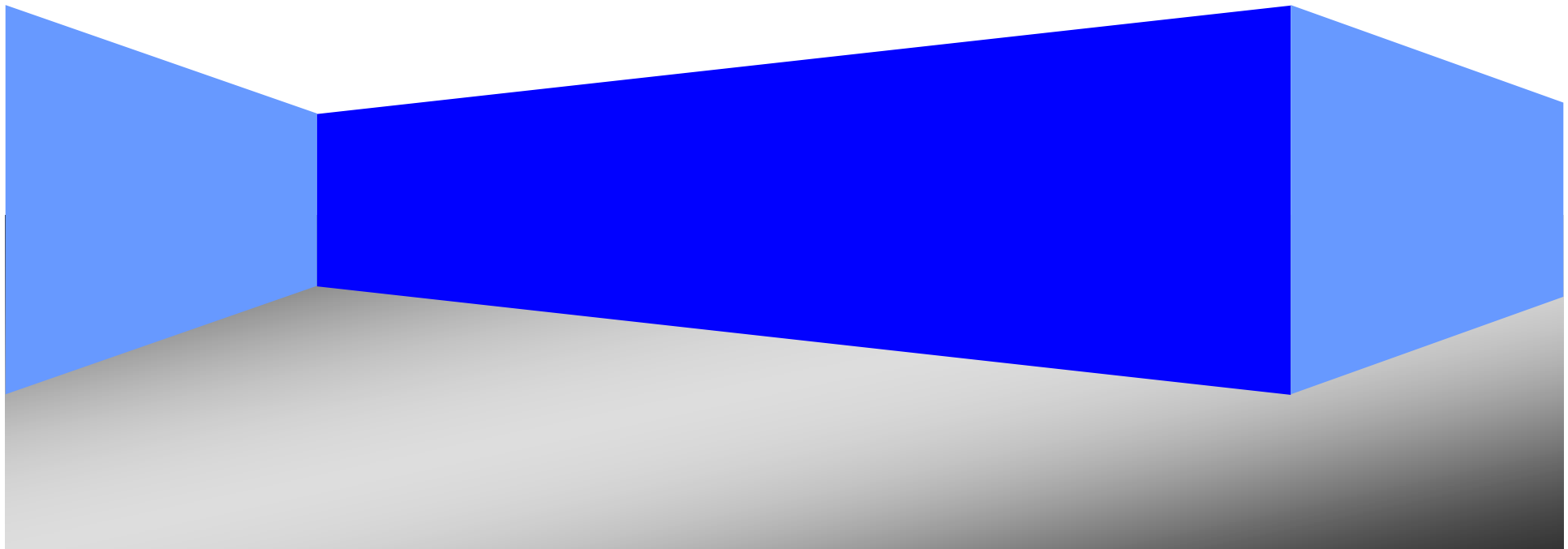




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Share in the world's capital market



## Compelling value creation story

- Forecast SETS growth by FY 2008 100%
- £510 million capital return 200p per share
- Share buyback programme £50m p.a.
- Proposed FY 2006 dividend up 71% 12p
- Declining cost base £10m
- 2005 adjusted EPS 32p
- 2005 adjusted EPS pro forma<sup>(1)</sup> 38p
- Compound annual shareholder return since listing in 2001 19% p.a.

(1) Pro forma for £510 million capital return and lower cost base



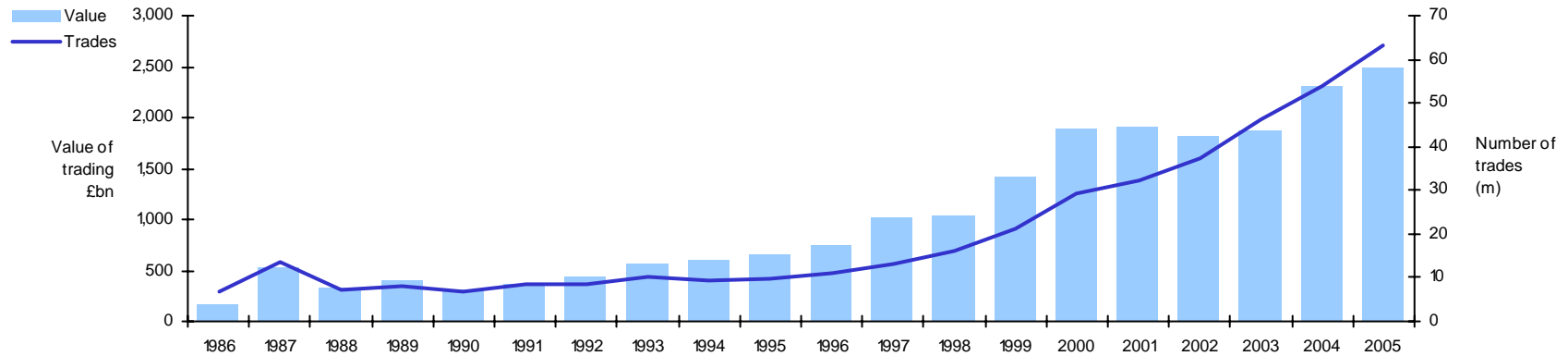
## Unique strategic position

- **World leading exchange**
  - Leading global exchange brand with outstanding technology
  - The international venue of choice for IPOs
  - Compelling proposition for customers and shareholders
- **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
- **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

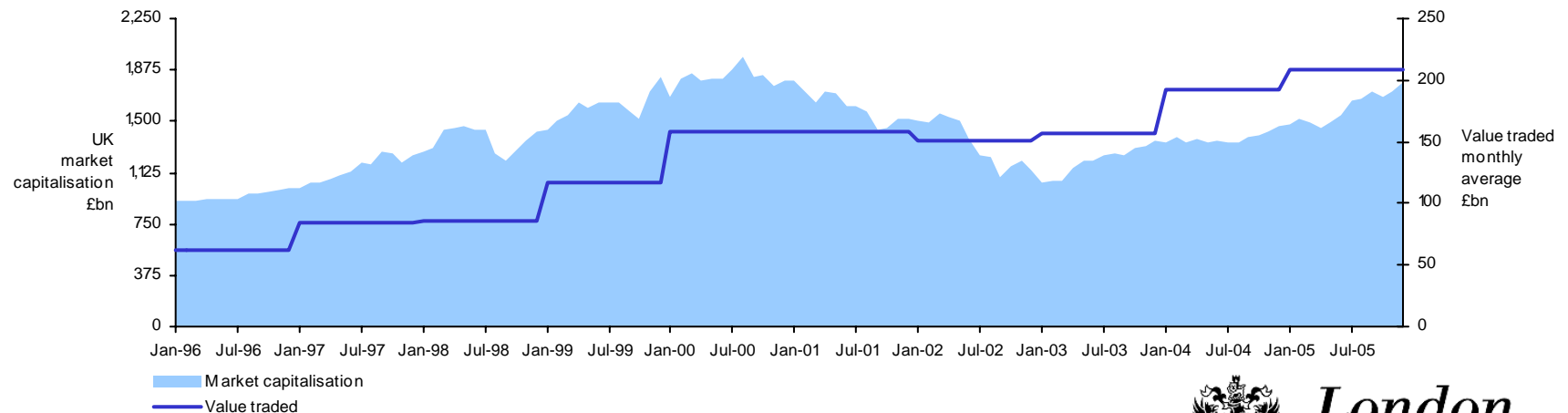


# Extremely strong and resilient business

UK equity trading grown at **16% CAGR** over last 20 years:



Value traded up strongly over last ten years despite three year bear market:

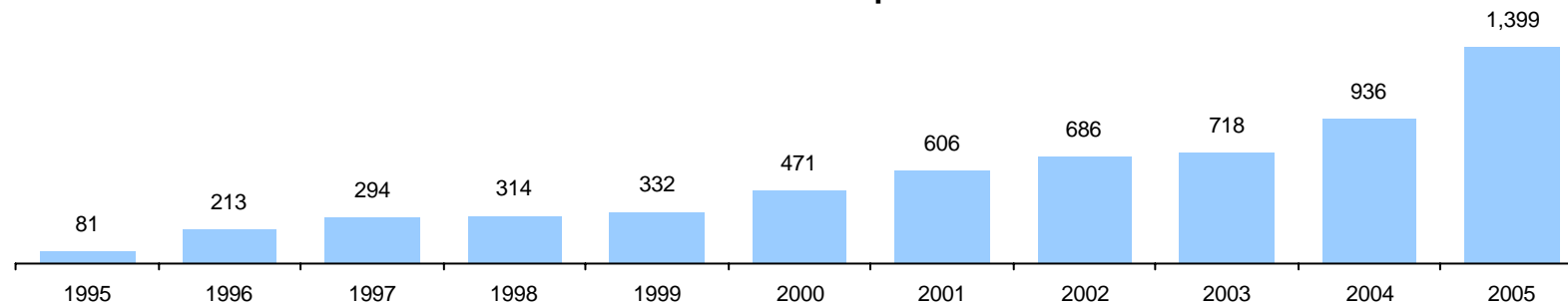


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## Extremely strong and resilient business

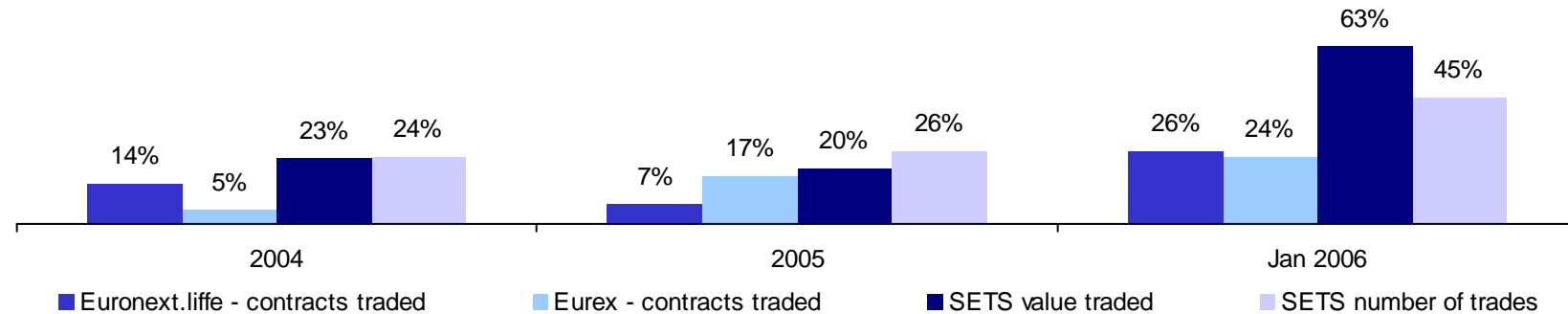
We have built AIM into the world's most successful growth market:

Number of AIM companies listed



Growth in SETS has **repeatedly exceeded** growth on Eurex and Euronext.liffe:

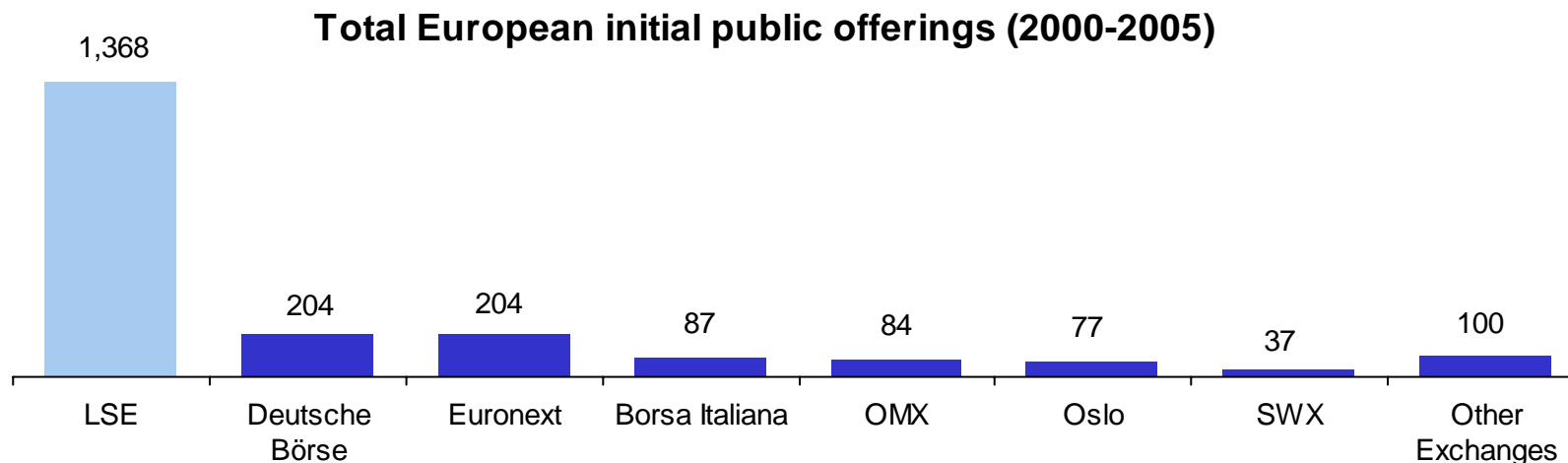
Growth in SETS value and trades v. growth in derivatives



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## Fundamentally high growth story

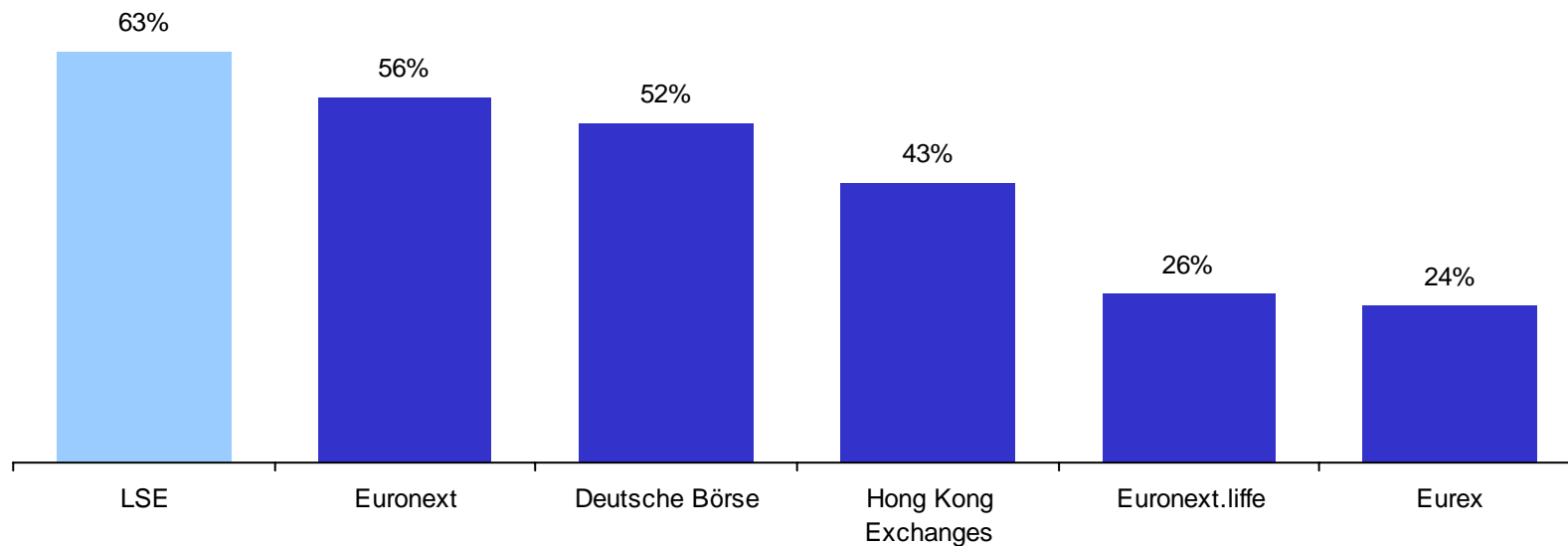
- Three main areas growing strongly:
  - **Issuer services** – **£2.5 billion** raised in international listing since start of calendar 2006
  - **Information services** – reached **100,000** terminals worldwide
  - **Broker services** – stellar performance in January
- Strong marketing has helped to secure the London Stock Exchange's position as the **listing venue of choice**:



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## Exceptional SETS performance

- In January 2006, value traded on SETS **grew more** than equity value traded on major listed exchanges and both Eurex and Euronext.liffe:



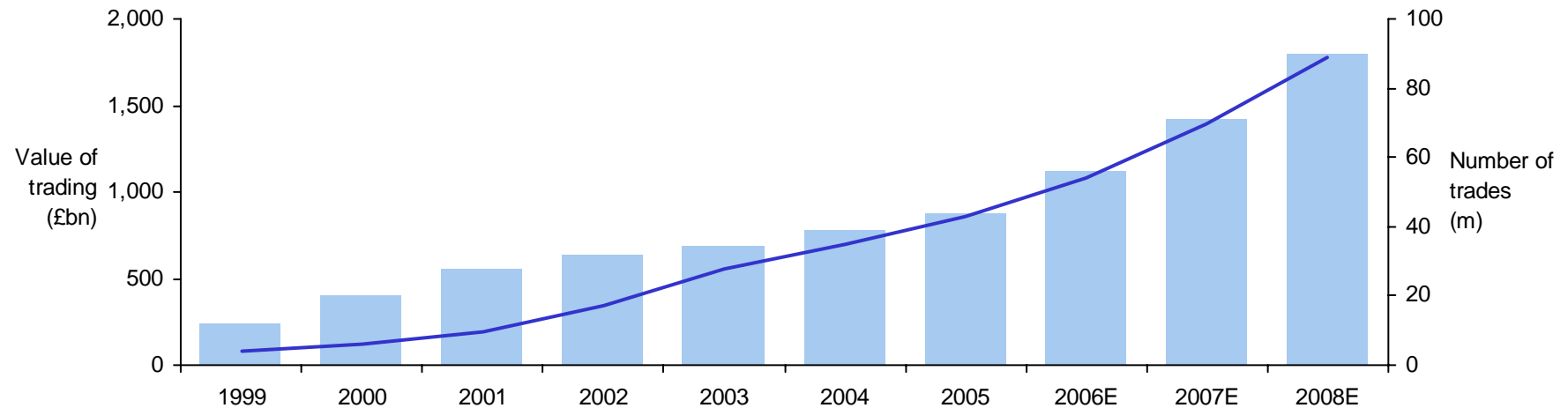
- Growth in SETS has **repeatedly exceeded** growth on Eurex and Euronext.liffe



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## SETS forecast

- Average daily trades on SETS expected to increase by at least **50%** in financial year 2007 and at least **100%** in financial year 2008 (from financial year 2005):



- These forecasts are based on growth of **26% per annum** compared to historic growth in average daily trades on SETS of:
  - **27%** in calendar year 2005
  - **38%** in January 2006<sup>(1)</sup>

(1) Total bargains for January 2006 up **45%** versus January 2005





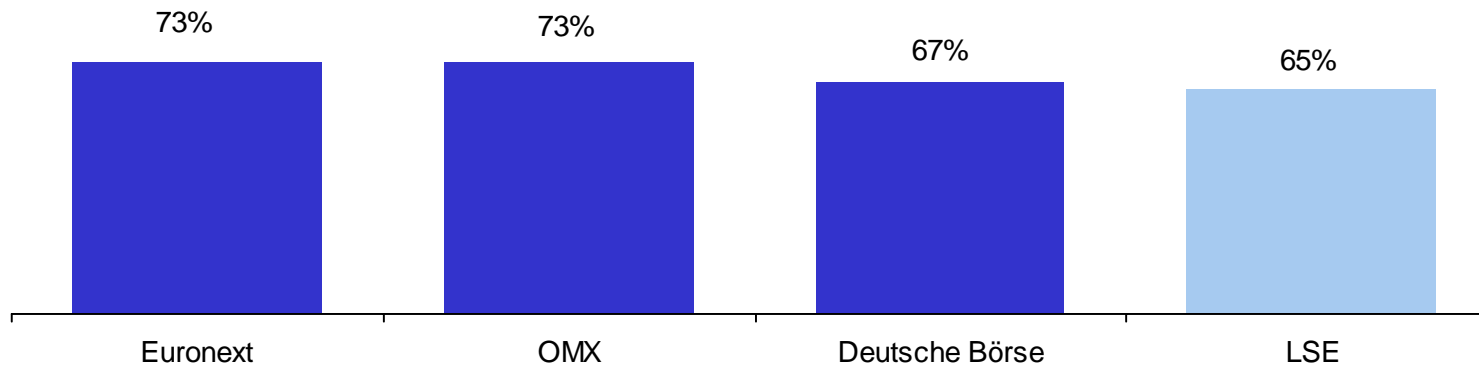
## New trading patterns

- Our expectations reflect:
  - (1) Secular shift in trading patterns**
    - Algorithmic trading
    - Direct Market Access
    - Hedge funds
    - Contracts for differences
  - (2) Encouraged by our significant investment in new technology**
    - Infolect
    - SETS capacity upgrades
    - Our Technology Road Map ('TRM') and the introduction of the new trading platform will deliver a step change in capacity, and provide 80% uplift in performance



## Record of tight cost control

- **Lowest** cost-income ratio of the major listed European exchanges<sup>(1)</sup>:



- Further efficiency savings of **£7m** in financial year 2007 and **£10m** full run rate in financial year 2008<sup>(2)</sup>:
  - Savings from offshoring technology function
  - Reductions through integration of business processes
  - Efficiencies in property and other costs

(1) Euronext, OMX and Deutsche Börse: 12 months to December 2004. London Stock Exchange: 12 months to March 2005  
(2) By reference to the planned FY 2008 cost base which is subject to an inflationary increase versus the cost base for FY 2007. Associated one off profit and loss implementation cost of £6 million to be taken in financial year 2006



## Return of 200p/share, share buyback and increased dividend

- **More than doubling** previously announced capital return to **£510 million<sup>(1)</sup>**
- Will have returned **£672.5 million** to shareholders since August 2004, **34%** of market capitalisation

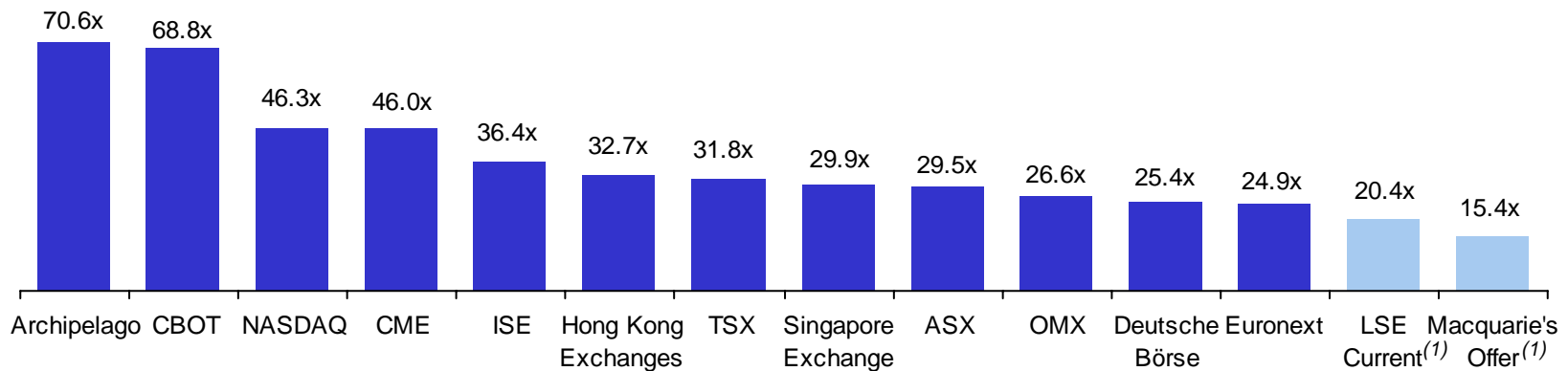
<u>Pro Forma 2005 Adjusted EPS</u>		<u>Accretion</u>
Pre capital return adjusted EPS as reported	31.9p	
Post capital return adjusted EPS	34.0p	6.6%
Post capital return and lower cost base adjusted EPS	37.7p	18.2%

- Share buyback programme of up to **£50 million p.a.**
- **71%** increase in full-year dividend for 2006 – **12p per share**

(1) Implementation of the capital return is subject to the London Stock Exchange no longer being in an offer period and shareholder and court approval

## Macquarie wants the Exchange on the cheap

- Macquarie references its offer to a **16-month-old** share price whilst share prices have risen across the sector
- Offer represents a multiple of only **15.4 times**<sup>(1)</sup>



- Sector beginning to enter transformational phase of corporate development
  - Presents unprecedented opportunities for the Exchange
  - Potential to release significant additional value for customers and shareholders

(1) Based on 2005 adjusted EPS pro forma for the £510 million capital return and lower cost base of 37.7 pence



## Macquarie's offer fails in every respect

- No value today
- No value tomorrow
- No customer proposition
- No industrial logic
- No vision

Shareholders should not surrender their stake in the world's capital market

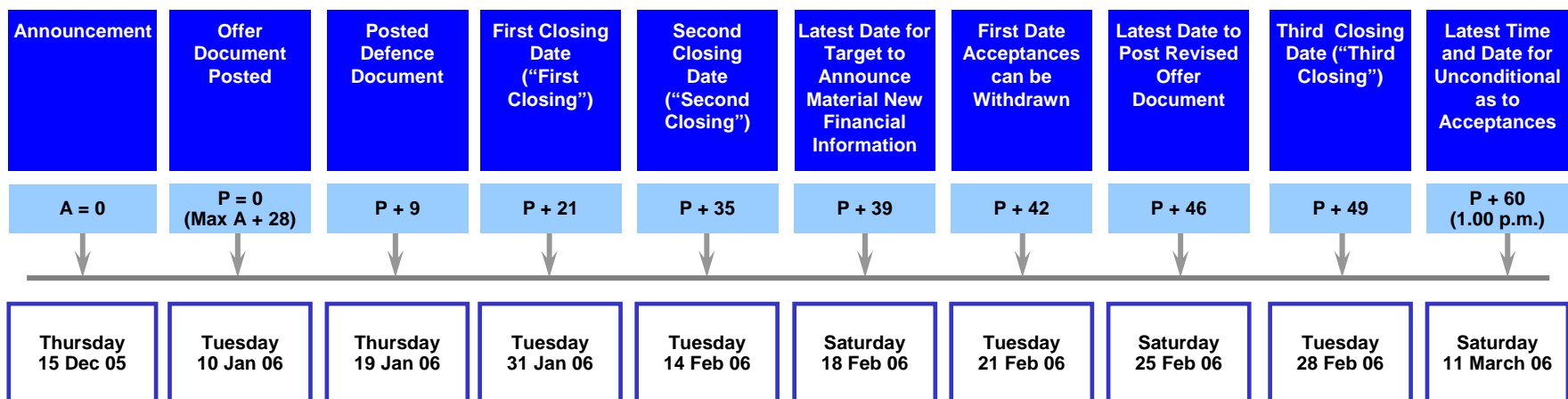




# Appendix

# Timetable

## Macquarie's offer could run to 11 March 2006



- Day 46: last day for Macquarie to post revised offer document (if any)
- Day 60: last day for offer to become unconditional as to acceptances



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