



London
STOCK EXCHANGE

London Stock Exchange

Interim Results 11 November 2004

Agenda

Introduction

Chris Gibson-Smith
Chairman

Financial Review

Jonathan Howell
Director of Finance

CEO Overview

Clara Furse
Chief Executive Officer

Q&A

Introduction

- Turnover up **5%**
- Interim dividend up from 1.4p to **2.0p**, reflecting:
 - Progressive dividend policy
 - Re-balance to approximately one third total dividend
- Development of business continues – services aligned with evolving customer needs



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Jonathan Howell

Director of Finance

Overview of results

	Six months ended 30 September		Change %	Year ended 31 March
	2004 £m	2003 ³ £m		2004 ³ £m
Turnover				
Issuer services	16.3	18.4	(11)	38.5
Broker services	48.3	43.7	11	94.1
Information services	53.8	50.2	7	101.0
Derivatives services	3.6	1.7 ²	-	6.1
Other income	3.8	5.6	(32)	10.7
Gross turnover	125.8	119.6	5	250.4
Net turnover	118.3	113.4	4	237.1
Operating costs	(80.1)	(72.7)	10	(155.8)
Operating profit¹	39.1	41.4	(6)	82.9
Operating margin¹	33%	37%		35%

1 before exceptional items and goodwill amortisation

2 three months to 30 September 2003

3 restated for fair value of share awards under UITF 17 – £300k cost increase

Overview of results (continued)

	Six months ended 30 September		Change %	Year ended 31 March
	<u>2004</u> £m	<u>2003³</u> £m		<u>2004³</u> £m
Operating profit¹	39.1	41.4	(6)	82.9
Exceptional items	5.0	-	-	-
Profit before tax	48.2	44.4	8	88.8
Tax	(13.7)	(11.2)	(26)	(25.7)
Profit after tax²	<u>34.5</u>	<u>33.2</u>	4	<u>63.1</u>
Earnings per share (pence)	12.2	11.4	7	21.6
Adjusted earnings per share¹ (pence)	10.7	10.7	-	21.2
Dividend per share (pence)	2.0	1.4	43	4.8

1 before exceptional items and goodwill amortisation

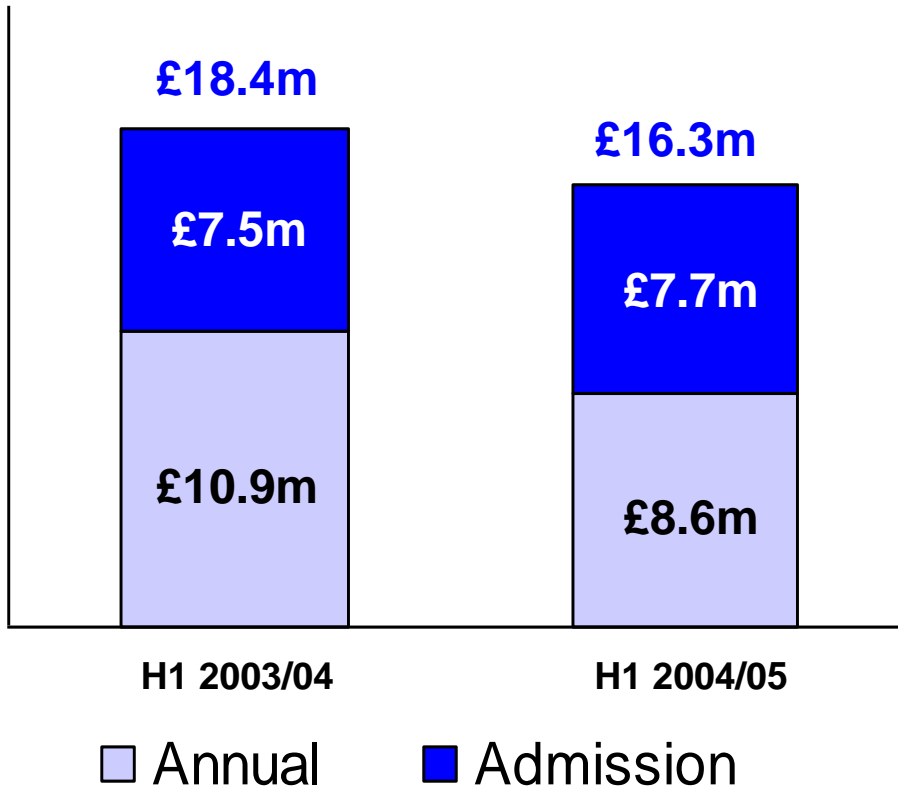
2 excluding minority interests

3 restated for fair value of share awards under UITF 17 – £300k cost increase

Issuer Services

Impacted by tariff reductions

Turnover down 11%



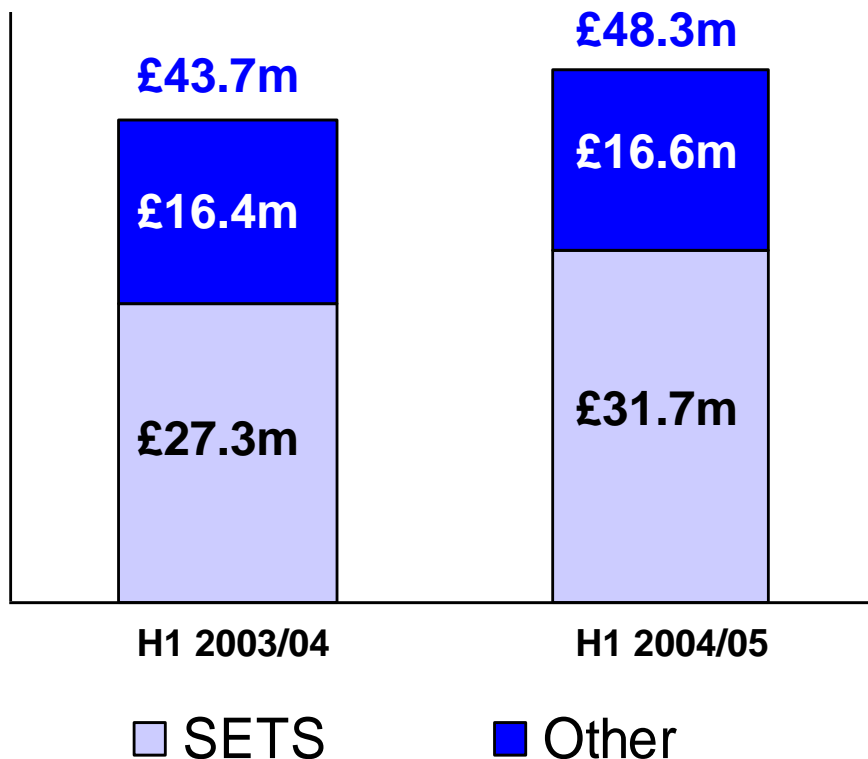
Key metrics

- Annual fees represented **53%** of Issuer Services turnover (H1 2003/04: 59%)
- Total new issues **214** (H1 2003/04: 94)
 - **30** Main Market (H1 2003/04: 18)
 - **184** AIM (H1 2003/04: 76)
- Total companies **2,765** (H1 2003/04: 2,692)

Broker Services

Resilient trading volumes

Turnover up 11%



Key metrics

- Average daily equity bargains up **12%** to **246,000**
 - SETS bargains up **23%** to **155,000** per day
 - off book bargains down **16%** to **46,000** per day
 - international bargains up **18%** to **45,000** per day
- Average SETS bargain size steady at **£22,000**, although yield down to **c£1.60**
- SETS contributed **66%** of Broker Services' revenue

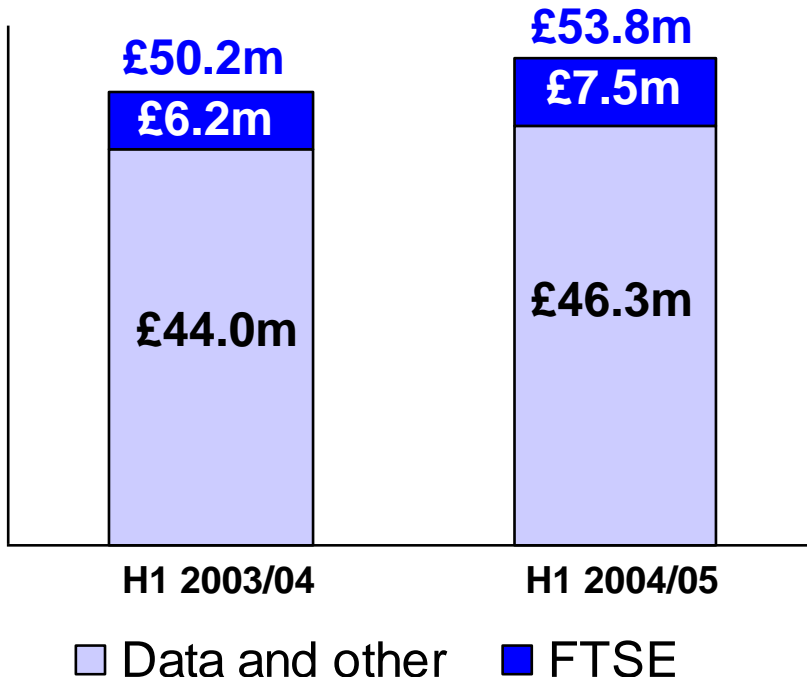
Information Services

Terminal numbers unchanged

Turnover up 7%

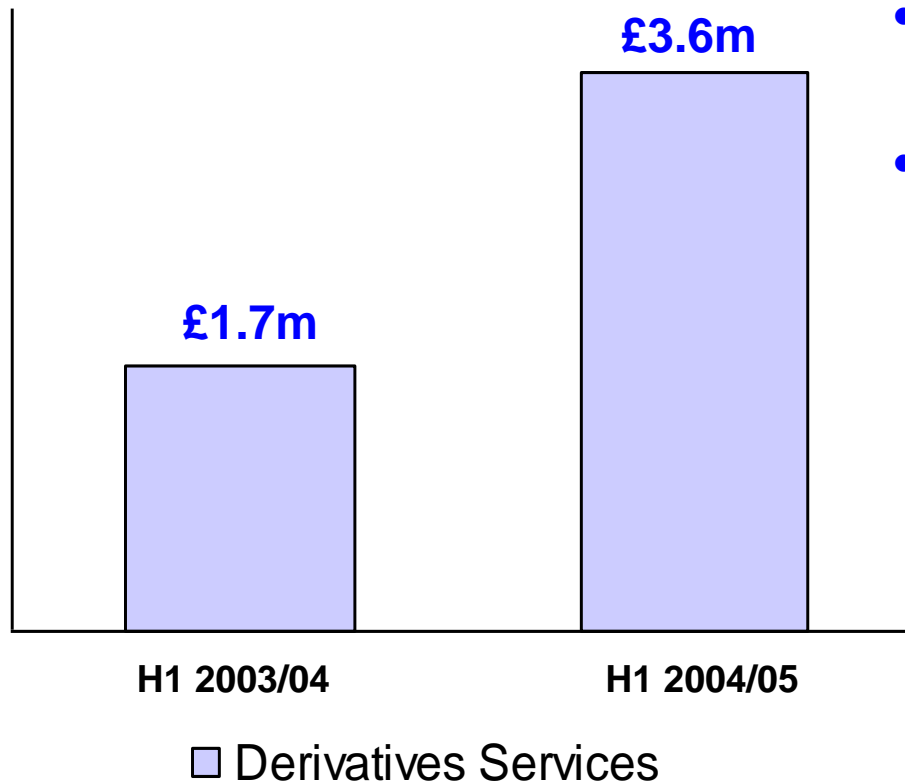
Key metrics

- Terminal population **90,000**
(H1 2003/04: 90,000)
- Professional investor terminals at **80,000** (H1 2003/04: 81,000)
- **2,300** Proquote screens
(H1 2003/04: 1,500)
- FTSE JV – share of turnover **£7.5m**
(H1 2003/04: £6.2m)



Derivatives Services

Progress in core business



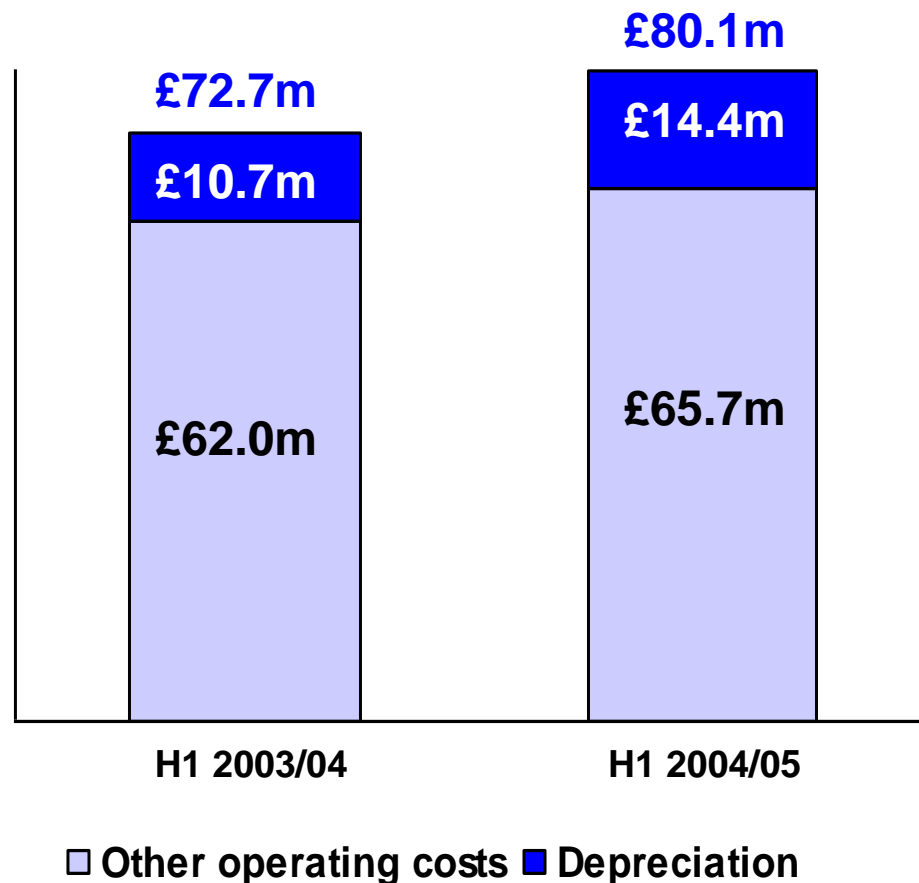
Key metrics

- **9.2 million** contracts traded (3 months to 30 September 2003: 3.7 million)
- Average daily contracts traded **73,000** (3 months to 30 September 2003: 56,000)

Operating costs

Step-up in cost base

- Higher depreciation, in line with increased capex – up **£4m to £14m**
- Relocation to Paternoster Square – property costs up **£3m**
- Full six months of EDX – up **£3m to £5m**
- Higher weighting of project spend in H2 2004/05



Summarised Cash Flow

Strong cash generation

	Six months ended 30 September		Year ended 31 March
	<u>2004</u>	<u>2003</u>	<u>2004</u>
	£m	£m	£m
Net cash inflow from operating activities	59.0	54.8	105.4
Taxation	(11.7)	(8.6)	(22.2)
Capital expenditure	(26.2)	(18.3)	(54.2)
Ordinary dividends paid	<u>(10.0)</u>	<u>(8.8)</u>	<u>(12.9)</u>
Free cash flow before one-off items ¹	11.0	19.1	16.1
One-off items - disposals/(acquisitions)	32.9	(14.0)	(15.5)
- special dividend	(162.5)	-	-
Free cash flow ¹	<u>(118.5)</u>	<u>5.1</u>	<u>0.6</u>

¹ Before interest and dividends received

Summarised balance sheet

Financial flexibility

	30 September 2004	31 March 2004¹
	£m	£m
Total fixed assets	146.8	194.5
Current assets		
- debtors	91.5	61.1
- cash	117.7	227.9
Creditors: due within one year	(76.1)	(78.9)
Creditors: due after one year	(0.5)	(0.5)
Provisions	(43.9)	(38.4)
Net assets	235.5	365.7

1 restated under UITF 38 Abstract Accounting for ESOP Trusts - c£6m reduction in reserves

Current trading and prospects

- Consistent with H1 trends:
 - New issue activity remains good, primarily on AIM
 - SETS continues to perform well; strong H2 comparative
 - Professional terminal numbers unchanged
 - Overall, performance for year should remain satisfactory



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Clara Furse

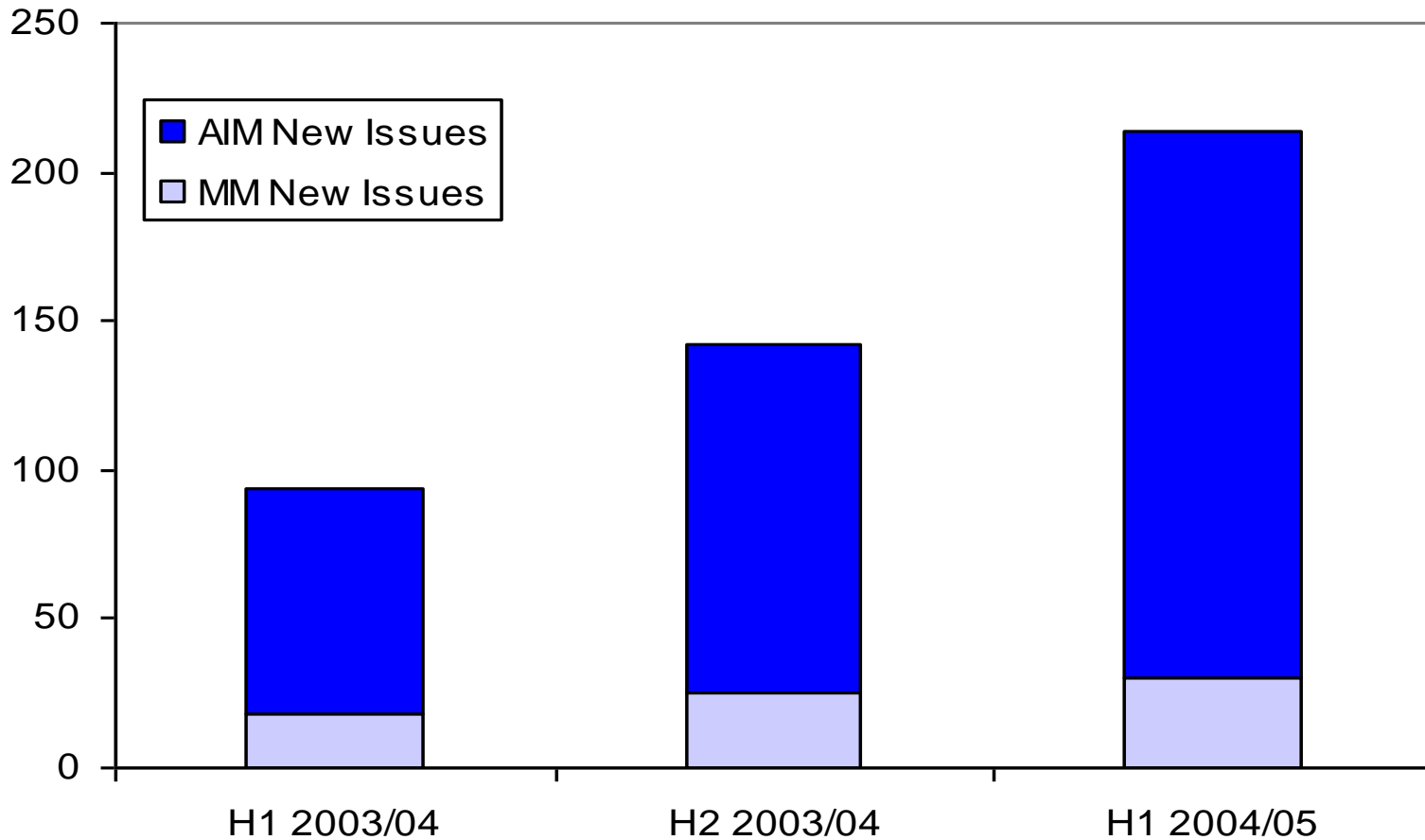
Chief Executive Officer

Overview

- **Satisfactory** performance in mixed conditions
- Continued SETS growth, main market growth and **record** level of AIM new issues

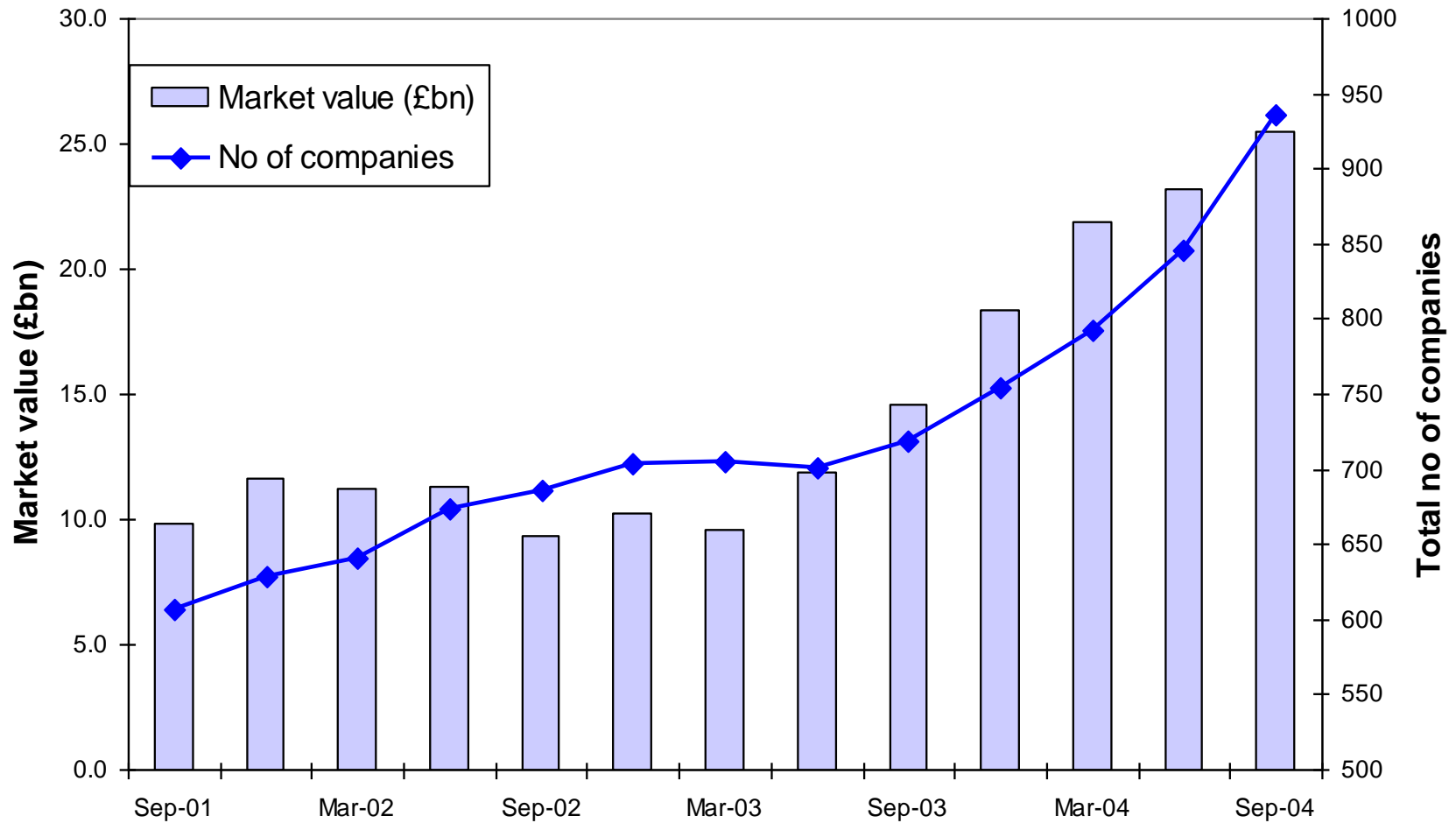
Issuer Services

New issues up from 94 to 214



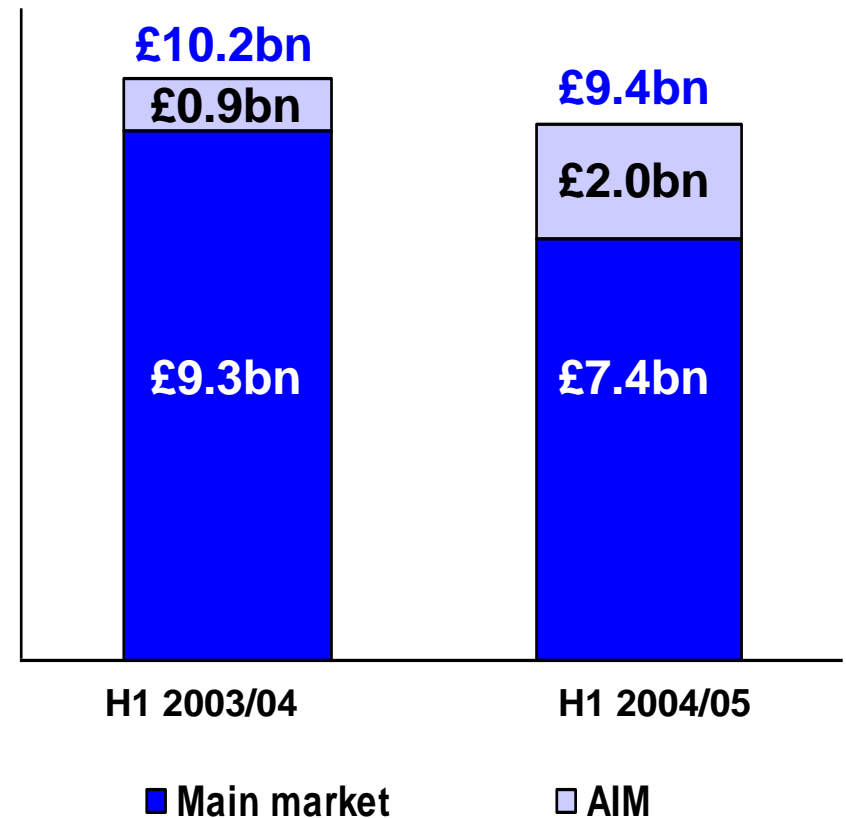
Issuer Services

Record growth on AIM



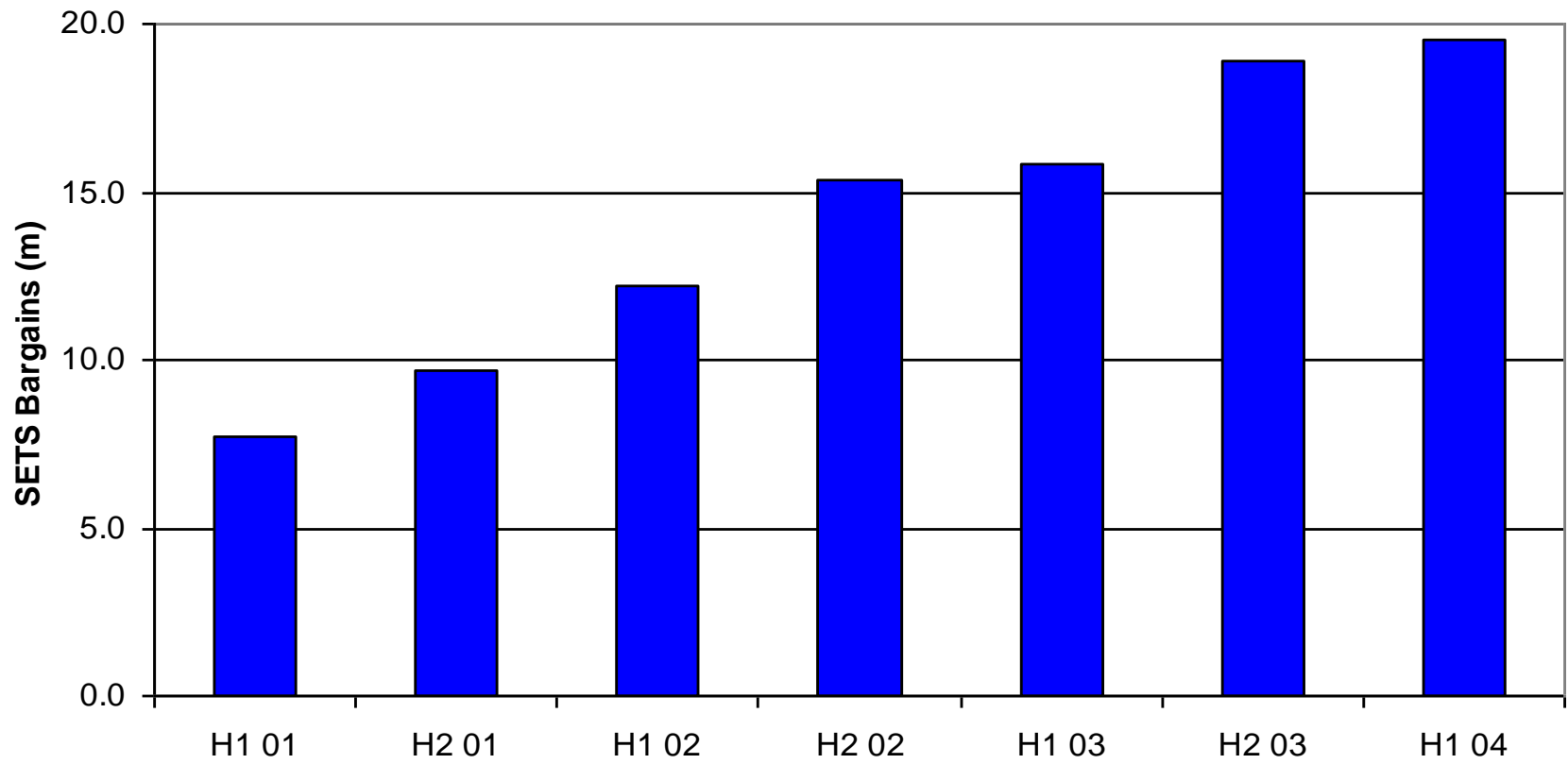
Issuer Services

- Main market represents **c80%** of money raised on our markets
- **78%** of Western European IPOs (2003/04: 87%)
- Hong Kong office opened October 2004



Broker Services

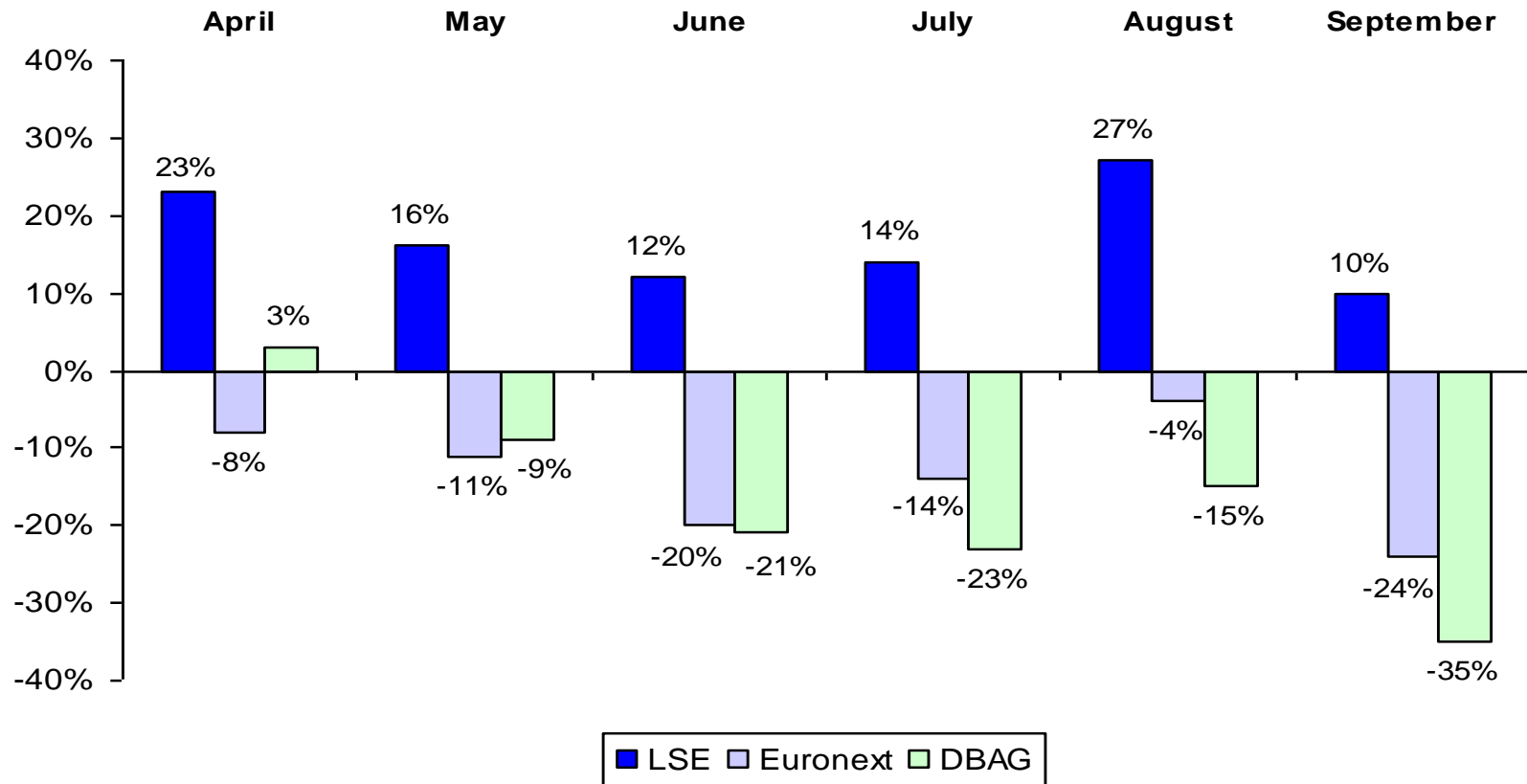
Continued growth on SETS



Broker Services

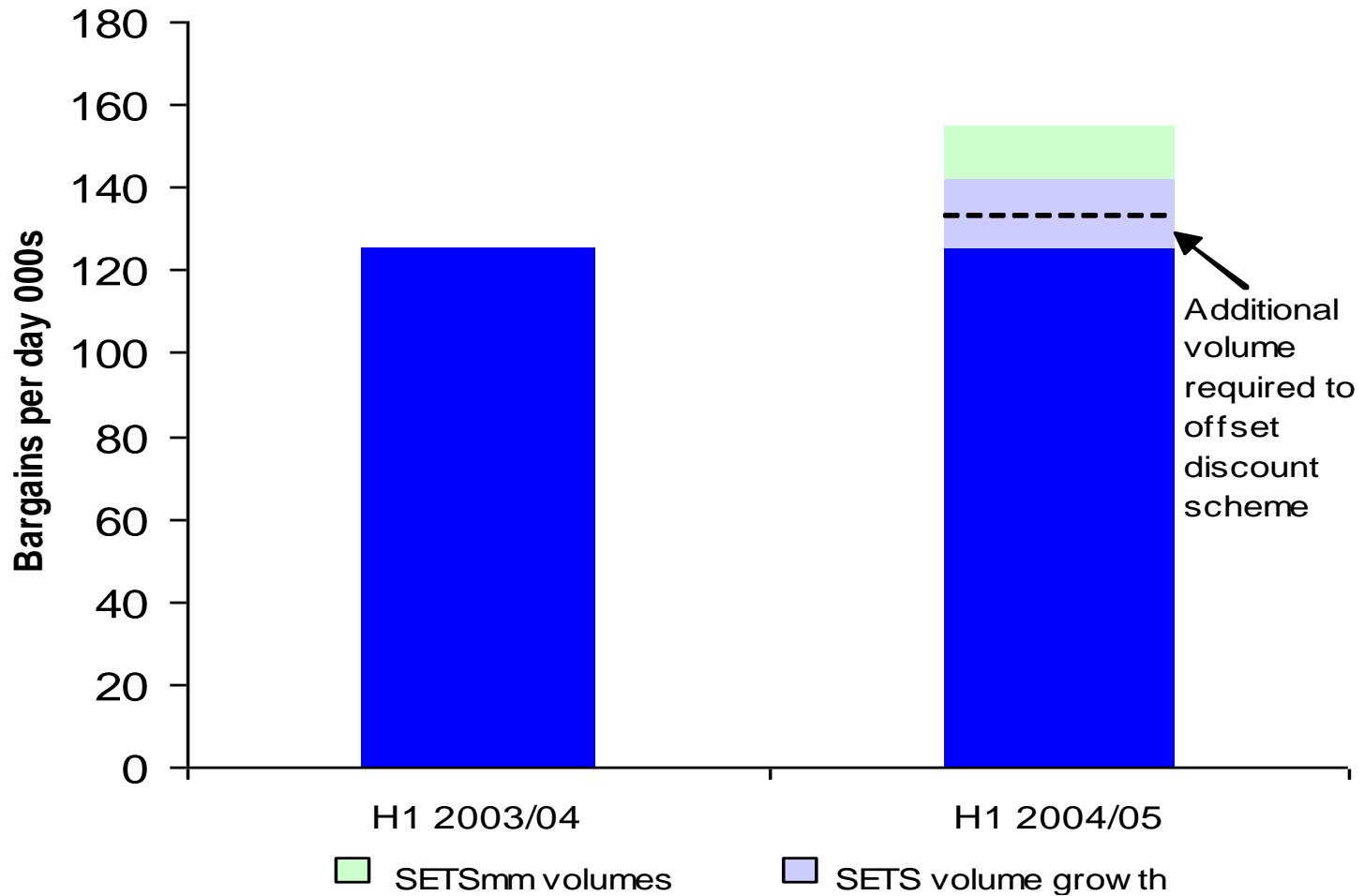
Resilience of our market

2004/05 year on year cash equity volume growth



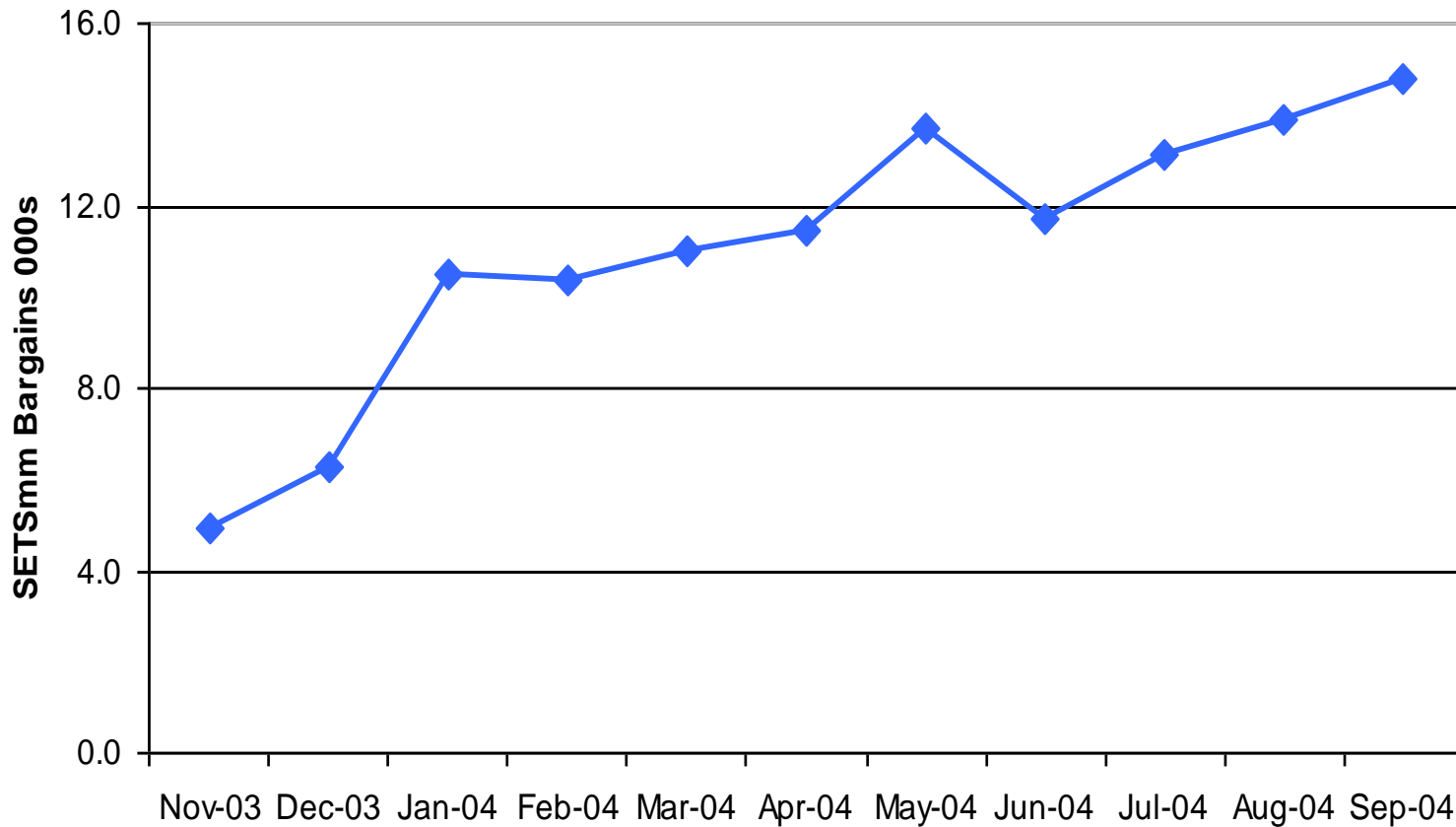
Broker Services

Volume Incentive Scheme



Broker Services

SETS growth boosted by SETSmm



- **c40%** reduction in SETSmm spreads

Broker Services

Other initiatives

- SETSmm extension and tick size reduction
- EUROSETS launched May 2004
 - **low cost** opportunity to **leverage** platform
 - some early success in larger stocks
- Off-book tariff charges
 - positioning for post MiFID environment

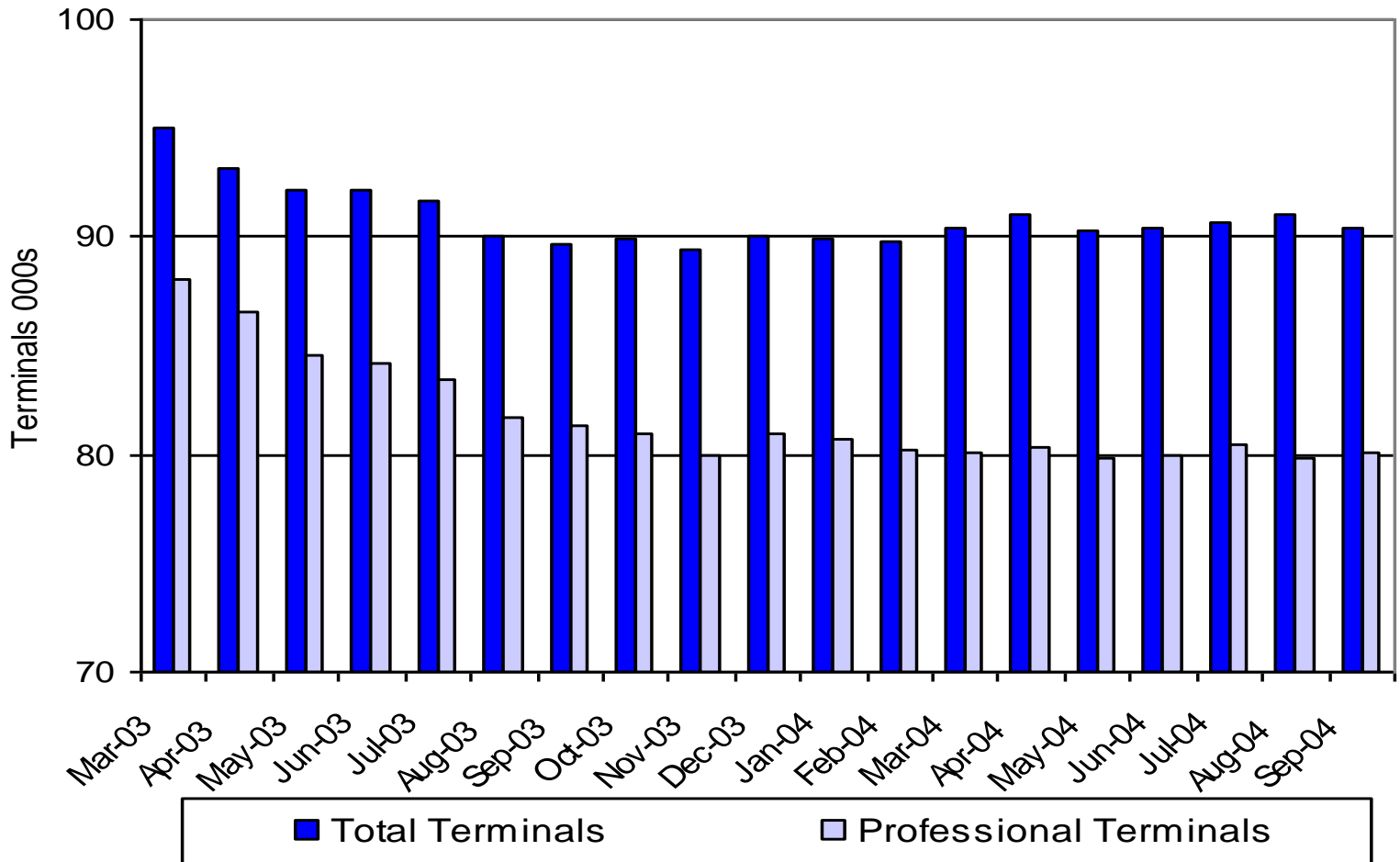
Derivatives

EDX London

- Good performance in core Scandinavian equity derivatives business
- **9.2 m** contracts; **73,000** per day (2003/04: 56,000 per day)
- Building new service for OTC equity derivatives

Information Services

Terminal numbers steady this year



Information Services

Drivers of growth

- Proquote – up to **c2,300** screens (31 March 2004: 1,800)
- RNS retained **90%** market share of UK plc announcements
- FTSE driven by global expansion of indices products
- SEDOL doing well - **900** user licences – and service extended to **330,000** securities

Summary

- H2 trends so far similar to H1 - therefore expect **satisfactory** performance for full year
- Exchange is **well positioned** for the future



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Questions

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