



London
STOCK EXCHANGE

London Stock Exchange Group plc

Interim Results 8 November 2006

Agenda

Introduction

Chris Gibson-Smith
Chairman

Financial Review

Jonathan Howell
Director of Finance

CEO Overview

Clara Furse
Chief Executive Officer

Q&A

Introduction

- Excellent H1 performance - Good growth in all businesses
- Strong value creation:
 - Balance sheet efficiency from **c£510m** capital return and increased dividends – up **50%** to **6.0 pence per share**
 - High quality business with central role in London financial centre
 - Shareholders and customers benefit from our investment in technology as market becomes more efficient and international
 - Capitalising on our global brand and unique strategic position
- Success of our strategy underlines our increasing value



London
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Jonathan Howell

Director of Finance

Strong half year performance

Financial Highlights

- Revenue - up **20%** to **£163.3m**
- Operating profit - up **60%** to **£81.3m**
- Adjusted earnings per share - up **54%** to **24.2 pence**

Overview of results

Good growth in all divisions - excellent SETS performance

	Six months ended 30 September		Change %	Year ended 31 March
	<u>2006</u> £m	<u>2005</u> £m		<u>2006</u> £m
Revenue				
Issuer Services	28.7	26.8	7	56.9
Broker Services	76.1	56.9	34	125.5
Information Services	50.9	45.1	13	94.1 ¹
Derivatives Services	4.4	3.9	13	7.7
Other Income	3.2	3.4	(6)	6.9
Total revenue	163.3	136.1	20	291.1¹
Operating costs	(82.0)	(85.3) ¹	(4)	(171.0) ¹
Operating profit	81.3	50.8 ¹	60	120.1¹
Operating margin	50%	37% ¹		41%¹

¹ Before exceptional items

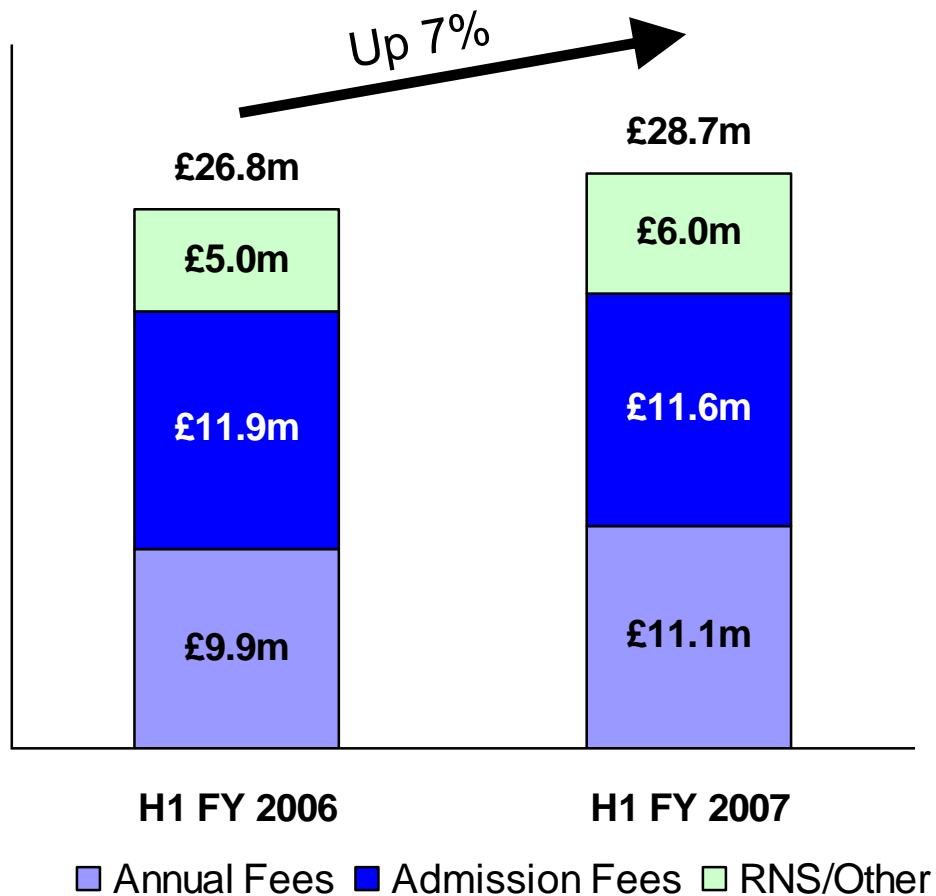
Overview of results (continued)

	Six months ended 30 September		Change %	Year ended 31 March
	<u>2006</u> £m	<u>2005</u> £m		<u>2006</u> £m
Operating profit	81.3	50.8	60	120.1¹
Net exceptional items	-	(25.7)		(34.7)
Net Finance and Investment Income	(4.6)	4.3		8.1
Profit before tax	76.7	29.4	161	93.5
Tax	(22.4)	(8.8)		(26.7)
Profit after tax	54.3	20.6	164	66.8
Earnings per share	24.2	9.6	152	27.8
Adjusted earnings per share	24.2	15.7	54	37.4
Dividend per share	6.0	4.0	50	12.0

¹ Before exceptional items

Issuer Services

Primary markets remain active

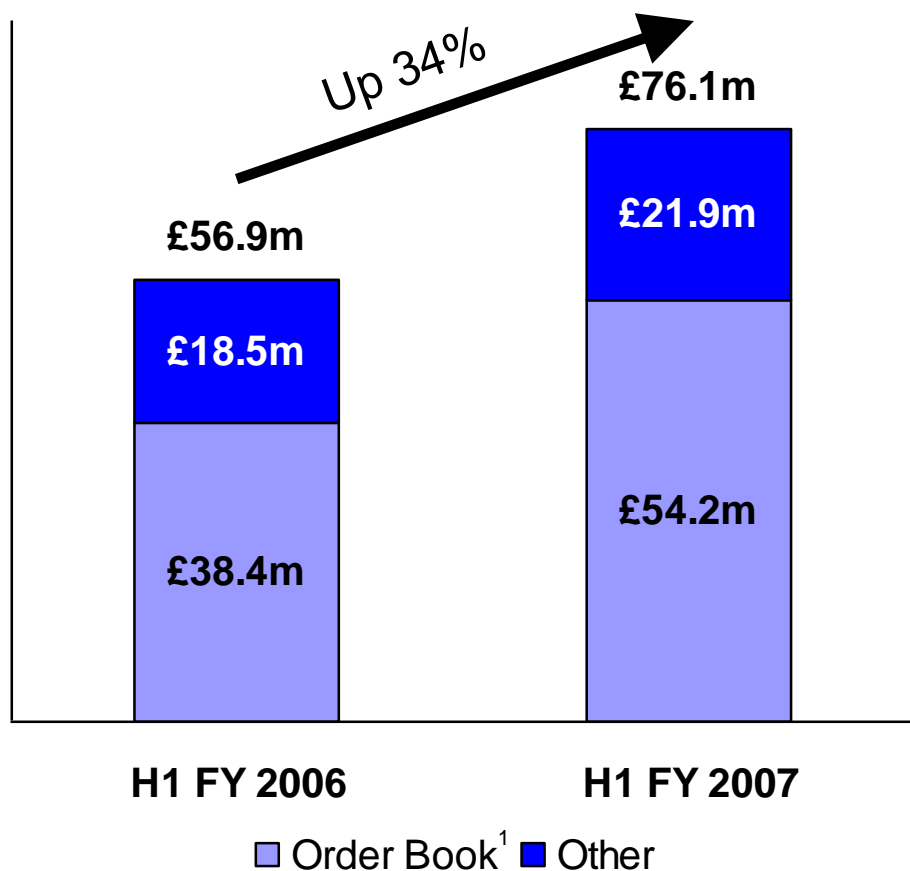


Key metrics

- Money raised up **93%** to **£25.7bn**
- Admission activity strong though fee income down **3%**, with new issues at **247** (H1 FY 2006: 306)
 - **38** Main Market (H1 FY 2006: 47)
 - **209** AIM (H1 FY 2006: 259)
- Average size of Main Market IPO up **40%** to **£465m**
- Annual fee income up **12%** with growth in total number of companies to **3,212** (H1 FY 2006: 3,013)
- RNS revenue **£5.1m** (H1 FY 2006: £4.2m)

Broker Services

Excellent SETS trading growth



¹ Excluding order charges

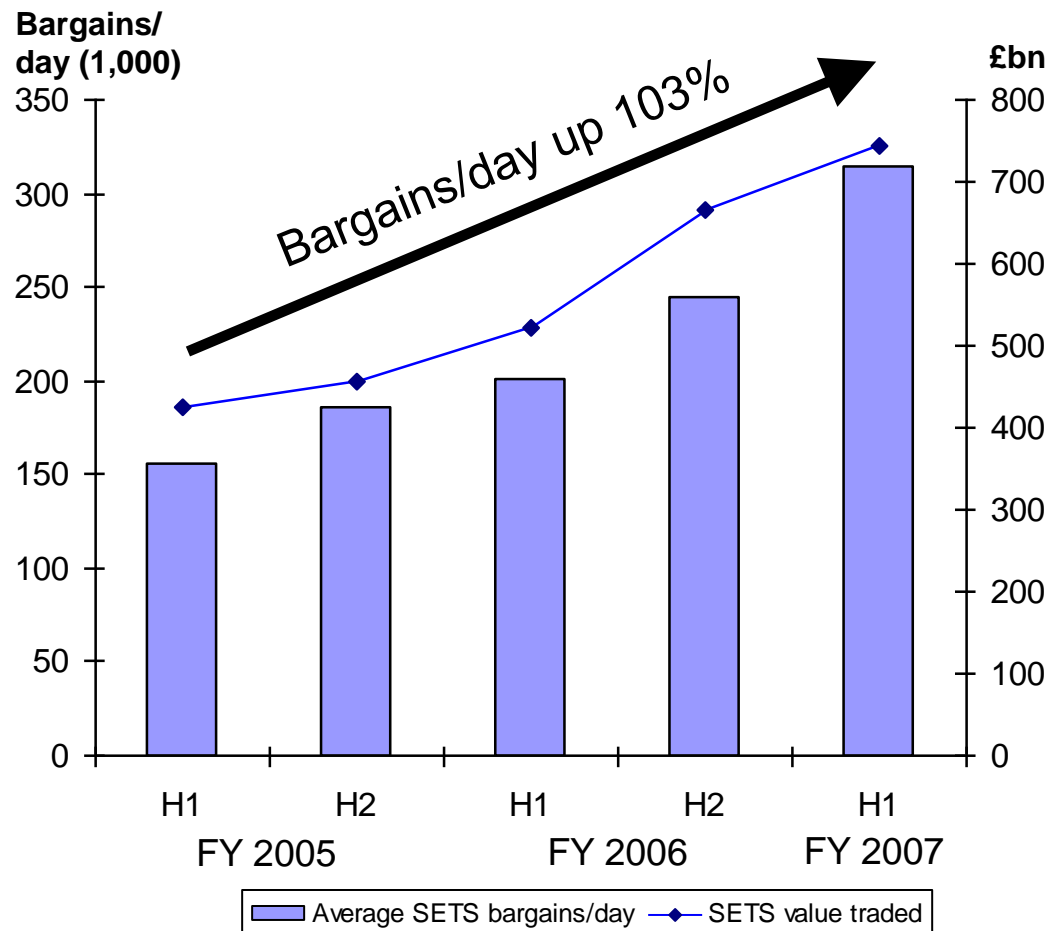
Key metrics

- Average daily equity bargains up **36% to 432,000**
 - SETS bargains up **56% to 314,000** per day
 - Off book bargains down **7% to 41,000** per day
 - International bargains up **6% to 76,000** per day
- Value traded on SETS up **42% to £744bn** – SETS yield per bargain reduced to **c£1.40** (H1 FY 2006: £1.50)
- SETS contributed **71%** of Broker Services revenue (H1 FY 2006: 67%)

Order book

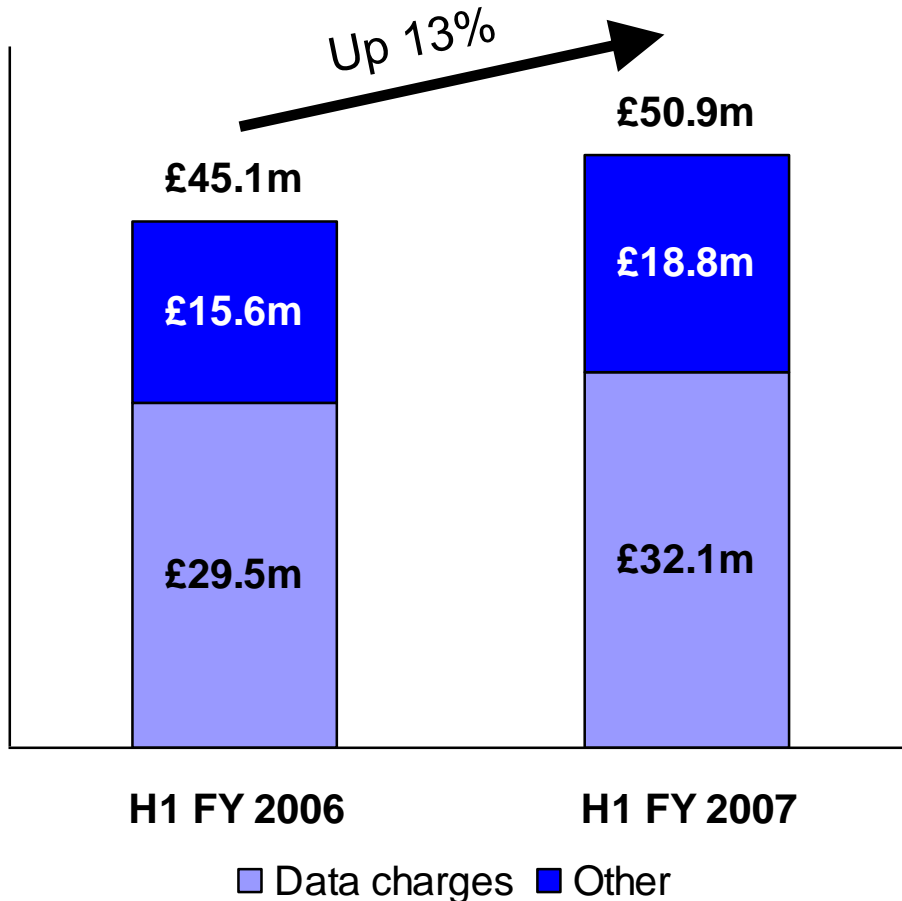
Strong growth record continues

- Growth driven by secular changes in equities trading
- Average bargains/day up **103%** from H1 FY 2005
- Value traded up **75%** over the same period
- SETS growth ahead of rate required to reach FY 2008 forecast of at least **340,000 bargains/day**



Information Services

Continued growth in professional terminals



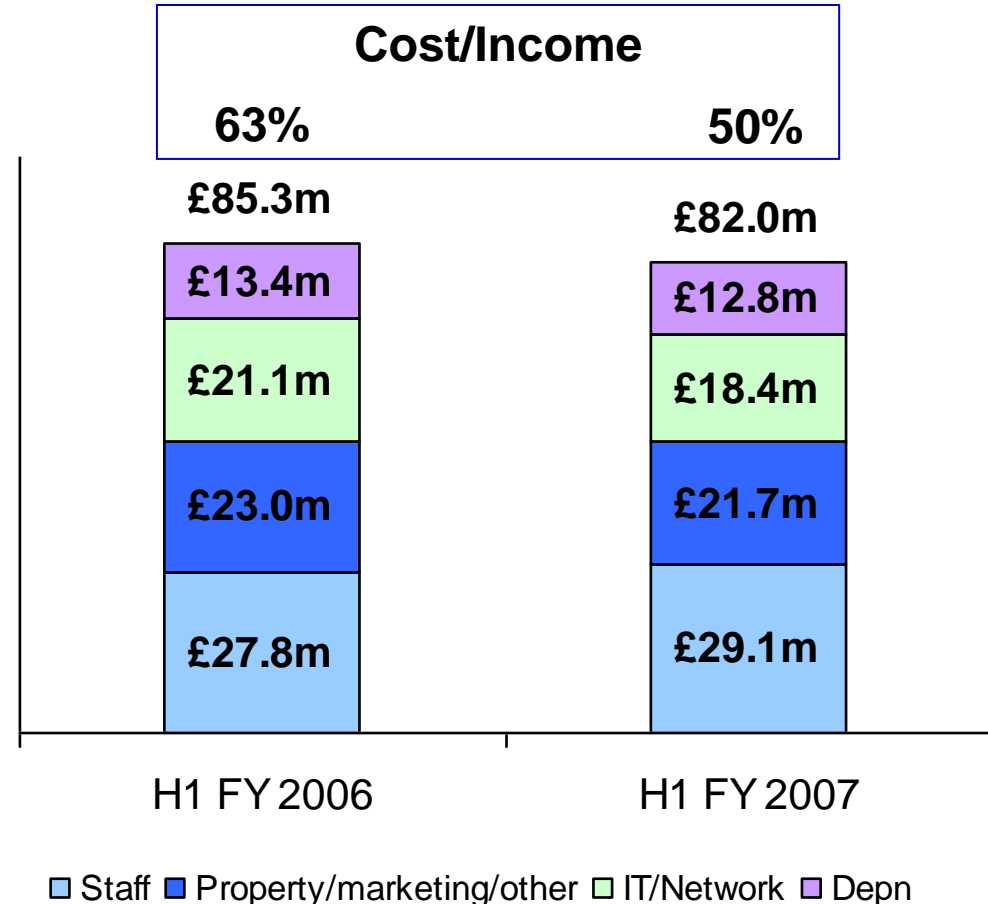
Key metrics

- Terminal population up **11%** to **109,000** (H1 FY 2006: 98,000)
- Professional investor terminals at **91,000** (H1 FY 2006: 85,000)
- **3,300** Proquote screens (H1 FY 2006: 2,900)
- SEDOL revenue up **25%** to **£5m**

Operating and development costs

On track to meet FY 2007 cost commitment

- Costs down **4%** - on track to meet FY 2007 savings target of **£7m**
- Property and IT/Network down **£4m** reflecting restructuring of services
- Depreciation down **c£1m**
- Staff costs up **c£1m** - mainly provision for performance related pay



Summarised cash flow

Continued strong cash generation

	Six months ended 30 September		Year ended 31 March
	2006 £m	2005 £m	2006 £m
Net cash inflow from operating activities ¹	104.3	77.9	145.9
Taxation	(13.9)	(12.5)	(29.0)
Capital expenditure	(10.6)	(14.4)	(25.8)
Ordinary dividends paid	(20.5)	(12.6)	(22.8)
Free cash flow ¹	59.3	38.4	68.3
Share buyback and ESOP share purchases ²	(58.8)	-	(4.7)
Surplus cash used for capital return, debt repayments	(148.8)	-	-
Exceptional items ³	(4.6)	(1.9)	27.9
Other, including dividends received and interest	4.9	5.2	10.9
(Decrease)/Increase in cash	(148.0)	41.7	102.4

¹ Before exceptional items

² Includes ESOP purchases - £32m

³ Including restructuring costs (FY 2007), advisers' fees, Tower disposal (FY 2006: £33.2m)

Summarised Group balance sheet

New position reflects capital return

		30 September	31 March	Change
		2006	2006	£m
		£m	£m	£m
Non-current assets		130.1	137.6	(7.5)
Current assets	- Debtors	53.1	49.3	3.8
	- Cash	78.8	226.8	(148.0)
Total assets		262.0	413.7	(151.7)
Current liabilities	- Bank borrowings	(97.6)	-	(97.6)
	- Other	(113.2)	(78.7)	(34.5)
Non-current liabilities	- Bond	(248.3)	-	(248.3)
	- Other	(41.8)	(46.2)	4.4
Net (liabilities)/assets		(238.9)	288.8	(527.7)

Current trading and prospects

- Excellent start to financial year – good growth in all divisions
- Continuation of positive trends into H2:
 - Primary market remains active – Main Market new issues in October up from 11 to **13**
 - Trading on SETS remains very strong – bargains/day up **45%** to **331,000**
 - Demand for real time pricing and trading data remains robust
- Good momentum supports expectation of excellent full year results



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Clara Furse

Chief Executive Officer

Creating increasing value for the market and our shareholders

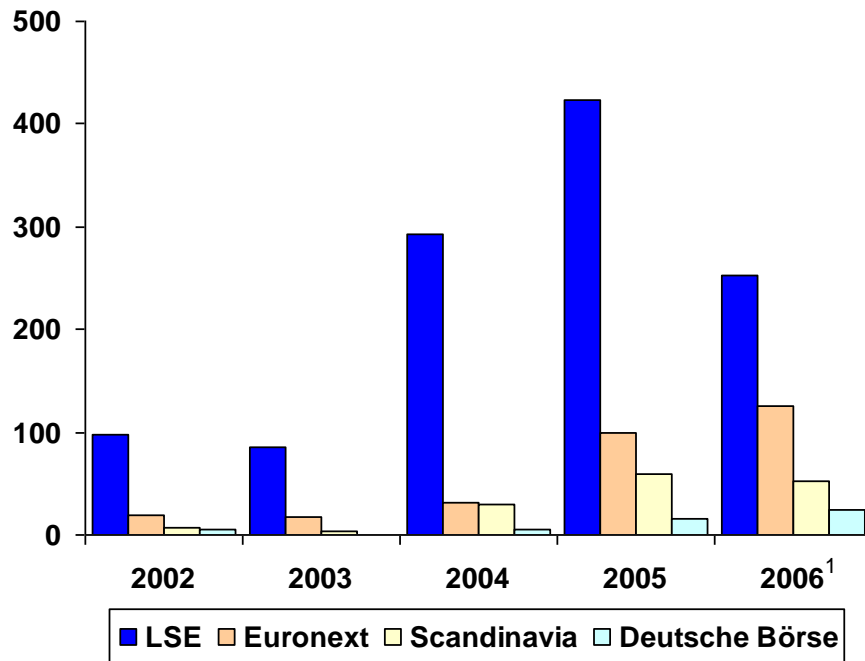
- Very strong H1 performance
 - £26 billion raised on primary markets
 - 56% increase in order book bargains per day
 - 11,000 more data terminals
- Positioned for further growth
 - Supporting the globalisation of capital markets
 - Fuelling technology-led growth

Our vision is to be the world's capital market

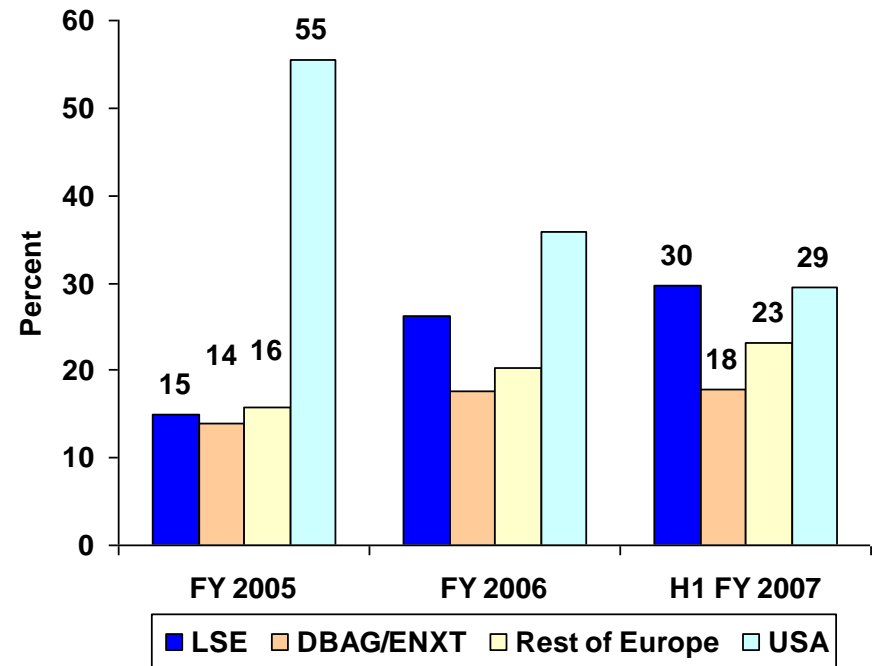
The world's capital market

- Leading global listing venue for third consecutive year
- **1,444** new companies since 2004 –of which **311** international

Leading share of Western European IPOs



Growing share of money raised



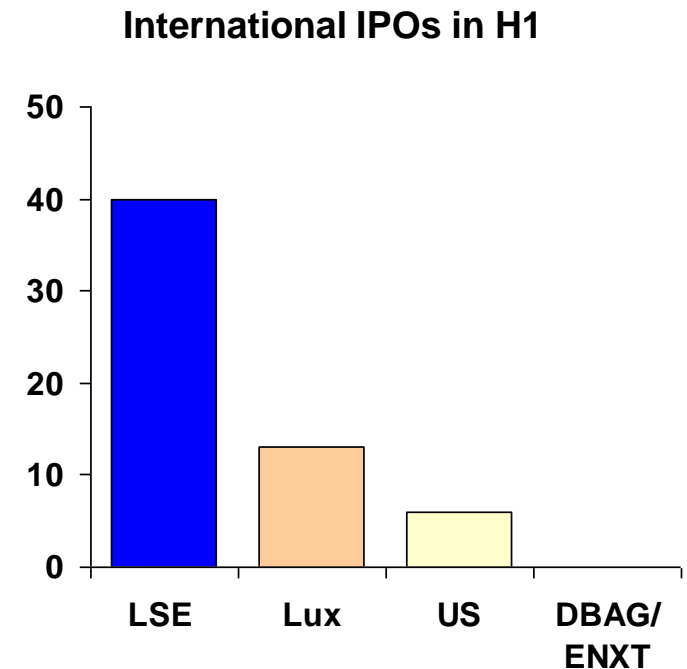
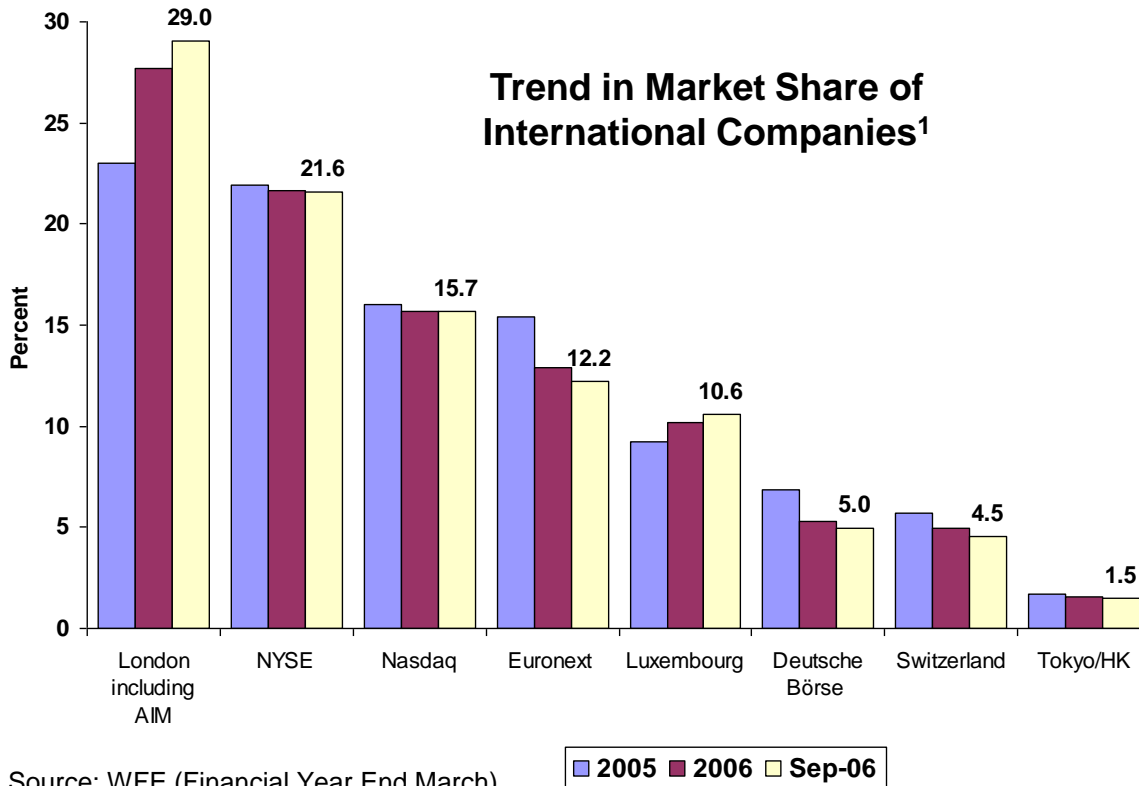
Source: Thomson Financial Securities Data; exchange websites

¹ January – September only

Source: PwC IPO Watch

An international equities market

- 610 companies from 65 countries on our markets
- 41 international IPOs in H1
- Oxera report (June 2006) – London is the most competitive listing venue



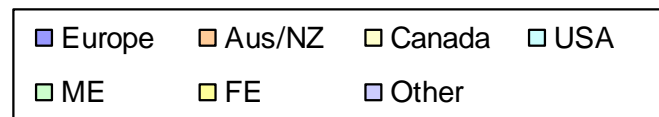
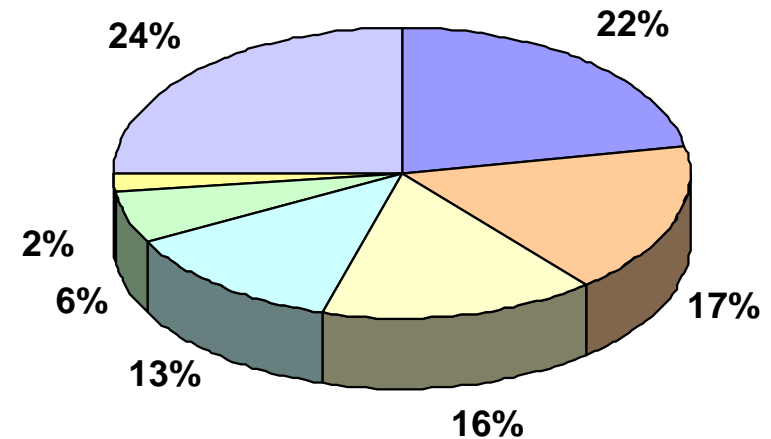
¹ as percentage of total number of foreign listed companies

Broadening the international success story

AIM

- 54 international companies joined AIM in H1 bringing the total to 283
- Now 41 companies from China¹ – combined market capitalisation of \$5bn
- 87 European companies
- Regulatory review to develop AIM's international success

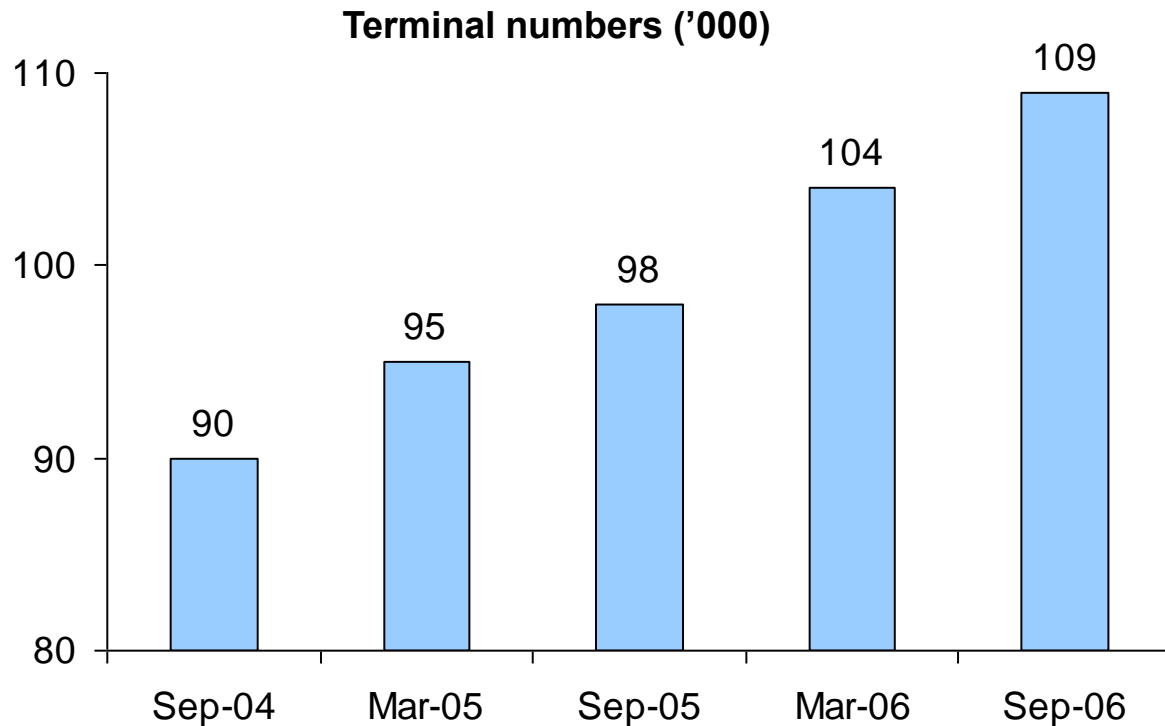
Geographic origin of non-UK companies on AIM at 30 September 2006



¹ All with non-Chinese domicile

LSE price formation role goes global

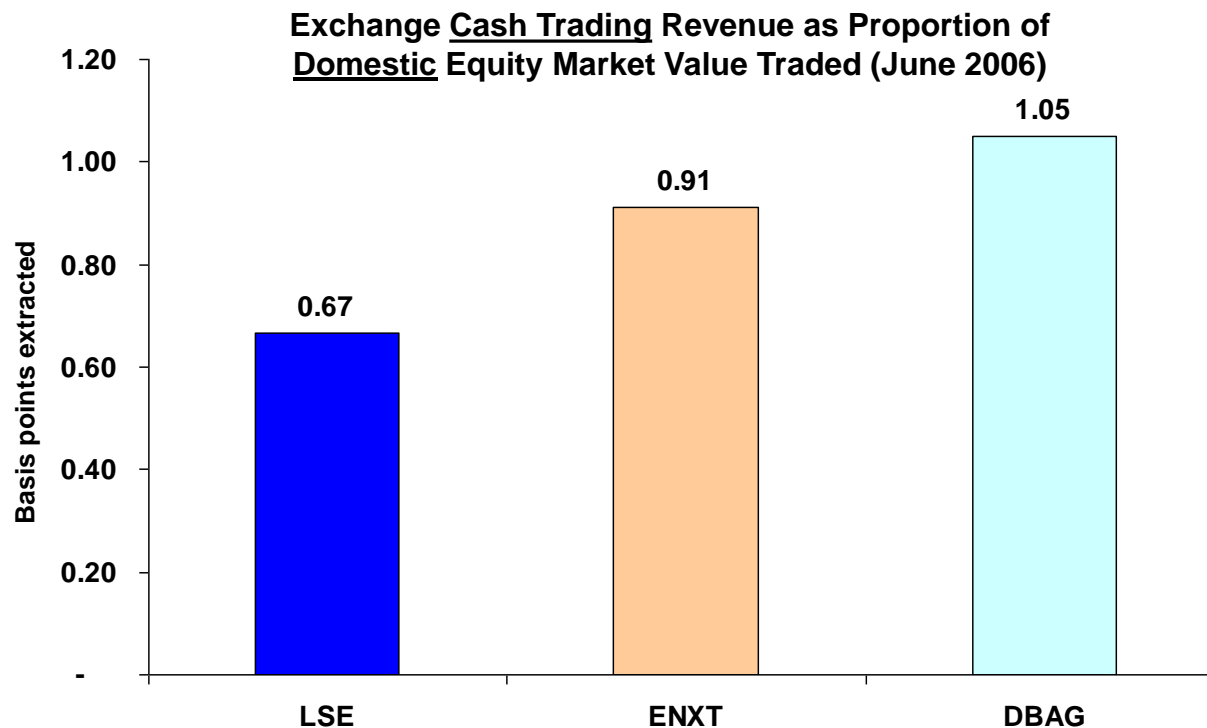
Data on over 3,000 securities from 66 countries



- 6,000 growth in professional terminals
- Real-time market data received in 105 countries
- SEDOL – codes for 1.5m securities in over 200 markets – improving market efficiency on global scale
- Proquote – international real-time data on 3,300 screens

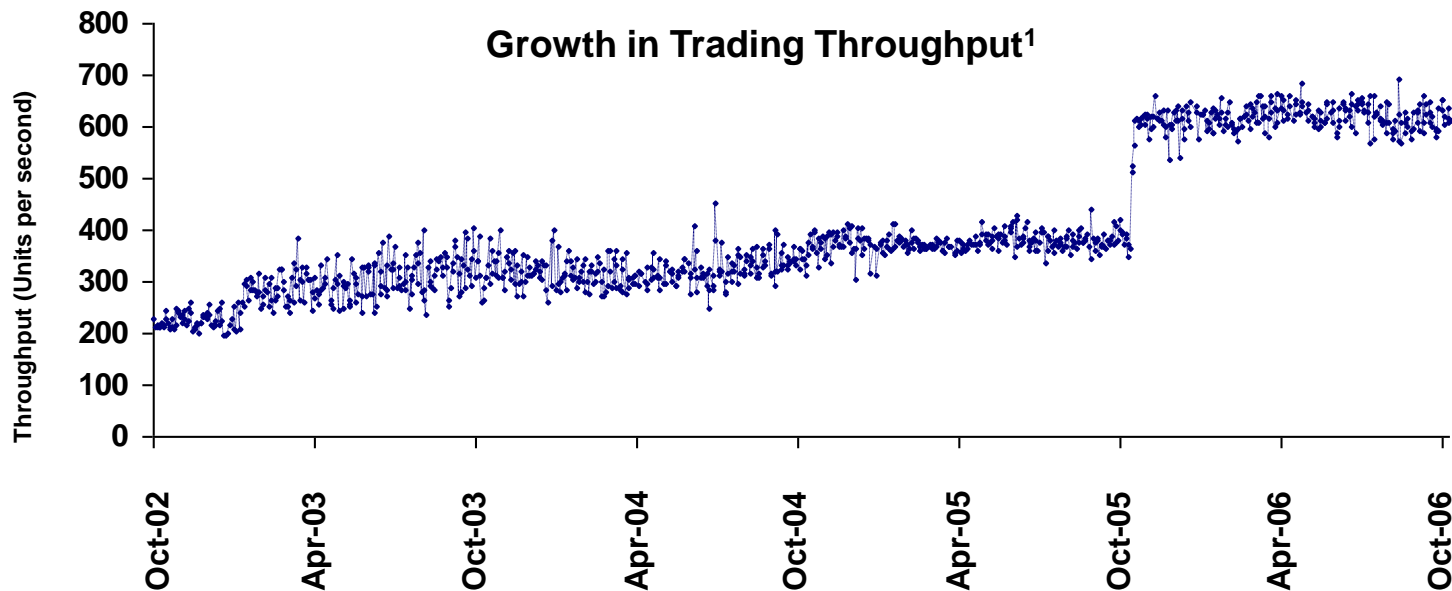
Sustainable competitive advantage

- Based on the principle of mutual advantage
- Pricing strategy supports order book growth
- Lowering the cost of trading through new pricing and product



New technology fuels growth

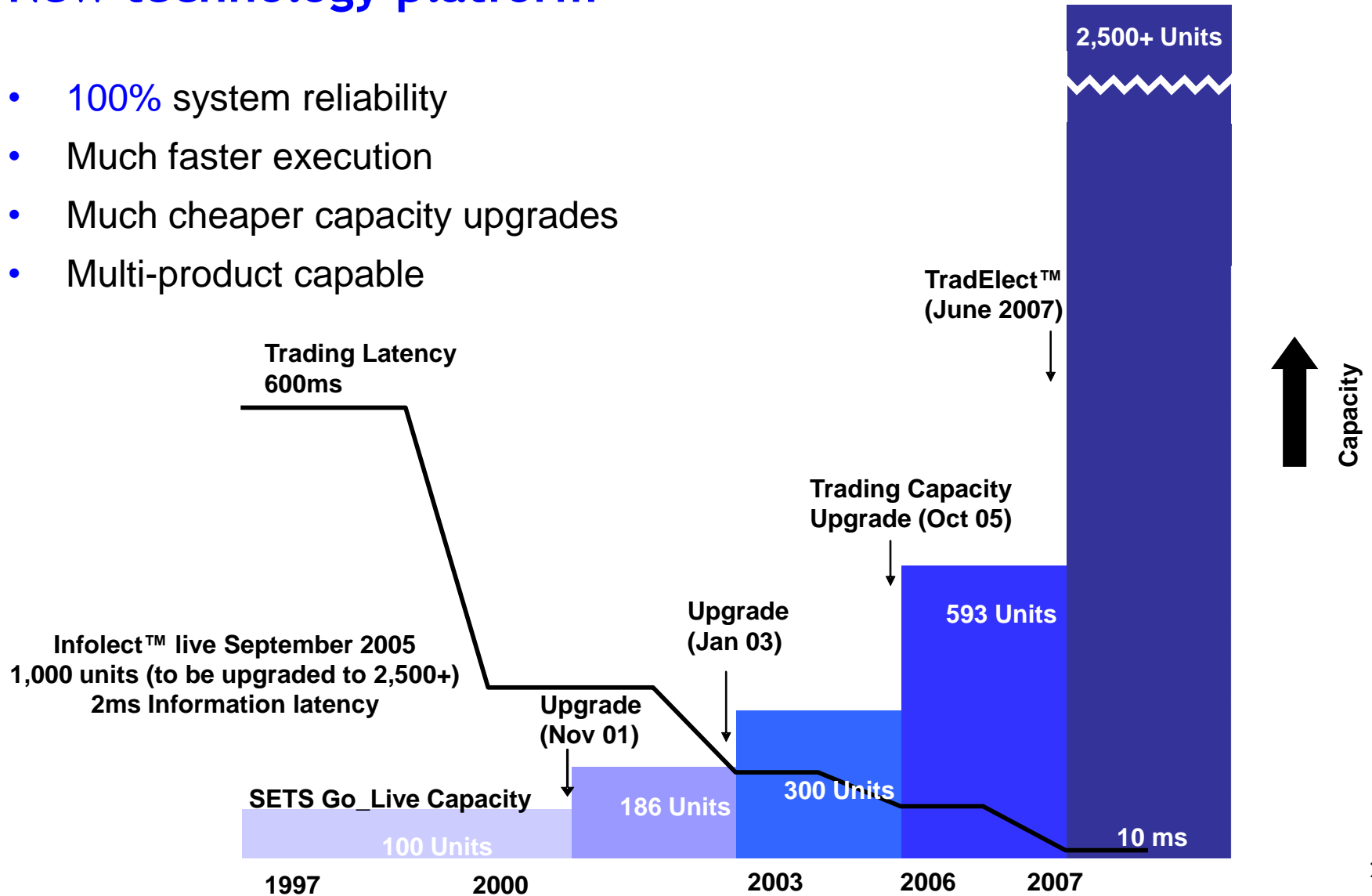
- TRM to complete in Q2 2007
- Infolect has already reduced latency to under 2ms
- TradElect – end to end latency will reduce to 10ms with 4-fold capacity increase



¹ Peak number of daily messages entered into the trading system per second

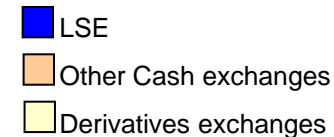
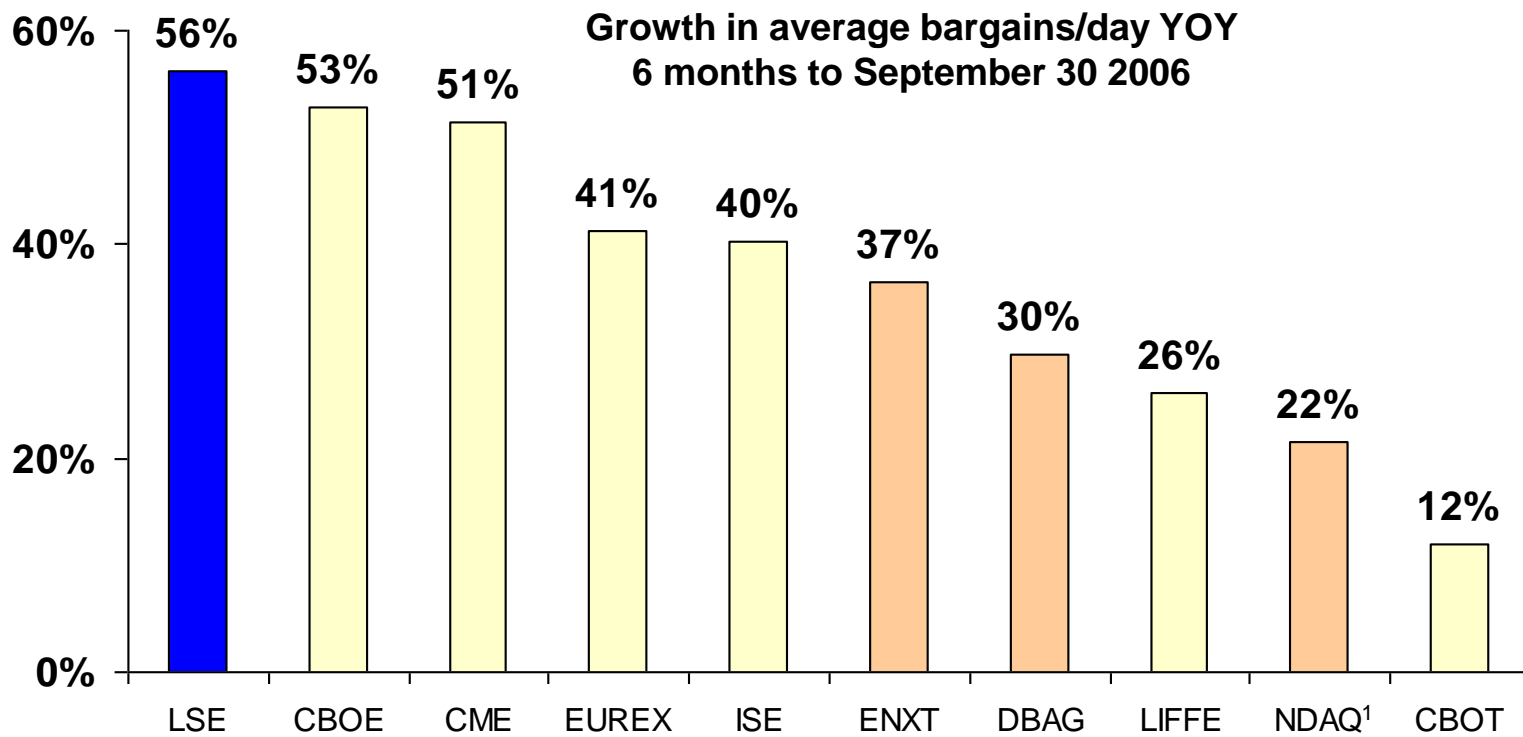
New technology platform

- 100% system reliability
- Much faster execution
- Much cheaper capacity upgrades
- Multi-product capable



SETS leads

Order book volume growth

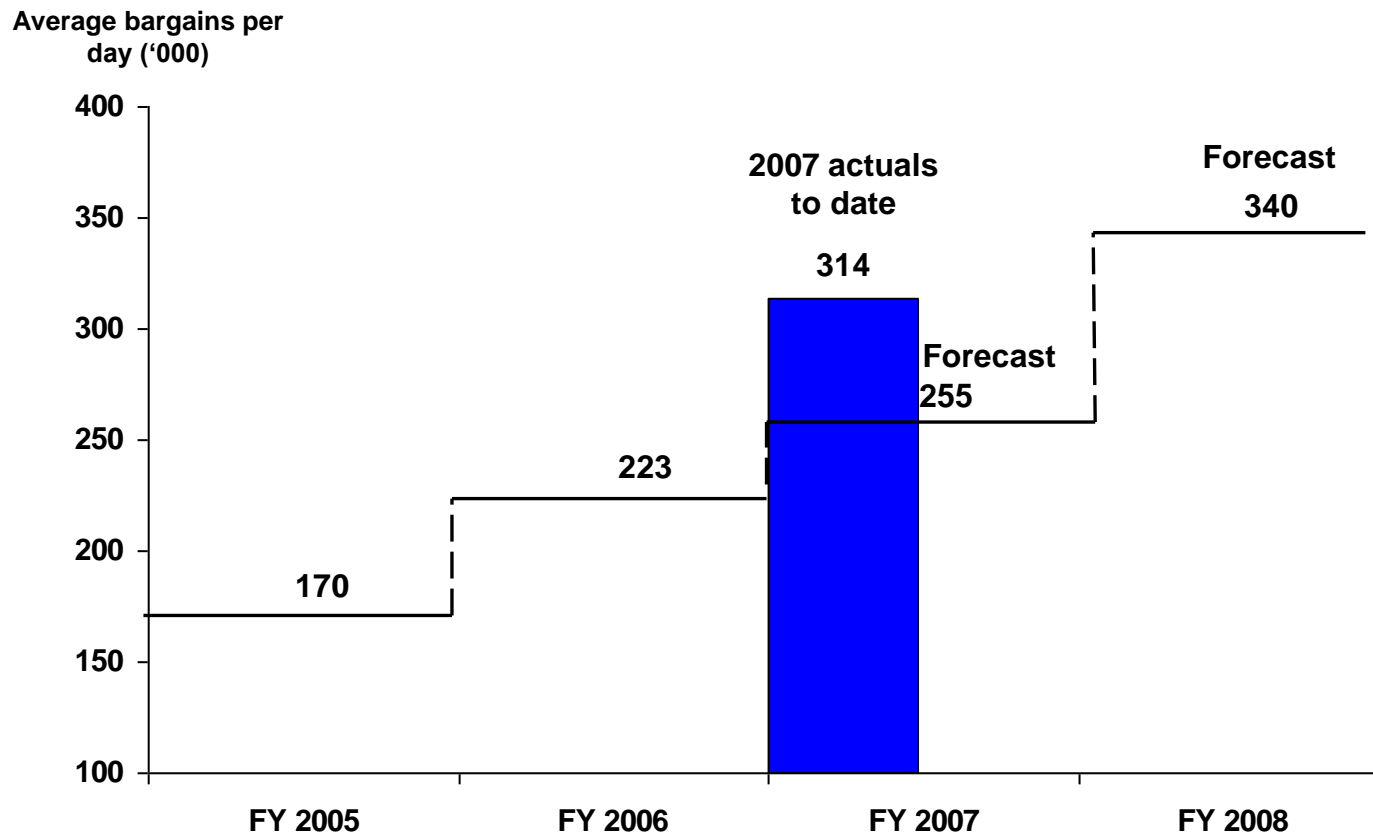


Source : Exchange websites, Options Clearing Corp

¹ Assumes all trades on order book

SETS growth

Well ahead of February 2006 forecast

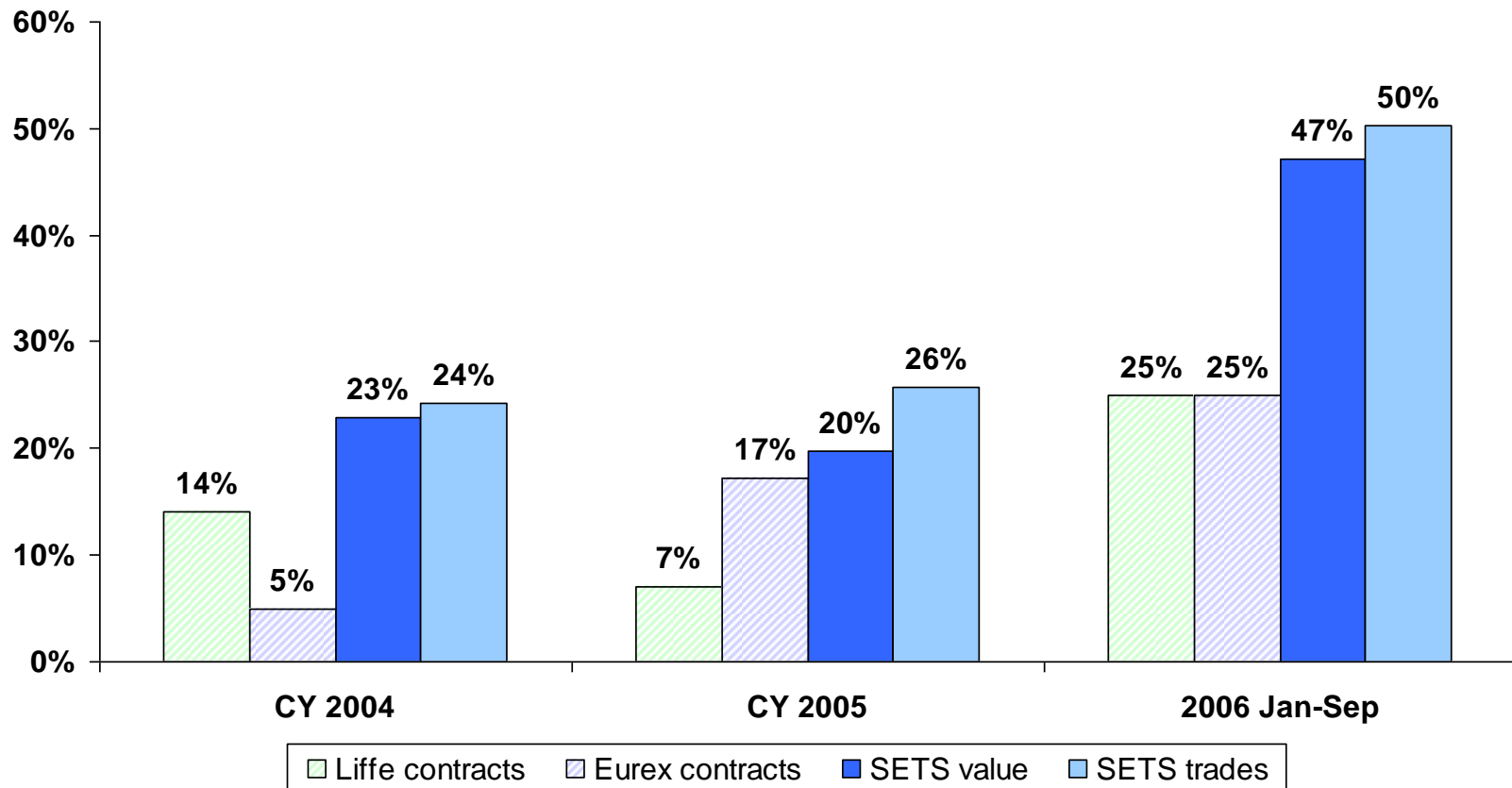


A secular change

- Permanent shift in the nature of order flow
- New technology produces step change in efficiency
- OTC derivatives growth accelerates, improving liquidity on SETS

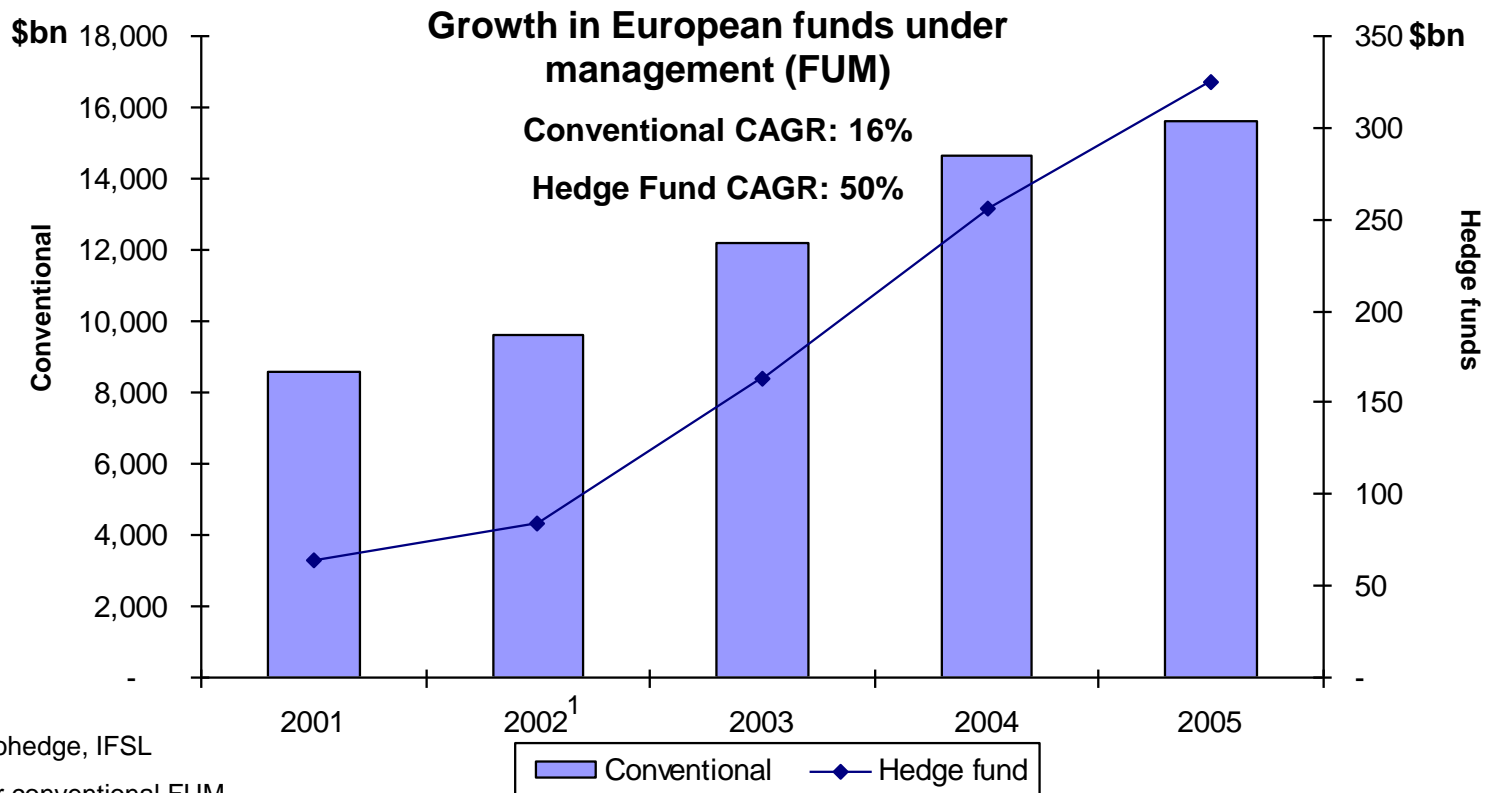
LSE races ahead of Eurex and LIFFE

Year on year growth in SETS value/volume vs total derivatives contracts traded



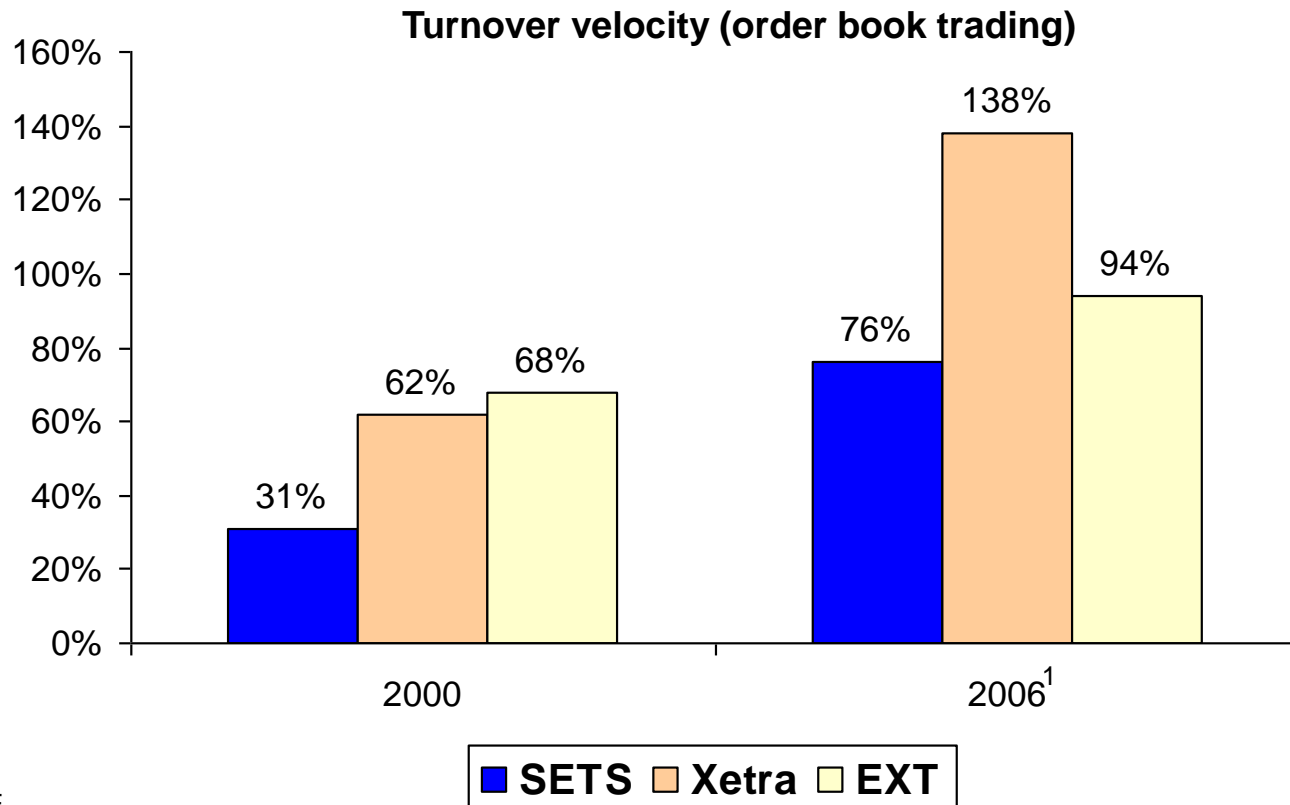
Our market is in the midst of major change

- 40% of SETS trades from European hedge funds represent just 2% of FUM
- SETSmm and IOB stocks show huge growth
- New asset classes – ETFs and Exchange Traded Commodities



Velocity

- Stamp duty abolition should eliminate gap between LSE and its competitors



Source : FESE

¹ Annualised September year to date

MiFID will improve efficiency across Europe

- MiFID is an opportunity to create a more efficient pan-European network
- SETS will continue to grow at the expense of off-book
- Barriers to efficiency in post trade infrastructure are also starting to come down

Summary

The LSE's unique global brand is enhanced by:

- Our principles-based regulatory regime
- An unrivalled pool of international talent
- The largest international pool of funds under management
- Exceptionally cost-efficient access to capital, and
- 200 years of integrity, experience and creativity

Our vision to be the world's capital market is a reality today



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Q&A



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Appendix

Segmental Information

	Six months ended 30 September					
	Revenue		Expenses		Operating Profit	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	£m	£m	£m	£m	£m	£m
Issuer Services	28.7	26.8	(17.9)	(16.6)	10.8	10.2
Broker Services	76.1	56.9	(25.8)	(28.4)	50.3	28.5
Information Services	50.9	45.1	(25.8)	(26.4)	25.1 ¹	18.7 ¹
Derivatives Services	4.4	3.9	(3.9)	(29.0) ²	0.5	(25.1) ²
Other	3.2	3.4	(3.3)	(3.5)	(0.1)	(0.1)
Corporate	-	-	(5.3)	(7.1)	(5.3)	(7.1)
Group	<u>163.3</u>	<u>136.1</u>	<u>(82.0)</u>	<u>(111.0)</u>	<u>81.3</u>	<u>25.1</u>

¹ Excludes share of profit after tax of joint venture

² Includes exceptional goodwill impairment and provision for EDX London