



London
STOCK EXCHANGE

London Stock Exchange

Preliminary Results 19 May 2005

Agenda

Introduction

Chris Gibson-Smith
Chairman

Financial Review

Jonathan Howell
Director of Finance

CEO Overview

Clara Furse
Chief Executive Officer

Q&A

Introduction

- 4% growth in gross turnover
- Total dividend payout up **26%** to **£18m**
- Confident we will deliver value to shareholders



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STOCK EXCHANGE

Jonathan Howell

Director of Finance

Overview of results

	Year ended 31 March		Change %
	2005 £m	2004 ¹ £m	
Turnover			
Issuer Services	35.2	38.5	(9)
Broker Services	99.8	94.1	6
Information Services	110.3	101.0	9
Derivatives Services	6.8	6.1 ²	
Other income	7.6	10.7	(29)
Gross turnover	259.7	250.4	4
Net turnover	244.4	237.1	3
Operating costs	(164.4)	(155.8)	6
Operating profit³	82.0	82.9	(1)
Operating margin³	34%	35%	

¹ restated for fair value of share awards under UITF 17 – £0.3m cost increase

² nine months to 31 March 2004

³ before exceptional items and goodwill amortisation

Overview of results (continued)

	Year ended 31 March		Change %
	2005 £m	2004 ¹ £m	
Exceptional items			
— Exceptional costs	(6.8)	-	-
— Exceptional profit on Tower disposal	7.2	-	-
Profit before tax	89.1	88.8	-
Tax	(27.6)	(25.7)	7
Profit after tax ²	61.5	63.1	(3)
Basic earnings per share	23.1p	21.6p	7
Adjusted basic earnings per share ³	23.5p	21.2p	11
Dividend per share	7.0p	4.8p	46

1 restated for fair value of share awards under UITF 17 – £0.3m cost increase

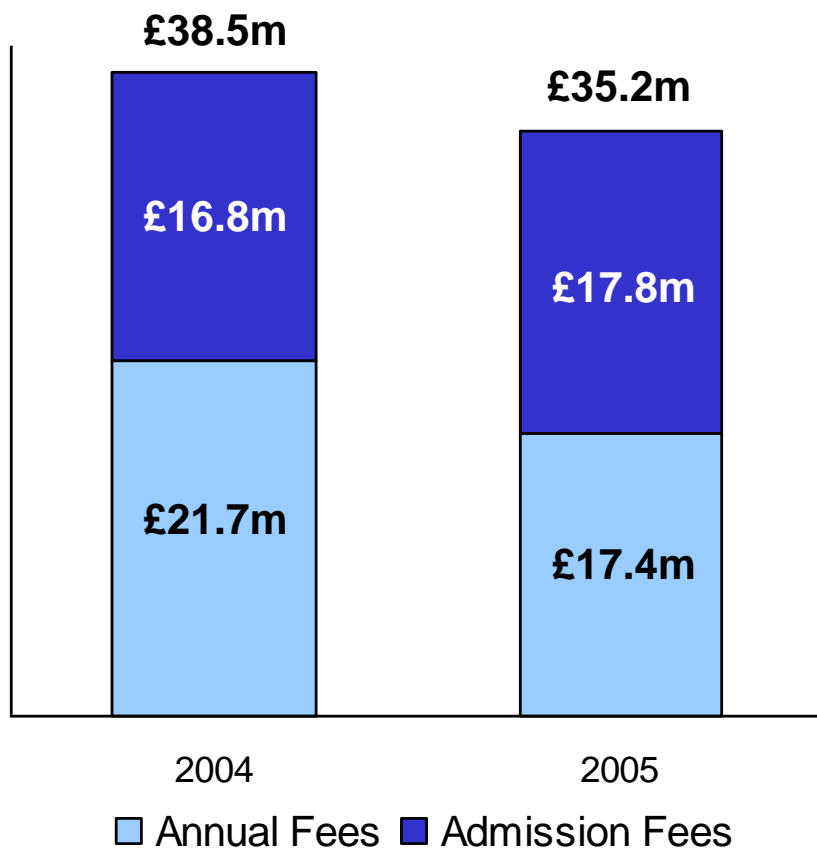
2 before minority interests

3 before exceptional costs and goodwill amortisation

Issuer Services

New issues more than double previous year

Turnover down 9%



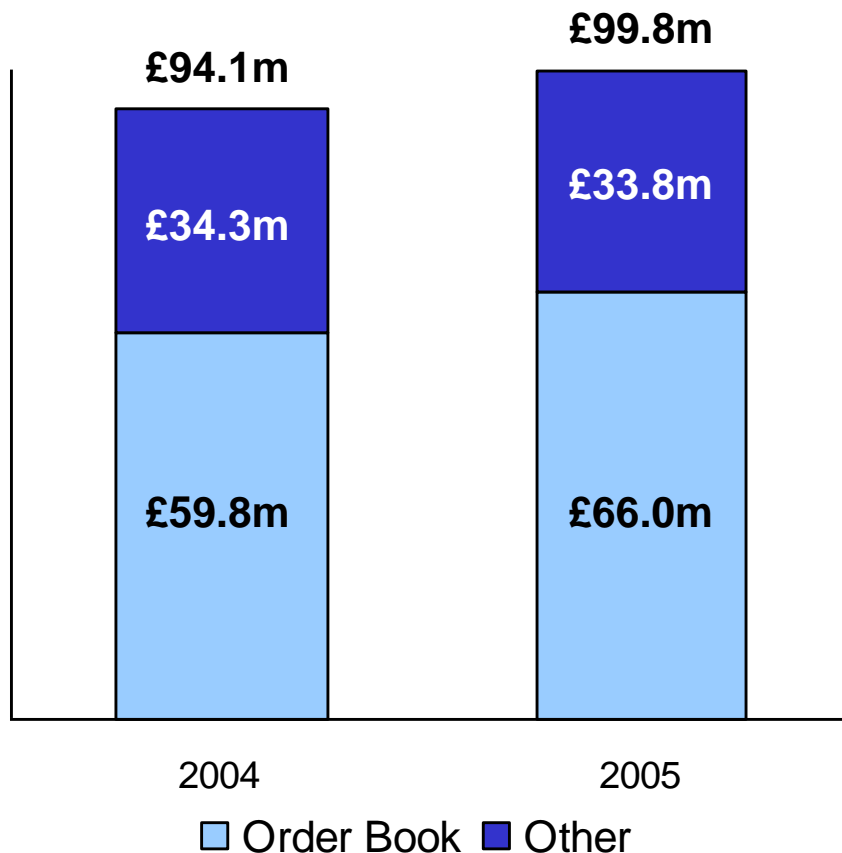
Key metrics

- New issues up from **236** to **514** of which:
 - Main Market – **82** (2004: 43)
 - AIM – **432** (2004: 193)
- Annual Fees represented **49%** of Issuer Services turnover (2004: 56%)
- **2,916** companies (2004: 2,693) including **1,127** on AIM

Broker Services

SETS continues to drive growth

Turnover up 6%



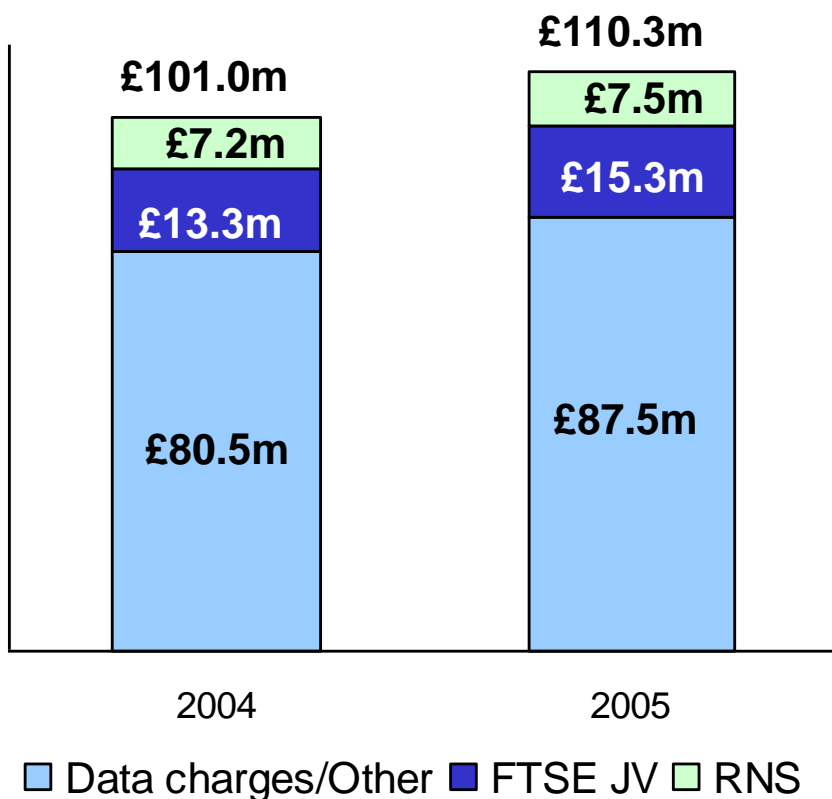
Key metrics

- Average daily equity bargains up **16%** to **271,000**
 - order book bargains up **24%** to **170,000** per day
 - off book bargains down **16%** to **48,000** per day
 - international bargains up **30%** to **52,000** per day
- Average SETS bargain size **£21,000** (2004: £22,000) and average SETS yield down to **c£1.50**
- SETS contributed **66%** of Broker Services revenue

Information Services

Increase in professional terminals

Turnover up 9%



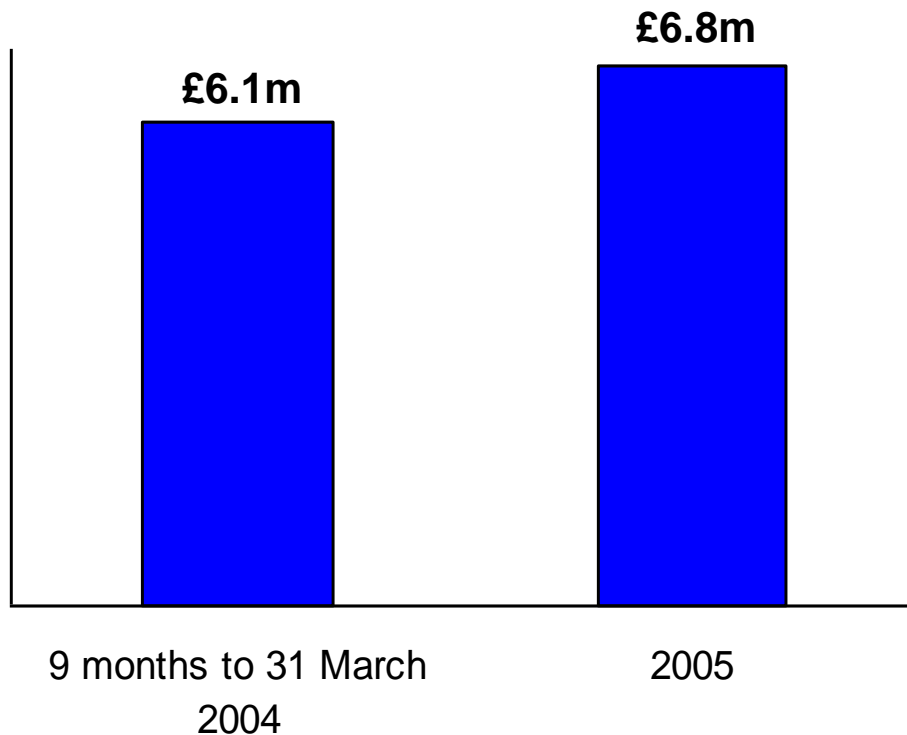
Key metrics

- Terminal population **95,000** (2004: 90,000)
- Professional investor terminals at **83,000** (2004: 80,000)
- SEDOL turnover **c£6m**
- RNS turnover **£7.5m** (2004: £7.2m)
- FTSE JV – share of turnover **£15.3m** (2004: £13.3m)

Derivatives Services

Core business steady

Turnover up 11%



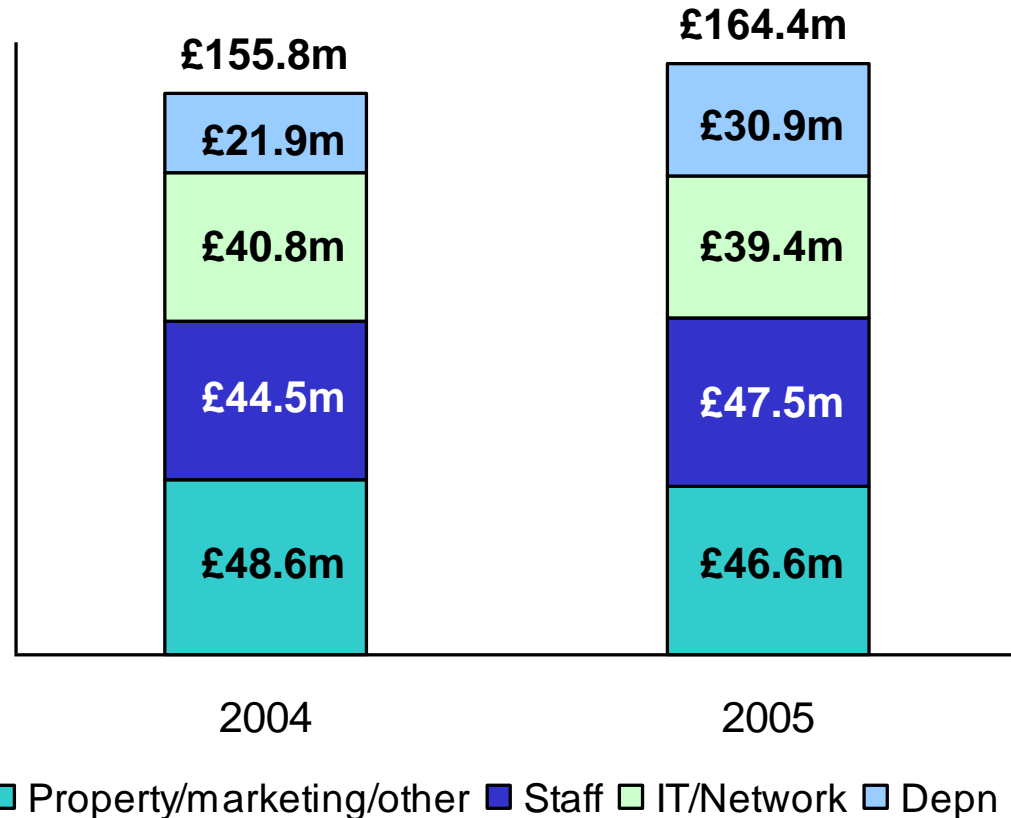
Key metrics

- **18.3m** contracts traded (9 months to 31 March 2004: 13.7m)
- Average daily contracts traded **73,000** (9 months to 31 March 2004: 72,000)

Operating costs

- Depreciation up **£9m**
- IT costs down **£1.4m**
- Staff costs up **£3m**
- Property/marketing/other costs down **£2m**
- Year end headcount of **519**
(2004: 522)

65% Cost/income¹ 66%



¹ before exceptional costs and goodwill amortisation

Summarised Cash Flow

Continued strong cash generation

	Year ended 31 March	
	<u>2005</u>	<u>2004</u>
	£m	£m
Net cash inflow from operating activities	100.9	105.4
Taxation	(24.3)	(22.2)
Capital expenditure	(40.8)	(54.2)
Ordinary dividends paid	(15.1)	(12.9)
	<hr/>	<hr/>
Free cash flow before one-off items	20.7	16.1
One-off items — disposals/(acquisitions)	32.3	(15.5)
— exceptional advisors' fees	(5.5)	-
— special dividend	(162.5)	-
	<hr/>	<hr/>
Free cash flow ¹	<u>(115.0)</u>	<u>0.6</u>

¹ before interest and dividends received

Summarised balance sheet

	31 March 2005	31 March 2004¹
	<u>£m</u>	<u>£m</u>
Total fixed assets	144.4	194.5
Current assets — debtors	98.4	61.1
— cash	124.4	227.9
Creditors: due within one year	(75.1)	(78.9)
Creditors: due after one year	(0.5)	(0.5)
Provisions	(40.0)	(38.4)
Net assets	<u><u>251.6</u></u>	<u><u>365.7</u></u>

1 restated under UITF 38 Accounting for ESOP Trusts — £6.4m reduction in reserves

IFRS

Summary of impact on 2004/05

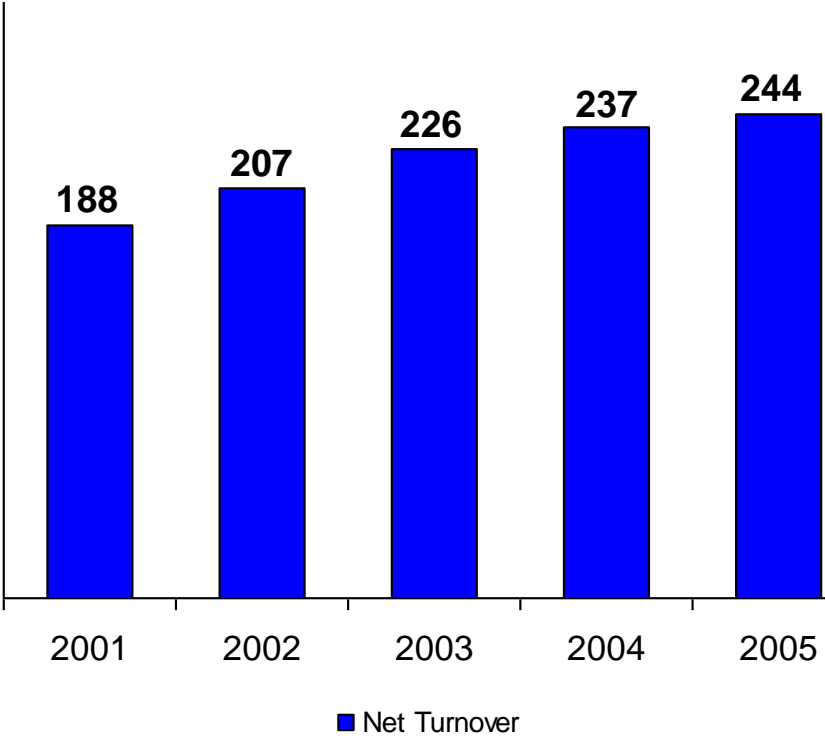
- The impact of IFRS on PBT, EPS and net assets for 2004/05 financial year is estimated as follows:

	<u>UK GAAP</u>	<u>IFRS</u>	<u>Change</u>	<u>Change</u>
Profit before tax	£89.1m	£92.2m	£3.1m	3%
Earnings per share				
• Basic	23.1p	24.2p	1.1p	5%
• Adjusted ¹	23.5p	24.2p	0.7p	3%
Net assets	£251.6m	£236.3m	(£15.3m)	(6%)

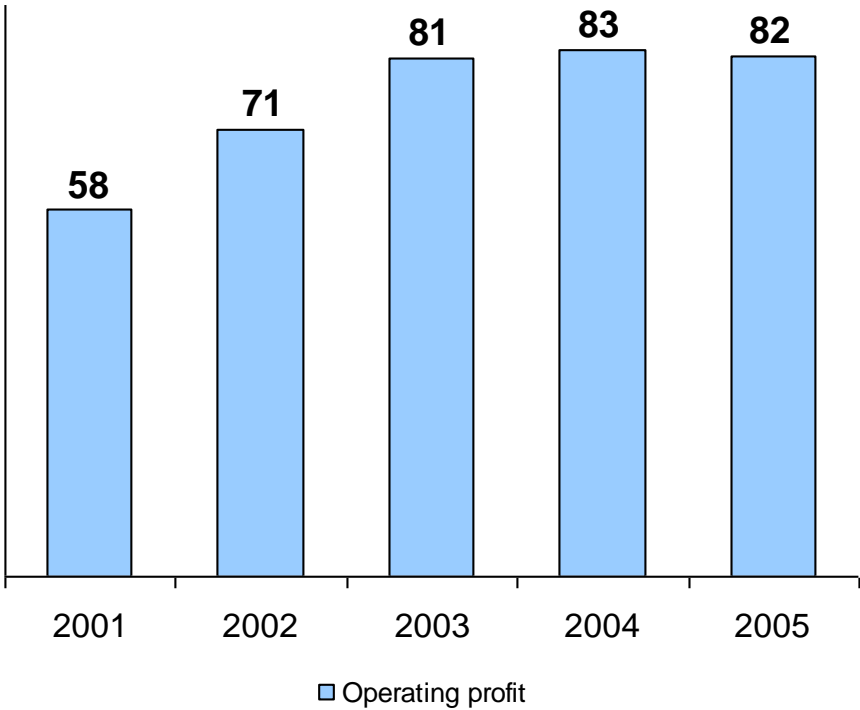
Track Record

Significant growth over 5 years

Net turnover (£m) CAGR 7%



Operating profit¹ (£m) CAGR 9%



1 before exceptional costs and goodwill amortisation

Track Record

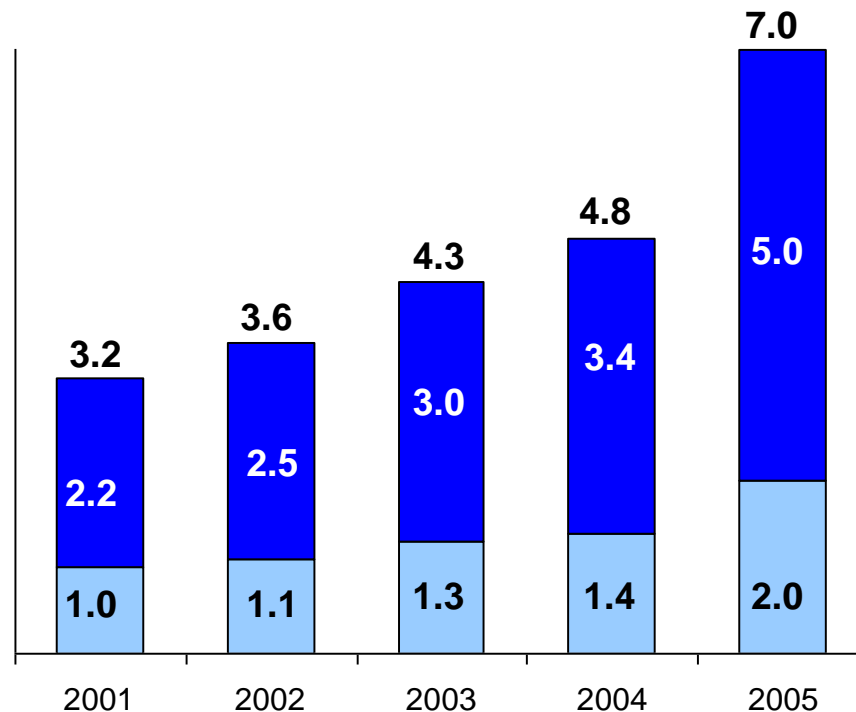
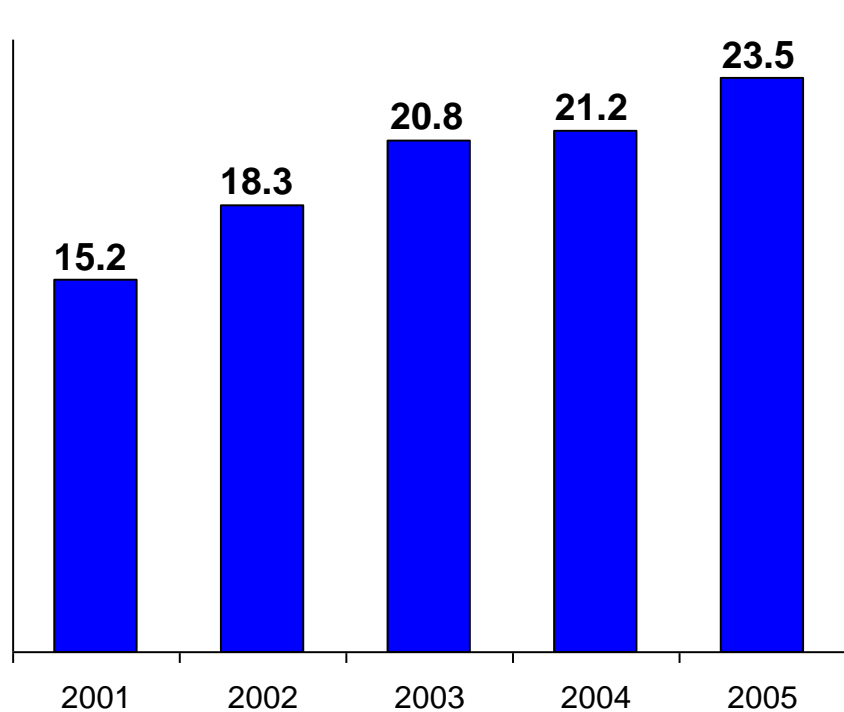
Continuous improvement in Adjusted EPS and Dividend per Share

Adjusted EPS (p)

CAGR 12%

Dividend per share (p)

CAGR 22%



□ Interim ■ Final

Current trading

- Since year-end trends remain positive:
 - Good new issue activity on Main Market and AIM
 - Trading volumes on SETS have continued strongly
 - Professional terminals up from year end



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Clara Furse

Chief Executive Officer

Introduction

Overview

- London — the leading international equity market
- Good customer relationships drive growth
- New trading strategies improve market efficiency
- Our technology leads
- We are well positioned for the future

Operational milestones

A few of last year's highlights

- First **increase** in professional terminals in 3 years
- **1,000th** company on AIM
- Average total bargains/day exceed **300,000**
- Average SETS bargains/day exceed **200,000**

London

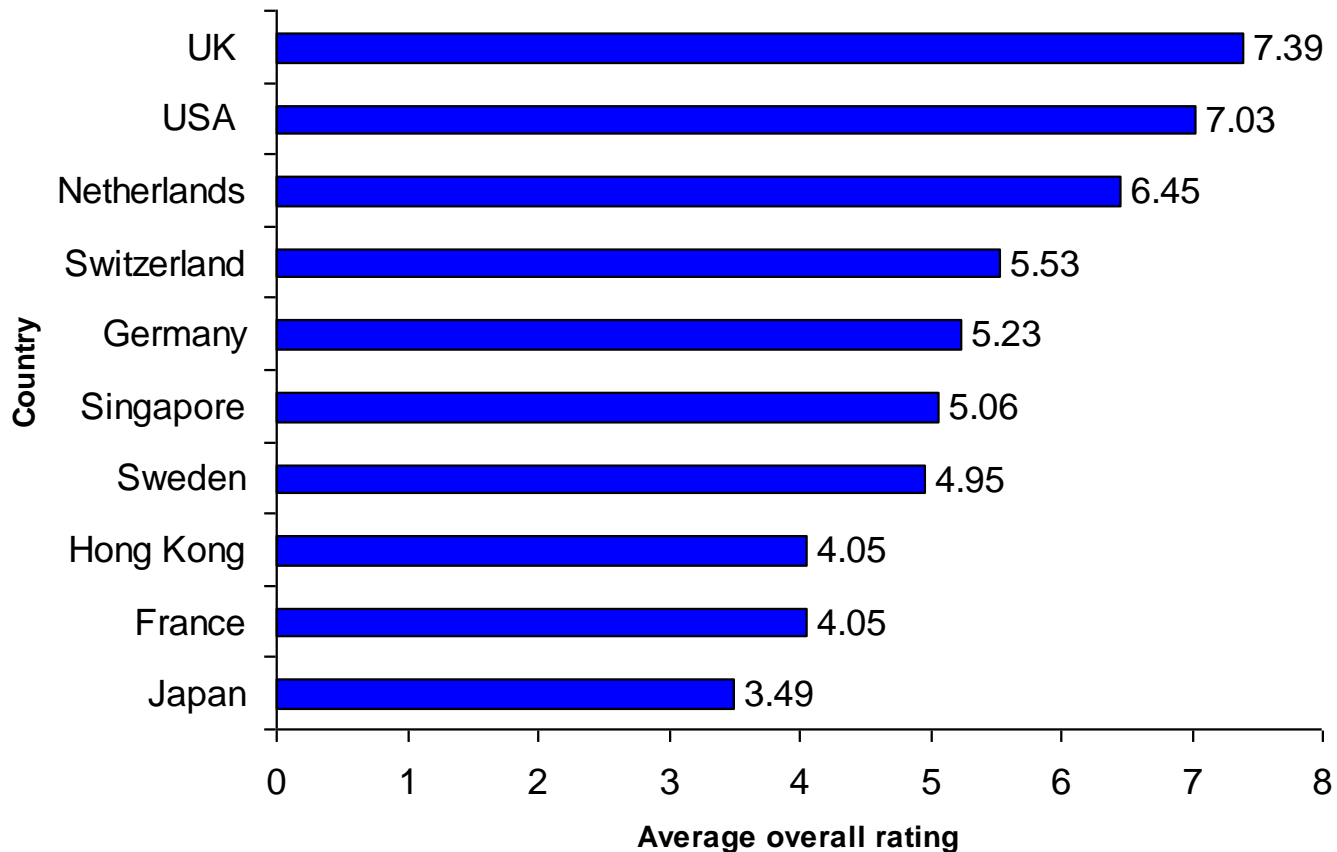
Leading international equity market

- Rigorous but intelligent approach to regulation
- Regulatory regime provides integrity — foundation for growth
- World leading corporate governance

UK Corporate Governance regime

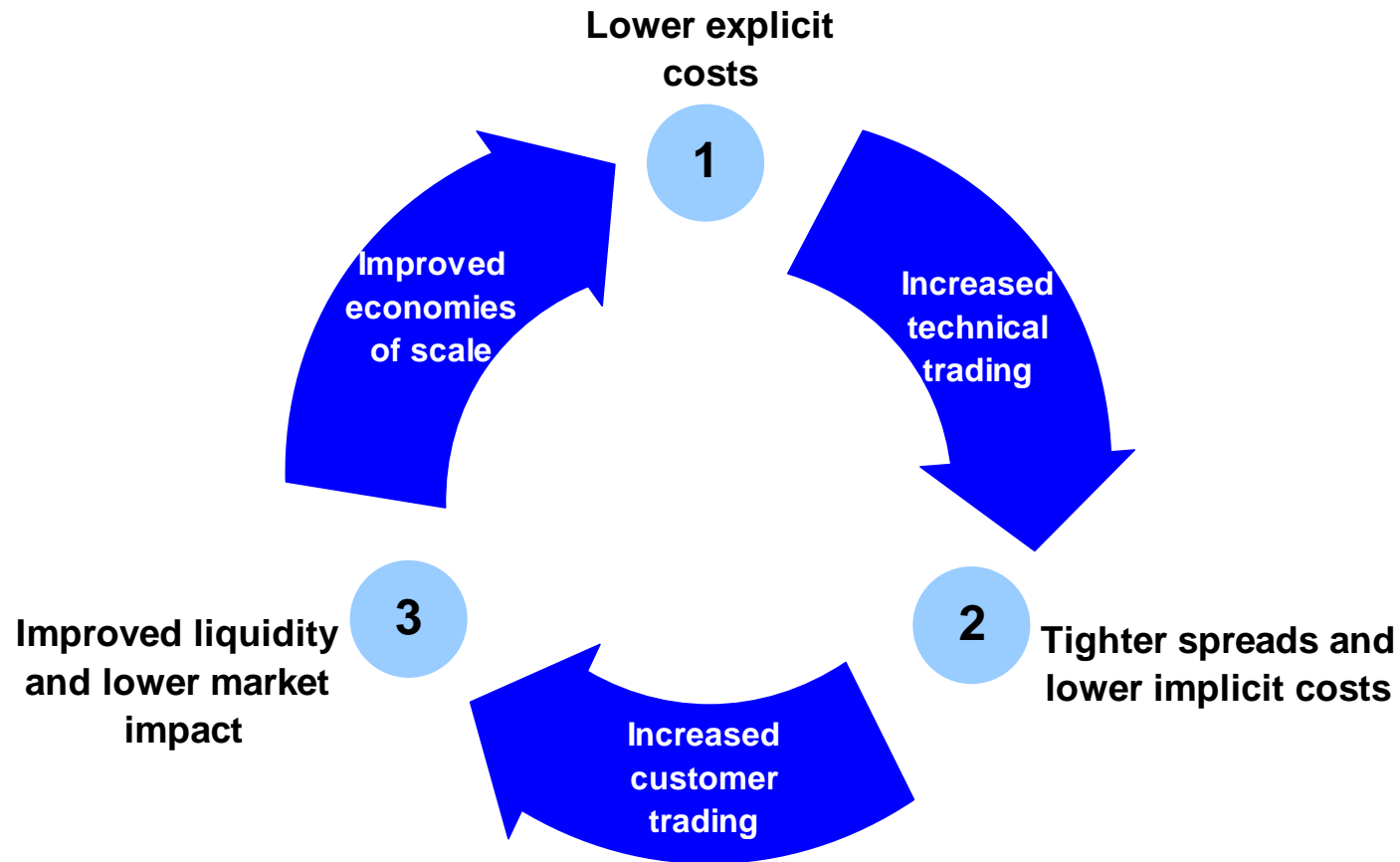
Leading standards

GMI - Global Governance Ratings



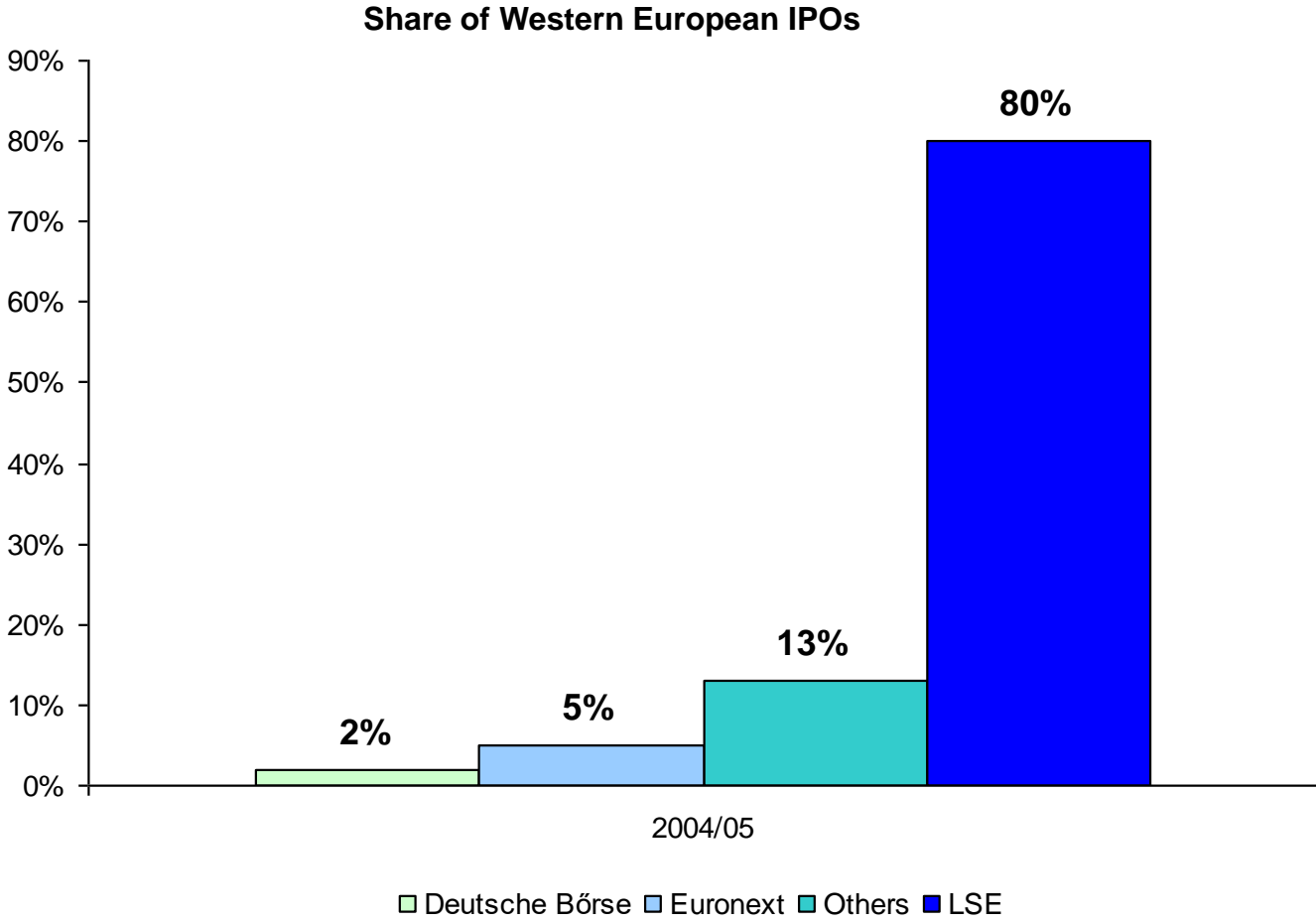
Improving market efficiency

Virtuous Circle



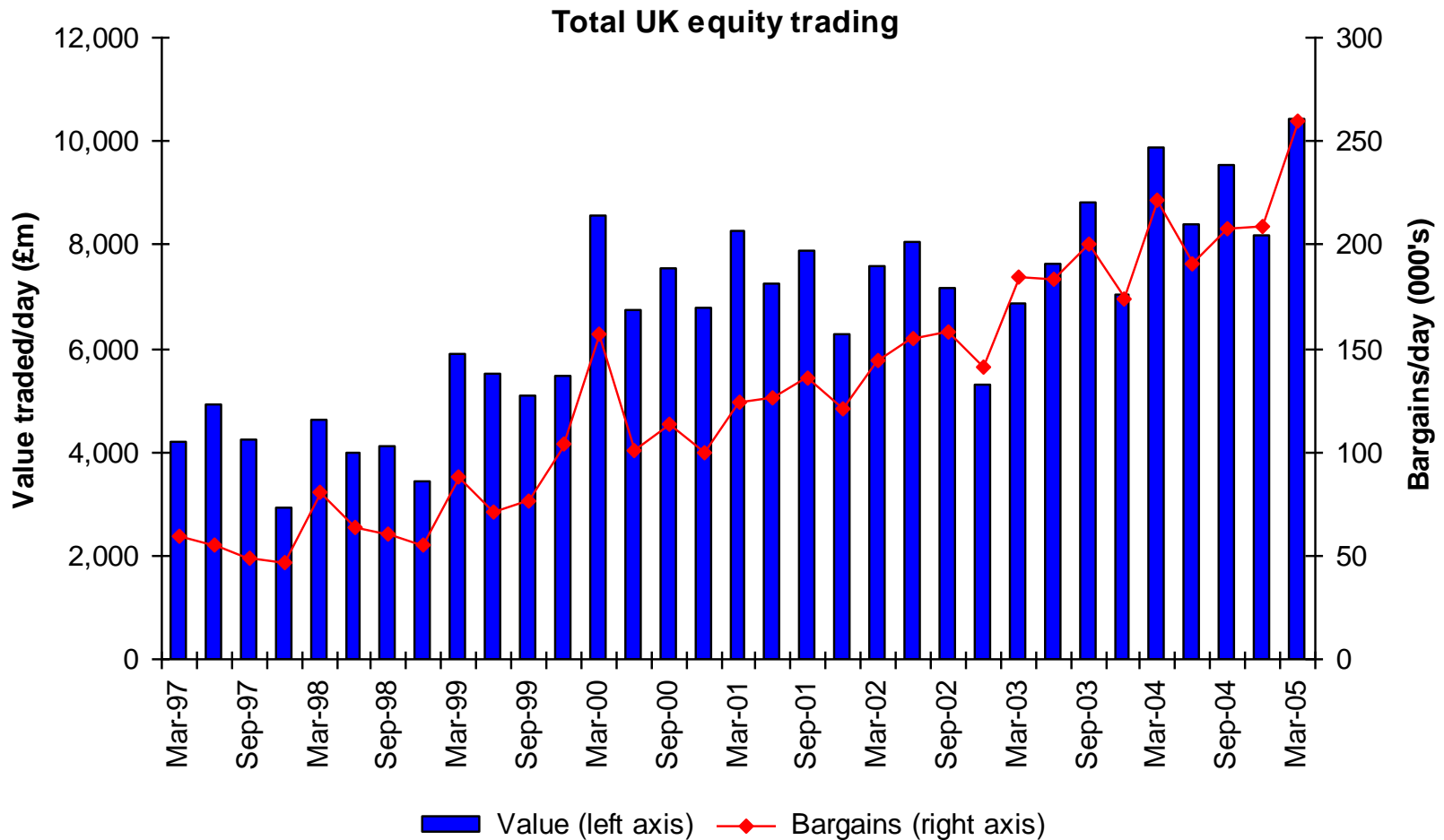
Our market

Europe's capital raising centre - 80% of Western European IPOs



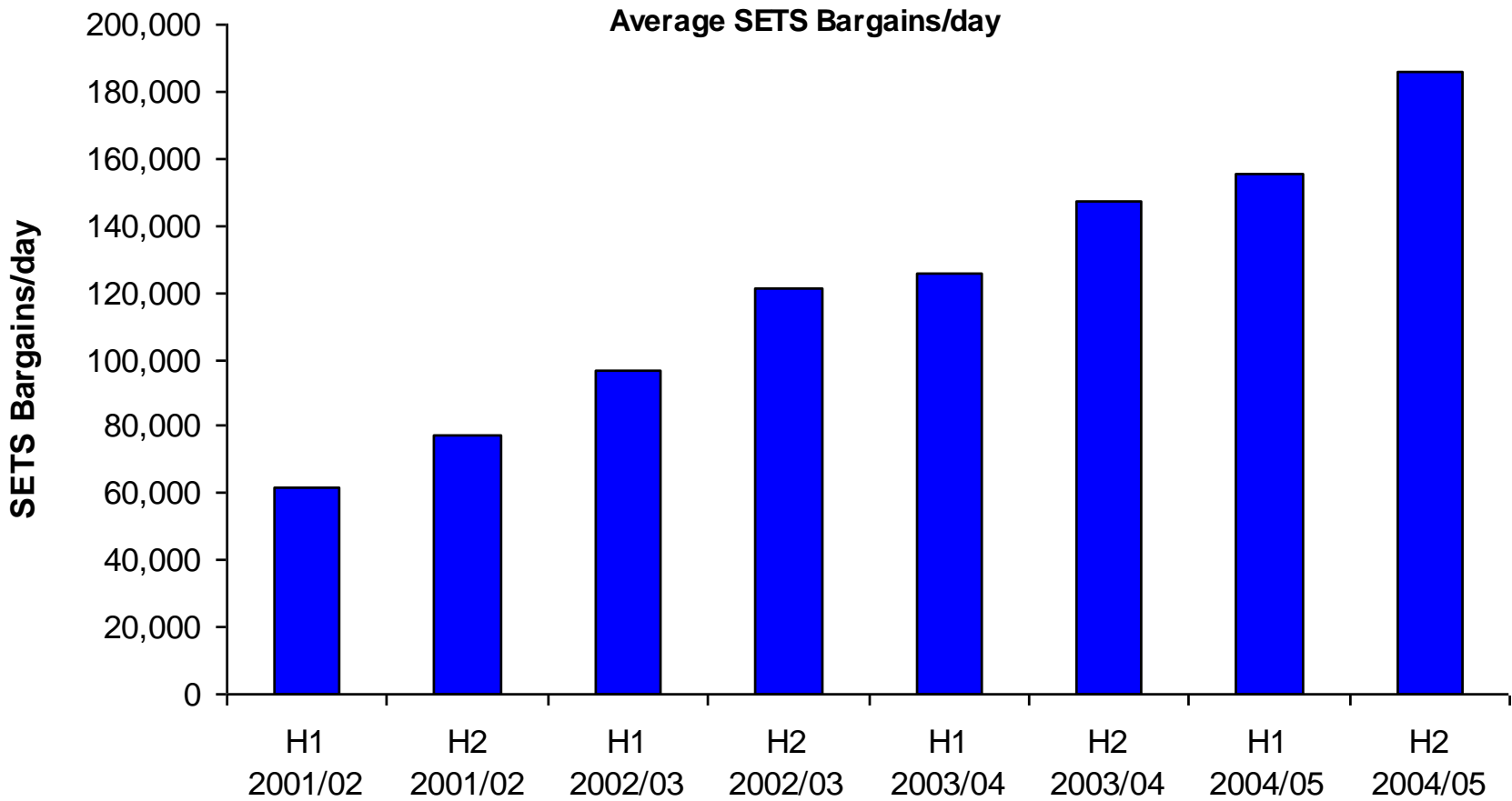
UK equity trading

SETS - growth driver



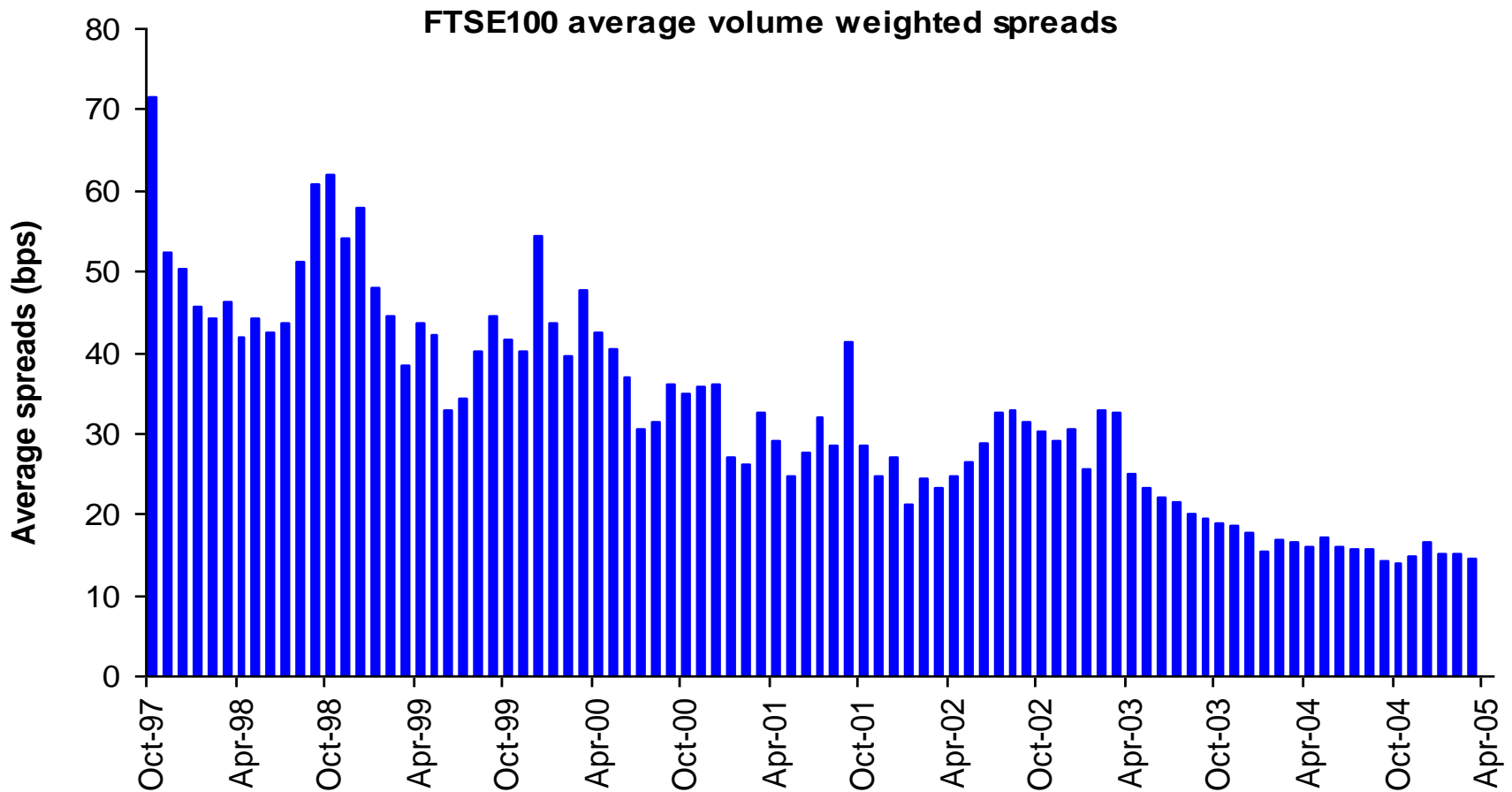
Broker services

Strong SETS volumes



Narrower spreads

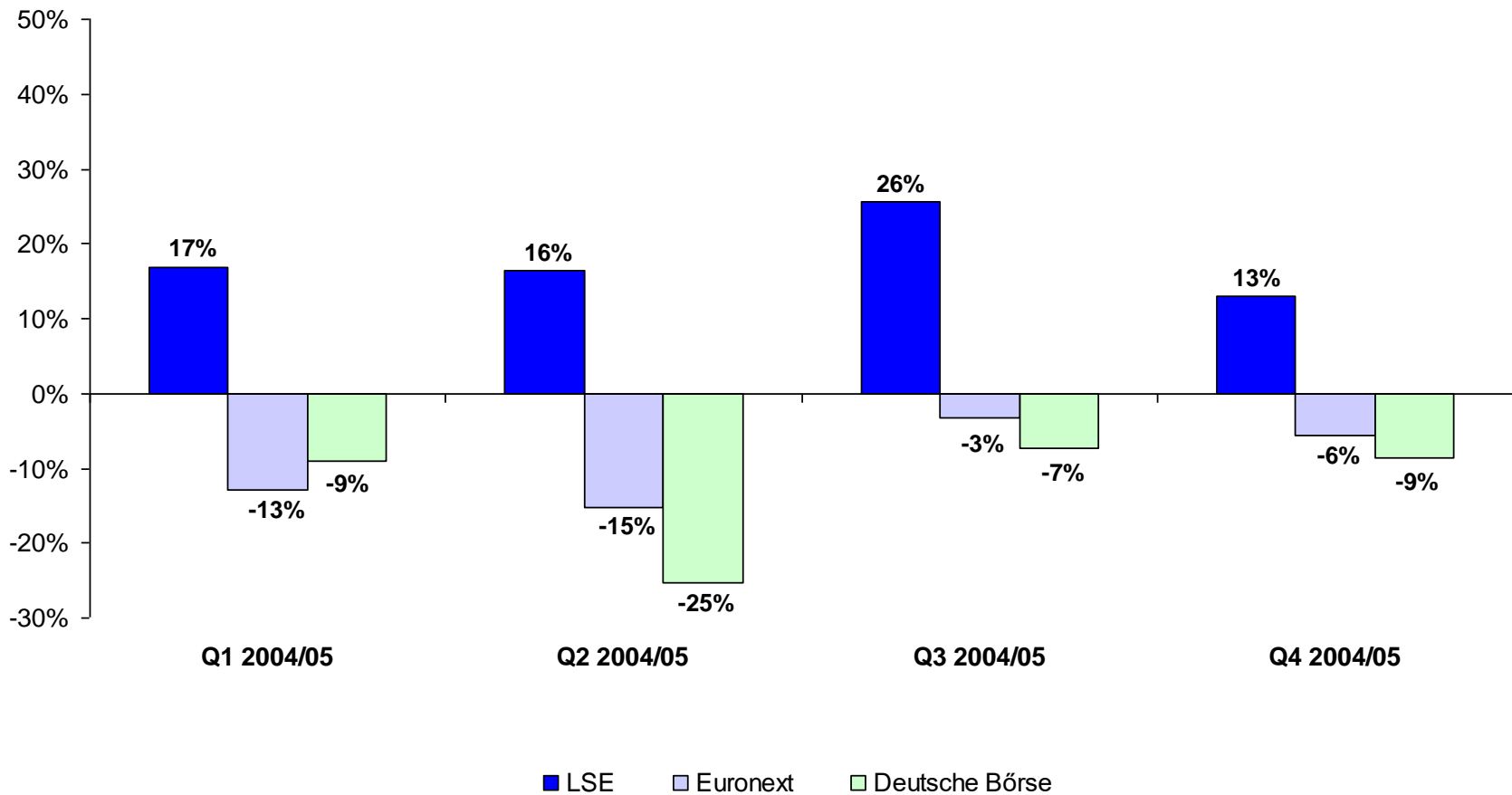
Reducing implicit costs



Strong relative growth

A conspicuous success story

Year on year growth in quarterly total number of cash trades



Technology Roadmap

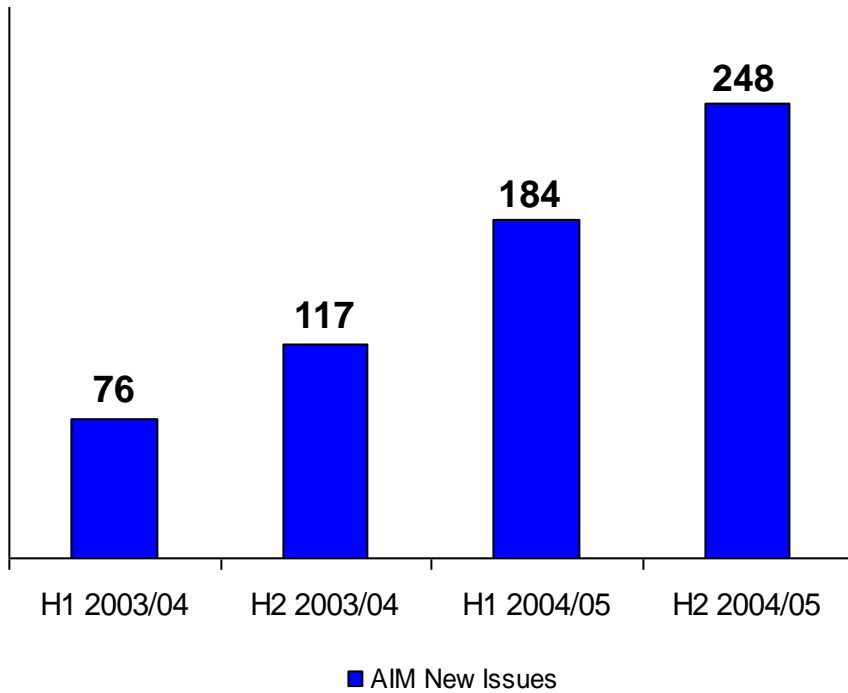
Leadership in technology driving market change

- Current trading platform supports choice of market structure and product
- TRM will deliver a radical shift
- A combination of lower operating costs, cheaper capacity upgrades, and simpler diversification

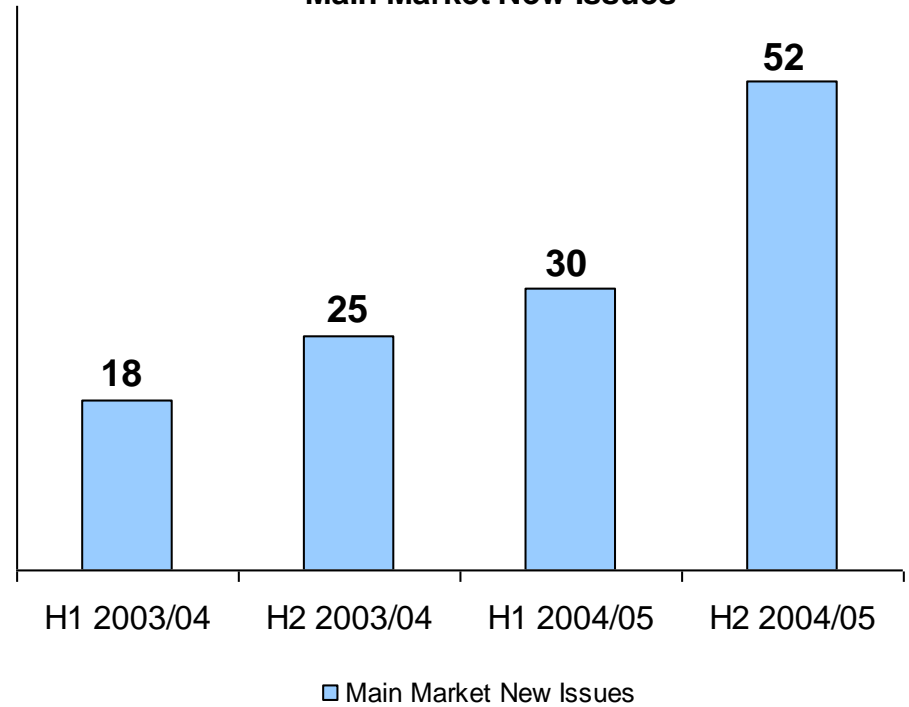
Issuer Services

Continued growth in Main Market and AIM new issues

AIM New Issues

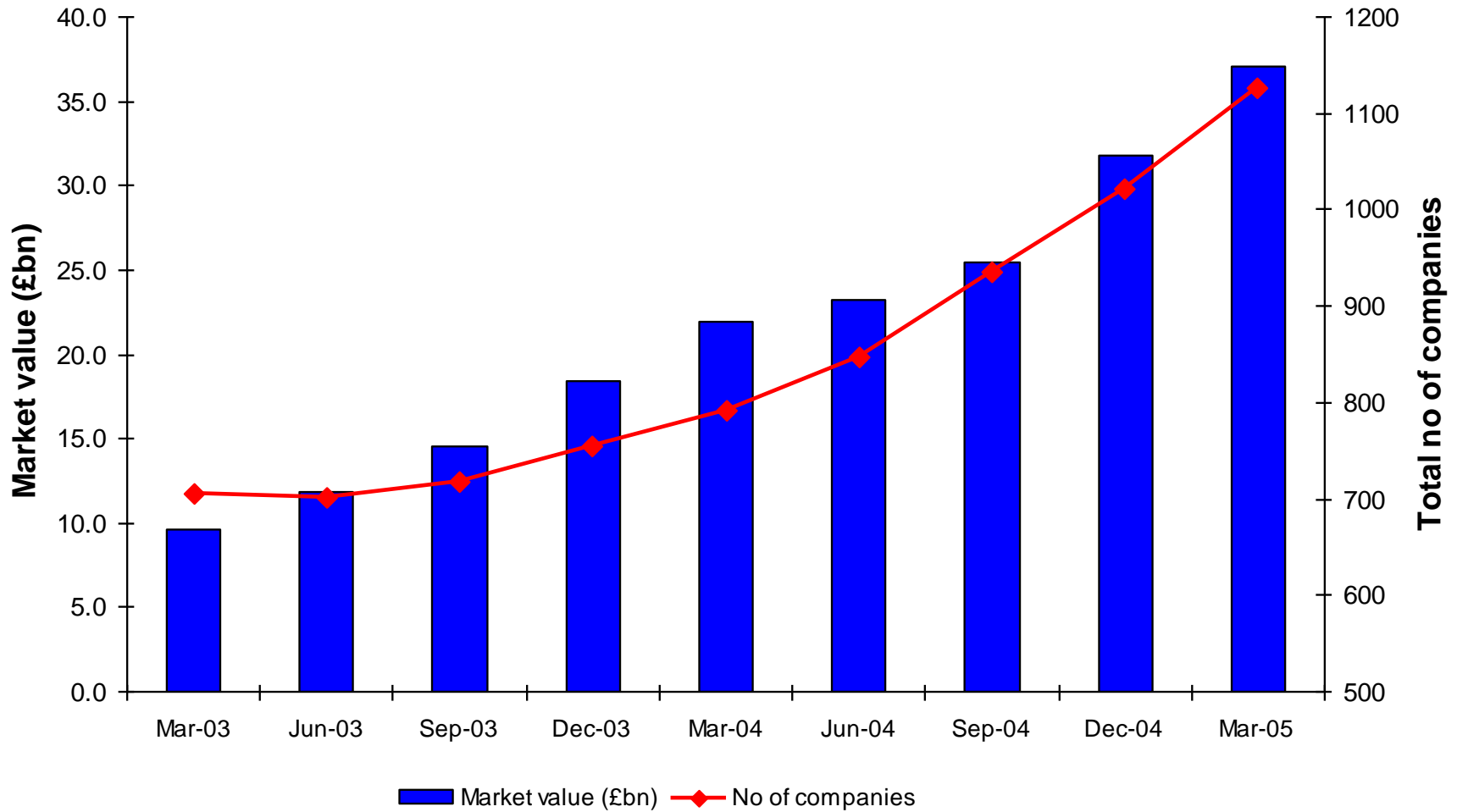


Main Market New Issues



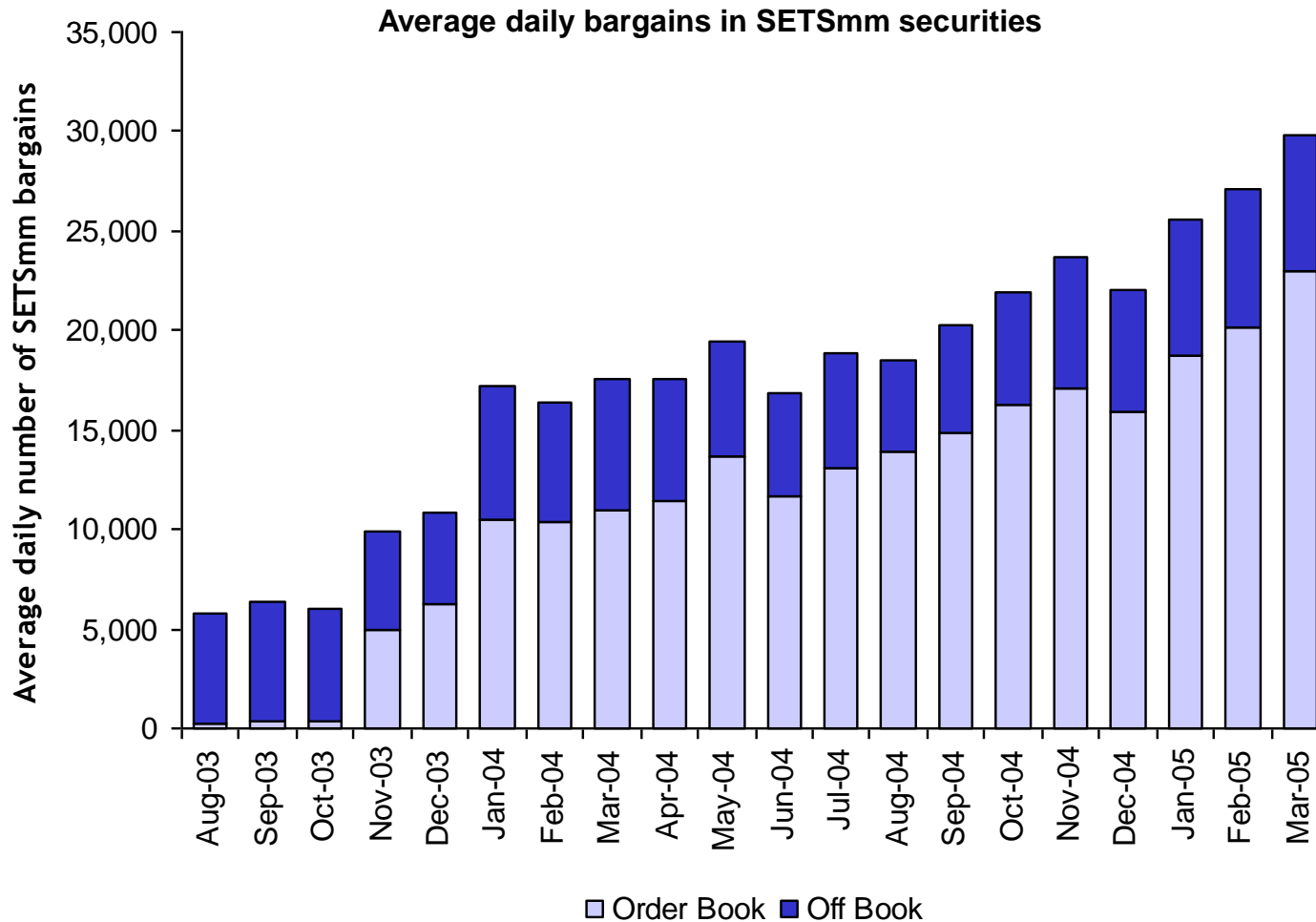
Issuer Services

Record growth on AIM



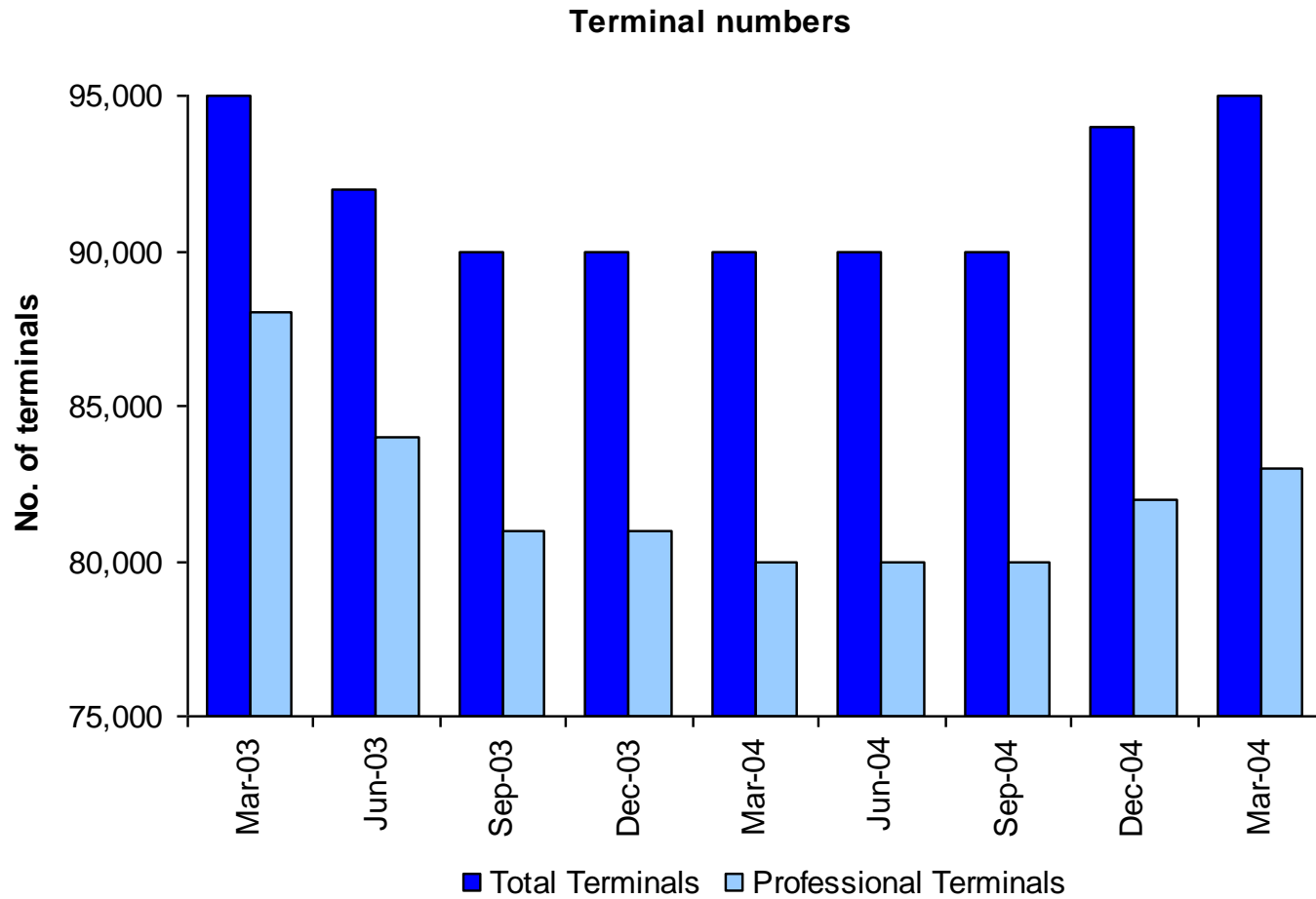
Success of SETSmm

Extending the Virtuous Circle



Information Services

Pick up in terminal numbers



Information Services

New initiatives support growth

- Proquote
 - Up **50%** to **c2,700** screens (31 March 2004: 1,800)
 - Proquote International launched in April 2005
- SEDOL
 - Over **1,000** licences
 - Number of securities doubled from 225k to **450k**
- RNS
 - Over **90** FTSE100 companies using RNS
- FTSE
 - Ninth consecutive year of turnover growth

Derivatives Services

Steady progress

- Expanded product offering – Finnish derivatives
- OTC clearing service launched
- Steady growth in covered warrants

Summary

- Core business growing as market quality improves
- Delivering growth through:
 - Increasingly productive customer relationships
 - Technology that is “best in class”
 - An ever more Virtuous Circle
- A successful business model well positioned for future **growth**



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Q&A