

22 January 2009

**LONDON STOCK EXCHANGE GROUP plc**  
**INTERIM MANAGEMENT STATEMENT**  
**FOR THE THREE MONTHS ENDED 31 DECEMBER 2008**

***Highlights:***

Three months to 31 December 2008:

- Revenue up four per cent to £171.0 million; down three per cent at constant currency
- SETS volumes continued to grow, increasing 20 per cent to 777,000 trades per day, driven by a very strong October. SETS value traded declined 30 per cent, set against an average 34 per cent fall in the FTSE 100 compared to the prior period. Trading volume at Borsa Italiana was seven per cent lower at 253,000 trades per day
- Money raised on the Group's markets was up 145 per cent to £29.7 billion, the second highest quarter on record – mainly comprising £27.8 billion raised in secondary issues in London
- Demand for LSE real time data remained resilient with 111,000 professional users of LSE information, up 4,000 over last year although 1,000 down since the half year; professional terminals receiving Borsa Italiana data were 3,000 down on last year to 155,500, and 5,500 down on the number at the half year
- Post Trade Services revenues increased 60 per cent to £30.9 million as a result of an increase in margin and reserve fund deposits, and the strength of the Euro (revenue up 34 per cent at constant currency)
- Italian cash equities market successfully migrated to TradElect in early November; overall integration programme is on schedule to deliver the increased synergies announced at the Interim results

Nine months year to date:

- Revenue up five per cent to £516.5 million; a one per cent decrease on a pro forma basis at constant currency

- SETS volumes up 28 per cent to 752,000 trades per day. SETS value traded declined 12 per cent, a resilient performance set against an average 19 per cent fall in the FTSE 100 over the comparative period. Trading volume at Borsa Italiana was eight per cent lower at 259,000 trades per day
- Money raised on the Group's markets increased 74 per cent to £73.3 billion – principally comprising £61.7 billion in secondary issues in London
- Revenues from Information Services up 16 per cent to £136.9 million, partly reflecting the overall increase in terminals taking real time data over the comparable period

Commenting on performance in the past quarter, Clara Furse, Chief Executive said:

“The Exchange has delivered a good overall performance in what are very difficult conditions for financial markets. Capital raising on our markets in the UK has been strong with a near record in terms of money raised in the quarter, and while new issues remain subdued we are seeing a continued flow of secondary issues.

“Trading in the past quarter, in common with other major markets, became weaker, mainly reflecting the 34 per cent fall in average value of the FTSE 100 and a 47 per cent average reduction in the S&P MIB index equity market. However, we are pleased to have successfully introduced TradElect in Italy during the period, to quickly move to a common trading platform for our major cash equity markets.”

## Financial results

London Stock Exchange Group plc (the “Exchange”) today reports results for the three months ended 31 December 2008, with comparatives against actual performance last year. A summary of performance for the nine months to date is also provided with comparative period data provided on a pro forma basis as if Borsa Italiana had been acquired on 1 April 2007 (“pro forma basis”). 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		Variance		31 December		Variance	
	2008	2007			2008	2007		
	£m	£m	%	%	£m	£m	%	%
<b>Revenue</b>								
Issuer	22.5	25.1	-10%	-15%	71.9	76.2	-6%	-10%
Trading	64.8	74.2	-13%	-17%	215.9	227.2	-5%	-9%
Information	47.1	41.1	15%	9%	136.9	118.1	16%	12%
Post Trade	30.9	19.3	60%	34%	77.6	60.3	29%	12%
Other income	5.7	4.7	21%	10%	14.2	11.6	22%	15%
<b>Total revenue</b>	<b>171.0</b>	<b>164.4</b>	<b>4%</b>	<b>-3%</b>	<b>516.5</b>	<b>493.4</b>	<b>5%</b>	<b>-1%</b>

Good performance in the Information and Post Trade businesses helped deliver a four per cent increase in third quarter revenues of £171.0 million, assisted also by a 19 per cent appreciation of the Euro against Sterling during the period (revenues three per cent lower in constant currency). Issuer and Trading Services reflected the market slowdown in Q3, resulting from the continued effects of the crisis in financial markets.

The same general trends are reflected in the performance for the nine months to date with Group revenue up five per cent to £516.5 million (revenues one per cent lower in constant currency).

## Issuer Services

	Three months ended			Variance at constant currency	Nine months ended			Variance at constant currency
	31 December		Variance		31 December		Variance	
	2008	2007			2008	2007		
	£m	£m	%	%	£m	£m	%	%
<b>Revenue</b>								
Annual fees	10.3	10.2	1%	-6%	31.1	30.4	2%	-3%
Admission fees	5.8	8.7	-33%	-36%	22.5	28.6	-21%	-23%
RNS, other	6.4	6.1	5%	-4%	18.3	17.2	6%	0%
<b>Revenue £m</b>	<b>22.5</b>	<b>25.1</b>	<b>-10%</b>	<b>-15%</b>	<b>71.9</b>	<b>76.2</b>	<b>-6%</b>	<b>-10%</b>

Reflecting the difficult market environment for IPO capital raising resulting from the global crisis in financial markets, Issuer Services saw a decline in new issue activity in the third quarter, with revenue down 10 per cent to £22.5 million, contributing 13 per cent of total Group revenue.

	Three months ended 31 December			Nine months ended 31 December		
	2008	2007		2008	2007	
<b>New Issues</b>						
Main Market, PSM & SFM	12	34	-65%	61	107	-43%
AIM	22	67	-67%	82	230	-64%
Borsa Italiana	1	7	-86%	5	30	-83%
<b>Total</b>	<b>35</b>	<b>108</b>	<b>-68%</b>	<b>148</b>	<b>367</b>	<b>-60%</b>
<b>Company Numbers (as at 31 December)</b>						
Main Market, PSM & SFM	1,546	1,613	-4%			
AIM	1,550	1,694	-9%			
Borsa Italiana	300	307	-2%			
<b>Total</b>	<b>3,396</b>	<b>3,614</b>	<b>-6%</b>			
<b>Market capitalisation (as at 31 December)</b>						
Main Market (UK only) (£bn)	1,288	1,932	-33%			
AIM (£bn)	38	98	-61%			
Borsa Italiana (€bn)	375	734	-49%			
Borsa Italiana (£bn)	339	529	-36%			
<b>Total (£bn)</b>	<b>1,665</b>	<b>2,559</b>	<b>-35%</b>			
<b>IPOs</b>						
Main Market, PSM & SFM	3	23	-87%	30	71	-58%
AIM	1	44	-98%	27	144	-81%
Borsa Italiana	0	7	-100%	5	29	-83%
<b>Total</b>	<b>4</b>	<b>74</b>	<b>-95%</b>	<b>62</b>	<b>244</b>	<b>-75%</b>

The total amount of new capital raised on the Exchange's markets in Q3 was £29.7 billion (2007: £12.1 billion), including 84 secondary issues on the Main Market raising a total of £27.5 billion (2007: 106 secondary issues; £1.3bn).

On a year to date basis, Issuer Services revenue declined six percent on a pro forma basis to £71.9 million, largely reflecting the lower level of new issues on the Exchange's markets resulting from volatile market conditions during the course of the year.

## Trading Services

	Three months ended			Variance at constant currency	Nine months ended			Variance at constant currency
	31 December		Variance		31 December		Variance	
	2008	2007			2008	2007		
	£m	£m	%	%	£m	£m	%	%
<b>Revenue</b>								
Cash	42.6	53.6	-21%	-22%	147.7	159.1	-7%	-9%
Derivatives	6.0	5.5	9%	0%	19.5	17.3	13%	5%
Fixed income	6.3	6.7	-6%	-20%	19.2	24.3	-21%	-30%
Other	9.9	8.4	18%	4%	29.5	26.5	11%	1%
<b>Revenue £m</b>	<b>64.8</b>	<b>74.2</b>	<b>-13%</b>	<b>-17%</b>	<b>215.9</b>	<b>227.2</b>	<b>-5%</b>	<b>-9%</b>

The Trading Services division saw a 13 per cent decline in Q3 revenues to £64.8 million, mainly reflecting the reduction in value traded in cash equities in the UK (the principal driver of trading revenue at LSE) and a slow down in trading volumes in Italy. Trading Services contributed 38 per cent of Group revenues in the quarter.

On a year to date basis, revenue decreased five per cent to £215.9 million.

	Three months ended			Nine months ended		
	31 December		2008	31 December		2007
	2008	2007		2008	2007	
<b>Equity Volume Bargains (m)</b>						
LSE	49.7	41.3	20%	144.4	110.7	30%
Borsa Italiana	15.7	16.8	-7%	49.5	52.8	-6%
<b>Total</b>	<b>65.4</b>	<b>58.1</b>	<b>13%</b>	<b>193.9</b>	<b>163.5</b>	<b>19%</b>
<b>Equity Value Traded</b>						
LSE (£bn)	397	570	-30%	1,465	1,656	-12%
Borsa Italiana (€bn)	150	374	-60%	718	1,207	-41%
Borsa Italiana (£bn)	124	264	-53%	574	850	-32%
<b>Total (£bn)</b>	<b>521</b>	<b>834</b>	<b>-38%</b>	<b>2,039</b>	<b>2,506</b>	<b>-19%</b>
<b>Equity Average Daily Bargains ('000)</b>						
LSE	777	645	20%	752	586	28%
Borsa Italiana	253	271	-7%	259	281	-8%
<b>Total</b>	<b>1,030</b>	<b>916</b>	<b>12%</b>	<b>1,011</b>	<b>867</b>	<b>17%</b>
<b>Equity Average Daily Value Traded</b>						
LSE (£bn)	6.2	8.9	-30%	7.6	8.8	-14%
Borsa Italiana (€bn)	2.4	6.0	-60%	3.8	6.4	-41%
Borsa Italiana (£bn)	2.0	4.3	-53%	3.0	4.5	-33%
<b>Total (£bn)</b>	<b>8.2</b>	<b>13.2</b>	<b>-38%</b>	<b>10.6</b>	<b>13.3</b>	<b>-20%</b>
<b>Equity Average Bargain Size</b>						
LSE (£'000)	8.0	13.8	-42%	10.2	15.0	-32%
Borsa Italiana (€000)	9.6	22.2	-57%	14.5	22.9	-37%

Trading volumes on SETS, the UK electronic order book, remained good with average daily bargains up 20 per cent, reflecting the continued growth in high frequency, algorithmic traders using the low latency trading opportunities provided by our platform, and also boosted by the strong trading in October. In terms of value traded on SETS, there was a daily average £6.2 billion traded during the quarter, a fall of 30 per cent, reflecting a 34 per cent drop in the average value of the FTSE 100 over the same period. The average value of a SETS bargain in Q3 decreased to £8,000 with the yield per bargain £0.70 (2007: £1.12, including order management fees in place at the time), representing a yield of 0.88 basis points of value traded (2007: 0.81 basis points).

The average daily number of trades in Italy in Q3 declined seven per cent, reflecting the difficult market conditions and a 47 per cent average fall in the value of the S&P MIB index. In November, the modern lower latency TradElect platform was successfully migrated to Borsa Italiana.

	Three months ended			Nine months ended		
	31 December			31 December		
	2008	2007		2008	2007	
<b>Derivatives (contracts m)</b>						
EDX	13.2	12.5	6%	45.2	34.0	33%
IDEM	8.0	8.6	-7%	27.3	28.6	-5%
<b>Total</b>	<b>21.2</b>	<b>21.1</b>	<b>0%</b>	<b>72.5</b>	<b>62.6</b>	<b>16%</b>
<b>Fixed Income (Nominal Value Traded)</b>						
Borsa Italiana MOT (€bn)	56.4	36.4	55%	134.8	110.2	22%
Borsa Italiana MOT number of trades (m)	1.0	0.6	67%	2.3	2.0	15%
MTS (€bn)	3,937	4,279	-8%	13,878	15,222	-9%

The Exchange's Derivatives operations saw contracts traded remain flat overall in the third quarter. EDX London recorded a six per cent increase in contracts traded, driven in part by further growth in Russian derivatives. Trading on the Italian derivatives market IDEM reduced slightly, reflecting the decline in the Italian equities market. In December, the Exchange completed the purchase of the 24 per cent share of EDX London held by Nasdaq OMX, for a total consideration of £5.25 million.

On the Fixed Income markets, trading conditions in Q3 remained testing as a consequence of the credit market liquidity crisis. On MTS, nominal value traded on repo and cash trading decreased eight per cent in total although on MOT, Borsa Italiana's Electronic Bond and Government Securities Market, value traded increased 55 per cent.

## Information Services

	Three months ended			Variance at constant currency	Nine months ended			Variance at constant currency
	31 December		Variance		31 December		Variance	
	2008	2007			2008	2007		
	£m	£m	%	%	£m	£m	%	%
<b>Revenue</b>								
Data charges	30.6	28.2	9%	2%	91.2	80.6	13%	8%
Other	16.5	12.9	28%	25%	45.7	37.6	22%	19%
<b>Revenue £m</b>	<b>47.1</b>	<b>41.1</b>	<b>15%</b>	<b>9%</b>	<b>136.9</b>	<b>118.1</b>	<b>16%</b>	<b>12%</b>

The Information Services division produced a very strong third quarter performance, with a 15 per cent revenue increase to £47.1 million, comprising 28 per cent of total Group income. During the quarter there was a small non-recurring element of data income, and an increase in network revenues as market users upgraded to higher speed access to our markets.

For the nine months to date, revenue increased 16 per cent to £136.9 million, partly reflecting the overall higher level of terminals receiving real time data over the comparative period.

	31 December		Variance	31-March	
	2008	2007		%	2008
<b>LSE Terminals</b>					
Professional - UK	44,500	44,000	1%	45,000	-1%
Professional - International	66,500	63,000	6%	67,000	-1%
<b>LSE Total</b>	<b>111,000</b>	<b>107,000</b>	<b>4%</b>	<b>112,000</b>	<b>-1%</b>
Borsa Italiana - Professional	155,500	158,500	-2%	160,000	-3%

At 144,000, the total number of terminals taking London Stock Exchange data was 11,000 above the level at end of December 2007. Professional terminals stood at 111,000 at the end of Q3, up 4,000 over the comparable period last year although down 1,000 during the quarter.

The number of professional users of the Borsa Italiana data reduced 3,000 from the comparative period last year, and are 5,500 down since the half year.

## Post Trade Services

	Three months ended 31 December			Variance at constant currency	Nine months ended 31 December			Variance at constant currency
	2008	2007	Variance		2008	2007	Variance	
	£m	£m	%		£m	£m	%	
<b>Revenue</b>								
Clearing	18.0	8.3	117%	80%	39.7	26.4	50%	31%
Settlement	4.5	3.7	22%	2%	12.5	11.4	10%	-4%
Custody	8.4	7.3	15%	-5%	25.4	22.5	13%	-2%
<b>Revenue £m</b>	<b>30.9</b>	<b>19.3</b>	<b>60%</b>	<b>34%</b>	<b>77.6</b>	<b>60.3</b>	<b>29%</b>	<b>12%</b>

The Post Trade Services division delivered another very strong revenue performance given the decline in trading volumes in the markets in which it operates. Revenues reflect the strength of the Euro and higher clearing revenues associated with treasury management, with the post trade operations contributing 18 per cent of Group revenues. On a year to date basis revenues increased 29 percent.

	Three months ended 31 December			Nine months ended 31 December		
	2008	2007		2008	2007	
<b>CC&amp;G Clearing:</b>						
Equity Clearing (m)	16.1	17.2	-6%	50.5	53.6	-6%
Derivative Clearing (m)	8.0	8.9	-10%	27.3	28.6	-5%
<b>Total Contracts (m)</b>	<b>24.1</b>	<b>26.1</b>	<b>-8%</b>	<b>77.8</b>	<b>82.2</b>	<b>-5%</b>
Open interest (m)	2.9	2.2	32%			
<b>Monte Titoli:</b>						
Settlement Instructions (m)	11.8	12.6	-6%	33.7	39.4	-14%
Custody assets under management (€tn)	2.7	2.8	-4%	2.7	2.8	-4%

Declines in clearing transaction volumes at CC&G reflect the reduction in both Italian cash equities and derivatives trading volumes. Clearing revenues benefited significantly from an increase in margin and reserve fund deposits, due to the volatility in the period, and increasing interest rate spreads.

In Monte Titoli, the number of settlement instructions during the third quarter decreased by six per cent, resulting from a reduction in equities trading.



Custody revenues for Q3 were up 15 per cent to £8.4 million due to the increase in the Euro. On a constant currency basis revenues fell five per cent in line with the fall in the value of assets under custody to €2.7 trillion, with the majority of assets held being fixed income valued at their nominal amount.

## **Financial Position**

There has been no significant change to the Group's financial position reported for the six months ended 30 September 2008.

During the quarter the Exchange closed out a gilt lock hedging instrument for a total cost of £10.6 million, of which £6.8m is the loss since inception reported at the half year.

## **Current trading and Outlook**

The Exchange delivered a good overall performance in the third quarter of the financial year, set against the challenging financial market conditions and a difficult equity trading environment.

Since the start of 2009, cash equities trading volumes and value are lower than the average levels seen in the previous two months and down in comparison to the record trading levels last January. Weak market conditions mean that new issue activity remains at very low levels, although the prospects for secondary issues appear good.

Looking forward to the remainder of the financial year, market conditions remain very difficult and uncertain. Nonetheless, benefits from the integration with Borsa Italiana are being delivered, development of new products continues and underlying operational costs are being tightly controlled.

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## **Basis of Preparation**

On 1 October 2007, Borsa Italiana S.p.A. ("BlI") was acquired by London Stock Exchange Group plc ("LSEG").

The unaudited pro forma information for the nine months to 31 December 2007 and the quarters ended 30 June 2007 and 30 September 2007 has been prepared by the directors to illustrate the acquisition of BlI as if it had taken place on 1 April 2007 (the first day of that period). In addition, the pro forma information includes the revenues of MBE Holding S.p.A. (the holding company for MTS), of which the remaining 51% was acquired on 14 September 2007, as if it had it been acquired on 1 April 2007 by BlI. The information has not been designed to and does not give a presentation of the consolidated revenue of LSEG that would have been reported had the business combination actually occurred on 1 April 2007 (for example, it does not include the impact of potential synergies). It has been prepared for illustrative purposes only through the aggregation of existing LSEG, existing BlI group and MBE Holding S.p.A. (including MTS) financial information.

Revenue for BlI for the three months ended 31 December 2008 and 31 December 2007 has been translated into Sterling using the average monthly exchange rates prevalent during the period of €1.1934 : £1 and €1.4113 respectively, and for the nine months ended 31 December 2008 using the average monthly exchange rates prevalent during the period of €1.2379 : £1. Pro forma revenue for BlI for the nine months ended 31 December 2007 has been translated at the average exchange rate for the year ended 31 March 2008 of €1.4196 : £1. Constant currency growth rates for both the three months and the nine months ended 31 December 2008 have been calculated by translating prior period results at the average exchange rate for the current period.

## Appendix

Quarterly revenues £m	FY2008				FY2009		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Annual fees	10.0	10.2	10.2	10.4	10.6	10.2	10.3
Admission fees	11.3	8.6	8.8	5.7	10.3	6.5	5.8
RNS, other	6.2	4.8	6.1	4.8	6.6	5.2	6.4
<b>Issuer</b>	<b>27.4</b>	<b>23.7</b>	<b>25.1</b>	<b>20.9</b>	<b>27.5</b>	<b>21.9</b>	<b>22.5</b>
Cash	50.7	54.9	53.6	59.6	51.7	53.4	42.6
Derivatives	6.0	5.7	5.5	7.1	6.9	6.6	6.0
Fixed income	8.8	8.8	6.7	8.1	7.0	5.9	6.3
Other	8.9	9.1	8.4	8.0	9.5	10.1	9.9
<b>Trading</b>	<b>74.5</b>	<b>78.5</b>	<b>74.2</b>	<b>82.9</b>	<b>75.1</b>	<b>76.0</b>	<b>64.8</b>
Data charges	23.6	26.1	26.8	28.9	30.4	30.2	30.6
Other	13.9	13.4	14.3	14.8	14.4	14.8	16.5
<b>Information</b>	<b>37.5</b>	<b>39.5</b>	<b>41.1</b>	<b>43.7</b>	<b>44.8</b>	<b>45.0</b>	<b>47.1</b>
Clearing	9.3	8.8	8.3	11.0	12.5	9.2	18.0
Settlement	4.2	3.5	3.7	3.7	4.1	3.9	4.5
Custody	8.2	7.1	7.3	7.0	9.2	7.8	8.4
<b>Post Trade</b>	<b>21.6</b>	<b>19.4</b>	<b>19.3</b>	<b>21.6</b>	<b>25.8</b>	<b>20.9</b>	<b>30.9</b>
Other income	3.5	3.4	4.7	4.3	4.6	3.9	5.7
<b>Total revenue</b>	<b>164.5</b>	<b>164.5</b>	<b>164.4</b>	<b>173.4</b>	<b>177.8</b>	<b>167.7</b>	<b>171.0</b>

FY2008 Pro forma revenues calculated using an average exchange rate of €1.4196:£1

FY2009 revenues calculated using an average exchange rate of €1.2379:£1

Following completion of acquisition accounting in financial year ended 31 March 2008, a £3.5m adjustment was made to third quarter revenues, from £167.9m to £164.4m. This was fully reflected in the Group's published full year results for the year ended 31 March 2008.