

27 January 2011

LONDON STOCK EXCHANGE GROUP plc

INTERIM MANAGEMENT STATEMENT FOR THE PERIOD TO 26 JANUARY 2011, INCLUDING REVENUES AND KPIS FOR THE THREE MONTHS ENDED 31 DECEMBER 2010

Revenues and KPIS for three months ended 31 December 2010 ("Q3"):

- Strong increase in total income, up six per cent on Q3 last year (up nine per cent at constant currency) at £165.9 million
- Sequential growth in total income of nine per cent on Q2
- Capital Markets saw a strong performance from primary markets with a 75 per cent increase in number of new issues on the Group's markets, including continued good growth in international IPOs; primary markets revenue rose five per cent
- Also in Capital Markets, secondary markets saw an increase of nine per cent from fixed income trading revenue due to strong growth in MTS money markets, offset by a decline of five per cent in the value of UK cash equities traded, a three per cent decline in volumes in Italy and a decrease in volumes of 10 per cent at IDEM. Overall this led to a decline in secondary market revenues of nine per cent
- Share of order book trading in UK cash equities in Q3 averaged 63.8 per cent, continuing the stabilisation in share since the start of the financial year (63.1 per cent over the past nine months); in Italy the share of order book trading in the period was 82.5 per cent and 84.0 per cent for the year to date
- Post Trade Services total income was up 33 per cent, driven by an increase in treasury management income from clearing operations
- Information Services revenues increased two per cent; the total number of professional users of real time information remained at the same level as the half year and broadly unchanged year on year, while other information products delivered good revenue growth
- Technology Services revenues rose 11 per cent, reflecting full quarter revenue at MillenniumIT compared with partial Q3 contribution last year

Operational Developments:

- Millennium Exchange trading system successfully launched on Turquoise in Q3 and from the outset has been performing at class leading speeds; roll out to the UK cash market is scheduled for 14 February 2011

- Successful migration of the IDEM derivatives business on to the SOLA trading system in past quarter
- CC&G extended operations, providing CCP services to the MOT Italian retail bond market, and CC&G went live with the collateralised section of the Interbank Deposit Market, replacing a Bank of Italy service
- In Information Services, the first client has commenced directly reporting its global real-time terminal inventory following an initiative to simplify client reporting of data use and remove duplication of costs for individual users
- In Technology Services, the London data centre has been opened to non-trading market participants, including vendors and service providers, for faster receipt and distribution of trading data
- The Group has signed a strategic partnership agreement to develop the Mongolian Stock Exchange, providing MillenniumIT technology and capital markets advisory services to modernise and develop the Mongolian exchange

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

“This has been another good quarter for us with growth of six per cent in Group total income, up nine per cent in constant currency, and particularly strong performances from the treasury management part of Post Trade Services and MTS, our pan-European fixed income market. At the macro level, the IPO market trends continue to be very encouraging and the pipeline remains strong.

“Development work for derivatives trading on Turquoise is going well and we are on schedule for launch in calendar Q2. Preparation is also advanced for the roll out of the Millennium Exchange trading platform for the UK equities market next month. We continue to work on further ways to leverage the Group’s portfolio of assets and to develop opportunities to drive growth.”

Nine months to 31 December 2010

Total income increased three per cent year on year to £484.3 million (up five per cent at constant currency; up two per cent on organic, constant currency basis excluding Turquoise and MillenniumIT). Including treasury management income within Post Trade Services, there has been growth year to date in all divisions other than Capital Markets.

Current trading and Outlook

Calendar 2011 has started well relative to Q3 with cash equities average value traded in the UK up 15 per cent at £4.8bn per day (down two per cent on January last year) and share of trading remains steady at 63.0 per cent. In Italy volumes are up 37 per cent against average daily levels in the last quarter (up 29 per cent on January last year). MTS fixed income trading is ahead of Q3 average levels and up on January last year, while IDEM derivative volumes are down slightly on Q3 but up on January last year. Post Trade operations are benefitting from improved trading levels. In primary markets the pipeline for new issues remains very encouraging with a number of international and domestic companies planning capital raising in the period ahead.

Focus remains on improving business efficiency, ensuring the successful roll out of new technology for the UK cash equities market on 14 February 2011 and extending our product offerings. Development work for launch of derivatives trading through Turquoise is a current priority and other work continues across the Group to provide a platform for longer-term growth.

Q3 Revenue Summary

Revenues for three months and nine months ended 31 December 2010, 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 December				31 December			
	2010	2009	Variance		2010	2009	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Capital Markets	69.4	72.0	(4%)	(2%)	206.2	223.3	(8%)	(6%)
Post Trade Services	23.9	25.7	(7%)	(2%)	72.2	75.3	(4%)	(0%)
Information Services	43.9	43.0	2%	4%	131.4	128.7	2%	3%
Technology Services	11.4	10.3	11%	11%	35.8	24.1	49%	50%
Other	0.5	0.3			1.3	1.3		
Total revenue	149.1	151.3	(1%)	1%	446.9	452.7	(1%)	1%
Net treasury income through CCP business	14.8	3.4	330%	348%	31.6	13.1	141%	151%
Other income	2.0	1.5	30%	33%	5.8	4.6	26%	26%
Total income	165.9	156.3	6%	9%	484.3	470.4	3%	5%

More detailed revenues by segment are provided in tables below:

Capital Markets

	Three months ended			Variance at constant currency	Nine months ended			Variance at constant currency
	31 December				31 December			
	2010	2009	Variance		2010	2009	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Primary Markets								
Annual fees	9.6	8.7	10%	12%	28.3	26.2	8%	10%
Admission fees	9.5	9.5	0%	0%	24.8	26.3	(6%)	(5%)
	19.1	18.2	5%	6%	53.1	52.5	1%	2%
Secondary Markets								
Cash equities UK	19.5	23.0	(15%)	(15%)	63.4	76.7	(17%)	(17%)
Cash equities Italy	6.8	7.1	(4%)	1%	21.5	24.3	(12%)	(8%)
Derivatives	3.8	4.7	(19%)	(16%)	12.3	15.2	(19%)	(17%)
Fixed income	8.3	7.6	9%	15%	22.9	21.3	8%	12%
	38.4	42.4	(9%)	(7%)	120.1	137.5	(13%)	(11%)
Other	11.9	11.4	4%	8%	33.0	33.3	(1%)	2%
Total revenue	69.4	72.0	(4%)	(2%)	206.2	223.3	(8%)	(6%)

Post Trade Services

	Three months ended			Variance at constant currency	Nine months ended			Variance at constant currency
	31 December				31 December			
	2010	2009	Variance		2010	2009	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Clearing	8.4	8.9	(6%)	0%	25.2	24.9	1%	5%
Settlement	4.5	5.0	(10%)	(6%)	13.4	15.8	(15%)	(12%)
Custody & other	11.0	11.8	(7%)	(2%)	33.6	34.6	(3%)	1%
Total revenue	23.9	25.7	(7%)	(2%)	72.2	75.3	(4%)	(0%)
Net treasury income through CCP business	14.8	3.4	330%	348%	31.6	13.1	141%	151%
Total income	38.7	29.1	33%	40%	103.8	88.4	17%	22%

Information Services

	Three months ended			Variance at constant currency	Nine months ended			Variance at constant currency
	31 December				31 December			
	2010	2009	Variance		2010	2009	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Real time data	24.4	26.3	(7%)	(6%)	72.6	80.3	(10%)	(8%)
Other information services	19.5	16.7	17%	18%	58.8	48.4	21%	23%
Total revenue	43.9	43.0	2%	4%	131.4	128.7	2%	3%

Technology Services

	Three months ended			Variance at constant currency	Nine months ended			Variance at constant currency
	31 December				31 December			
	2010	2009	Variance		2010	2009	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
MillenniumIT	4.1	2.6	58%	52%	13.1	2.6	-	-
Technology	7.3	7.7	(5%)	(4%)	22.7	21.5	6%	7%
Total revenue	11.4	10.3	11%	11%	35.8	24.1	49%	50%

Financial Position

The Group's financial position is broadly unchanged since 30 September 2010. As announced in November, the Group re-financed £225 million of its bank lines with a new £250 million, five year revolving credit facility, with committed credit lines for general group purposes totalling £1 billion, of which £750 million extends to 2015 or beyond.

The euro decreased 5 per cent against sterling Q3 over Q3 last year – a €0.05 decrease in the average euro:sterling rate for the full year reduces operating profit total by c£6.6 million.

Further information is available from:

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Basis of Preparation

Results for Borsa Italiana for the periods ended 31 December 2010 have been translated into Sterling using the average monthly exchange rate for the period of €1.164: £1. Constant currency growth rates have been calculated by translating prior period results at the average exchange rate for the current period.

Average €£ rate 3 months ended 31 December 2010	Closing €£ rate at 31 December 2010	Average €£ rate 9 months ended 31 December 2010	Average €£ rate 3 months ended 31 December 2009	Closing €£ rate at 31 December 2009	Average €£ rate 9 months ended 31 December 2009
€1.164	€1.167	€1.180	€1.106	€1.123	€1.131

Appendix

Capital Markets - Primary Markets

	Three months ended			Nine months ended		
	31 December		Variance %	31 December		Variance %
	2010	2009		2010	2009	
New Issues						
UK Main Market, PSM & SFM	25	14	79%	59	36	64%
UK AIM	35	18	94%	86	31	177%
Borsa Italiana	3	4	(25%)	6	6	0%
Total	63	36	75%	151	73	107%
Company Numbers (as at period end)						
UK Main Market, PSM & SFM	1,475	1,499	(2%)			
UK AIM	1,195	1,293	(8%)			
Borsa Italiana	296	296	0%			
Total	2,966	3,088	(4%)			
Market Capitalisation (as at period end)						
UK Main Market (£bn)	1,952	1,732	13%			
UK AIM (£bn)	79	57	39%			
Borsa Italiana (€bn)	425	457	(7%)			
Borsa Italiana (£bn)	366	406	(10%)			
Total (£bn)	2,397	2,195	9%			
Money Raised (£bn)						
UK New	3.6	1.0	260%	8.7	2.2	295%
UK Further	6.8	20.8	(67%)	18.3	51.7	(65%)
Borsa Italiana new and further	2.0	2.1	(5%)	3.1	13.6	(77%)
Total (£bn)	12.4	23.9	(48%)	30.1	67.5	(55%)

Capital Markets - Secondary Markets

	Three months ended			Nine months ended		
	31 December		Variance %	31 December		Variance %
	2010	2009		2010	2009	
Equity Volume Bargains (m)						
UK	33.8	34.5	(2%)	109.9	112.9	(3%)
Borsa Italiana	14.6	15.0	(3%)	46.7	48.5	(4%)
Total	48.4	49.5	(2%)	156.6	161.4	(3%)
Equity Value Traded						
UK (£bn)	268	283	(5%)	881	863	2%
Borsa Italiana (€bn)	165	175	(6%)	579	552	5%
Borsa Italiana (£bn)	142	159	(11%)	492	490	0%
Total (£bn)	410	442	(7%)	1,373	1,353	1%
Equity Average Daily Bargains ('000)						
UK	528	539	(2%)	578	594	(3%)
Borsa Italiana	229	239	(4%)	242	254	(5%)
Total	757	778	(3%)	820	848	(3%)
Equity Average Daily Value Traded						
UK (£bn)	4.2	4.4	(5%)	4.6	4.5	2%
Borsa Italiana (€bn)	2.6	2.8	(7%)	3.0	2.9	3%
Borsa Italiana (£bn)	2.2	2.5	(12%)	2.5	2.6	(4%)
Total (£bn)	6.4	6.9	(7%)	7.1	7.1	0%
SETS Yield (basis points)	0.72	0.81	(11%)	0.71	0.88	(19%)
Derivatives (contracts m)						
	Three months ended			Nine months ended		
	31 December		Variance %	31 December		Variance %
	2010	2009		2010	2009	
EDX	9.0	15.3	(41%)	26.2	46.6	(44%)
of which Russian / IOB	8.3	11.4	(27%)	24.0	28.6	(16%)
IDEM	9.5	10.6	(10%)	36.1	32.9	10%
Total	18.5	25.9	(29%)	62.3	79.5	(22%)
Fixed Income						
MTS cash and Bondvision (€bn)	649	668	(3%)	1,896	1,699	12%
MTS money markets (€bn term adjusted)	15,827	10,441	52%	47,123	28,729	64%
MOT (€bn)	57	51	12%	171	167	2%
MOT number of trades (m)	1.11	0.78	42%	2.95	2.52	17%

Post Trade Services

	Three months ended			Nine months ended		
	31 December		Variance %	31 December		Variance %
	2010	2009		2010	2009	
CC&G Clearing (m)						
Equity clearing (trades)	15.2	15.9	(4%)	49.3	50.6	(3%)
Derivative clearing (contracts)	9.5	10.6	(10%)	36.0	32.9	9%
Total Contracts	24.7	26.5	(7%)	85.3	83.5	2%
Open interest (contracts as at period end)	3.0	2.9	3%			
Monte Titoli						
Pre Settlement instructions (trades m)	7.5	8.2	(9%)	22.6	26.4	(14%)
Settlement instructions (trades m)	9.4	11.4	(18%)	29.3	37.8	(22%)
Custody assets under management (average €tn)	3.00	2.95	2%	2.99	2.85	5%

Information Services

	Three months ended		
	31 December		Variance %
	2010	2009	
UK Terminals			
Professional - UK	38,000	38,000	0%
Professional - International	55,000	55,000	0%
Total	93,000	93,000	0%
Borsa Italiana Professional Terminals	140,000	143,000	(2%)

Total Income – Quarterly

£ millions	FY 2010				FY 2010	FY 2011		
	Q1	Q2	Q3	Q4		Q1	Q2	Q3
Annual Fees	8.9	8.6	8.7	9.0	35.2	9.3	9.4	9.6
Admission Fees	9.0	7.7	9.5	7.8	34.0	8.8	6.5	9.5
Cash equities UK	28.4	25.3	23.0	25.1	101.8	24.4	19.6	19.5
Cash equities Italy	9.1	8.1	7.1	7.4	31.7	8.7	6.0	6.8
Derivatives	5.5	5.0	4.7	4.3	19.5	4.9	3.5	3.8
Fixed Income	6.7	7.1	7.6	7.9	29.3	7.4	7.2	8.3
Other	11.0	10.9	11.4	10.5	43.8	10.7	10.5	11.9
Capital Markets	78.6	72.7	72.0	72.0	295.3	74.2	62.7	69.4
Clearing	8.9	7.1	8.9	8.5	33.4	9.7	7.2	8.4
Settlement	6.0	4.8	5.0	5.3	21.1	5.0	3.9	4.5
Custody & other	12.3	10.5	11.8	10.9	45.5	12.2	10.3	11.0
Post Trade Services	27.2	22.4	25.7	24.7	100.1	26.9	21.4	23.9
Real time data	27.4	26.6	26.3	23.4	103.7	24.0	24.3	24.4
Other information	16.7	15.0	16.7	17.3	65.5	20.0	19.1	19.5
Information Services	44.1	41.6	43.0	40.7	169.2	44.0	43.4	43.9
MillenniumIT	-	-	2.6	4.1	6.7	4.9	4.1	4.1
Technology	6.6	7.2	7.7	11.2	32.7	7.6	7.9	7.3
Technology Services	6.6	7.2	10.3	15.3	39.4	12.5	12.0	11.4
Other	0.5	0.3	0.3	0.4	1.5	0.4	0.4	0.5
Total Revenue	157.0	144.2	151.3	153.1	605.5	158.2	139.9	149.1
Net treasury income through CCP business	4.9	4.8	3.4	3.1	16.2	5.9	10.8	14.8
Other income	1.3	1.8	1.5	1.9	6.5	1.9	1.9	2.0
Total income	163.2	150.8	156.3	158.1	628.3	166.0	152.6	165.9

Note: Minor rounding differences may mean quarterly and other segmental figures may differ slightly