



London
STOCK EXCHANGE

London Stock Exchange Group plc

Preliminary Results - 16 May 2007

Agenda

Introduction

Chris Gibson-Smith
Chairman

Financial Review

Jonathan Howell
Director of Finance

CEO Overview

Clara Furse
Chief Executive Officer

Q&A

Introduction

- Excellent financial performance
- Dividend in line with commitment to shareholders
- Further capital returns to shareholders through capital reorganisation and share buybacks – **£974m** over three years
- Strong business performance and international equity market of choice
- New stamp duty research well received
- Exchange brand goes from strength to strength – well positioned in rapidly evolving sector



London
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Jonathan Howell
Director of Finance

Financial highlights

Very strong trading performance

- Revenue¹ - up **20%** to **£349.6m**
- Operating profit¹ - up **55%** to **£185.6m**
- Adjusted earnings per share¹ - up **50%** to **56.2 pence**
- Full year dividend - up **50%** to **18 pence** per share

¹ Before exceptional items

Overview of results

	Year ended 31 March		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
	£m	£m	%
Revenue¹			
Issuer Services	63.2	56.9	11
Broker Services	163.8	125.5	31
Information Services	105.9	94.1	13
Derivatives Services	9.3	7.7	21
Other Income	7.4	6.9	7
Total revenue	349.6	291.1¹	20
Operating costs ¹	(164.0)	(171.0)	(4)
Operating profit¹	185.6	120.1	55
Operating margin¹	53%	41%	

¹ Before exceptional items

Overview of results (continued)

	Year ended 31 March		Change %
	<u>2007</u> £m	<u>2006</u> £m	
Operating profit¹	185.6	120.1	55
Net exceptional items	(11.4)	(34.7)	
Net finance and investment income ²	(12.7)	8.1	
Profit before tax	161.5	93.5	73
Tax	(50.9)	(26.7)	
Profit after tax	110.6	66.8	66
Earnings per share (p)	50.5	27.8	82
Adjusted earnings per share (p)	56.2	37.4	50
Dividend per share (p)	18.0	12.0	50

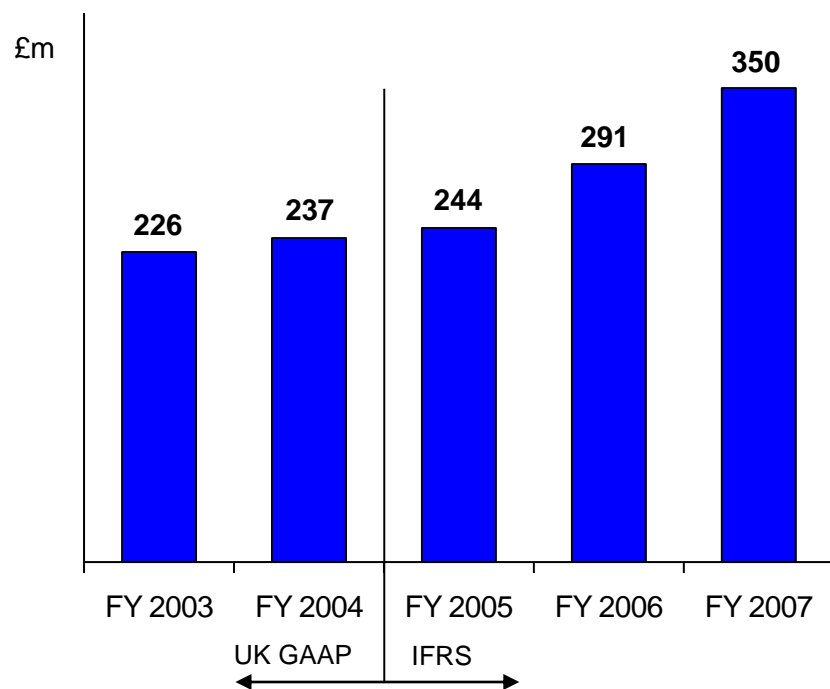
¹ Before exceptional items

² Including share of FTSE joint venture income

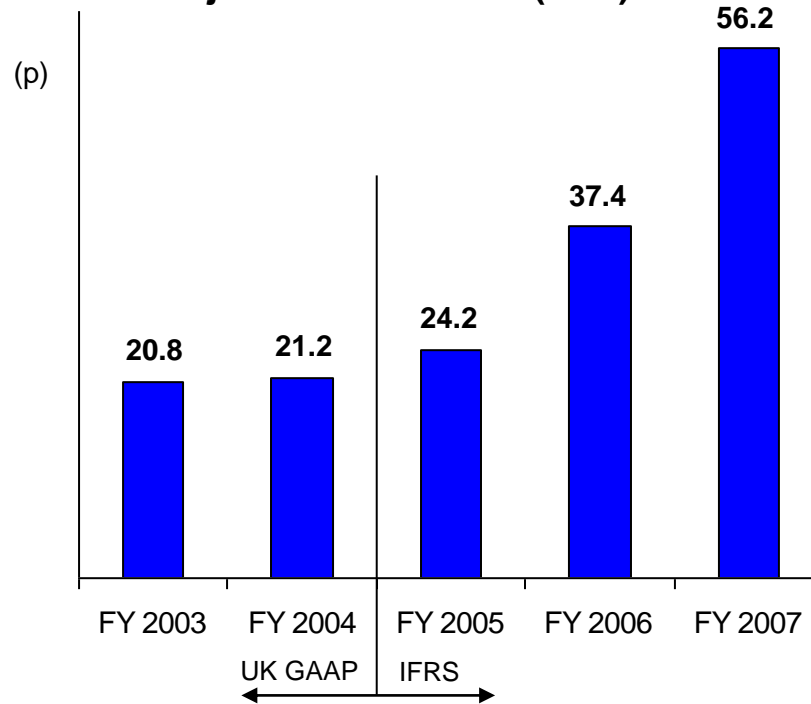
Track Record

Strong revenue and earnings growth

Net revenue¹ CAGR (12%)



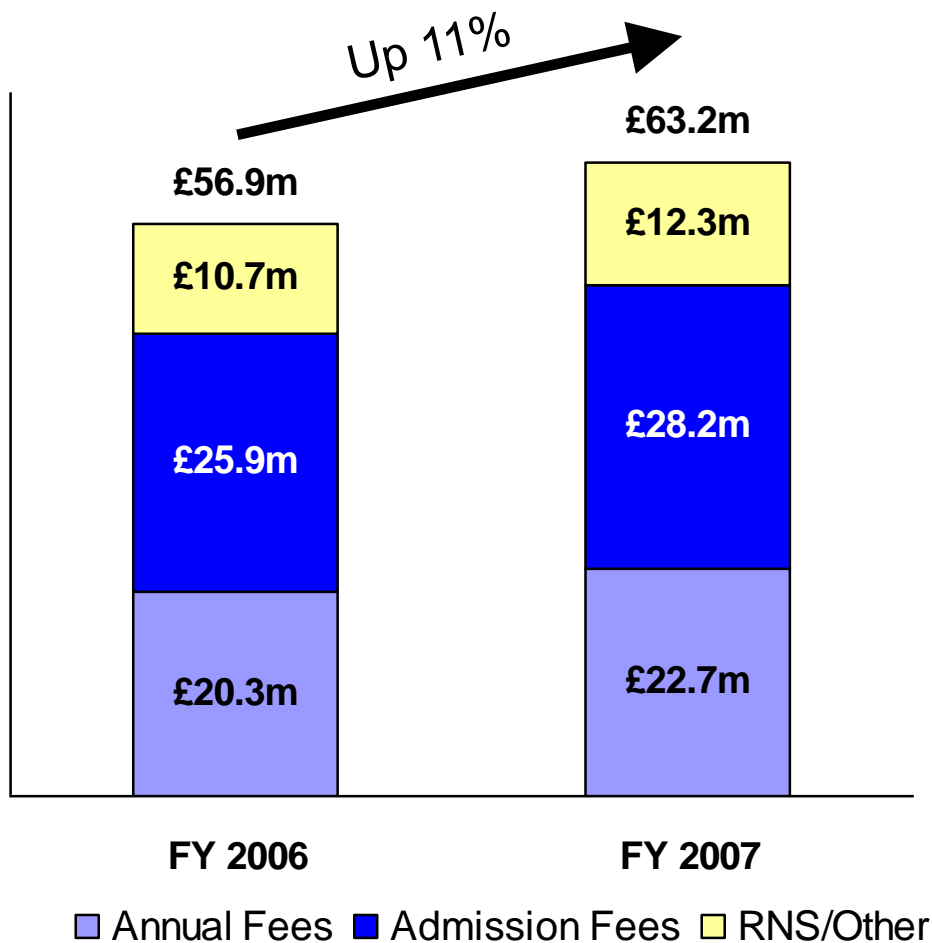
Adjusted EPS CAGR (28%)



¹ Before exceptional costs and goodwill amortisation

Issuer Services

Record money raised

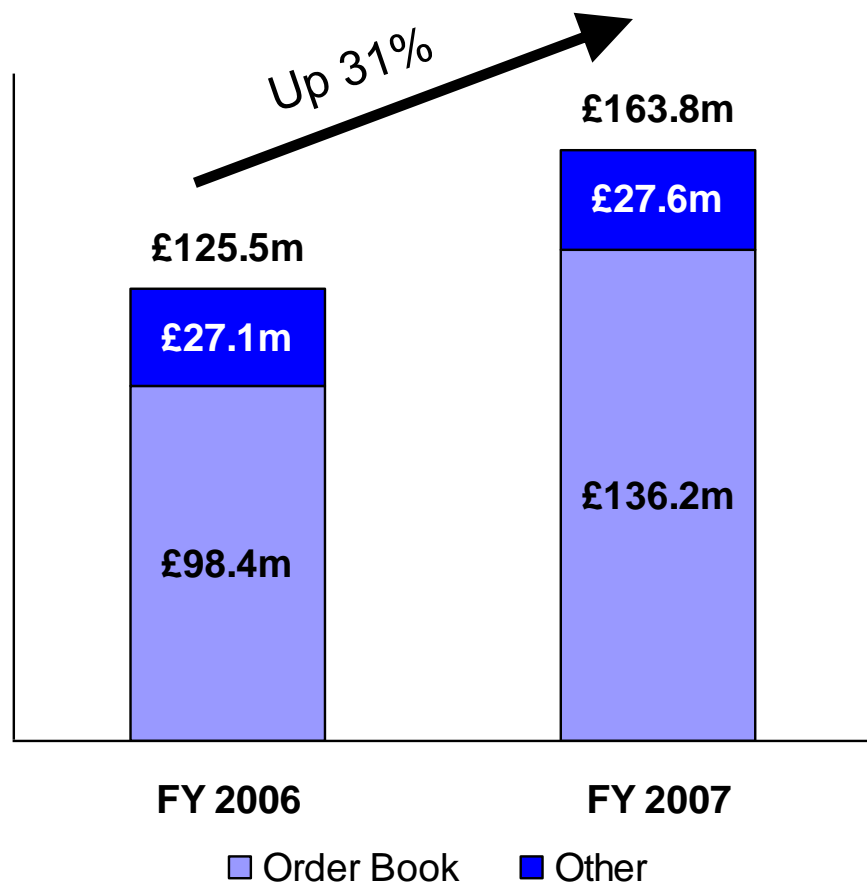


Key metrics

- Total money raised up **57%** to **£53.7bn**
- New issues at **503** (FY 2006: 622)
 - **106** Main Market (FY 2006: 107)
 - **395** AIM (FY 2006: 510)
- **139** international new issues (2006: 154) including **35** on the Main Market (FY 2006: 18)
- Annual fee income up **12%** with growth in total number of companies to **3,245** (FY 2006: 3,141) including **1,637** on AIM (FY 2006: 1,473)
- RNS revenue **£10.1m** (FY 2006: £9.2m)

Broker Services

SETS continues to deliver excellent growth



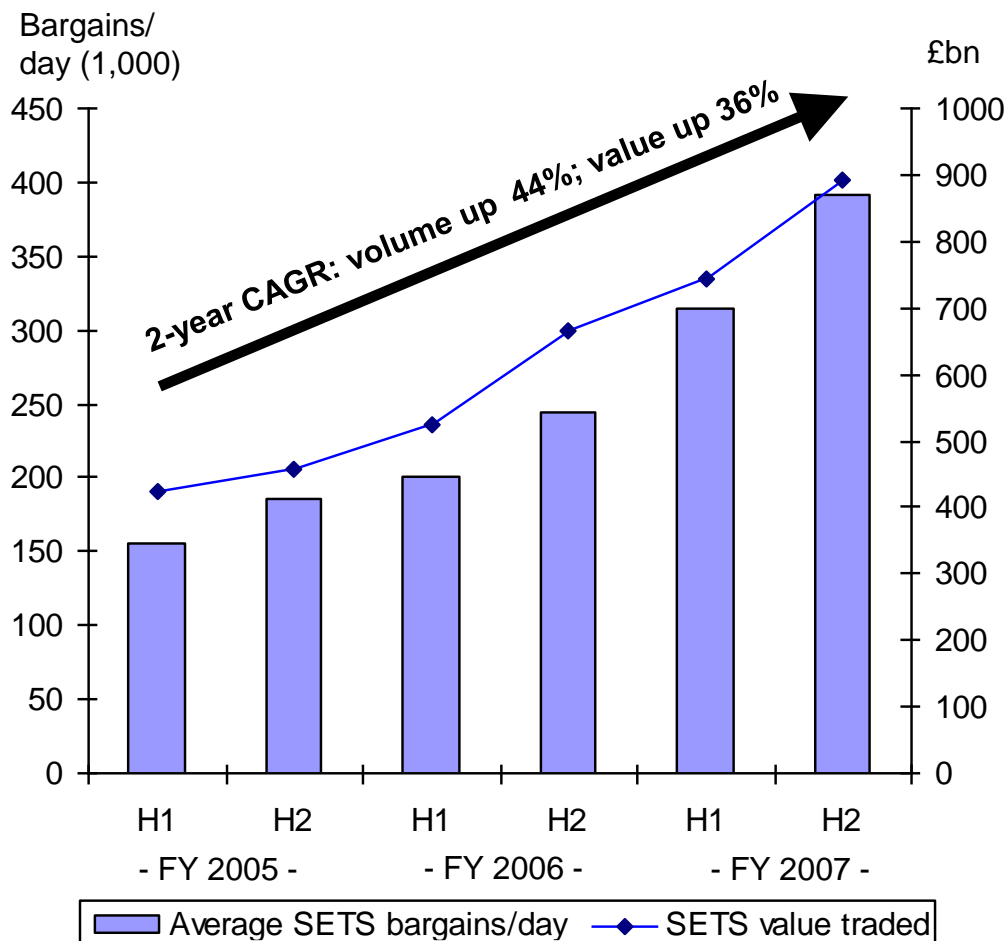
Key metrics

- SETS bargains up **58%** to **353,000** per day
- Value traded on SETS up **37%** to **£1.6tn** – yield per bargain reduced to **c£1.32** (FY 2006: c£1.50)
- SETS contributed **83%** of Broker Services revenue (FY 2006: 78%)
- UK off book bargains down **6%** to **44,000** per day

Order book

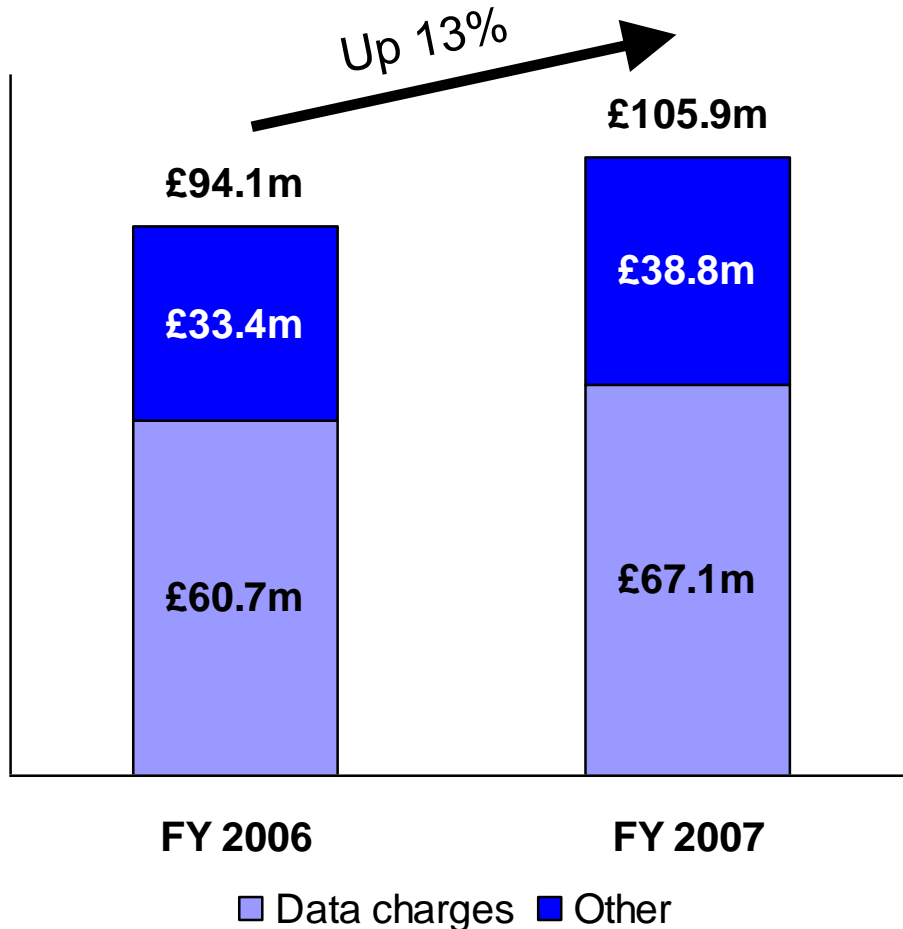
Trading volumes exceeded target levels

- Continued to benefit from structural shift in equities trading
- Average bargains per day – up **152%**
- Value traded up **111%** over the same period
- SETS growth on track to reach new FY 2008 forecast of at least **480,000 bargains/day**



Information Services

Total terminals at record level



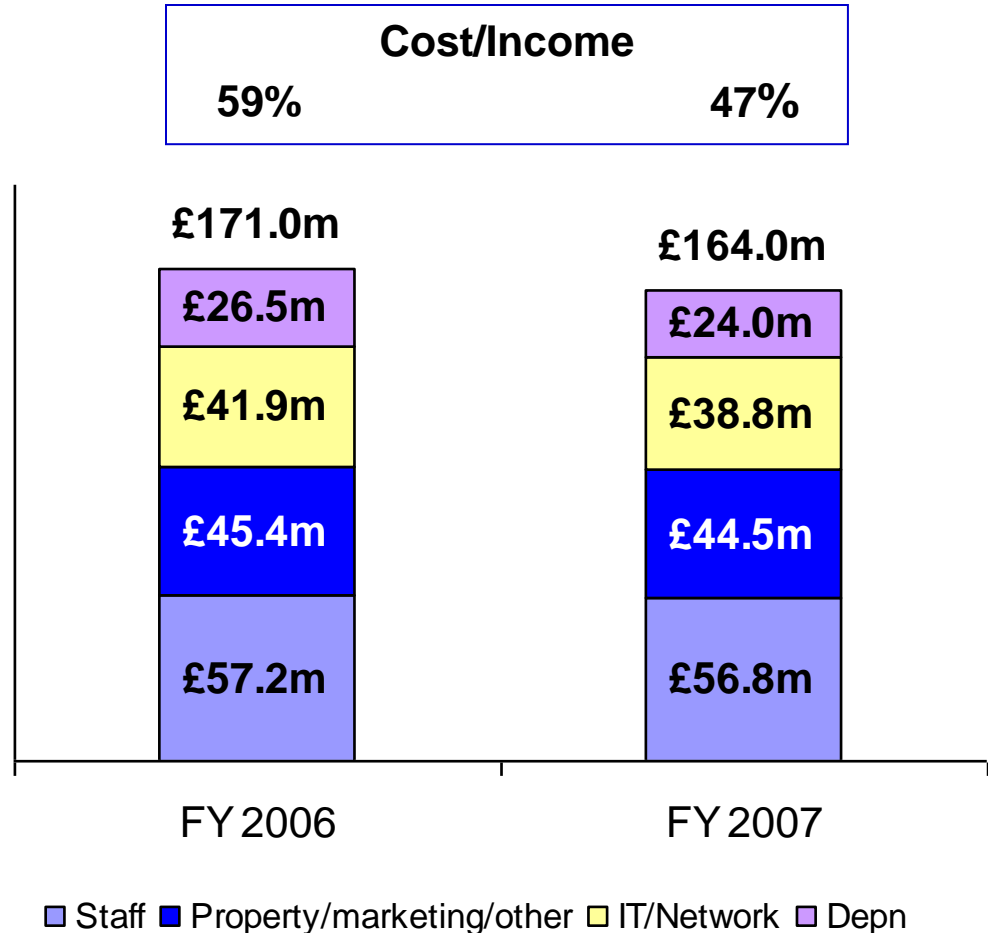
Key metrics

- Terminal population up **12%** to **116,000** (FY 2006: 104,000)
- Professional investor terminals at **96,000** (FY 2006: 88,000)
- **3,700** Proquote screens (FY 2006: 3,000) – including 1,000 international screens
- SEDOL revenue up **25%** to **£10m**

Operating and development costs

Costs closely managed

- Costs down **4%** - reflecting business efficiencies and contract renegotiations
- IT/Network down **£3m** reflecting restructuring of services
- Staff costs down slightly
- Depreciation and property / marketing cost lower overall
- Expect modest rise in operating expenses as business grows



Summarised cash flow

Continued strong cash generation from operations

	Year ended 31 March		Change £m
	2007 £m	2006 £m	
Net cash inflow from operating activities ¹	198.6	145.9	52.7
Taxation	(33.5)	(29.0)	(4.5)
Capital expenditure	(19.9)	(25.8)	5.9
Ordinary dividends paid	(33.2)	(22.8)	(10.4)
Free cash flow ¹	112.0	68.3	43.7

¹ Before exceptional items

Summarised cash flow (continued)

Strong cash flows allowed substantial returns to shareholders

	Year ended 31 March	
	2007 £m	2006 £m
Free cash flow ¹	112.0	68.3
Share buyback	(105.3)	-
ESOP share purchases	(47.8)	(4.7)
Cash used for capital return ²	(497.9)	-
Proceeds from July 2006 bond issue	249.2	-
Net proceeds from unsecured borrowings	155.4	0.6
Exceptional and one-off items ³	(18.2)	27.9
Other, including dividends received and interest	(1.3)	10.3
(Decrease)/Increase in cash	<u>(153.9)</u>	<u>102.4</u>

¹ Before exceptional items

² Mainly £512m capital return less deferred B-share redemption

³ Including advisers' fees, restructuring costs (FY 2007) and Tower disposal (FY 2006)

Summarised Group balance sheet

Balance sheet now reflects gearing

		31 March	31 March	Change
		2007	2006	Change
		£m	£m	£m
Non-current assets		132.8	137.6	(4.8)
Current assets	- Debtors	61.4	49.3	12.1
	- Cash	72.9	226.8	(153.9)
Total assets		267.1	413.7	(146.6)
Current liabilities	- Bank borrowings	(155.7)	-	(155.7)
	- Other ¹	(173.7)	(78.7)	(95)
Non-current liabilities	- Bond ²	(248.2)	-	(248.2)
	- Other	(39.4)	(46.2)	6.8
Net (liabilities) / assets		(349.9)	288.8	(638.7)

¹ FY 2007 balance mainly includes accruals for committed share buybacks in close period (£60m) and redeemable Class B shares (£15.7m)

² £250m bond net of upfront capitalised costs and initial discount to achieve coupon rate

Current trading and prospects

Confident of strong performance

- Very good start to financial year – positive momentum:
 - Primary market remains active
 - Continued strong growth in SETS trading volumes – 466,000 bargains/day fast approaching 480,000 target
 - Demand for real time pricing and trading data remains good
- Confident of delivering a strong performance in the year ahead



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Clara Furse

Chief Executive Officer

Stellar growth - strategy to position Exchange at centre of global growth story is succeeding

New Records include:

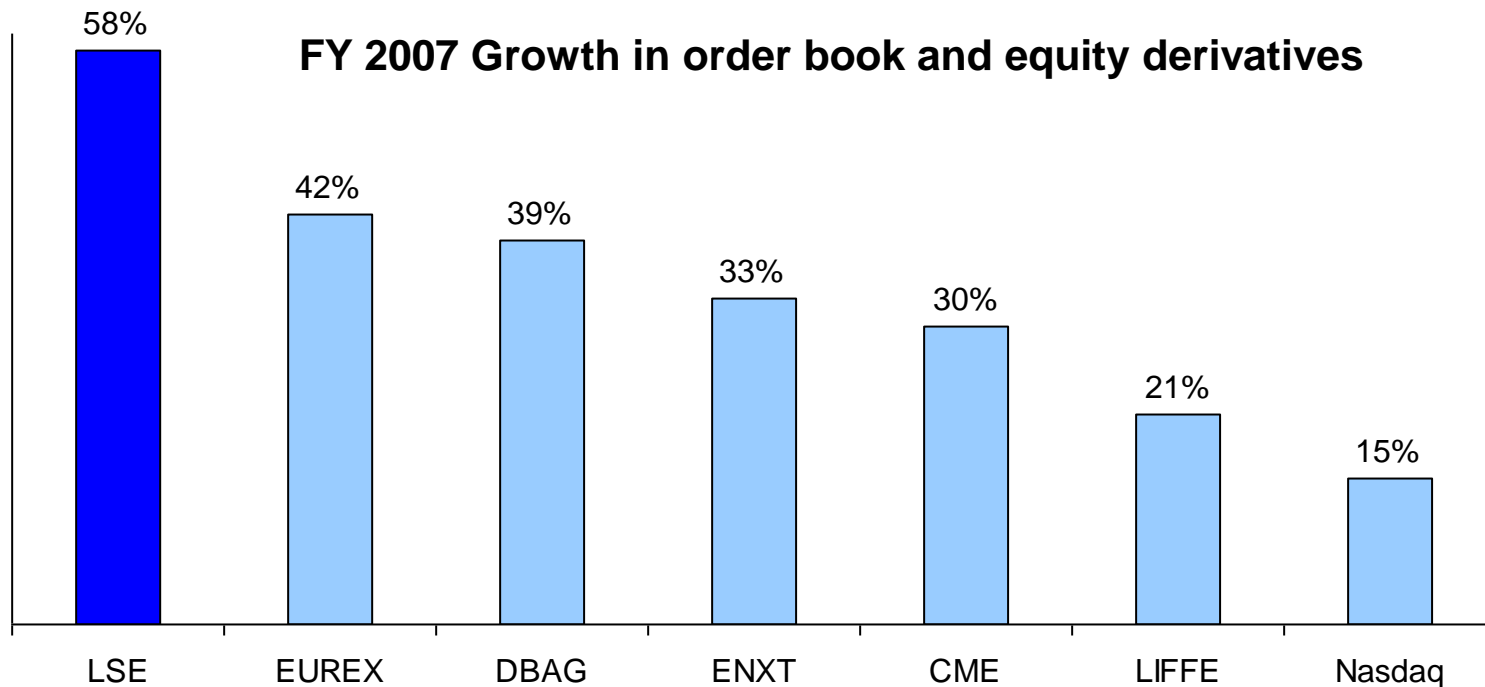
- **£54** billion raised – including **£29** billion in IPOs – more than NYSE and Nasdaq combined in 2006
- **58%** increase in daily order book volumes – outperforming peers, and exceeding original targets
- **12,000** increase in terminals to record **116,000**

Strategy for growth based on:

- **Quality** – we are outperforming our peers
- **Sustainability** – we expect our excellent performance to continue
- **Opportunity** – we are at the beginning of an exciting phase of development in the sector

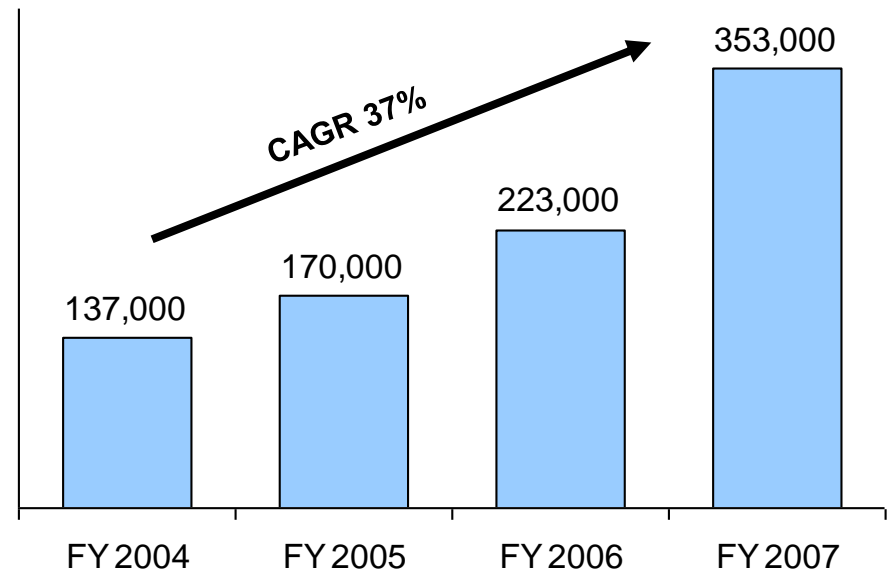
Global position

- Outperforming other equities and derivatives exchanges



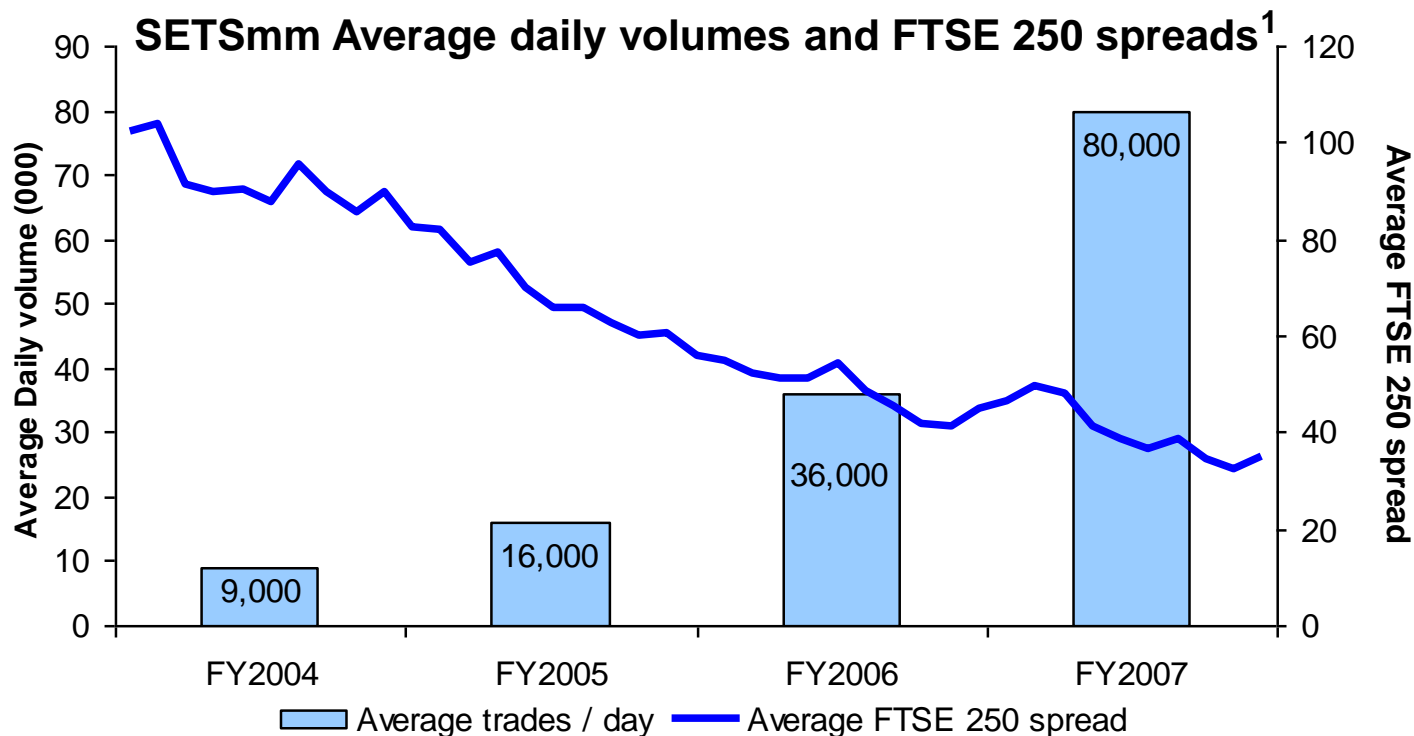
Improving market efficiency and access

- Demutualisation created opportunity to transform growth through technology
- SETS volumes have doubled in last 2 years alone
- Spreads down to **12bps** from **107bps** pre demutualisation
- Volume discounts are incentivising new types of trading
- We are fastest data provider – **16** million messages per day
- And the world's most cost-effective listing venue



Growth drivers

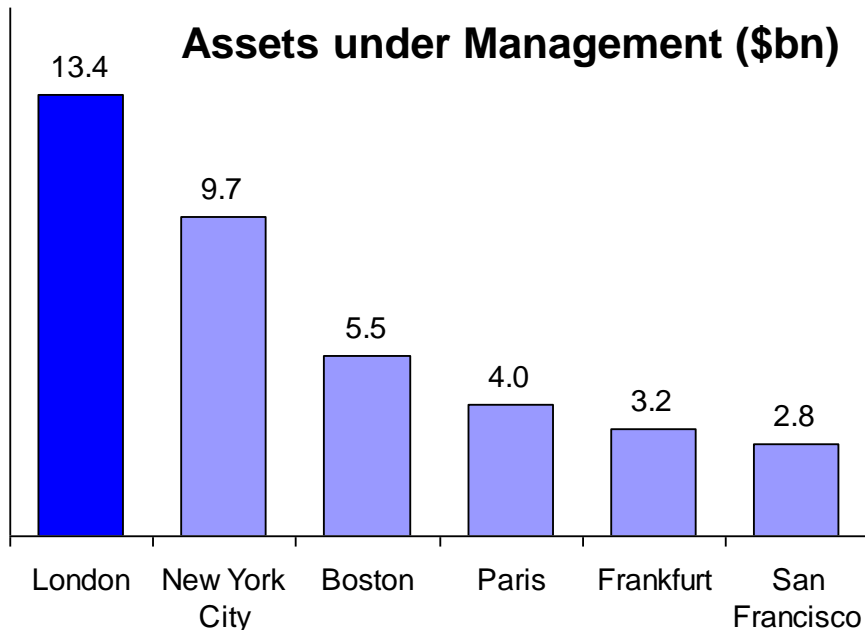
- At least **20** new products and services in last 5 years
- SETSmm trading volumes more than doubled in each of the last 2 years
- IOB value traded almost doubled in the last year



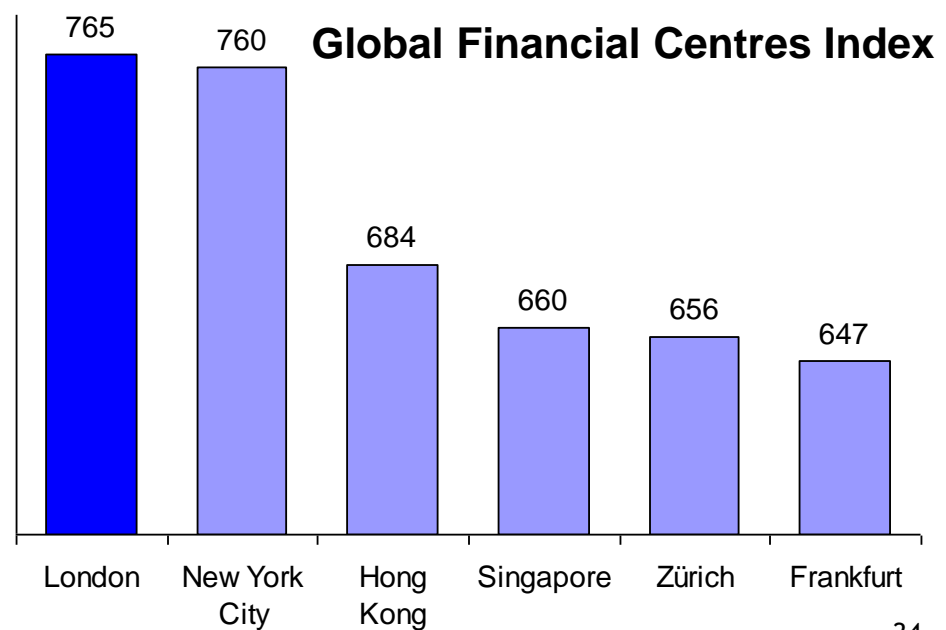
¹ Average spread for FTSE250 companies of 174 bps before SETSmm launch November 2003

London is becoming the world's capital city

- Growing share of investment banks' global revenues
- Time zone advantage for Asia and Gulf growth regions
- Principles-based regulation, higher standards of corporate governance and lowest cost of capital



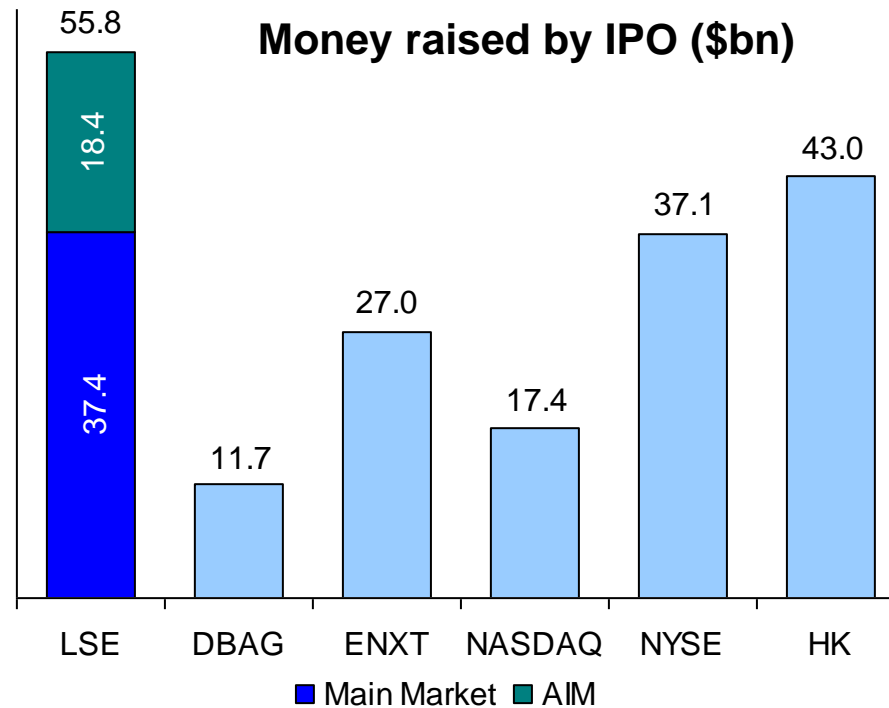
Source: Bigdough



Source: Global Financial Centres Index

Another record year for AIM

- AIM in own right is **6th** largest IPO market in 2006 – raised **c£10** billion
- **1,637** companies on AIM including **482** international¹



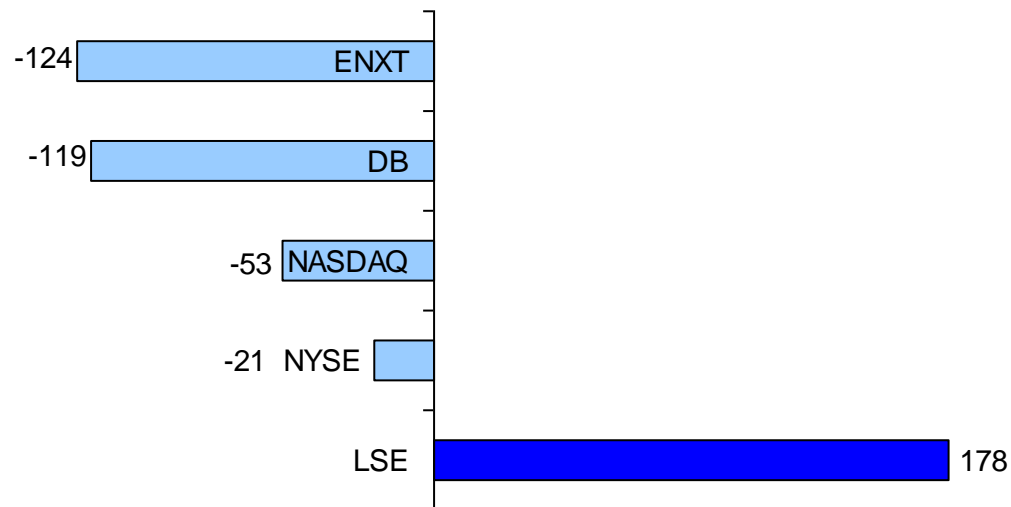
- **More total IPO money raised than NYSE and Nasdaq combined**

¹ Includes international companies with UK topco

Global listing venue of choice

- London's success story is deeply rooted

Change in international company numbers (31 Dec 2002 to 31 March 2007)

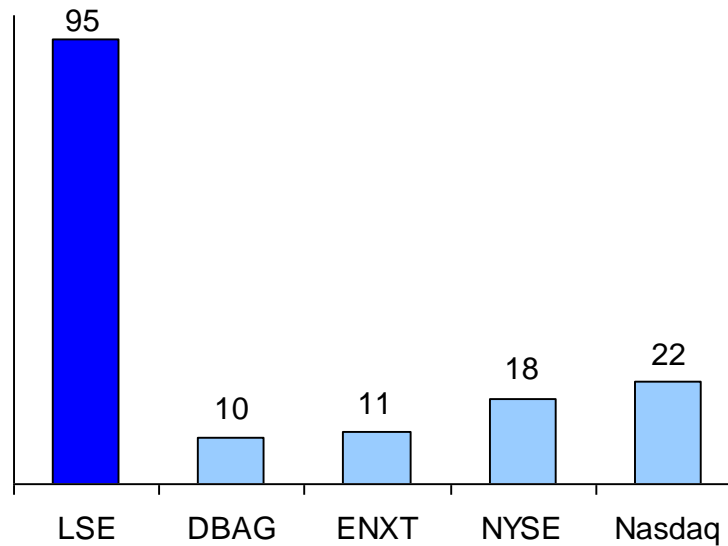


Source: WFE

Global listing venue of choice (2)

- London outperforming its peers

**Leading share of international IPOs
(2006)**



Source: Exchange websites

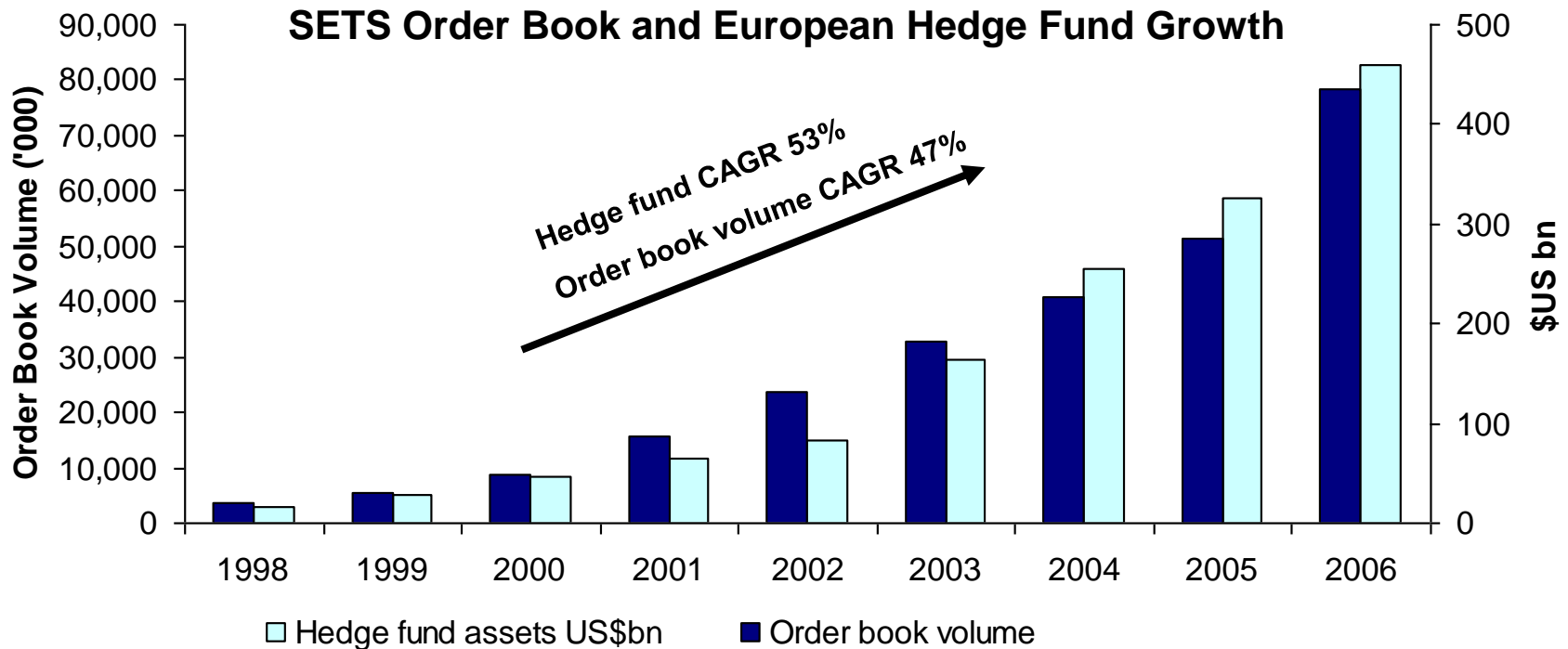
Globalisation trends

- Growing importance of BRICs¹ driving growth in cross-border capital flows
 - **30%** contribution to global growth over last 5 years
 - GDP per capita to grow **50%** from 2005 – 2010
- Institutional investors diversifying portfolios – international opportunities
- **647** international companies on Main Market and AIM
- **Two-thirds** of new terminal sales to international clients

¹ Brazil, Russia, India, China

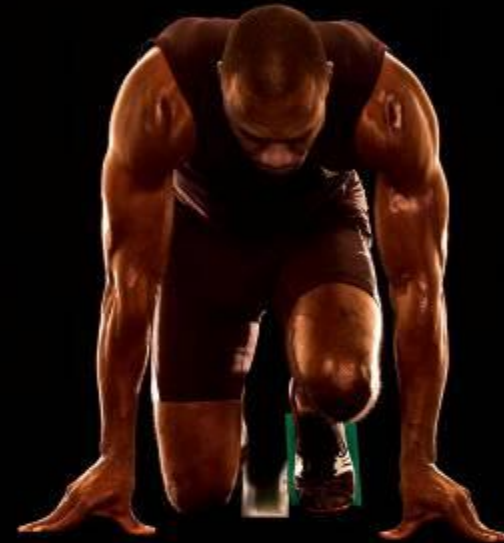
Structural shift in trading patterns

- High-frequency traders, growth in black box / algorithmic trading
- Strong growth in hedge fund assets under management



TRM - Launch of TradElect

- Launch June 2007
- Execution latency cut by factor of **30**
- Capacity increased **5** fold
- Upgrades at **1/5** of today's cost



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Stamp duty

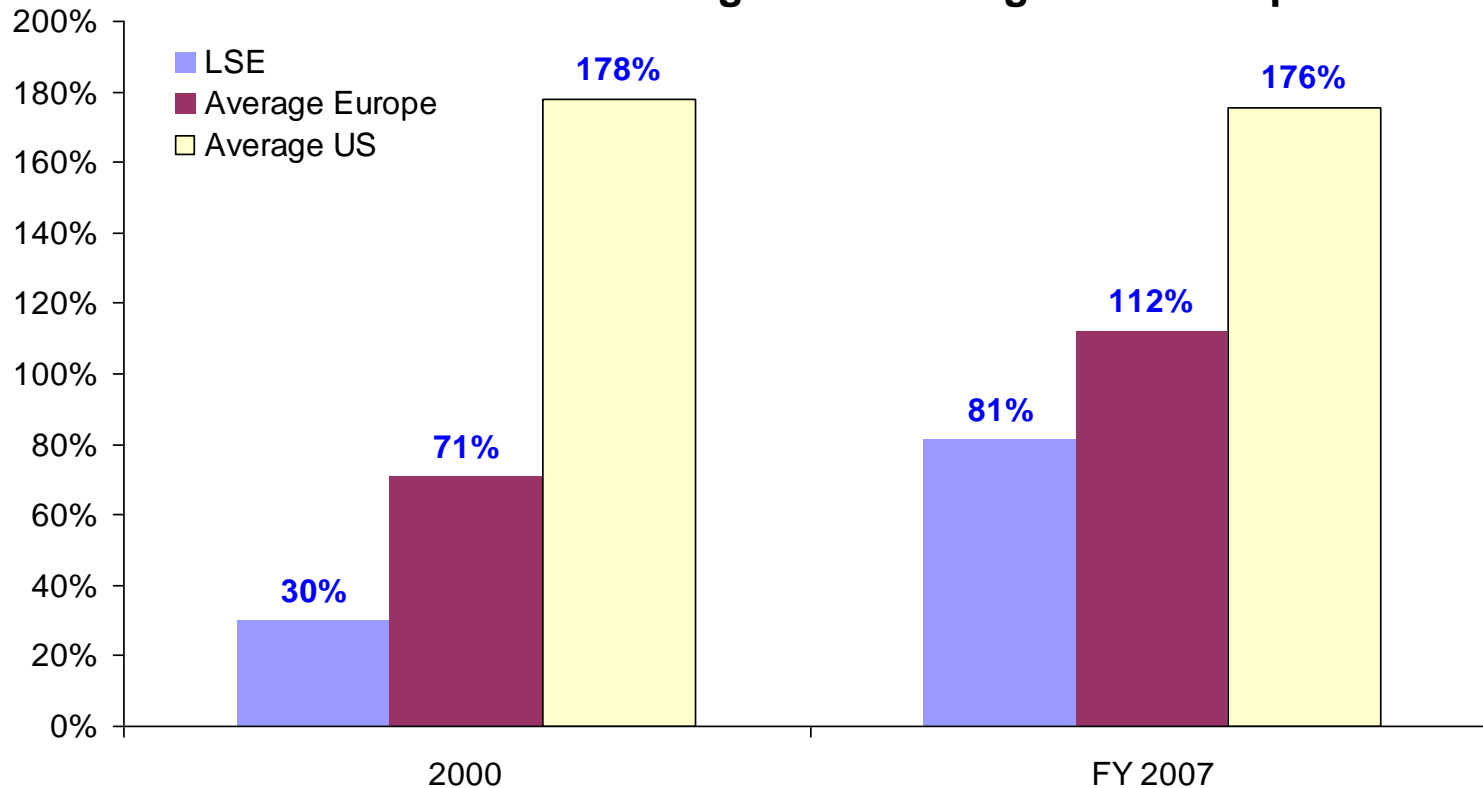
- Exchange continues to lobby for stamp duty abolition
- Oxera research shows:
 - High cost to UK savers and UK economy
 - Abolition revenue neutral
- Abolition would fuel velocity growth in UK equities

Stamp duty abolition is now on the political agenda

The velocity gap

Velocity - Order Book trading

Annual trading v Year average Market Capitalisation



Source

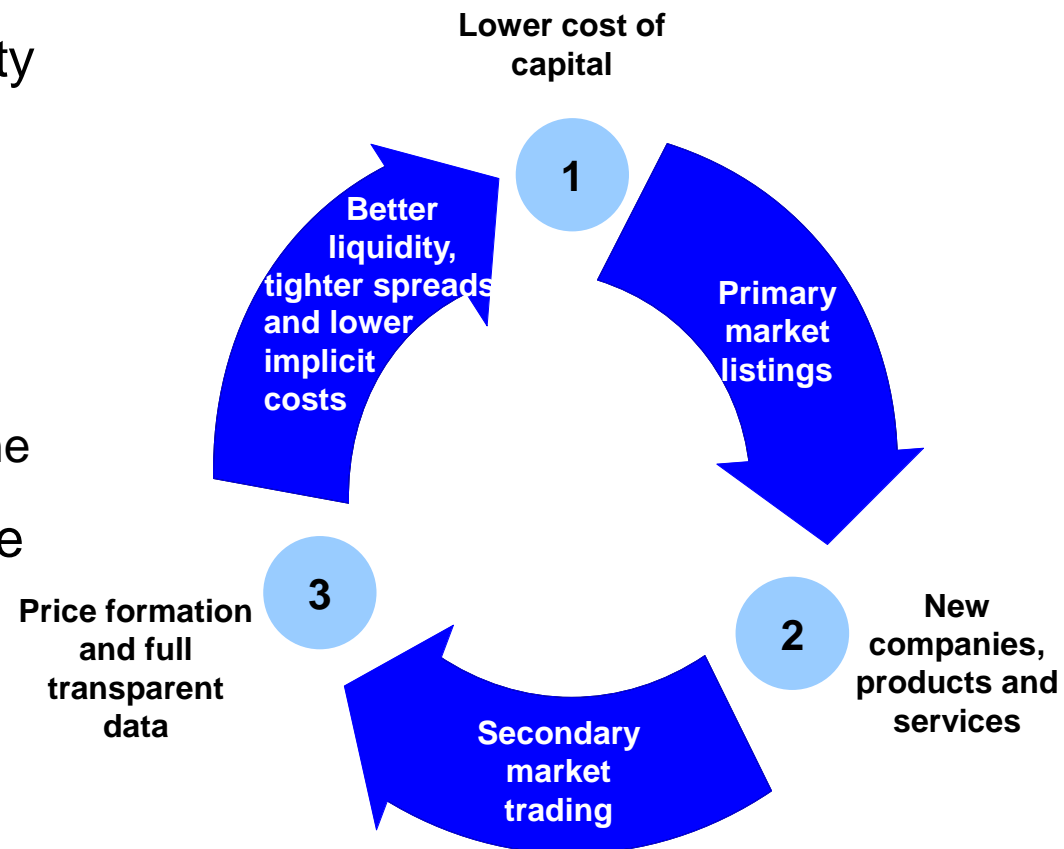
Europe: FESE Order book trading, Europe includes ENXT, DBAG, OMX, BI & SWX/virt-x

US : WFE Domestic trading, US includes Nasdaq & NYSE

A truly virtuous circle

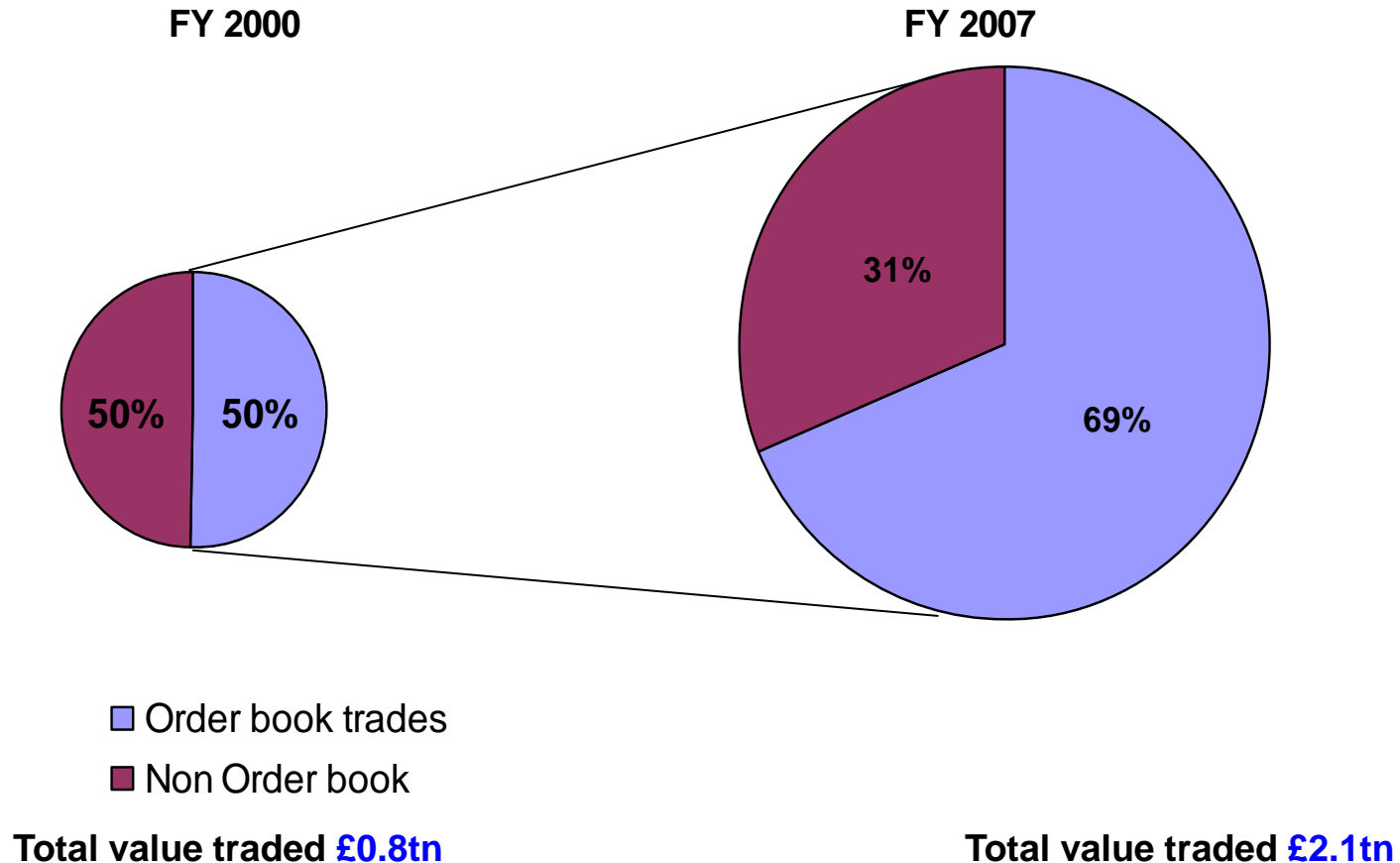
- SETS growth improves liquidity
- The cost of trading falls:
 - FTSE100 spreads down to **12bps** from **107bps**
 - Exchange fees, post-trade fees and commissions decline
- Producing low-cost, high-value market data

→ **Reducing the cost of capital and attracting new companies to our market**



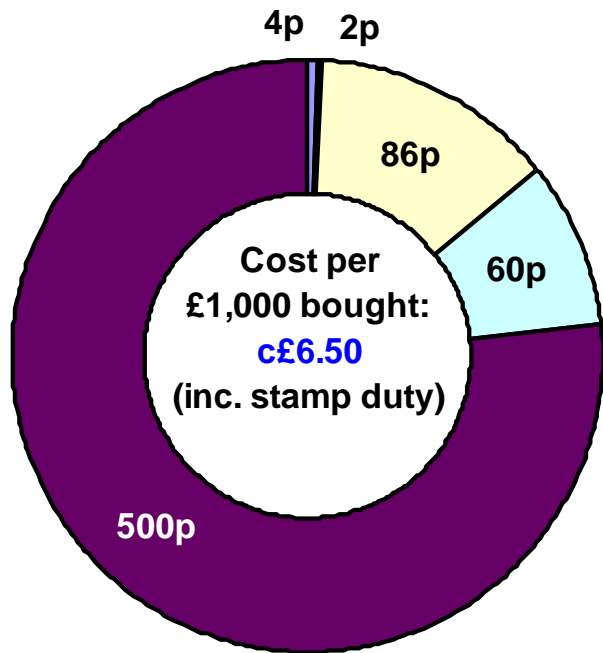
SETS - competing successfully

- Competition vital for markets – stimulates innovation, reduces costs and fuels liquidity growth

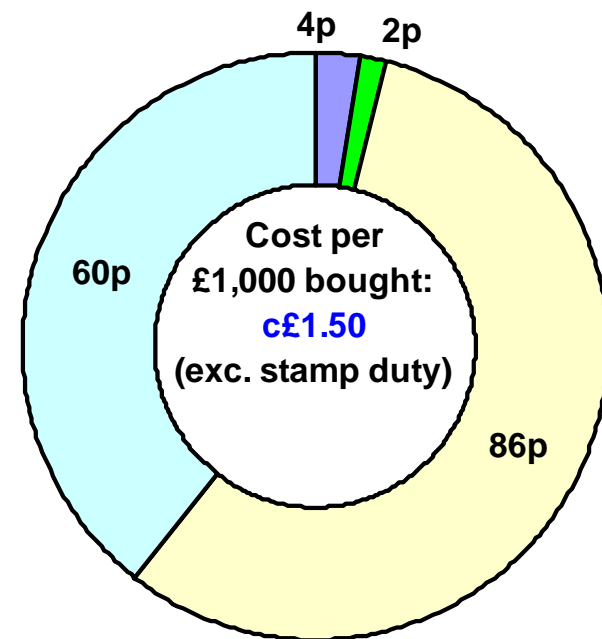


Cost of buying UK equity

- Very low exchange fee – stamp duty remains principal cost
- Exchange **2 – 3** times cheaper than EuronextLiffe



- Exchange Fee¹
- Commissions
- Stamp Duty
- C & S
- Market impact / spread



- Exchange Fee¹
- Commissions
- C & S
- Market impact / spread

¹ Blended passive / aggressive rate

We welcome MiFID

- MiFID replicates London market model in Europe
- Should stimulate growth through competition and efficiency – for benefit of all
- *However*, fragmentation may *increase* costs for investors

Cooperation

- Successful JSE relationship (contract renewal April 2007)
- Co-marketing agreement with MICEX (signed February 2007)
- MOU with Tel Aviv Exchange (signed February 2007)
- Tokyo Stock Exchange Letter of Intent (signed February 2007)
 - Development of growth market
 - Jointly-traded products
 - Access to member firms

Consolidation

- Major benefits can include:
 - Increased liquidity and reduced cost of capital
 - Significant synergies
 - Diversification into other geographies and asset classes

We will act as value-accretive opportunities arise

Summary

- Attracting global companies and global liquidity
- Increasing market efficiency and enhancing our brand
- Unique strategic position, outstanding performance and technology leadership will combine to enhance the Exchange's brand as

The World's Capital Market



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Appendix

Segmental Information

Year ended 31 March

	Revenue		Expenses		Operating profit		Assets	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£m	£m	£m	£m	£m	£m	£m	£m
Issuer services	63.2	56.9	(35.4)	(33.0)	27.8	23.9	19.7	19.0
Broker services	163.8	125.5	(50.2)	(56.0)	113.6	69.5	68.7	75.2
Information services - ongoing	105.9	94.1	(53.4)	(55.0)	52.5	45.5	51.6 ¹	61.1 ¹
- exceptional		6.4						
Derivatives services - ongoing	9.3	7.7	(7.8)	(11.3)	4.6	(26.8)	11.1	1.3
- exceptional			3.1	(23.2)				
Other	7.4	6.9	(6.5)	(6.7)	0.9	0.2	22.2	4.5
Corporate - ongoing	-	-	(10.7)	(9.0)	(25.2)	(26.9)	93.8	252.6
- exceptional			(14.5)	(17.9)				
Group	<u>349.6</u>	<u>297.5</u>	<u>(175.4)²</u>	<u>(212.1)²</u>	<u>174.2²</u>	<u>85.4²</u>	<u>267.1</u>	<u>413.7</u>

¹ Includes investment in joint venture

² After exceptional items