



London
STOCK EXCHANGE

London Stock Exchange

Preliminary Results 23 May 2002

Agenda

Introduction

Don Cruickshank
Chairman

Financial Review

Jonathan Howell
Director of Finance

CEO Overview

Clara Furse
Chief Executive Officer

Q&A



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Introduction

- Successful transition to a commercially focused, listed company
- Financial highlights:
 - Turnover up **11%**
 - Operating profit up **22%**
 - Adjusted EPS growth of **20%**
 - Full year dividend up **13%**
- Building a global business
- Leading in Europe



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Jonathan Howell

Director of Finance

Overview of Results

Strong growth in turnover and profit

	Year ended 31 March		
	2002 £m	2001 £m	Change %
Turnover			
Broker services	81.2	64.2	26
Issuer services	26.9	31.9	(16)
Information services	94.9	87.0	9
Other income	12.6	10.3	22
Gross turnover*	215.6	193.4	11
Operating profit*	70.5	57.9	22
Exceptional items	(3.6)	(36.5)	
Profit before tax	75.2	30.4	147
Tax	(25.3)	(15.2)	
Profit after tax	49.9	15.2	228
Adjusted EPS* (pence)	18.3	15.2	20
Dividend per share (pence)	3.6	3.2	13

* continuing operations before exceptional items

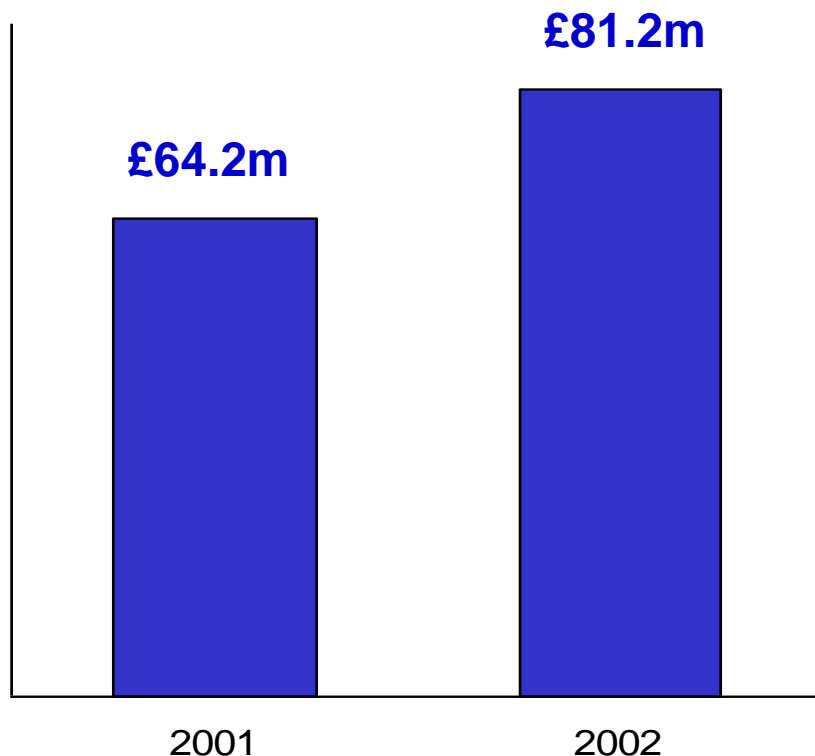


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Broker Services

Turnover increase driven by growth in bargains and migration to SETS

Turnover up 26%



Key metrics

- Daily average equity bargains up **25%** to **200,000**
- Increased use of high-yield order book – order book bargains up **86%**
- Order book averaged **60%** of value traded in eligible stocks

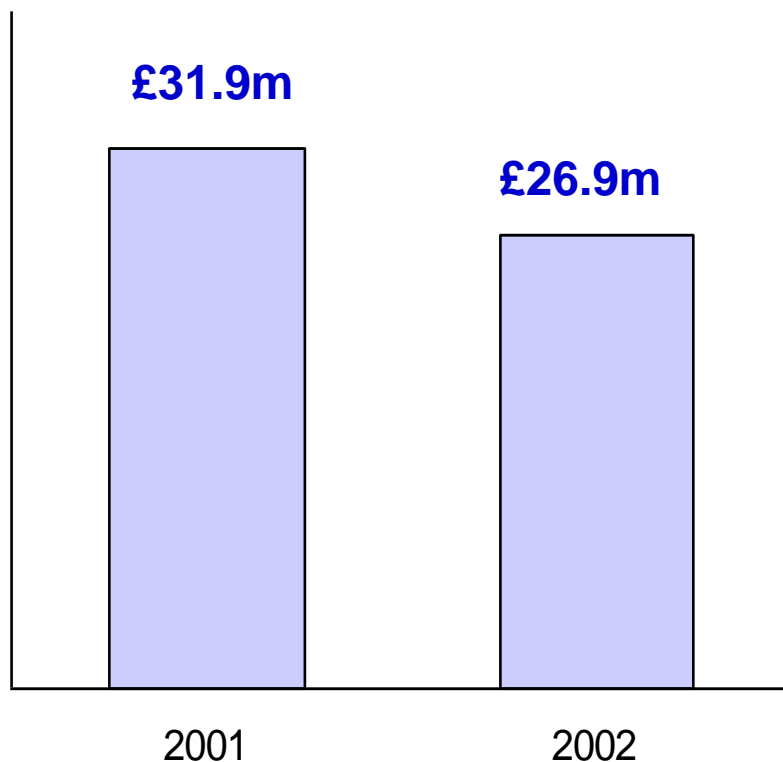


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Issuer Services

Decrease in turnover reflects weaker IPO market

Turnover down 16%



Key metrics

- UK main market new issues fell **44%** from **212** to **119**
- **66%** of all Western European IPOs took place on our markets
- Number of companies: **2,879** (2001: 2,922)
- AIM companies up **17%** to **641**

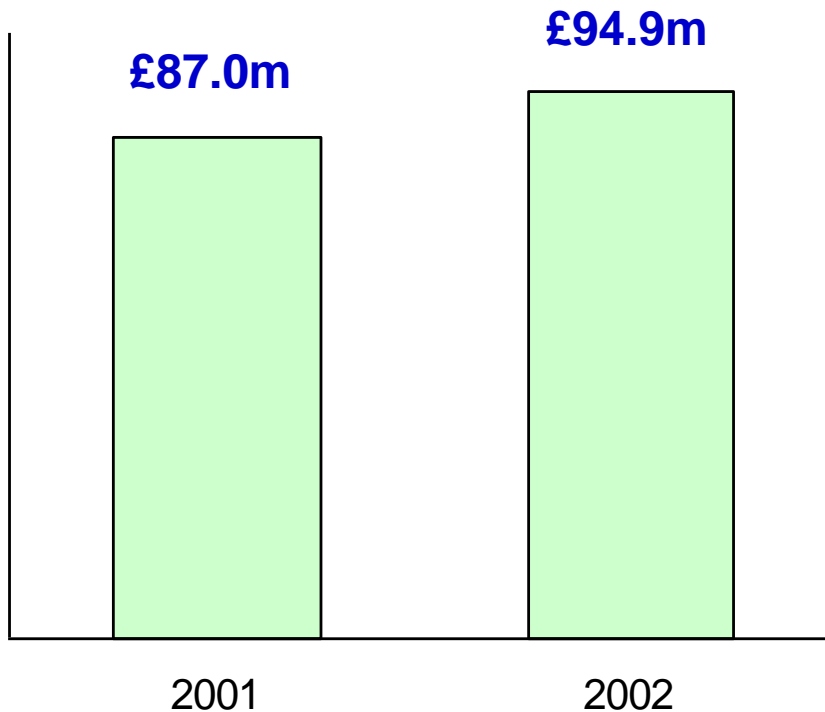


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Information Services

Turnover growth reflects higher average terminal numbers

Turnover up 9%



Key metrics

- Average terminal numbers **109,000**, up **5%**
- Year-end terminal population **105,000** (2001: 107,000)
- Professional investor terminals in line with 2001 at **96,000**
- FTSE JV – share of turnover up **£2.8m**



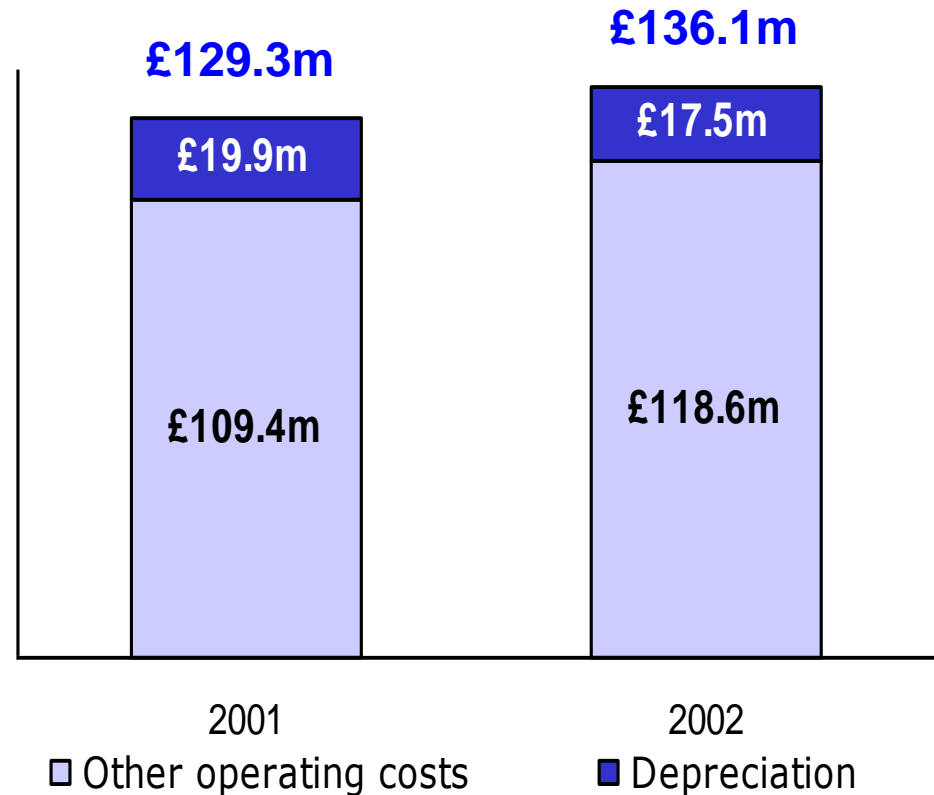
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Operating and development costs

Good management of cost base

- H2 costs in line with H1
- Improved cost/income ratio
- Total costs up **5%**

Costs/turnover*	
69%	66%

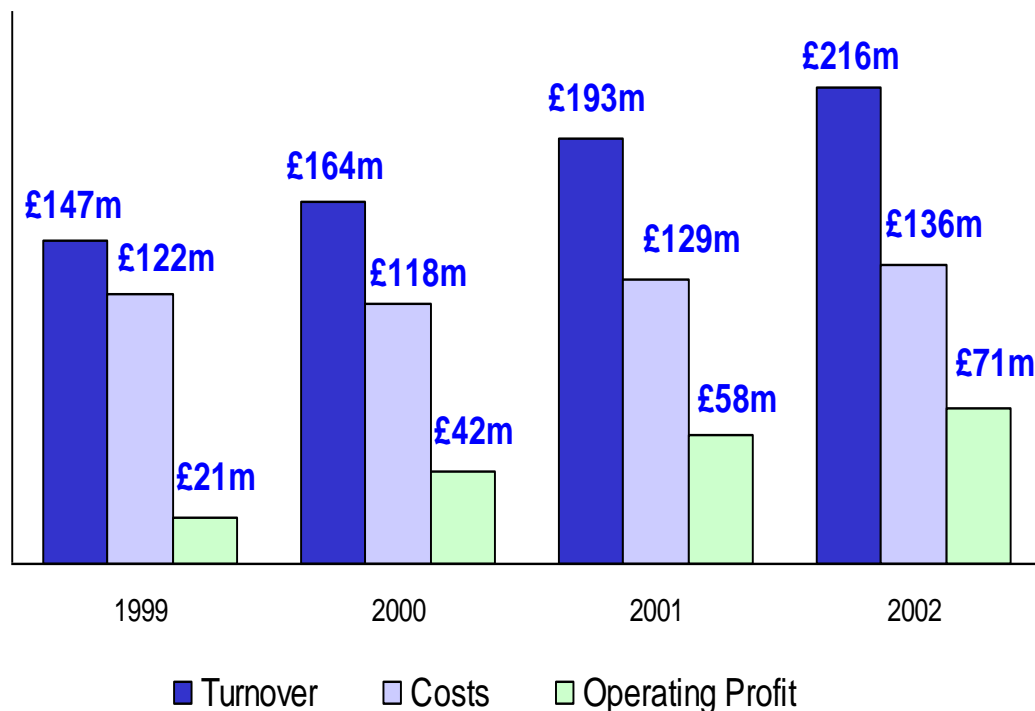


* continuing operations before exceptional items



Recent Track Record

Strong financial progress over the last four years



Progress over last four years:

- Turnover – increased **47%**
- Operating profit – more than trebled
- Adjusted EPS almost trebled to **18.3p**

Note: All figures from continuing operations before exceptional items



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Summarised Cash Flow

Free cash flow (before exceptional items) up 46%

	Year ended 31 March	
	2002	2001
	£m	£m
Net cash inflow from:		
- ongoing operating activities	82.4	74.5
Taxation	(15.8)	(20.6)
Capital expenditure	(15.8)	(22.7)
Dividends paid	(9.7)	(3.0)
Exceptional items	(3.8)	(22.4)
Free cash flow - after exceptional items	37.3	5.8
- before exceptional items	41.1	28.2



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Summarised Balance Sheet

Balance sheet further strengthened

	Year ended 31 March	
	2002 £m	2001 £m
Fixed assets	129.0	129.5
Current assets - debtors	46.8	48.0
- cash	189.9	147.9
Creditors: due within one year	(62.7)	(58.8)
Provisions	(21.7)	(24.6)
Net assets	<u>281.3</u>	<u>242.0</u>



Financial summary

2002

- Strength and resilience of our business
- Improvements in turnover, operating margins and cash flows

Outlook

- Current trading conditions similar to H2 2002:
 - Trading volumes remain stable
 - Encouraging signs in the IPO market but difficult to predict upturn
 - Professional terminal numbers stable





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Clara Furse

Chief Executive Officer

Strategic Overview

- We are the leading exchange organisation in Europe
- We are shaping the globalisation of capital markets
- Our existing businesses are growing and we have extended their reach and scale



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Financial Strength

- Outstanding results
- Significantly higher cash flows
- £82m operating cash flow before exceptional items
- £190m net cash
- Dividend increase of 13%



Positioned For Growth

- Fully listed and demonstrably commercial
- A new senior management team
- A centralised Marketing function
- 90% of employees in share incentive schemes



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Improving Our Service

Issuer Services

- 66% of Western European IPOs
- Increasing choice of markets – techMARK mediscience
- International focus – NTT DoCoMo, Xstrata, MoC with NASSCOM
- Agent for the Nordic region



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Broadening Our Product Range

Broker Services

- 86% growth in SETS trades
- Increasing revenue from cross-border trading services
- A product growth strategy
- Lower clearing and settlement costs



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New and Better Products

Information Services

- Review of new business opportunities
- Corporate Data Warehouse
- Commercial RNS – a new revenue stream



A Plan of Action for Long Term Success

- Promotion of open competition in global capital markets
- World class trading infrastructure
- Extranex global information network service
- JSE SETS – unlocking further deals



The Next Step

- Partnership with the Hong Kong Stock Exchange
 - Asia's second largest and most international market
 - Listing and trading facilitation programme
- Creating a global network



The London Advantage

- World's most robust technology
- Gateway to Europe - 37% of Eurotop 300
- Renowned and respected market rules and regulation
- Serving the most international financial markets community in the world
- Host to the world's largest pool of investment funds
- Strong foundation for a thriving future



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Appendix

Quarterly turnover analysis

	Year ended 31 March				
	Q1	Q2	Q3	Q4	FY
	£m	£m	£m	£m	£m
Gross turnover					
Broker Services	20.2	19.7	21.2	20.1	81.2
Issuer Services	7.5	6.3	6.3	6.8	26.9
Information Services*	23.8	23.4	24.3	23.4	94.9
Other	2.9	3.0	3.8	2.9	12.6
	54.4	52.4	55.6	53.2	215.6

* Includes RNS (previously included in other income)



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