



London
STOCK EXCHANGE

Maximise value in a world of opportunity

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 does not even offer standalone value

Globalisation underpins our future growth

- International capital flows have quadrupled since 2003
- Regulation is opening up key markets in Europe and Asia
- Structural shift in global asset management is increasing demand for efficient systems
- New trading strategies are driving liquidity and volume growth
- A step change in technology is accelerating growth

UK velocity is catching up on Europe and the US



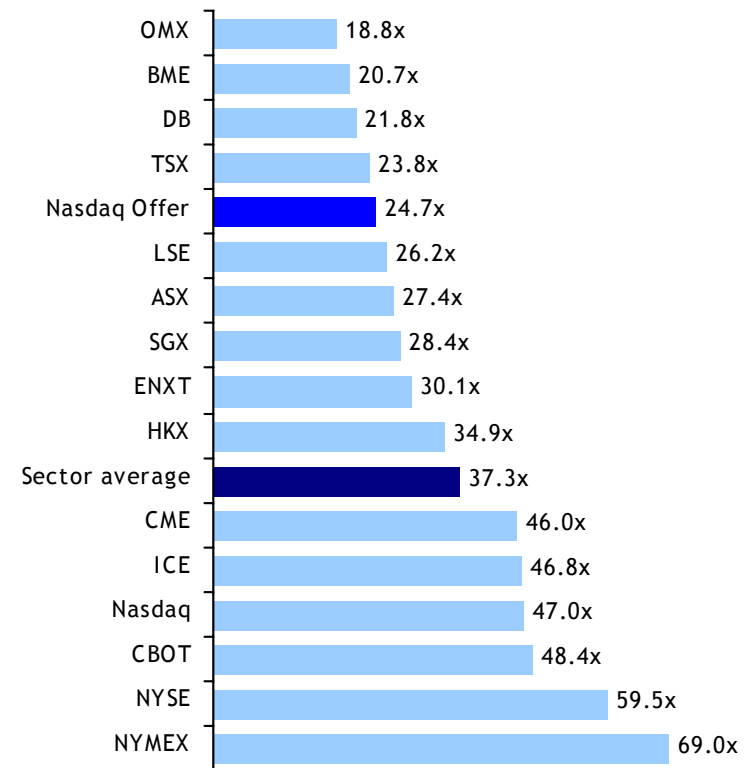
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Standalone value is not being recognised

Superb business fundamentals

- More international listings than any other major listed exchange in the world
- More issuers raising more money through IPOs than any other major listed exchange in the world
- Faster growth in trading than any other major listed exchange in Europe or the United States
- New technology platform will provide unprecedented capacity, latency, resilience, reliability and flexibility at lower cost

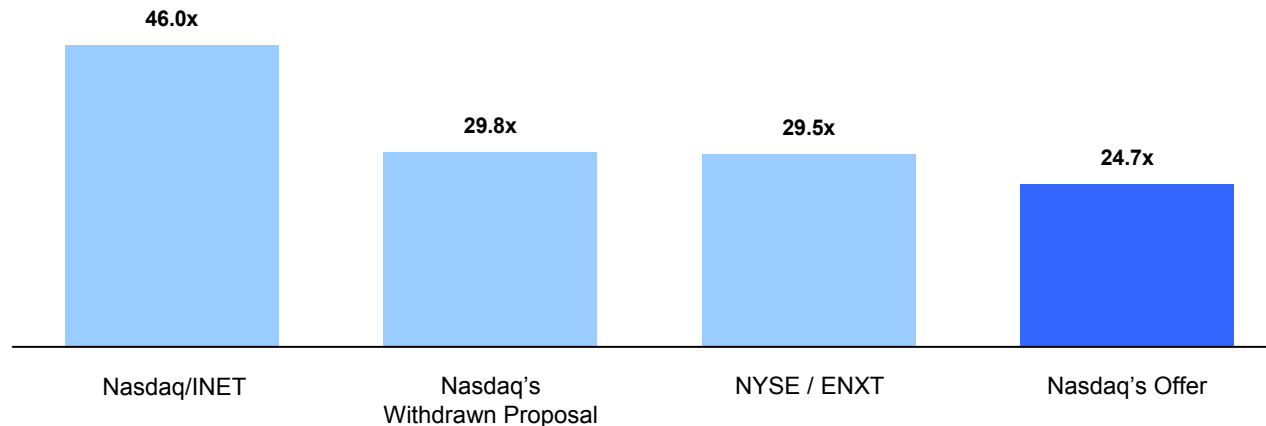
12 months to December 2006 P/E multiples



A wholly inadequate offer

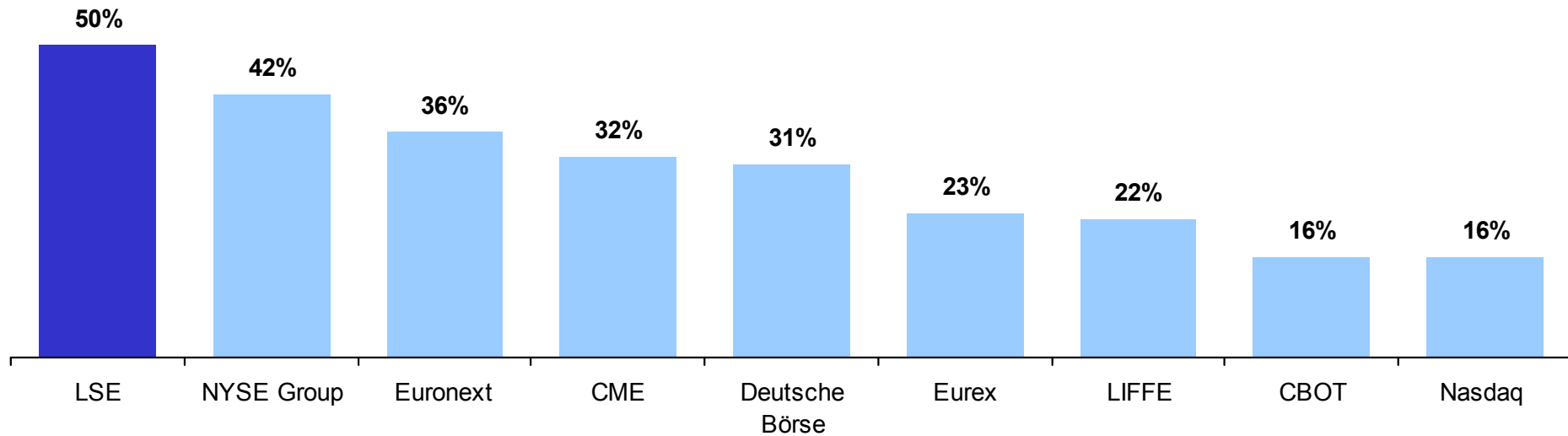
- The London Stock Exchange is becoming the world's leading exchange brand
- Nasdaq does not plan to share any synergy benefits
- Nasdaq's offer represents a lower earnings multiple than its acquisition of INET and that being offered to Euronext's shareholders in the proposed merger with NYSE

Price / announced nearest 12 months earnings



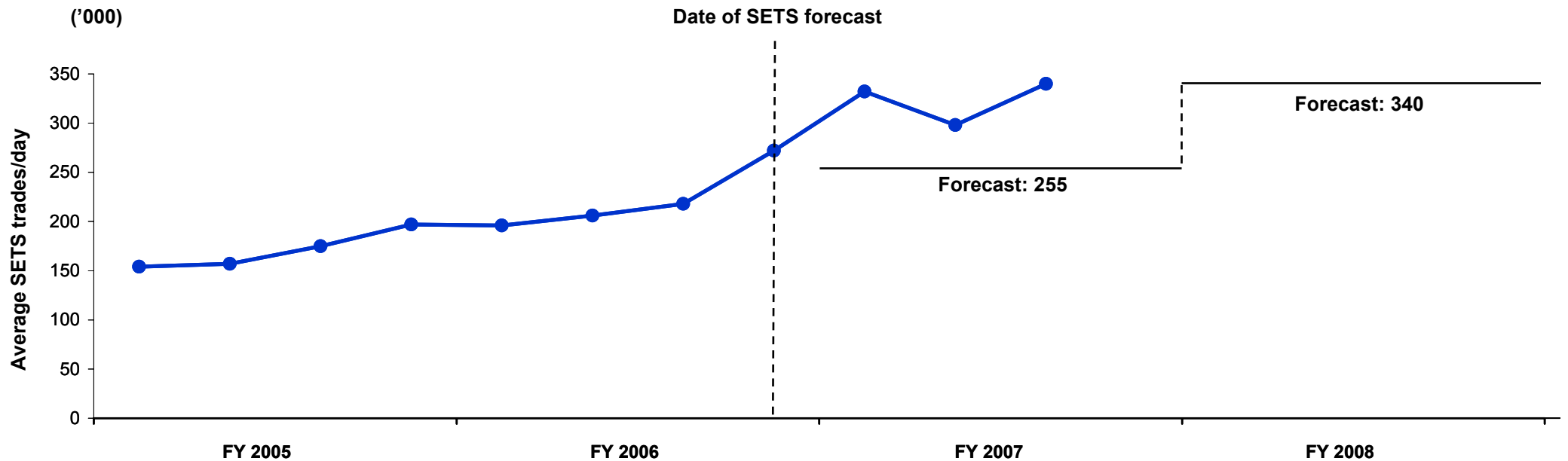
SETS growth is outstanding

Own market trading growth (10 months to October 2006)



SETS growth is continuing

SETS outperforming



Benefiting from a secular change

Structural factors drive future growth:

- High velocity trading patterns
- Technology revolution
- Derivatives-linked trading
- Global trading



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The virtuous circle

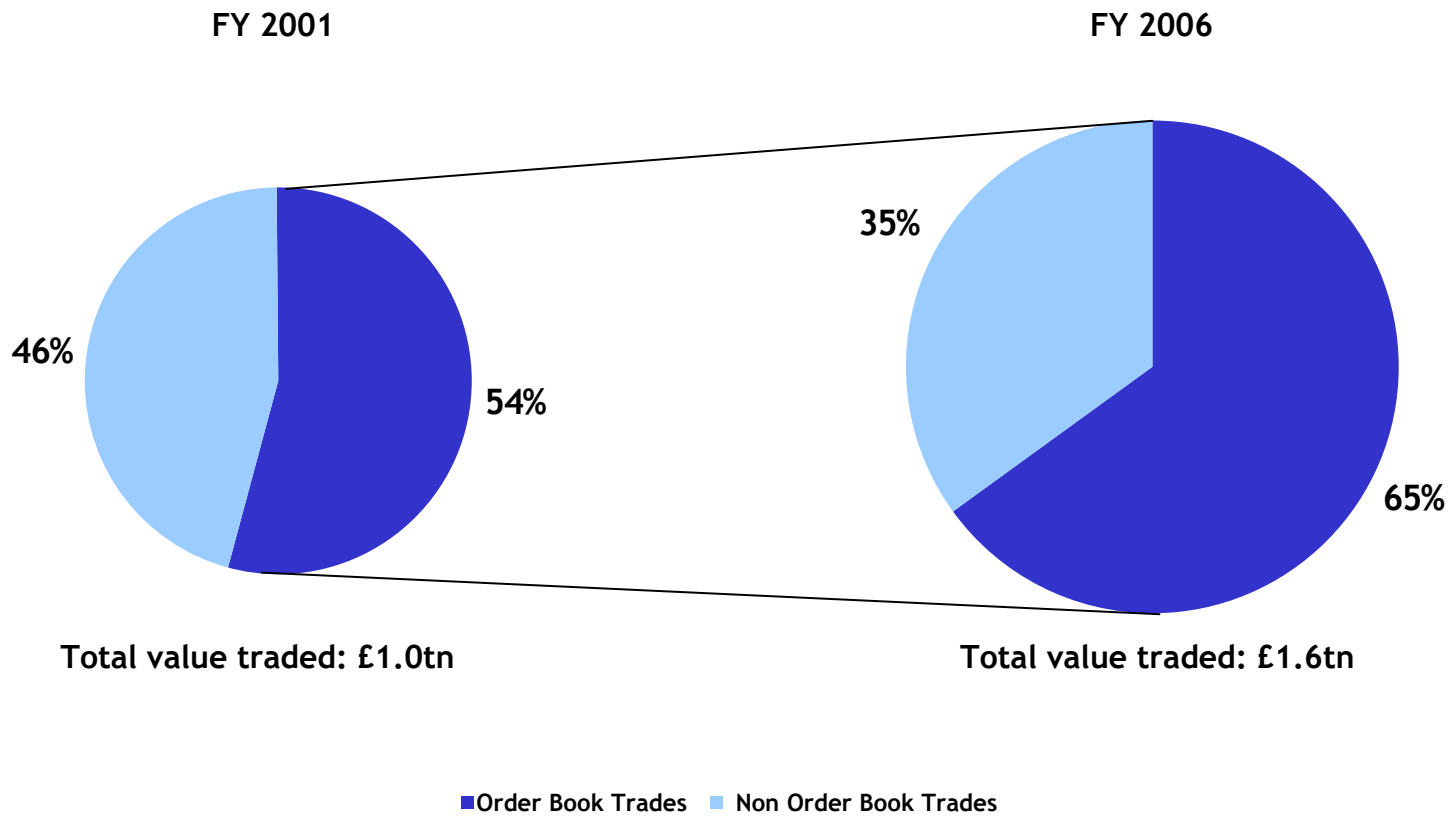
- London has the lowest cost of capital, making us the most competitive listing venue in the world
- Our market efficiency goal is reducing the cost of access to our services
 - Promoting liquidity
 - Increasing volume
 - Compressing spreads
- Our new trading platform is a major strategic asset

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



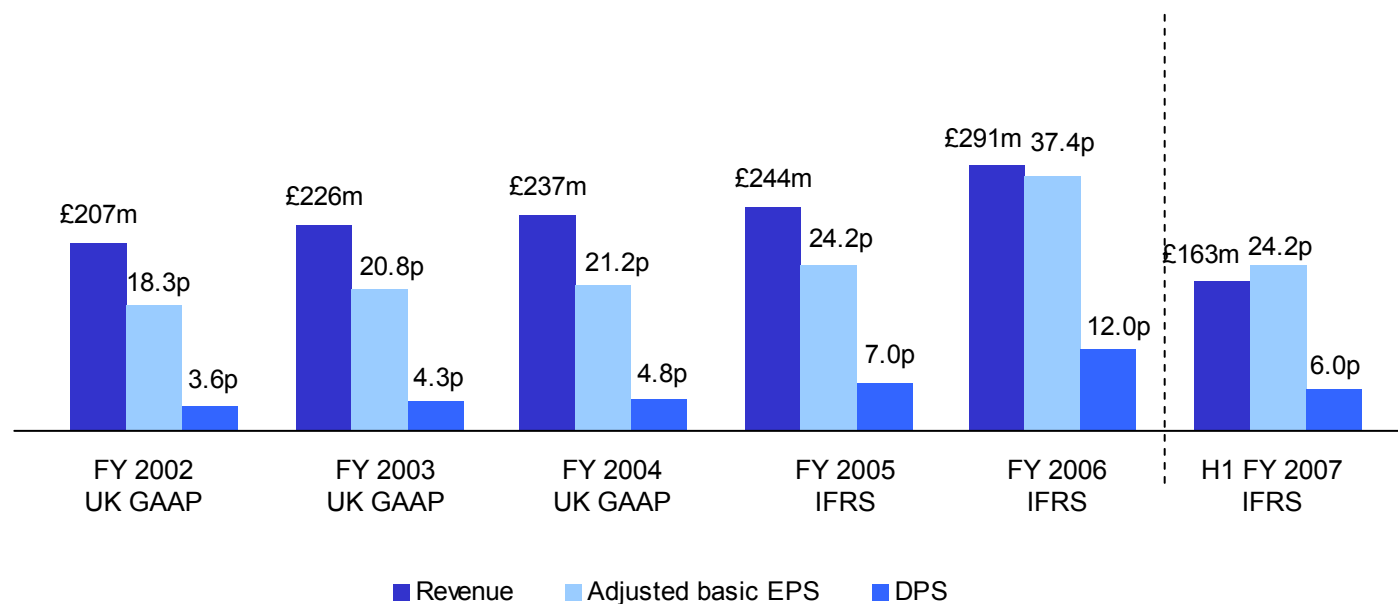
The virtuous circle gets bigger

SETS Market Share



Compelling value creation story

Financial performance



- Forecast adjusted basic EPS for 12 month period to 31 December 2006 of not less than **50.4 pence** – up at least **58%**

Capital efficiency

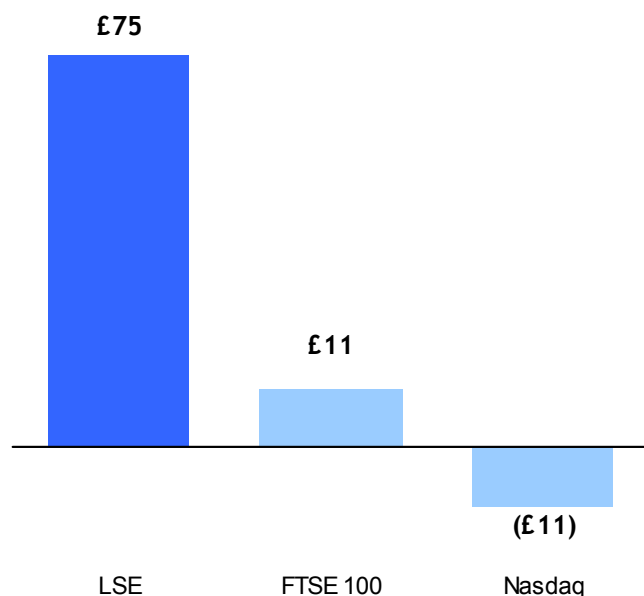
Leading the sector in balance sheet efficiency:

- Returned **£706m** since August 2004 - over **25%** of current market capitalisation
- Remain committed to substantial and proactive progress of capital management programme
- Recommend FY 2007 total dividend of at least **18 pence per share** - minimum increase of **50%**

A track record of delivery

- In 10 months since 17 February 2006, an investment of £100 in LSE has become worth £175

Additional value created since 17 February 2006



SETS growth

- ✓ **50% SETS** growth target achieved in FY 2007 to date¹, **78%** ahead of target
- ✓ **7** of 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%** reduction in H1 FY 2007 operating costs

Capital return

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

Increased dividend

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

(1) Relative to 2005 financial year



Today we are announcing:

Forecast 12 months to 31 December 2006

- Adjusted basic EPS

Not less than

50.4 pence

- Adjusted basic EPS growth

58%

Forecast FY 2007 dividend

18 pence per share



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