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 **£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
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

<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>2006 (£m)</td>
<td>2005 (£m)</td>
</tr>
<tr>
<td>Issuer Services</td>
<td>28.7</td>
<td>26.8</td>
</tr>
<tr>
<td>Broker Services</td>
<td>76.1</td>
<td>56.9</td>
</tr>
<tr>
<td>Information Services</td>
<td>50.9</td>
<td>45.1</td>
</tr>
<tr>
<td>Derivatives Services</td>
<td>4.4</td>
<td>3.9</td>
</tr>
<tr>
<td>Other Income</td>
<td>3.2</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>163.3</strong></td>
<td><strong>136.1</strong></td>
</tr>
</tbody>
</table>

Operating costs
(82.0) (85.3) \(^1\) (4) (171.0) \(^1\)

Operating profit
81.3 50.8 \(^1\) 60 120.1 \(^1\)

Operating margin
50% 37% \(^1\) 41% \(^1\)

\(^1\) Before exceptional items
### Overview of results (continued)

<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>2006</td>
<td>2005</td>
</tr>
<tr>
<td>Operating profit</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Operating profit</td>
<td>81.3</td>
<td>50.8</td>
</tr>
<tr>
<td>Net exceptional items</td>
<td>-</td>
<td>(25.7)</td>
</tr>
<tr>
<td>Net Finance and Investment</td>
<td>(4.6)</td>
<td>4.3</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>76.7</td>
<td>29.4</td>
</tr>
<tr>
<td>Tax</td>
<td>(22.4)</td>
<td>(8.8)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>54.3</td>
<td>20.6</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>24.2</td>
<td>9.6</td>
</tr>
<tr>
<td>Adjusted earnings per share</td>
<td>24.2</td>
<td>15.7</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>6.0</td>
<td>4.0</td>
</tr>
</tbody>
</table>

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**

<table>
<thead>
<tr>
<th></th>
<th>H1 FY 2006</th>
<th>H1 FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order Book</td>
<td>£38.4m</td>
<td>£54.2m</td>
</tr>
<tr>
<td>Other</td>
<td>£18.5m</td>
<td>£21.9m</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>£56.9m</td>
<td>£76.1m</td>
</tr>
</tbody>
</table>

**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%)

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1 Excluding order charges
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 £1m
- Staff costs up £1m - mainly provision for performance related pay

<table>
<thead>
<tr>
<th></th>
<th>H1 FY 2006</th>
<th>H1 FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>£27.8m</td>
<td>£29.1m</td>
</tr>
<tr>
<td>Property/marketing/other</td>
<td>£23.0m</td>
<td>£21.7m</td>
</tr>
<tr>
<td>IT/Network</td>
<td>£21.1m</td>
<td>£18.4m</td>
</tr>
<tr>
<td>Depn</td>
<td>£13.4m</td>
<td>£12.8m</td>
</tr>
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</table>

Cost/Income

<table>
<thead>
<tr>
<th></th>
<th>63%</th>
<th>50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>£85.3m</td>
<td></td>
<td>£82.0m</td>
</tr>
<tr>
<td>£13.4m</td>
<td></td>
<td>£12.8m</td>
</tr>
<tr>
<td>£21.1m</td>
<td></td>
<td>£18.4m</td>
</tr>
<tr>
<td>£23.0m</td>
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<tr>
<td>£27.8m</td>
<td></td>
<td>£29.1m</td>
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</table>
## Summarised cash flow

### Continued strong cash generation

<table>
<thead>
<tr>
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<th>Six months ended 30 September</th>
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<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2005</td>
</tr>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Net cash inflow from operating activities</td>
<td>104.3</td>
<td>77.9</td>
</tr>
<tr>
<td>Taxation</td>
<td>(13.9)</td>
<td>(12.5)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(10.6)</td>
<td>(14.4)</td>
</tr>
<tr>
<td>Ordinary dividends paid</td>
<td>(20.5)</td>
<td>(12.6)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td><strong>59.3</strong></td>
<td><strong>38.4</strong></td>
</tr>
<tr>
<td>Share buyback and ESOP share purchases</td>
<td>(58.8)</td>
<td>-</td>
</tr>
<tr>
<td>Surplus cash used for capital return, debt repayments</td>
<td>(148.8)</td>
<td>-</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(4.6)</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Other, including dividends received and interest</td>
<td>4.9</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>(Decrease)/Increase in cash</strong></td>
<td><strong>(148.0)</strong></td>
<td><strong>41.7</strong></td>
</tr>
</tbody>
</table>

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

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

Source: WFE (Financial Year End March)

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 China\(^1\) – combined market capitalisation of $5bn
- 87 European companies
- Regulatory review to develop AIM’s international success

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\(^1\) 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

Exchange Cash Trading Revenue as Proportion of Domestic Equity Market Value Traded (June 2006)

Source: WFE and exchanges’ financial reporting
New technology fuels growth

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

\textsuperscript{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

- Trading Latency
  - 600ms

- Infolect™ live September 2005
  - 1,000 units (to be upgraded to 2,500+)
  - 2ms Information latency

- SETS Go_Live Capacity
  - 100 Units

- Trading Capacity Upgrade (Oct 05)
  - 593 Units

- Upgrade (Jan 03)
  - 300 Units

- Upgrade (Nov 01)
  - 186 Units

- TradElect™ (June 2007)
  - 2,500+ Units

- 10 ms
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

Average bargains per day ('000)


170 223 314 340

2007 actuals to date
Forecast

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

Source: FESE, Exchange websites, Factsheets
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

Growth in European funds under management (FUM)

- Conventional CAGR: 16%
- Hedge Fund CAGR: 50%

Source: Eurohedge, IFSL

1 Estimate for conventional FUM
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
Appendix
### Segmental Information

<table>
<thead>
<tr>
<th></th>
<th>Six months ended 30 September</th>
<th></th>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue</td>
<td>Expenses</td>
<td>Operating Profit</td>
<td>Expenses</td>
<td>Operating Profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Issuer Services</strong></td>
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<td>(17.9)</td>
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<td></td>
</tr>
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<td><strong>Broker Services</strong></td>
<td>76.1</td>
<td>56.9</td>
<td>(25.8)</td>
<td>(28.4)</td>
<td>50.3</td>
<td>28.5</td>
<td></td>
</tr>
<tr>
<td><strong>Information Services</strong></td>
<td>50.9</td>
<td>45.1</td>
<td>(25.8)</td>
<td>(26.4)</td>
<td>25.1¹</td>
<td>18.7¹</td>
<td></td>
</tr>
<tr>
<td><strong>Derivatives Services</strong></td>
<td>4.4</td>
<td>3.9</td>
<td>(3.9)</td>
<td>(29.0)²</td>
<td>0.5</td>
<td>(25.1)²</td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>3.2</td>
<td>3.4</td>
<td>(3.3)</td>
<td>(3.5)</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td></td>
</tr>
<tr>
<td><strong>Corporate</strong></td>
<td>-</td>
<td>-</td>
<td>(5.3)</td>
<td>(7.1)</td>
<td>(5.3)</td>
<td>(7.1)</td>
<td></td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td><strong>163.3</strong></td>
<td><strong>136.1</strong></td>
<td><strong>(82.0)</strong></td>
<td><strong>(111.0)</strong></td>
<td><strong>81.3</strong></td>
<td><strong>25.1</strong></td>
<td></td>
</tr>
</tbody>
</table>

¹ Excludes share of profit after tax of joint venture

² Includes exceptional goodwill impairment and provision for EDX London