

24 January 2013

LONDON STOCK EXCHANGE GROUP plc

INTERIM MANAGEMENT STATEMENT FOR THE PERIOD TO 23 JANUARY 2013, INCLUDING REVENUES AND KPIS FOR THE THREE MONTHS ENDED 31 DECEMBER 2012 (Q3)

- Good operational and financial performance in Q3 as the Group continues to benefit from diversified range of businesses
- Total income up 6 per cent on Q3 last year at £208.9 million; 9 months year-to-date up 9 per cent, to £632.5 million
- Information Services revenues up 44 per cent, reflecting both inclusion of FTSE and growth across other information services with revenue up 5 per cent on organic, constant currency basis
- Post Trade Services total income declined 14 per cent, partly reflecting lower trading activity. Treasury management income was good at £27.8 million, compared with a particularly strong period last year (Q3 FY 2012: £33.5 million)
- Capital Markets revenues decreased 4 per cent, with good growth in admission fee income and fixed income trading offset by subdued derivatives and cash equities trading across global markets
- Technology Services revenues up 5 per cent, driven by growth from MillenniumIT
- The Group continues to work towards completion of the acquisition of up to 60 per cent of LCH.Clearnet following clearance by the UK OFT and provisional agreement on a revised offer; shareholder votes to take place following announcement of full terms and conditions of the transaction

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

“This has been another good quarter. The Group has continued to benefit from a more diversified range of businesses with particularly strong performances from our Information Services and our Technology operations.

“We are also pleased with the progress made on our transaction with LCH.Clearnet, having secured competition clearances and agreed a provisional revised offer. We are now focused on obtaining shareholder approval and completing the transaction.

“We look forward to continuing to develop further growth opportunities and innovating across platforms, products and geographies in partnership with our customers.”

Financial Position

At the end of December 2012, Group net debt had reduced to £394 million (or £594 million after setting aside the cash held for regulatory and operational support purposes). Since the quarter end, the Group has paid its interim dividend and the semi-annual coupon on its 2016 bonds.

In November 2012, the Group successfully issued a £300 million, 4.75% 9 year sterling fixed rate bond on the Group’s ORB platform, providing a more diversified source of longer term financing and extending average debt maturities to over 6 years. As a result, at 31 December 2012, the Group has committed debt and credit lines available for general corporate purposes totalling £1.65 billion, with £1,050 million extending to 2015 or beyond.

The euro weakened against sterling compared with the same period last year. To illustrate our exposure to movements in this exchange rate, a €0.05 change in the average euro:sterling rate would have resulted in a change to total income of c£3.9 million for Q3.

LCH.Clearnet

On 24th December 2012, the Group announced that it has provisionally agreed that it will make a revised offer for a majority stake of up to 60% of LCH.Clearnet at a price of €15 per share, comprising:

- a) €14 per share in cash payable on completion of the transaction; and
- b) Up to €1 per share in cash payable on 30 September 2017.

This revised price is based on an assumption of a €300 million capital raise required by LCH.Clearnet to which the Group would subscribe on a pro-rata basis, based on its post transaction shareholding in LCH.Clearnet.

Nearly all regulatory approvals have now been achieved. Clearances were received from competition authorities in the UK and Portugal in December 2012. Clearances were received earlier in Q3 from the Spanish competition authority and the French regulator, ACP. Clearance from the Dutch regulator and from the FSA remain the only outstanding required regulatory approvals.

We continue to work towards finalising an agreement and to provide full terms and conditions of the revised transaction, for which the Group will seek support from shareholders. Shareholder meetings to approve new terms are expected to take place in due course.

Current trading and Outlook

The Group has made good overall progress to date against a backdrop of challenging markets. While early in the new quarter, the Capital Markets businesses have made a positive start to the fourth quarter of the financial year: in primary markets there are good indications of forthcoming new and further capital raising activity; in secondary markets, cash equity, derivative and fixed income trading in Italy is running ahead of the same period last year and average levels for Q3 while UK equity trading is above prior quarter average levels. Any continued improvement in Italian secondary markets should be beneficial for Post Trade operations.

As previously indicated, net treasury income is expected to reduce in Q4 as CC&G takes steps to move cash margin into secured investments. At the start of January, €4.9 billion was invested on a fully collateralised basis.

New product launches and development continues. On 21 January, a future on durum wheat was launched on Agrex, a new segment of the IDEM Italian derivatives business dedicated to agricultural commodities.

The Group is well placed to continue to develop and capitalise on a more diversified asset base. The immediate focus remains on progressing the transaction with LCH.Clearnet, delivering operational efficiencies as well as advancing further growth opportunities.

Further information is available from:

London Stock Exchange Group plc	Victoria Brough – Media Paul Froud – Investor Relations	+44 (0) 20 7797 1222 +44 (0) 20 7797 3322
Citigate Dewe Rogerson	Patrick Donovan/Grant Ringshaw	+44 (0) 20 7638 9571

Q3 Revenue Summary

Revenues for three months and nine months ended 31 December 2012, with comparatives against performance for the same period last year, are provided below. Growth rates for both Q3 and year to date performance are also expressed on an organic and constant currency basis. All figures are unaudited.

	Three months ended			Organic and constant currency variance ¹	Nine months ended			Organic and constant currency variance ¹
	31 December				31 December			
	2012	2011	Variance		2012	2011	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Capital Markets	66.3	68.9	(4%)	(1%)	196.0	228.7	(14%)	(11%)
Post Trade Services	21.8	24.5	(11%)	(6%)	66.5	76.9	(14%)	3%
Information Services	76.0	52.8	44%	5%	223.6	141.9	58%	2%
Technology Services	13.7	13.1	5%	13%	39.3	37.8	4%	11%
Other	1.3	1.5	(13%)	(13%)	3.5	3.6	(3%)	0%
Total revenue	179.1	160.8	11%	1%	528.9	488.9	8%	(5%)
Net treasury income through CCP business	27.8	33.5	(17%)	(12%)	95.8	87.8	9%	18%
Other income	2.0	2.0	0%	0%	7.8	6.1	28%	30%
Total income	208.9	196.3	6%	(1%)	632.5	582.8	9%	(1%)

¹Exchange rates for the relevant period are detailed at the end of this section
Adjustments to calculate organic growth:

- 1) Removal of FTSE revenue and royalties (Information)
- 2) Removal of TRS revenue (Information)

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			
	2012	2011	Variance		2012	2011	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Primary Markets								
Annual fees	9.6	10.0	(4%)	(2%)	28.8	30.0	(4%)	(1%)
Admission fees	10.5	7.1	48%	50%	25.0	27.5	(9%)	(8%)
	20.1	17.1	18%	20%	53.8	57.5	(6%)	(5%)
Secondary Markets								
Cash equities UK & Turquoise	18.3	21.1	(13%)	(13%)	58.3	73.3	(20%)	(20%)
Cash equities Italy	5.0	7.2	(31%)	(26%)	17.3	23.4	(26%)	(20%)
Derivatives	3.0	3.9	(23%)	(19%)	9.7	12.8	(24%)	(19%)
Fixed income	8.6	8.0	8%	13%	24.5	26.7	(8%)	(1%)
	34.9	40.2	(13%)	(11%)	109.8	136.2	(19%)	(17%)
Other	11.3	11.6	(3%)	2%	32.4	35.0	(7%)	(1%)
Total revenue	66.3	68.9	(4%)	(1%)	196.0	228.7	(14%)	(11%)

Post Trade Services

	Three months ended			Variance at constant currency	Nine months ended			Variance at constant currency
	31 December				31 December			
	2012	2011	Variance		2012	2011	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Clearing	8.0	10.2	(22%)	(17%)	25.7	31.7	(19%)	(12%)
Settlement	3.8	4.3	(12%)	(7%)	10.9	14.1	(23%)	(16%)
Custody & other	10.0	10.0	0%	6%	29.9	31.1	(4%)	5%
Total revenue	21.8	24.5	(11%)	(6%)	66.5	76.9	(14%)	(6%)
Net treasury income through CCP business	27.8	33.5	(17%)	(12%)	95.8	87.8	9%	18%
Total income	49.6	58.0	(14%)	(9%)	162.3	164.7	(1%)	7%

Information Services

	Three months ended			Organic and constant currency variance ¹	Nine months ended			Organic and constant currency variance ¹
	31 December				31 December			
	2012	2011	Variance		2012	2011	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Real time data	24.7	25.4	(3%)	(1%)	70.0	75.6	(7%)	(5%)
Other information services	18.4	16.3	13%	9%	55.9	48.6	15%	17%
FTSE royalties	-	6.4	-	-	-	13.0		
FTSE revenue	32.9	4.7	-	-	97.7	4.7		
Total revenue	76.0	52.8	44%	5%	223.6	141.9	58%	2%

Technology Services

	Three months ended			Variance at constant currency	Nine months ended			Variance at constant currency
	31 December				31 December			
	2012	2011	Variance		2012	2011	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
MillenniumIT	6.7	5.5	22%	43%	18.1	15.0	21%	38%
Technology	7.0	7.6	(8%)	(5%)	21.2	22.8	(7%)	(5%)
Total revenue	13.7	13.1	5%	13%	39.3	37.8	4%	11%

Basis of Preparation

Results for Borsa Italiana for the period ended 31 December 2012 have been translated into Sterling using the average monthly exchange rate for the period of €1.24: £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 2012	Closing €:£ rate at 31 December 2012	Average €:£ rate 9 months ended 31 December 2012	Average €:£ rate 3 months ended 31 December 2011	Closing €:£ rate at 31 December 2011	Average €:£ rate 9 months ended 31 December 2011
€ 1.24	€ 1.23	€ 1.25	€ 1.17	€ 1.20	€ 1.15

Appendix

Capital Markets - Primary Markets

	Three months ended			Nine months ended		
	31 December 2012	2011	Variance %	31 December 2012	2011	Variance %
New Issues						
UK Main Market, PSM & SFM	17	11	55%	31	50	(38%)
UK AIM	16	17	(6%)	59	75	(21%)
Borsa Italiana	0	2	(100%)	4	7	(43%)
Total	33	30	10%	94	132	(29%)
Company Numbers (as at period end)						
UK Main Market, PSM & SFM	1,384	1,451	(5%)			
UK AIM	1,096	1,143	(4%)			
Borsa Italiana	287	292	(2%)			
Total	2,767	2,886	(4%)			
Market Capitalisation (as at period end)						
UK Main Market (£bn)	1,973	1,824	8%			
UK AIM (£bn)	61	65	(6%)			
Borsa Italiana (€bn)	365	332	10%			
Borsa Italiana (£bn)	298	278	7%			
Total (£bn)	2,332	2,167	8%			
Money Raised (£bn)						
UK New	3.9	0.9	333%	7.7	11.6	(34%)
UK Further	2.1	0.9	133%	4.6	4.1	12%
Borsa Italiana new and further	0.1	0.7	(86%)	1.5	9.2	(84%)
Total (£bn)	6.1	2.5	144%	13.8	24.9	(45%)

Capital Markets - Secondary Markets

	Three months ended			Nine months ended		
	31 December 2012	2011	Variance %	31 December 2012	2011	Variance %
Equity						
Totals for period						
UK value traded (£bn)	229	257	(11%)	737	882	(16%)
Borsa Italiana (no of trades m)	11.5	15.1	(24%)	40.2	49.3	(18%)
Turquoise value traded (€bn)	85.2	120.9	(30%)	285.9	397.2	(28%)
SETS Yield (basis points)	0.69	0.68	1%	0.68	0.70	(3%)
Average daily						
UK value traded (£bn)	3.6	4.1	(12%)	3.9	4.7	(17%)
Borsa Italiana (no of trades '000)	186	236	(21%)	214	257	(17%)
Turquoise value traded (€bn)	1.33	1.89	(30%)	1.49	2.06	(28%)
Derivatives (contracts m)						
Turquoise	6.4	7.4	(14%)	19.8	29.1	(32%)
IDEM	7.2	9.2	(22%)	27.7	37.4	(26%)
Total	13.6	16.6	(18%)	47.5	66.5	(29%)
Fixed Income						
MTS cash and Bondvision (€bn)	570	468	22%	1,673	1,785	(6%)
MTS money markets (€bn term adjusted)	17,351	11,545	50%	50,328	44,553	13%
MOT number of trades (m)	1.87	1.56	20%	4.55	3.68	24%
Post Trade Services						
	Three months ended			Nine months ended		
	31 December 2012	2011	Variance %	31 December 2012	2011	Variance %
CC&G Clearing (m)						
Equity clearing (no of trades)	12.2	15.9	(23%)	42.3	52.0	(19%)
Derivative clearing (no of contracts)	7.2	9.2	(22%)	27.7	37.4	(26%)
Total	19.4	25.1	(23%)	70.0	89.4	(22%)
Open interest (contracts as at period end)	3.3	4.0	(18%)			
Initial margin held (average €bn)	9.5	11.1	(14%)	10.1	9.5	6%
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Pre Settlement instructions (trades m)	7.2	8.0	(10%)	21.0	24.9	(16%)
Settlement instructions (trades m)	7.0	7.8	(10%)	19.6	25.2	(22%)
Total Settlement	14.2	15.8	(10%)	40.6	50.1	(19%)
Custody assets under management (average €tn)	3.26	3.03	7%	3.21	3.04	6%

Information Services

	As at		Variance %
	31 December 2012	2011	
UK Terminals			
Professional - UK	34,000	38,500	(12%)
Professional - International	51,000	54,500	(6%)
Total	85,000	93,000	(9%)
Borsa Italiana Professional Terminals	139,000	135,000	3%

Total Income – Quarterly

£ millions	FY 2012				FY 2012	FY 2013		
	Q1	Q2	Q3	Q4		Q1	Q2	Q3
Annual Fees	9.9	10.2	10.0	9.4	39.5	9.8	9.4	9.6
Admission Fees	12.2	8.2	7.1	9.5	37.0	7.9	6.6	10.5
Cash equities UK & Turquoise	24.3	27.8	21.1	22.2	95.4	21.1	19.0	18.3
Cash equities Italy	7.7	8.5	7.2	8.0	31.4	6.6	5.6	5.0
Derivatives	4.3	4.7	3.9	3.8	16.7	3.6	3.2	3.0
Fixed Income	9.8	9.0	8.0	8.9	35.7	8.1	7.8	8.6
Other	11.5	11.7	11.6	11.4	46.2	10.4	10.6	11.3
Capital Markets	79.7	80.1	68.9	73.2	301.9	67.5	62.2	66.3
Clearing	9.9	11.7	10.2	9.3	41.1	9.0	8.7	8.0
Settlement	4.8	5.0	4.3	4.8	18.9	3.6	3.4	3.8
Custody & other	11.3	9.7	10.0	10.6	41.6	10.2	9.7	10.0
Post Trade Services	26.0	26.4	24.5	24.7	101.6	22.8	21.8	21.8
Real time data	25.2	25.0	25.4	27.2	102.8	23.7	21.6	24.7
Other information	16.3	15.8	16.3	17.2	65.6	18.6	18.9	18.4
FTSE royalties	3.2	3.5	6.4	0.0	13.1	-	-	-
FTSE revenue			4.7	32.7	37.4	33.0	31.8	32.9
Information Services	44.7	44.3	52.8	77.0	218.9	75.3	72.3	76.0
MillenniumIT	3.2	6.4	5.5	7.2	22.2	4.9	6.5	6.7
Technology	7.4	7.8	7.6	7.6	30.4	7.2	7.0	7.0
Technology Services	10.6	14.2	13.1	14.8	52.6	12.1	13.5	13.7
Other	1.4	0.7	1.5	1.2	4.8	1.3	1.0	1.3
Total Revenue	162.4	165.7	160.8	190.9	679.8	179.0	170.8	179.1
Net treasury income through CCP business	25.8	28.5	33.5	39.1	126.9	28.5	39.6	27.8
Other income	2.0	2.1	2.0	2.0	8.1	2.0	3.8	2.0
Total income	190.2	196.3	196.3	232.0	814.8	209.5	214.2	208.9

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