

15 July 2009

LONDON STOCK EXCHANGE GROUP plc
INTERIM MANAGEMENT STATEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2009

Headlines

- Against a strong prior year comparative quarter, revenue in first quarter FY 2010 (Q1) at £161.9 million was down eight per cent; down 12 per cent at constant currency
- Revenue up five per cent on the preceding quarter (Q4), and up seven per cent at constant currency

	Three months ended		Variance	Variance at constant currency	30 June		Variance	Variance at constant currency
	30 June	31 March			2008	2009		
	£m	£m	%	%	£m	%	%	
Revenue								
Capital Markets	76.4	73.9	3%	5%	95.5	-20%	-22%	
Information & Technology	52.8	51.0	4%	5%	51.0	4%	0%	
Post Trade	32.1	27.8	15%	19%	28.7	12%	1%	
Other income	0.6	0.8	-25%	0%	1.1	-45%	-45%	
Total revenue	161.9	153.5	5%	7%	176.3	-8%	-12%	

The segmental reporting of the Group's revenues has changed to reflect management re-organisation and reporting of business lines. A re-statement (unaudited) of FY 2009 quarterly revenues under the new segmental reporting is included at the end of this statement.

- Money raised on the Group's markets during the quarter was a record at £35.5 billion, mainly comprising good levels of secondary issues in London with £25.2 billion raised
- SETS average daily value traded up two per cent vs Q4 at £5.0 bn; declined 38 per cent year on year, set against an average 29 per cent fall in the FTSE 100. Trading volume at Borsa Italiana was 21 per cent higher than Q4 and up 13 per cent on last year at 296,000 trades per day; and the volume of contracts traded on the IDEM derivatives market increased 41 per cent over Q4 and 27 per cent up on the prior year
- Resilient overall performance in Information & Technology Services – good demand for non-real time data products offset the expected reduction in number of terminals taking real time data, down to 98,000 professional users of LSE information (104,000 at end of March 2009), while professional

terminals receiving Borsa Italiana data have declined by 6,000 since year end to 145,000

- Post Trade revenues increased 15 per cent vs Q4 at £32.1 million as a result of increased margin held reflecting greater trading activity in Italian equities and derivatives; up 1 per cent in constant currency on last year

Commenting on performance, Xavier Rolet, Chief Executive said:

“The Group has delivered a good overall quarter-on-quarter performance, though down on Q1 last year. Cash equities trading picked up in Italy and was broadly resilient in the UK in terms of value traded. The Primary markets benefited from a flow of further issues even though IPO activity remained subdued, and our post trade business has strengthened over the previous quarter.

“While market conditions are likely to remain challenging in the near term, the Group is taking actions to ensure we are in good shape and responding fast to changing markets. A new, leaner organisation structure is taking effect, new trading tariffs for UK cash equities trading have been announced, and work continues to ensure the Group is well placed to capture market opportunities.”

Capital Markets

	Three months ended		Variance	Variance at constant currency	30 June		Variance at constant currency
	30 June	31 March			2008	Variance	
	2009	2009			2008	%	
	£m	£m	%	%	£m	%	%
Primary Markets							
Annual fees	8.9	9.9	-10%	-9%	10.6	-16%	-19%
Admission fees	9.0	5.6	61%	61%	10.3	-13%	-13%
	17.9	15.5	15%	16%	20.9	-14%	-16%
Secondary Markets							
Cash	37.5	36.5	3%	4%	51.7	-27%	-28%
Derivatives	5.5	6.1	-10%	-8%	6.9	-20%	-25%
Fixed income	6.7	6.6	2%	5%	7.0	-4%	-12%
	49.7	49.2	1%	2%	65.6	-24%	-26%
Other	8.8	9.2	-4%	-2%	9.0	-2%	-9%
Total revenue	76.4	73.9	3%	5%	95.5	-20%	-22%

Annual fee income declined as expected following the fall in market capitalisations over the past year. Admission fee revenues increased over Q4 reflecting strong further issue activity on the UK Main Market and an increase in new issues with 19 in total across all markets in the quarter (Q4: 11).

Cash trading revenues improved over Q4 mainly due to a 19 per cent pick-up in total trading volumes in Italy, while total value traded in the UK declined very slightly. The yield on UK cash equities trading in the period was 0.93 basis points of value traded, up from 0.91 in Q4. A new tariff structure for UK cash equities trading was announced at the start of July, with effect from 1 September 2009. The tariff change will re-balance the charging between passive and aggressive trades, and will make the discount scheme more achievable in current market conditions for the most active traders, making charges for aggressive trades significantly lower than at present. This is expected to stimulate an increase in trading levels. The effect of the changes had they been applied to Q4 of the last financial year (January to March 2009) would have been a reduction in trading revenues of £3 million, assuming no alteration in the level of trading.

Baikal, the dark pool service, received regulatory approval at the end of June and has now commenced a phased launch of its liquidity aggregation service starting with smart order routing. Non-display order book trading is planned to follow later this year.

The Group's Derivatives operations saw overall contracts traded increase 10 per cent over Q4, with a nine per cent fall in EDX offset by a 41 per cent increase on IDEM where tariff changes have stimulated growth in trading volumes. Revenue declined ten per cent reflecting increased price competition in Nordic markets and the new tariff caps in the Italian market.

On the Fixed Income markets, revenue increased two per cent on Q4, primarily due to an increase in cash market and Bond Vision notional values traded, offsetting a decline in value traded in the lower margin repo markets. On MOT, Borsa Italiana's Electronic Bond and Government Securities Market, value traded increased slightly.

Information & Technology Services

	Three months ended		Variance	Variance at constant currency	30 June		Variance at constant currency
	30 June	31 March			2008	Variance	
	2009	2009			2008	Variance	
	£m	£m	%	%	£m	%	%
Revenue							
Data charges	27.4	27.9	-2%	-1%	28.7	-5%	-8%
Other	25.4	23.1	10%	11%	22.3	14%	10%
Revenue	52.8	51.0	4%	5%	51.0	4%	0%

The Information & Technology Services division delivered a good first quarter performance. The reduction in real time data revenue reflects the expected decline in the number of professional terminals taking LSE data, down 6,000 to 98,000, and a similar 6,000 fall in professional users of Borsa Italiana data to 145,000.

Other revenues strengthened as demand for various Information & Technology product lines remained good overall, with gains principally from Sedol, Proquote and FTSE.

Post Trade

	Three months ended		Variance	Variance at constant currency	30 June		Variance at constant currency
	30 June	31 March			2008	Variance	
	2009	2009			2008	Variance	
	£m	£m	%	%	£m	%	%
Revenue							
Clearing	13.8	13.0	6%	10%	12.5	10%	0%
Settlement	6.0	4.8	25%	30%	4.1	46%	33%
Custody & Other	12.3	10.0	23%	27%	12.2	1%	-10%
Revenue	32.1	27.8	15%	19%	28.7	12%	1%

The Post Trade division produced a strong revenue performance, driven by increases in interest from higher levels of margin and default funds held reflecting the growth in volume of Italian cash equities and derivatives trading. Custody revenues increased over Q4 due to a slight increase in value of assets under custody and to the seasonality of shareholder services for Servizio Titoli, now included in this segment.

Financial Position

The Group's financial position remains strong, with net borrowings at 30 June 2009 of £431 million (including £125 million of cash held for regulatory purposes), compared with £481 million on the same basis at 31 March 2009. Setting aside the cash held for regulatory purposes, net borrowings reduced from £606 million to £556 million. The reduction in borrowings benefits from the normal seasonal effects of cash inflow from annual fees in Q1 and dividend and bond interest payments occurring in later quarters.

During the quarter the Exchange successfully issued a 10 year, £250 million 9.125 per cent bond, allowing repayment in full of the £180 million bridging loan due to expire in April 2010. Along with an existing £250 million 2016 bond, this has extended the debt maturity profile of the company, locking-in £500 million as core long term debt and provided greater flexibility with bank facilities. Total debt facilities stand at £975 million, with no significant maturities until 2012.

During the quarter the Group continued to keep costs under tight control. The executive management team has been re-organised, and a leaner organisation structure across the Group has been put in place to improve efficiencies and enable faster decision making. Cost savings will arise from a resulting reduction in headcount, with employee consultation currently taking place. The costs to achieve the savings will be taken as an exceptional item.

Further information is available from:

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Basis of Preparation

Revenue for the Borsa Italiana Group for the three months ended 30 June 2009 has been translated into Sterling using the average monthly exchange rate prevalent during the period of €1.14:£1 (2008: €1.26:£1). Constant currency growth rates have been calculated by translating prior period results at the average monthly exchange rates for the current period.

Key Performance Indicators

Capital Markets - Primary Markets

	Three months ended				
	30 June	31 March	Variance	30 June	Variance
	2009	2009	%	2008	%
New Issues					
Main Market, PSM & SFM	9	4	125%	33	-73%
AIM	8	5	60%	37	-78%
Blt	2	2	0%	3	-33%
Total	19	11	73%	73	-74%
Company Numbers (as at period end)					
Main Market, PSM & SFM	1,513	1,530	-1%	1,594	-5%
AIM	1,413	1,478	-4%	1,657	-15%
Blt	295	296	0%	306	-4%
Total	3,221	3,304	-3%	3,557	-9%
Market capitalisation (as at period end)					
Main Market (UK only) (£bn)	1,334	1,170	14%	1,661	-20%
AIM (£bn)	48	38	26%	91	-47%
Borsa Italiana (€bn)	379	314	21%	551	-31%
Borsa Italiana (£bn)	325	289	12%	436	-25%
Total (£bn)	1,707	1,497	14%	2,188	-22%
Money raised (£bn)					
LSE New money raised	0.2	0.1	100%	5.3	-96%
LSE Further money raised	25.2	29.5	-15%	25.9	-3%
Borsa Italiana new and further	10.1	2.8	261%	3.4	197%
Total money raised	35.5	32.4	10%	34.6	3%

Capital Markets - Secondary Markets

	Three months ended				
	30 June	31 March	Variance	30 June	Variance
	2009	2009	%	2008	%
Equity Volume Bargains (m)					
LSE	42.4	44.3	-4%	42.4	0%
Borsa Italiana	18.3	15.4	19%	16.8	9%
Total	60.7	59.7	2%	59.2	3%
Equity Value Traded					
LSE (£bn)	304	306	-1%	506	-40%
Borsa Italiana (€bn)	190	121	57%	322	-41%
Borsa Italiana (£bn)	167	110	52%	255	-35%
Total (£bn)	471	416	13%	761	-38%
Equity Average Daily Bargains ('000)					
LSE	696	703	-1%	673	3%
Borsa Italiana	296	245	21%	263	13%
Total	992	948	5%	936	6%
Equity Average Daily Value Traded					
LSE (£bn)	5.0	4.9	2%	8.0	-38%
Borsa Italiana (€bn)	3.1	1.9	63%	5.0	-38%
Borsa Italiana (£bn)	2.7	1.7	59%	4.0	-33%
Total (£bn)	7.7	6.6	17%	12.0	-36%
Equity Average Bargain Size					
LSE (£'000)	7.2	6.9	4%	11.9	-39%
Borsa Italiana (€000)	10.4	7.8	33%	19.2	-46%
SETS Yield					
Yield per bargain £	0.66	0.63	5%	1.04	-37%
Yield basis points	0.93	0.91	2%	0.87	7%
Derivatives (contracts m)					
EDX	14.4	15.9	-9%	15.2	-5%
IDEM	13.7	9.7	41%	10.8	27%
Total	28.1	25.6	10%	26.0	8%
Fixed Income					
MTS cash markets (€bn nominal)	201	168	20%	268	-25%
MTS money markets (€bn nominal)	4,082	4,137	-1%	4,852	-16%
MTS Bondvision (€bn nominal)	147	128	15%	134	10%
MTS Total (€bn nominal)	4,430	4,433	0%	5,254	-16%
Borsa Italiana MOT (€bn)	63	62	2%	42	50%
Borsa Italiana MOT number of trades (m)	0.9	1.0	-10%	0.7	29%

Information & Technology Services

	Three months ended				
	30 June	31 March	Variance	30 June	Variance
	2009	2009	%	2008	%
LSE Terminals					
Professional - UK	40,000	42,000	-5%	45,000	-11%
Professional - International	58,000	62,000	-6%	67,000	-13%
Total	98,000	104,000	-6%	112,000	-13%

Borsa Italiana Professional Terminals	145,000	151,000	-4%	161,000	-10%
Proquote	4,900	4,800	2%	4,300	14%
Borsa Italiana Market Connect	28,000	26,000	8%	21,000	33%
Sedol - no of instruments covered (million)	6.6	5.0	32%	4.8	38%

Post Trade

	Three months ended				
	30 June	31 March	Variance	30 June	Variance
	2009	2009	%	2008	%
CC&G Clearing:					
Equity Clearing (m)	18.9	15.9	19%	17.1	11%
Derivative Clearing (m)	13.7	9.7	41%	10.8	27%
Total Contracts (m)	32.6	25.6	27%	27.9	17%
Open interest (m) (as at period end)	4.1	4.6	-11%	3.3	24%
Monte Titoli:					
Settlement Instructions (m)	15.2	11.9	28%	11.5	32%
Custody assets under management (€tn)	2.7	2.7	0%	2.8	-4%

Appendix

The segmental reporting of the Group's revenues has changed to reflect management re-organisation and associated changes in reporting of business lines to the Chief Operating Decision Maker. A re-statement (unaudited) of FY 2009 quarterly revenues under the new segmental reporting is detailed below. The principal changes are:

- Annual and Admission fee income from companies listed/admitted to trading on our markets are now part of Capital Markets, along with revenues from cash equities, derivatives and fixed income trading
- RNS and training/consultancy services (previously part of Issuer Services) are included in the Information & Technology Services segment
- Servizio Titoli (previously part of Issuer Services) is now part of Post Trade
- MTS data and indices revenues (previously part of Information Services) moves to Capital Markets
- Third party Bit Systems revenues (previously part of Other revenues) are included in the Information & Technology Services segment
- JSE income for use of trading systems (previously part of Trading Services) moves to the Information & Technology Services segment
- Rental income from the sub-letting of surplus property (FY 2009: £5.9m), previously included in Revenue, has been transferred to Other Income

	FY2009				
	Q1	Q2	Q3	Q4	Full year
Annual Fees	10.6	10.2	10.3	9.9	41.0
Admission Fees	10.3	6.5	5.7	5.6	28.1
Cash	51.7	53.4	42.6	36.5	184.1
Derivatives	6.9	6.6	6.0	6.1	25.6
Fixed Income	7.0	5.9	6.2	6.6	25.8
Other	9.0	9.4	9.2	9.2	36.8
Capital Markets	95.5	92.0	80.1	73.9	341.5
Data Charges	28.7	28.8	29.0	27.9	114.4
Other	22.3	22.5	25.0	23.1	92.9
Information & Technology	51.0	51.3	54.0	51.0	207.3
Clearing	12.5	9.2	18.0	13.1	52.8
Settlement	4.1	3.9	4.5	4.8	17.2
Custody & Other	12.2	9.3	10.9	10.0	42.4
Post Trade	28.7	22.4	33.5	27.8	112.4
Other	1.1	0.6	1.8	0.7	4.3
Total Revenue	176.3	166.3	169.4	153.5	665.4