

21 January 2010

LONDON STOCK EXCHANGE GROUP plc
INTERIM MANAGEMENT STATEMENT
FOR THE PERIOD TO 20 JANUARY 2010, INCLUDING REVENUES AND KPIs
FOR THE THREE MONTHS ENDED 31 DECEMBER 2009

Headlines:

Revenues and KPIs for three months ended 31 December 2009:

- ? Revenue of £154.9 million, down nine per cent on Q3 last year (12 per cent decline at constant currency) but up four per cent on Q2
- ? Money raised on the Group's markets was strong at £25.9 billion, including £22.8 billion raised in secondary issues, contributing to a 14 per cent rise in primary market revenue
- ? Cash equities trading revenues in UK and Italy combined declined 29 per cent, with a reduction in UK trading activity combined with a lower yield following the September price changes; in Italy average trading volumes declined 6 per cent; continued improvement in the MTS fixed income trading business delivered 23 per cent revenue growth
- ? Post Trade revenues declined 13 per cent as a result of the expected reduction in interest on margin held in the clearing business from the unusually high levels last year
- ? Information & Technology Services revenues increased three per cent with first time contribution from MillenniumIT; the total number of professional users of real time information was broadly unchanged since the half year though down on the previous year, while revenues from other data and IT businesses were solid overall

Good operational progress:

- ? Continued focus on cost reduction, with further savings announced through agreement to sub-lease surplus space at Paternoster Square offices, providing £3 million per annum income statement benefit from next financial year
- ? Acquisition of MillenniumIT completed in October 2009, to provide high performance trading system and reduce ongoing IT related expenses, with project work underway for migration to new platform by the end of 2010

- ? Agreement to acquire Turquoise MTF (expected to complete February 2010), forming a partnership with major banking clients to create a new pan-European lit and dark trading platform
- ? Successful migration to new derivatives trading system at EDX in December 2009
- ? Plans announced for launch of UK retail bond trading platform in February 2010
- ? Executive team further strengthened with addition of Kevin Milne as Director of Post Trade Services in January 2010

Commenting on performance in the past quarter, Xavier Rolet, Chief Executive, said:

“Market conditions have not been easy in the last quarter, particularly in cash equities, though the Group has benefitted from the breadth of its activities, with good performances in primary markets and fixed income trading, and the Information & Technology Services division has also proven resilient.

“Market conditions are expected to remain testing in the current quarter. We continue to focus on improving the shape of the business, with actions clearly underway to reduce underlying operational costs, and improve business efficiency and our competitive position. The agreement to acquire Turquoise and the acquisition of MillenniumIT are good steps to enhancing our trading offering. We continue to work on ways to leverage the assets and develop opportunities across the Group to provide a platform for growth further ahead.”

Revenue

London Stock Exchange Group plc (the "Group") today reports revenues for the three months ended 31 December 2009 ("Q3"), with comparatives against performance for the same period last year. Growth rates for both Q3 and year to date performance are also expressed on a constant currency basis. All figures are unaudited.

	Three months ended			Variance at constant currency %	Nine months ended			Variance at constant currency %
	31 Dec	31 Dec	Variance		31 Dec	31 Dec	Variance	
	2009	2008			2009	2008		
	£m	£m	%		£m	£m	%	
Revenue								
Capital Markets	69.9	80.1	-13%	-15%	217.1	267.6	-19%	-21%
Information & Technology	55.4	54.0	3%	1%	158.9	156.4	2%	-1%
Post Trade	29.1	33.5	-13%	-20%	88.5	84.5	5%	-5%
Other	0.5	1.8			1.3	3.5		
Total revenue	154.9	169.4	-9%	-12%	465.8	512.0	-9%	-13%

A nine per cent decline in Q3 revenues mainly reflects the decline in UK cash equities trading levels and lower tariffs within the Capital Markets segment, together with a reduction in clearing revenues due to lower interest spreads on margins held compared to the unusually high levels in the same period last year. However, there were good performances in primary markets operations and fixed income trading, and the Information & Technology Services segment was resilient with the inclusion of revenues from MillenniumIT for the first time following completion of the acquisition in October 2009.

Capital Markets

	Three months ended			Variance at constant currency %	Nine months ended			Variance at constant currency %
	31 Dec	31 Dec	Variance		31 Dec	31 Dec	Variance	
	2009	2008			2009	2008		
	£m	£m	%		£m	£m	%	
Revenue								
Primary Markets								
Annual fees	8.7	10.3	-16%	-18%	26.2	31.1	-16%	-19%
Admission fees	9.5	5.7	67%	64%	26.3	22.5	17%	16%
	18.2	16.0	14%	11%	52.5	53.6	-2%	-4%
Secondary Markets								
Cash equities	30.1	42.6	-29%	-30%	101.0	147.7	-32%	-32%
Derivatives	4.7	6.0	-22%	-25%	15.2	19.5	-22%	-26%
Fixed income	7.6	6.2	23%	12%	21.3	19.2	11%	2%
	42.4	54.8	-23%	-25%	137.5	186.4	-26%	-28%
Other	9.3	9.2	1%	-5%	27.1	27.6	-2%	-9%
Total revenue	69.9	80.1	-13%	-15%	217.1	267.6	-19%	-21%

Performance in the Capital Markets segment, which comprises the Group's primary market activities and secondary market trading of cash equities, derivatives and fixed income, remained mixed.

In primary markets, strong further issue activity remained a feature of the market, comprising £22.8 billion of the total £25.9 billion raised in the period. Admission fee income rose significantly in Q3, due to both the high level and mix of capital raisings, with fewer very large issues compared with prior periods, which also contributed to an increase in year to date revenues. Revenue from annual fees for Q3 and the nine months to date, as expected, reflects the lower market capitalisations of companies on our markets, which form the basis of fees which were set at the start of the year.

In secondary markets, combined UK and Italian equity trading revenues declined 29 per cent in Q3 and 32 per cent for the year to date. Average daily value traded in Q3 on the UK order book declined 29 per cent to £4.4 billion per day, in part reflecting continued competition from alternative venues as well as an overall lower level of value traded in the markets, although it is a five per cent increase on Q2. For the year to date, average UK order book daily value traded reduced 41 per cent, partly reflecting comparison with very high trading levels in volatile markets in 2008. As a result of tariff changes in September 2009, the average yield in Q3 declined to 0.81 basis points (from an average 0.88 basis points in Q3 last year). In Italy, the average daily number of trades declined six per cent in Q3 to 239,000 trades per day, with a two per cent fall to an average 254,000 trades per day for the nine months to date.

The Group's Derivatives operations saw the total number of contracts traded in Q3 increase 22 per cent following tariff reductions earlier in the year, with a ten per cent rise for the year to date. Contracts traded on EDX rose 16 per cent, with an increase in Russian derivatives helping offset a fall in Scandinavian business. EDX successfully migrated to the SOLA trading system in December, with trading in Scandinavian derivatives dropping away, as expected, at this point. Trading on the Italian derivatives market IDEM continued to see strong gains in contract volume in Q3, with a 21 per cent year to date increase in the number of trades, although a mix shift away from index product reduced the average yield.

On the Fixed Income markets, MTS made good progress with continued growth in volume traded and revenue following the difficult trading conditions in the prior year. MTS nominal value traded on repo increased 51 per cent in Q3, and rose 16 per cent for the year to date. Cash trading (a higher yield business) increased 91 per cent in the third quarter, up 28 per cent year to date, resulting in stronger revenues despite changes to discount structures.

Post Trade

	Three months ended			Variance at constant currency	Nine months ended			Variance at constant currency
	31 Dec	31 Dec	Variance		31 Dec	31 Dec	Variance	
	2009	2008			2009	2008		
	£m	£m	%	%	£m	£m	%	%
Revenue								
Clearing	12.3	18.0	-32%	-37%	38.1	39.7	-4%	-13%
Settlement	5.0	4.5	11%	2%	15.8	12.4	27%	15%
Custody & other	11.8	10.9	8%	1%	34.6	32.4	7%	-2%
Total revenue	29.1	33.5	-13%	-20%	88.5	84.5	5%	-5%

Combined equities and derivatives clearing transaction volumes at CC&G were ten per cent higher than Q3 last year, mainly reflecting the increase in volume of derivatives contracts on IDEM. However, this did not offset the reduction in treasury management revenues which were unusually high last year following the credit market crisis in 2008. Q3 clearing revenues were broadly unchanged on Q2.

In Monte Titoli, the number of settlement instructions during the third quarter rose three per cent, feeding through to a small revenue increase in constant currency.

Custody & other revenues for Q3 were up one per cent in constant currency, with benefit from a small rise in the value of assets under custody at €2.8 trillion offset by a decline in revenue in the company secretarial services business.

In January, Kevin Milne was appointed as Director of Post Trade Services. He has over 25 years experience at a number of important service providers to the capital markets, most recently at Xtrakter where he was Chief Executive and latterly a member of Euroclear's senior management team.

Information & Technology Services

	Three months ended			Variance at constant currency	Nine months ended			Variance at constant currency
	31 Dec	31 Dec	Variance		31 Dec	31 Dec	Variance	
	2009	2008			2009	2008		
	£m	£m	%	%	£m	£m	%	%
Revenue								
Data charges	26.3	29.0	-9%	-11%	80.3	86.5	-7%	-10%
Technology & other information services	29.1	25.0	16%	15%	78.6	69.9	12%	10%
Total revenue	55.4	54.0	3%	1%	158.9	156.4	2%	-1%

At 93,000, the number of professional terminals taking London Stock Exchange data was 18,000 down at the same point last year, though only slightly reduced on the level at the half year (94,000). The number of professional users of Borsa Italiana data declined by 12,500 to 143,000 compared to the position at Q3 last year, but up 1,000 from the half year.

Non-real time data products continued to perform well overall, with solid results across a number of products, including revenue increases from Sedol, FTSE, Proquote and the server hosting business.

Operational Developments

During the quarter, the Group completed the acquisition of MillenniumIT, a Sri-Lanka based software development business, specialising in exchange and trading technology. The transaction will provide the Group with a new, high performance trading platform and an agile, efficient, in-house IT development capability. Work is underway and on track to migrate the Group's cash equities trading system to a MillenniumIT platform by the end of 2010. The acquisition also gives MillenniumIT the financial backing it needs to enable it to develop further its global exchange technology sales business, with the market reacting positively to the acquisition. Revenues for MillenniumIT derive from both sales of technology from the Proprietary Software Products division and from the Enterprise Service division which provides a range of networking and systems integration services to a number of companies, mainly in Sri Lanka.

Last month the Group announced an agreement to acquire the Turquoise MTF and merge it with the Group's Baikal dark pool platform, to form a new, pan-European trading venture in partnership with global investment banking clients. The new venture will expand the Group's services across Europe in both lit and dark trading, with the objective of driving trading volume growth and promoting venue choice. The Group will own 60 per cent of the merged entity, and intends to broaden equity participation by selling up to 9 per cent of the venture to other interested parties. The Group will fully fund the cash needs of the new venture within an agreed framework for the first 24 months from completion. The Group will incur exceptional costs of up to £20 million in the current financial year as a result of the acquisition.

Costs

The Group remains focused on cost reduction and more efficient operational delivery. Following the headcount reductions in the summer, we have recently signed agreements to reduce our occupation of our Paternoster Square offices. This is expected to generate an income statement benefit of £3 million per annum from the next financial year through rental income and property cost savings, with a cash flow benefit of £0.6 million in each of the first three years and at least £2.6 million per annum from FY 2014 onwards. Non-cash exceptional costs of £13 million are expected to be incurred this year, reflecting a

provision of £9.6 million for excess head lease costs and the write down of existing fit-out for the space to be sub-let.

Financial Position

The Group's financial position is broadly unchanged since 30 September 2009, with no change in committed credit lines.

Current trading and Outlook

Third quarter revenues reflect the testing market conditions during the period, particularly in cash equities trading, though the Group has benefitted from the breadth of its activities, with good performance in primary markets and fixed income trading, and the Information & Technology Services division has also proven resilient overall.

Since the start of calendar 2010, cash equities value traded in the UK is in-line with the average for Q3 while in Italy volumes are down 10 per cent against average daily levels in the last quarter. Derivatives trading has started slowly.

Looking ahead to the remainder of the financial year, market conditions are expected to remain testing. Actions are continuing to reduce underlying operational costs, and improve business efficiency and competitive position. We continue to work on ways to leverage the assets and develop opportunities across the Group to provide a platform for growth further ahead.

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