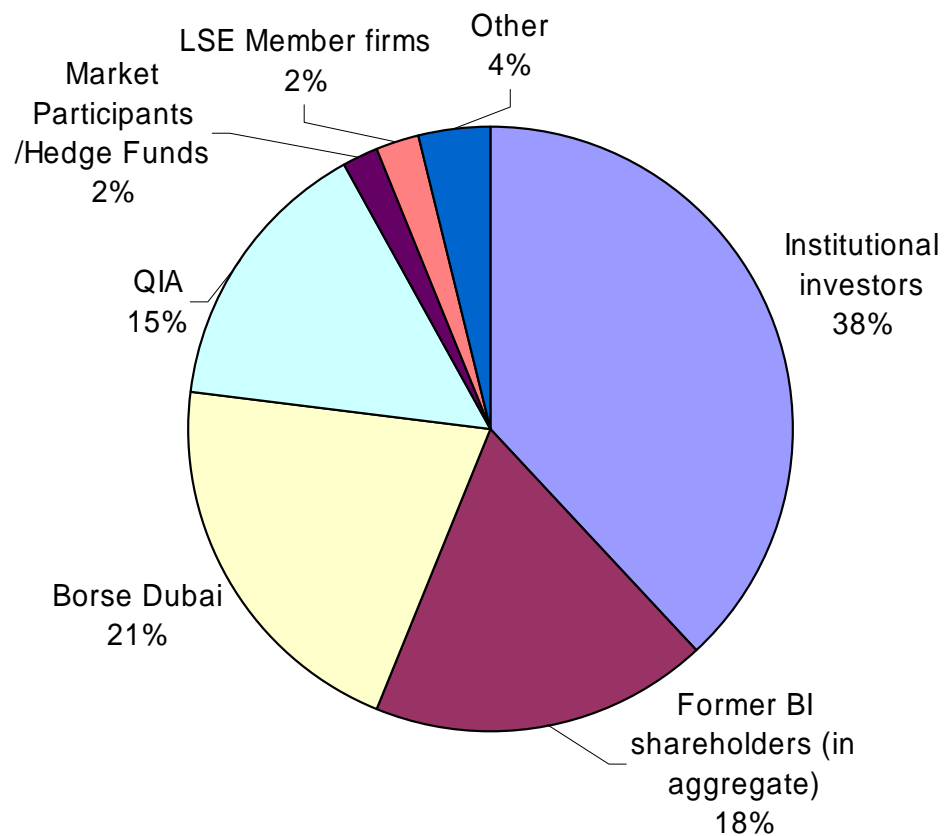
LSEG Ratings
 S&P A- (stable outlook)
 Moody's Baa2

*£200m RCF matures Feb 2012

- £125m cash reserved for regulatory and operational purposes



Share register - March 2010





Contacts

Paul Froud
Head of Investor Relations

Tel: +44 (0)207 797 1186
email: pfroud@londonstockexchange.com

10 Paternoster Square
London
EC4M 7LS

Tom Woodley
Investor Relations Manager

Tel: +44 (0)207 797 1293
email: twoodley@londonstockexchange.com



No representation or warranty, expressed or implied, is made or given by or on behalf of London Stock Exchange Group plc (the "Company") or any of its directors or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this presentation and no responsibility or liability is accepted for any such information or opinions. This presentation does not constitute an offer of securities by the Company and no investment decision or transaction in the securities of the Company should be made on the basis of the information or opinions contained in this presentation.

The content of this presentation includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should". By their nature, forward-looking statements involve risks and uncertainties and readers are cautioned that any such forward-looking statements are not guarantees of future performance. The Company's actual results and performance may differ materially from the impression created by the forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements, except as may be required by applicable law and regulation (including the Listing Rules).

This presentation and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.