



London
STOCK EXCHANGE

The world's capital market

Maximise your value in a world of opportunity

- Argentina
- Australia
- Bahrain
- Bangladesh
- Belgium
- Belize
- Bermuda
- British Virgin Islands
- Canada
- Cayman Islands
- Chile
- China
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Egypt
- Estonia
- Falkland Islands
- Finland
- France
- Georgia
- Germany
- Gibraltar
- Greece
- Hong Kong
- Hungary
- India
- Indonesia
- Israel
- Italy
- Japan
- Jordan
- Kazakhstan
- Kenya
- Lebanon
- Lithuania
- Luxembourg
- Malawi
- Malaysia
- Malta
- Marshall Islands
- Morocco
- Netherlands
- Netherlands Antilles
- Netherlands
- New Zealand
- Norway
- Oman
- Pakistan
- Panama
- Philippines
- Poland
- Qatar
- Republic of Ireland
- Russia
- Singapore
- South Africa
- South Korea
- Spain
- Sweden
- Switzerland
- Taiwan
- Tunisia
- Turkey
- United Kingdom
- United States
- Zambia
- Zimbabwe



■ Countries with companies listed on the London Stock Exchange

Reject Nasdaq's offer

This document is important and requires your immediate attention

If you are in any doubt about the contents of this document or the action you should take, you should seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if you are outside the United Kingdom, from an appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your shares in the London Stock Exchange Group plc, please send this document as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected. However, such documents should not be forwarded or transmitted in or into Australia or Canada or in or into any other jurisdiction where it would be unlawful to do so.

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

This document has been prepared in accordance with the requirements of the City Code and is subject to disclosure and procedural requirements that are different from those under US law. Any financial statements included or incorporated in this document may have been prepared in accordance with non-US accounting standards that may not be comparable to the financial statements of a US company.

This document has not been reviewed by any federal state securities commission or regulatory authority in the US, nor has any such commission or authority passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful and may be a criminal offence.

This document contains statements that are or may be forward-looking with respect to the financial condition, results of operations and businesses of the London Stock Exchange Group plc. These statements can be identified by the use of forward looking terminology such as "believe", "expects", "prospect", "estimated", "forecast", "should", "plan", "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. In addition, certain of these statements are subject to assumptions including as set out in this document. 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.

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**

Nasdaq's offer does not even give you standalone value

Reject the offer

Do not complete any form of acceptance

We have a track record of delivering

FY 2002 – 06 adjusted basic EPS CAGR	20 per cent
FY 2002 – 06 dividend per share CAGR	35 per cent
SETS outperformance relative to growth forecast for FY 2007	78 per cent
Capital returned since August 2004	£706 million
Three year total shareholder return	319 per cent

Today we are announcing

Forecast 12 months to 31 December 2006:	Not less than
Adjusted basic EPS	50.4 pence
Adjusted basic EPS growth	58 per cent
Forecast FY 2007 dividend	18 pence per share

Our exceptional growth story continues

Reject Nasdaq's offer



London
STOCK EXCHANGE

London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS
Telephone: +44 (0)20 7797 1000
www.londonstockexchange.com

Chris Gibson-Smith, Chairman
Clara Furse, Chief Executive Officer
Jonathan Howell, Director of Finance
Gary Allen CBE, Non-Executive Director
Baroness (Janet) Cohen, Non-Executive Director
Oscar Fanjul, Non-Executive Director
Peter Meinertzhagen, Non-Executive Director
Nigel Stapleton, Non-Executive Director
Robert Webb QC, Non-Executive Director

19 December 2006

To holders of London Stock Exchange Group Ordinary Shares and B Shares and, for information only, to holders of employee share options and participants of London Stock Exchange Group Share Schemes

Dear Shareholder,

Nasdaq announced an unsolicited final cash offer for your company on 20 November 2006 at 1,243 pence per ordinary share and 200 pence per B share. This follows a pre-conditional proposal of 950 pence in March this year which was rejected by your Board. Subsequently, in an overtly hostile move, Nasdaq purchased London Stock Exchange Group ordinary shares in the market at prices up to 1,243 pence.

This price is the lowest Nasdaq can currently offer under the Takeover Code. Moreover, it takes no account of the ever stronger growth the London Stock Exchange has delivered since the initial Nasdaq purchases. Indeed the offer values the Exchange on a lower P/E ratio than Nasdaq's withdrawn proposal in March and at a 6 per cent discount to the current share price as at 15 December 2006.

Nasdaq's offer significantly undervalues your company

Your Board believes that Nasdaq's offer:

- does not give you standalone value
- does not reflect the Exchange's unique strategic position
- does not share any of the synergy benefits
- does not pay a premium for control

Your company is both an agent and a core beneficiary of the globalisation of capital markets. The future value of your company is therefore underpinned as this development gathers pace. This document shows the exceptional resilience and quality of the business, a firm foundation for our continuing strong growth in international capital markets. It describes the extensive investment in innovative technology which has facilitated the structural shift to higher trading volumes on the Exchange's markets. Finally, it highlights the rapid and ongoing growth in the profitability that management has delivered, together with the financial discipline shown through balance sheet management appropriate for the sector, demonstrated by capital returns and fast-growing ordinary dividends.

Looking ahead, we will retain our focus on developing our global business in the current fertile environment for highly efficient listing and trading platforms. To augment our very strong organic growth, we are also exploring strategic options for co-operation and consolidation that adequately reflect and build upon the value of the Exchange's franchise.

An increasingly valuable franchise

Since Big Bang in 1986, we have competed successfully in London's open market environment for order flow with other trading platforms and the major investment banks themselves. Key to our success has been our ability to provide issuers, investors and intermediaries with an increasingly efficient equity markets platform supported by a balanced regulatory regime, our own neutrality and a reputation for the highest standards of market quality and integrity.

The next stage in the evolution of the European market will be MiFID, the European directive for securities markets that validates the open market model we have promoted and operated in London. We regard MiFID and the new competition it will stimulate as a growth opportunity which we welcome wholeheartedly.

Strong growth prospects

SETS is forging ahead with volumes now growing at around 50 per cent per annum, with the average number of trades per day considerably higher than we forecast in February 2006.

We have today issued a forecast for adjusted basic EPS for the twelve months to 31 December 2006 of not less than 50.4 pence, representing no less than 58 per cent growth. These results reflect a continuation of the very strong performance in the first six months of the financial year and underline the Board's strong confidence in the future.

We have also announced our intention to recommend a FY 2007 final dividend of not less than 12 pence per share, bringing the total dividend for FY 2007 to at least 18 pence per share, representing an increase of at least 50 per cent compared to the declared dividend of 12 pence per share for FY 2006.

Reflecting our confidence in the future of the Exchange's business, the Board remains committed to substantial and proactive progress of its capital management programme, which has now returned some £706 million to shareholders over the past two and a half years.

Our vision is to be 'the world's capital market' and our progress over recent years means that this is becoming a reality today. For the second time this year, Nasdaq is offering a wholly inadequate price for your shares. Accordingly, your Board unanimously decided to reject Nasdaq's offer.

Impact on stakeholders

In giving its opinion on the offer, the Takeover Code requires the Board to state its views on certain matters. The Board notes Nasdaq's plans and its proposals to maintain the Exchange's regulated status and for the creation of an Oversight Committee. The Board also notes the legitimate interest in and extensive commentary on the risks to the wider success of London as a listing and trading venue, and from extra-territorial regulation that could arise from a change of control to Nasdaq, one of the Exchange's key international competitors. Regarding the Exchange's employees, your Board notes that Nasdaq expects to reduce the combined group's staffing by up to 100; it is unclear what proportion of these job losses will fall upon Exchange staff or the impact this will have on the efficiency and reliability of the Exchange's service to the City of London's markets.

Recommendation

The Board of the Exchange Group, which has been so advised by Merrill Lynch and Lehman Brothers, its financial advisers, strongly recommends that Exchange Group shareholders reject Nasdaq's wholly inadequate offer and take no action in respect of their shareholdings. In providing advice to the Directors of the Exchange Group, 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

Major global trends are driving our growth

Globalisation

International capital flows have quadrupled since 2003

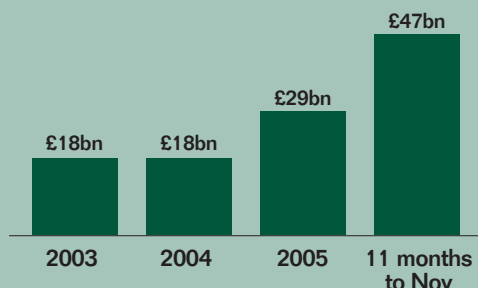
Velocity growth

UK velocity is steadily catching up on Europe and the US and abolition of stamp duty would accelerate velocity growth

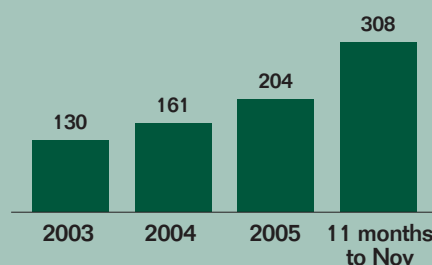
Regulatory reform

Key markets in Europe and Asia are opening up

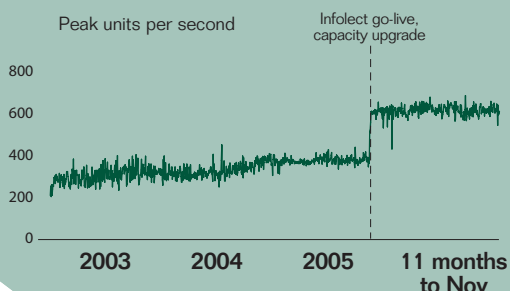
Capital raised on the Exchange



Average daily SETS trades ('000s)



Trading system throughput



Asset management

The structural shift to absolute return strategies increases demand for efficient trading mechanisms and platforms

Trading practices

Direct market access and algorithmic trading drive liquidity, efficiency and volume growth

Technology revolution

A step change in capacity, speed and cost is accelerating volume growth

No other exchange matches our global growth profile

Standalone value is not being recognised

Superb business fundamentals

- Your company is listing more international companies than any other major listed exchange in the world
- Your company is helping more issuers raise more money through IPOs than any other major listed exchange in the world
- Your company is delivering faster growth in trading than any other major listed exchange in Europe or the United States
- Your company's new technology platform will provide our markets with an unprecedented combination of capacity, latency, resilience, reliability and flexibility at significantly lower cost

Delivering outstanding financial performance

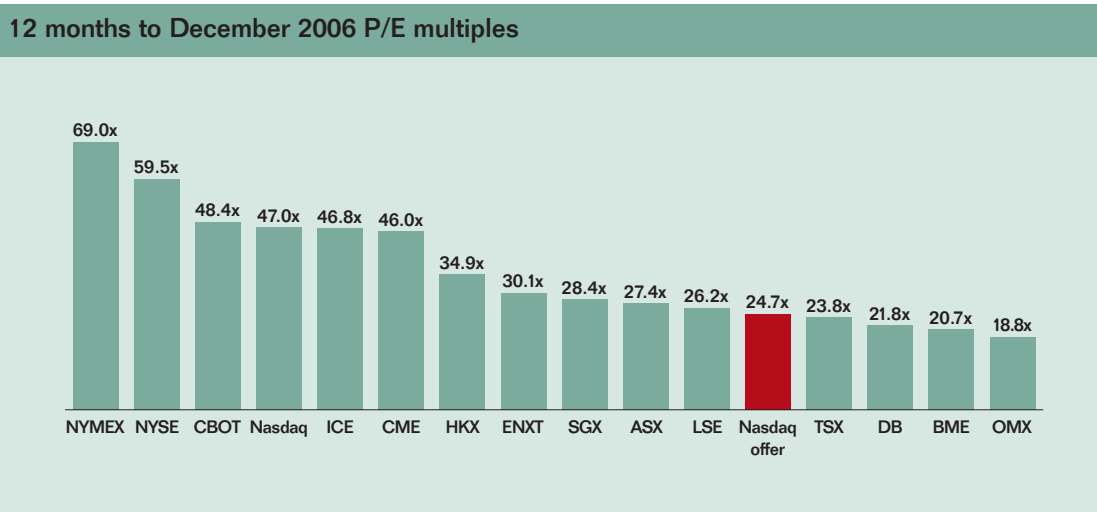
- Forecast adjusted basic EPS up at least 58 per cent in the year to 31 December 2006
- We have returned £706 million to shareholders since August 2004
- Dividends have grown at a four year CAGR of 35 per cent

Our growth is built on a firm and lasting foundation

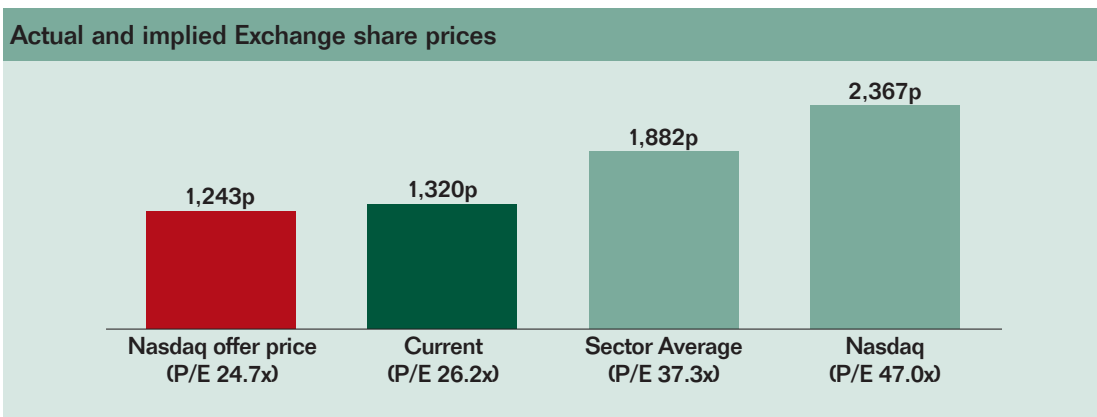
A wholly inadequate offer

Standalone value is not being recognised

Nasdaq's offer of 1,243 pence per ordinary share represents a multiple of 24.7 times the Exchange's forecast adjusted basic EPS for the 12 months to 31 December 2006. This values your company below the trading multiples of virtually all other major listed exchanges.



At 1,243 pence, Nasdaq's offer is below the Exchange's current share price as well as the implied share price applying a sector average and Nasdaq's own price to earnings ratio.



“Something many people haven't noticed is that, in the US, getting this asset for £12.43 would be seen as an absolute steal' said a hedge fund manager who bought shares on Monday”

Financial Times, 22 November 2006

Our unique strategic position is being ignored

The London Stock Exchange:

- Is the natural centre of the world's equity flows and the heart of Europe's global financial services industry
- Serves the largest asset management community in the world with more than \$13 trillion under management
- Supports the world's largest pool of international equity capital and Europe's largest equity market with a capitalisation of £4 trillion
- Provides market leading technology through Infolect (live Q3 2005) and TradElect (due to go live Q2 2007)
- Has a track record of successful new products and services
- Operates within a world renowned and respected regulatory environment

The London Stock Exchange is becoming the world's leading exchange brand

Synergy benefits are not being shared

Analysts believe Nasdaq's view on synergies to be conservative and the average estimated pre-tax value of synergies to be £51 million per annum.

Analyst	Synergies estimate	Implied synergies p.a.	Capitalised value per share
Thomas Weisel	40-50% of LSE costs	£75m	208p
Morgan Stanley	40% of LSE costs	£67m	185p
Exane	£66m	£66m	182p
Deutsche Bank	\$100m	£51m	141p
Citigroup	30% of LSE costs	£50m	139p
Sandler O'Neill	30% of LSE costs	£50m	139p
Fox-Pitt, Kelton	\$95m	£49m	134p
Friedman, Billings & Ramsay	15-30% of LSE costs	£38m	104p
Keefe, Bruyette & Woods	20% of LSE costs	£34m	93p
CIBC	\$50m	£26m	71p

- The capitalised value of these synergies averages 140 pence per share
- Nasdaq refers to headcount reductions of up to 6 per cent of the combined staff of the enlarged Nasdaq group by the end of 2008, estimated to have a pre-tax value of £9 million per annum
- **Nasdaq has not put a value on the synergies it expects to achieve through this transaction as it does not plan to share them**

Nasdaq's approach to transaction synergies:

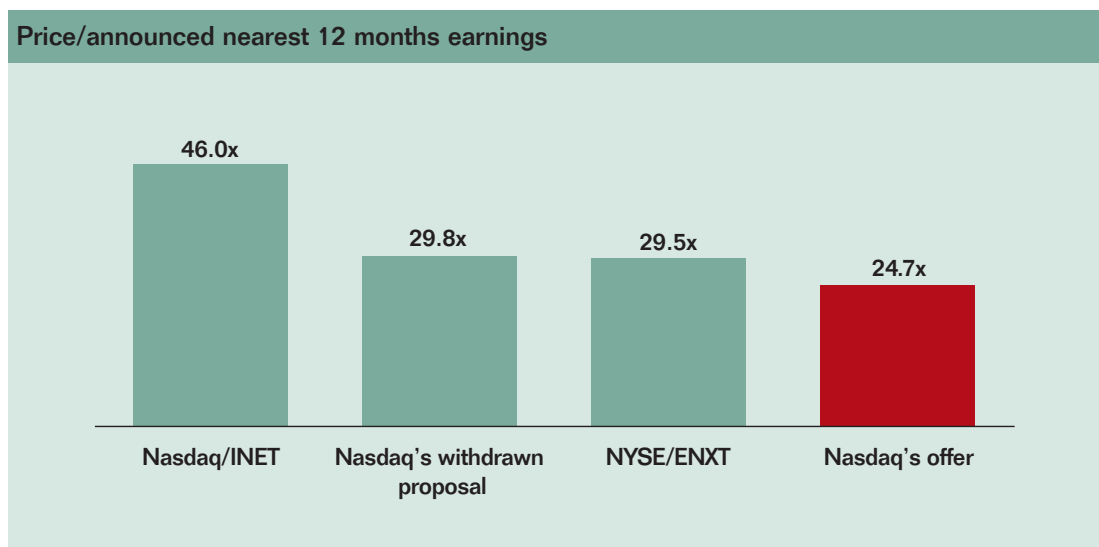
"We do have a practice of endeavoring to, you know, undercommit and overdeliver"

Bob Greifeld, Nasdaq CEO
20 November 2006

A wholly inadequate offer

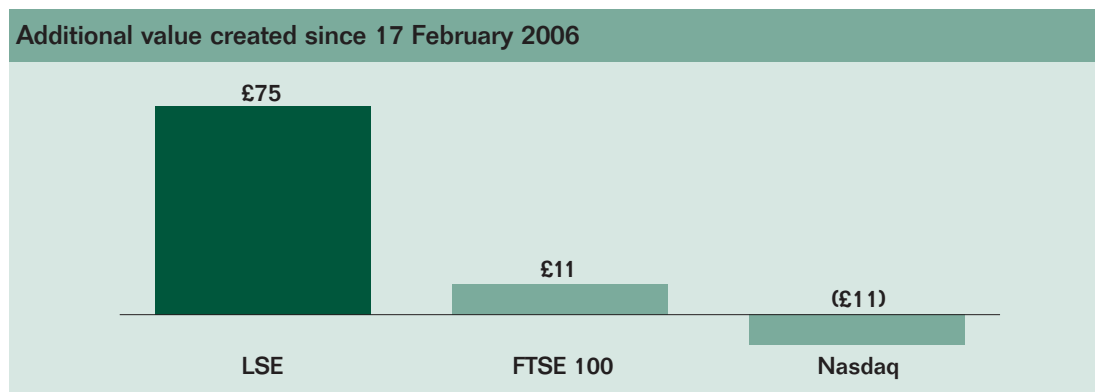
Premium for control is not being paid

- Nasdaq offers no premium for control. In fact, its offer price of 24.7 times earnings is at a **lower** multiple than its withdrawn proposal of 29.8 times earnings in March 2006
- It also represents a significant discount to the multiple of 46.0 times earnings paid by Nasdaq in its recent acquisition of INET
- Furthermore, the offer represents a multiple far below the 29.5 times being offered to Euronext shareholders in the proposed **merger** transaction with NYSE



A track record of delivery

In our circular of 17 February 2006, your Board committed to delivering superior shareholder returns. In the 10 months since then, an investment of £100 in the Exchange has become worth £175.



SETS growth

- ✓ **50 per cent** SETS growth target achieved in FY 2007 to date¹: **78 per cent** ahead of target
- ✓ **7** of the busiest 20 days ever this December (out of 11 trading days so far)

Technology

- ✓ SETS capacity up **sixfold** since 2001
- ✓ Infolect introduction in 2005 cut information broadcast latency from 30 to **2 milliseconds**
- ✓ No outages in **6 years**

Focus on costs

- ✓ On track for **£7 million** cost savings in FY 2007
- ✓ **4 per cent** reduction in H1 FY 2007 operating costs

Capital return & £50 million share buyback

- ✓ **£162 million** special dividend in August 2004
- ✓ **£512 million** distributed in May 2006
- ✓ **£32 million** bought back by 17 November 2006

Increased dividend

- ✓ **71 per cent** increase in FY 2006 full year dividend
- ✓ **50 per cent** increase in FY 2007 interim dividend

Consistent delivery produces superior shareholder returns

¹ Relative to 2005 financial year

Recognising the true value of your company

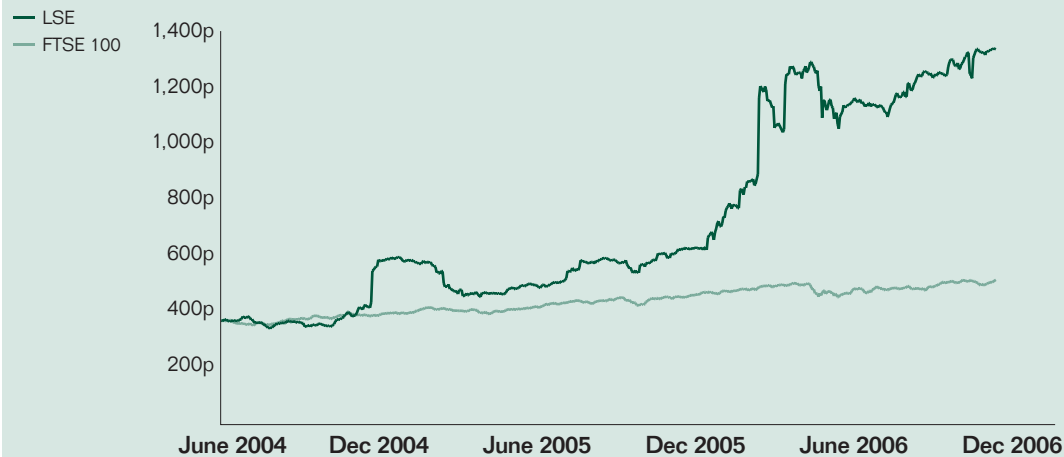
Your Board has steadfastly defended your interests on value by rejecting inadequate offers:

- Deutsche Börse's **530 pence** pre-conditional proposal on 13 December 2004
- Macquarie's **580 pence** offer on 15 December 2005
- Nasdaq's **950 pence** pre-conditional proposal on 10 March 2006
- Nasdaq's **1,243 pence** offer on 20 November 2006

Outstanding share price performance

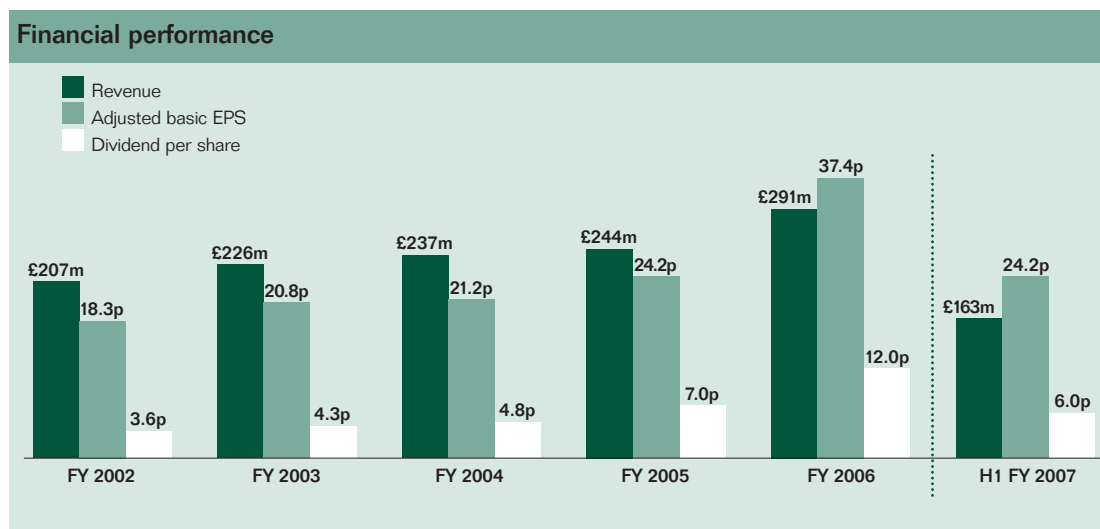
Our share price has more than tripled in the last two and a half years.

Exchange share price relative to FTSE 100 since June 2004



A compelling value creation story

Revenue has grown by **41 per cent** and adjusted basic EPS has grown by **104 per cent** for the period FY 2002 to FY 2006 – a four year CAGR of 20 per cent. Over the same period, dividends per share have grown by **233 per cent**.



The strong profit growth reported in the first six months of the financial year has continued into the third quarter. Forecast adjusted basic EPS for the twelve month period to 31 December 2006 will be not less than 50.4 pence. This represents no less than 58 per cent growth.

Leading the sector in balance sheet efficiency

We have demonstrated our commitment to implementing a more efficient capital structure, returning some £706 million to shareholders since August 2004, equivalent to over 25 per cent of current market capitalisation.

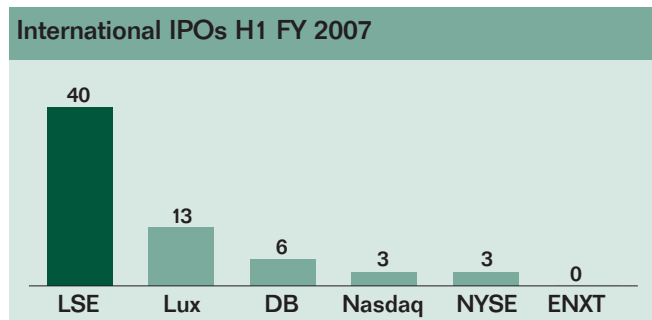
Reflecting continuing confidence in the future of the Exchange's business, the Board remains committed to substantial and proactive progress of its capital management programme.

We also intend to recommend a FY 2007 final dividend of not less than 12 pence per share, resulting in a total dividend for FY 2007 of at least 18 pence per share – a minimum increase of 50 per cent.

The world's capital market

We are the market of choice for international issuers

IPO activity continues apace. In the first six months of this financial year, the Exchange far outstripped competitors in international IPOs.

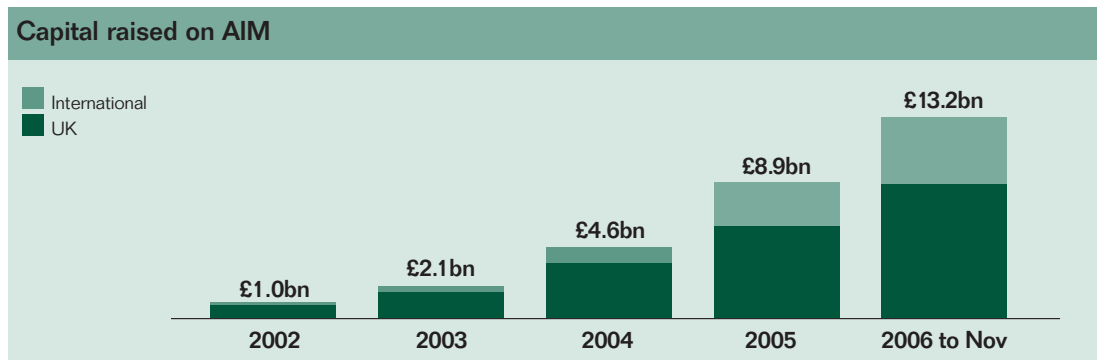


“As a global business we are delighted to join the Main Market of the London Stock Exchange.”

Ms Lisa Conte,
CEO Napo Pharmaceuticals Inc, US

By 30 November 2006, we had reinforced our lead over our rivals by bringing 63 international companies to market, out of a total of 221 Exchange IPOs so far this financial year. 630 international issuers from 67 countries are now listed on our markets, well ahead of NYSE and Nasdaq, with 447 and 322 international companies respectively.

AIM has already established itself as the world's most successful venue for smaller growth companies and its international appeal continues to grow.



Global Information Services

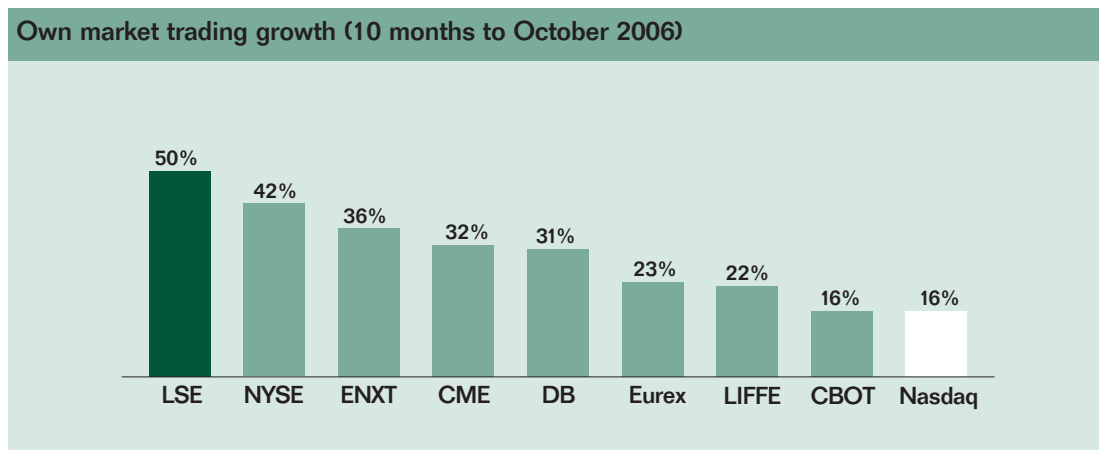
The richness and scale of the information gathered from trading over 3,000 stocks from around the world explains why our terminal numbers continue to grow in an expanding global market for data and value-added information services.

As at 30 November 2006, the total number of terminals taking real-time London Stock Exchange data reached a record month-end number of 112,000 across 106 countries, more than 14 per cent higher than a year ago.

A secular change in trading

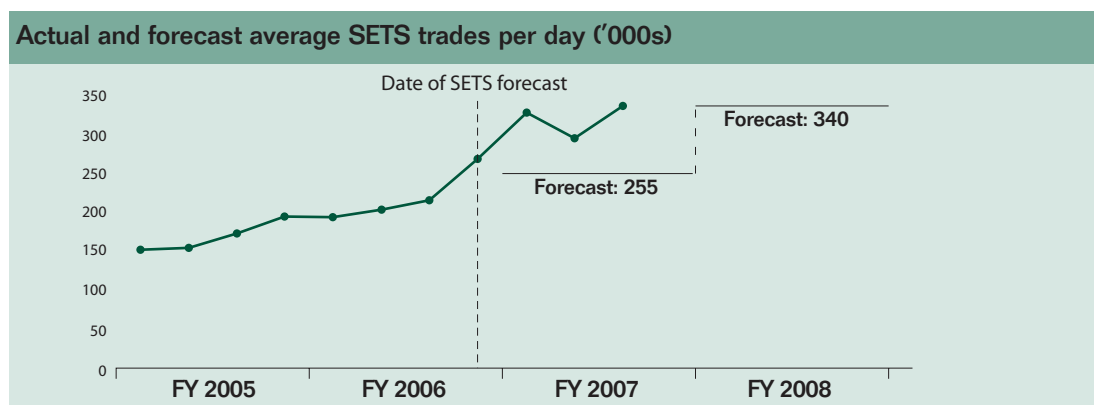
SETS growth is outstanding

SETS has outperformed all major listed equity and derivatives exchanges in Europe and the United States.



Beating our forecast for SETS growth

In February 2006, we forecast that the average number of trades per day on SETS would increase by at least **50 per cent** in FY 2007² and at least **100 per cent** in FY 2008². Actual growth to November 2006 is **78 per cent** higher than the growth predicted.



“Back in February 2006 LSE management made the projection of SETS... At the time this projection was met with scepticism by certain market users. However, it would appear that the SETS platform is over-delivering on this projection.”

Daniel Garrod, Analyst, Citigroup
12 October 2006

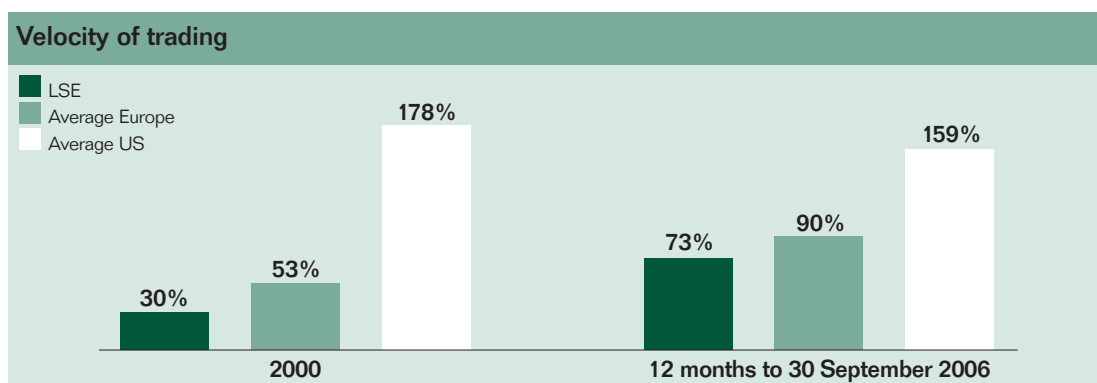
² Relative to FY 2005

Structural factors drive growth

- **High velocity trading patterns** – We are seeing a permanent shift in the nature of order flow resulting in higher velocity electronic trading volumes by technical trading firms, intermediaries and hedge funds
- **Technology revolution** – We have produced a step change in the capacity, speed, quality and cost of our technology, as have our major customers. A shift by asset managers to DMA services and the automation of their trading processes is driving further growth
- **Derivatives-linked trading** – As the most cost efficient hedging venue for UK equity derivatives, we are seeing an increase in the use of our order book by derivatives traders, facilitating the development of this market as it catches up with the substantially larger equity derivatives markets in continental Europe and the US
- **Global trading** – As we attract ever more international securities to our markets we add increasingly international and attractive product for traders and investors

Increasing velocity of trading

Despite the continuing drag of stamp duty on UK equities, SETS trading velocity continues to increase, but the gap between the UK, and Europe and the US leaves considerable room for growth. The abolition of stamp duty would accelerate velocity growth.



Our new trading platform is a major strategic asset

The new technology platform being delivered through our Technology Road Map provides us with a competitive advantage. The four year programme will complete with the launch of TradElect in Q2 2007.

- Infolect, our information dissemination service launched in September 2005, has already cut information broadcast end-to-end latency to two milliseconds, which we believe is the fastest of any major exchange in the world, delivering a massive improvement in execution certainty
- TradElect, our new trade execution engine:
 - will be exceptionally fast, providing core trade execution latency of around two milliseconds, compared to around 60 milliseconds today
 - will increase trading capacity more than fourfold and will have the capacity to trade all European equities at the outset
 - will be highly scalable, providing the ability to double capacity again on demand at a fifth of today's cost
 - will support multiple market models: order-driven, quote-driven, hybrid and other complex order types
 - will be multi-asset capable, a key advantage in a rapidly evolving market environment
 - will significantly cut development and operational costs and implementation times

The London Stock Exchange is the only major exchange in the world with a 100 per cent availability record over the last six years

London is a unique network of the most international, innovative and diverse financial services professionals on Earth

An exchange's primary function is to maximise market efficiency in order to lower the cost of capital for its companies, thereby driving economic growth.

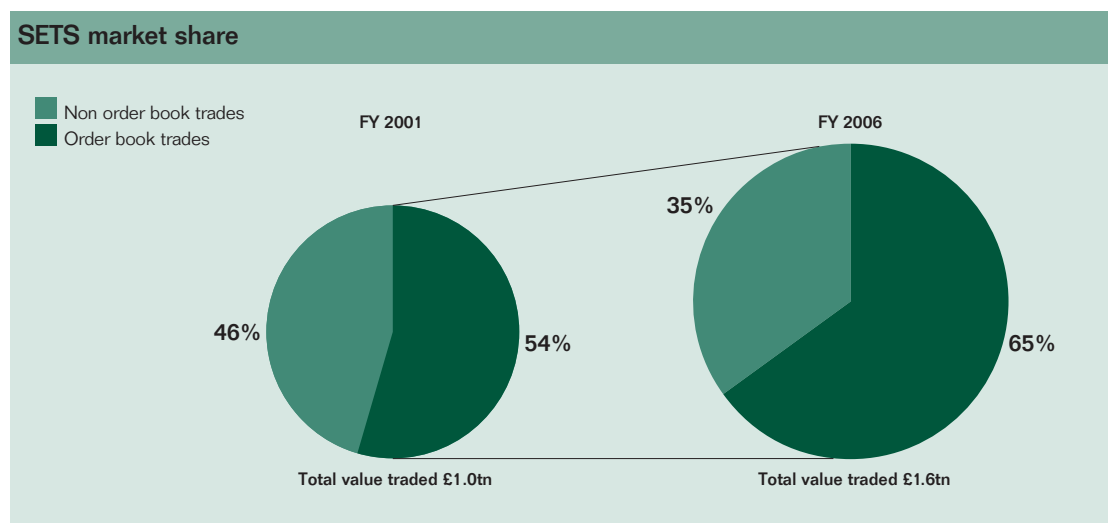
- London has the lowest cost of capital, making us the most competitive listings venue in the world
- Together with member firms, we are transforming the market's efficiency and liquidity, narrowing spreads and reducing total transaction cost. For example, since the introduction of SETS, the average weighted spread of shares in the FTSE 100 has reduced from 86 to 14 basis points
- In addition, London's deep pool of capital, choice of market structures and balanced regulatory environment increasingly attracts companies from every corner of the world
- The Exchange has built a world-leading technology, information dissemination and market infrastructure to serve this increasingly global customer base
- This combination of the world's lowest cost of capital, efficient and transparent markets, deep investor pools and world class technology creates an increasingly virtuous circle that drives economic growth in a global economy

Globalisation is driving our exceptional growth, as we become the world's capital market

A culture of competing for liquidity

Our market efficiency goal has reduced the cost of access to our services, promoting liquidity, increasing volume through technology investment, compressing spreads and delivering innovative market structures.

The results speak for themselves; the Exchange is helping to create a much larger market while competing ever more successfully for its share of trading.



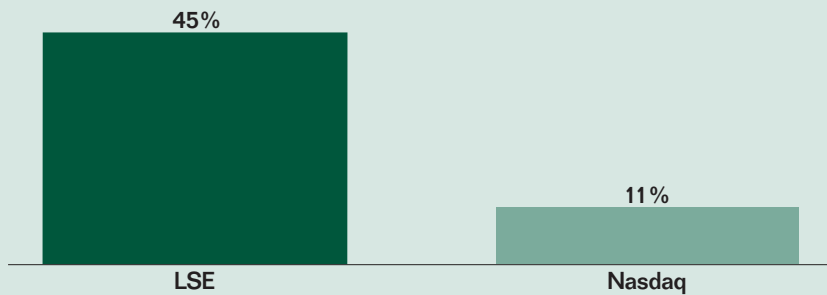
- We have consistently worked to reduce costs for our customers. To date, the cumulative customer benefit from these cuts, in our own charges and those of post trade service providers to our markets, is £75 million per annum
- Continuing tariff reductions are expected to stimulate further growth
- MiFID provides a new competitive landscape for the Exchange in Europe – it validates the open market model we operate and will create new growth opportunities

Competition drives efficiency and innovation, producing a larger and more powerful virtuous circle

Some facts about Nasdaq

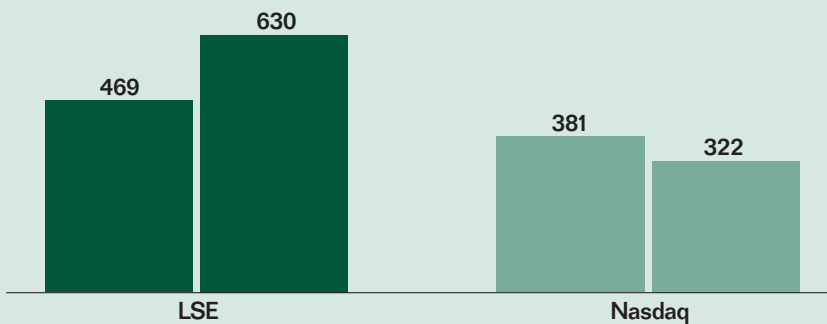
Much slower growth

Own market value traded growth (10 months to October 2006)



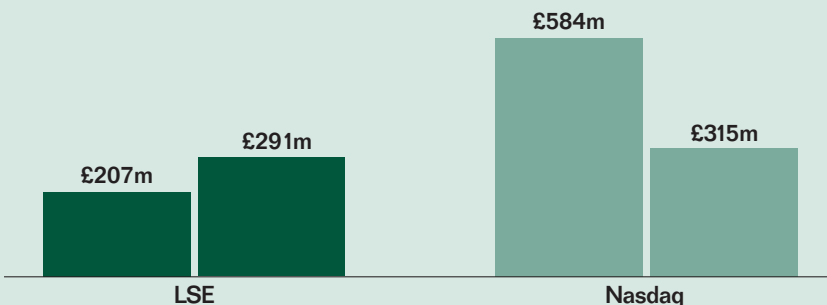
Domestic, rather than international

Number of international companies (December 2002-November 2006)



A chequered past

Net revenues (FY 2002-06)



Nasdaq needs the London Stock Exchange

**Don't let Nasdaq
transform itself
at your expense**

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 them in respect of the information contained in this document relating to Nasdaq, Nightingale, any of their subsidiary undertakings and the directors of any such entity and/or any such subsidiary undertakings, which has been compiled from published sources, is to ensure that such information has been correctly and fairly reproduced and presented. Subject as aforesaid, to the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of that information.

2. Directors

Director	Position
Chris Gibson-Smith	Chairman
Clara Furse	Chief Executive Officer
Jonathan Howell	Director of Finance
Gary Allen CBE	Non-Executive Director
Baroness (Janet) Cohen	Non-Executive Director
Oscar Fanjul	Non-Executive Director
Peter Meinertzhagen	Non-Executive Director
Nigel Stapleton	Non-Executive Director
Robert Webb QC	Non-Executive Director

3. Disclosure of interests and dealings in relevant securities

3.1 Definitions

For the purposes of this paragraph 3:

- 3.1.1 "arrangement" includes any indemnity or option agreement, 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 Exchange Group 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 or the directors of any company covered in (i) above (together in each case with their close relatives and related trusts); and
 - (iv) the pension funds of Exchange Group or of any company covered in (i) above;
- 3.1.3 "connected adviser" includes an organisation which is advising Exchange Group in relation to the offer, its corporate broker, an organisation which is advising a person acting in concert with the Directors 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 an interest or aggregate interests in 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 or the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities;
 - (ii) taking, granting, acquiring, disposing of, entering into, closing out, terminating, exercising (by either party) or varying an option (including a traded option contract) in respect of any securities;
 - (iii) subscribing or agreeing to subscribe for securities;
 - (iv) exercising or converting, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;
 - (v) acquiring, disposing of, entering into, closing out, exercise (by either party) of any rights under, or varying, a derivative referenced, directly or indirectly, to securities;
 - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and
 - (vii) 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 20 November 2006 and ending on 15 December 2006 (being the latest practicable date prior to the posting of this document);

- 3.1.8 reference 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;
 - (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; or
 - (v) has a long economic exposure (whether conditional or absolute) to changes in the price of securities;
- 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 “Exchange Group relevant securities” means Exchange Group Shares and securities convertible into, rights to subscribe for, and options in respect of, Exchange Group Shares;
- 3.1.11 “Nightingale relevant securities” means all of the equity share capital of Nightingale 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 Exchange Group 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 Exchange Group 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 7 of the definition in the City Code of “acting in concert”;
- 3.1.14 “relevant securities” means Exchange Group relevant securities and Nightingale 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 Exchange Group relevant securities

3.2 As at the close of business on 15 December 2006 (being the latest practicable date prior to the posting of this document):

- 3.2.1 the interests of the Directors and their immediate families in Exchange Group relevant securities (apart from share options and share awards which are disclosed under paragraph 3.2.2 below) were as follows:

Name	Number and class of Exchange Group relevant securities
Chris Gibson-Smith	50,768 Ordinary Shares 10,213 B Shares
Clara Furse	358,248 Ordinary Shares 355,086 B Shares
Jonathan Howell	100,299 Ordinary Shares
Gary Allen CBE	1,572 Ordinary Shares
Baroness (Janet) Cohen	1,216 Ordinary Shares
Oscar Fanjul	21,901 Ordinary Shares
Nigel Stapleton	1,386 Ordinary Shares
Robert Webb QC	1,200 Ordinary Shares

3.2.2 the interests of the Directors and their immediate families in options and conditional awards over Ordinary Shares under the Exchange Group Share Schemes were as set out in the table below:

Share options

Name	Scheme	Number of Ordinary Shares under option	Exercise price (£)	Date of grant	First vesting date	Expiry date
Clara Furse	ESOS	76,924	3.90	15/07/02	15/07/05	15/07/12
	ESOS	102,168	3.23	16/05/03	16/05/06	16/05/13
	ESOS	87,072	3.79	20/05/04	20/05/07	20/05/14
	ISP	273,600	2.52	25/01/01	25/01/02	25/01/11
	ISP	211,450	3.15	25/01/01	25/01/02	25/01/11
	ASP	3,430	3.65	25/06/01	25/06/02	25/06/11
Jonathan Howell	ESOS	47,436	3.90	15/07/02	15/07/05	15/07/12
	ESOS	61,920	3.23	16/05/03	16/05/06	16/05/13
	ESOS	52,771	3.79	20/05/04	20/05/07	20/05/14
	ISP	242,600	2.37	16/11/00	16/11/01	16/11/10
	ISP	179,700	2.97	16/11/00	16/11/01	16/11/10
	ASP	12,350	3.65	25/06/01	25/06/02	25/06/11

Share awards

Name	Scheme	Maximum number of Ordinary Shares awarded	Price at date of award	Date of award	Vesting date
Clara Furse	LTIP – Performance Share Award	27,687	£3.63	15/07/04	15/07/07
	LTIP – Performance Share Award	44,620	£8.55	28/02/06	28/02/09
	LTIP – Performance Share Award	32,299	£10.79	25/05/06	25/05/09
	LTIP – Matching Share Award	44,444	£8.60	03/03/06	03/03/09
	LTIP – Matching Share Award	35,965	£11.40	26/05/06	26/05/09
Jonathan Howell	LTIP – Performance Share Award	18,194	£3.63	15/07/04	15/07/07
	LTIP – Performance Share Award	28,772	£8.55	28/02/06	28/02/09
	LTIP – Performance Share Award	24,421	£10.79	25/05/06	25/05/09
	LTIP – Matching Share Award	23,170	£8.64	06/03/06	06/03/09
	LTIP – Matching Share Award	21,225	£11.18	30/05/06	30/05/09

Note: The Exchange Group Share Schemes, with the exception of the LTIP, SAYE and SIP, are now closed in respect of any further grants of options and conditional awards. No awards have been made under the SIP. Options granted under the ASP and ISP vest as to 20 per cent per annum over a five year period from the date of grant. Options granted under the ESOS vest subject to performance conditions. The number of shares over which an LTIP award vests is subject to performance conditions.

3.2.3 no paragraph 1 associates had any interest in or right to subscribe for Exchange Group relevant securities;

3.2.4 no pension fund of Exchange Group or of any company which is a paragraph 1 associate had interests in, or rights to subscribe for, Exchange Group relevant securities;

3.2.5 the following employee benefit trusts of Exchange Group and of paragraph 1 associates have interests in, or rights to subscribe for, Exchange Group relevant securities:

Name	Number of Exchange Group relevant securities
Mourant & Co. Trustees Limited (as trustee of the London Stock Exchange Employee Benefit Trust)	1,960,594 Ordinary Shares 25,363 B Shares

Note: The interests in, or rights to subscribe for, Exchange Group relevant securities of the employee benefit trust noted in this paragraph 3.2.5 includes a total of 211,340 Ordinary Shares held by the employee benefit trust as nominee for LTIP matching share award participants ((a) 22,016 Ordinary Shares as nominee for Clara Furse and 13,156 Ordinary Shares as nominee for Jonathan Howell (such shares are included in the number of shares disclosed in paragraph 3.2.1 above) and (b) 176,168 Ordinary Shares as nominee for other participants). In addition, the employee benefit trust holds a total of 25,363 B Shares as nominee for LTIP matching share award participants ((a) 13,108 B Shares as nominee for Clara Furse (such shares are included in the number of shares disclosed in paragraph 3.2.1 above) and (b) 12,255 B Shares as nominee for other participants).

3.2.6 the following connected advisers and 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) had an interest in Exchange Group relevant securities:

Long positions

Name	Number of Exchange Group relevant securities
Lehman Brothers International (Europe)	776,732 Ordinary Shares

Short positions

Name	Number of Exchange Group relevant securities
Lehman Brothers International (Europe)	326 Ordinary Shares
Merrill Lynch International	480,000 Ordinary Shares

3.2.7 neither Exchange Group nor any person acting, or presumed to be acting, in concert with Exchange Group had borrowed or lent any Exchange Group relevant securities (save for any borrowed shares which have either been on-lent or sold).

Dealings in Exchange Group relevant securities

3.3 During the disclosure period:

3.3.1 there were no dealings in Exchange Group relevant securities by the Directors, their immediate families and related trusts and companies;

3.3.2 no paragraph 1 associate dealt in Exchange Group relevant securities;

3.3.3 no pension fund of Exchange Group or of any company which is a paragraph 1 associate dealt in Exchange Group relevant securities;

- 3.3.4 other than transfers of Exchange Group Shares to participants in the Exchange Group Share Schemes in satisfaction of the exercise of options or vesting of share awards under the Exchange Group Share Schemes, no dealings in Exchange Group relevant securities took place by any employee benefit trust of Exchange Group or of a company which is a paragraph 1 associate;
- 3.3.5 dealings in Exchange Group relevant securities 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) were as follows:

Name	Date of transaction	Nature of transactions	Number of Exchange Group relevant securities (Ordinary Shares)	Price per Exchange Group Ordinary Share (p)	
Lehman Brothers International (Europe)	20 November 2006	Sell transactions (hedging derivatives entered into with clients)	5,751	1,270	
			173	1,290	
			181	1,293	
			23 November 2006	11,233	1,316
			10,000	1,318	
			24 November 2006	7,076	1,317
			10,000	1,318	
			10,000	1,319	
			2,491	1,320	
			15,000	1,321	
28 November 2006	Buy transaction (hedging derivatives entered into with clients) ¹	10,000	1,307		
		8 December 2006	Sell transactions (hedging derivatives entered into with clients)	20,000	1,307
3,272	1,317				
1,515	1,318				
Merrill Lynch International	20 November 2006	Sell transactions	10,000	1,277	
			10,000	1,288	
		Buy transactions	10,000	1,289	
			23,242	1,290	
			115,000	1,291	
111,758	1,292				

¹ The purchase transaction by Lehman Brothers International (Europe) took place in order to hedge existing client option 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.

3.4 Exchange Group has purchased (and in each case has subsequently cancelled) Exchange Group relevant securities as follows during the period commencing on 20 November 2005 (the date 12 months prior to the commencement of the Offer Period) and ending on 15 December 2006 (the last practicable date prior to the posting of this document):

Date of transaction	Number of Exchange Group relevant securities (Ordinary Shares)	Price per Exchange Group Ordinary Share (p)
8 June 2006	98,600	1,078
9 June 2006	166,720	1,088
12 June 2006	384,760	1,095
13 June 2006	34,855	1,060
	600,000	1,045
14 June 2006	113,602	1,047
11 August 2006	116,000	1,091
14 August 2006	110,127	1,111
15 August 2006	283,490	1,120
16 August 2006	159,435	1,126
17 August 2006	68,000	1,129
18 August 2006	100,000	1,139
21 August 2006	160,000	1,157
17 November 2006	425,000	1,225

General

3.5 Save as disclosed above, neither Exchange Group, nor the Directors:

- 3.5.1 had an interest in or a right to subscribe for relevant securities as at the close of business on 15 December 2006 (being the latest practicable date prior to the posting of this document);
- 3.5.2 engaged in any dealing in 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, relevant securities as at the close of business on 15 December 2006 (being the latest practicable date prior to the posting of this document).

3.6 Save as disclosed above, (so far as the Directors are aware having made due and careful enquiry) no paragraph 1 associate of Exchange Group, nor any pension fund of Exchange Group or of any company which is a paragraph 1 associate, nor any employee benefit trust of Exchange Group 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 Exchange Group or any associate of Exchange Group has an arrangement in relation to Exchange Group relevant securities:

- 3.6.1 had an interest in or a right to subscribe for Exchange Group relevant securities as at the close of business on 15 December 2006 (being the latest practicable date prior to the posting of this document);
- 3.6.2 engaged in any dealing in Exchange Group relevant securities during the disclosure period; or
- 3.6.3 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, Exchange Group relevant securities as at the close of business on 15 December 2006 (being the latest practicable date prior to the posting of this document).

4. Arrangements in relation to dealings

- 4.1 Save as disclosed in this document, no arrangement of the kind referred to in Note 6(b) on Rule 8 of the City Code relating to relevant securities exists between Exchange Group or any associate of Exchange Group and any other person.
- 4.2 For the purposes of this paragraph “arrangement”, “associate” and “relevant securities” have the same meanings given to them in paragraph 3 above.

5. Directors' contracts

Executive Directors

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

- 5.1.1 Clara Furse entered into a service agreement with the Exchange on 24 January 2001 to act as Chief Executive. The service agreement may be terminated by Mrs Furse or the Exchange on not less than 12 months' written notice. In addition, on a change of control of Exchange Group, 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 Exchange; or (iii) the 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 in circumstances where 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 awarded in the twelve month period prior to termination. Mrs Furse is paid a salary of £410,000 per annum. Her service agreement provides for an entitlement to 25 per cent of base monthly salary payable into a personal pension plan or the 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. Mrs Furse has chosen to receive this entitlement as a salary supplement.
- 5.1.2 Jonathan Howell entered into a service agreement with the Exchange dated 25 January 2000. The service agreement may be terminated by Mr Howell or the Exchange on not less than 12 months' written notice. Mr. Howell is paid a salary of £310,000 per annum. His service agreement provides for an entitlement to 22.5 per cent of base salary payable into the 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.
- 5.1.3 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 Exchange Group 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 Exchange Group Shares.
- 5.1.4 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.
- 5.1.5 Save as mentioned in paragraph 3 and this paragraph 5, there are no entitlements to commissions, profit sharing arrangements or any other specific compensation payments under the Executive Directors' service agreements.

5.2 Each of the Executive Directors was appointed a director of Exchange Group by a letter of appointment dated 4 May 2006. The Executive Directors do not receive any additional remuneration in respect of this appointment and are not employees of Exchange Group.

Non-Executive Directors

- 5.3 Each of the Non-Executive Directors of Exchange Group except the Chairman has a letter of appointment, with no notice period, dated 4 May 2006 which sets out their responsibilities and commitments. Each of the appointments continues until 31 January 2007. Each of the Non-Executive Directors receives a fee of £45,000 per annum apart from GJ Allen (Chairman of Audit Committee and Senior Independent Director) and NJ Stapleton (Chairman of Remuneration Committee) who receive fees of £65,000 per annum and £55,000 per annum respectively.
- 5.4 The Chairman has a letter of appointment with Exchange Group dated 24 May 2006. His appointment is for three years until the end of the Annual General Meeting in 2009, and is terminable on six months' notice. The Chairman was originally appointed as chairman of the Exchange on 1 May 2003. The Chairman's letter of appointment provides for a fee of £325,000 per annum.

General

- 5.5 The Non-Executive Directors, including the Chairman, are not eligible to participate in any incentive or pension arrangements.
- 5.6 Save as disclosed above, there are no service contracts in force between any Director or proposed director of Exchange Group and Exchange Group or 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.
- 5.7 Each of the Directors has the benefit, under Article 234 of Exchange Group'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 Exchange Group.

30 Reject Nasdaq's offer

6. Consents

- 6.1 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.
- 6.2 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.
- 6.3 PricewaterhouseCoopers LLP 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.

7. Material contracts

- 7.1 On 9 February 2006, the Exchange entered into an agreement (the "Revolving Facility Agreement") with The Royal Bank of Scotland plc and Barclays Capital, the investment banking division of Barclays Bank PLC, for a revolving loan facility amounting to £200 million (the "Revolving Facility") on the following terms:
- 7.1.1 The Revolving Facility is for general corporate purposes including to fund a return of capital to shareholders. The Revolving Facility Agreement provides that members of the LSE Group may become borrowers and guarantors under the Revolving Facility. Exchange Group became a party to the Revolving Facility Agreement as a borrower and guarantor on 18 May 2006, and the Exchange resigned as a borrower and guarantor on the same day. The final maturity date of the Revolving Facility is the fifth anniversary of the date of the Revolving Facility Agreement.
- 7.1.2 The borrowings under the Revolving Facility bear interest at a floating rate plus mandatory costs (if any). Repayments under the Revolving Facility are to be made on the last day of the relevant interest period(s), up to the maturity date of the Revolving Facility. A commitment fee is payable on undrawn commitments under the Revolving Facility.
- 7.1.3 The borrowers must, if required by a two-thirds majority of lenders, prepay all indebtedness under the Revolving Facility following the occurrence of a change of control of Exchange Group on the terms set out in the Revolving Facility Agreement.
- 7.1.4 The Revolving Facility Agreement contains certain customary covenants and customary representations and warranties and events of default.
- 7.2 On 4 July 2006 Exchange Group issued £250 million in aggregate principal amount of 5.875% notes (the "Notes") due 2016. The Notes are constituted by a trust deed dated 7 July 2006 made between Exchange Group and HSBC Trustee (C.I.) Limited and the couponholders. The Notes were issued on the following terms:
- 7.2.1 Interest on the Notes is payable semi-annually in arrears in equal amounts on 7 January and 7 July of each year, at the rate of 5.875% of the principal amount, and the first interest payment is to be made on 7 January 2007. The interest payable on the Notes will be adjusted on a solicited basis in the event of a change in the credit rating assigned to the Notes.
- 7.2.2 The Notes may be redeemed at the option of Exchange Group in whole but not in part at any time at a price which is the higher of the principal amount of the Notes and an amount calculated by reference to the yield of the 4.75 per cent U.K. Government Treasury Stock 2015.
- 7.2.3 If a change of control in Exchange Group or Exchange occurs and, within 120 days thereafter, the credit rating of the Notes is downgraded from an investment grade credit rating to a non-investment grade credit rating or withdrawn, each Note may be redeemed at the option of each noteholder at a price which is the higher of the principal amount of the Note and an amount calculated by reference to the yield of the 4.75 per cent U.K. Government Treasury Stock 2015, plus 1.18 per cent.
- 7.2.4 The Notes are unsecured and unsubordinated obligations of Exchange Group and rank equally in right of payment with Exchange Group's existing and future unsecured and unsubordinated obligations.
- 7.2.5 The net proceeds from the issue are to be used by Exchange Group in order to refinance its indebtedness and for the LSE Group's general corporate purposes.
- 7.2.6 The terms and conditions applicable to the Notes also contain, *inter alia*, a negative pledge, redemption and purchase provisions and events of default. The Notes are governed by English law.
- 7.3 Save as disclosed in this document, there have been no contracts entered into by Exchange Group or any of its subsidiaries during the period commencing on 20 November 2004 (being the date two years before commencement of the offer period) and ending on 15 December 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.

8. Financial and other information

- 8.1 Except as set out in Part D of Appendix III to the Offer Document (being an extract from the interim report for Exchange Group for the 6 months ended 30 September 2006), the Directors are not aware of any material change in the financial or trading position of Exchange Group since 31 March 2006 (being the date to which the Exchange's last audited accounts were prepared).

9. Documents on display

- 9.1 Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS and the registered office of Exchange Group at 10 Paternoster Square, London EC4M 7LS until the end of the Offer Period:

- 9.1.1 the current Memorandum and Articles of Association of Exchange Group;
- 9.1.2 the audited consolidated accounts of the Exchange for the two financial years ended 31 March 2005 and 31 March 2006, and the interim report of Exchange Group for the 6 months ended 30 September 2006;
- 9.1.3 the service agreements of each of the Executive Directors with the Exchange, and the letters of appointment of each of the Chairman, the Executive Directors and the Non-Executive Directors referred to in paragraph 5 above;
- 9.1.4 the consent letters referred to in paragraph 6 above;
- 9.1.5 the material contracts referred to in paragraph 7 above;
- 9.1.6 the reports of each of PwC, Merrill Lynch and Lehman Brothers required under Rule 28.3 of the City Code in relation to the Profit Forecast, and the consent letters of each of PwC, Merrill Lynch and Lehman Brothers to the issue of their respective reports in the form and context in which such reports have been included in this document; and
- 9.1.7 the analysts' reports containing the synergies estimates referred to in paragraph 2 of Appendix 3 of this document (page reference 11(a)).

APPENDIX 2 – PROFIT FORECAST AND SUPPLEMENTAL DISCLOSURE

FORECASTS FOR THE THREE, NINE AND TWELVE MONTH PERIODS ENDING 31 DECEMBER 2006

In the absence of unforeseen circumstances and on the basis of preparation and principal assumptions set out below, the Directors make the following forecasts for basic earnings per share excluding exceptional items ("Adjusted basic earnings per share"):

- Adjusted basic earnings per share will not be less than 14.5p per share for the three months ended 31 December 2006 (three months ended 31 December 2005: 9.8p per share), an increase of not less than 48%.
- Adjusted basic earnings per share will not be less than 38.6p per share for the nine months ended 31 December 2006 (nine months ended 31 December 2005: 25.5p per share), an increase of not less than 51%.
- Adjusted basic earnings per share will not be less than 50.4p per share for the twelve months ended 31 December 2006 (twelve months ended 31 December 2005: 31.9p per share), an increase of not less than 58%.

Basis of preparation

The forecasts of Adjusted basic earnings per share are based on, where appropriate, the published unaudited interim results for the six months ended 30 September 2006, the results shown by the unaudited management accounts for the two months ended 30 November 2006 and a forecast for the month of December 2006.

The forecasts have been prepared in accordance with the accounting policies used in the Interim Report for the six months ended 30 September 2006.

The forecast tax charge has been calculated using an effective tax rate of 29.2%.

The forecast Adjusted basic earnings per share for the calendar year ending 31 December 2006 has been calculated as set out in the table below:

	Adjusted Earnings £m
Year ended 31 March 2006	95.2
Less: 9 months ended 31 December 2005	(64.8)
Add: 9 months ending 31 December 2006	84.7
12 months ending 31 December 2006	115.1
Weighted average number of shares for calendar year ending 31 December 2006 (millions)	228.5
Unaudited Adjusted basic earnings per share for calendar year ending 31 December 2006 (pence)	50.4p

Forecast Adjusted basic earnings per share excludes exceptional items to enable comparison of underlying earnings of the business with prior periods. The adjustments made were as follows:

	Three months ending 31 December		Nine months ending 31 December		Twelve months ending 31 December	
	2006 Unaudited £m	2005 Unaudited £m	2006 Unaudited £m	2005 Unaudited £m	2006 Unaudited £m	2005 Unaudited £m
Profit for the financial period attributable to equity holders	30.6 ¹	28.2	84.7 ¹	52.6	102.8 ¹	64.8
Adjustments:						
Exceptional items	– ¹	(5.1)	– ¹	20.6	14.1 ¹	24.7
Tax effect of exceptional items	–	1.9	–	(4.7)	(1.8)	(4.7)
Exceptional items and taxation attributable to minority interest	–	–	–	(3.7)	–	(3.7)
Adjusted profit for the period attributable to equity holders	30.6	25.0	84.7	64.8	115.1	81.1
Adjusted basic earnings per share – pence	14.5p	9.8p	38.6p	25.5p	50.4p	31.9p
Weighted average number of shares – millions	211.7	254.2	219.7	254.0	228.5	254.0

¹ No account has been taken of the exceptional costs incurred or to be incurred in relation to the Nasdaq bid defence. There are no other exceptional items in the three or nine months ending 31 December 2006.

Principal assumptions

The principal assumptions used in the forecast are set out as follows:

(i) Assumptions outside the influence of the Exchange Group Directors:

- There will be no major disruption to the business of the Exchange as a result of failure to the Exchange's IT infrastructure;
- There will be no material change in current levels of activity on the Exchange's markets caused by significant changes in economic or other factors;
- There will be no change in the regulatory environment of the Exchange Group nor any significant changes to relevant legislation, including taxation legislation or rates of taxation; and
- There will be no major disruptions in the business of the Exchange, its suppliers or customers by reason of natural disaster, terrorism, extreme weather conditions, industrial disruption, civil disturbance or government action.

(ii) Assumptions for factors under the influence of the Exchange Group Directors:

- There will be no material changes in the Exchange Group's management, existing operational strategy, or accounting policies and methodologies.

The Directors
London Stock Exchange Group 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

Merrill Lynch International and Lehman Brothers Europe Limited are henceforth collectively referred to in this letter as the "**Advisers**".

19 December 2006

Dear Sirs

London Stock Exchange Group plc

We report on the profit forecasts comprising the adjusted basic earnings per share of the London Stock Exchange Group plc (the "**Company**") and its subsidiaries (together the "**Group**") for the three months, nine months and twelve months ending 31 December 2006 (together, the "**Profit Forecasts**"). The Profit Forecasts and the material assumptions upon which they are based, are set out in the document issued by the Company dated 19 December 2006 (the "**Document**").

This report is required by Rule 28.3(b) of the City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers (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 Nightingale Acquisition Limited, a wholly owned subsidiary of The Nasdaq Stock Market, Inc., (the "**Offeror**") or The Nasdaq Stock Market, Inc. or any other 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 Profit Forecasts in accordance with the requirements of the City Code.

It is our responsibility to form an opinion as required by Rule 28.3(b) of the City Code as to the proper compilation of the Profit Forecasts and to report that opinion to you.

Save for any responsibility arising under Rule 28.3(b) of the City Code to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 28.4 of the City Code, consenting to its inclusion in the Document.

Basis of Preparation of the Profit Forecasts

The Profit Forecasts have been prepared on the basis stated in the Document, and:

- (a) for the three months ending 31 December 2006 is based on the unaudited management accounts for the two months ended 30 November 2006 and a forecast for the month of December 2006;
- (b) for the nine months ending 31 December 2006 is based on the unaudited interim financial results for the six months ended 30 September 2006, the unaudited management accounts for the two months ended 30 November 2006 and a forecast for the month of December 2006; and
- (c) for the twelve months ending 31 December 2006 is based on the unaudited management accounts for the three months ended 31 March 2006, the unaudited interim financial results for the six months ended 30 September 2006, the unaudited management accounts for the two months ended 30 November 2006 and a forecast for the month of December 2006.

The Profit Forecasts are required to be presented on a basis consistent with the accounting policies of the Group.

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 included in the Profit Forecasts has been prepared and considering whether the Profit Forecasts have been accurately computed based upon the disclosed assumptions and the accounting policies of the Group. Whilst the assumptions upon which the Profit Forecasts are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Profit Forecasts have not been disclosed or if any material assumption made by the Directors appears to us to be unrealistic.

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 Profit Forecasts have been properly compiled on the basis stated.

Since the Profit Forecasts and the assumptions on which they are based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Profit Forecasts and differences may be material.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion, the Profit Forecasts have been properly compiled on the basis of the assumptions made by the Directors and the basis of accounting used is consistent with the accounting policies of the Group.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

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

19 December 2006

Dear Sirs,

We have discussed with you as Directors of London Stock Exchange Group plc the profit forecast comprising adjusted basic earnings per share for London Stock Exchange Group plc and its subsidiaries for the three, nine and twelve month periods ended 31 December 2006 included in the circular to shareholders to be issued on 19 December 2006 (together the "Profit Forecast") and the basis on which this has been prepared.

We have also discussed the accounting policies and basis of calculation for the Profit Forecast with PricewaterhouseCoopers LLP, London Stock Exchange Group plc'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 Profit Forecast 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 Profit Forecast, for which you as Directors of London Stock Exchange Group 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

APPENDIX 3 – BASES OF CALCULATION AND SOURCES OF INFORMATION

1. General

1.1 Unless otherwise stated, in this document:

1.1.1 closing prices, consensus earnings estimates and exchange rates are as at the close of market on 15 December 2006 (being the latest practicable date prior to the posting of this document);

1.1.2 share price data is sourced from Bloomberg;

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

1.1.4 exchange rate data is sourced from Bloomberg;

1.1.5 calculations are prepared on the basis of there being 213,216,890 Ordinary Shares and 7,845,459 B Shares in issue as at 15 December 2006 (being the latest practicable date prior to the posting of this document) and up to a further 4,338,453 Ordinary Shares to be issued pursuant to the exercise of options or the grant of awards granted prior to 15 December 2006 (being the latest practicable date prior to the posting of this document) under the Exchange Group Share Schemes; and

1.1.6 references to interim and final dividends are expressed on a pence per Exchange Group Ordinary Share basis.

1.2 Unless otherwise stated, the financial information concerning the Exchange Group has been extracted from the published interim and annual reports and accounts of the Exchange Group or the Exchange for the relevant periods, the Profit Forecast and other information made publicly available by the Exchange Group.

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 Exchange Group, its competitors and these markets generally, is based on the Exchange Group's management estimates and calculations sourced from publicly available information, including Main Market and Secondary Market fact sheets and Professional Securities Market fact sheets, AIM Market Statistics, Monthly Market reports and the Exchange Group'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 Nasdaq's offer is sourced from the Offer Document and other material made publicly available by Nasdaq, Nightingale or any other person mentioned in the Offer Document.

2. Page references

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

Page 3

(a) The reference to SETS outperformance relative to forecast for FY 2007 is based on the actual growth in the average number of trades per day on SETS for the 8 months ended 30 November 2006 relative to FY 2005, versus the announced forecast growth for FY 2007 of 50 per cent relative to FY 2005 included in the Exchange's circular to shareholders of 17 February 2006.

(b) The reference to the £706 million capital returned since August 2004 refers to the special dividend of £162 million returned to shareholders in August 2004, the £512 million capital return distributed to shareholders in May 2006 and the shares acquired pursuant to the ongoing £50 million share buyback programme announced in the Exchange's circular to shareholders of 17 February 2006 of which £32 million of shares were bought back by 15 December 2006 (being the latest practicable date prior to the posting of this document).

(c) The reference to total shareholder return is sourced from Datastream based on the closing value on 16 December 2003 to 15 December 2006 (being the latest practicable date prior to the posting of this document). TSR (Total Shareholder Return) 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.

(d) The reference to forecast adjusted basic EPS for the 12 months ended 31 December 2006 is as reported in the Profit Forecast in Appendix 2.

(e) The reference to forecast December 2006 EPS growth is based on forecast adjusted basic EPS for the 12 months ended 31 December 2006 versus the 12 months ended 31 December 2005 and is sourced from the Profit Forecast in Appendix 2.

(f) The reference to forecast FY 2007 dividend refers to the interim and final ordinary dividends per Ordinary Share for FY 2007.

Page 4

(a) The reference to Nasdaq's cash offer being final means that Nasdaq's offer, as set out in the Offer Document, will not be revised except: (i) upon the recommendation of the Exchange Group Board; or (ii) if a firm intention to make a competing offer for Exchange Group is announced, whether or not subject to any preconditions.

(b) The reference to 200 pence per B share refers to the B share offer.

(c) The reference to a pre-conditional proposal of 950 pence is as announced by Nasdaq in their press release of 10 March 2006, unadjusted for the Exchange's capital return in May 2006.

(d) The reference to Nasdaq purchasing Exchange Group Ordinary Shares in the market at prices up to 1,243 pence, is the highest price paid by Nasdaq adjusted for the Exchange's capital return in May 2006.

38 Reject Nasdaq's offer

Page 6

- (a) The reference to the reduction of combined headcount is sourced from Nasdaq's website and the "Conference Call for US-Based Analysts and Investors Regarding its Final Offers for London Stock Exchange Group PLC Monday November 20, 2006 at 8.00 am ET".

Page 7

- (a) Capital raised on the Exchange is the total capital raised through new and further issues by companies on the Exchange's markets (Main Market, AIM and Professional Securities Market).

Page 8

- (a) The reference to the four year ordinary dividend CAGR of 35 per cent relates to the period from FY 2002 to FY 2006.

Page 9

- (a) The reference to Nasdaq's offer representing a multiple of 24.7x is calculated as Nasdaq's offer price of 1,243 pence per Ordinary Share divided by the Exchange Group's forecast adjusted basic EPS for the 12 months ended 31 December 2006 of not less than 50.4 pence as disclosed in Appendix 2 of this document.
- (b) Other major listed exchanges include all global exchanges with a market capitalisation greater than £1 billion as at 15 December 2006 (being the latest practicable date prior to posting this document).
- (c) Price/earnings multiples to 31 December 2006 are calculated using the 12 months ended 31 December 2006 earnings per share estimates as sourced from Reuters and the share prices as at 15 December 2006 (being the latest practicable date prior to the posting of this document), with the exception of LSE, ASX, SGX and the Nasdaq offer. The LSE multiple is calculated using the 12 months ended 31 December 2006 adjusted basic EPS set out in the Profit Forecast. ASX and SGX are calendarised, earnings estimates sourced from Reuters and their respective company filings.
- (d) The sector average P/E multiple of 37.3x is based on the straight average of the other listed exchanges as presented on page 9 excluding the Nasdaq offer multiple and the Exchange Group multiple.

Page 10

- (a) The reference to more than \$13 trillion under management is sourced from bigdough (www.bigdough.com).

Page 11

- (a) Synergy numbers detailed are based on those analysts who have published and made publicly available cost saving estimates relating to the Nasdaq offer between the Nasdaq announcement on 20 November 2006 and 15 December 2006 (being the latest practicable date prior to the posting of this document) and are included as documents on display (see paragraph 9.1.7 of Appendix 1 of this document).

The implied value of synergies in sterling million is based on, where applicable: (i) where the synergy estimate is expressed in US\$, it is converted into sterling at the \$:£ rate on 15 December 2006 (being the latest practicable date prior to the posting of this document); (ii) where the synergy estimate is expressed as a percentage of the Exchange Group's cost base, it has been multiplied by the pre exceptional cost base for the twelve months ended 30 September 2006 of £168 million (for those analysts who have published a percentage range the midpoint of their percentage range has been used); or (iii) the sterling million synergies figure published.

- (b) The capitalised value per share is calculated as the post-tax implied synergies value (taxed at 40 per cent) capitalised at a 10x multiple and divided by the number of Exchange Group Ordinary Shares comprised within the Exchange Group's diluted share capital.
- (c) The reference to 6 per cent headcount reduction is sourced from the Nasdaq Offer Document and the estimate of a pre-tax value of £9 million is calculated as 6 per cent of the combined headcount for the Exchange Group and Nasdaq as at 31 March 2006 multiplied by the pro forma average cost per employee for the 12 months ended 31 March 2006 for the Exchange Group and Nasdaq.
- (d) The Bob Greifeld quote is sourced from Nasdaq's website and the "Conference Call for US-Based Analysts and Investors Regarding its Final Offers for London Stock Exchange Group PLC Monday November 20, 2006 at 8.00 am ET".

Page 12

- (a) The references to the 29.8x multiple offered in Nasdaq's withdrawn proposal is sourced from the Nasdaq press release of 10 March 2006.
- (b) The reference to the Nasdaq/INET transaction multiple of 46.0x is sourced from the April 2005 Nasdaq presentation on the INET acquisition, calculated as the transaction value divided by earnings as reported in the presentation.
- (c) The reference to the NYSE/Euronext multiple of 29.5x is calculated based on the NYSE offer value assuming a NYSE share price and the exchange rate as at 15 December 2006 (being the latest practicable date prior to the posting of this document), which is calculated by applying the exchange ratio of 0.98 NYSE Euronext, Inc. share per Euronext share, a cash consideration of €21.3 per Euronext share, as sourced from the prospectus of NYSE Euronext, Inc. as filed with the SEC on 29 November 2006, and Euronext's net earnings, adjusted for exceptional items, for the 12 months ended 30 September 2006, sourced from Euronext's financial statements for the 9 months ended 30 September 2006 and for the 12 months ended 31 December 2005.

Page 13

- (a) The reference to the additional value created since 17 February 2006 is based on TSR (Total Shareholder Return) assuming an initial investment of £100 and is sourced from Datastream, based on the closing value on 16 February 2006 to 15 December 2006 (being the latest practicable date prior to the posting of this document).
- (b) The 7 of the busiest 20 days ever refers to the number of trades executed on SETS each day.
- (c) The reference to £162 million special dividend is the distributed amount rounded to the nearest million.
- (d) The reference to £512 million capital return is the distributed amount rounded to the nearest million.
- (e) The reference to £32 million bought back is the £31.5 million of shares bought back by 15 December 2006 (being the latest practicable date prior to the posting of this document) rounded to the nearest million.

Page 14

- (a) The reference to Deutsche Börse's 530 pence pre-conditional proposal is sourced from Deutsche Börse's announcement of 13 December 2004 and is unadjusted for the Exchange's capital return in May 2006.
- (b) The reference to Macquarie's 580 pence offer is sourced from the Macquarie announcement of 15 December 2005 and is unadjusted for the Exchange's capital return in May 2006.
- (c) The reference to Nasdaq's 950 pence withdrawn proposal is sourced from the Nasdaq announcement of 10 March 2006 and is unadjusted for the Exchange's capital return in May 2006.

Page 15

- (a) The reference to revenue relates to pre exceptional revenue.
- (b) Financial information for FY 2002 to FY 2004 is reported under UK GAAP, FY 2005 to H1 FY 2007 is reported under IFRS.
- (c) The reference to dividends relates to those proposed per Ordinary Share during the period.
- (d) The reference to the total capital returned to shareholders as a percentage of market capitalisation is based on the number of Exchange Group Ordinary Shares in issue and the closing price for an Exchange Group Ordinary Share as at 15 December 2006 (being the latest practicable date prior to the posting of this document).

Page 16

- (a) The international IPOs in H1 FY 2007 are sourced from the two PwC IPO watch publications covering calendar quarter two (1 April – 30 June 2006) and calendar quarter three (1 July – 30 September 2006) and from the websites of the relevant exchanges.
- (b) The reference to NYSE's listings is sourced from the NYSE website and for Nasdaq from the World Federation of Exchanges website.
- (c) The statement from Ms Lisa Conte is a quote from a London Stock Exchange press release dated 2 August 2006.

Page 17

- (a) The reference to all major listed exchanges in Europe and US refers to listed equity and equity derivatives exchanges with a market capitalisation of greater than £1 billion as at 15 December 2006 (being the latest practicable date prior to the posting of this document) and their derivatives subsidiaries.
- (b) Trading information on equity exchanges refers to growth in number of order book trades in own listed stocks for the three largest European exchanges and all trades in own listed stocks for major US exchanges. Trading information for derivative exchanges refers to growth in number of contracts traded. Information for Exchange Group is sourced from the Exchange's Secondary Market Fact Sheets. Information for Euronext and Deutsche Börse is sourced from the Federation of European Securities Exchanges website. All other information is sourced from the websites of the relevant exchange.
- (c) The data points showing the average trades per day are calculated as the average for each quarter, with the exception of the last data point which is calculated as the average trades per day for October and November 2006.
- (d) The statement from Citigroup is sourced from Citigroup research report entitled "Bid fully priced in" by Daniel Garrod, dated 12 October 2006.

Page 18

- (a) Trading velocity is calculated as the ratio between the value of domestic shares traded and their annual average domestic market capitalisation for the period. Market capitalisation refers to the market capitalisation of all domestic companies. For the purpose of calculation, the European average includes order book trading for the London Stock Exchange, Euronext, Deutsche Börse, OMX Nordic Exchange and SWX Swiss Exchange including virt-X and is sourced from the Federation of European Securities Exchanges website. The reference to the velocity of total trading for US exchanges is sourced from the World Federation of Exchanges website and includes Nasdaq and NYSE.

Page 20

- (a) The reference to London having the lowest cost of capital is sourced from the June 2006 report by Oxera Consulting, "The Cost of Capital: An International Comparison", jointly commissioned by the Exchange and the City of London. The Oxera report is available on the Exchange Group website.
- (b) 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, mid price is calculated as the average of the bid price and the ask price. Each best prices message is weighted by the length of time that it is valid for an average spread for each security calculated each day, then averaged to a monthly figure.

Page 21

- (a) SETS market share is the proportion of value traded in SET1, 2 & 3 securities that are traded on the order book compared to half the market value of those securities traded off book. The off book numbers are halved to be consistent with the Exchange's submissions to the Federation of European Securities Exchanges.
- (b) The reference to £75 million in annual savings in trading is based on press releases and the Exchange's internal estimates. It includes the effect of: the Exchange's re-negotiation of its clearing agreement with LCH.Clearnet Limited, reductions in the Exchange on book and off book fees, CrestCo Limited fee reductions, the launch of the Crest Network Service by the Exchange and the development by the Exchange of the competitive clearing service with SIS x-clear AG.

Page 22

- (a) The reference to Nasdaq's own market growth in value traded is calculated by using Nasdaq's published matched percentage market share volume multiplied by the total value traded in Nasdaq securities. These figures are sourced from Nasdaq's website.
- (b) The reference to Nasdaq's number of international listings is sourced from the World Federation of Exchanges website.
- (c) The net revenue figures for the Exchange for the FY 2002 (reported under UK GAAP before exceptionals) and FY 2006 (reported under IFRS before exceptionals) have been sourced from the financial statements for the 12 months ended 31 March 2006. For Nasdaq, the net revenue figures (reported as gross margin under US GAAP) have been calendarised to a 31 March year-end and have been converted into sterling at the relevant average exchange rate for the period. The figure for the 12 months ended 31 March 2006 has been sourced from: (i) the financial statements for the 12 months ended 31 December 2005, and (ii) the financial statements for the 3 months ended 31 March 2006. The figure for the 12 months ended 31 March 2002 has been sourced from: (i) the financial statements for the 12 months ended 31 December 2001, as restated in the historic record accompanying the financial statements for the 12 months ended 31 December 2005, (ii) the financial statements for the 3 months ended 31 March 2002, as restated in the historic record accompanying the financial statements for the 3 months ended 31 March 2003, and (iii) the financial statements for the 3 months ended 31 March 2001.

APPENDIX 4 – DEFINITIONS

\$	the lawful currency of the US
adjusted basic EPS	basic earnings per share excluding exceptional items
AIM	the Alternative Investment Market, the Exchange's market for smaller and growing companies
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
B share offer	the final cash offer being made by Nightingale to acquire the entire issued and to be issued B Shares, as set out in the Offer Document
B Shares	the B Shares of 200 pence each in the capital of Exchange Group existing from time to time
bid price	the price at which a market participant is bidding to buy shares
BME	Bolsas Y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, SA.
CAGR	compound annual growth rate
CBOT	CBOT Holdings Inc.
City Code or Takeover 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
Deutsche Börse or DB	Deutsche Börse AG
Directors or Exchange Group Directors or the Board	the directors of Exchange Group whose names are set out in paragraph 2 of Appendix 1 of this document
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
EPS	earnings per share
ESOS	the London Stock Exchange Executive Share Option Scheme
Euronext or ENXT	Euronext N.V.
Eurex	an electronic derivatives exchange which is jointly owned by Deutsche Börse and SWX
Exchange	in Appendix 1 to 4 (inclusive) refers to London Stock Exchange plc, a public limited company incorporated in England and Wales with registered number 02075721, a wholly owned subsidiary of Exchange Group, and/or, as the context requires elsewhere in this document, to Exchange Group
Exchange Group or Company or London Stock Exchange or LSE	in Appendix 1 to 4 (inclusive) refers to London Stock Exchange Group plc, a public limited company incorporated in England and Wales with registered number 5369106, and/or, as the context requires elsewhere in this document, to the Exchange
Exchange Group Shares	the Ordinary Shares together with the B Shares (being the shares in the capital of Exchange Group which are the subject of the offer)
Exchange Group Share Schemes	the ISP, ASP, ESOS, LTIP, SAYE and the SIP
Executive Directors	Clara Furse, Chief Executive Officer, and Jonathan Howell, Director of Finance
Executive Pension Plan	a pension plan of the Exchange in which certain executives are eligible to participate
Financial Services Authority	the UK Financial Services Authority
financial year or FY	the financial year of Exchange Group or the Exchange (as the context requires) ending 31 March in the relevant year
FTSE 100	the index which comprises the 100 largest companies (by market capitalisation) trading on the London Stock Exchange, as published by FTSE Group
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
HKX	Hong Kong Exchanges and Clearing Limited
ICE	IntercontinentalExchange, Inc.
IFRS	International Financial Reporting Standards
INET	Inet ATS, Inc.
Infolect	the Exchange's real-time information service used to disseminate market data to customers

Information Services	a division of the Exchange which distributes price and trading data
Interim Report	Exchange Group's interim report for the six months ended 30 September 2006, announced on 8 November 2006
IPO	an initial public offering, a flotation where a company raises capital by issuing equity for the first time on that exchange
ISP	the London Stock Exchange Initial Share Plan
issuer	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
Lehman Brothers	Lehman Brothers Europe Limited
LIFFE	Euronext.liffe, a recognised investment exchange offering trading in derivatives which is a wholly owned subsidiary of Euronext
liquidity	the ease with which a security can be traded on the market
listed	a company whose securities have been admitted to trading on any of the Exchange's markets or, as the context requires, on an overseas equivalent
London Stock Exchange Annual Bonus Plan	the London Stock Exchange Annual Bonus Plan in which selected employees of the Exchange participate
London Stock Exchange Employee Benefit Trust	the independent trust which holds shares to satisfy awards made under the Exchange Group Share Schemes
LSE Group	the group of companies which includes Exchange Group
LTIP	the London Stock Exchange Long Term Incentive Plan 2004
Main Market	the market for companies who have been admitted to the UK Listing Authority's Official List and admitted to trading on the Exchange's principal market
market capitalisation	used to indicate the value of a company by multiplying the number of shares in issue by the current share price
Merrill Lynch	Merrill Lynch International
MiFID	the European Markets in Financial Instruments Directive
Nasdaq	The Nasdaq Stock Market, Inc. (and/or, as the context requires, Nightingale)
Nightingale	Nightingale Acquisition Limited, a wholly owned subsidiary of Nasdaq
Non-Executive Directors	the Directors of Exchange Group 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
NYMEX	New York Mercantile Exchange, Inc.
NYSE	NYSE Group, Inc.
off-book	trades carried out away from the Exchange's order books but reported to the Exchange
offer	the ordinary offer and/or the B share offer (as the context requires), as set out in the Offer Document (expressed to be final offers except that Nightingale reserves the right to revise such offers (i) upon the recommendation of the Board or (ii) if a firm intention to make a competing offer for Exchange Group is announced, whether or not subject to any preconditions)
Offer Document	the document dispatched to Shareholders on 12 December 2006 by Nightingale containing the terms and conditions of the offer
Offer Period	the period commencing on (and including) 20 November 2006 until the later of: (i) 3.00 p.m. (London time)/10.00 a.m. (New York time) on 11 January 2007, (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
on-book	trades carried out on the Exchange's order books
OMX	OMX AB
ordinary offer	the final cash offer by Nightingale to acquire the entire issued and to be issued Ordinary Shares, as set out in the Offer Document
Ordinary Shares	the ordinary shares of 6 ^{79/100} pence each in the capital of Exchange Group existing from time to time
P/E or P/E ratio or P/E multiple	a measurement of a company's rating, calculated by dividing the share price by the annual earnings per share, or calculated by dividing the market capitalisation by net income for the relevant 12 month period
Profit Forecast	the profit forecasts for the three months, nine months and twelve months ending 31 December 2006, further details of which are set out in Appendix 2
PwC	PricewaterhouseCoopers LLP
SAYE	the London Stock Exchange SAYE Option Scheme
SETS	the electronic order book operated by the Exchange for the most liquid securities

SGX	Singapore Exchange Limited
Shareholder or shareholder	a registered holder of Exchange Group Shares
SIP	the London Stock Exchange Share Incentive Plan
spread	the difference between the bid and ask prices of a security
sterling or £	the lawful currency of the United Kingdom
SWX	SWX Swiss Exchange AG
Technology Road Map	the Exchange's programme to deliver new trading systems technology to the Exchange's markets
terminals	computer terminals used by firms which receive the Exchange's real time trading data
trading platform	the technology infrastructure in a stock exchange that is used to support its trading services
trading velocity	the ratio between the value of shares traded and their market capitalisation
TSX	TSX Group Inc.
UK GAAP	generally accepted accounting principles in the United Kingdom
US or United States	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
value traded	the total number of shares traded multiplied by their respective matching prices
withdrawn proposal	the pre-conditional proposal by Nasdaq of 950p cash per Exchange ordinary share (as announced by Nasdaq on 10 March 2006 and withdrawn on 30 March 2006)

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

