

10 January 2006

LONDON STOCK EXCHANGE plc

TRADING STATEMENT 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 per cent to £210.6 million
- Adjusted EPS up 43 per cent 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.

Further information is available from:

London Stock Exchange	John Wallace – Media	020 7797 1222
	Paul Froud – Investor Relations	020 7797 3322
	Lyndal Kennedy – Investor Relations	020 7797 3322
Finsbury	James Murgatroyd	020 7251 3801
	Simon Moyse	020 7251 3801

The Directors of the Exchange accept responsibility for the information contained in this announcement. To the best of the knowledge and belief of the Directors of the Exchange (who have taken all reasonable care to

ensure that such is the case), the information contained in this announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

PricewaterhouseCoopers LLP, Merrill Lynch International and Lehman Brothers Europe Limited have each given and not withdrawn their consent to the inclusion of their respective reports in this announcement.

Merrill Lynch International, which is regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Exchange and no-one else in connection with the offer and will not be responsible to anyone other than the Exchange for providing the protections afforded to clients of Merrill Lynch International nor for providing advice in relation to the offer.

Lehman Brothers Europe Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Exchange and no-one else in connection with the offer and will not be responsible to anyone other than the Exchange for providing the protections afforded to clients of Lehman Brothers Europe Limited nor for providing advice in relation to the offer.

Consolidated income statement

Nine months ended 31 December 2005

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2005 Unaudited £m	2004 Unaudited £m	2005 Unaudited £m	2004 Unaudited £m
Continuing operations					
Revenue					
Issuer Services		15.5	11.3	42.3	31.3
Broker Services		30.9	25.4	87.8	74.0
Information Services - ongoing		24.4	22.5	69.5	64.9
Information Services - exceptional	2	6.4	-	6.4	-
Derivatives Services		1.9	1.5	5.8	5.1
Other		1.8	1.8	5.2	5.5
Total		80.9	62.5	217.0	180.8
Expenses					
Operating expenses before exceptional items		(42.1)	(40.1)	(127.4)	(117.5)
Exceptional expenses	2	(1.3)	(0.5)	(27.0)	(0.5)
Total		(43.4)	(40.6)	(154.4)	(118.0)
Profit on disposal of Stock Exchange Tower	2	-	-	-	4.5
Operating profit		37.5	21.9	62.6	67.3
Analysed as:					
Operating profit before exceptional items		32.4	22.4	83.2	63.3
Exceptional items	2	5.1	(0.5)	(20.6)	4.0

Operating profit		37.5	21.9	62.6	67.3
Finance income		5.2	4.5	15.1	14.7
Finance costs		(3.5)	(3.1)	(10.0)	(9.5)
Net finance income		1.7	1.4	5.1	5.2
Share of profit after tax of joint venture		0.3	0.2	0.9	0.8
Investment income		-	-	0.3	0.1
Profit before taxation		39.5	23.5	68.9	73.4
Taxation		(11.4)	(7.1)	(20.2)	(20.9)
Profit for the financial period		28.1	16.4	48.7	52.5
Loss attributable to minority interest		(0.1)	(0.1)	(3.9)	(0.3)
Profit attributable to equity holders		28.2	16.5	52.6	52.8
		28.1	16.4	48.7	52.5
Basic earnings per share	3	11.1p	6.5p	20.7p	19.3p
Diluted earnings per share	3	11.0p	6.5p	20.5p	19.1p
Adjusted basic earnings per share	3	9.8p	6.7p	25.5p	17.8p

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

2. Exceptional items

	Three months ended 31 December		Nine months ended 31 December	
	2005	2004	2005	2004
	Unaudited	Unaudited	Unaudited	Unaudited
	£m	£m	£m	£m
Exceptional revenue (see below)	6.4	-	6.4	-
Fees in respect of potential offers for the Company	(1.3)	(0.5)	(3.9)	(0.5)
Impairment of goodwill and provision in respect of EDX London Ltd	-	-	(23.1)	-
Profit on disposal of Stock Exchange Tower	-	-	-	4.5
Total exceptional items	5.1	(0.5)	(20.6)	4.0

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.

	Three months ended 31 December		Nine months ended 31 December	
	2005	2004	2005	2004
	Unaudited	Unaudited	Unaudited	Unaudited
	£m	£m	£m	£m
Continuing operations				
Basic earnings per share	11.1p	6.5p	20.7p	19.3p
Diluted earnings per share	11.0p	6.5p	20.5p	19.1p
Adjusted basic earnings per share	9.8p	6.7p	25.5p	17.8p
Profit for the financial period attributable to equity holders	28.2	16.5	52.6	52.8
Adjustments:				
Exceptional items	(5.1)	0.5	20.6	(4.0)
Tax effect of exceptional items	1.9	-	(4.7)	-
Exceptional items and taxation attributable to minority interest	-	-	(3.7)	-
Adjusted profit for the financial period attributable to equity holders	25.0	17.0	64.8	48.8

Weighted average number of shares - million	254.2	253.2	254.0	274.0
Effect of dilutive share options and awards - million	3.0	2.2	2.9	1.9
<hr/>				
Diluted weighted average number of shares - million	257.2	255.4	256.9	275.9
<hr/>				

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

	Basic earnings <u>per</u> <u>share</u>	Adjusted basic earnings <u>per share</u>
	£	£
Year ended 31 March 2005 on IFRS basis (as disclosed in Interim Report)	24.2	24.2
Less: Nine months ended 31 December 2004 (as above)	(19.3)	(17.8)
Add: Nine months ended 31 December 2005 (as above)	20.7	25.5
	<u>25.6</u>	<u>31.9</u>

The London Stock Exchange would like to clarify that references to March 2006 PE consensus multiples and analysts' 2006 consensus in its announcement of 15 December 2005 did not constitute a profit forecast for the 12 months ending 31 March 2006, nor has the London Stock Exchange made a profit forecast for the financial year 2006.

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

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1HQ

Lehman Brothers Europe Limited
25 Bank Street
London E14 5LE

10 January 2006

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 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 the Company's third quarter results announcement (the "**Announcement**") issued by the Company on 10 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.

The Unaudited Financial Information has been prepared on the basis set out in the notes to the Announcement, 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 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.

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 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

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

10 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 for the twelve month period ended 31 December 2005 included in the third quarter results announcement to be issued on 10 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,

Merrill Lynch International

Lehman Brothers Europe Limited