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**London**  
Stock Exchange Group

For immediate release



9 February 2011

**LONDON STOCK EXCHANGE GROUP PLC AND TMX GROUP INC. JOIN FORCES IN MERGER OF EQUALS**

- **An international exchange leader strongly positioned for growth**
- **#1 venue in the world by number of listings**
- **#1 global listings venue for natural resources, mining, energy and clean technology**
- **Market leader in high-performance, cost-effective cash and derivatives trading technology**
- **Scale and reach actively managed from joint headquarters in London and Toronto, supported by international centres of excellence**

9 February 2011 (LONDON & TORONTO) – London Stock Exchange Group plc (“LSEG”) and TMX Group Inc. (“TMX”) today announced an agreement to combine Europe’s and Canada’s leading diversified exchange groups in an all-share merger of equals. The merger will create a world-leading organisation and is unanimously being recommended by the Boards of both LSEG and TMX.

The combined transatlantic group (“LSEG-TMX” or the “Merged Group”) will be jointly headquartered in London and Toronto and will offer an international gateway, leading global pools of capital formation and liquidity together with a unique portfolio of highly complementary markets, products, technologies and services.

The Boards of LSEG and TMX believe that the merger is strategically compelling and will create a more diversified business with greater scale, scope, reach and efficiencies, generating substantial benefits for all stakeholders:

- **Global Listings Hub** – A leading global listings franchise:
  - A flexible and deep pool of international capital and investment expertise

- International markets for businesses of all sizes, from venture-funded companies, through small and medium enterprises (“SMEs”) to large global corporations
- The #1 listings venue in the world by number of total listings – over 6,700 companies with an aggregate market capitalisation of approximately £3.7 trillion / C\$5.8 trillion
- The #1 listings venue in the world for natural resources, mining, energy and clean technology companies
- The #1 venue for international listings from emerging and growth markets
- The #1 listings venue in the world for SMEs with approximately 3,600 combined AIM and TSX Venture Exchange listings providing deep expertise in supporting small-cap and early stage companies
- **Breadth of Markets** – 20 trading markets / platforms across North America and Europe:
  - Cash equities, derivatives, fixed income and energy markets, with enhanced potential to develop new trading products and opportunities, supported by strong regional post-trade operations and information services
- **Information Leader** – An extensive set of global information, market data and index businesses, offering customers an increased suite of products
- **Technology Expertise** – A shared technology strategy:
  - Market-leading, high-performance, cost-effective cash and derivatives trading and clearing technology applied across the Merged Group
  - Efficient marketing and delivery to the global financial services and exchange industries

LSEG-TMX is expected to create substantial value for stakeholders and shareholders, with a robust capital structure from which to capture future growth opportunities:

- **Revenue Benefits** – Targeting £35 million / C\$56 million in year three growing to £100 million / C\$160 million annual run-rate revenue benefits in year five from a variety of sources, including facilitation of cross-listings and admissions for customers (subject to regulatory approval), the wider availability of products and services via the Merged Group’s enhanced distribution and footprint, and the development of new products
- **Cost Synergies** – Targeting annual run-rate cost synergies of £35 million / C\$56 million by end of year two
- **Value Creation** – Expected to be accretive to adjusted earnings per share<sup>1</sup> (post-cost synergies) for both LSEG and TMX shareholders in the first full year following completion

Commenting on today’s announcement, Chris Gibson-Smith, Chairman of London Stock Exchange Group plc stated:

*“We are today announcing the creation of a global leader in the exchange space. Building on our own shared long histories of excellence in capital markets, financial strength and cultures of internationally respected governance, I believe that together we will be able to offer shareholders and customers a business significantly greater*

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<sup>1</sup> See “Accounting Matters.”

*than the sum of our parts. This merger comes at a hugely important time in the history of capital markets.”*

Wayne Fox, Chairman of TMX Group Inc. added:

*“Two highly successful and profitable institutions are joining forces to create a more diversified and international company. This merger of equals will benefit shareholders, issuers, customers, employees and other stakeholders of both organisations. As important, it will have a positive impact on the business communities in Canada, the UK and Italy. I look forward to working with my fellow directors and the combined team to create one of the world’s leading exchange groups.”*

The Board of the Merged Group will consist of fifteen directors, eight to be nominated by LSEG (of which it is envisaged three will be from Borsa Italiana), and seven to be nominated by TMX. Wayne Fox will be the non-executive Chairman of the Board of the Merged Group, and Chris Gibson-Smith and Paolo Scaroni will be Deputy Chairmen. Chris Gibson-Smith remains as Chairman of London Stock Exchange plc.

The executive Board members of LSEG-TMX will be:

- CEO - Xavier Rolet, CEO of LSEG (based in London)
- President - Thomas Kloet, CEO of TMX (based in Toronto)
- CFO - Michael Ptasznik, CFO of TMX (based in Toronto)
- Director - Raffaele Jerusalmi, CEO of Borsa Italiana (based in Milan)

The executive management and senior leadership of the Merged Group will be drawn from a balance of leaders from both organisations and will be represented in its joint headquarters of London and Toronto as well as other core centres, including Calgary, Colombo, Milan, Montreal, Rome and Vancouver. Based in Toronto, the President, reporting to the CEO, will manage the Merged Group’s business units, as well as drive the implementation of strategy, mergers & acquisitions, partnerships and strategic ventures.

The merger recognises the existing centres of excellence within the Merged Group and reinforces these strengths by assigning global responsibility across its geographic footprint, with global leadership in: Toronto for primary markets (listings and other issuer services across the Merged Group); Montreal for derivatives; and Calgary for energy. London will continue as a key centre for international listings with global responsibility for technology solutions, information services and post-trade services. For its part, Milan will be the centre for fixed income and equities trading, and European post-trade. Montreal, Toronto, Milan and Colombo will remain centres of excellence in the development of technology for the Merged Group and for the expanding external technology services business.

Xavier Rolet, CEO of London Stock Exchange Group plc said:

*“This is an incredibly exciting merger with considerable growth opportunities. We are creating the world's largest listings venue for the commodities, energy and natural resources sectors, as well as the premium market for small, mid-size and growth companies. This new international leader, marrying the right cost structure, financial strength, technological expertise and product portfolio, will be strongly positioned to*

*capitalise on growth opportunities in emerging markets and deliver them to our customers in North America, Europe and beyond. Together, we will also be uniquely positioned to offer high-performance, low-cost technology solutions to our exchange clients around the world. We are aiming at nothing less than becoming a true powerhouse in the global exchange business.”*

Thomas Kloet, CEO of TMX Group Inc. added the following:

*“We are creating an international group with deep expertise, undeniable leadership in key sectors and the ability to compete and win on the global stage. Canadian customers will benefit from access to one of the world’s deepest capital pools while European issuers will have an effective gateway to North American financial markets. With some of the most valuable and respected brands in the exchange world, this merger will open new growth opportunities for each of our businesses and all of our stakeholders. This merger brings together talented market professionals across a wide geography, positioning the group for continued leadership in financial markets.”*

LSEG-TMX will operate a broad and highly diversified portfolio of successful businesses and brands across multiple geographies, providing trading and post-trade services in cash equities, derivatives, energy and fixed income, and offering global information services and technology solutions. In addition, with access across the company to the cutting-edge SOLA derivatives trading platform and MillenniumIT assets, the Merged Group will offer the marketplace best-in-class capabilities and applications as well as a strong and efficient platform through which to market technology to the global exchange and financial services industries.

Under the terms of the Merger Agreement, TMX shareholders will receive 2.9963 LSEG ordinary shares for each TMX share. LSEG shareholders will therefore own 55% and TMX shareholders will own 45% of the enlarged share capital of LSEG, the holding company of the Merged Group, which will be renamed after closing. The Merged Group will be listed on both the London Stock Exchange and the Toronto Stock Exchange. The various operating exchanges in the Merged Group will continue under their existing recognised brand names.

For the last twelve months ended 30 September 2010, LSEG reported revenues of £633 million / C\$1,027 million<sup>2</sup>, whereas for the last twelve months ended 31 December 2010 TMX reported revenues, adjusted for differences between LSEG and TMX in the accounting treatment of initial and additional listing fees billed, of £394 million / C\$626 million<sup>2</sup>. For the same periods, LSEG reported cash generated from operations of £340 million / C\$551 million and TMX reported cash flows from operating activities of £176 million / C\$280 million.

Completion of the merger is subject to customary regulatory and other approvals, including approval by LSEG and TMX shareholders and court approval in Ontario. Each of LSEG’s and TMX’s markets will continue to be regulated in accordance with local requirements by their existing regulators. Provisions made to satisfy the requirements of the Investment Canada Act as well as Canadian provincial securities regulators will be made public.

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<sup>2</sup> TMX revenue adjusted for initial and additional listing fees billed. See “Accounting Matters”. LSEG revenue includes net treasury income from CCP and Other income

*This summary should be read in conjunction with the text of the attached full announcement.*

A conference call for sell-side analysts and investors is scheduled for 09:00 GMT / 04:00 EST on 9 February 2011.

You will be able to dial-in to listen to the presentation live and place questions on:

<b>+44 (0)208 817 9301</b>	<b>International</b>
<b>0845 634 0041</b>	<b>UK Lo Call</b>
<b>0800 634 5205</b>	<b>UK Freephone</b>

An audio webcast will also be available, please follow the link below and enter your details for access:

[http://www.thomson-webcast.net/uk/dispatching/?event\\_id=8210ffd8d30d59d808f2252d7d57673e&portal\\_id=2d43e295d60092942302337d9f46ff8e](http://www.thomson-webcast.net/uk/dispatching/?event_id=8210ffd8d30d59d808f2252d7d57673e&portal_id=2d43e295d60092942302337d9f46ff8e)

A further conference call for sell-side analysts and investors is scheduled for 12:00 GMT / 07:00 EST on 9 February 2011.

You will be able to dial-in to listen to the presentation live on:

<b>+1 647 427 7450</b>	<b>Toronto Dial-in</b>
<b>+1 888 231 8191</b>	<b>North America Toll-Free</b>

A press conference call will be held at TMX headquarters in Toronto at 15:00 GMT / 10:00 EST on 9 February 2011. You will be able to participate in this call using the following details:

**Conference name: TMX / London Stock Exchange**  
**Conference ID # 43256526**

<b>+1 888 241 0394</b>	<b>North America Toll-Free</b>
<b>+1 647 427 3413</b>	<b>International Dial-in</b>
<b>+44 0800 051 7107</b>	<b>UK Freephone</b>

A webcast of the press conference is also available at

[http://www.snwebcastcenter.com/custom\\_events/tmx-20110209/site/index.php](http://www.snwebcastcenter.com/custom_events/tmx-20110209/site/index.php)

The announcement and the presentation will be available on:

[www.londonstockexchange.com/investor-relations/investor-relations.htm](http://www.londonstockexchange.com/investor-relations/investor-relations.htm)

and

[www.tmx.com](http://www.tmx.com)

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Barclays Capital and Morgan Stanley & Co. International plc are acting as joint corporate brokers to the merger. Barclays Capital, Morgan Stanley & Co. Limited and RBC Capital Markets are acting as financial advisers to LSEG and no one else in connection with the merger and will not be responsible to anyone other than LSEG for providing the protections afforded to clients of Barclays Capital, Morgan Stanley & Co. Limited and RBC Capital Markets nor for providing advice in relation to the merger or any matter referred to herein.

Bank of America Merrill Lynch and BMO Capital Markets are acting as financial advisers to TMX and no one else in connection with the merger and will not be responsible to anyone other than TMX for providing the protections afforded to clients of Bank of America Merrill Lynch and BMO Capital Markets nor for providing advice in relation to the merger or any matter referred to herein.

### **Forward-Looking Information**

This document contains “forward-looking information” (including as defined in applicable Canadian securities legislation). This information is based on the current expectations, assumptions, projections and estimates that the management of LSEG and TMX believe to be relevant as of the date of this document. This information is naturally subject to uncertainty and changes in circumstances. The forward-looking information contained in this document includes statements relating to the expected effects of the merger on LSEG and TMX and/or the merged group such as information related to the anticipated effect on financial performance, growth opportunities, expected dividend policy, anticipated revenue and cost synergies, business strategies and the development of new products and services, the expected timing and scope of the merger, and other statements other than historical facts.

Forward-looking information includes statements typically containing words such as “will”, “may”, “should”, “believe”, “intends”, “expects”, “anticipates”, “targets”, “estimates” and words of similar import, or variations or the negatives of such words. Although LSEG and TMX believe that the expectations, assumptions, projections and estimates reflected in such forward-looking information are reasonable, LSEG and TMX can give no assurance that such expectations, assumptions, projections and estimates will prove to be correct. By its nature, forward-looking information involves risk and uncertainty because it relates to events and depends on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward looking information. These factors include the satisfaction of the conditions to the merger and regulatory requirements, as well as additional factors, such as: future levels of revenues being lower than expected; conditions affecting the industry; local and global political and economic conditions; unforeseen fluctuations in trading volumes; competition from other exchanges or marketplaces; changes in trading systems commonly relied upon by market participants; foreign exchange rate fluctuations and interest rate fluctuations (including those from any potential credit rating decline); legal or regulatory developments and changes; the outcome of any litigation; the impact of any acquisitions or similar transactions; competitive products and pricing pressures; success of business and operating initiatives; failure to retain and attract qualified personnel; failure to implement strategies; whether internationally or in the places LSEG or TMX or any of their respective affiliated companies do business, or the merged group will do business are less favourable than expected; and/or conditions in the securities market are less favourable than expected and changes in the level of

capital investment. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking information.

Given these risks and uncertainties, investors should not place undue reliance on forward-looking information as a prediction of actual results. Neither LSEG nor TMX nor any of their respective affiliated companies undertakes any obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except to the extent legally required.

## Accounting Matters

LSEG reports under IFRS and the merged company will report under IFRS. TMX will report under IFRS commencing 1 January 2011 but, unless otherwise indicated, financial information contained in this document with respect to TMX has been compiled based on Canadian GAAP in effect at 31 December 2010.

Adjusted earnings per share is derived from IFRS basic earnings per share adjusted to exclude the impact of exceptional items (being items of income and expense that are material by size and/or nature and are non-recurring) and amortisation of acquired intangible assets. It is not a measure required under IFRS, does not have standardised meaning under IFRS and, therefore, may not be comparable to similar measures presented by other peers. We may present this measure in order to quantify the impact of combining LSEG and TMX on financial performance. In determining accretion of adjusted earnings per share, one-off costs to achieve synergies and deal related costs are also excluded in addition to the above.

TMX revenue adjusted for initial and additional listing fees billed ("billed revenue") is a Non GAAP measure because under Canadian GAAP in effect until 31 December 2010, the date of TMX's most recent financial reporting, revenue from initial and additional listing fees are amortised over a ten-year period.

The following is a reconciliation of TMX reported revenue to TMX billed revenue:

(in millions of dollars)	<b>Year Ended 31 Dec 2010</b>
2010 Reported Revenue	\$575.5
Initial and additional listing fees - reported	(\$84.7)
Initial and additional listing fees - billed	\$134.8
<b>2010 Billed Revenue</b>	<b>\$625.6</b>

A detailed reconciliation of TMX non-GAAP to GAAP revenue and the rationale for presenting this measure is described in TMX's 2010 annual MD&A which is posted on its website at [www.tmx.com](http://www.tmx.com).

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**LONDON STOCK EXCHANGE GROUP PLC AND TMX GROUP INC. JOIN FORCES IN  
MERGER OF EQUALS**

**CREATION OF INTERNATIONAL EXCHANGE LEADER  
STRONGLY POSITIONED FOR GROWTH**

9 February 2011 (LONDON & TORONTO) – London Stock Exchange Group plc (“LSEG”) and TMX Group Inc. (“TMX”) today announced an agreement to combine Europe’s and Canada’s leading diversified exchange groups in an all-share merger of equals. The merger will create a world-leading organisation and is unanimously being recommended by the Boards of both LSEG and TMX.

**1. Key Terms and Structure**

The merger will be implemented by means of a plan of arrangement in Ontario under which TMX shareholders will receive 2.9963 LSEG shares for each TMX share they hold. Following the transaction, LSEG shareholders will own 55% and TMX shareholders 45% of the enlarged share capital of LSEG, the holding company of the Merged Group. TMX shareholders that are Canadian residents for tax purposes (and not exempt from Part I Canadian tax) will be able to elect to receive for each TMX share they hold 2.9963 shares in a Canadian subsidiary of LSEG instead of the LSEG shares to which they would otherwise be entitled. Each whole exchangeable share will be exchangeable into one LSEG share.

The Merged Group will be renamed after closing: however, operating exchanges will each continue under their existing names. LSEG, a UK incorporated holding company, will continue to be the holding company of the Merged Group, the shares of which will be listed on the London Stock Exchange, trading in pounds sterling, and will also be listed on Toronto Stock Exchange, trading in Canadian dollars.

**2. Strategic Rationale for the Merger**

LSEG and TMX share the same commitment to operate high-quality, deep, liquid and efficient capital markets for the benefit of investors, issuers, traders, asset managers and the wider investment community. Both companies have similar business models, internationally recognised strong governance and well-established regulatory regimes in their home markets, as well as established track records of delivering shareholder value.

LSEG and TMX will bring together their respective and complementary areas of leadership and expertise to create a leading international exchange group that will be jointly headquartered in London and Toronto with a broader offering and an increased set of products and services that aims to promote capital raising, investment opportunities and trading efficiencies across the combined markets.

LSEG-TMX will provide customers with a diversified range of products and services across asset classes, including high-performance cost-effective trading and clearing services, world-class capital markets technology solutions and global information services. Specifically:

- TMX provides equity listings for both domestic and internationally based organisations, from large multinationals to early-stage growth companies, as well as derivatives trading, clearing and technology expertise, energy trading and clearing, and over-the-counter (“OTC”) derivatives markets clearing know-how
- LSEG provides international listings leadership, pan-European equities trading leadership, fixed income electronic trading expertise, extensive global information and indices products, and proprietary high-performance, cost-effective technology platforms and services
- LSEG-TMX will operate on common world-class technology platforms

In addition, the merger is expected to provide real benefits for the capital markets and financial sectors of the UK, Canada and Italy.

The UK’s, and specifically London’s, standing as one of the world’s premier business and financial centres is expected to be further enhanced by the scale and diversity of the combined group and partnership with the world’s leading international venue for natural resources, mining, energy and clean technology businesses.

Toronto, Montreal, Vancouver and Calgary, the main operating cities in Canada for TMX, will see accelerated development as financial centres as they assume a more prominent role in the global financial community.

The transaction also enhances Borsa Italiana’s position as a key European financial market with core expertise in post-trade and as a global centre for fixed income.

### ***A leading global listing franchise***

The Merged Group will offer a leading global listing franchise:

- The #1 listings venue in the world by number of listings – over 6,700 companies with an aggregate market capitalisation of approximately £3.7 trillion / C\$5.8 trillion
- The #1 listings venue for natural resources, mining, energy, and clean technology companies
- The #1 venue for international listings from emerging and growth markets
- The #1 listings venue in the world for small and medium enterprises (“SMEs”) with approximately 3,600 combined AIM and TSX Venture Exchange listings providing deep expertise in supporting small cap and early stage companies
- Providing listed companies with access to a more flexible and deeper pool of international capital, investment expertise, and a lower cost of capital

- A full suite of international markets for businesses of all sizes, from venture-funded companies, through SMEs to large global corporations

The Merged Group will operate six equities listing venues in Canada, the UK and Italy and will cater to issuers of all types and sizes by offering unparalleled choice in terms of route to market and currency of listing. In particular, Canadian issuers will have the opportunity to access Europe's flexible and deep, pool of international capital more easily, while European start-ups, new ventures and SMEs as well as natural resources, mining and energy companies will benefit from TMX's expertise in these sectors.

### ***World-class markets in cash equities, derivatives, energy and cash fixed income***

The Merged Group will build on its leadership position for the benefit of its customers and the broader investment community. Examples include:

- #1 in cash equities in Europe across the Group's "lit" books and with Turquoise the #2 in MTF dark pool
- #1 in cash equities in Canada and #3 in North America
- #1 in electronic trading of European government bonds
- #1 in energy and power in Canada
- #1 in power derivatives in Italy
- Canada's only derivatives exchange and clearinghouse, #4 in Europe, and with a significant and growing presence in North American derivatives

By combining distribution networks, including facilitating cross-access between their existing markets, LSEG and TMX aim to provide investors with access to deeper, more liquid and lower-cost markets and a broader choice of products and services.

### ***A unique set of global information and index businesses, together offering customers an increased suite of products***

LSEG-TMX will offer an increased suite of market data and information services with leadership positions in the provision of indices, real-time data, reference data and a range of desktop and workflow products. The Merged Group will seek opportunities to expand the geographic footprint of existing market data services and develop new global information solutions. In addition, the combined group will focus on the creation of new equity and fixed income indices to provide increased investment choice and diversification benefits for investors in Europe, Canada and beyond:

- LSEG owns 50% of FTSE International, a global equity index provider with over 120,000 equity, bond, property and hedge fund indices
- LSEG and TMX will combine the expertise and capabilities of their fixed income index businesses, MTS indices and DEX Indices PC Bond

### ***Innovative post-trade / clearing services***

The Merged Group will also aim to create further post-trade processing efficiencies along the lifecycle of a trade through improving and expanding LSEG's and TMX's post-trade offering.

Both Montreal's and Borsa Italiana's strong regional post-trade operations provide capabilities across asset classes that can be used to develop international post-trade solutions in exchange-traded and OTC markets.

***High-performance, cost-effective technology, delivering efficient services to the global financial services and exchange industries***

LSEG-TMX will operate on common technology platforms with the aim to further facilitate efficient access across LSEG's and TMX's existing markets. Together with the expected increase in liquidity, improvements in technology are expected to enhance certainty of execution, lower trading costs and reduce spreads and cost of capital.

LSEG and TMX will also bring together their information technology ("IT") expertise to offer leading-edge multi-asset class technology solutions and to facilitate innovation and further development in trading platform functionality.

***Strategically positioned for further growth and expansion***

Enhanced financial strength, scale, scope, reach and efficiency will facilitate organic and other growth opportunities for the Merged Group. In particular, the Merged Group will be well placed to develop additional partnerships and alliances to further diversify and expand its product and geographic reach.

### **3. Synergy Opportunities**

Both parties believe the merger will create substantial value for all stakeholders through a combination of revenue and growth benefits, synergies and cost savings.

*Revenue benefits*

LSEG-TMX is targeting revenue benefits of £35 million / C\$56 million in year three growing to £100 million / C\$160 million annual revenue benefits in year five following completion of the transaction.

Revenue benefits are targeted to arise across the Merged Group's diversified lines of business and activities, including primary markets (including listings and other issuer services) and derivatives, post-trade, data and information and technology.

Specifically, LSEG and TMX will combine the strengths of their primary markets offering to create a highly competitive value proposition for issuers in the natural resources, energy and mining sectors, as well as among small and medium enterprises in Europe, Canada and beyond. LSEG and TMX will aim to facilitate cross-listing and access to capital across the Merged Group's range of venues (the Main Market in the UK, Borsa Italiana, TSX, AIM, TSX-V and AIM Italia).

LSEG-TMX will have a substantially broader geographic footprint and increased distribution capabilities for its range of products and services. This includes providing Canadian investors

with easier access to UK and European cash equities, derivatives and commodities trading and post-trade services (and vice versa). The Merged Group will also be able to expand the distribution of its information products, including indices, real-time and reference data.

Furthermore, LSEG and TMX have the assets and expertise to jointly develop new products and services to meet the needs of the financial community. Near-term opportunities include the development of new indices and the launch of new derivatives contracts. Medium to longer-term opportunities include the development of commodities products and international post-trade solutions in exchange-traded and OTC markets.

One-off implementation costs in relation to revenue benefits are not expected to be material.

#### *Cost savings*

Annual run-rate cost synergies and other transaction-related cost savings, comprising IT and non-IT related savings, are estimated to be £35 million / C\$56 million by end of year two following completion of the merger. This represents 8% of the Merged Group's combined expense base<sup>3</sup>.

Associated one-off implementation costs, which are expected to be incurred over two years, are estimated at approximately £40 million / C\$64 million, primarily driven by common technology platforms.

#### **4. Financial Impact on LSEG and TMX**

For the last twelve months ended 30 September 2010, LSEG reported revenues of £633 million / C\$1,027 million<sup>4</sup>, whereas for the last twelve months ended 31 December 2010 TMX reported revenues, adjusted for differences between LSEG and TMX in the accounting treatment of initial and additional listings fees billed, of £394 million / C\$626 million<sup>4</sup>. For the same periods, LSEG reported cash generated from operations of £340 million / C\$551 million and TMX reported cash flows from operating activities of £176 million / C\$280 million

Following the merger, based on reported revenues for the twelve months ended 30 September 2010 for LSEG and for the twelve months ended 31 December 2010 for TMX, adjusted for differences between LSEG and TMX in the accounting treatment of initial and additional listing fees, 33%, 28%, 36% and 4% of the Merged Group's revenue would be derived from the UK, Italy, North America and other jurisdictions, respectively. Split by business, 27% of the Merged Group's revenue would be contributed by Capital Markets, 26% by Information Services, 15% by Trading, Clearing and Related Services, 13% by Issuer Services, 12% by Post-Trade, and 7% by Technology Services and Other<sup>5</sup>.

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<sup>3</sup> LSEG / TMX combined expense base excludes depreciation and amortisation

<sup>4</sup> TMX revenue adjusted for initial and additional listing fees billed. See "Accounting Matters". LSEG revenue includes net treasury income from CCP and Other income

<sup>5</sup> Segmental splits not indicative of future reporting

The Directors of LSEG and TMX expect the merger to be accretive to adjusted earnings per share<sup>6</sup> (post-cost synergies) for both LSEG and TMX shareholders in the first full year following completion.

*This statement regarding earnings enhancement is not intended to be a profit forecast and should not be interpreted to mean that the earnings per LSEG or TMX share, or of the Merged Group, for the current or future financial periods will necessarily be greater than those for the relevant preceding financial period.*

## **5. Dividend Policy**

TMX has today declared a final quarterly dividend for the year ended 31 December 2010 of C\$0.40 per TMX share and expects, in the absence of unforeseen circumstances, to declare a dividend for the first quarter of the current financial year, in line with its existing dividend policy. LSEG expects, in the absence of unforeseen circumstances, to declare a final dividend for the year ended 31 March 2011, in line with its existing dividend policy. Each of LSEG and TMX intend to pay their respective shareholders pro-rated dividends in respect of the period from 31 March 2011 and 31 December 2010, respectively, to completion in an amount in line with the relevant company's existing dividend policy.

Following completion, the Merged Group intends to maintain the current gross amount of dividends paid, then maintain dividends on a progressive basis going forward.

LSEG-TMX shareholders will be able to receive dividends in Canadian dollars or pounds sterling, based on the exchange rates prevailing on each record date.

## **6. Board and Management**

The Board of the Merged Group will consist of fifteen directors, eight to be nominated by LSEG (of which it is envisaged three will be from Borsa Italiana), and seven to be nominated by TMX. Wayne Fox will be the Chairman of the Board of the Merged Group, and Chris Gibson-Smith and Paolo Scaroni will be Deputy Chairmen. Chris Gibson-Smith remains as Chairman of London Stock Exchange plc.

The executive Board members of LSEG-TMX will be:

- CEO - Xavier Rolet, CEO of LSEG (based in London)
- President - Thomas Kloet, CEO of TMX (based in Toronto)
- CFO - Michael Ptasznik, CFO of TMX (based in Toronto)
- Director - Raffaele Jerusalmi, CEO of Borsa Italiana (based in Milan)

The appointment of the directors will be subject to relevant regulatory approvals.

Based in Toronto, the President, reporting to the CEO, will manage the Merged Group's business units, as well as drive the implementation of strategy, mergers & acquisitions, partnerships and strategic ventures.

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<sup>6</sup> See "Accounting Matters."

The Merged Group will continue to maintain local Boards of the legal entities in Europe and Canada.

The executive management and senior leadership of the Merged Group will be drawn from a balance of leaders from both organisations and will be represented in its joint headquarters of London and Toronto as well as other core centres, including Calgary, Colombo, Milan, Montreal, Rome and Vancouver.

Details of proposed directors' contracts will be disclosed in due course.

## **7. Combined Organisational Structure**

The Merged Group will be jointly headquartered in London and Toronto.

In addition, the merger recognises the existing centres of excellence within the Merged Group and reinforces these strengths by assigning global responsibility across its geographic footprint.

London will remain a key centre for international listings and will be the global centre for the Merged Group's technology solutions business, managing a portfolio of leading global technologies, as well as the centre, for information services and post-trade services. The Merged Group's CEO will be based in London.

Toronto will be the centre for the Merged Group's global primary markets (listings and other issuer services) business unit, covering the full range of listings from large multinationals to small and mid-cap organisations across all of the Merged Group's equity exchanges. The global finance function of LSEG-TMX will be based in Toronto.

Milan, in addition to being the headquarters for Borsa Italiana, will become the new centre for the Merged Group's global fixed income business, combining the strengths of TMX's fast-growing Shorcan fixed income business with LSEG's leading government and retail fixed income platforms, MTS and MOT, respectively. Milan will also be the centre for global equities trading and European post-trade services.

Montreal, in addition to being the headquarters for Montreal Exchange and the Canadian Derivatives Clearing Corporation (CDCC) will also become the centre for the Merged Group's global derivatives business.

Calgary, in addition to being the headquarters for NGX, TMX's energy business, will also become the centre for LSEG-TMX's global energy business, adding substantial international reach to its existing energy trading and clearing services.

Vancouver and Calgary will remain joint headquarters for TSX Venture Exchange.

## **8. Regulatory**

The exchanges in the LSEG Group and TMX Group will remain locally regulated.

## **9. Conditions and Approvals**

The transaction will be subject to certain conditions, including:

- The approval by a majority of votes cast by LSEG shareholders at a general meeting
- The approval by at least 66  $\frac{2}{3}$ % of the votes cast by shareholders of TMX at a special meeting of TMX shareholders
- Ontario court approval of the plan of arrangement
- Certain regulatory approvals or terms acceptable to both parties, acting reasonably, including under the Investment Canada Act and Competition Act (Canada), under the Hart-Scott-Rodino Antitrust Improvements Act, as well as from the Ontario Securities Commission, Autorité des marchés financiers (Québec), Alberta Securities Commission, the British Columbia Securities Commission, Financial Services Authority (UK), Bank of Italy and Commissione Nazionale per le Società e la Borsa
- The listing of the LSEG shares and the Exchangeable shares on the Toronto Stock Exchange and listing of the LSEG shares issuable pursuant to the plan of arrangement on the London Stock Exchange

## **10. Investment Canada Act**

Approval of this transaction is required under the Investment Canada Act, and all undertakings made under the Investment Canada Act will be made public prior to closing. Further, the Merged Group will report annually to the public on its adherence to undertakings made under the Act.

## **11. Board Recommendation**

The Board of Directors of LSEG intends to recommend unanimously that LSEG shareholders vote in favour of the merger.

The Board of Directors of LSEG, which has received financial advice from Barclays Capital, Morgan Stanley & Co. Limited and RBC Capital Markets, considers the terms of the merger to be fair and reasonable. In providing such financial advice to the Board of Directors, Barclays Capital, Morgan Stanley & Co. Limited and RBC Capital Markets have relied upon the Board of Directors' commercial assessments of the merger.

The Board of Directors of TMX has determined that the proposed transaction is in the best interests of TMX based on a number of factors, including the financial advice from Bank of America Merrill Lynch and BMO Capital Markets, and has unanimously approved the terms of the proposed transaction and intends to recommend that its shareholders vote in favour of the proposed merger.

Bank of America Merrill Lynch and BMO Capital Markets have each provided an opinion to the TMX Board of Directors that, as of the date thereof and subject to the assumptions, limitation, and qualifications set out therein, the exchange ratio is fair, from a financial point of view, to TMX shareholders.

## **12. Key Terms of the Merger Agreement**

The Merger Agreement, which provides for a long-stop date of November 9, 2011 (subject to an extension of up to 30-days in certain circumstances), contains customary provisions for a transaction of this nature, including customary representations and warranties, covenants, undertakings and conditions. In the Merger Agreement, each of LSEG and TMX have agreed not to solicit other offers. The Merger Agreement provides that the Boards of Directors of each of LSEG and TMX may, under certain circumstances, terminate the agreement in favour of an unsolicited superior proposal, subject to a payment of a termination fee of £24 million / C\$39 million, and subject to a right by each party to match the superior proposal in question.

## **13. Timetable**

It is anticipated that the relevant shareholders' meetings of LSEG and TMX will take place in the second quarter of 2011 and Ontario court approval will be sought shortly after TMX's shareholders approve the merger. Subject to obtaining shareholder, court and regulatory approvals, the merger is expected to become effective in the second half of 2011. The TMX information circular, LSEG prospectus and LSEG circular will be sent or made available to the relevant shareholders of TMX and LSEG, as applicable, in due course.

## **14. Exchangeable Share Structure Overview**

TMX shareholders that are residents of Canada for tax purposes (and not exempt from Part I Canadian tax) will be entitled to elect to receive exchangeable shares (each an "Exchangeable") in a Canadian subsidiary of LSEG for each TMX share that they hold. TMX shareholders electing to receive Exchangeables will receive the same number of Exchangeables as the number of new ordinary LSEG shares to which they would otherwise have been entitled under the terms of the merger (subject to a cap on the aggregate number of Exchangeables issuable as part of the arrangement). On an ongoing basis, each Exchangeable will carry the right to be exchanged for one LSEG share and will carry mirror-image economic rights to an LSEG share (together with certain ancillary rights). In addition, each Exchangeable will permit the holder to one vote per Exchangeable share at any shareholder meeting of LSEG. The Exchangeables allow Canadian resident TMX shareholders to participate in the transaction on a tax-deferred basis, provided they file a valid tax election. The Exchangeables will also allow Canadian resident TMX shareholders to receive dividends from a Canadian corporation, which are generally subject to more favourable tax treatment than dividends from a non-Canadian corporation. Application will be made to list the Exchangeables and the LSEG shares on the Toronto Stock Exchange.

## **15. About London Stock Exchange Group plc**

London Stock Exchange Group plc sits at the heart of the world's financial community. LSEG operates a broad range of international equity, bond and derivatives markets, including the London Stock Exchange; Borsa Italiana; MTS, Europe's leading fixed income market; and Turquoise, offering pan-European and US lit and dark equity trading. Through its markets, LSEG offers international business unrivalled access to Europe's capital markets.

LSEG is a leading developer of high-performance trading platforms and capital markets software and also offers its customers around the world an extensive range of real-time and reference data products and market-leading post-trade services.

Headquartered in London and with significant operations in Italy and Sri Lanka, LSEG employs approximately 1,500 people. Further information on LSEG can be found at [www.londonstockexchange.com](http://www.londonstockexchange.com)

## **16. About TMX Group Inc.**

TMX's key subsidiaries operate cash and derivative markets for multiple asset classes including equities, fixed income and energy. Toronto Stock Exchange, TSX Venture Exchange, Montreal Exchange, Natural Gas Exchange, Boston Options Exchange (BOX), Shorcan, Equicom and other TMX companies provide trading markets, clearing facilities, data products and other services to the global financial community.

As at 31 December 2010 TMX reported consolidated total assets of £2.1 billion / C\$3.3 billion, and income before income taxes of £181 million / C\$287 million for the financial year to 31 December 2010.

TMX is headquartered in Toronto with offices in Montreal, Calgary and Vancouver. For more information about TMX, visit our website at [www.tmx.com](http://www.tmx.com).

A conference call for sell-side analysts and investors is scheduled for 09:00 GMT / 04:00 EST on 9 February 2011.

You will be able to dial-in to listen to the presentation live and place questions on:

<b>+44 (0)208 817 9301</b>	<b>International</b>
<b>0845 634 0041</b>	<b>UK Lo Call</b>
<b>0800 634 5205</b>	<b>UK Freephone</b>

An audio webcast will also be available, please follow the link below and enter your details for access:

[http://www.thomson-webcast.net/uk/dispatching/?event\\_id=8210ffd8d30d59d808f2252d7d57673e&portal\\_id=2d43e295d60092942302337d9f46ff8e](http://www.thomson-webcast.net/uk/dispatching/?event_id=8210ffd8d30d59d808f2252d7d57673e&portal_id=2d43e295d60092942302337d9f46ff8e)

A further conference call for sell-side analysts and investors is scheduled for 12:00 GMT / 07:00 EST on 9 February 2011.

You will be able to dial-in to listen to the presentation live on:

<b>+1 647 427 7450</b>	<b>Toronto Dial-in</b>
<b>+1 888 231 8191</b>	<b>North America Toll-Free</b>

A press conference call will be held at TMX headquarters in Toronto at 15:00 GMT / 10:00 EST on 9 February 2011. You will be able to participate in this call using the following details:

**Conference name: TMX / London Stock Exchange**  
**Conference ID # 43256526**

<b>+1 888 241 0394</b>	<b>North America Toll-Free</b>
<b>+1 647 427 3413</b>	<b>International Dial-in</b>
<b>+44 0800 051 7107</b>	<b>UK Freephone</b>

A webcast of the press conference is also available at

[http://www.snwebcastcenter.com/custom\\_events/tmx-20110209/site/index.php](http://www.snwebcastcenter.com/custom_events/tmx-20110209/site/index.php)

The announcement and the presentation will be available on:

[www.londonstockexchange.com/investor-relations/investor-relations.htm](http://www.londonstockexchange.com/investor-relations/investor-relations.htm)

and

[www.tmx.com](http://www.tmx.com)

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Barclays Capital and Morgan Stanley & Co. International plc are acting as joint corporate brokers to the merger. Barclays Capital, Morgan Stanley & Co. Limited and RBC Capital Markets are acting as financial advisers to LSEG and no one else in connection with the merger and will not be responsible to anyone other than LSEG for providing the protections afforded to clients of Barclays Capital, Morgan Stanley & Co. Limited and RBC Capital Markets nor for providing advice in relation to the merger or any matter referred to herein.

Bank of America Merrill Lynch and BMO Capital Markets are acting as financial advisers to TMX and no one else in connection with the merger and will not be responsible to anyone other than TMX for providing the protections afforded to clients of Bank of America Merrill Lynch and BMO Capital Markets nor for providing advice in relation to the merger or any matter referred to herein.

**Forward-Looking Information**

This document contains “forward-looking information” (including as defined in applicable Canadian securities legislation). This information is based on the current expectations, assumptions, projections and estimates that the management of LSEG and TMX believe to be relevant as of the date of this document. This information is naturally subject to uncertainty and changes in circumstances. The forward-looking information contained in this document

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includes statements relating to the expected effects of the merger on LSEG and TMX and/or the merged group such as information related to the anticipated effect on financial performance, growth opportunities, expected dividend policy, anticipated revenue and cost synergies, business strategies and the development of new products and services, the expected timing and scope of the merger, and other statements other than historical facts.

Forward-looking information includes statements typically containing words such as “will”, “may”, “should”, “believe”, “intends”, “expects”, “anticipates”, “targets”, “estimates” and words of similar import, or variations or the negatives of such words. Although LSEG and TMX believe that the expectations, assumptions, projections and estimates reflected in such forward-looking information are reasonable, LSEG and TMX can give no assurance that such expectations, assumptions, projections and estimates will prove to be correct. By its nature, forward-looking information involves risk and uncertainty because it relates to events and depends on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward looking information. These factors include the satisfaction of the conditions to the merger and regulatory requirements, as well as additional factors, such as: future levels of revenues being lower than expected; conditions affecting the industry; local and global political and economic conditions; unforeseen fluctuations in trading volumes; competition from other exchanges or marketplaces; changes in trading systems commonly relied upon by market participants; foreign exchange rate fluctuations and interest rate fluctuations (including those from any potential credit rating decline); legal or regulatory developments and changes; the outcome of any litigation; the impact of any acquisitions or similar transactions; competitive products and pricing pressures; success of business and operating initiatives; failure to retain and attract qualified personnel; failure to implement strategies; whether internationally or in the places LSEG or TMX or any of their respective affiliated companies do business, or the merged group will do business are less favourable than expected; and/or conditions in the securities market are less favourable than expected and changes in the level of capital investment. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking information.

Given these risks and uncertainties, investors should not place undue reliance on forward-looking information as a prediction of actual results. Neither LSEG nor TMX nor any of their respective affiliated companies undertakes any obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except to the extent legally required.

### Accounting Matters

LSEG reports under IFRS and the merged company will report under IFRS. TMX will report under IFRS commencing 1 January 2011 but, unless otherwise indicated, financial information contained in this document with respect to TMX has been compiled based on Canadian GAAP in effect at 31 December 2010.

Adjusted earnings per share is derived from IFRS basic earnings per share adjusted to exclude the impact of exceptional items (being items of income and expense that are material by size and/or nature and are non-recurring) and amortisation of acquired intangible assets. It is not a measure required under IFRS, does not have standardised meaning under IFRS and, therefore, may not be comparable to similar measures presented by other peers. We may present this measure in order to quantify the impact of combining LSEG and TMX on financial performance. In determining accretion of adjusted earnings per share, one-off costs to achieve synergies and deal related costs are also excluded in addition to the above.

TMX revenue adjusted for initial and additional listing fees billed (“billed revenue”) is a Non GAAP measure because under Canadian GAAP in effect until 31 December 2010, the date of TMX’s most recent financial reporting, revenue from initial and additional listing fees are amortised over a ten-year period.

The following is a reconciliation of TMX reported revenue to TMX billed revenue:

(in millions of dollars)	<b>Year Ended 31 Dec 2010</b>
2010 Reported Revenue	\$575.5
Initial and additional listing fees - reported	(\$84.7)
Initial and additional listing fees - billed	\$134.8
<b>2010 Billed Revenue</b>	<b>\$625.6</b>

A detailed reconciliation of TMX non-GAAP to GAAP revenue and the rationale for presenting this measure is described in TMX’s 2010 annual MD&A which is posted on its website at [www.tmx.com](http://www.tmx.com).

