



Results presentation

Six months ended 30 November 2005

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Introduction





Highlights

- IG Turnover up 31%
- IG Normalised earnings per share up 40%
- IG All parts of business contributed to growth
- IG Current trading strong

Presentation contents

- IG Financial results
 - P&L
 - Revenue
 - Cost base
- IG Business performance
 - UK Financial
 - Australia
 - Binary
- IG Key performance metrics
 - Client recruitment
 - Revenue per client by business line
- IG Strategic plans and developments
 - International expansion
 - Sports binaries
- IG Frequently asked questions
 - The effect of spread cuts
 - Risk management and quality of earnings
 - Capital, surplus cash, dividend policy

Profit and loss




	Six months ending 30 November			Year ending 31 May	
	2005	2004		2005	
	£'m	£'m		£'m	
Turnover	38.6	29.4	+31%	62.2	 Strong revenue growth continues
Betting duty	(1.3)	(1.4)		(2.5)	 Operational gearing
	37.3	28.0	+33%	59.6	
Interest on client money	2.1	1.6	+31%	3.7	 Transition to IFRS has no significant P&L impact other than removal of goodwill amortisation
Operating costs	(18.0)	(13.7)	+31%	(28.4)	
EBITDA	21.4	16.0	+34%	35.0	
<i>Margin (%)</i>	55.6%	54.2%		56.2%	 Small step change in cost base
Depreciation and amortisation	(1.8)	(1.9)	-7%	(3.9)	
EBIT	19.8	14.0	+41%	31.1	
<i>Margin (%)</i>	51.3%	47.6%		50.0%	
Exceptional items	0.0	0.0		(0.9)	
Interest received	0.7	0.4		1.2	
Interest paid	(0.1)	(7.9)		(14.5)	
Profit before tax	20.4	6.6	+209%	16.8	
Normalised earnings per share	4.33p	3.10p	+40%	6.80p	

Revenue by business line

	2004			2005			2006	
	H1	H2	Total	H1	H2	Total	H1	Growth
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<u>Financial</u>								
UK	18,081	21,387	39,468	21,178	25,437	46,615	27,889	+32%
Australia	492	935	1,427	1,841	1,935	3,776	3,630	+97%
Binaries	897	1,256	2,153	2,541	2,409	4,950	2,701	+6%
<u>Sports</u>								
Binaries	78	49	127	458	259	717	531	+16%
Spread betting	3,540	3,124	6,664	3,389	2,730	6,119	3,847	+14%
	23,088	26,751	49,839	29,407	32,770	62,177	38,598	+31%

-  All areas of business delivered growth
-  Highest growth rate for several years for UK financial business
-  Half on half growth rate highest for several years

Cost base




	Six months ending 30 November		Year ending 31 May	
	2005	2004	2005	
	£'000	£'000	£'000	
Salaries	7,507	6,260	12,807	 Cost base is predominantly fixed, with periodic minor step changes  Employment costs are the largest overhead  Increase in current period : <ul style="list-style-type: none"> - Pay rises - First period with LTIP charge - IT & marketing headcount increases
Bonuses	3,121	2,307	5,255	
LTIP and SIP	627	-	-	
Advertising & marketing	1,284	1,206	2,683	
Rent rates and service	616	497	1,014	
Market data	844	809	1,477	
Bad and doubtful debts	557	281	320	
IT maintenance and support	565	477	1,049	
Other overheads	2,840	1,836	3,778	
Total operating costs	17,961	13,673	28,383	
Depreciation and amortisation	1,771	1,899	3,869	
Exceptional	-	-	889	
	19,732	15,572	33,141	

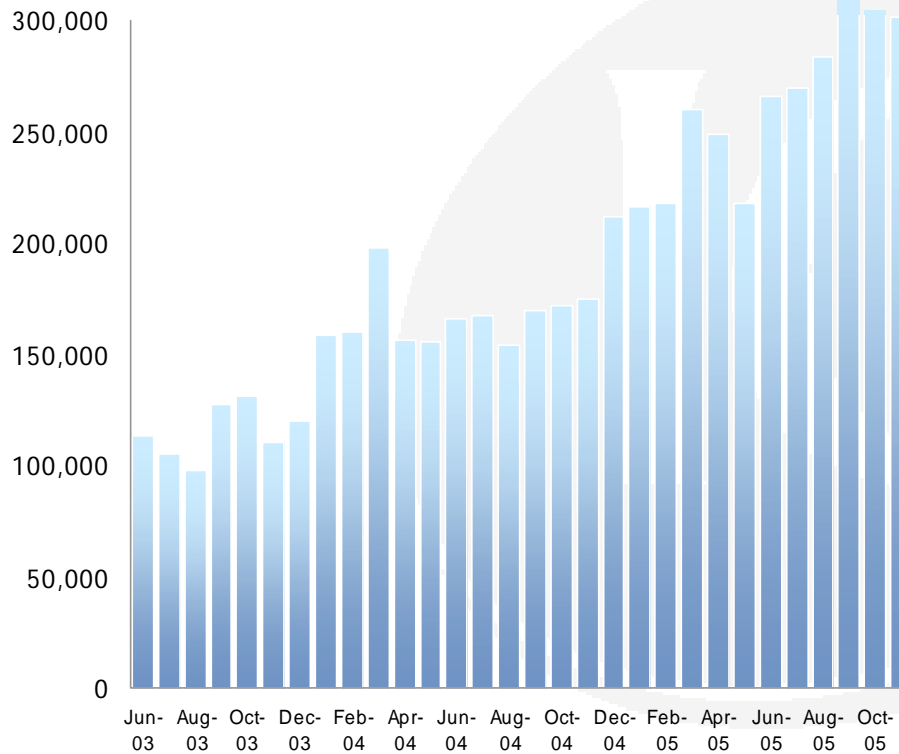
Financials - UK

Growth trend continues

Number of transactions¹

Growth driven by:

-  Continuing strong account opening
-  Increasing levels of introduced business
-  Strong growth in both spread betting and CFDs

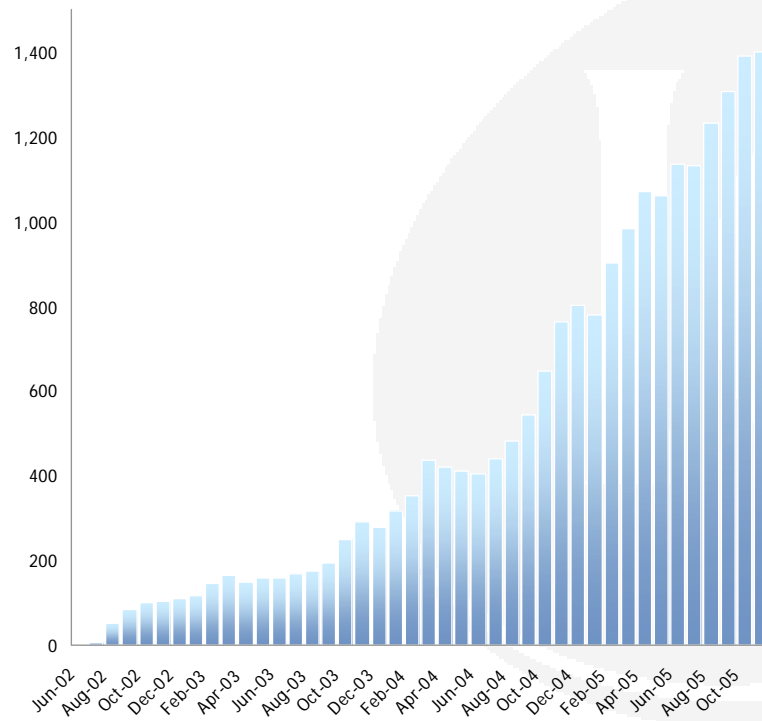


¹ Includes closing bets, stops and rolls

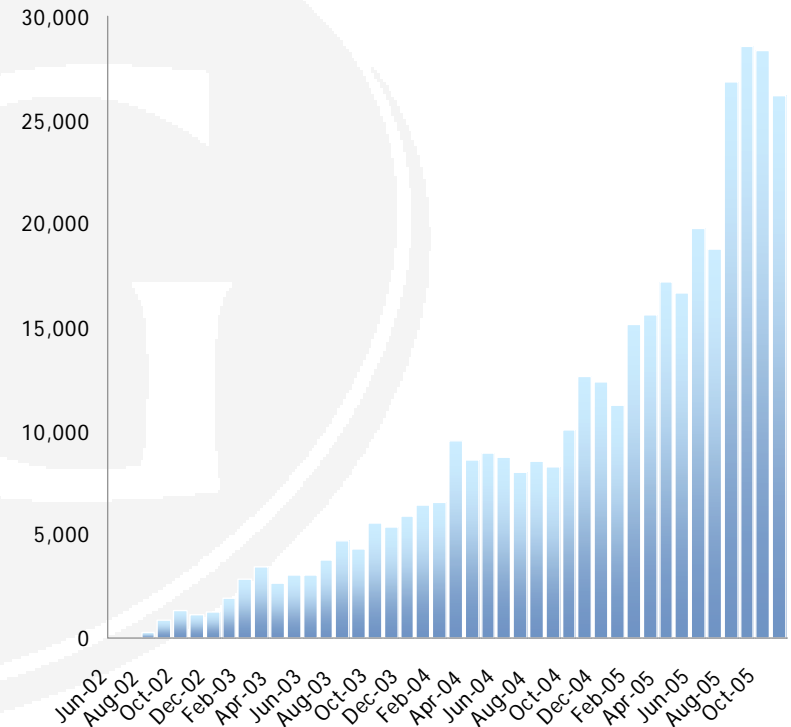
Financials - Australia

Continued strong growth momentum from Australian business

Number of clients dealing - Australia (monthly)



Number of transactions¹

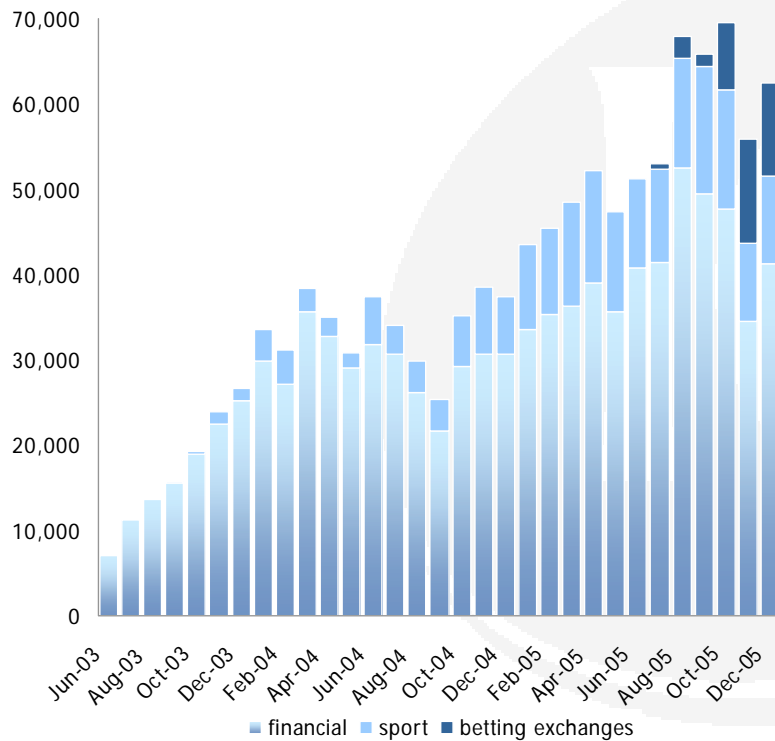


¹ Includes closing bets, stops and rolls

Binary bets

Binary betting continues to grow

Number of transactions¹



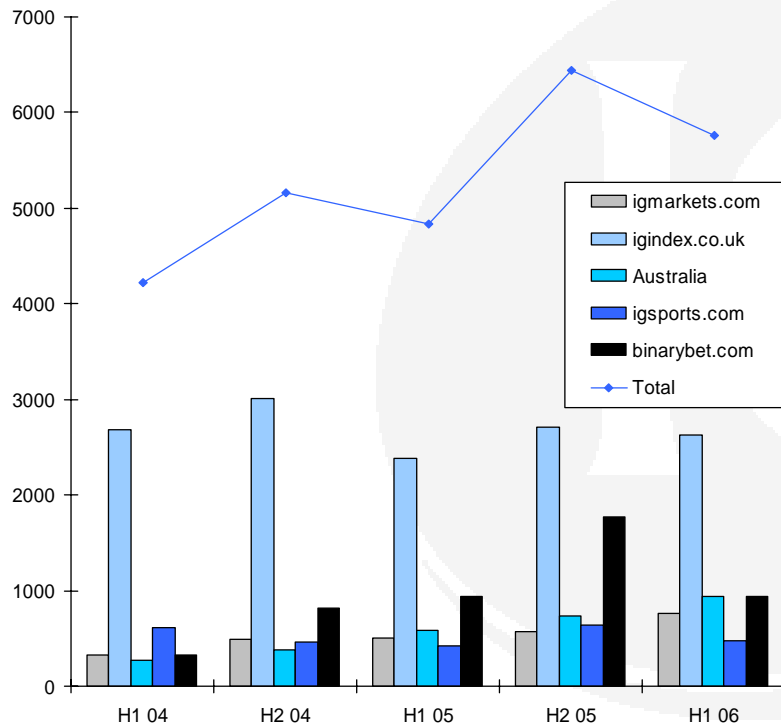
- IG Financial binary clients suffered heavy losses in September and October, resulting in a temporary fall in volumes
- IG Betting exchange provides an additional flow of business with no client recruitment cost
- IG IG's service is significantly better than competitors

1 Opening bets only

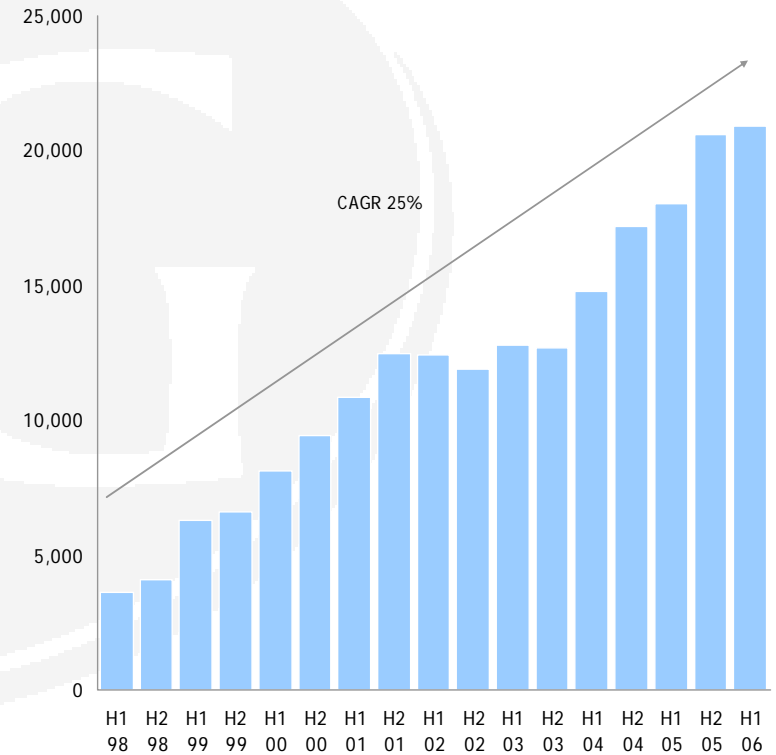
Client acquisition is the key growth driver

Continued success of on-line account opening

Clients betting or trading for the first time



Number of clients dealing¹



¹ Number of clients dealing at least once in the period

Revenue per client

	H1 05	H2 05	H1 06
Turnover ¹	£'000	£'000	£'000
UK CFD (inc. FX)	4,267	5,117	6,091
UK fin. spread betting	16,911	20,320	21,798
Australia	<u>1,841</u>	<u>1,935</u>	<u>3,630</u>
Total financial	23,019	27,372	31,519
Financial binaries	2,541	2,409	2,704
Sport spread betting	3,389	2,730	3,826
Sport binaries	<u>458</u>	<u>259</u>	<u>531</u>
	<u>29,407</u>	<u>32,770</u>	<u>38,580</u>
Number of clients ²	H1 05	H2 05	H1 06
UK CFD (inc. FX)	1,522	2,199	2,158
UK fin. spread betting	10,236	11,498	11,222
Australia	<u>1,138</u>	<u>1,665</u>	<u>2,110</u>
Total Financial	12,896	15,362	15,490
Financial binaries	2,321	2,479	2,572
Sport spread betting	5,333	5,776	4,938
Sport binaries	<u>1,730</u>	<u>2,833</u>	<u>1,951</u>
	22,280	26,450	24,951
	<u>(4,265)</u>	<u>(5,854)</u>	<u>(4,048)</u>
Unique accounts	<u>18,015</u>	<u>20,596</u>	<u>20,903</u>
Income per client	H1 05	H2 05	H1 06
	£	£	£
UK CFD (inc. FX)	2,804	2,327	2,822
UK fin. spread betting	1,652	1,767	1,942
Australia	<u>1,618</u>	<u>1,162</u>	<u>1,720</u>
All financial	1,785	1,782	2,035
Financial binaries	1,095	972	1,051
Sport spread betting	635	473	775
Sport binaries	<u>265</u>	<u>91</u>	<u>272</u>
Overall	1,632	1,591	1,846

	Revenue per client	Potential market size
CFDs and FX	Higher	Lower
Financial spread betting	Medium	Medium
Binaries / Sport	Lower	Higher

Ease of account opening

¹ Split of revenues between CFDs and financial spread betting is approximate, as risk is managed on a unified basis

² Clients may deal on more than one product and hence may be counted several times

International expansion

Different approaches suit different territories

Singapore office

- IG Launch planned for February
- IG Low cost operation
 - 4 staff initially
 - Sales function only
 - Risk management and all support functions performed out of Australia or UK
- IG Chinese language web-site

Introducers

- IG FSA regulation gives passporting into Europe, so no need to establish local office
- IG Introducers provide access to established client bases and can assist with obtaining account opening documentation
- IG Most significant European countries are
 - Ireland
 - Germany

Multi-lingual web sites

- IG Binary product can be offered internationally with no local presence
- IG Binary sites now available in
 - Chinese
 - Turkish
 - Swedish
- IG Staff with other languages being recruited and trained
- IG No significant marketing being undertaken until after separation of sport and financial binary brands
- IG Joint Venture agreement with Samvo Entertainment
 - Marketing financial binaries in Chinese

Sports binaries

New sports fixed odds offering

- IG Development of a mass-market sports fixed odds offering near completion
- IG Separate brand focusing on Sport
 - Binarybet.com will then be made financial focused
- IG New Sports offering will offer:
 - One way (i.e. back only) decimal prices
 - Ability to close before end of event: take profits or cut losses
 - Simplified technology
 - Very wide range of in-running markets
- IG Launch planned for March 2006
 - In good time for football (soccer) World Cup in June 2006

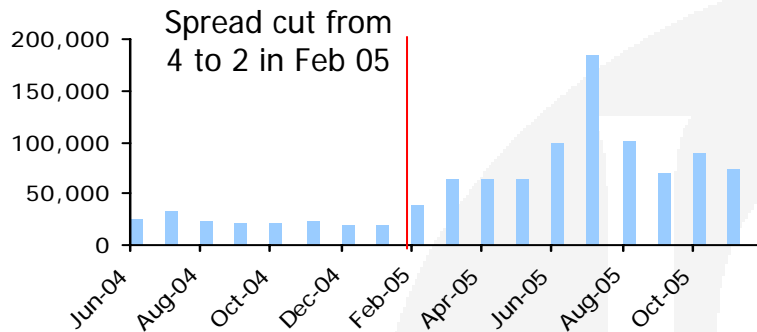
Market making on exchanges

- IG Market making on Betdaq has demonstrated potential
 - Some technology issues
 - Income is small but growing
- IG Trial market making on Betfair likely to start within two months

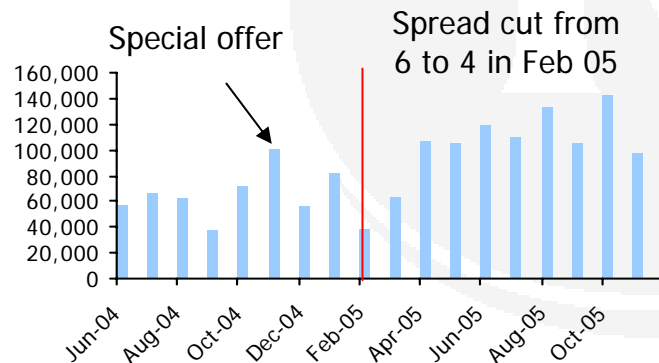
The effect of spread cuts

Markets which appeal to day-traders show significant price elasticity

Daily FTSE total volume in £ per point



Daily Wall Street total volume in £ per point



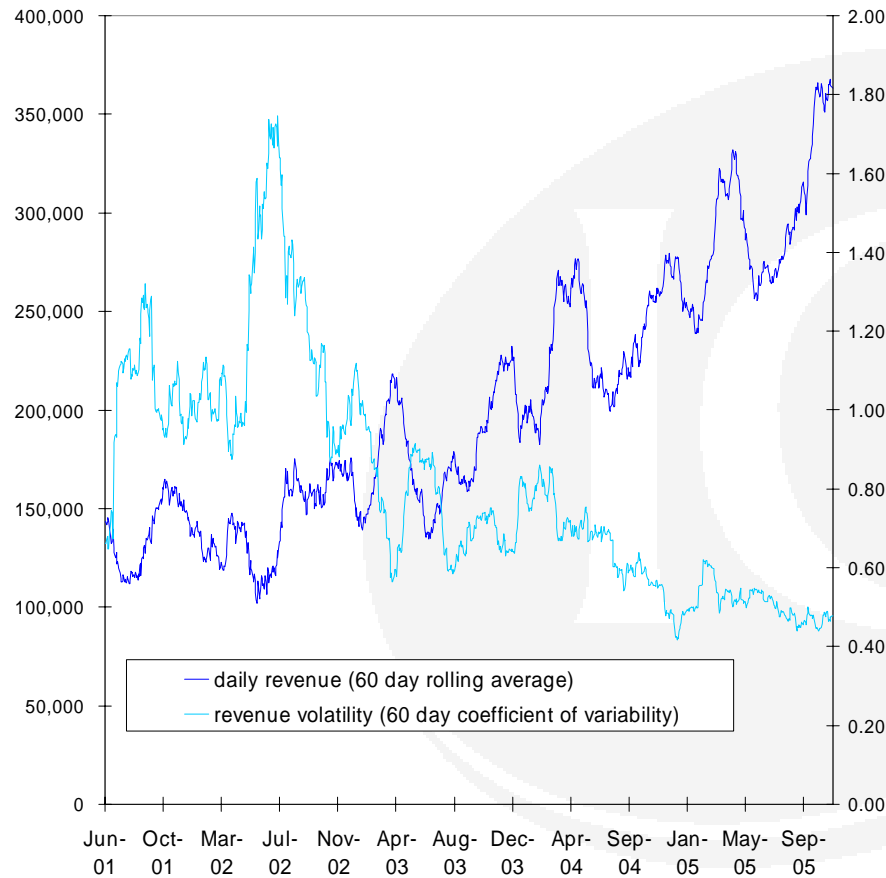
- IG IG's policy is to be fully price competitive in markets which are
 - Short-term
 - Offered by all competitors
 - Commoditised

- IG In other markets IG maintains a premium for
 - Breadth of offering
 - Quality of execution and service

- IG Spread cuts which have taken us to competitive pricing levels have resulted in significant increases in volume

- IG No signs of appetite for further cuts amongst competitors

Risk management and quality of earnings



- IG Management of exposure is a balance
 - Too much hedging is expensive
 - Too little hedging and revenue volatility is excessive
- IG Volatility of revenue has fallen significantly – main exposure limits had not been increased in over two years despite significant increases in volume and profit
- IG Too little volatility would suggest that too much hedging is being done
- IG The group's maximum aggregate exposure to global equity markets is £13.75m (increased from £12.5m in January 2006)
 - A 10% market move has a potential impact of £1.4m
 - In practice large market moves tend to result in large daily profits
- IG Exposure limits may increase further as volumes grow, but policy is never to make an increase of more than 10% and to evaluate impact on volatility of revenue over at least a three month period before making any further increase

Capital, free cash, dividend policy

Utilisation of cash for acquisition or return to shareholders is restricted by regulatory capital requirements

	31-May-05	30-Nov-05	
Capital	£'m	£'m	
Share capital and reserves *	132.7	147.0	
Goodwill *	(100.5)	(100.5)	Ⓜ The requirement for regulatory capital limits the ability of the group to utilise surplus cash
Net capital	32.2	46.5	Ⓜ Capital increases with retained earnings
* Calculated under UK GAAP			Ⓜ Capital reduced by dividends, share buy-backs and by acquisition of intangible assets
Requirements			
Base requirement	2.6	2.2	Ⓜ Capital requirement increases as business grows, but at a lower rate of growth than revenues
Position risk requirement	13.9	17.8	Ⓜ Initial dividend policy is to pay approximately 50% of earnings
Counterparty risk requirement	4.9	6.7	Ⓜ Consideration will be given to return of surplus capital in due course – unlikely to be for at least a year
Foreign Exchange Requirement	1.3	1.3	Ⓜ Interim dividend of 1.5p payable on 28 February 2006
Liquidity and other adjustments	2.0	2.0	
	24.7	30.0	
Excess regulatory capital	7.5	16.5	
Cash			
Total cash	120.5	168.7	
Segregated and trust accounts	(107.4)	(143.6)	
Own cash	13.1	25.1	

Outlook

- IG Foundations remain in place to deliver future growth
- IG Continuing strong growth from core UK business
- IG Australia growth continues
- IG New distribution channels for binaries
- IG Further international expansion - both regulated and unregulated
- IG Business debt free and highly cash generative





Appendices

- Business Lines
- What Is a Spread Bet?
- What is a CFD?
- What is a Binary Bet?
- Binary Betting Markets
- IG's Approach to Hedging

Business Lines

IG's innovative and extensive range of products provides retail clients and market professionals with the opportunity to speculate on a wide range of underlying financial instruments or sporting and political/entertainment events

	Financial	Binaries	Sport
Product Offering	<ul style="list-style-type: none"> ■ Spread betting ■ CFDs ■ Forex 	<ul style="list-style-type: none"> ■ Binary bets ■ Binary options 	<ul style="list-style-type: none"> ■ Spread betting
Product Coverage	<ul style="list-style-type: none"> ■ Stock indices ■ Individual equities ■ Currencies ■ Commodities & Metals ■ Interest rates ■ Options on most of these products 	<ul style="list-style-type: none"> ■ Financial ■ A wide range of sporting events⁽¹⁾ 	<ul style="list-style-type: none"> ■ A wide range of sporting events⁽¹⁾
Annual Turnover ⁽²⁾	<ul style="list-style-type: none"> ■ £50.4m 	<ul style="list-style-type: none"> ■ £5.7m 	<ul style="list-style-type: none"> ■ £6.1m

Notes:

(1) Also includes bets on politics and various entertainment markets, although these represent a relatively small proportion of the total

(2) FY2005 turnover

What is a Spread Bet?

A spread bet is a leveraged product that allows speculation on an underlying financial instrument or sporting event

Spread betting is pretty complicated?

↓

If you think it's going UP you 'buy'

↓

If you think it's going DOWN you 'sell'

↓

Either way you can make a tax-free* profit
*To be on, if course, change

↓

DEAL NOW with IG Index

IG INDEX
Registered by the FSA

	Financial	Sport
Example Market:	FTSE 100	England Cricket Match
IG Quotes:	4,700 – 4,708	England 1 st Innings 380 – 400
Client Believes:	FTSE will rise	Score below 380
Client Bet:	Buys £20 per point at 4,708	Sells £5 per run at 380
Bet Closes⁽¹⁾:	FTSE at 4,800	England score 450
Client Result:	$4,800 - 4,708 = 92$	$380 - 450 = (70)$
Client Profit / (Loss):	$£20 \times 92 = £1,840$	$£5 \times (70) = £(350)$

Note:

(1) Client may close bet at any point of their choosing

What is a CFD?

A CFD differs from a spread bet in that the client trades at the market price, rather than the firm's price, and then pays an explicit commission and financing costs

Example Market:	Vodafone plc
IG Quotes:	Market price 139.25p / 139.5p
Client Believes:	Vodafone will fall
Client Trade:	Sells 20,000 shares at 139.25p
Margin Requirement as Deposit to Open Trade	$10\% \times 20,000 \times 139.25p = \text{£}2,785$
Trade Closes:	Market price 118.5p / 118.75p ⁽¹⁾
Client Result:	$139.25p - 118.75p = 20.5p$
Client Profit / (Loss):	$20.5p \times 20,000 \text{ shares} = \text{£}4,100$ ⁽²⁾

The screenshot displays a trading interface for Vodafone Group (VOD.L). Key data points include:

- Symbol:** VOD.L, **ISIN:** GB0007192106
- Currency:** GBX, **Sector:** Telecommunication Services
- Country:** GB, **Exchange:** L - London
- Segment:** SET1, **Mkt Seg:** FT10
- News:** Peried COT, Crest C, BMS 200000
- Last Trade:** 12:22:54, 139.25 AT 4,000
- Close (13:01):** 139.25
- Open (14:01):** 139.00
- Trade Hi:** 139.50
- Trade Lo:** 139.00
- VWAP:** 139.74
- Base:** 139.00
- Curr Price:** 139.25 (0.00 change)
- Curr Hi:** 139.50 (+0.25)
- Curr Lo:** 138.90 (-1.25)
- SETS Vol:** 66,192,471
- Cum. Vol:** 156,465,748
- Bid Vol:** 27,377,366
- Ask Vol:** 19,368,137

Below the data is a table of bid and ask orders:

	22	22,341	139.25	139.5
1	11,000		139.25	139.50
1	3,000		139.25	139.50
1	100		139.25	139.50
1	100		139.25	139.50
1	100		139.25	139.50
1	100		139.25	139.50

The advertisement for L2 dealer and K1 MARKETS includes the text: "Have you discovered CFDs?" and lists features such as leverage, guaranteed stop orders, transparent pricing, and free demo platforms.

Notes:
 (1) Client may close position at any point of their choosing
 (2) Shown before commission. In addition, client would be credited with interest adjustment and debited to reflect dividends while position is open. The opposite would apply if the example was "long" rather than "short"

What is a Binary Bet?

A binary bet is a simple yes / no proposition, which allows clients to increase potential returns on short-term markets with limited risk. If the answer is yes, the bet settles at 100; if the answer is no, the bet settles at 0

Example Market:	FTSE to close down by between 0 and 10 points (at 16.20hrs when underlying market is 11.6 points above previous close)
IG Quotes:	6.6 – 9.2
Client Believes:	FTSE will finish 0-10 points below previous close
Client Bet:	Buys £20 of FTSE 0 / (10) Binary at 9.2
Bet Closes (1):	FTSE drops to 2.4 points down on previous close (i.e. bet settles at 100)
Client Result:	$(100 - 9.2) = 90.8$
Client Profit / (Loss):	$90.8 \times £20 = £1,816$

The image shows a screenshot of the binarybet.com trading platform. The top section displays 'Live Prices' for various binary options, including FTSE 100. A table lists the market, price, bid, ask, and volume for different FTSE 100 binary options. Below the table is a line chart for FTSE 100 (IMO) showing price movement over time. The bottom part of the image features a promotional banner for 'Binary Buzz' with the text 'Catch the Binary Buzz' and 'The radical new way to bet on financial markets'. The banner includes an image of traders celebrating and a quote: 'Another dull day in the market'.

Note:

(1) Client may close at any point based on the current price being offered

Binary Betting Markets

Binary bets offer the client opportunities to speculate on a wide number of different underlying markets

Financial Examples

- IG Offered on a wide variety of financial markets – FTSE, Wall Street, Nasdaq, Dax, S&P in addition to exchange rates, oil, gold, silver and certain individual shares
- IG Market to finish up for the day
- IG Market to be up between points in the day
- IG One touch binaries – settle if the market touches or goes through a specified level
- IG High / low binaries – if the market exceeds or falls below a certain level
- IG Tunnel binaries – market to remain within a specific range

Sports Examples

Offered on most main sports including football, rugby, cricket, golf, tennis, snooker, motor racing and American football

- IG Team A to win
- IG Team A to beat Team B by more than 1 goal
- IG Total goals to be greater than 2
- IG Team A to win the first half
- IG Team A to beat Team B by greater than 2
- IG Each bet type can be offered for all likely outcomes providing a large range (50-60) on a typical football match

IG's Approach to Hedging

IG manages its market risk on a portfolio basis. Using a hierarchy of limits IG aims to achieve an optimal balance of minimising both hedging costs and revenue volatility

