



London
STOCK EXCHANGE

London Stock Exchange

Interim Results 3 November 2005

Agenda

Introduction

Chris Gibson-Smith
Chairman

Financial Review

Jonathan Howell
Director of Finance

CEO Overview

Clara Furse
Chief Executive Officer

Q&A

Introduction

- Excellent H1 trading performance
- Competition Commission findings validate horizontal business model
- Our strategic objectives:
 - extend lead in domestic and international equity markets
 - leverage core strengths to diversify business
 - promote the growth of capital markets
- Confidence in future demonstrated by dividend increase, capital return and share buyback



London
STOCK EXCHANGE

Jonathan Howell

Director of Finance

Strong trading performance

Highlights

- Turnover - up **15%** to **£136.1m**
- Operating profit - up **24%** to **£50.8m¹**
- Adjusted earnings per share - up **40%** to **15.7 pence¹**
- Interim dividend - up **100%** to **4 pence** per share

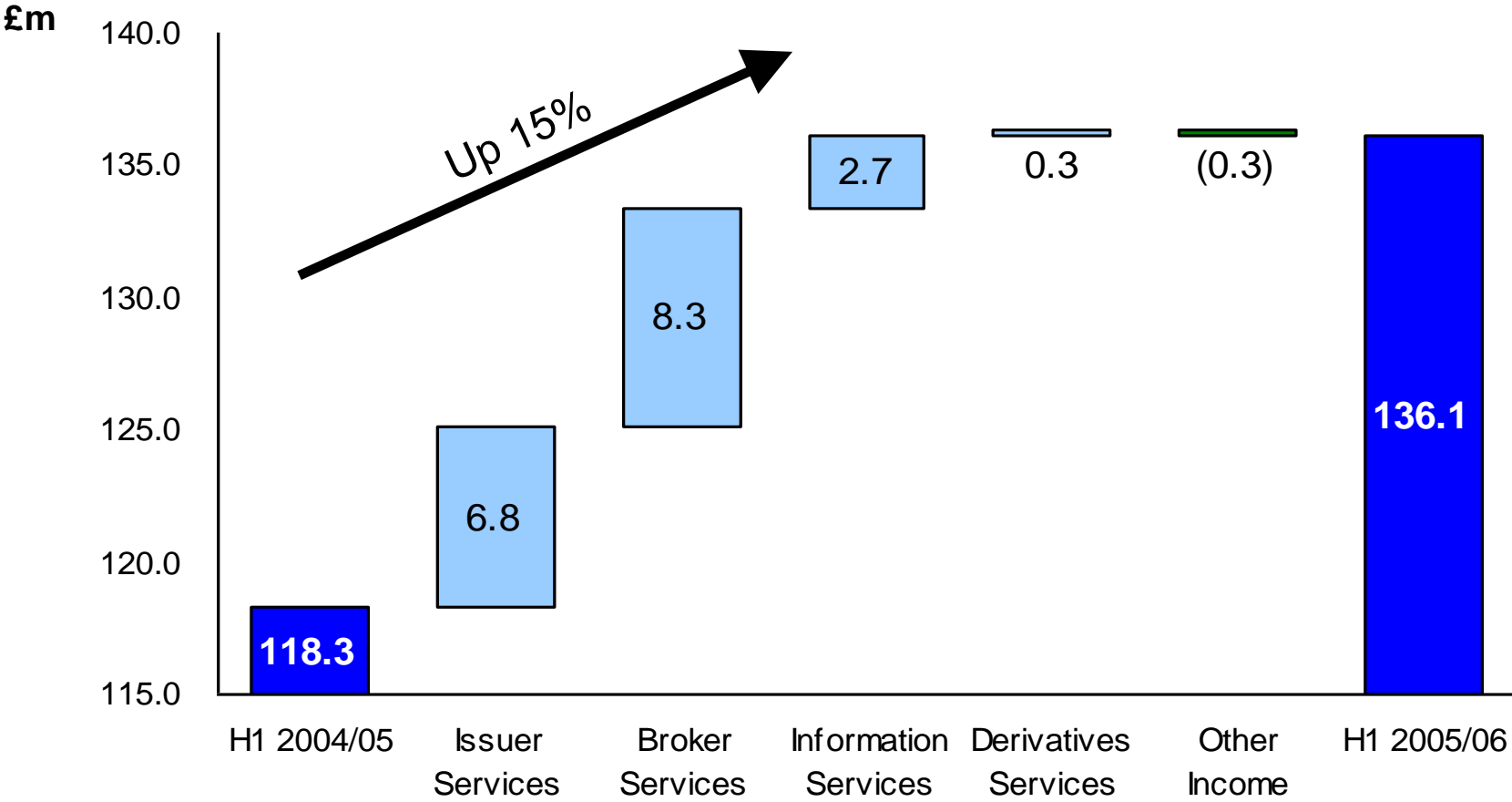
¹ Before exceptional items

Overview of results

	Six months ended 30 September		Change	Year ended
	2005	2004		2005
	£m	£m	%	£m
Turnover	136.1	118.3	15	244.4
Operating costs ¹	(85.3)	(77.4)	10	(159.8)
Operating profit¹	50.8	40.9	24	84.6
Operating margin¹	37%	35%		35%
Exceptional items	(25.7)	4.5	-	(0.1)
Profit before tax	29.4	49.9	(41)	92.2
Tax	(8.8)	(13.8)	(36)	(27.7)
Profit after tax	20.6	36.1	(43)	64.5
Earnings per share	9.6p	12.8p	(25)	24.2p
Adjusted earnings per share¹	15.7p	11.2p	40	24.2p
Dividend per share	4.0p	2.0p	100	7.0p

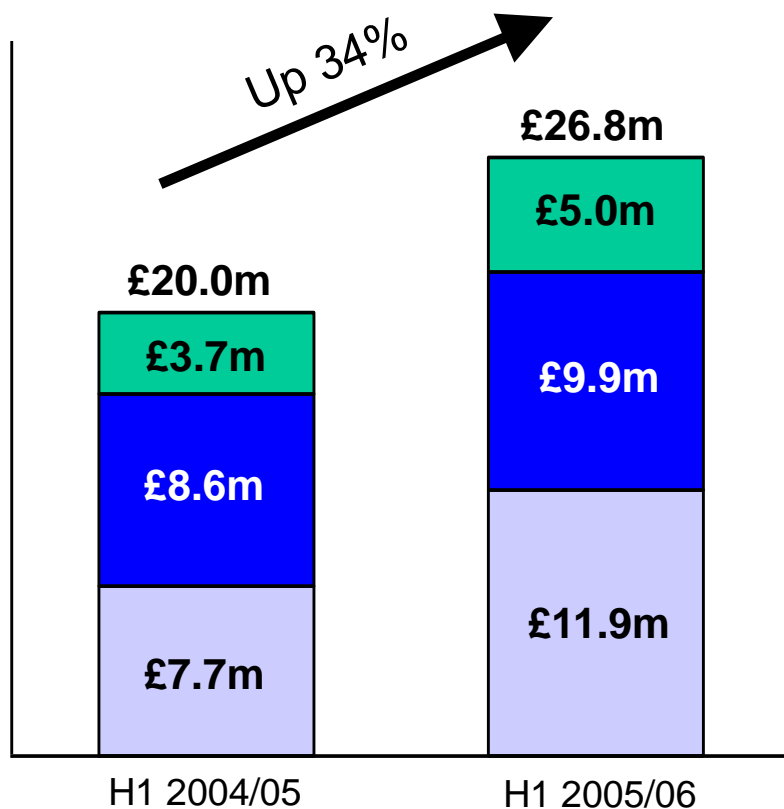
¹ Before exceptional items

Sources of turnover growth



Issuer Services turnover

Significant increase in new issues



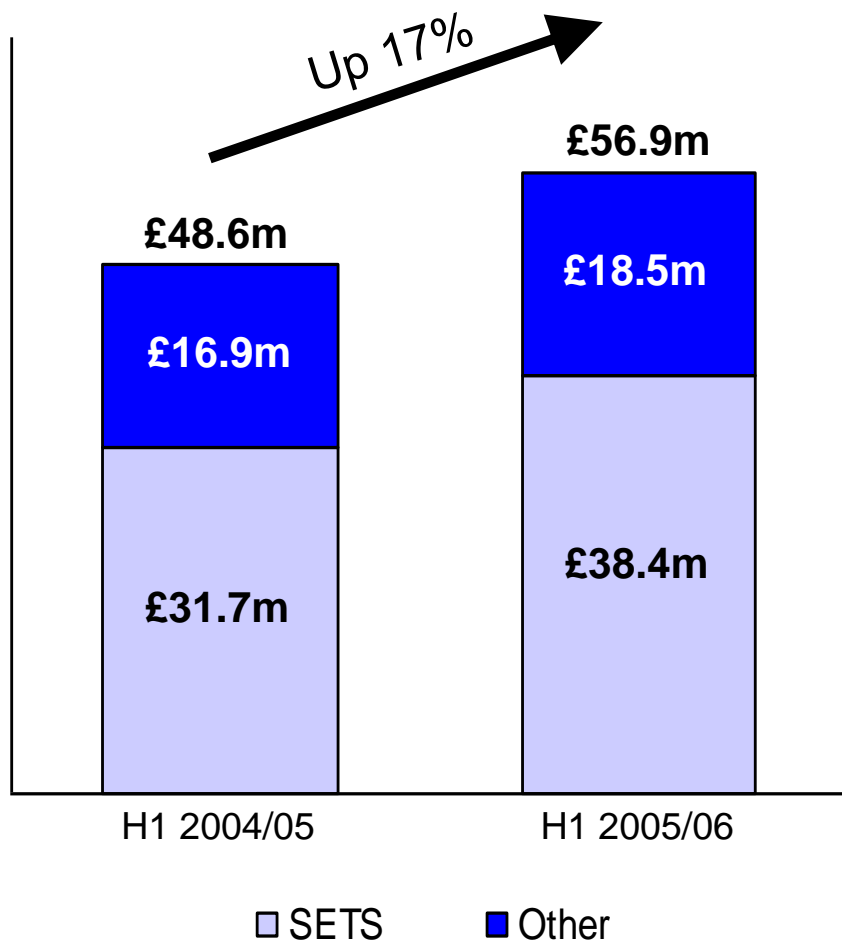
□ Admission ■ Annual ■ RNS/Other

Key metrics

- Total new issues up from 214 to **306**
 - **47** Main Market (H1 2004/05: 30)
 - **259** AIM (H1 2004/05: 184)
- Annual fee income up **15%** and Admission fee income up **55%** reflecting increase in new issues
- Total companies **3,013** (H1 2004/05: 2,765)
- RNS turnover **£4.2m** (H1 2004/05: £3.6m)

Broker Services turnover

Record trading volumes



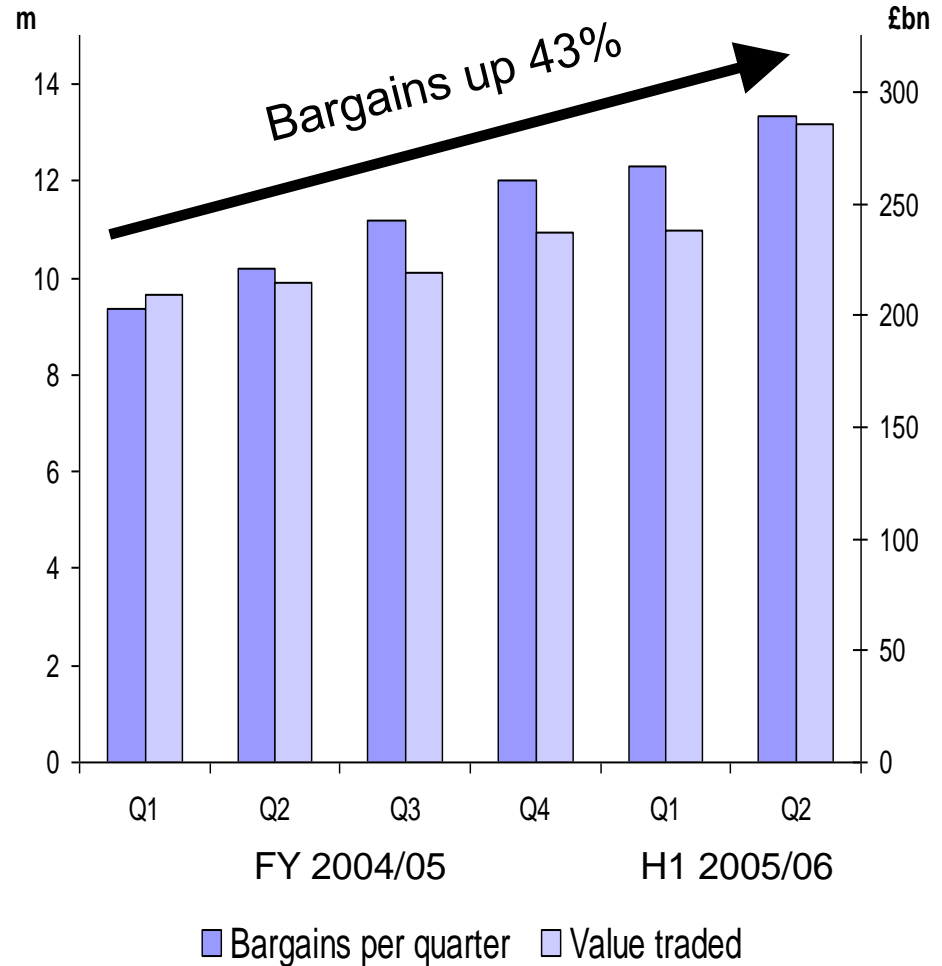
Key metrics

- Average daily equity bargains up **29%** to **317,000**
 - SETS bargains up **30%** to **201,000** per day
 - Off book bargains down **4%** to **44,000** per day
 - International bargains up **60%** to **72,000** per day
- Value traded on SETS up **23%** – average SETS bargain size down **9%** to **£20,000**
- SETS (excluding order charges) contributed **68%** of Broker Services revenue

Order book

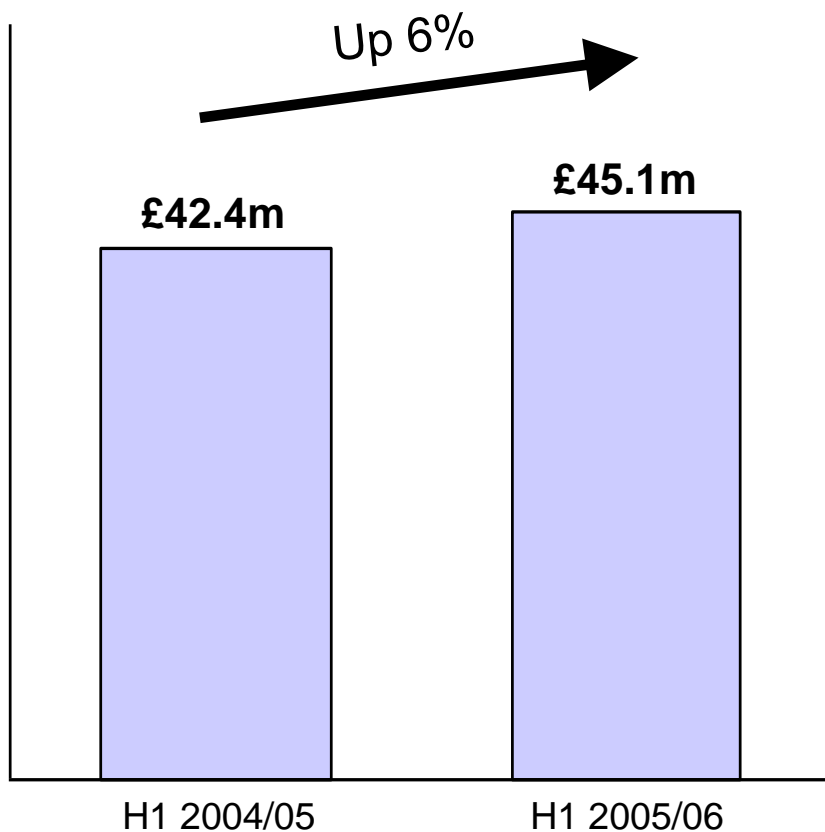
Track record of strong growth

- Bargains per quarter up **43%** from Q1 2004/05
- Value traded per quarter up **36%** over the same period
- Average yield per bargain in H1 2005/06 of **£1.50**



Information Services turnover

Further uplift in professional terminals



Key metrics

- Terminal population **98,000** (H1 2004/05: 90,000)
- Professional investor terminals at **85,000** (H1 2004/05: 80,000)
- **2,900** Proquote screens (H1 2004/05: 2,300)
- SEDOL turnover up **£1m to £4m**

Derivatives Services turnover

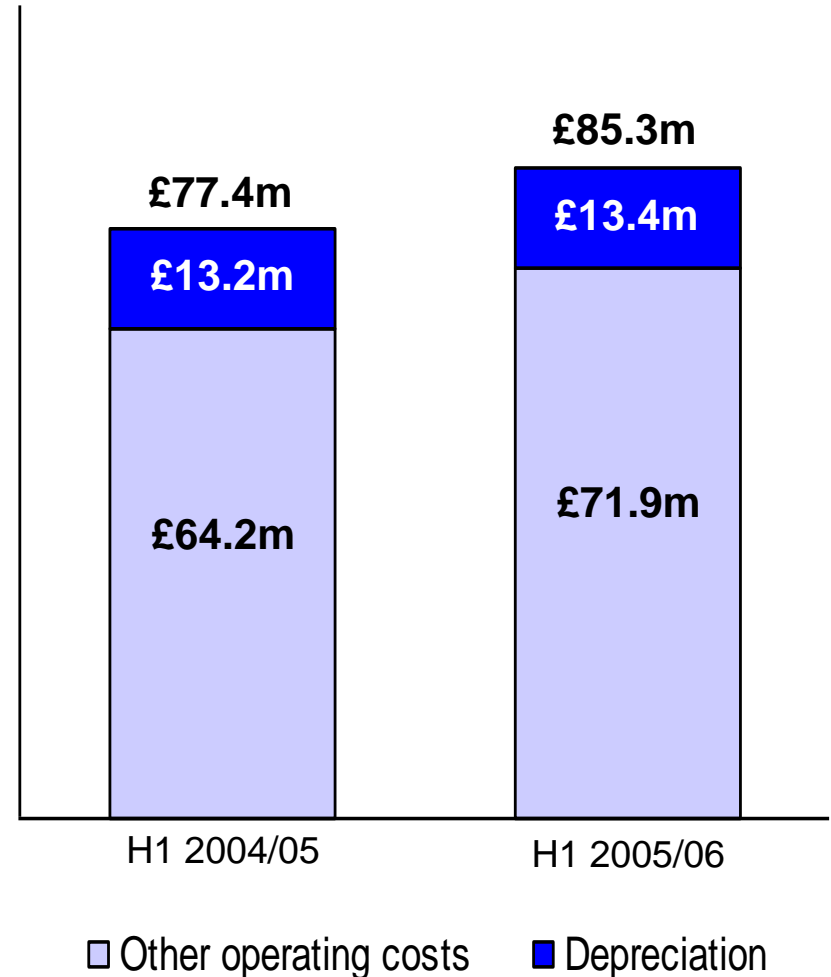
Steady improvement

Key metrics

- Turnover up **8%** to **£3.9m** (H1 2004/05: £3.6 million)
- **10.1 million** contracts traded (H1 2004/05: 9.2 million)
- Average daily contracts traded **78,000** (H1 2004/05: 73,000)
- Goodwill impairment of **£23m**

Operating and development costs

- 2004/05 comparative costs weighted to H2
- Increases relate to higher IT and staff spend
- Depreciation stable
- Costs remain closely managed - expect costs in FY 2006/07 remain at levels of FY 2005/06



Summarised cash flow

Continued strong cash generation

	Six months ended 30 September		Year ended 31 March
	<u>2005</u>	<u>2004</u>	<u>2005</u>
	£m	£m	£m
Net cash inflow from operating activities (before exceptionals)	77.9	59.0	100.9
Taxation	(12.5)	(11.7)	(24.3)
Capital expenditure	(14.4)	(26.2)	(40.8)
Ordinary dividends paid	<u>(12.6)</u>	<u>(10.0)</u>	<u>(15.1)</u>
Free cash flow before one-off items ¹	38.4	11.1	20.7
One-off items			
- disposals/(acquisitions)	-	32.9	32.3
- special dividend	-	(162.5)	(162.5)
Exceptional items	(1.9)	-	(5.5)
Free cash flow ¹	<u>36.5</u>	<u>(118.5)</u>	<u>(115.0)</u>

¹ Before interest and dividends received

Summarised balance sheet

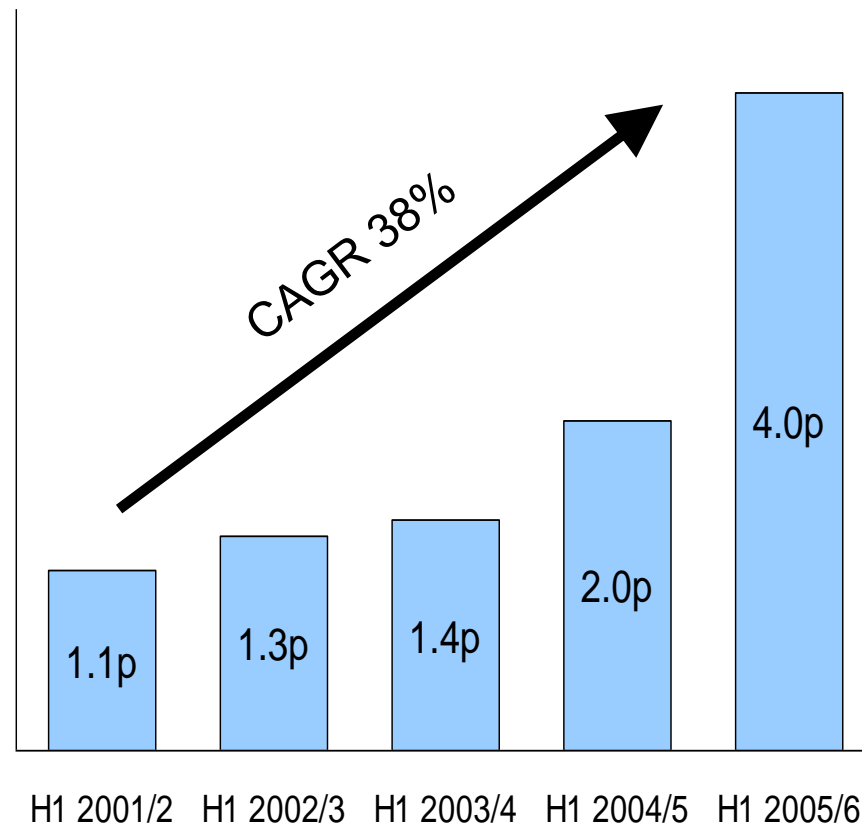
Financial flexibility

	30 September 2005	31 March 2005
	<u>£m</u>	<u>£m</u>
Non-current assets	135.9	154.1
Current assets - debtors	79.1	81.9
- cash	166.1	124.4
Current liabilities	(89.8)	(76.8)
Non-current liabilities	(44.1)	(47.3)
Net assets	<u><u>247.2</u></u>	<u><u>236.3</u></u>

Dividends

Step-up in payout

- Interim dividend per share for H1 2006 double H1 last year, reflecting:
 - strong performance
 - confidence in future
 - re-setting dividend payout
- Sustainable dividend growth – not constrained by 3-5 times earnings
- CAGR of Interim dividend since 2001/02 of **38%**



Capital Return

Reflects strong trading performance and cash flow generation

- Capital position regularly reviewed - **£163m** special dividend August 2004
- Today announcing:
 - **£250m** return after end of Offer period, or as soon as circumstances allow
 - Share buyback programme to follow
- Cash of **£166m** at 30 September 2005, including **c£50m** for FSA purposes
- Capital return could generate near double digit EPS enhancement in first twelve months (on pro forma basis¹)
- Good cash generation and loan facilities - maintains financial flexibility and ability to pay dividends / future returns, as appropriate

¹ Based on recent share price and consensus earnings

Current trading and prospects

- Good momentum in core business
- Positive trends continuing into H2:
 - New issue activity strong – average size of Main Market new issues in October more than double last year
 - SETS continuing to perform strongly – bargains/day up **32%** to **229,000**
 - Demand for real time data remains encouraging
- Positive trends underpin expectation of future strong results



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Clara Furse

Chief Executive Officer

Introduction

- Building the world's capital market by:
 - Attracting new and international companies
 - Maximising trading liquidity
 - Safeguarding the integrity of our markets
- Depth of international capital and expertise in London
- Intelligent regulatory environment

Achievements

- Culture – commercial, client-focussed
- Business lines – re-priced and repositioned
- Marketing focus – international
- Pre and post-trade market structures – increasingly pro-competitive

Our strategy is delivering growth

- H1 trading performance – operating profit up **24%**
- Announcement of **£250m** capital return and share buy-back
- Significant increase in interim dividend – up **100%** to 4p/share

Primary market

Leveraging our brand

- New issues up **43%** in H1 2005/06 to **306**

Main Market

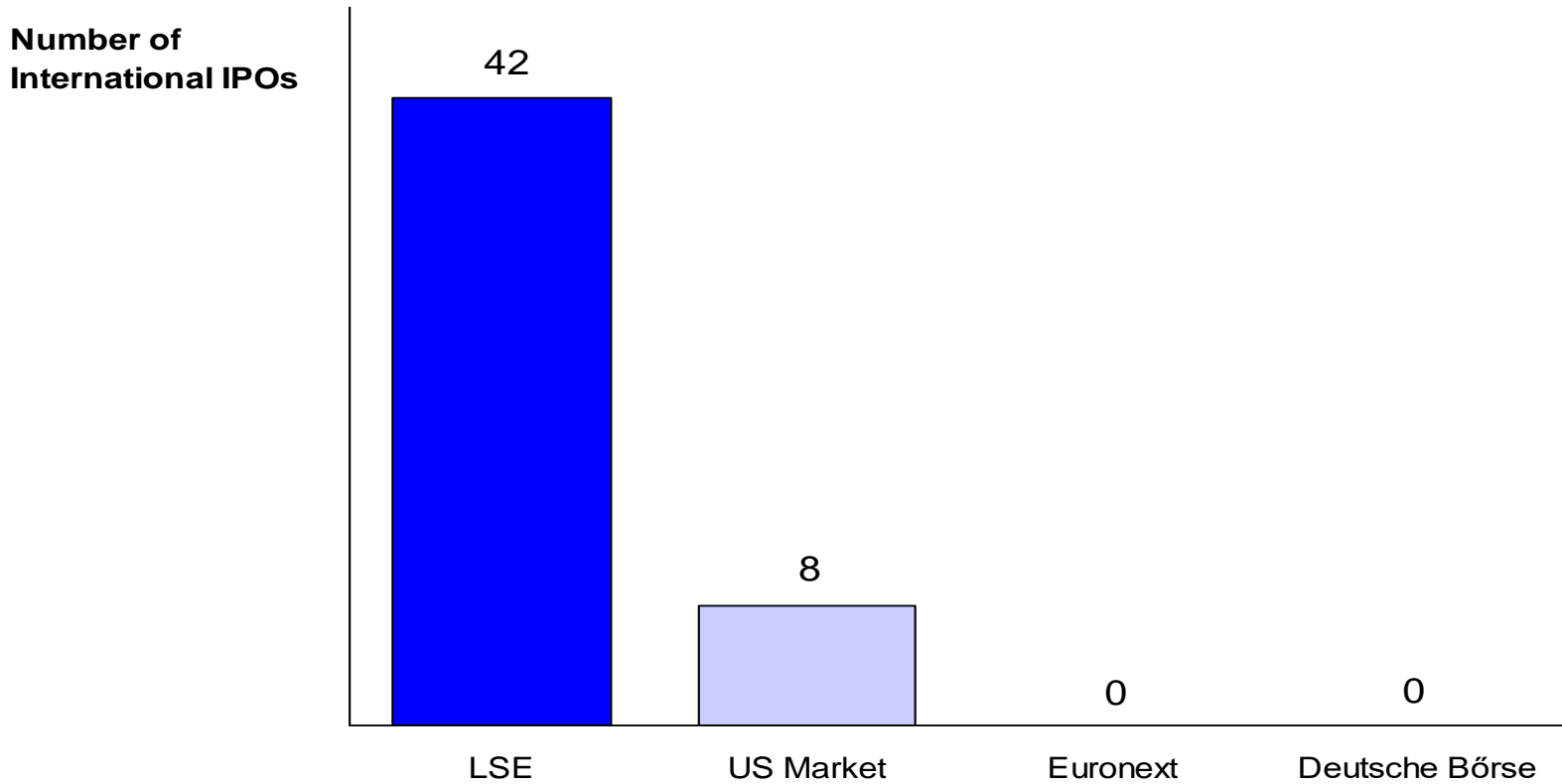
techMARK | techMARK
mediscience |

AIM

Primary market

Outperforming our peers

**Number of International IPOs
(Six months ended 30 September 2005)**

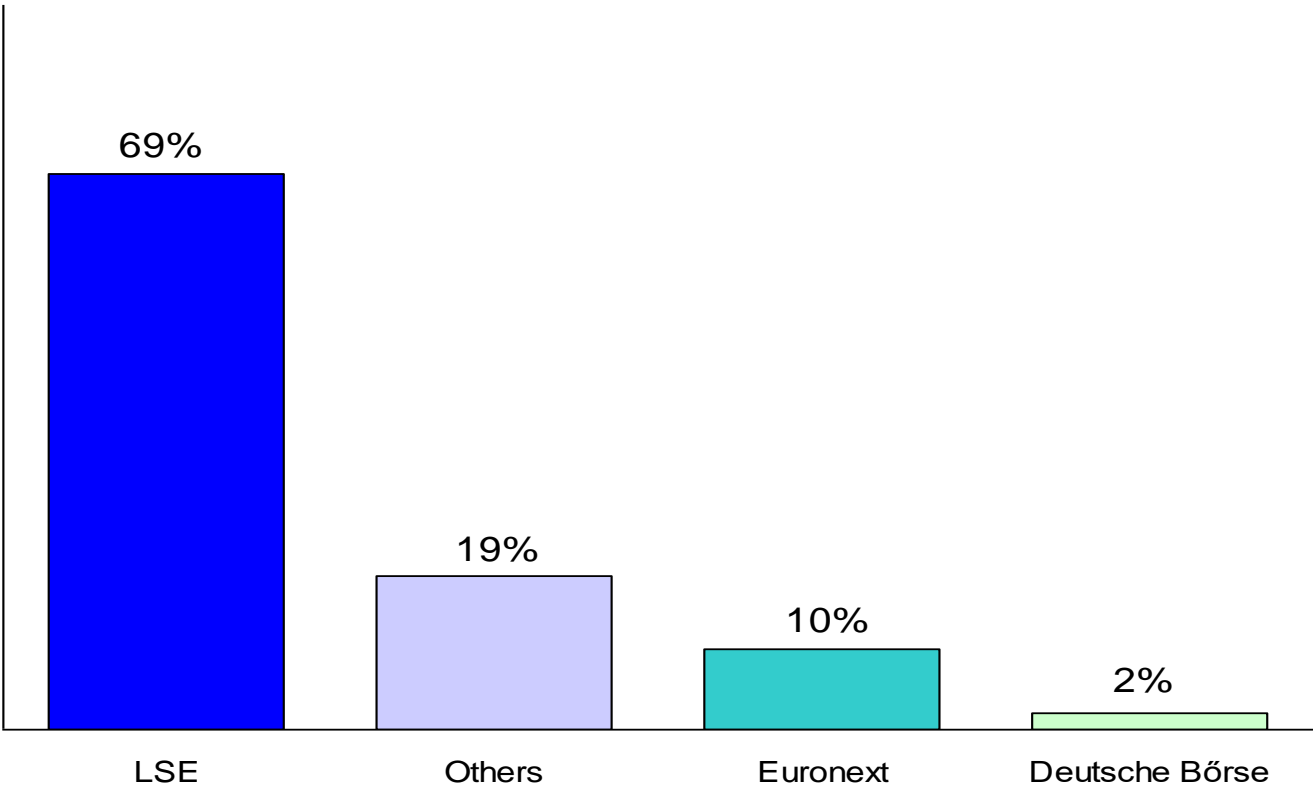


Our market

Europe's capital raising centre – 69% of Western European IPOs

Share of Western European IPOs

Percentage share of Western European IPOs



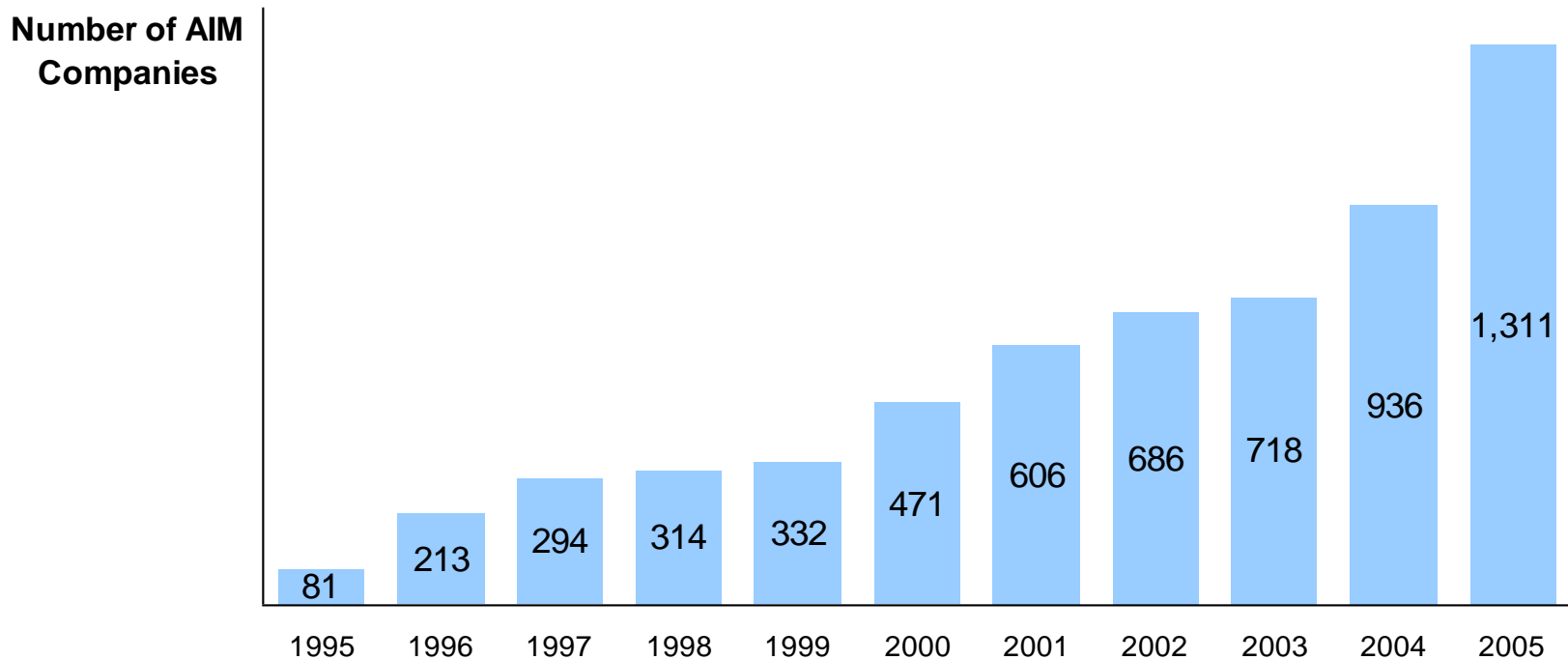
International focus

- **65** international new issues in H1:
 - **8** on the Main Market
 - **57** on AIM – nearly double last year
- Healthy new issue pipeline

Primary market

AIM - world's leading market for smaller, growing companies

Number of AIM companies listed (as at 30 September)

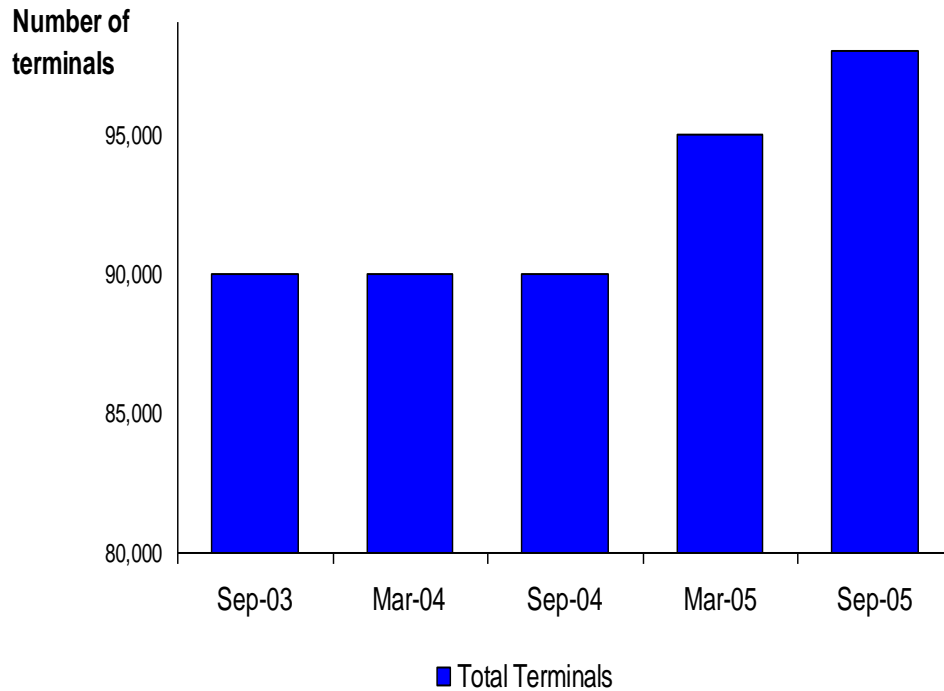


- AIM provides a solution to Europe's SME funding gap

Information

Extending our global reach

Terminal numbers

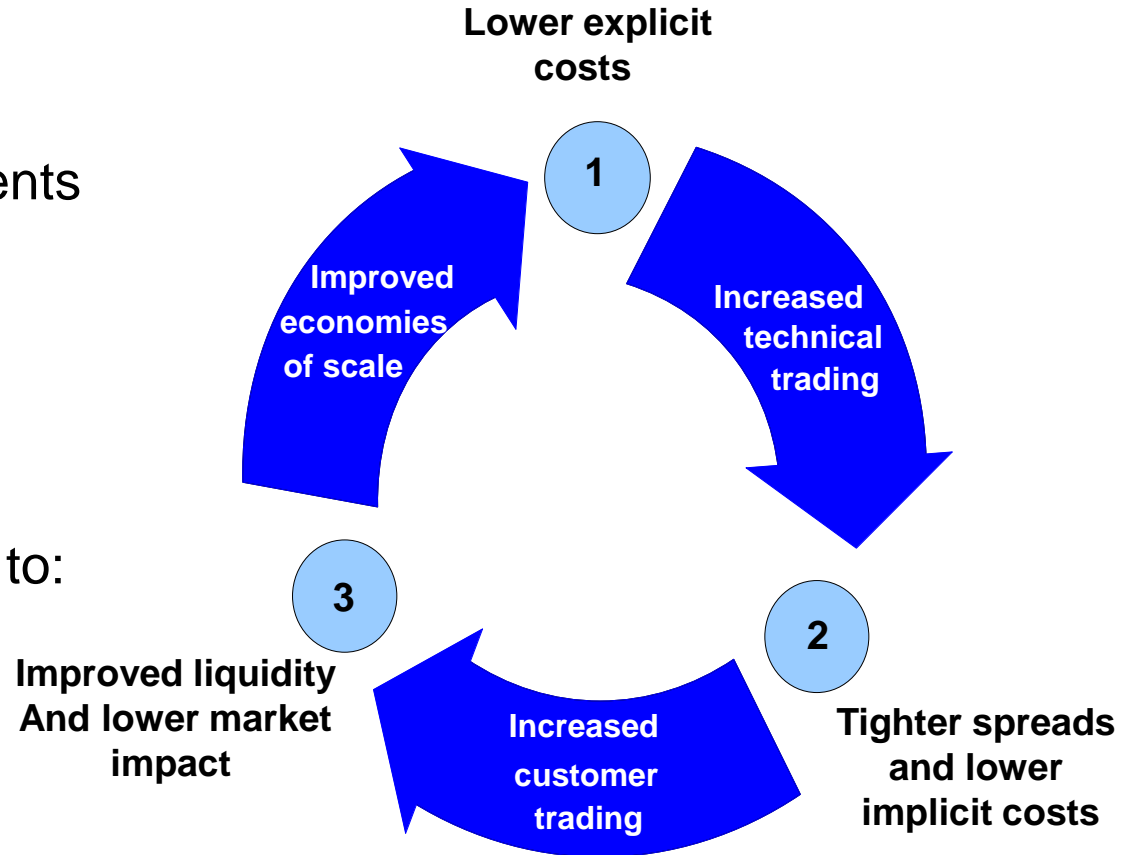


- Data taken in **100+** countries
- Terminals up **8,000** to **98,000**
- New products:
 - SEDOL is global
 - Proquote is international

Secondary market

Mutual advantage drives growth

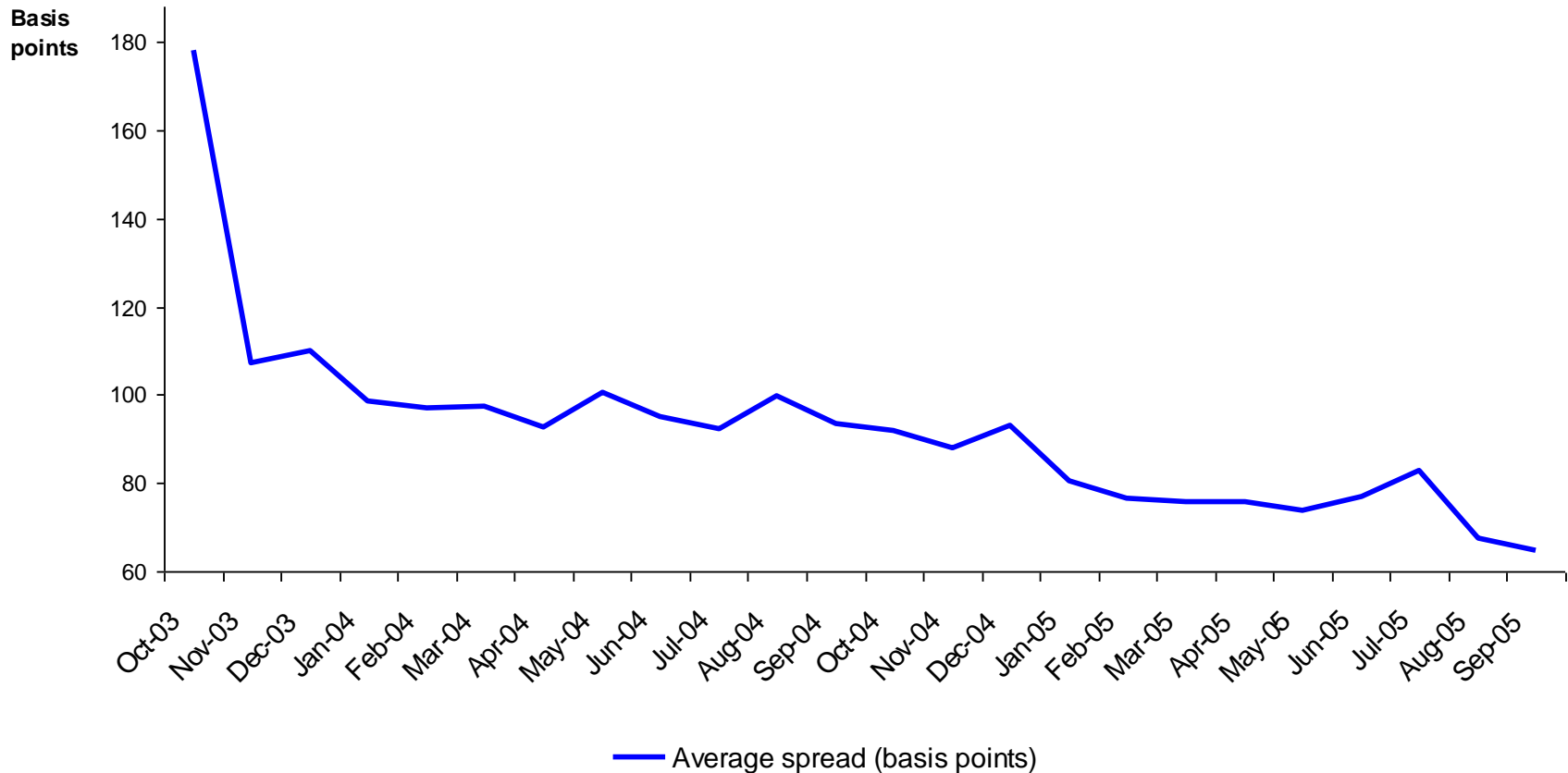
- Virtuous circle
 - Understanding our clients
 - Product innovation
 - Lower pricing
- Improves liquidity, leading to:
 - Lower spreads
 - Lower cost of capital
 - Increase in listings



SETSmm

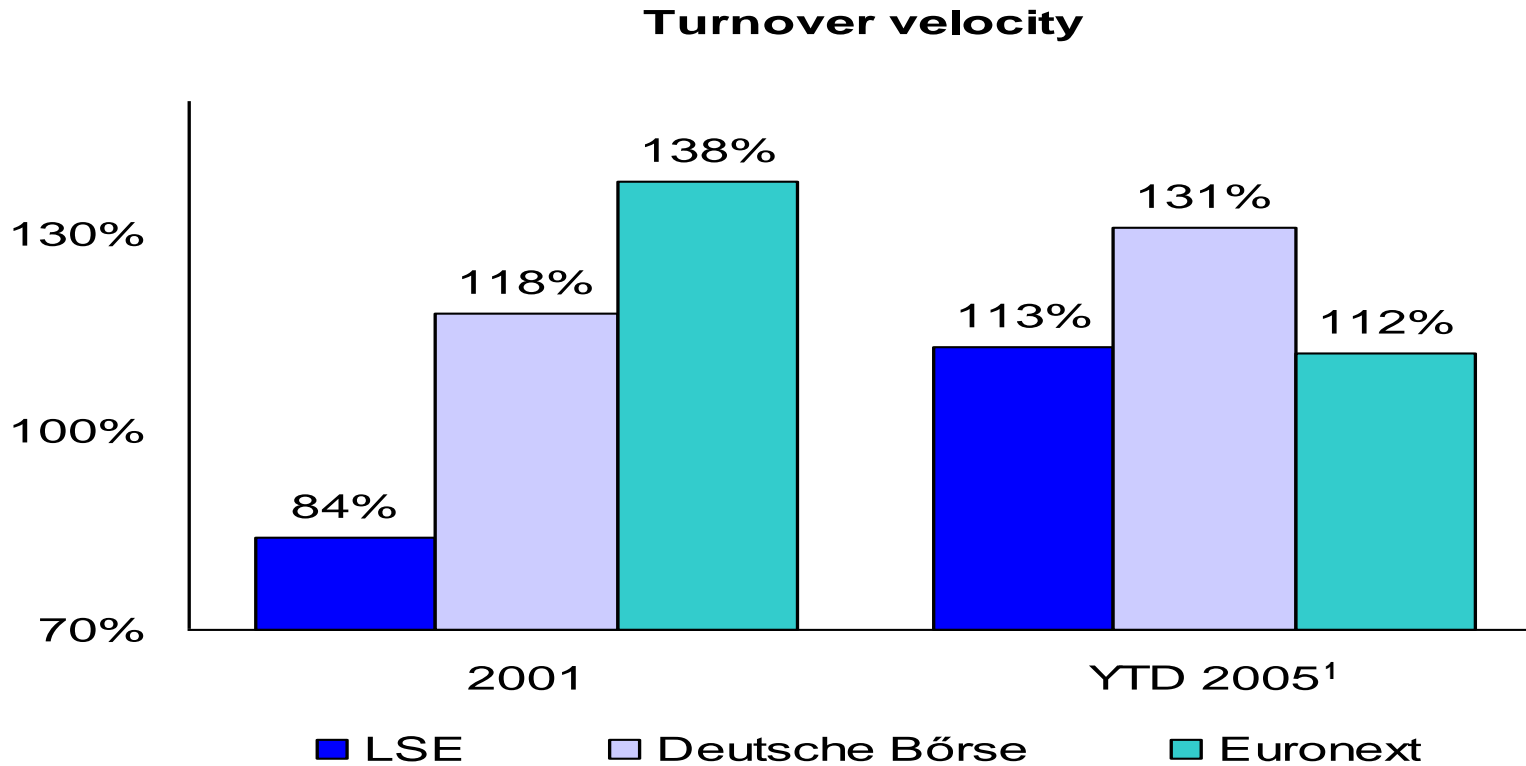
63% reduction in SETSmm spreads

Spreads of SETSmm mid-cap securities



Turnover velocity

Relative growth



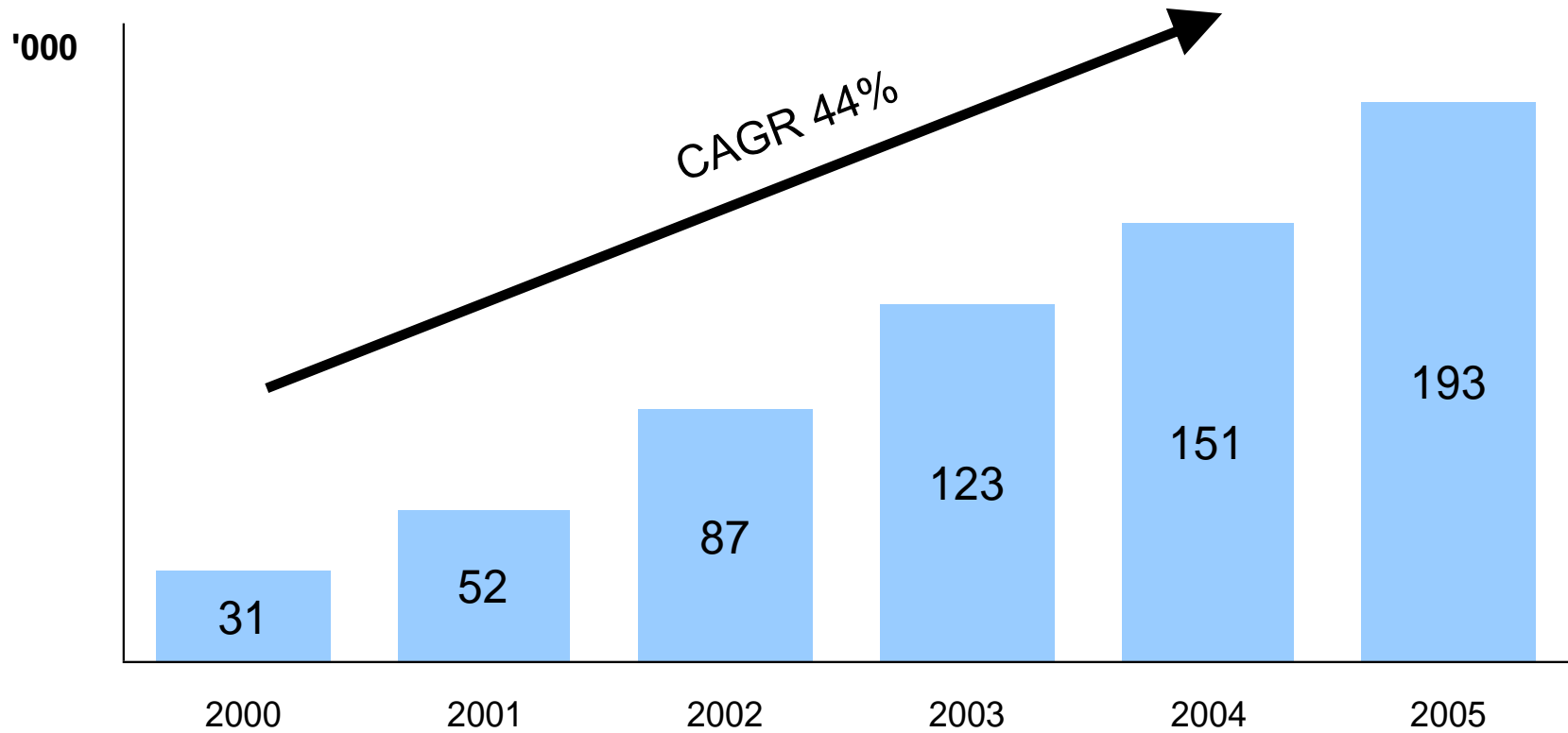
- Velocity is up **35%** since 2001

¹ To end August 2005

Source: WFE

SETS

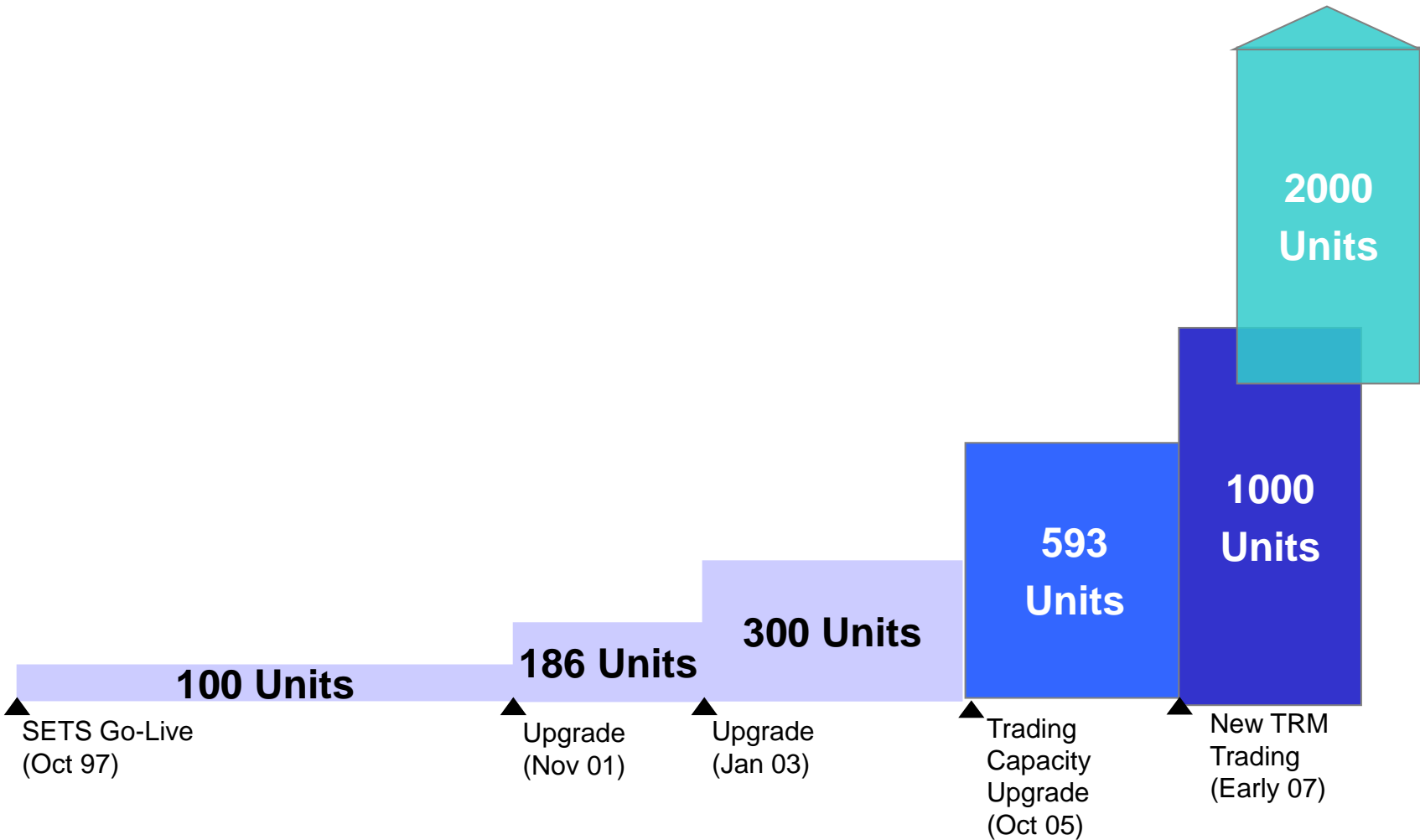
30% growth in SETS bargains/day



■ Average SETS bargains per day (twelve months ended 30 September)

Technology

The growth platform



Bringing you up to speed on the world's capital market.

Financial Times
24 October 2005

The London Stock Exchange is proud to announce the successful implementation of Infolect™ the fastest real-time information delivery system of any exchange in the world.

Infolect™ is a key component of our four year transition to next generation technology – our 'Technology Roadmap' – due for completion in early 2007.

The Technology Roadmap will deliver unprecedented performance, reliability, scalability and business agility for the benefit of our international market.

We would like to thank our technology partners, Accenture and Microsoft, who are helping us to deliver our vision of becoming the world's capital market.

www.londonstockexchange.com



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accenture
High performance. Delivered.

Microsoft
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Technology

A step change in scalability and flexibility

- TRM will sharpen our competitive edge
- Scale upgrades will cost a fraction of pre-TRM cost
- Multi-asset class functionality available at much lower cost

Market Structure

London market model

- Shaping FSAP and lobbying to open up post-trade infrastructure
- MiFID
 - architecture based on open London model
 - requires focus on clients and extensive best execution rules – facets of our market
 - early mover advantage for Exchange

Building the world's capital market

