



London
STOCK EXCHANGE

London Stock Exchange

Preliminary results 15 May 2003

Agenda

Introduction

Don Cruickshank
Chairman

Financial Review

Jonathan Howell
Director of Finance

CEO Overview

Clara Furse
Chief Executive Officer

Q&A

Introduction

- Good results in difficult market conditions
- Financial highlights:
 - Turnover up **10%**
 - Operating profit up **16%**
 - Full year dividend up **19%**
- Falling barriers to competition
- Well placed for new commercial opportunities



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Jonathan Howell

Director of Finance

Overview of results

Good turnover and profit growth

	Year ended 31 March		Change
	2003	2002	
	£m	£m	%
Turnover			
Issuer services	36.0	26.9	34
Broker services	87.3	81.2	8
Information services	102.2	94.9	8
Other income	11.8	12.6	(6)
Gross turnover	237.3	215.6	10
Net turnover	225.9	206.6	9
Administrative expenses	(144.3)	(136.1)	6
Operating profit*	81.7	70.5	16
Operating margin	36%	34%	

* before exceptional items and goodwill amortisation

Overview of results

Good turnover and profit growth (continued)

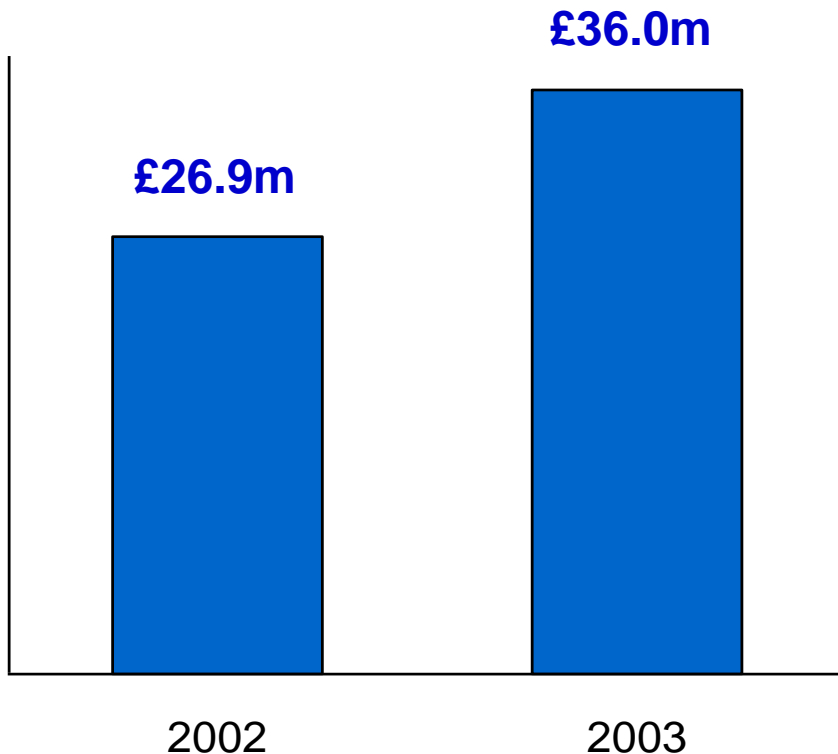
	Year ended 31 March		Change %
	2003 £m	2002 £m	
Operating profit*	81.7	70.5	16
Exceptional items			
VAT repayment	10.4	-	
Leasehold properties provision	(22.0)	-	
Introduction to Official List fees	-	(3.6)	
Total exceptional items	(11.6)	(3.6)	
Net interest receivable	8.4	7.3	15
Profit before tax	79.5	75.2	6
Tax	(26.8)	(25.3)	
Profit after tax	52.7	49.9	6
Earnings per share (pence)	18.1	17.1	6
Adjusted earnings per share* (pence)	20.9	18.3	14
Dividend per share (pence)	4.3	3.6	19

* before exceptional items and goodwill amortisation

Issuer Services

Selective tariff changes offset weak IPO market

Turnover up 34%



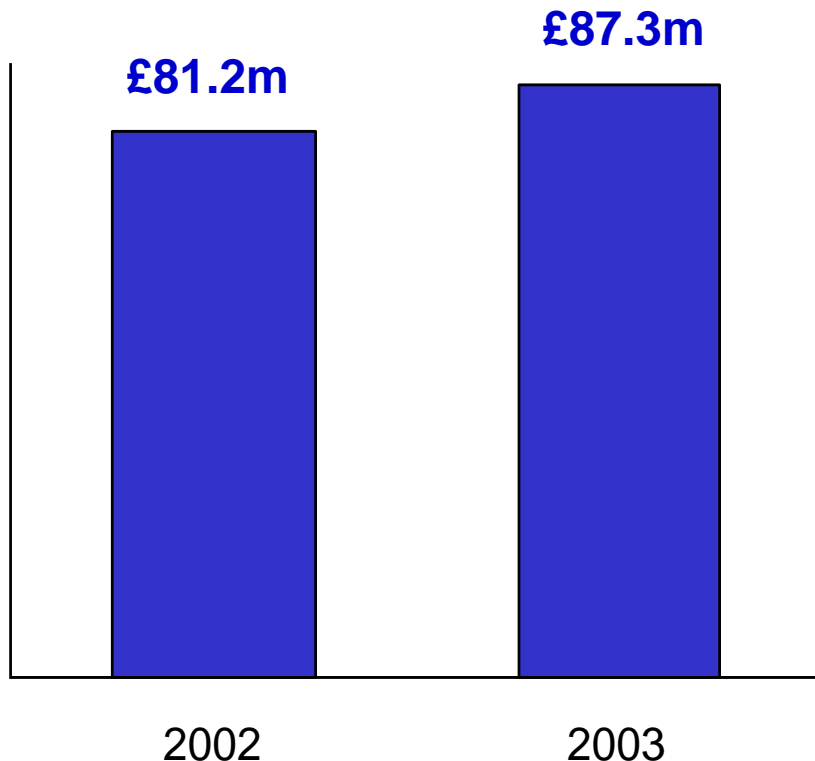
Key metrics

- At **£21m**, annual fees represented **59%** of turnover (2002: 48%)
- New issues fell **30%** from **289** to **202**
- Companies: **2,777** (2002: 2,879)

Broker Services

SETS continues to drive growth

Turnover up 8%



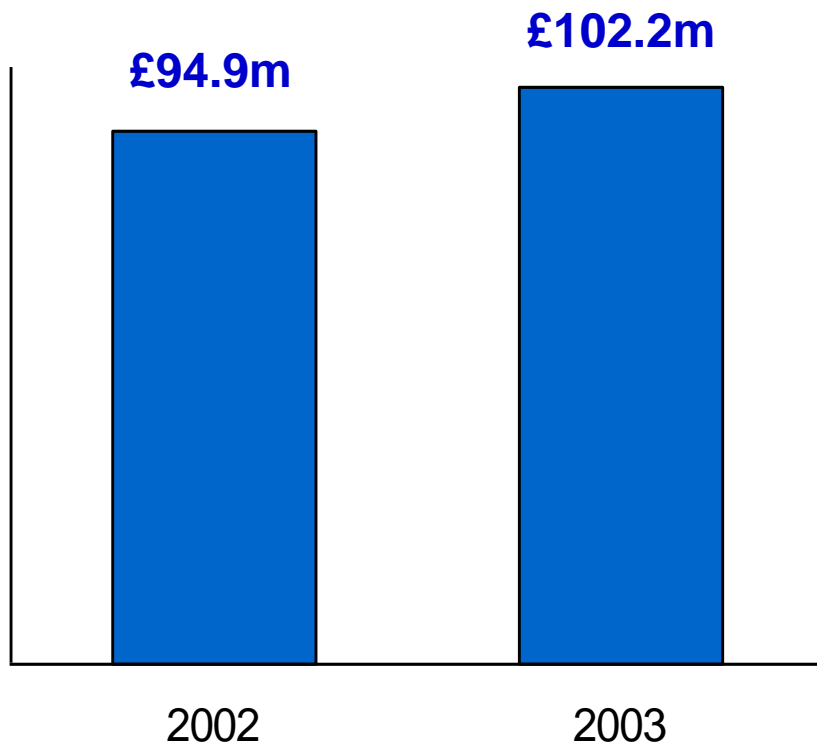
Key metrics

- Average daily equity bargains up **8%** to **215,000**
 - order book bargains up **58%** to **109,000** per day
 - off book bargains down **16%** to **51,000** per day
 - international bargains down **21%** to **55,000** per day
- SETS contributed **55%** of Broker Services' revenue (2002: 50%)

Information Services

Lower terminal numbers offset by resilience of other information income

Turnover up 8%



Key metrics

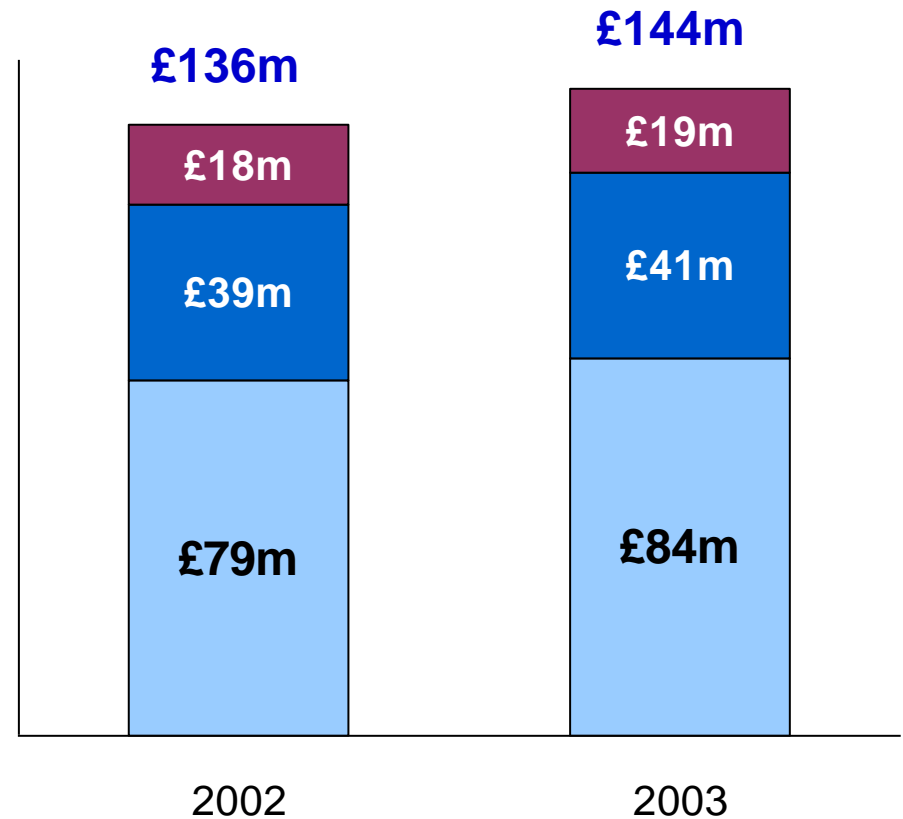
- Terminal population: **94,000** (2002: 105,000)
- Professional investor terminals at **88,000** (2002: 96,000)
- RNS turnover **£6.8m** (2002: £2.1m)
- FTSE JV – share of turnover **£11.4m** (2002: £9.0m)

Operating and development costs

Improved cost/income ratio

- Total costs up **6%** - reflecting new IP network costs
- Depreciation up following systems investment

Cost/income*	
66%	64%



Other operating costs Staff Depreciation

* before exceptional items and goodwill amortisation

Summarised Cash Flow

Positive free cash flow

	Year ended 31 March	
	<u>2003</u>	<u>2002</u>
	£m	£m
Net cash inflow from:		
- ongoing operating activities*	89.8	82.4
Taxation	(25.2)	(15.8)
Capital expenditure	(28.1)	(15.8)
Dividends paid	(11.1)	(9.7)
Free cash flow - pre one-off items	<u>25.4</u>	<u>41.1</u>
One-off items - exceptional items	10.4	(3.8)
- acquisitions	(11.3)	-
- pension funding	(15.0)	-
Free cash flow	<u><u>9.5</u></u>	<u><u>37.3</u></u>

* before exceptional items and one-off pension funding

Summarised Balance Sheet

Balance sheet remains healthy

	Year ended 31 March	
	<u>2003</u>	<u>2002</u>
	£m	£m
Fixed assets		
Goodwill	14.1	-
Tangible assets	<u>137.9</u>	<u>129.0</u>
Total fixed assets	152.0	129.0
Current assets - debtors	64.3	46.8
- cash	211.0	189.9
Creditors: due within one year	(64.0)	(62.7)
Provisions	(41.6)	(21.7)
Net assets	<u><u>321.7</u></u>	<u><u>281.3</u></u>

Financial summary

2003

- Resilience of business in difficult market conditions
- Good growth in turnover and operating profit

Outlook

- IPO market remains weak
- Strong SETS volumes but lower IEM bargains
- Terminal numbers under pressure in tough market conditions



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Clara Furse

Chief Executive Officer

Strategic Objectives

- To be the market of choice in the European time zone
- To extend our services and broaden our product range
- To build the scale and reach of our business
- To promote the growth of capital markets

Market of Choice

Issuer Services

- Turnover up **34%**
- **69%** of Western Europe's IPOs in a difficult year
- **£17.9 billion** of new capital
- **18** new international companies
- First Russian share listing
- **c700** companies on AIM

Internationalising our business

Issuer Services

- Attracting more companies to our liquidity pool
- Nordic Markets – Stockholm office
- Developing new routes to market
- Co-listing agreement with Hong Kong Stock Exchange

More and better services

Broker Services

- Turnover up **8%**
- **58%** growth in SETS trades
- Tariff structure reviewed to reflect value added services
- Reduction in off-book and international trades
- Improved quality of trading services - RSP Gateway and CCP Netting

A broader product range

Broker Services

- Covered warrants launched October 2002
 - **Four** issuers, **c445** warrants listed
- Introducing SETSmm this year
 - Support trading in FTSE 250 and some Irish securities
- EDX London announced December 2002
 - Entering the OTC equity derivatives market

More and better services

Information Services

- Turnover up **8%**
- Decline in terminals offset by demand for other products
- RNS turnover more than tripled; over **90** of FTSE 100 using RNS
- FTSE JV contribution up **27%**

A broader product range

Information Services

- Proquote acquired February 2003
 - Over **1,000** screens
- Corporate Data Warehouse services launch in June 2003
 - Exploiting existing range of market data
- Global SEDOL solution will launch beginning 2004
 - Will increase efficiency of cross border trading

Outlook

- Important structural and regulatory change
- Promotion of open competition in global capital markets
- Pressing home the London advantage
- Investing for growth



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Appendix

Pensions

- Mature defined benefit scheme - closed to new members July 1999
- Over **75%** of assets held in bonds
- Only **c150** active members (c2,200 pensioners and deferred members)
- New employees join defined contribution scheme

Fund Deficit - FRS 17

- March 2003 valuation shows post-tax deficit of **£19.6m** (2002: £13.2m) – small rise
- Present value of liabilities reflects fall in yield on AA rated bonds, from 6% to **5.4%**
- Additional **£15m** defined benefit scheme funding is payment in advance
- Full actuarial valuation as at 31 March 2003 to be carried out – will determine future contributions

Property Provision

- Rapid deterioration of City property market over last 6 -12 months
- Provision of **£38m** covers Paternoster Square (25 year lease from 2003) and Summit House (25 year lease from 1989)
- Paternoster Square provision of **£22m**:
 - subletting **c80,000 sq ft** out of **220,000 sq ft** (c40%)
 - shortfall in rental income over rent payable
 - vacant and rent free periods
 - period of **c10** years from 1 April 2004

Half year revenue split

2002/03

2001/02

	<u>H1</u>	<u>H2</u>	<u>Full year</u>	<u>H1</u>	<u>H2</u>	<u>Full year</u>
	£m	£m	£m	£m	£m	£m
Issuer	19.2	16.8	36.0	13.8	13.1	26.9
Broker	43.7	43.6	87.3	39.9	41.3	81.2
Information	50.7	51.5	102.2	47.2	47.7	94.9
Other	5.9	5.9	11.8	5.9	6.7	12.6
Gross turnover	119.5	117.8	237.3	106.8	108.8	215.6

- H2 2002/03 revenue down 1.4% vs H1 due to weaker IPO market
- H2 2002/03 revenue up 8% vs H2 2001/02 due to growth in Issuer Services (c£4m), Broker Services (c£2m) and increase in RNS and FTSE (c£4m)