



*London*  
**STOCK EXCHANGE**

**Grow with the world's capital market**

## Reject Nasdaq's Offer

- Our exceptional growth continues
  - New SETS forecast – at least 180 per cent increase in FY 2008 to at least 480,000 bargains per day
- Our focus on shareholder value continues
  - Increase of up to £250 million in our existing share buyback programme
- Yet Nasdaq persists in undervaluing the world's capital market

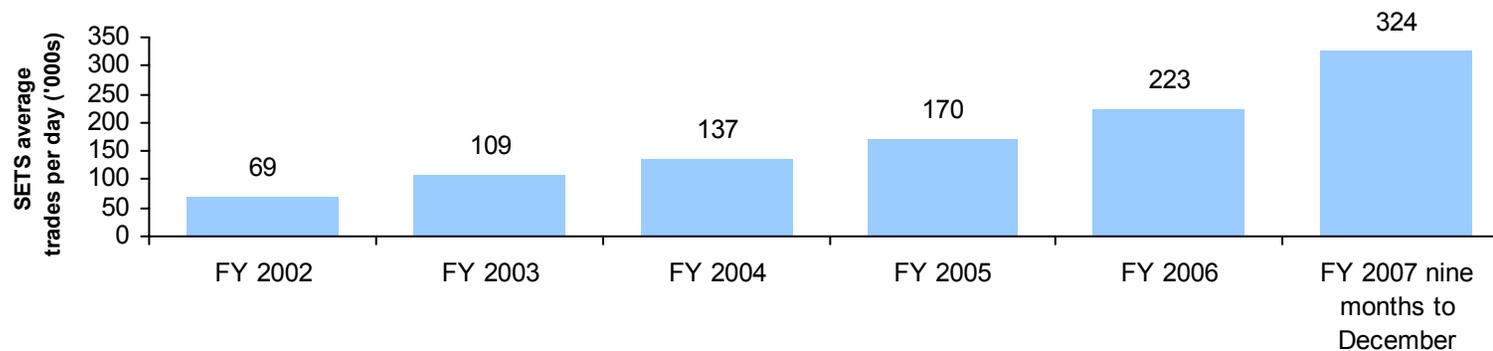
**Nasdaq's offer is wholly inadequate**



## A culture of competing for liquidity

- The LSE operates in a **pro-competitive** regulatory environment that ensures choice of execution venue
- SETS market share of total Exchange business has grown from 52 per cent in 2000 to 68 per cent of a much larger market in 2006 due to product innovation, new technology, declining transaction costs and its exceptional reliability
- Average daily volumes on SETS have nearly doubled in the last two years and quintupled in the last five years

**Average SETS trades per day**



## MiFID creates opportunities

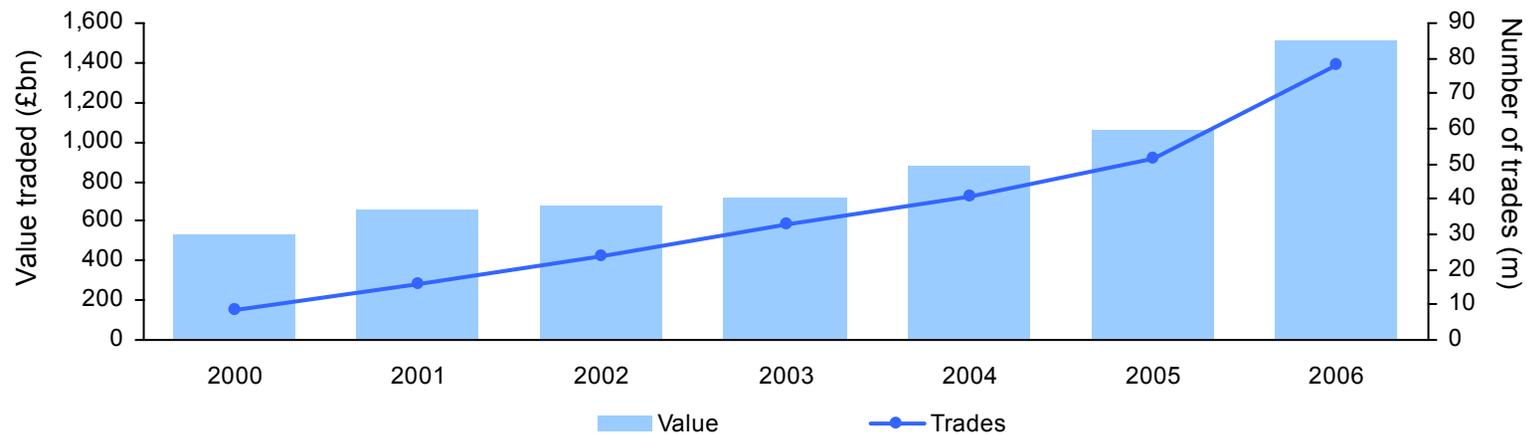
- Many features inspired by the UK regime – validates UK’s open market model
- MiFID abolishes concentration rules and enables competition with national exchanges
- Radical change for some countries in Continental Europe but ‘business as usual’ for the UK
- Our regulatory regime is fundamentally different to that in the US:

	US Regulation	Europe: MiFID	MiFID change for LSE?
Internalisation permitted	Yes	Yes	No
Trade reporting required	Yes	Yes	No
Trade-through rule	Yes	No	N/A
Exchange linkages required	Yes	No	N/A
Consolidated tape	Yes	Market forces	No
Market data revenues	Regulatory formula	Market forces	No
Tick sizes	Regulatory prescription	Market forces	No



# SETS growth is outstanding

SETS growth (2000 – 2006)



## Key drivers of SETS growth

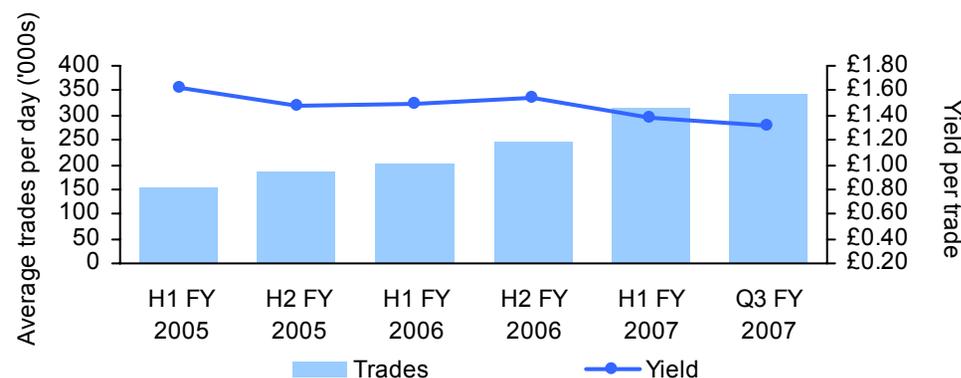
- Technology investment by the Exchange
- Structural change
- New products, services and pricing
- Increasing velocity of trading
- Increasing equity investment across Europe



# Lower transaction costs drive growth

- SETS revenue up **38 per cent** in the nine months to December 2006 (on the same period last year)
- The Exchange has the lowest fees per trade of any major European exchange
- The tariff changes just announced for 2008 are expected to fuel further SETS growth

**SETS trades vs yield per trade (FY 2005 – Q3 2007)**



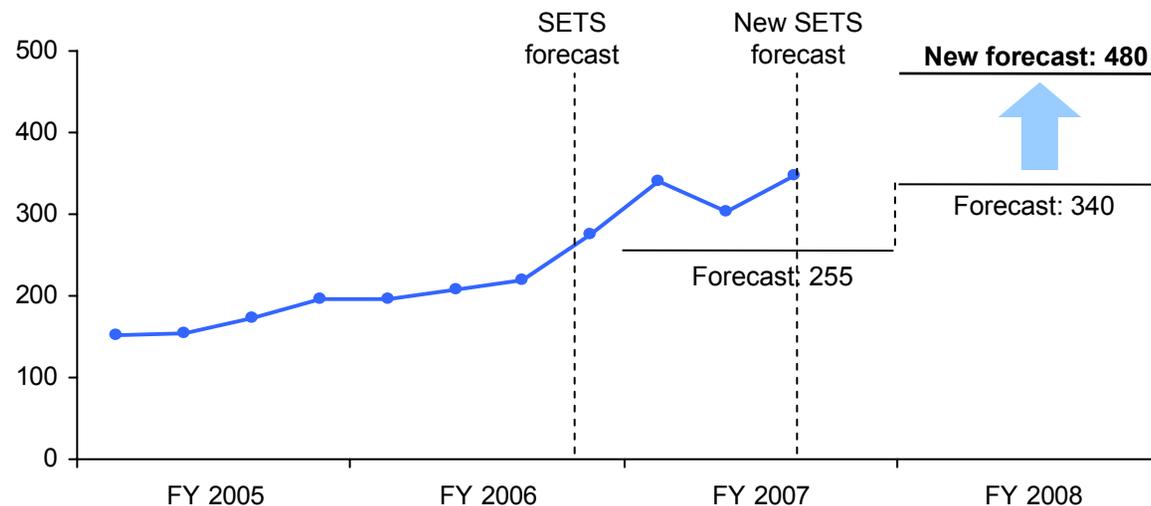
**SETS revenue**



## New forecast for SETS growth

- New forecast of an average of **at least 480,000** trades per day in FY 2008

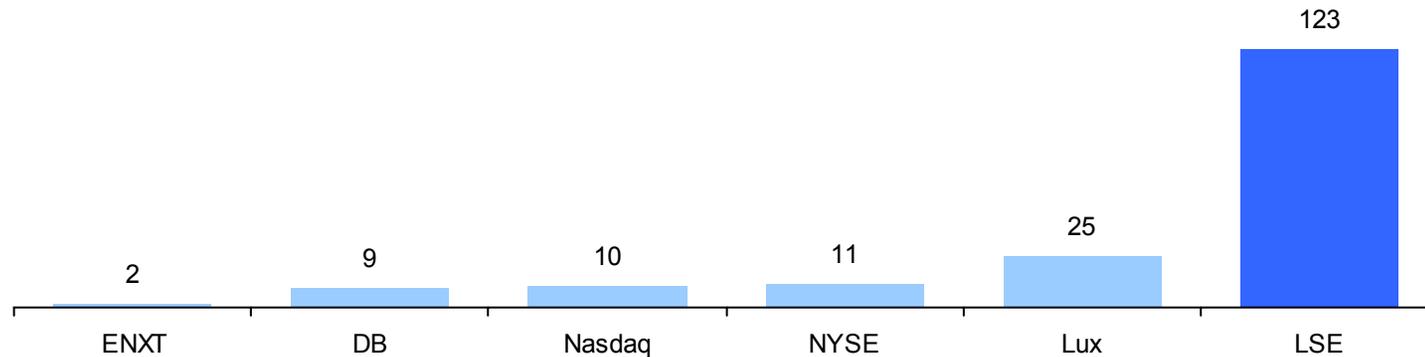
**Actual and forecast average SETS trades per day ('000s)**



- This represents an increase of **at least 180 per cent** in FY 2008 (relative to FY 2005)
- This will produce **strong growth** in Broker Services revenues

# Growth prospects in Issuer and Information Services

## International IPOs in 2006



- 2006 was a record year for Issuer Services – 367 IPOs raising a record £29.4 billion
- Strong IPO activity in December – 17 international companies raising over £1.8 billion
- New international and UK listings and the continuing success of AIM should deliver strong issuer activity in FY 2008
- Another record in December for Information Services with 113,000 terminals
- Growth in terminal numbers increasingly international



# A compelling value creation story

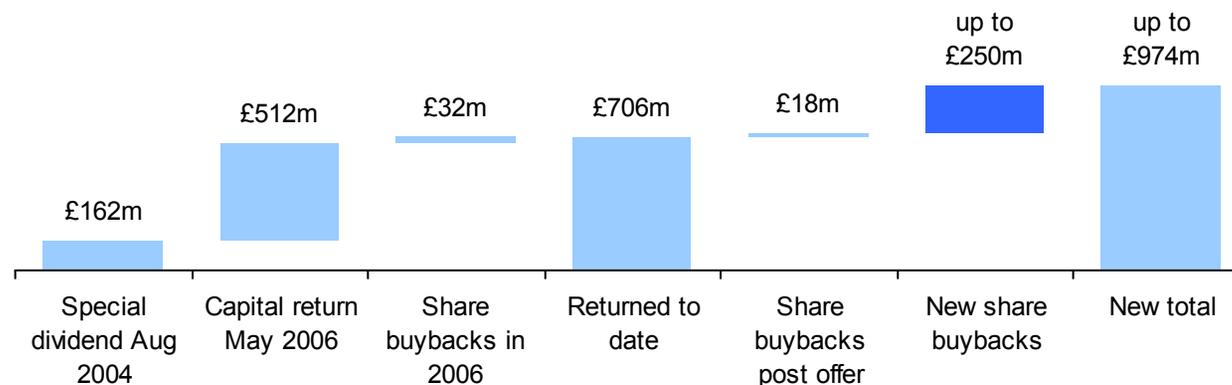
## Progressive dividends

- FY 2007 final dividend of not less than 12 pence per share; total dividend of at least 18 pence per share – a minimum increase of **50 per cent**
- Dividend growth of **275 per cent** over the last three years

## Increase of up to £250 million share buyback programme

- Total return of up to £974 million represents 35 per cent of current market capitalisation

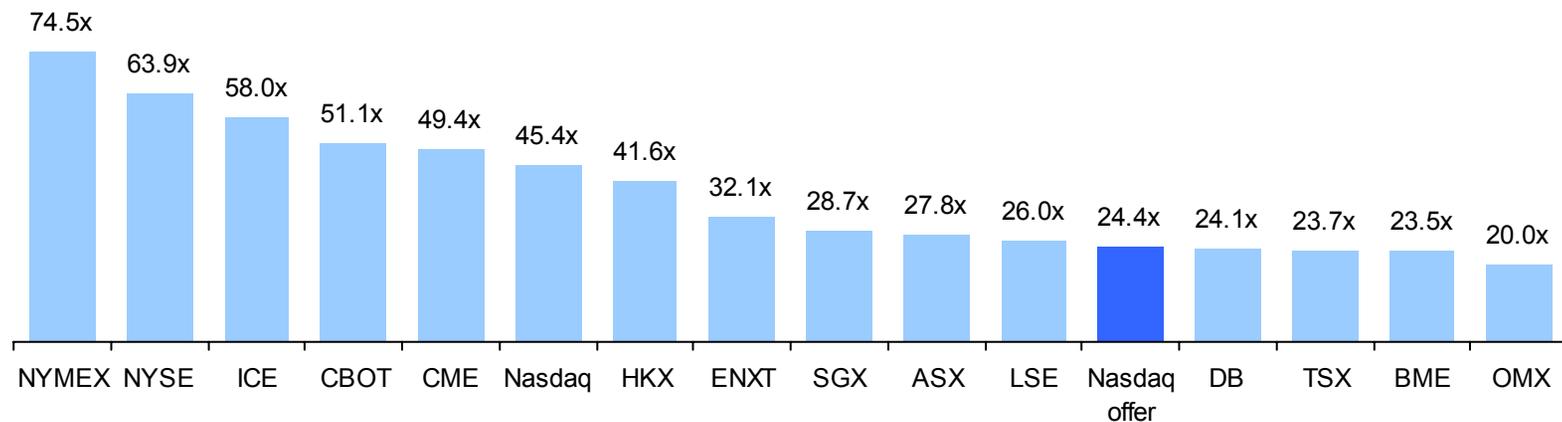
### Capital returns from 2004



## Standalone value is not being offered

- Nasdaq's offer is far below the trading multiples of virtually all other major listed exchanges
- The offer ignores our outstanding financial performance and excellent growth prospects

### 12 months to December 2006 P/E multiples



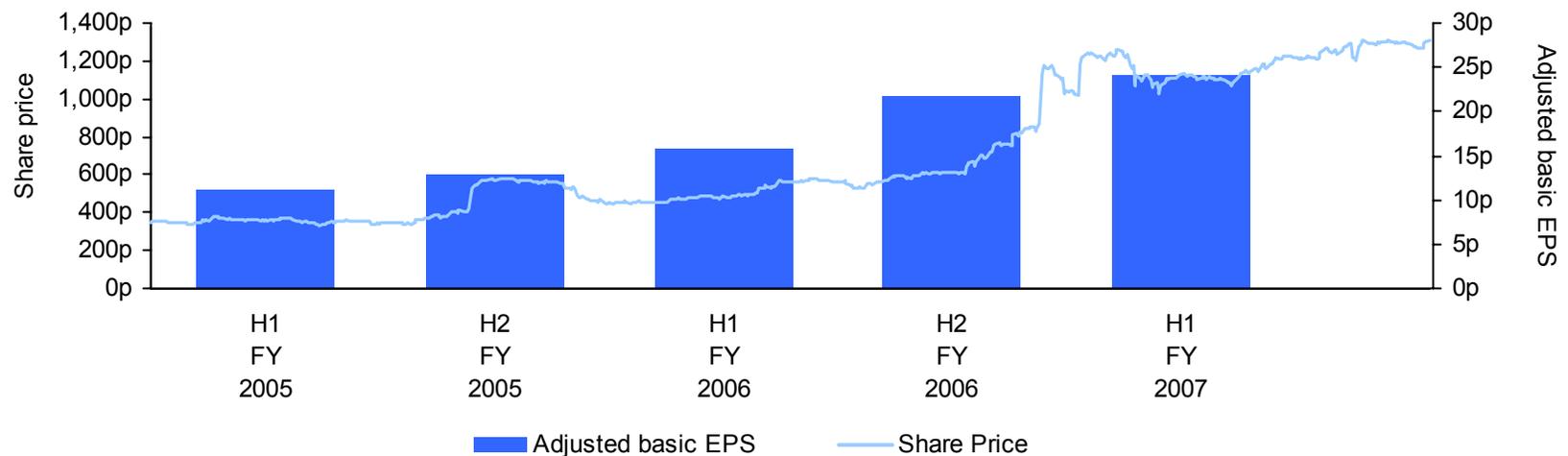
- Peer group comparison clearly shows that Nasdaq is not offering standalone value



## Synergies not shared, no premium for control

- Nasdaq has not disclosed the value of synergies
- The offer is at a lower multiple of earnings than Nasdaq's withdrawn proposal of 29.8 times earnings in March 2006
- EPS has grown by 116 per cent over the last two years

**Exchange share price and adjusted basic EPS**



# Strategic opportunities for the world's capital market

- Our standalone value is based on very strong organic growth prospects
- LSE remains interested in major strategic opportunities that would be in the best interests of shareholders and customers
- A combination with an exchange or similar business could deliver major benefits including
  - increased liquidity
  - significant synergies
  - diversification into other geographies and asset classes



## Nasdaq's offer fails:

- To value the Exchange's unique strategic position
- To share any of the synergy benefits
- To pay a premium for control
- To even give standalone value

Nasdaq is not even close on price



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