London Stock Exchange Group

Preliminary Results 25 May 2006
Agenda

Introduction  Chris Gibson-Smith  Chairman

Financial Review  Jonathan Howell  Director of Finance

CEO Overview  Clara Furse  Chief Executive Officer

Q&A
Introduction

- Strong progress in primary and secondary markets delivered an excellent financial performance:
  - Revenue\(^1\) up 19%
  - Adjusted EPS up 55%

- Confidence in future growth prospects has enabled:
  - Return of more than 20% of market capitalisation in under two years
  - Commitment of up to £50m per annum share buyback
  - 71% increase in full year dividend

- Indications of interest from other parties not reflected growth prospects and unique strategic position

- Confident that Exchange’s growth prospects built on firm foundations – will continue to explore options for additional shareholder value

\(^1\) Before exceptional items
Jonathan Howell
Director of Finance
Strong trading performance
Highlights

- Revenue\(^1\) - up 19% to £291m
- Operating profit\(^1\) - up 42% to £120m
- Adjusted earnings per share\(^1\) - up 55% to 37.4 pence
- Full year dividend - up 71% to 12 pence per share

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

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>%</td>
</tr>
<tr>
<td>Revenue¹</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuer Services</td>
<td>56.9</td>
<td>43.3</td>
<td>31</td>
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<tr>
<td>Broker Services</td>
<td>125.5</td>
<td>100.6</td>
<td>25</td>
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<tr>
<td>Information Services</td>
<td>94.1</td>
<td>86.7</td>
<td>9</td>
</tr>
<tr>
<td>Derivatives Services</td>
<td>7.7</td>
<td>6.8</td>
<td>13</td>
</tr>
<tr>
<td>Other</td>
<td>6.9</td>
<td>7.0</td>
<td>(1)</td>
</tr>
<tr>
<td>Operating costs¹</td>
<td>(171.0)</td>
<td>(159.8)</td>
<td>7</td>
</tr>
<tr>
<td>Operating profit¹</td>
<td>120.1</td>
<td>84.6</td>
<td>42</td>
</tr>
<tr>
<td>Operating margin¹</td>
<td>41%</td>
<td>35%</td>
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</table>

¹ Before exceptional items
Overview of results (continued)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>120.1</td>
<td>84.6</td>
<td>42</td>
</tr>
<tr>
<td>Net exceptional items</td>
<td>(34.7)</td>
<td>(0.1)</td>
<td></td>
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<td>Net Finance and Investment Income</td>
<td>8.1</td>
<td>7.7</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>93.5</td>
<td>92.2</td>
<td>1</td>
</tr>
<tr>
<td>Tax</td>
<td>(26.7)</td>
<td>(27.7)</td>
<td>(4)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>66.8</td>
<td>64.5</td>
<td>4</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>27.8p</td>
<td>24.2p</td>
<td>15</td>
</tr>
<tr>
<td>Adjusted earnings per share</td>
<td>37.4p</td>
<td>24.2p</td>
<td>55</td>
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<tr>
<td>Dividend per share</td>
<td>12.0p</td>
<td>7.0p</td>
<td>71</td>
</tr>
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</table>

1 Before exceptional items

2 Including share of joint venture income
Strong revenue growth
Revenue\(^1\) up £47m (19%) to £291m

\(^1\) Before exceptional items
Issuer Services
Buoyant new issue activity

Key metrics

- New issues up 108 to 622\(^1\) (2005: 514) of which:
  - Main Market – 107 (2005: 82)
  - AIM – 510 (2005: 432)

- Total equity raised up 81% to £34.1bn (2005: £18.8bn)

- Annual Fees represented 36% of Issuer Services revenue (2005: 40%)

- 3,141 companies (2005: 2,916) including 1,473 on AIM (2005: 1,127)

- RNS and Other revenue £10.7m (2005: £8.1m)

\(^1\) Including 5 issues on PSM
Broker Services
Record SETS volumes drive excellent growth

Key metrics

- Average daily equity bargains up **29%** to 349,000
  - Order book bargains up **31%** to 223,000 per day
  - Off book bargains down **2%** to 47,000 per day
  - International bargains up **52%** to 79,000 per day

- Total order book value traded up **35%** to **£1.2 trillion**

- Average SETS bargain size at **£21,000** and average SETS yield at **c£1.50** both unchanged

- SETS contributed **69%** of Broker Services revenue (excluding order charges)
Information Services
Steady improvement in terminal numbers

Key metrics

• Total terminals 104,000 (2005: 95,000)
• Professional investor terminals 88,000 (2005: 83,000)
• SEDOL revenue c£8m (2005: c£6m)

1 Before exceptional items
2 Includes Proquote
Operating costs
Costs held flat in H2

- Staff costs up mainly due to performance-related pay
- Year end headcount of **501** (2005: 519)
- IT costs up due to network upgrades and delivery of TRM
- Depreciation lower, property/marketing up slightly
- Cost efficiencies programme
  - **£7m** in FY 2007
  - Full run rate of **£10m** in FY 2008
## Summarised Cash Flow

**Strong cash generation**

<table>
<thead>
<tr>
<th></th>
<th>2006 £m</th>
<th>2005 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash generated from ongoing operating activities(^1)</td>
<td>145.9</td>
<td>100.9</td>
</tr>
<tr>
<td>Taxation</td>
<td>(29.0)</td>
<td>(24.3)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(25.8)</td>
<td>(40.8)</td>
</tr>
<tr>
<td>Ordinary dividends paid</td>
<td>(22.8)</td>
<td>(15.1)</td>
</tr>
<tr>
<td><strong>Free cash flow before one-off items</strong></td>
<td><strong>68.3</strong></td>
<td><strong>20.7</strong></td>
</tr>
<tr>
<td>One-off items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Tower proceeds</td>
<td>33.2</td>
<td>32.3</td>
</tr>
<tr>
<td>- Other</td>
<td>(11.5)</td>
<td>(5.5)</td>
</tr>
<tr>
<td>- Special Dividend</td>
<td>-</td>
<td>(162.5)</td>
</tr>
<tr>
<td><strong>Free cash flow(^2)</strong></td>
<td><strong>90.0</strong></td>
<td><strong>(115.0)</strong></td>
</tr>
</tbody>
</table>

\(^1\) Before exceptional items

\(^2\) Before interest and dividends received, share scheme and other funding items
## Summarised Balance Sheet pre-capital return

**Financial flexibility**

<table>
<thead>
<tr>
<th></th>
<th>31 March 2006</th>
<th>31 March 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
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<tr>
<td>Non-current assets</td>
<td>137.6</td>
<td>154.1</td>
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<tr>
<td>Current assets</td>
<td></td>
<td></td>
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<tr>
<td>- debtors</td>
<td>49.3</td>
<td>81.9</td>
</tr>
<tr>
<td>- cash</td>
<td>226.8</td>
<td>124.4</td>
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<tr>
<td>Current liabilities</td>
<td>(78.7)</td>
<td>(76.8)</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>(46.2)</td>
<td>(47.3)</td>
</tr>
<tr>
<td>Net assets</td>
<td><strong>288.8</strong></td>
<td><strong>236.3</strong></td>
</tr>
</tbody>
</table>
Capital Return
£510m return to shareholders

- £510m commitment in February 2006 - return complete 26 May 2006
- Exchange at forefront of good capital management
- Returned £673m, or more than 20% of market capitalisation in under two years (including £163m in 2004)
- Ongoing share buyback programme of up to £50m per annum
- Recognises strong cash generation and continues process of:
  - Managing cash position
  - Improving balance sheet efficiency
  - Enhancing shareholder value
Current trading
Trading conditions remain positive in core businesses

- Total equity raised ahead of last year
- Average daily value traded on SETS remain strong - up 78%
- Demand for real time data by professional users remains healthy
Creating increasing value for shareholders and customers

- Operational gearing is driving record performance
- Globalising our business
- Unique strategic position and rapidly increasing value
- Step change in our growth prospects
The World’s capital market

- Venue of choice – London has unique attributes
- 622 new issues (including 409 IPOs) from 32 countries

Leading share of international IPOs (FY 2006)

<table>
<thead>
<tr>
<th>Venue</th>
<th>Number</th>
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<tbody>
<tr>
<td>LSE</td>
<td>104</td>
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<tr>
<td>US Markets</td>
<td>28</td>
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<tr>
<td>ENXT</td>
<td>0</td>
</tr>
<tr>
<td>DBAG</td>
<td>1</td>
</tr>
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</table>

Listing venue of choice for Western Europe (FY 2006)

<table>
<thead>
<tr>
<th>Venue</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSE</td>
<td>409</td>
</tr>
<tr>
<td>Scandi</td>
<td>64</td>
</tr>
<tr>
<td>ENXT</td>
<td>62</td>
</tr>
<tr>
<td>DBAG</td>
<td>16</td>
</tr>
<tr>
<td>Other</td>
<td>57</td>
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</tbody>
</table>

1 Source: PwC IPO Watch
Another record year for AIM
An international growth story

Total AIM companies at 31 March

International AIM companies at 31 March
Market data - key element of international story

- Real-time market data received in over 100 countries
- SEDOL – 1,100 licences – improving market efficiency on global scale
- Proquote goes international
Winning the battle for liquidity
Order book volume growth vs Index performance

European exchanges
FY 2004 to FY 2006

- DBAG: 146%
- ENXT: 99%
- LSE: 65%

Source: FESE Order Book trades

CAGR - Order Book trades  Index change 31/3/03 to 31/3/06 (DAX / CAC40 / FTSE100)
FY 2006 - Q4 performance

- SETS value traded up 58%
- SETS bargains up 38%
- Total revenue up 27%
- Operating profit up 73%

London Stock Exchange was the fastest growing listed exchange in calendar Q1 2006
Next Generation Technology goes live

- September 2005: Infolect launch
- October 2005: SETS capacity upgrade
- Investment banks significantly increase IT spend in equity trading
Millisconds matter

- New trading platform – to execute at under 10ms
- Speed of information dissemination – down to 2ms since September 2005
- Infolect’s latency improves trade to order ratio
New technology improves market efficiency

- Completing TRM in first half of 2007 with new trading platform go-live

  ![Technology Roadmap (TRM)](image)

- 100% availability delivered for 6th consecutive year
Secular change in trading:
Acceleration of growth on SETS

Growth in SETS value traded (FY 2006)
SETS growth vs February forecast
Well ahead of FY 2008 target

Average SETS bargains per day ('000)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 2005</th>
<th>FY 2006</th>
<th>FY 2007 Actuals to Date</th>
<th>FY 2007 Forecast</th>
<th>FY 2008 Forecast</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>170</td>
<td>223</td>
<td>327</td>
<td>255</td>
<td>340</td>
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</table>

FY 2007 actuals to date
Forecast

SETS growth vs February forecast
Well ahead of FY 2008 target
Buy-side algorithmic trading grows

Source: Greenwich Associates, Lehman Brothers Research

Share trading volume - US and European buy-side 2005

Self-directed using algorithms

US institutions  European institutions

Source: Greenwich Associates, Lehman Brothers Research
Order entry rates improve post Infolect

FTSE 100 order entry rates for top 6 firms 2000-present

Orders/day

- Capacity upgrade
- Capacity upgrade
- Infolect and capacity upgrade

Jan-00
May-00
Sep-00
Jan-01
May-01
Sep-01
Jan-02
May-02
Sep-02
Jan-03
May-03
Sep-03
Jan-04
May-04
Sep-04
Jan-05
May-05
Sep-05
Jan-06
Strong positive correlation between cash and derivatives growth

Source: LIFFE; WFE
Volume growth outpaces growth at Eurex and Liffe

Growth in SETS value / volume vs Growth in derivatives contracts traded

Source: Exchange websites, Factsheets
UK equity derivatives market remains underdeveloped

Ratio of on-exchange equity derivatives notional value traded to cash equities market capitalisation (2005)

Source: Eurex; Euronext; BIS; FESE; OMX; WFE; LSE analysis
Secular, not cyclical:
Relative underperformance of UK market

10 year index growth to 30 April 2006

Source: Datastream
Secular, not cyclical: Our relative growth stands out

Volume vs index growth (January to March 2006)

1 Order book volumes
2 Total equity volumes

Trading volume growth  Index growth
Secular, not cyclical:
Velocity gap continues to close

Source: FESE
Increasingly valuable global business

- Combination of unique features:
  - The defining exchange brand
  - Business philosophy and market structure
  - Next generation technology
  - London's deep pools of international capital
  - Intelligent principles-based regulation

The World’s Capital Market
Appendix
## Segmental Information

<table>
<thead>
<tr>
<th></th>
<th>Revenue 2006 £m</th>
<th>Revenue 2005 £m</th>
<th>Expenses 2006 £m</th>
<th>Expenses 2005 £m</th>
<th>Operating profit 2006 £m</th>
<th>Operating profit 2005 £m</th>
<th>Assets 2006 £m</th>
<th>Assets 2005 £m</th>
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</thead>
<tbody>
<tr>
<td>Issuer services</td>
<td>56.9</td>
<td>43.3</td>
<td>(33.0)</td>
<td>(29.7)</td>
<td>23.9</td>
<td>13.6</td>
<td>19.0</td>
<td>21.5</td>
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<tr>
<td>Broker services</td>
<td>125.5</td>
<td>100.6</td>
<td>(56.0)</td>
<td>(50.2)</td>
<td>69.5</td>
<td>50.4</td>
<td>75.2</td>
<td>57.8</td>
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<td>Information services</td>
<td></td>
<td></td>
<td>(55.0)</td>
<td>(54.2)</td>
<td>45.5</td>
<td>32.5</td>
<td>61.1</td>
<td>73.2</td>
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<td>- ongoing</td>
<td>94.1</td>
<td>86.7</td>
<td>45.5</td>
<td>32.5</td>
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<td>- exceptional</td>
<td>6.4</td>
<td>-</td>
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<td>Derivatives services</td>
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<td>(11.3)</td>
<td>(11.5)</td>
<td>(26.8)</td>
<td>(4.7)</td>
<td>1.3</td>
<td>21.3</td>
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<td>- exceptional</td>
<td></td>
<td></td>
<td></td>
<td>(26.8)</td>
<td>(4.7)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other</td>
<td>6.9</td>
<td>7.0</td>
<td>(6.7)</td>
<td>(5.9)</td>
<td>0.2</td>
<td>1.1</td>
<td>4.5</td>
<td>6.3</td>
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<tr>
<td>Corporate</td>
<td></td>
<td></td>
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<td></td>
<td>(26.9)</td>
<td>(8.4)</td>
<td>252.6</td>
<td>180.3</td>
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<td>- ongoing</td>
<td></td>
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<td>(26.9)</td>
<td>(8.4)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>252.6</td>
<td>180.3</td>
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<tr>
<td>Group</td>
<td><strong>297.5</strong></td>
<td><strong>244.4</strong></td>
<td><strong>(212.1)</strong></td>
<td><strong>(166.6)</strong></td>
<td><strong>85.4</strong></td>
<td><strong>84.5</strong></td>
<td><strong>413.7</strong></td>
<td><strong>360.4</strong></td>
</tr>
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</table>

1 Includes investment in joint venture

2 After exceptional items

3 After exceptional items, including profit on disposal of Stock Exchange Tower
Pro forma consolidated balance sheet
31 March 2006

<table>
<thead>
<tr>
<th></th>
<th>Pre-return £m</th>
<th>Movement £m</th>
<th>Post-return £m</th>
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</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>138</td>
<td></td>
<td>138</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade &amp; other receivables</td>
<td>49</td>
<td>(160)</td>
<td>49</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>227</td>
<td></td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>276</td>
<td>(160)</td>
<td>116</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>(125)</td>
<td>(350)</td>
<td>(475)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>289</td>
<td>(510)</td>
<td>(221)</td>
</tr>
<tr>
<td>Ordinary share capital</td>
<td>15</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>Share premium</td>
<td>4</td>
<td></td>
<td>4</td>
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<tr>
<td>Reserves</td>
<td>268</td>
<td>(510)</td>
<td>(242)</td>
</tr>
<tr>
<td>Minority interest</td>
<td>2</td>
<td></td>
<td>2</td>
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<tr>
<td><strong>Total shareholders’ funds</strong></td>
<td>289</td>
<td>(510)</td>
<td>(221)</td>
</tr>
</tbody>
</table>

- **£510m** return funded by **£160m** cash and **£350m** debt
- **£70m** cash retained to meet FSA requirements
- **£220m** negative net assets on a consolidated basis
- However, company reserves for LSEG plc and LSE plc remain strong at **£2.2bn** and **£270m** respectively