Reject Macquarie’s offer
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This document contains statements that are or may be forward-looking with respect to the financial condition, results of operations and businesses of London Stock Exchange plc. These statements can be identified by the use of forward looking terminology such as “believe”, “expects”, “prospect”, “estimated”, “should”, “may” or the negative thereof, or other variations thereof, or comparable terminology indicating expectations or beliefs concerning future events. These forward-looking statements include risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors which could or may cause actual results or developments to differ materially from those expressed or implied by such forward-looking statements.
Macquarie’s offer is ill-considered

- It disregards our unique strategic position
- It ignores the quality and value of our franchise
- It incorrectly states that we have low growth prospects
- It overlooks the re-rating and exciting potential of the sector

Macquarie has nothing to add

Reject the offer

Do not complete any form of acceptance
Dear Shareholder,

A consortium led by Macquarie announced an unsolicited cash offer for your company on 15 December 2005. Macquarie’s offer does not reflect the Exchange’s standalone value let alone any takeover premium. Your Board recommends that you reject Macquarie’s offer for the following reasons:

• Macquarie’s offer disregards our unique strategic position in global capital markets and our strong growth prospects. It misrepresents the nature of our business, its growth drivers and the prospects for commercial and strategic development.

• Macquarie claims the Exchange is a low growth business because it does not have a high growth derivatives product. In fact, in the last two years, the Exchange has delivered significantly higher volume growth than both Euronext.liffe and Eurex.

• Macquarie claims the Exchange is overvalued. On the contrary, our share price is beginning to reflect the growth potential and earnings momentum in our business.

• Macquarie’s offer misunderstands the global exchange sector and overlooks its re-rating. Since 22 October 2004, the share prices of the eight largest exchanges, excluding the Exchange, have risen by between 94 per cent and 496 per cent.

The global exchange sector is at the beginning of a transformational phase of corporate development. This presents the Exchange with unprecedented opportunities. Your company has a combination of strengths which means it is the natural centre for the development of the world’s first global exchange business. Macquarie would deny shareholders the right to participate in these opportunities.

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1 The date stated by Macquarie as being the day prior to the beginning of bid-speculation.
A high growth business

The Exchange announced on 10 January 2006 its third quarter results which demonstrate continuing high growth. Reflecting the strong performance in all divisions, revenues (excluding exceptional items) for the nine months ended 31 December 2005 were up 16 per cent to £210.6 million and adjusted EPS was up 43 per cent to 25.5 pence per share.

These results underline the success of the Exchange’s strategy and the management team’s ability to capitalise on our unique strategic position. We remain confident of delivering an excellent outcome for the current financial year and continued strong trading should keep us on course to deliver a very strong performance in financial year 2007.

We expect the positive trends in the first nine months of the financial year, described below, to continue in the last quarter and beyond:

- SETS, our electronic trading platform, is the engine of growth for our Broker Services division. It is forging ahead with trading on SETS now growing by more than 20 per cent per annum. This growth is a result of a number of management initiatives to drive volumes and create value, including our volume discount scheme, Central Counterparty, SETSmm and state-of-the-art technology.

- Our Technology Road Map (TRM), a four year programme to deliver next generation technology for our markets, will be completed in early 2007. A key component, Infolect, an information delivery system that carries real time market data to customers at world leading speeds, was successfully implemented in September 2005. It is already having a positive impact on our trading volume growth. TRM will enable us to offer customers one of the fastest, most reliable and scaleable trading platforms in the world. TRM will substantially improve our cost-efficiency and future scale upgrades will cost a fraction of the pre-TRM cost. For example, Infolect enables us to double capacity at a tenth of the old cost and, in future, we will be able to double capacity on the trading platform at a fifth of today’s cost.

- London is the international listing venue of choice with 554 international companies. In the past year, the Exchange attracted a record 129 companies from 29 countries to its markets.

- Worldwide demand for our real time trading data is strengthening, with the number of terminals up 5,000 in the past year to 99,000.

- Our cost control is rigorous – costs in the second half of 2005/6 will be in line with the first half. We continue to focus on controlling and reducing costs following a period of important investment in technology and other infrastructure. Since 2003, on a like-for-like basis, operating margins have increased and total costs as a percentage of sales have fallen.
A management team committed to shareholder value

Our success enables us to continue to return capital to shareholders. We returned £162.5 million in August 2004, announced the return of a further £250 million at our Interims and intend to commence an on-going share buyback programme.

This means that the Exchange has committed to return the equivalent of 162 pence per share since August 2004, excluding ordinary dividends. We also announced at our Interims a re-setting of dividend policy, including a doubling of the interim dividend to four pence per share.

We will continue to keep the capital position of the company under review in light of our performance and continued strong cash generation.

Macquarie’s offer is ill-considered

Your Board believes that Macquarie’s proposal would harm the quality, efficiency, stability and international competitiveness of the UK equity market.

You should reject Macquarie’s offer:

- It disregards our unique strategic position in the global exchange sector
- It ignores the quality and value of our franchise
- It incorrectly states that we have low growth prospects
- It overlooks the re-rating and exciting potential of the sector

Recommendation

The Board of the Exchange, which has been so advised by Merrill Lynch and Lehman Brothers, its financial advisers, strongly recommends that Exchange shareholders reject Macquarie’s offer and take no action in respect of their shareholdings. In providing advice to the Directors of the Exchange, Merrill Lynch and Lehman Brothers have taken into account the commercial assessments of the Directors. The Directors will not be accepting the offer in respect of their own shareholdings.

Yours sincerely

Chris Gibson-Smith
Chairman

To be returned once the Offer Period expires and subject to shareholder and court approval.

4 Reject Macquarie’s offer
Unique strategic position

The London Stock Exchange occupies a unique position in the global exchange sector

World leading franchise and technology

• A leading global exchange brand
• The international venue of choice for IPOs
• A flawless operational track record in the last five years without a single trading outage
• A high performance information delivery system that carries market data to customers at world leading speeds
• A next generation trading platform which will provide a step change in performance at a fraction of current industry cost

At the heart of the City of London

• The largest equity market in Europe and third largest in the world
• The largest asset management centre in the world with more than $14 trillion under management
• World renowned regulation and pro-competitive market structure; strongly positioned to grow in post-MiFID Europe

An exciting sector

• The global exchange sector is at the beginning of a transformational phase of corporate development
• The London Stock Exchange is the natural centre for the world’s capital market

Macquarie’s proposal would isolate the London equity market from the strategic development of the sector and deny shareholders access to exciting growth opportunities

Reject Macquarie’s offer
An exceptional customer franchise

We create value with and for a sophisticated customer base that has increasingly global ambitions

Our market efficiency goal dramatically reduces transaction cost

- FTSE 100 spreads have improved from 85 to 15 basis points since 2000
- Our introduction of SETSmm in 2003 has almost halved spreads in mid-cap securities
- We have removed at least £30 million per annum of market costs through the promotion of efficiency and competition in post-trade infrastructure
- The total cost of trading continues to reduce

We are an international market

- Recent highlights include: Sistema – the biggest ever Russian IPO; Kumho Tire – the first joint listing in London and Seoul; Air China – China’s national airline
- AIM – the most successful growth market in the world with 220 international companies – has the potential to become the natural home for European SMEs
- Our state-of-the-art media centre and conference services provide access to the most international investment community in the world
- Our International Order Book had a record year in 2005 with value traded up 33 per cent

Developing the market standard for Europe

- UK competition authorities recently validated our pro-competitive horizontal market structure, long promoted by the Exchange and its customers
- Our extensive work in Brussels, alongside customers, will ensure that London secures its primary position in post-MiFID Europe, creating new growth opportunities

The resounding success of London’s equity market is due to its unique qualities and conventions, the most important of which is the constructive and productive relationship between the Exchange and all of its users.
Strong performance

Recent financial results underline the Exchange's high growth

**Performance has been very strong**

- Year to date revenues\(^3\) of £211 million, up 16 per cent over last year
- Operating profit\(^3\) up 31 per cent on last year to £83 million
- Strong momentum in earnings with adjusted EPS\(^3\) growth of 43 per cent year to date
- Focussed on the control and reduction of costs

**Exceptional shareholder returns**

Since August 2004, the London Stock Exchange has announced the return of £412.5 million\(^4\) to shareholders. This represents 24 per cent of current market capitalisation.

Our financial performance has provided exceptional shareholder returns.

**Total shareholder return**

£100 invested in the London Stock Exchange at the time of listing is worth £198 today

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\(^3\) For the nine months ended 31 December 2005, before exceptional items.

\(^4\) £162.5m of which was returned in August 2004.
Strong growth prospects

Broker Services – a fundamentally high growth story

SETS, the Exchange’s electronic order book, is at the heart of an exciting growth story.

Our SETS revenues have grown at a four year CAGR of 29 per cent.

SETS revenues (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>SETS Revenues (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2001</td>
<td>23.7</td>
</tr>
<tr>
<td>FY 2002</td>
<td>40.4</td>
</tr>
<tr>
<td>FY 2003</td>
<td>48.4</td>
</tr>
<tr>
<td>FY 2004</td>
<td>59.8</td>
</tr>
<tr>
<td>FY 2005</td>
<td>66.0</td>
</tr>
<tr>
<td>9 months to Dec 05</td>
<td>59.6</td>
</tr>
</tbody>
</table>

In each of the last two years, the growth in both volume and value traded on SETS has exceeded growth on Eurex and Euronext.liffe.


- Euronext.liffe – contracts traded
- Eurex – contracts traded
- SETS value traded
- SETS number of trades

<table>
<thead>
<tr>
<th>Year</th>
<th>Euronext.liffe</th>
<th>Eurex</th>
<th>SETS value traded</th>
<th>SETS number of trades</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>14%</td>
<td>5%</td>
<td>23%</td>
<td>17%</td>
</tr>
<tr>
<td>2005</td>
<td>24%</td>
<td>20%</td>
<td>26%</td>
<td>17%</td>
</tr>
</tbody>
</table>
Strong growth prospects

The outlook for core UK equity trading is extremely strong

Total value of UK equity trading has grown at a CAGR of 16 per cent over the last 20 years.

Value traded, the key driver of Broker Services revenues, has grown strongly over the last ten years despite the worst bear market for a generation.
Strong growth prospects

The virtuous circle drives growth

The virtuous circle creates an environment in which innovative technology, a unique market structure and intelligent pricing stimulate growth in trading volume to the mutual advantage of customers and shareholders.

SETS growth benefits customers through lower fees, reduced dealing spreads and increased liquidity. It also benefits shareholders because SETS yields are higher than those for off-book trading.

Continuous technology investment stimulates liquidity growth

Our investment in new technology fuels the virtuous circle by facilitating high-velocity trading. This additional liquidity compresses dealing spreads, thereby attracting further business to SETS.

Our new technology platform has much greater speed and capacity to handle massive increases in trading while allowing us to double trading capacity at just one fifth of today’s cost.

There are already positive signs of the impact that Infolect, our new information delivery system, is having on trading volumes.

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Strong growth prospects

New trading patterns accelerate growth

SETS growth has accelerated:

- Traders are increasingly relying on automated, high volume, “black box” technology
- Traditional fund managers increasingly access our markets directly; when fund managers take control of trading through “Direct Market Access”, trading volume on SETS increases
- Hedge funds trade, on average, five times more than traditional asset managers
- Contracts For Differences (CFDs), typically hedged on SETS, are increasingly used as a stamp duty-free way of trading UK equities
- SETS is a high quality hedging mechanism for a range of other derivative products and therefore benefits directly from any growth in associated products

**Estimated global hedge funds under management ($bn)**

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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>480</td>
<td>520</td>
<td>600</td>
<td>650</td>
<td>820</td>
<td>950</td>
<td>1,100</td>
<td>1,250</td>
<td>1,450</td>
<td>1,700</td>
<td>2,000</td>
<td>4,000</td>
<td>6,000</td>
</tr>
</tbody>
</table>

**Closing the velocity⁵ gap**

As these new trading patterns have developed, the velocity of trading on SETS has increased sharply, despite the structural drag which stamp duty imposes on UK equities. The use of stamp-free products such as CFDs and the continued development of SETS will facilitate more efficient trading and further growth.

**Velocity – order book trading**

<table>
<thead>
<tr>
<th>Year</th>
<th>SETS</th>
<th>European average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>30%</td>
<td>53%</td>
</tr>
<tr>
<td>2005</td>
<td>63%</td>
<td>81%</td>
</tr>
</tbody>
</table>

⁵Trading velocity is the ratio between the value of shares traded and their market capitalisation.

Reject Macquarie’s offer 11
Strong growth prospects

Issuer Services – the venue of choice for IPOs

Our global brand, the quality of our markets and access to London’s deep pools of capital attract companies to the Exchange.

Strong marketing has helped to secure the London Stock Exchange’s position as the listing venue of choice. We have attracted 63 per cent of European IPOs since 2000, nearly seven times the number of IPOs of our closest competitor.

We have built AIM into the world’s most successful growth market with the number of companies growing at a 28 per cent CAGR since the end of its first year in 1995.

The Exchange attracted 33 per cent of all international listings on major exchanges in 2005.

Our marketing focus on the world’s high growth economies enabled the London Stock Exchange to attract 75 per cent of international IPOs on major exchanges from China, India and Russia in 2005.

RNS, the custodian of price sensitive information for the UK equity market, delivers over 75 per cent of all regulatory announcements, and services 90 per cent of FTSE 100 companies.
Strong growth prospects

Information Services – increasing international demand for information

The Exchange provides the single price reference point for critical information on the UK equity market for customers the world over – a service required in bull and bear markets alike.

We are the definitive source for a wide range of reference and historic data which is vital to the integrity of our markets. Building on our position as a trusted provider of high quality reference data, we introduced SEDOL Masterfile in March 2004. This service enables customers to improve operational efficiency and is now used to identify over one million securities worldwide.

As of 31 December 2005, the overall number of terminals taking real-time Exchange data, a key revenue driver, increased to 99,000, up 5,000 since the same point last year. Our real-time market data is received in more than 100 countries.

International presence

FTSE International, a leading global index provider in which the Exchange has a 50 per cent stake, goes from strength to strength. It calculates over 60,000 indices in 48 countries worldwide.
An exciting sector

The exchange sector is being re-rated to reflect exciting growth opportunities

Since 22 October 2004, the average one-year forward P/E multiple of the major global exchanges, excluding the Exchange, has risen by 81 per cent.

The global exchange sector has enjoyed significant share price appreciation since 22 October 2004 with the share prices of the eight largest exchanges, excluding the Exchange, rising by between 94 per cent and 496 per cent.

“The European exchanges sector has already seen a re-rating since the start of the year…as the market has focused on the ability and increasing willingness for exchanges to pay out excess capital”


“The global universe of stock exchanges was re-rated in 2005 considerably, with an average share price rise of around 100%. Although bid fervour has played a part in the strong share price moves, we believe larger drivers have been significant profit estimate upgrades and improved capital discipline…”

Rupak Ghose, Analyst, CSFB, 5 January 2006

“We dispute Macquarie’s assertions that Deutsche Boerse and Euronext are not valid peers and highlight that they are trading on 19x-20x consensus 06E earnings. In this context, Macquarie’s offer price does look ‘cheap’.”

Daniel Garrod, Analyst, Citigroup, 11 January 2006

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An exciting sector

**Macquarie is simply wrong**

**Comparable transactions**

Macquarie’s offer is at a substantial discount to recent exchange transactions.

**Stand-alone prices**

Research analysts’ stand-alone prices for the Exchange, updated since the publication of our Q3 Trading Statement, are:

<table>
<thead>
<tr>
<th>Analyst</th>
<th>Current stand-alone price (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSFB</td>
<td>755</td>
</tr>
<tr>
<td>Exane</td>
<td>595</td>
</tr>
<tr>
<td>Keefe, Bruyette &amp; Woods</td>
<td>640</td>
</tr>
<tr>
<td>Man Securities</td>
<td>650</td>
</tr>
<tr>
<td>Société Générale</td>
<td>455</td>
</tr>
<tr>
<td>West LB</td>
<td>630</td>
</tr>
</tbody>
</table>

Macquarie’s offer of 580p represents a multiple of just 18.2 times the Exchange’s adjusted EPS for the 12 months ended 31 December 2005, below the trading multiples of all other major listed exchanges.

**December 2005 calendarised P/E multiples**

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Shareholders’ views

“The LSE shares are very cheap on a stand alone basis, bid or no bid. The focus on the potential ownership structure has obscured a very strong underlying growth story.”

Michael Taylor, Head of Equities, Threadneedle Asset Management, 11 January 2006
Stake in London Stock Exchange: 13.3 per cent

“[Macquarie’s offer] doesn’t encapsulate the full value of LSE”

David Keir, Investment Director, UK Equities, Scottish Widows Investment Partnership, 16 December 2005
Stake in London Stock Exchange: 7.1 per cent

Reject Macquarie’s offer
Macquarie has nothing to add

No relevant experience

No operational expertise

No new ideas

No strategic vision

No market enhancement

What future for the London market in Macquarie’s hands?

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APPENDIX 1 – ADDITIONAL INFORMATION

1. Responsibility
The Directors, whose names are set out in paragraph 2 below, accept responsibility for the information contained in this document except that the only responsibility accepted by the Directors in respect of information relating to the consortium led by Macquarie, which has been compiled from published sources, is to ensure that it has been correctly and fairly reproduced and presented. Subject as aforesaid, to the best of the knowledge and belief of the Directors (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

<table>
<thead>
<tr>
<th>Director</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris Gibson-Smith</td>
<td>Chairman</td>
</tr>
<tr>
<td>Clara Furse</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Jonathan Howell</td>
<td>Director of Finance</td>
</tr>
<tr>
<td>Gary Allen CBE</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Baroness (Janet) Cohen</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Oscar Fanjul</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Peter Meinertzhagen</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Nigel Stapleton</td>
<td>Non-Executive Director</td>
</tr>
<tr>
<td>Robert Webb QC</td>
<td>Non-Executive Director</td>
</tr>
</tbody>
</table>

3. Disclosure of interests and dealings in relevant securities

Definitions
3.1 For the purposes of this paragraph 3:

3.1.1 “arrangement” includes any indemnity or option arrangement, and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;

3.1.2 “associate” includes:
(i) the subsidiaries and associated companies of the London Stock Exchange and companies of which any such subsidiaries or associated companies are associated companies. For this purpose, ownership or control of 20 per cent or more of the equity share capital of a company is the test of associated company status;
(ii) a connected adviser and persons controlling, controlled by or under the same control as a connected adviser;
(iii) the Directors of the London Stock Exchange or of any company covered in (i) above (together in each case with their close relatives and related trusts); and
(iv) the pension funds of the London Stock Exchange or of any company covered in (i) above;

3.1.3 “connected adviser” includes an organisation which is advising the London Stock Exchange in relation to the offer, its corporate broker, an organisation which is advising a person acting in concert with the directors of the London Stock Exchange in relation to the offer or in relation to the matter which is the reason for that person being a member of the concert party, or an organisation which is advising a paragraph 1 associate in relation to the offer;

3.1.4 “control” means a holding or aggregate holdings of shares carrying 30 per cent or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holdings give de facto control;

3.1.5 “dealing” or “dealt” includes:
(i) acquiring or disposing of securities;
(ii) taking, granting, acquiring, disposing of, entering into, closing out, terminating, exercising or varying an option in respect of any securities;
(iii) subscribing or agreeing to subscribe for securities;
(iv) acquiring, disposing of, entering into, closing out, exercise of any rights under, or varying, a derivative referenced, directly or indirectly, to securities;
(v) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and
(vi) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;

3.1.6 “derivative” includes any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;

3.1.7 “disclosure period” means the period commencing on 15 August 2005 and ending on 16 January 2006 (being the latest practicable date prior to the posting of this document);
3.1.8 references to a person having an "interest" in relevant securities includes where a person:
(i) owns securities;
(ii) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities or has general control of them;
(iii) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
(iv) is party to any derivative whose value is determined by reference to the price of securities and which results, or may result, in his having a long position in them;

3.1.9 references to Directors having an interest in relevant securities are to be interpreted in accordance with Parts VI and X of the Companies Act;

3.1.10 “London Stock Exchange relevant securities” means London Stock Exchange Shares and securities convertible into, rights to subscribe for, and options in respect of, London Stock Exchange Shares;

3.1.11 “Macquarie relevant securities” means all shares comprised within the equity share capital of Macquarie and securities convertible into rights to subscribe for and options in respect of such equity share capital;

3.1.12 “paragraph 1 associate” means the subsidiaries and associated companies of the London Stock Exchange and companies of which any such subsidiaries or associated companies are associated companies. For this purpose, ownership or control of 20 per cent or more of the equity share capital of a company is the test of associated company status;

3.1.13 references to a pension fund of the London Stock Exchange or of a company which is a paragraph 1 associate do not include any such pension funds which are managed under an agreement or arrangement with an independent third party in the terms set out in Note 6 on the definition in the City Code of “acting in concert”;

3.1.14 “relevant securities” means London Stock Exchange relevant securities and Macquarie relevant securities; and

3.1.15 “short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative.

Interests in London Stock Exchange relevant securities

3.2 As at the close of business on 16 January 2006 (being the latest practicable date prior to the posting of this document):

3.2.1 the interests of the Directors of the London Stock Exchange in London Stock Exchange relevant securities (apart from options which are disclosed under paragraph 3.2.2 below) were as follows:

<table>
<thead>
<tr>
<th>Names</th>
<th>Number of London Stock Exchange relevant securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris Gibson-Smith</td>
<td>10,214</td>
</tr>
<tr>
<td>Clara Furse</td>
<td>305,977</td>
</tr>
<tr>
<td>Jonathan Howell</td>
<td>103,356</td>
</tr>
<tr>
<td>Gary Allen CBE</td>
<td>1,865</td>
</tr>
<tr>
<td>Baroness (Janet) Cohen</td>
<td>1,443</td>
</tr>
<tr>
<td>Oscar Fanjul</td>
<td>25,976</td>
</tr>
<tr>
<td>Nigel Stapleton</td>
<td>1,645</td>
</tr>
<tr>
<td>Robert Webb QC</td>
<td>1,424</td>
</tr>
</tbody>
</table>

3.2.2 the interests of the Directors of the London Stock Exchange in options and conditional awards over London Stock Exchange Shares under the London Stock Exchange Share Schemes were as set out in the table below:

<table>
<thead>
<tr>
<th>Share options</th>
<th>Name</th>
<th>Scheme</th>
<th>Number of London Stock Exchange Shares under option</th>
<th>Exercise price (£)</th>
<th>Date of grant</th>
<th>First vesting date</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Clara Furse</td>
<td>SAYE</td>
<td>6,048</td>
<td>2.79</td>
<td>16/08/01</td>
<td>01/10/06</td>
<td>01/04/07</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ESOS</td>
<td>76,924</td>
<td>3.90</td>
<td>15/07/02</td>
<td>15/07/05</td>
<td>15/07/12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ESOS</td>
<td>102,168</td>
<td>3.23</td>
<td>16/05/03</td>
<td>16/05/06</td>
<td>16/05/13</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ESOS</td>
<td>87,072</td>
<td>3.79</td>
<td>20/05/04</td>
<td>20/05/07</td>
<td>20/05/14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ISP</td>
<td>285,450</td>
<td>2.52</td>
<td>25/01/01</td>
<td>25/01/02</td>
<td>25/01/11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ISP</td>
<td>211,450</td>
<td>3.15</td>
<td>25/01/01</td>
<td>25/01/02</td>
<td>25/01/11</td>
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<tr>
<td></td>
<td></td>
<td>ASP</td>
<td>3,430</td>
<td>3.65</td>
<td>25/06/01</td>
<td>25/06/02</td>
<td>25/06/11</td>
</tr>
</tbody>
</table>
Reject Macquarie’s offer
3.3.4 other than transfers of London Stock Exchange Shares to participants in the London Stock Exchange Share Schemes in satisfaction of the exercise of options under the London Stock Exchange Share Schemes, no dealings in London Stock Exchange relevant securities took place by any employee benefit trust of the London Stock Exchange or of a company which is a paragraph 1 associate;

3.3.5 the following dealings in London Stock Exchange relevant securities took place by connected advisers and persons controlling, controlled by or under the same control as such advisers (except for an exempt principal trader or an exempt fund manager):

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of transaction</th>
<th>Nature of transaction</th>
<th>Number of relevant London Stock Exchange securities</th>
<th>Price per London Stock Exchange Share (pence)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lehman Brothers International (Europe)</td>
<td>15 August 2005</td>
<td>Buy transactions closing out short position</td>
<td>1,959</td>
<td>5.628</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3,402</td>
<td>5.630</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,959</td>
<td>5.690</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>761</td>
<td>5.695</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,175</td>
<td>5.698</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3,256</td>
<td>5.710</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,194</td>
<td>5.713</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,684</td>
<td>5.720</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,720</td>
<td>5.725</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,412</td>
<td>5.740</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,936</td>
<td>5.753</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,915</td>
<td>5.760</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4,688</td>
<td>5.763</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>180</td>
<td>5.783</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,421</td>
<td>5.785</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,357</td>
<td>5.788</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,612</td>
<td>5.790</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,428</td>
<td>5.803</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,445</td>
<td>5.810</td>
</tr>
<tr>
<td>Highbridge Capital Management LLC</td>
<td>15 August 2005</td>
<td>Entering into a Short Equity SWAP which creates a short position</td>
<td>35,971</td>
<td>5.765</td>
</tr>
</tbody>
</table>

1 The transactions by Lehman Brothers International (Europe) took place to flatten pre-existing proprietary book positions. The Panel Executive has informed Lehman Brothers International (Europe) on an ex parte basis that such transactions are permitted and have no City Code consequences.

2 Highbridge Capital Management LLC is owned 55 per cent by JP Morgan Asset Management Holdings Inc., a wholly owned subsidiary of JP Morgan Chase & Co. (See note to paragraph 3.2.6 above).

General

3.4 Save as disclosed above, neither the London Stock Exchange nor the London Stock Exchange Directors:

3.4.1 had an interest in or a right to subscribe for relevant securities as at the close of business on 16 January 2006 (being the latest practicable date prior to the posting of this document);

3.4.2 engaged in any dealing in relevant securities during the disclosure period; or

3.4.3 had any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of, relevant securities as at the close of business on 16 January 2006 (being the latest practicable date prior to the posting of this document).

3.5 Save as disclosed above, (so far as the London Stock Exchange Directors are aware having made due and careful enquiry) no paragraph 1 associate, nor any pension fund of the London Stock Exchange or of any company which is a paragraph 1 associate, nor any employee benefit trust of the London Stock Exchange or of any company which is a paragraph 1 associate, nor any connected adviser or any person controlling, controlled by or under the same control as any such adviser (except for an exempt principal trader or an exempt fund manager), nor any person with whom the London Stock Exchange or any associate of the London Stock Exchange has any arrangement in relation to London Stock Exchange relevant securities:

3.5.1 had an interest in or a right to subscribe for London Stock Exchange relevant securities as at the close of business on 16 January 2006 (being the latest practicable date prior to the posting of this document);
3.5.2 engaged in any dealing in London Stock Exchange relevant securities during the disclosure period; or
3.5.3 had any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of, London Stock Exchange relevant securities as at the close of business on 16 January 2006 (being the latest practicable date prior to the posting of this document).

3.6 Save as disclosed in this document, there are no arrangements of the kind referred to in Note 6(b) on Rule 8 of the City Code which exist between the London Stock Exchange or any associate of the London Stock Exchange and any other person.

3.7 Save as disclosed in this document, neither the London Stock Exchange nor any person acting in concert with the London Stock Exchange Directors has borrowed or lent London Stock Exchange relevant securities, save for any borrowed London Stock Exchange relevant securities which have been either on-lent or sold.

4. Directors’ contracts

Executive Directors

4.1 Each Executive Director has a service agreement with the London Stock Exchange. The terms are set out below:

4.1.1 Clara Furse entered into a service agreement with the London Stock Exchange on 24 January 2001 to act as Chief Executive. The service agreement may be terminated by Mrs Furse or the London Stock Exchange on not less than 12 months’ notice. In addition, on a change of control of the London Stock Exchange, Mrs Furse has the right to terminate her contract on 30 days’ notice provided such notice is given within 30 days of the change of control. In the event of: (i) her resignation following a change of control; (ii) an unlawful termination of her employment by the London Stock Exchange; or (iii) the London Stock Exchange terminating her employment in the event that she is unable to perform her duties due to illness or injury for a period of 6 months in any 12 month period and she is not eligible to receive a permanent health insurance benefit, Mrs Furse is entitled to a severance payment equal to one year’s salary, benefits in kind and the amount of the last bonus award in the twelve month period prior to termination. Mrs Furse’s service agreement provides for a salary of £381,500 per annum and an entitlement to 25 per cent of base monthly salary payable into a personal pension plan or the London Stock Exchange Executive Pension Plan up to HM Revenue & Customs limits. Mrs Furse may request that any amount in excess of the amount payable within HM Revenue & Customs limits is received as a non-pensionable salary supplement.

4.1.2 Jonathan Howell entered into a service agreement with the London Stock Exchange dated 25 January 2000. His service agreement may be terminated by Mr Howell or the London Stock Exchange on not less than 12 months’ written notice by the London Stock Exchange or Mr Howell. Mr Howell’s service agreement provides for a salary of £246,000 per annum and an entitlement to 22.5 per cent of base salary payable into the London Stock Exchange Executive Pension Plan up to HM Revenue & Customs limits. Mr Howell may request that any amount in excess of HM Revenue & Customs limits is received as a non-pensionable salary supplement. Mr Howell’s service agreement makes no provision for an agreed severance payment on termination of his employment.

4.1.3 The Executive Directors each receive benefits in kind, principally private health care and life assurance arrangements. In addition, each of the Executive Directors is entitled to:
(i) participate in the London Stock Exchange Annual Bonus Plan. Bonus awards are approved by the London Stock Exchange remuneration committee and are based on annual financial targets and individual performance; and
(ii) participate in the LTIP which comprises a conditional award of performance shares and an award of matching shares linked to investment by the Executive Directors in London Stock Exchange Shares.

4.1.4 London Stock Exchange staff participate in a flexible benefit plan whereby they receive an allowance from which they can purchase additional benefits or receive all or a proportion as a cash supplement. This allowance is not used to calculate bonus payments or pension contributions. Clara Furse receives a flexible benefit allowance of £20,000 per annum. Jonathan Howell’s flexible benefit allowance is £19,520 per annum.

4.1.5 Save as mentioned in paragraph 3 and this paragraph 4, there are no entitlements to commissions, profit sharing arrangements or any other specific compensation payments under the Executive Directors’ service agreements.

Non-Executive Directors

4.2 Each of the Non-Executive Directors except the Chairman has a letter of appointment, with no notice period, dated 1 February 2001 which sets out their responsibilities and commitments. Each of the appointments were for an initial period of three years and have been renewed until 31 January 2007, unless the Non-Executive Director is not re-elected by shareholders at the next Annual General Meeting at which he is required to stand for re-election. Each of the Non-Executive Directors receives a fee of £32,500 per annum apart from GJ Allen and NJ Stapleton who receive fees of £42,500 per annum and £37,500 per annum respectively.

4.3 The Chairman has a letter of appointment dated 7 April 2003. His appointment is for an initial period of three years until the Annual General Meeting in 2006, is terminable on six months’ notice and is renewable for a further period of three years. The Chairman’s letter of appointment provides for a salary of £250,000 per annum.

General

4.4 The Non-Executive Directors, including the Chairman, are not eligible to participate in any incentive or pension arrangements.

4.5 Save as disclosed above, there are no service contracts in force between any Director or proposed director of the London Stock Exchange and any of its subsidiaries and no such contract has been entered into or amended during the last six months preceding the date of this document.

4.6 Each of the Directors has the benefit, under Article 186.1 of the London Stock Exchange’s Articles of Association, of an indemnity, to the extent permitted by the Companies Act, against liabilities incurred by them for negligence, default, breach of duty or breach of trust in relation to the affairs of the London Stock Exchange.

22 Reject Macquarie’s offer
5. Consents

5.1 Merrill Lynch has given and not withdrawn its written consent to the inclusion of its report (given jointly with Lehman Brothers) set out in Appendix 2 of this document and to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.

5.2 Lehman Brothers has given and not withdrawn its written consent to the inclusion of its report (given jointly with Merrill Lynch) set out in Appendix 2 of this document and to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.

5.3 PwC has given and not withdrawn its written consent to the inclusion of its report set out in Appendix 2 of this document and to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.

6. Material contracts

6.1 The London Stock Exchange is party to an agreement with The London Clearing House Limited (now known as LCH.Clearnet Limited) dated 24 November 2003. Under the agreement, the London Stock Exchange has appointed LCH.Clearnet to act as the central counterparty for the clearing of securities on the Exchange’s SETS trading platform. There are no financial flows between the parties relating to this activity. The agreement remains in force until validly terminated by either party on not less than 12 months’ prior written notice.

6.2 Save as disclosed in this document, there have been no contracts entered into by the London Stock Exchange or any of its subsidiaries during the period commencing on 15 August 2003 (being the date two years before commencement of the Offer Period) and ending on 16 January 2006 (being the latest practicable date prior to posting of this document) which are outside the ordinary course of business and which are or may be considered material.

7. Documents on display

7.1 Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS and at the registered office of the London Stock Exchange at 10 Paternoster Square, London EC4M 7LS during normal business hours on any weekday (Saturdays, Sundays and public holiday excepted) for so long as Macquarie’s offer remains open for acceptance:

7.1.1 the current Memorandum and Articles of Association of the London Stock Exchange;

7.1.2 audited consolidated accounts of the London Stock Exchange for the two years ended 31 March 2004 and 2005;

7.1.3 service agreements of the Executive Directors and letters of appointment of the Chairman and the Non-Executive Directors referred to in paragraph 4;

7.1.4 the consent letters referred to in paragraph 5 above;

7.1.5 the agreement with LCH.Clearnet Limited referred to in paragraph 6 above;

7.1.6 the Interims;

7.1.7 the Q3 Trading Statement; and

7.1.8 copies of the analysts’ confirmations together with their reports referred to in paragraph 2 of Appendix 3 of this document (page reference 15(b)).
APPENDIX 2 - Q3 TRADING STATEMENT EXTRACT AND SUPPLEMENTAL DISCLOSURE

The following is an extract of the trading statement issued by the London Stock Exchange on 10 January 2006, as supplemented by the additional disclosure in Note 4:

TRADING STATEMENT AND UNAUDITED RESULTS FOR THE THREE AND NINE MONTHS ENDED 31 DECEMBER 2005 AND UNAUDITED EARNINGS FOR THE 12 MONTHS ENDED 31 DECEMBER 2005

London Stock Exchange plc ("the Exchange") today issued its quarterly trading statement for the three months and nine months ended 31 December 2005 ("Q3") together with earnings per share on a calendarised basis for the 12 months ended 31 December 2005. All figures for the current year are unaudited.

In summary, the Exchange has produced another very strong financial performance, benefiting from continued good momentum in all main business areas in the third quarter, compared to the same quarter last year:

• Main Market new issues increased 20 per cent to 36; total new issues, including AIM, up from 148 to 168
• SETS bargains/day up 25 per cent to 218,000
• Professional terminals up 4,000 since Q3 last year to 86,000 at end of December 2005

Reflecting continuing strong performance in Q3, financial results (excluding exceptional items) for the nine months ended 31 December 2005 show:

• Revenue up 16% to £210.6 million
• Adjusted EPS up 43% to 25.5 pence

For the three months ended 31 December 2005, revenue was £80.9 million (2004: £62.5 million) including exceptional income of £6.4 million in respect of settlement reached with a customer in relation to reporting for information services. Operating profit was £37.5 million (2004: £21.9 million) and basic EPS was 11.1 pence (2004: 6.5 pence). Before exceptional items, revenue grew 19 per cent to £74.5 million (£62.5 million) and operating profit increased 45 per cent to £32.4 million (2004: £22.4 million) while adjusted EPS showed growth of 46 per cent, rising to 9.8 pence (2004: 6.7 pence).

For the nine months ended 31 December 2005, revenue was £217.0 million (2004: £180.8 million). Operating profit was £62.6 million (2004: £67.3 million) and EPS was 20.7 pence (2004: 19.3 pence per share). Excluding net exceptionals of £20.6 million, revenue rose 16 per cent to £210.6 million, operating profit climbed 31 per cent to £83.2 million (£63.3 million) and adjusted EPS increased 43 per cent to 25.5 pence (2004: 17.8 pence).

For the 12 months ended 31 December 2005, adjusted EPS was 31.9 pence and basic EPS was 25.6 pence.

Commenting on current trading and prospects, Clara Furse, Chief Executive Officer, said:

"The Exchange has once again delivered very good top line growth in all main business areas and the strong momentum in earnings growth has been maintained, with adjusted EPS growth of 43 per cent for the year so far.

This performance and the increasing value this creates for shareholders and customers, together with the quality of the Exchange’s brand, technology, franchise and global position, reinforces our dismissal of Macquarie’s offer which entirely fails to recognise the value of the business and its unique position. We remain confident of an excellent outcome for this year and continued strong trading should keep us on course to deliver a strong performance in financial year 2007."

Issuer Services

In Q3, Issuer Services continued the strong performance seen earlier in the year with revenue increasing 37 per cent to £15.5 million (2004: £11.3 million), mainly reflecting the number and size of UK and international new issues during the period.

During the quarter there was a total of 168 new issues on the Exchange’s markets, up 14 per cent on the same period last year (2004: 148), including 36 on the Main Market (2004: 30). In December alone, a record 83 new companies joined the Exchange’s markets. Money raised on the Main Market increased 145 per cent to £8.1 billion (2004: £3.3 billion) and the average market capitalisation of an IPO increased over 250 per cent to £269 million.

The growth in new issues for the first nine months of the financial year was the principal driver for the 35 per cent rise in Issuer Services’ revenue to £42.3 million (2004: £31.3 million). At 474, the total number of new issues increased 31 per cent over the corresponding period last year (2004: 362). Main Market new issues increased 38 per cent to 83 (2004: 60) while AIM also performed well with a 29 per cent increase in new issues from 302 to 389. As at 31 December 2005, the number of companies on AIM grew to a new record level of 1,399 (2004: 1,021), with the total number of companies on our markets increasing to 3,093 (2004: 2,837).
RNS performed well during Q3 with revenues of £2.5 million for the quarter, up 39 per cent. For the nine months of the financial year to date, revenue increased 26 per cent to £6.7 million, reflecting an increase in the number of company announcements during the year.

**Broker Services**

Broker Services delivered an excellent performance as revenue in Q3 increased 22 per cent to £30.9 million (2004: £25.4 million). The average number of equity bargains per day increased 22 per cent to 344,000 (2004: 281,000) and value traded totalled £1.4 trillion during the period, an increase of 17 per cent (2004: £1.2 trillion).

Trading volumes on SETS, the Exchange’s electronic order book, continued to grow strongly. The average number of SETS bargains per day for the quarter reached record levels at 218,000, a 25 per cent increase (2004: 175,000), including 229,000 bargains per day in October, a new record month. Value traded on SETS increased 33 per cent to £292 billion (2004: £219 billion). During the quarter, the average value of a SETS bargain increased five per cent to £21,000 (2004: £20,000).

SETS growth was supported by the continued success of SETSmm (up 131 per cent to 37,000 bargains per day) which was extended in December 2005 to include the constituents of the AIM 50 Index as well as the remaining 100 Main Market small cap stocks not already traded on the service. Overall, trading on SETS contributed 69 per cent of Broker Services’ revenue during the quarter.

In Q3, the average number of off-book bargains decreased to 44,000 per day (2004: 47,000) while the average number of international bargains rose to 82,000 per day (2004: 59,000).

For the nine months ended 31 December 2005, Broker Services’ strong performance was reflected in a 19 per cent increase in revenue to £87.8 million (2004: £74.0 million). During the period, the daily average number of equity bargains was 326,000 (2004: 258,000) and the daily average number of SETS bargains was 206,000 (2004: 162,000), a financial year to date increase of 27 per cent. The average value of a SETS bargain was unchanged over the same period last year at £21,000 (2004: £21,000).

**Information Services**

Information Services made good progress during the quarter. Revenue for Q3 before exceptional items rose eight per cent to £24.4 million (2004: £22.5 million), reflecting an increase in the number of terminals as well as increased contributions from SEDOL and Proquote.

The overall number of terminals taking real time Exchange data increased to 99,000, up 5,000 since the same point last year (31 December 2004: 94,000). The number of terminals attributable to professional users rose to 86,000 (31 December 2004: 82,000). Proquote, the Exchange’s provider of financial market software and data, continued to expand with 3,000 screens (31 December 2004: 2,500).

SEDOL Masterfile, the Exchange’s securities numbering service, continued to make good progress during the period with the number of securities with SEDOL identification increasing from 700,000 at the end of September 2005 to over one million.

Information Services’ turnover for the financial year to date, before exceptional items, increased seven per cent from £64.9 million to £69.5 million, reflecting the increase in number of terminals taking Exchange data and the success of other information products.

**Derivatives Services**

Derivatives Services, mainly comprising EDX London, the Exchange’s equity derivatives business, contributed revenues of £1.9 million in Q3 (2004: £1.5 million) and £5.8 million for the first nine months of the year (2004: £5.1 million). During the quarter EDX traded 5.5 million contracts (2004: 4.4 million) and 15.6 million contracts were traded in the nine months ended 31 December 2005 (2004: 13.6 million).

**Current Trading and Prospects**

The positive market trends seen in the first half of the financial year have continued in the second half, with strong growth in new issues on both the Main Market and on AIM and record trading volumes on SETS. In addition, demand for real time data remains good with professional terminal numbers increasing since the same point last year. As stated with the release of the Interim Results, the Exchange is committed to ongoing cost control and should keep operating costs in the second half of the year at the same level as the first half. In addition, costs next year should be maintained at the same level as the current financial year.

Overall, the Exchange is confident of an excellent outcome for the current financial year and continuing strong market conditions should ensure a strong performance for the financial year ended 31 March 2007.
## Consolidated income statement

<table>
<thead>
<tr>
<th>Continuing Operations</th>
<th>Notes</th>
<th>Three months ended 31 December</th>
<th>Nine months ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2005 Unaudited £m</td>
<td>2004 Unaudited £m</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuer Services</td>
<td></td>
<td>15.5</td>
<td>11.3</td>
</tr>
<tr>
<td>Broker Services</td>
<td></td>
<td>30.9</td>
<td>25.4</td>
</tr>
<tr>
<td>Information Services-ongoing</td>
<td>2</td>
<td>24.4</td>
<td>22.5</td>
</tr>
<tr>
<td>Information Services-exceptional</td>
<td>2</td>
<td>6.4</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>80.9</td>
<td>62.5</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses before exceptional items</td>
<td></td>
<td>(42.1)</td>
<td>(40.1)</td>
</tr>
<tr>
<td>Exceptional expenses</td>
<td>2</td>
<td>(1.3)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>(43.4)</td>
<td>(40.6)</td>
</tr>
<tr>
<td>Profit on disposal of Stock Exchange Tower</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td></td>
<td>37.5</td>
<td>21.9</td>
</tr>
<tr>
<td>Analysed as:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit before exceptional items</td>
<td></td>
<td>32.4</td>
<td>22.4</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>2</td>
<td>5.1</td>
<td>(0.5)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td></td>
<td>37.5</td>
<td>21.9</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td></td>
<td>5.2</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td></td>
<td>(3.5)</td>
<td>(3.1)</td>
</tr>
<tr>
<td>Net finance income</td>
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<td>1.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Share of profit after tax of joint venture</td>
<td></td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Investment income</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
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<td>39.5</td>
<td>23.5</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td>(11.4)</td>
<td>(7.1)</td>
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<tr>
<td><strong>Profit for the financial period</strong></td>
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<td>28.1</td>
<td>16.4</td>
</tr>
<tr>
<td>Loss attributable to minority interest</td>
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<td>(0.1)</td>
</tr>
<tr>
<td>Profit attributable to equity holders</td>
<td></td>
<td>29.2</td>
<td>16.5</td>
</tr>
<tr>
<td><strong>Adjusted basic earnings per share</strong></td>
<td></td>
<td>28.1</td>
<td>16.4</td>
</tr>
<tr>
<td><strong>Basic earnings per share</strong></td>
<td>3</td>
<td>11.1p</td>
<td>6.5p</td>
</tr>
<tr>
<td><strong>Diluted earnings per share</strong></td>
<td>3</td>
<td>11.0p</td>
<td>6.5p</td>
</tr>
<tr>
<td><strong>Adjusted basic earnings per share</strong></td>
<td>3</td>
<td>9.8p</td>
<td>6.7p</td>
</tr>
</tbody>
</table>

### 1. Basis of preparation and accounting policies

The statement above has been prepared on the same basis and applying the same accounting policies as were applied in preparation of the Group’s Interim Report for the six months ended 30 September 2005 approved and issued on 3 November 2005.

The Group’s statutory consolidated financial statements for the year ended 31 March 2005 were presented under UK Generally Accepted Accounting Principles (UK GAAP), carried an unqualified audit report and have been delivered to the Registrar of Companies. To comply with European Union legislation the Group is required to prepare its consolidated financial statements for the year ending 31 March 2006 in accordance with International Financial Reporting Standards (IFRS). Accordingly, this financial information has been prepared using the IFRS accounting policies which management expects to apply in the Group’s first IFRS financial statements for the year ending 31 March 2006 (the IFRS Accounting Policies). The IFRS Accounting Policies are consistent with those adopted for the restatement of the Group’s financial statements for the year ended 31 March 2005, which was published on 21 July 2005.

The results for the three month period ended 31 December 2005 are based on the unaudited management accounts for the three months ended 31 December 2005. The results for the three month period ended 31 December 2004 are based on the UK GAAP unaudited management accounts for the three months ended 31 December 2004 adjusted for the IFRS Accounting Policies. The results for the nine month periods ended 31 December 2005 and 2004 are based on the unaudited management accounts for the three month periods ended 31 December 2005 and 2004 (as adjusted for the IFRS Accounting Policies) and the unaudited interim results for the six month periods ended 30 September 2005 and 2004.

The financial information is unaudited and does not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985.

---

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2. Exceptional items

<table>
<thead>
<tr>
<th></th>
<th>Three months ended 31 December</th>
<th>Nine months ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005 Unaudited</td>
<td>£m</td>
</tr>
<tr>
<td>Exceptional revenue (see below)</td>
<td>6.4</td>
<td>–</td>
</tr>
<tr>
<td>Fees in respect of potential offers for the Company</td>
<td>(1.3)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Impairment of goodwill and provision in respect of EDX London Ltd</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Profit on disposal of Stock Exchange Tower</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total exceptional items</td>
<td>5.1</td>
<td>(0.5)</td>
</tr>
</tbody>
</table>

The exceptional revenue relates to a settlement reached with a customer in relation to reporting for information services.

3. Earnings per share

Earnings per share is presented on three bases: basic earnings per share; diluted earnings per share; and adjusted basic earnings per share.

Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on the conversion or vesting of share options and share awards under the Employee Share Ownership Plan (ESOP).

Adjusted basic earnings per share excludes exceptional items to enable comparison of the underlying earnings of the business with prior periods.

<table>
<thead>
<tr>
<th></th>
<th>Three months ended 31 December</th>
<th>Nine months ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005 Unaudited</td>
<td>£m</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>11.1p</td>
<td>6.5p</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>11.0p</td>
<td>6.5p</td>
</tr>
<tr>
<td>Adjusted basic earnings per share</td>
<td>9.8p</td>
<td>6.7p</td>
</tr>
<tr>
<td>Profit for the financial period attributable to equity holders</td>
<td>28.2</td>
<td>16.5</td>
</tr>
<tr>
<td>Adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(5.1)</td>
<td>0.5</td>
</tr>
<tr>
<td>Tax effect of exceptional items</td>
<td>1.9</td>
<td>–</td>
</tr>
<tr>
<td>Exceptional items and taxation attributable to minority interest</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Adjusted profit for the financial period attributable to equity holders</td>
<td>25.0</td>
<td>17.0</td>
</tr>
<tr>
<td>Weighted average number of shares - million</td>
<td>254.2</td>
<td>253.2</td>
</tr>
<tr>
<td>Effect of dilutive share options and awards - million</td>
<td>3.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Diluted weighted average number of shares - million</td>
<td>257.2</td>
<td>255.4</td>
</tr>
</tbody>
</table>

Earnings per share figures for the twelve months ended 31 December 2005 are derived as follows:

<table>
<thead>
<tr>
<th></th>
<th>Basic earnings per share</th>
<th>Adjusted basic earnings per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>For year ended 31 March 2005 on IFRS basis (as disclosed in Interim Report)</td>
<td>24.2</td>
<td>24.2</td>
</tr>
<tr>
<td>Less: Nine months ended 31 December 2004 (as above)</td>
<td>(19.3)</td>
<td>(17.8)</td>
</tr>
<tr>
<td>Add: Nine months ended 31 December 2005 (as above)</td>
<td>20.7</td>
<td>25.5</td>
</tr>
<tr>
<td></td>
<td>25.6</td>
<td>31.9</td>
</tr>
</tbody>
</table>

Supplemental disclosure to trading statement issued on 10 January 2006

4. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)

Adjusted EBITDA figures for the twelve months ended 31 December 2005 are derived as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 March 2005</th>
<th>Less: Nine months ended 31 December 2004</th>
<th>Add: Nine months ended 31 December 2005</th>
<th>Twelve months ended 31 December 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Operating profit before exceptional items</td>
<td>84.6</td>
<td>(63.3)</td>
<td>83.2</td>
<td>104.5</td>
</tr>
<tr>
<td>Share of profit after tax of joint venture and investment income</td>
<td>1.2</td>
<td>(0.3)</td>
<td>1.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>28.7</td>
<td>(20.3)</td>
<td>20.3</td>
<td>28.7</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>114.5</td>
<td>(84.5)</td>
<td>104.7</td>
<td>134.7</td>
</tr>
</tbody>
</table>
Dear Sirs

London Stock Exchange plc

We report on the unaudited results of London Stock Exchange plc (the “Company”) and its subsidiaries (together the “Group”) for the three month and nine month periods ended 31 December 2005 and 2004, and the adjusted and basic earnings per share and adjusted EBITDA (earnings before exceptional items, interest, taxation, depreciation and amortisation) of the Group for the twelve month period ended 31 December 2005 (together the “Unaudited Financial Information”). The Unaudited Financial Information and the basis on which it is prepared are included in Appendix 2 to the Company’s bid defence document (the “Document”) issued by the Company on 19 January 2006.

This report is required by Rule 28.3(b) of the City Code and is given for the purpose of complying with that rule and for no other purpose. Accordingly, we assume no responsibility in respect of this report to Macquarie London Exchange Investments Limited (the “Offeror”) or any person connected to, or acting in concert with, the Offeror or to any other person who is seeking or may in future seek to acquire control of the Company (an “Alternative Offeror”) or to any other person connected to, or acting in concert with, an Alternative Offeror.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Unaudited Financial Information in accordance with the requirements of the City Code. In preparing the Unaudited Financial Information the Directors are responsible for correcting errors that they have identified which may have arisen in unaudited financial results and unaudited management accounts used as the basis of preparation for the Unaudited Financial Information.

It is our responsibility to form an opinion as required by the City Code as to the proper compilation of the Unaudited Financial Information and to report that opinion to you.

Basis of Preparation of the Unaudited Financial Information

The Unaudited Financial Information is required to be presented on a basis consistent with the accounting policies the Group expects to be applied in its consolidated financial statements for the year ending 31 March 2006 following the adoption of International Financial Reporting Standards (the “IFRS Accounting Policies”), as set out in the Company’s unaudited interim announcement for the six month period ended 30 September 2005 issued by the Company on 3 November 2005.

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The Unaudited Financial Information has been prepared on the basis set out in the notes to Appendix 2 of the Document, and:

(a) the results for the three month period ended 31 December 2005 are based on the unaudited management accounts for the three months ended 31 December 2005; and the results for the three month period ended 31 December 2004 are based on the UK GAAP unaudited management accounts for the three months ended 31 December 2004 as adjusted for the IFRS Accounting Policies;

(b) the results for the nine month periods ended 31 December 2005 and 2004 are based on the unaudited management accounts for the three month periods ended 31 December 2005 and 2004 set out above and the unaudited interim results for the six month periods ended 30 September 2005 and 2004 included in the interim announcement issued by the Company on 3 November 2005; and

(c) the adjusted and basic earnings per share and adjusted EBITDA for the twelve month period ended 31 December 2005 are based on the results for the nine month period ended 31 December 2005 set out above and the unaudited management accounts for the three months ended 31 March 2005 as adjusted for the IFRS Accounting Policies.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information for the periods included in the Unaudited Financial Information has been prepared and considering whether the Unaudited Financial Information has been accurately computed using that information and whether the basis of accounting used is consistent with the IFRS Accounting Policies.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Unaudited Financial Information has been properly compiled on the basis stated.

However, the Unaudited Financial Information has not been audited. The actual results, therefore, may be affected by revisions to accounting estimates due to changes in circumstances, the impact of unforeseen events and the correction of errors in the unaudited interim announcement for the six month period ended 30 September 2005 and the unaudited management accounts.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it has been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Unaudited Financial Information has been properly compiled on the basis stated and the basis of accounting used is consistent with the IFRS Accounting Policies.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants
Dear Sirs,

We have discussed with you as Directors of London Stock Exchange plc the unaudited results of London Stock Exchange plc and its subsidiaries for the three month and nine month periods ended 31 December 2005 and 2004 and the adjusted and basic earnings per share and adjusted EBITDA (earnings before exceptional items, interest, taxation, depreciation and amortisation) for the twelve month period ended 31 December 2005 included in Appendix 2 of the document to be issued to London Stock Exchange shareholders on 19 January 2006 (together the “Unaudited Financial Information”) and the basis on which this has been prepared.

We have also discussed the accounting policies and basis of calculation for the Unaudited Financial Information with PricewaterhouseCoopers LLP, London Stock Exchange’s auditors, and have considered their letter of today’s date addressed to yourselves and ourselves on this matter. You have confirmed to us that all information material to the Unaudited Financial Information has been disclosed to us. We have relied on the accuracy and completeness of all such information and have assumed such accuracy and completeness for the purpose of rendering this letter.

On the basis of the foregoing, we consider that the Unaudited Financial Information, for which you as Directors of London Stock Exchange plc are solely responsible, has been compiled with due care and consideration.

This letter is provided to you solely in connection with Rule 28.3(b) of the City Code on Takeovers and Mergers and for no other purpose.

Yours faithfully,

The Directors
London Stock Exchange plc
10 Paternoster Square
London EC4M 7LS

19 January 2006

Dear Sirs,

We have discussed with you as Directors of London Stock Exchange plc the unaudited results of London Stock Exchange plc and its subsidiaries for the three month and nine month periods ended 31 December 2005 and 2004 and the adjusted and basic earnings per share and adjusted EBITDA (earnings before exceptional items, interest, taxation, depreciation and amortisation) for the twelve month period ended 31 December 2005 included in Appendix 2 of the document to be issued to London Stock Exchange shareholders on 19 January 2006 (together the “Unaudited Financial Information”) and the basis on which this has been prepared.

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This letter is provided to you solely in connection with Rule 28.3(b) of the City Code on Takeovers and Mergers and for no other purpose.

Yours faithfully,

Merrill Lynch International
Lehman Brothers Europe Limited

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APPENDIX 3 – BASES OF CALCULATION AND SOURCES OF INFORMATION

1. General

1.1 Unless otherwise stated in this document:

1.1.1 closing prices and consensus earnings estimates are as at the close of market on 16 January 2006 (being the latest practicable date prior to the posting of this document);

1.1.2 share price data is sourced from Datastream;

1.1.3 consensus earnings estimates are sourced from Reuters and are adjusted for exceptional items and goodwill amortisation where applicable; and

1.1.4 calculations are prepared on the basis of 254,737,792 London Stock Exchange Shares in issue as at 16 January 2006 (being the latest practicable date prior to the posting of this document) and up to a further 7,896,945 London Stock Exchange Shares to be issued pursuant to the exercise of options or the grant of awards granted prior to 16 January 2006 (being the latest practicable date prior to the posting of this document) under the London Stock Exchange Share Schemes.

1.2 Unless otherwise stated, the financial information concerning the London Stock Exchange has been extracted from the Q3 Trading Statement, other published interim and annual reports and accounts of the London Stock Exchange for the relevant periods and other information made publicly available by the London Stock Exchange.

1.3 Unless otherwise stated, information contained in this document regarding market position, sector, division and product analysis, stock exchange trading, listings and IPOs and the international financial market in relation to the London Stock Exchange, its competitors and these markets generally is based on the London Stock Exchange’s management estimates and calculations sourced from publicly available information, including Main Market and Secondary Market fact sheets, AIM Market Statistics and the London Stock Exchange’s and its subsidiaries’ internal market and trading databases and, where applicable, is presented by reference to calendar years rather than financial years.

1.4 Unless otherwise stated, information regarding Macquarie’s offer is sourced from the Offer Document and other material made publicly available by Macquarie or any other person mentioned in the Offer Document.

2. Page references

The relevant bases of calculation and sources of information are provided below in the order in which the relevant information appears in this document and by reference to page numbers of this document. Where such information is repeated in this document, the underlying bases and sources are not.

Page 2
(a) The eight largest exchanges are determined by market capitalisation, but the Chicago Board of Trade is excluded as it was not publicly listed on 22 October 2004 (being the date stated by Macquarie in the Offer Document as being the date prior to the beginning of bid-speculation).

Page 3
(a) In relation to the statement on costs, the London Stock Exchange announced the sale of the Stock Exchange Tower (freehold) in 2003. Reflecting in part the proceeds from the sale, a special dividend of £162.5 million was announced in May 2004 (paid in August 2004). During 2004 the London Stock Exchange relocated to its new headquarters at Paternoster Square (leasehold), resulting in a one-off step change in property related costs. Like for like operating margins have been calculated by adding the incremental property related costs incurred in financial year 2004/5 to operating costs in financial year 2002/3 and excludes exceptional items.

Page 5
(a) The reference to $14 trillion under management is sourced from bigdough.

Page 7
(a) The reference to the London Stock Exchange’s capital returned as a percentage of market capitalisation is based on the number of London Stock Exchange Shares in issue and the closing price for a London Stock Exchange Share as at 16 January 2006 (the latest practicable date prior to the posting of this document).

(b) The reference to £412.5 million announced to be returned to Shareholders excludes ordinary dividends and comprises the £162.5 million returned to Shareholders in August 2004 and the £250 million proposed return to Shareholders announced on 3 November 2005.

(c) The reference to the London Stock Exchange’s total shareholder return (TSR) and the TSR of the FTSE 100 and FTSE 350 General Financial indices are based on the period from 20 July 2001 to 16 January 2006 (being the latest practicable date prior to the posting of this document). TSR data is sourced from Datastream. TSR measures the total gross return to shareholders from their investment in a company’s shares for a defined period. It comprises two components (i) the capital gain/loss from the change in the company’s share price over this period; and (ii) the dividend income received over this period. It assumes that dividends received are reinvested in the company’s shares at the closing price applicable on the ex-dividend date.
(a) Broker Services’ trading revenues are sourced from London Stock Exchange unaudited financial records.


Page 9

(a) The reference to the UK market capitalisation refers to the market capitalisation of all UK companies on the London Stock Exchange’s Main Market at the relevant date.

Page 10

(a) Information regarding spreads on SETS is calculated using segment SET1 securities (which comprise the securities of FTSE 100 companies) as the difference between the bid and ask prices divided by the mid price, the mid price is calculated as the average of the bid price and the ask price. Each best price message is weighted by the length of time that it is valid for and an average spread for each security calculated each day, then averaged to a monthly figure. CAGR is a 19 year CAGR over a 20 year period.

(b) Information regarding SETS market share is calculated using segments SET1, 2 & 3 securities (which comprise the FTSE 100, the most liquid FTSE 250 and some other liquid securities) where the order book value is divided by the order book value plus half of the off-book value (as per the Federation of European Securities Exchanges’ (FESE) turnover calculation methodology).

Page 11

(a) Information on trading of hedge funds and traditional fund managers is sourced from Hennessee Hedge Fund Advisory Group, Press Release, 31 May 2005.

(b) Information on the estimated global hedge funds under management is sourced from Van Hedge Fund Advisors International, LLC and/or its licensors, Nashville, TN, USA.

(c) The trading velocity is calculated by comparing domestic annual order book trading to annual average market capitalisation for the calendar year. London Stock Exchange market capitalisation refers to the market capitalisation of all UK companies on the London Stock Exchange’s Main Market. For the purposes of calculation of the European average, Europe includes the London Stock Exchange, Euronext, Deutsche Börse, OMX, SWX and virt-x. This information is sourced from FESE’s monthly fact sheets, (Table 4a Domestic equity trading and Table 4b Foreign equity trading for virt-x only).

Page 12

(a) References to European IPOs since 2000 include all new equity issues by new companies, but exclude introductions, transfers and re-admissions. “Other Exchanges” include the Bolsa de Madrid, Irish, Luxembourg, Nasdaq Europe and Vienna exchanges. This information is sourced from internal sources, the websites of the various exchanges and Thomson Financial. The figures for the London Stock Exchange include the London Stock Exchange’s Main Market and AIM.

(b) References to international listings are to listings on an exchange by a company registered outside the country of the exchange. References to the major exchanges in terms of international listings means the London Stock Exchange Main Market, Deutsche Börse, Euronext, NYSE and NASDAQ. This information is sourced from the relevant exchange in each case.

(c) References to international IPOs from China, India and Russia are to all money raising new equity issues by a company registered in China, India or Russia on the London Stock Exchange Main Market, Deutsche Börse, Euronext, NYSE or NASDAQ. This information is sourced from the relevant websites of the London Stock Exchange, Deutsche Börse, Euronext, NYSE and NASDAQ.

(d) Information on the delivery percentage of RNS is based upon internal analysis of RNS market share of regulatory announcements in the last calendar quarter of 2005. Information on RNS services for FTSE 100 companies is based on internal analysis of all regulatory announcements relating to FTSE 100 constituents from January to December 2005.

Page 14

(a) The average one-year forward P/E multiple is calculated as a simple average of the change in one-year consensus forward P/E multiples for the exchanges listed in the chart from 22 October 2004 (being the date stated by Macquarie in the Offer Document as being the date prior to the beginning of bid speculation) to 16 January 2006 (being the latest practicable date prior to the posting of this document). The earnings estimates used to calculate the P/E multiples have been calendarised to a December year end for the Singapore Exchange and ASX who both have their financial year ending in June. The calendarisation for the Singapore Exchange and ASX to December 2004 and December 2005 is sourced from Reuters and their respective company filings.

Page 15

(a) The sample of precedent transactions has been chosen based on the comparability of the transaction. The precedent transaction multiples have been calculated as follows: (i) the London Stock Exchange – using the interim report for the six months ended 30 September 2005, the Q3 Trading Statement together with supplemental disclosures as set out in Appendix 2 and unaudited internal financial records as at 31 December 2005 that include net cash of £226.1 million; (ii) NASDAQ/INET – using NASDAQ management presentations sourced from the NASDAQ website and the Citigroup NYSE Fairness Opinion presentation sourced from the NYSE website and dated 23 November 2005 (page 16); (iii) NYSE/Archipelago based on Archipelago’s closing price of $29.96 on 21 April 2005 and EBITDA and net income figures based on Archipelago’s 2004 10-K and Q1 2005 10-Q filing; and (iv) Instinet/Island – sourced from the Citigroup NYSE Fairness Opinion presentation dated 23 November 2005 (page 16). Enterprise value is calculated as the market capitalisation plus net financial debt.

(b) Stand-alone valuations represent the most recent analysts’ “stand-alone” price or “DCF” valuations, or where such pricing valuations have not been explicitly described as stand-alone, the prices have been confirmed to the London Stock Exchange by the relevant analysts to reflect the stand-alone valuation of the London Stock Exchange. In the case of CSFB and Man Securities, stand-alone valuations include the effects of the announced capital return. Information from the analysts is sourced from their most recent public reports as at 16 January 2006 (being the latest practicable date prior to the posting of this document). Where analysts have not publicly stated that their valuation is on a stand-alone basis, confirmations that they are stand-alone prices obtained from the relevant analysts (CSFB and West LB) are included as documents on display (see paragraph 7.1.8 of Appendix 1 of this document).

(c) The earnings estimates used to calculate P/E multiples calendarised to December 2005 have been sourced from Reuters and company filings for Singapore Exchange and ASX, with the exception of the London Stock Exchange, which is sourced from the Q3 Trading Statement, as set out in Appendix 2 of this document.

Page 16

(a) The statement from Michael Taylor is sourced from Financial News, 11 January 2006. Threadneedle’s holding of London Stock Exchange Shares representing 13.3 per cent was sourced from the latest Rule 8.3 announcement issued by Threadneedle on 18 January 2006.

(b) The statement from David Keir is sourced from Financial Times, 16 December 2005. Scottish Widows’ holding of London Stock Exchange Shares representing 7.1 per cent was sourced from the latest Rule 8.3 announcement issued by Scottish Widows on 11 January 2006.
APPENDIX 4 – DEFINITIONS

S  the lawful currency of the US
AIM  the London Stock Exchange’s market for smaller and growing companies
Archipelago  Archipelago Holdings, Inc.
ask price  the price at which a market participant offers to sell shares
ASP  the London Stock Exchange Annual Share Plan
ASX  Australian Stock Exchange Limited
bid price  the price at which a market participant is bidding to buy shares
black box  a colloquial term for automated trading techniques, for example statistical arbitrage trading which attempts to profit from pricing inefficiencies
Borsa Italiana  Borsa Italiana S.p.A.
Broker Services  a division of the London Stock Exchange which provides services for brokers to trade securities
CAGR  compound annual growth rate
Central Counterparty (CCP)  for order book trades, the party that takes on the contractual obligations and counterparty risk of each trade, becoming the buyer to every seller, and the seller to every buyer
CFD or Contract For Difference  where two parties agree to exchange in cash, at the close of a trading contract, the difference between the opening price and the closing price of the contract
City Code  The City Code on Takeovers and Mergers
CME  Chicago Mercantile Exchange Holdings Inc.
Companies Act  the Companies Act 1985, including any statutory modification or re-enactment thereof for the time being in force
derivative  a financial instrument whose characteristics and value depend typically upon the characteristics and value of an underlying commodity, bond, equity, index or currency
Derivative Services  a division of the London Stock Exchange carrying on derivative services which mainly comprises EDX London
Deutsche Börse  Deutsche Börse AG
DCF  discounted cash flow
Direct Market Access or DMA  systems and networks generally provided by a broker to a client enabling the client to access a market directly via its broker
EBITDA  earnings before interest, taxes, depreciation and amortisation
EDX or EDX London  EDX London Limited, a company in which the Exchange holds a 76 per cent interest
EPS  earnings per share
ESOS  the London Stock Exchange Executive Share Option Scheme
Euronext  Euronext N.V.
Euronext.liffe  a recognised investment exchange that deals with futures and options and a wholly owned subsidiary of Euronext
Eurex  an electronic futures exchange based in Frankfurt and jointly owned by Deutsche Börse and SWX
Executive Directors  Clara Furse, Chief Executive Officer, and Jonathan Howell, Director of Finance
Financial Services Authority or FSA  the UK Financial Services Authority
FSMA 2000  Financial Services and Markets Act 2000
FTSE 350 General Financial  the FTSE 350 General Financial Index which comprises the share prices of those companies eligible for inclusion within the FTSE International group or sector known as ‘Specialty and Other Financials’ which are also eligible for inclusion in the FTSE 350
FTSE International  FTSE International Limited, a joint venture company owned by the London Stock Exchange and the Financial Times Limited which provides financial indices
hedge fund  a type of investment fund typically characterised by absolute return strategies, high trading volumes, performance fees and diverse investment management techniques such as the use of short-selling and leverage
hedging  a strategy designed to reduce investment risk by taking some form of off-setting position, often involving derivatives
Hong Kong Exchanges  Hong Kong Exchanges and Clearing Limited
INET  Inet ATS, Inc.
Information Services  a division of the London Stock Exchange which distributes price and trading data
initial public offering (IPO)  a flotation where an issuer’s securities are offered to the public to raise funds
Instinet  Instinet Group, Inc.
Interims  the London Stock Exchange’s interim results for 1 April 2005 to 30 September 2005 announced on 3 November 2005
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Order Book (IOB)</td>
<td>the electronic order book for international securities</td>
</tr>
<tr>
<td>ISE</td>
<td>International Securities Exchange, Inc.</td>
</tr>
<tr>
<td>Island ECN, Inc.</td>
<td>Island Stock Exchange, Inc.</td>
</tr>
<tr>
<td>ISP</td>
<td>the London Stock Exchange Initial Share Plan</td>
</tr>
<tr>
<td>issuer</td>
<td>any company or other legal person or undertaking (including a public sector issuer) any class of whose securities has been admitted or is, or is proposed to be, the subject of an application for admission to trading on a stock exchange</td>
</tr>
<tr>
<td>Issuer Services</td>
<td>a division of the London Stock Exchange which provides services to issuers on the London Stock Exchange’s markets</td>
</tr>
<tr>
<td>Lehman Brothers Europe Limited</td>
<td></td>
</tr>
<tr>
<td>liquidity</td>
<td>the ease with which a security can be traded on the market</td>
</tr>
<tr>
<td>listed</td>
<td>a company whose securities have been admitted to the UK Listing Authority’s Official List and admitted to trading on the London Stock Exchange’s Main Market</td>
</tr>
<tr>
<td>London Stock Exchange plc</td>
<td>London Stock Exchange plc, a public limited company incorporated in England and Wales with registered number 2075721</td>
</tr>
<tr>
<td>London Stock Exchange Annual Bonus Plan</td>
<td>the annual bonus plan of the London Stock Exchange in which employees are eligible to participate</td>
</tr>
<tr>
<td>London Stock Exchange Directors or Directors or the Board</td>
<td>the directors of the London Stock Exchange whose names are set out in paragraph 2 of Appendix 1 of this document</td>
</tr>
<tr>
<td>London Stock Exchange Employee Benefit Trust</td>
<td>the independent trustee which holds shares to satisfy awards made under the London Stock Exchange Share Schemes</td>
</tr>
<tr>
<td>London Stock Exchange Executive Pension Plan</td>
<td>a pension plan of the London Stock Exchange in which certain executives are eligible to participate</td>
</tr>
<tr>
<td>London Stock Exchange Share Schemes</td>
<td>the ISP, ASP, ESOS, LTIP, SAYE and SIP</td>
</tr>
<tr>
<td>London Stock Exchange Shares</td>
<td>the ordinary shares of 5 5/6 pence each in the capital of the London Stock Exchange existing from time to time</td>
</tr>
<tr>
<td>LTIP</td>
<td>the London Stock Exchange Long Term Incentive Plan 2004</td>
</tr>
<tr>
<td>Macquarie or MLX</td>
<td>Macquarie London Exchange Investments Limited</td>
</tr>
<tr>
<td>Macquarie’s offer or offer</td>
<td>the cash offer for the London Stock Exchange by Macquarie made pursuant to the Offer Document</td>
</tr>
<tr>
<td>Main Market</td>
<td>the London Stock Exchange’s principal market for listed companies from the UK and overseas</td>
</tr>
<tr>
<td>market capitalisation</td>
<td>used to indicate the value of a company by multiplying the number of shares in issue by the current share price</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>Merrill Lynch International</td>
</tr>
<tr>
<td>MiFID</td>
<td>the proposed European Markets in Financial Instruments Directive</td>
</tr>
<tr>
<td>NASDAQ</td>
<td>The Nasdaq Stock Market, Inc.</td>
</tr>
<tr>
<td>Non-Executive Directors</td>
<td>the Directors of the London Stock Exchange whose names are set out in paragraph 2 of Appendix 1 of this document other than the Executive Directors and “Non-Executive Director” shall mean any of them</td>
</tr>
<tr>
<td>NYSE</td>
<td>New York Stock Exchange, Inc.</td>
</tr>
<tr>
<td>off-book</td>
<td>trades carried out away from the London Stock Exchange’s order books</td>
</tr>
<tr>
<td>Offer Document</td>
<td>the document dispatched to Shareholders on 10 January 2006 by Goldman Sachs International on behalf of Macquarie and in the United States by Macquarie containing the terms and conditions of Macquarie’s offer</td>
</tr>
<tr>
<td>Offer Period</td>
<td>the period commencing on 15 August 2005 until the later of: (i) 3pm on 31 January 2006, (ii) the time and date on which the offer lapses, and (iii) the time and date on which the offer becomes unconditional as to acceptances</td>
</tr>
<tr>
<td>OMX</td>
<td>OMX AB</td>
</tr>
<tr>
<td>Oslo</td>
<td>Oslo Børs ASA</td>
</tr>
<tr>
<td>P/E or P/E ratio or P/E multiple or Price/Earnings ratio</td>
<td>a measurement of a company’s rating, calculated by dividing the share price by the annual earnings per share</td>
</tr>
<tr>
<td>PwC</td>
<td>PricewaterhouseCoopers LLP</td>
</tr>
<tr>
<td>Q3 Trading Statement</td>
<td>the trading statement issued by the London Stock Exchange on 10 January 2006 (an extract of which is set out in Appendix 2 of this document), as supplemented by the additional disclosure in Note 4 of Appendix 2 of this document</td>
</tr>
<tr>
<td>RNS</td>
<td>the London Stock Exchange’s Regulatory News Service</td>
</tr>
<tr>
<td>SAYE</td>
<td>the London Stock Exchange SAYE Option Scheme</td>
</tr>
<tr>
<td>SETS</td>
<td>the electronic order book operated by the London Stock Exchange for the most liquid securities</td>
</tr>
</tbody>
</table>
Reject Macquarie's offer

SETSmm a segment of the London Stock Exchange's electronic trading platform which provides both order book and quote driven price formation facilities
Shareholder a registered holder of London Stock Exchange Shares
Singapore Exchange Singapore Exchange Limited
SIP the London Stock Exchange Share Incentive Plan
SME small or medium-sized enterprises as defined in the Commission Recommendation 2003/361/EC
spread the difference between the bid and ask prices of a security
SWX SWX Swiss Exchange AG
Technology Road Map or TRM the London Stock Exchange’s programme to deliver new trading systems technology to the London Stock Exchange’s markets
terminals computer terminals used by firms which receive London Stock Exchange real time trading data
trading platform the technology infrastructure in a stock exchange that is used to support its trading services
TSX TSX Group Inc.
US the United States of America, its territories and possessions, any state of the United States of America and the District of Colombia
value traded the total number of shares traded multiplied by their respective matching prices
virt-x virt-x Exchange Limited

For the purposes of this document, "subsidiary", "subsidiary undertaking", "associated undertaking" and "undertaking" have the respective meanings given to them by the Companies Act.