London Stock Exchange

Interim Results 3 November 2005
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 trading performance

• Competition Commission findings validate horizontal business model

• Our strategic objectives:
  – extend lead in domestic and international equity markets
  – leverage core strengths to diversify business
  – promote the growth of capital markets

• Confidence in future demonstrated by dividend increase, capital return and share buyback
Jonathan Howell
Director of Finance
Strong trading performance

Highlights

- Turnover - up **15%** to **£136.1m**

- Operating profit - up **24%** to **£50.8m**

- Adjusted earnings per share - up **40%** to **15.7 pence**

- Interim dividend - up **100%** to **4 pence** per share

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1 Before exceptional items
## Overview of results

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Turnover</td>
<td>136.1</td>
<td>118.3</td>
</tr>
<tr>
<td>Operating costs(^1)</td>
<td>(85.3)</td>
<td>(77.4)</td>
</tr>
<tr>
<td>Operating profit(^1)</td>
<td>50.8</td>
<td>40.9</td>
</tr>
<tr>
<td>Operating margin(^1)</td>
<td>37%</td>
<td>35%</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(25.7)</td>
<td>4.5</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>29.4</td>
<td>49.9</td>
</tr>
<tr>
<td>Tax</td>
<td>(8.8)</td>
<td>(13.8)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td><strong>20.6</strong></td>
<td><strong>36.1</strong></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>9.6p</td>
<td>12.8p</td>
</tr>
<tr>
<td>Adjusted earnings per share(^1)</td>
<td><strong>15.7p</strong></td>
<td>11.2p</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>4.0p</td>
<td>2.0p</td>
</tr>
</tbody>
</table>

\(^1\) Before exceptional items
Sources of turnover growth

<table>
<thead>
<tr>
<th>Source</th>
<th>H1 2004/05</th>
<th>H1 2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer Services</td>
<td>£118.3</td>
<td>£136.1</td>
</tr>
<tr>
<td>Broker Services</td>
<td>£6.8</td>
<td></td>
</tr>
<tr>
<td>Information Services</td>
<td>£8.3</td>
<td></td>
</tr>
<tr>
<td>Derivatives Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>£125.0</td>
<td>£136.1</td>
</tr>
</tbody>
</table>

Up 15%
Key metrics

- Total new issues up from 214 to **306**
  - **47** Main Market (H1 2004/05: 30)
  - **259** AIM (H1 2004/05: 184)

- Annual fee income up **15%** and Admission fee income up **55%** reflecting increase in new issues

- Total companies **3,013** (H1 2004/05: 2,765)

- RNS turnover **£4.2m** (H1 2004/05: £3.6m)
Broker Services turnover
Record trading volumes

Key metrics

- Average daily equity bargains up 29% to 317,000
  - SETS bargains up 30% to 201,000 per day
  - Off book bargains down 4% to 44,000 per day
  - International bargains up 60% to 72,000 per day

- Value traded on SETS up 23% — average SETS bargain size down 9% to £20,000

- SETS (excluding order charges) contributed 68% of Broker Services revenue
Order book
Track record of strong growth

- Bargains per quarter up 43% from Q1 2004/05
- Value traded per quarter up 36% over the same period
- Average yield per bargain in H1 2005/06 of £1.50
Information Services turnover
Further uplift in professional terminals

Key metrics

- Terminal population **98,000** (H1 2004/05: 90,000)
- Professional investor terminals at **85,000** (H1 2004/05: 80,000)
- **2,900** Proquote screens (H1 2004/05: 2,300)
- SEDOL turnover up **£1m** to **£4m**
Derivatives Services turnover
Steady improvement

Key metrics

- Turnover up 8% to £3.9m (H1 2004/05: £3.6 million)
- 10.1 million contracts traded (H1 2004/05: 9.2 million)
- Average daily contracts traded 78,000 (H1 2004/05: 73,000)
- Goodwill impairment of £23m
Operating and development costs

- 2004/05 comparative costs weighted to H2
- Increases relate to higher IT and staff spend
- Depreciation stable
- Costs remain closely managed - expect costs in FY 2006/07 remain at levels of FY 2005/06

<table>
<thead>
<tr>
<th>Year</th>
<th>Other operating costs</th>
<th>Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2004/05</td>
<td>£64.2m</td>
<td>£13.2m</td>
</tr>
<tr>
<td>H1 2005/06</td>
<td>£71.9m</td>
<td>£13.4m</td>
</tr>
</tbody>
</table>

£77.4m £85.3m
## Summarised cash flow
Continued strong cash generation

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th>Year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
<td>2004</td>
</tr>
<tr>
<td>Net cash inflow from operating activities (before exceptionals)</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td></td>
<td>77.9</td>
<td>59.0</td>
</tr>
<tr>
<td>Taxation</td>
<td>(12.5)</td>
<td>(11.7)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(14.4)</td>
<td>(26.2)</td>
</tr>
<tr>
<td>Ordinary dividends paid</td>
<td>(12.6)</td>
<td>(10.0)</td>
</tr>
<tr>
<td>Free cash flow before one-off items (^1)</td>
<td>38.4</td>
<td>11.1</td>
</tr>
<tr>
<td>One-off items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- disposals/(acquisitions)</td>
<td>-</td>
<td>32.9</td>
</tr>
<tr>
<td>- special dividend</td>
<td>-</td>
<td>(162.5)</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(1.9)</td>
<td>-</td>
</tr>
<tr>
<td>Free cash flow (^1)</td>
<td>36.5</td>
<td>(118.5)</td>
</tr>
</tbody>
</table>

\(^1\) Before interest and dividends received
## Summarised balance sheet

### Financial flexibility

<table>
<thead>
<tr>
<th></th>
<th>30 September 2005 (£m)</th>
<th>31 March 2005 (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>135.9</td>
<td>154.1</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- debtors</td>
<td>79.1</td>
<td>81.9</td>
</tr>
<tr>
<td>- cash</td>
<td>166.1</td>
<td>124.4</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>(89.8)</td>
<td>(76.8)</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>(44.1)</td>
<td>(47.3)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td><strong>247.2</strong></td>
<td><strong>236.3</strong></td>
</tr>
</tbody>
</table>
**Dividends**

**Step-up in payout**

- Interim dividend per share for H1 2006 double H1 last year, reflecting:
  - strong performance
  - confidence in future
  - re-setting dividend payout

- Sustainable dividend growth – not constrained by 3-5 times earnings

- CAGR of Interim dividend since 2001/02 of **38%**
Capital Return
Reflects strong trading performance and cash flow generation

- Capital position regularly reviewed - **£163m** special dividend August 2004
- Today announcing:
  - **£250m** return after end of Offer period, or as soon as circumstances allow
  - Share buyback programme to follow
- Cash of **£166m** at 30 September 2005, including **c£50m** for FSA purposes
- Capital return could generate near double digit EPS enhancement in first twelve months (on pro forma basis\(^1\))
- Good cash generation and loan facilities - maintains financial flexibility and ability to pay dividends / future returns, as appropriate

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\(^1\) Based on recent share price and consensus earnings
Current trading and prospects

- Good momentum in core business
- Positive trends continuing into H2:
  - New issue activity strong – average size of Main Market new issues in October more than double last year
  - SETS continuing to perform strongly – bargains/day up 32% to 229,000
  - Demand for real time data remains encouraging
- Positive trends underpin expectation of future strong results
Clara Furse
Chief Executive Officer
Introduction

• Building the world’s capital market by:
  – Attracting new and international companies
  – Maximising trading liquidity
  – Safeguarding the integrity of our markets

• Depth of international capital and expertise in London

• Intelligent regulatory environment
Achievements

• Culture – commercial, client-focused

• Business lines – re-priced and repositioned

• Marketing focus – international

• Pre and post-trade market structures – increasingly pro-competitive
Our strategy is delivering growth

- H1 trading performance – operating profit up **24%**

- Announcement of **£250m** capital return and share buy-back

- Significant increase in interim dividend – up **100%** to 4p/share
Primary market
Leveraging our brand

- New issues up 43% in H1 2005/06 to 306
Primary market
Outperforming our peers

Number of International IPOs
(Six months ended 30 September 2005)

LSE: 42
US Market: 8
Euronext: 0
Deutsche Börse: 0
Our market

Europe’s capital raising centre – 69% of Western European IPOs

Share of Western European IPOs

Percentage share of Western European IPOs

- LSE: 69%
- Others: 19%
- Euronext: 10%
- Deutsche Börse: 2%
International focus

- **65** international new issues in H1:
  - **8** on the Main Market
  - **57** on AIM – nearly double last year

- Healthy new issue pipeline
Primary market
AIM - world’s leading market for smaller, growing companies

AIM provides a solution to Europe’s SME funding gap
Information
Extending our global reach

- Data taken in **100+** countries
- Terminals up **8,000 to 98,000**
- New products:
  - SEDOL is global
  - Proquote is international
Secondary market
Mutual advantage drives growth

- Virtuous circle
  - Understanding our clients
  - Product innovation
  - Lower pricing

- Improves liquidity, leading to:
  - Lower spreads
  - Lower cost of capital
  - Increase in listings
SETSmm

63% reduction in SETSmm spreads

Spreads of SETSmm mid-cap securities

Average spread (basis points)
Velocity is up 35% since 2001
SETS

30% growth in SETS bargains/day

Average SETS bargains per day (twelve months ended 30 September)

CAGR 44%

31, 52, 87, 123, 151, 193

Average SETS bargains per day (twelve months ended 30 September)
Technology
The growth platform

- SETS Go-Live (Oct 97)
- Upgrade (Nov 01)
- Upgrade (Jan 03)
- Trading Capacity Upgrade (Oct 05)
- New TRM Trading (Early 07)
Bringing you up to speed on the world’s capital market.

The London Stock Exchange is proud to announce the successful implementation of Infolect™, the fastest real-time information delivery system of any exchange in the world.

Infolect™ is a key component of our four-year transition to next generation technology – our ‘Technology Roadmap’ – due for completion in early 2007.

The Technology Roadmap will deliver unprecedented performance, reliability, scalability and business agility for the benefit of our international market.

We would like to thank our technology partners, Accenture and Microsoft, who are helping us to deliver our vision of becoming the world’s capital market.

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Technology
A step change in scalability and flexibility

- TRM will sharpen our competitive edge
- Scale upgrades will cost a fraction of pre-TRM cost
- Multi-asset class functionality available at much lower cost
Market Structure
London market model

- Shaping FSAP and lobbying to open up post-trade infrastructure

- MiFID
  - architecture based on open London model
  - requires focus on clients and extensive best execution rules – facets of our market
  - early mover advantage for Exchange
Building the world’s capital market

- Market data taken in 100+ countries
- 348 Member firms in 38 countries
- 519 international companies from 58 countries