21 May 2010

LONDON STOCK EXCHANGE GROUP PLC

ANNOUNCEMENT OF PRELIMINARY RESULTS OF LONDON STOCK EXCHANGE GROUP PLC FOR THE YEAR ENDED 31 MARCH 2010

London Stock Exchange Group plc (the "Group") today reports results for the financial year ended 31 March 2010.

Financial Headlines:

? Total income of £628.3 million (2009: £671.4 million) – with good performance in Italian cash equities and fixed income trading, as well as the Post Trade and Information & Technology divisions, reflecting breadth of business; revenue excluding net interest income through CCP businesses and other income was £605.6 million (2009: £644.7 million)

? Continued focus on cost reduction - organic cost base down eight per cent at constant currency before acquisition impairment and amortisation, and exceptional items (and excluding one-off costs of £25.3 million taken in relation to TradElect replacement by MillenniumIT)

? Adjusted operating profit (before acquisition impairment and amortisation, and exceptional items) of £280.3 million (2009: £340.7 million); or £305.6 million excluding one-off TradElect replacement costs; statutory operating profit of £182.3 million (2009: loss of £207.9 million)

? Adjusted basic earnings per share of 60.1 pence (2009: 74.2 pence), including a 6.8 pence per share reduction for the one-off TradElect replacement costs

? Total dividend for the year maintained at 24.4 pence per share

? Net cash flow from operations after exceptional items remained strong at £301.2 million (2009: £352.6 million)

Strategic Highlights

? Number of actions taken in a short period to strategically re-position the Group to develop opportunities and meet challenges, including: strengthening of management team with experienced capital markets and technology specialists; continuation of cost reduction programme including a 13 per cent headcount reduction; reduction of external post trade costs and our own tariff adjustments to encourage new business in equities and derivatives

? Acquisition of Turquoise to develop pan-European lit and dark pool trading services in a joint venture with 12 leading banking clients

- MillenniumIT, an innovative software development company based in Sri Lanka, acquired to provide new, low cost, high performance trading technology to the Group, as well as other capital markets clients

Operational Highlights:

- The Group again underlined its fundamental capital raising role with £77 billion raised by companies on our markets, the second highest annual amount (2009: a record £106 billion), with a 20 per cent increase in admission fee income and an accelerating rate of new issues in H2

- Good performances in Italian cash equities and fixed income trading (the latter reflecting 31 per cent growth in value traded on MTS) with revenues up seven per cent (constant currency) in both businesses

- Good overall performance from Post Trade Services – increased revenues in settlement and custody, and growth in clearing transaction volumes (up 4 per cent) although offset by reduction in non transaction revenues compared to unusually high levels of volatility last year

- Demand for real time data in H2 remained generally robust, with 93,000 professional users of LSE information at year-end, down just 1,000 since H1; and broadly unchanged in Italy over the same period with 142,000 professional users

- Good growth from non real time data businesses, with revenues up 10 per cent, reflecting growing contributions from SEDOL, UnaVista, FTSE and Proquote; and Technology services up 37 per cent, including first time contribution from MillenniumIT

- Continuing focus on operational cost efficiencies with elimination of a further 50 roles, partly through natural attrition

Commenting on the results, Chris Gibson-Smith, Chairman of London Stock Exchange Group, said:

"The market, economic and regulatory environment in which our business operates is going through a period of significant change. We continue to take steps to ensure the business remains central to capital markets, competing for business as an efficient, low cost and client focused organisation with a clear strategy to deliver growth and value."

Xavier Rolet, Chief Executive, said:

"We have made very good progress to get in shape, to leverage our assets and develop the opportunities, and the acquisitions of MillenniumIT and Turquoise help us in many regards. We recognise that there remains much work to be done and that, in many cases, the fruits of our labour to date have yet to be harvested.

"In the coming year, as we continue to deliver on the key elements of our strategy within a fluid market and regulatory environment, we expect to see further progress across our business."

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Further information

The Group will host a presentation of its Preliminary Results for analysts and institutional shareholders today at 09:30am at 10 Paternoster Square, London EC4M 7LS. The presentation will be accessible via live web cast, which can be viewed at www.londonstockexchange.com. For further information, please call the Group's Investor Relations team on +44 (0) 20 7797 3322.

The Group will also hold a presentation of its Preliminary Results for members of the press today at 11:30am at 10 Paternoster Square, London EC4M 7LS. For further information, please call the Group's London Press Office on +44 (0) 20 7797 1222 or Milan office on +39 02 72 426 212.

SUMMARY FINANCIAL RESULTS

Unless otherwise stated, all figures refer to the year ended 31 March 2010.

	Year ended 31 March		Variance	Variance at constant currency
	2010	**2009**	**Variance**	
	£m	**£m**	**%**	**%**
Revenue				
Capital Markets	**287.4**	341.5	(16%)	(18%)
Post Trade	**100.0**	91.6	9%	2%
Information & Technology	**216.6**	207.5	4%	3%
Other Revenue	**1.6**	4.1	(61%)	(64%)
Total revenue	**605.6**	644.7	(6%)	(8%)
Net interest income through CCP business	**16.2**	20.8	(22%)	(27%)
Other income	**6.5**	5.9	10%	10%
Total income	**628.3**	671.4	(6%)	(9%)
Operating costs	**(349.6)**	(332.8)	5%	2%
Share of profit of JV/associates	**1.6**	2.1		
Acquisition amortisation and exceptional items	**(98.0)**	(64.6)	52%	52%
Impairment of goodwill	**-**	(484.0)		
Operating profit / (loss)	**182.3**	(207.9)		
Adjusted operating profit*	**280.3**	340.7	(18%)	(20%)
Basic earnings per share (p)	**33.8**	(126.1)		
Adjusted basic earnings per share (p)*	**60.1**	74.2	(19%)	

*excluding acquisition impairment and amortisation, and exceptional items

With the introduction of IFRS 8 ‘Operating Segments’, this year, we have undertaken a more comprehensive review of the way in which we disclose our revenue to most clearly present the performance of the business. Accordingly, in addition to restating the segments to align with our internal reporting structure as required by IFRS 8, we have separated out “net interest income through CCP businesses” and “other income”, the latter primarily being property income from the sub-letting of surplus space. The net interest income through CCP businesses is the net interest earned on assets held by us on behalf of third parties as part of the risk management process within our clearing business and is based on the spread between EONIA and EURIBOR rates, which is outside the control of management. Total income stated above is equal to total revenue as presented previously.

Chief Executive's Review

Against a difficult operating environment for exchange businesses in the past twelve months, we have delivered a resilient performance. Despite a weak IPO market, lower equity market valuations, subdued investor trading in the secondary markets, robust competition for trading and a contraction in financial market professionals who consume our real time and reference data, we achieved revenue of £605.6 million, only six per cent less than last year. Adjusted operating profit before acquisition impairment and amortisation, and exceptional items, was £280.3 million reflecting tight control of our costs but also certain one-off costs associated with the acquisition of MillenniumIT.

Through the merger with Borsa Italiana, completed in 2007, we have a good product portfolio beyond equities, encompassing derivatives and fixed income trading together with post trade services. The merger has also demonstrated our success in integrating businesses while, critically, preserving market identities.

Notwithstanding the strength of our brand and the quality of our assets, we are operating in a fast changing and challenging environment, characterised by robust competition and a number of potential regulatory changes. It is essential, therefore, that we have a clear, executable strategy that will enable us to thrive in the evolving markets in which we operate.

Strategy

At the heart of our strategy is a fundamental corporate philosophy: to be a truly client-centred business. However, the breadth, diversity and changing composition of our client base creates certain challenges. The onus is on us to prove to our clients the fundamental value of an exchange as an independent, neutral, efficient and profitable provider of core capital markets infrastructure. By getting this right shareholders will also benefit as we successfully grow the business.

Within this context our strategy can be characterised as getting in shape, leveraging our assets and developing the opportunities for other forms of growth from joint ventures, partnerships and acquisitions. The strategic imperatives comprise the following elements:

- Drive efficiency
- Build scale
- Increase scope
- Extend reach

Over the course of the year, we have developed the top team to deliver this strategy. As well as harnessing the existing talent among senior managers within the company, the management team has been augmented by select external appointments – such as Kevin Milne, who now heads up our Post Trade Services division, and Antoine Shagoury, who has joined us as Chief Information Officer – and through acquisition in the case of Tony Weeresinghe who is responsible for our global development, overseeing our commercial and business relationships with other exchanges, as well as continuing as CEO of MillenniumIT.

Drive Efficiency

Identifying and establishing further efficiencies throughout the Group has been a priority over the past year. Faced with a drop in value traded on our market, through a combination of lower velocity, lower capital commitment by banks and increased competition, we have taken a number of actions to reduce our cost base, encompassing our three largest areas of cost: people, technology and property.

Early last summer we made a number of management changes to streamline and accelerate decision taking. In the process, we took some difficult decisions with respect to a number of roles across the Group, reducing the workforce at that time by 12 per cent and generating £11 million of annualised cost benefit. The positive way in which staff members have responded to these changes is testament to the quality of the people working here.

A smaller workforce in London has enabled us to improve our position on property costs through the release and subletting of another floor in our Paternoster Square headquarters, providing a net benefit of £3 million per annum from 2010/11. Meanwhile in Milan, we are managing the future cost increase of our lease on Palazzo Mezzanotte, our Italian HQ, by upgrading the building, which will enable us to consolidate all our Milan-based staff there over the next year and close two other facilities.

We also completed a major review of our technology requirements across the Group, culminating in the acquisition of MillenniumIT, an innovative software development firm based in Sri Lanka. As well as providing the Group with a new, high performance, scalable trading platform for our cash equities markets, MillenniumIT brings us our own in-house software development capability with dedicated R&D resource. We have already identified at least £10 million in technology related savings once our new trading system is rolled out, and believe that further savings will be forthcoming in due course.

Increased efficiency has enabled us to make some important tariff cuts in our UK cash equities business. As well as making our fees more competitive, we have sought to differentiate them from those of our competitors, underlining our desire to provide a balanced and neutral marketplace for the broadest range of clients.

Build Scale

In a highly competitive environment, the old adage about exchanges being scale businesses has never been more true. It is therefore essential that we continue to promote our world class listing business and establish new products that take advantage of existing infrastructure.

Through the combination with Borsa Italiana, we have a broad range of products and services, across asset classes and through the value chain. A number of these products, though, do not yet enjoy the full benefits of scale. Achieving greater scale in our business is critical to being able to reward both clients and shareholders alike.

Over the past year, we have made steady progress on leveraging our assets. In July, our clearing business, CC&G, was approved by the FSA to operate in the UK, following which we have started to use its services for our UK-regulated derivatives business, EDX. In February, we launched a retail bond market in the UK based on our offering in Italy, which is by far the most successful example of its kind in Europe.

Among product enhancements over the coming year, we will extend the range of equity derivatives contracts traded beyond our Italian, Russian and Scandinavian based products, and are part way through the process of migrating all derivatives trading to a single, high performance platform.

Increase Scope

Alongside building scale it is imperative that we increase the scope of our activities – in product development, trading functionality, post trade and information services. The acquisition of MillenniumIT is integral to our ability to achieve this.

As well as providing cost effective trading platforms, MillenniumIT will be used to deliver market surveillance, ticker plant, desktop services, smart order routing and post trade technology. In the process, we will be able to accelerate our time to market for new products and functionality enhancements while at the same time reducing our overall development and ownership costs.

In addition to improving our in-house assets and capabilities, our ability to introduce new products and services hinges on the quality of our client relationships. A significant development in this regard has been our recent creation of a partnership with 12 of the world's leading banks to lead Turquoise in the next phase of its development. As the majority shareholder, we will ensure that the pan-European platform is neutral, efficiently run, open to the broadest pool of clients and develops services on an international scale; as important stakeholders in the venture, the banks will support innovative product initiatives and broader strategy development.

Extend Reach

The acquisitions of Turquoise and MillenniumIT in the past year not only provide new assets but, importantly, also help us extend our reach. Through Turquoise, we have for the first time a platform with a pan-European footprint and significant potential for growth. And since the year end we have launched trading in US securities on the platform. Meanwhile, our brand and balance sheet backing of MillenniumIT has improved its international prospects and ability to extend the global reach of its technology sales. For us, this increases our capacity to broaden and deepen our commercial, business and strategic relationships with exchanges around the world.

We believe that our future depends on our ability to become a truly global player, anchored in London but with a significant presence in other time zones. We will only achieve this goal through significant partnerships and inorganic growth opportunities within our industry.

A Year of Progress

This has been an eventful year, a period of change and challenge, and I am grateful to staff, shareholders and clients for the welcome and support they have shown to me since taking on the job. Collectively, we have made very good progress against our objectives, but we recognise that there remains much work to be done. We are aware that, in many cases, the fruits of our labour to date have yet to be harvested.

In the coming year, as we continue to deliver on the key elements of our strategy within a fluid market and regulatory environment, we expect to see further progress across our business.

Xavier Rolet
Chief Executive

Financial Review

The following is a review of the Group's financial performance for the year.

Capital Markets

	Year ended			Variance at
	31 March			constant
	2010	2009	Variance	currency
Revenue	**£m**	**£m**	**%**	**%**
Primary Markets				
Annual fees	**35.2**	41.0	(14%)	(16%)
Admission fees	**34.0**	28.1	21%	20%
	69.2	69.1	0%	(2%)
Secondary Markets				
Cash equities UK	**101.8**	156.2	(35%)	(35%)
Cash equities Italy	**31.7**	28.0	13%	7%
Derivatives	**19.5**	25.6	(24%)	(26%)
Fixed income	**29.3**	25.8	14%	7%
	182.3	235.6	(23%)	(24%)
Other	**35.9**	36.8	(2%)	(7%)
Total revenue	**287.4**	341.5	(16%)	(18%)

Performance in the Capital Markets segment remained mixed, reflecting the uncertain economic and market conditions.

Within primary markets, admission fee revenues grew strongly due to the high level and mix of secondary capital raisings, with a larger proportion of smaller and medium size issues compared with the prior year. Whilst down year on year, the level of new issues across all our markets has increased significantly in recent months, with 72 new issues in the second half of the year, compared with 38 in the first half and 46 in the second half of last year.

As expected, annual fee revenues declined reflecting the reduction in market capitalisations in 2008 and a fall in the number of companies on AIM. UK market capitalisations at the end of November 2009 (which form the basis of fees for the year ending 31 March 2011) increased by 27 per cent compared with the prior year, although the reduction in company numbers on AIM will hold the overall growth in UK annual fee revenues to around 10 per cent.

In secondary markets, the key drivers of equity trading revenues are value traded in the UK and volume traded in Italy. UK equity trading revenues declined 35 per cent, with average daily value traded on the UK order book declining 33 per cent to £4.6 billion per day (2009: £6.9 billion), in part reflecting continued competition from alternative venues as well as an overall lower level of value traded in the market. As a result of tariff changes in September 2009, the average basis point yield decreased from 0.92 in the first half of the year to 0.80 in the second half, giving a full year 0.86 basis point average (2009: 0.87 basis points). In Italy, the average daily number of trades was more resilient, declining only two per cent to 252,000 trades per day (2009: 256,000), reflecting both the benefit of the stronger retail element in this market and the cost efficient straight through processing provided by our integrated trading and post trade operations.

Our derivatives revenues declined in both the UK and Italy. EDX volumes fell eight per cent, with a doubling in Russian derivatives trading to 37.4 million contracts (2009: 19.0 million) helping to offset a fall in Scandinavian business. EDX successfully migrated to the SOLA trading platform in December 2009, with trading in Scandinavian derivatives dropping away, as expected, at this point. IDEM volumes increased 11 per cent following the introduction of tariff caps earlier in the year, although a shift away from index products together with the tariff changes reduced the average yield.

Fixed income revenues performed strongly, with value traded in MTS up 31 per cent to €45 trillion for the year, with a particularly strong second half.

Other capital markets revenues comprise fees for membership of all our markets and other non-trading revenues within MTS.

Post Trade Services

	Year ended			**Variance at**
	31 March			**constant**
	2010	**2009**	**Variance**	**currency**
	£m	**£m**	**%**	**%**
Revenue				
Clearing	**33.4**	32.0	4%	(2%)
Settlement	**21.1**	17.2	23%	15%
Custody & other	**45.5**	42.4	7%	1%
Total revenue	**100.0**	91.6	9%	2%
Net interest income through CCP business	**16.2**	20.8	(22%)	(27%)
Total income	**116.2**	112.4	3%	(3%)

Clearing transaction volumes increased four per cent versus prior year, though this was offset by a reduction in non transaction revenues as members took more care to ensure transactions cleared on time, avoiding fail fees.

The growth in settlement revenues was primarily driven by an increased share of OTC business settled by Monte Titoli. Custody and Other revenues benefitted from a seven per cent increase in the average value of assets under custody, partially offset by a decline in revenue in the company secretarial services business arising from a decrease in the number of quoted companies and shareholders serviced.

The decline in net income through CCP business reflects a reduction in the net interest earned compared with the unusually high level experienced during the volatile markets last year, primarily due to lower spreads between EONIA (the basis for interest payments to members) and EURIBOR (the basis for interest received on cash deposits).

Information & Technology Services

	Year ended			Variance at
	31 March			constant
	2010	2009	Variance	currency
	£m	£m	%	%
Revenue				
Real time data	**103.7**	114.4	(9%)	(11%)
Other information services	**65.6**	59.1	11%	10%
Technology services	**47.3**	34.0	39%	37%
Total revenue	**216.6**	207.5	4%	3%

Reflecting underlying market trends, professional users receiving real-time London Stock Exchange data accounted for 93,000 terminals at 31 March 2010, down 11,000 since last year but only slightly reduced since the half year (94,000) as financial services market employment levels began to stabilise. The number of professional users of Borsa Italiana data declined by 9,000 to 142,000 at 31 March 2010 but was broadly in line with the level at the half year.

Other information services delivered good growth from a number of our non real-time data businesses. In particular, growing contributions were provided by SEDOL (which provides unique identification for a range of global tradable securities), UnaVista (a post trade data matching service), royalties from the FTSE indices joint venture and Proquote. Turquoise contributed £0.3m of revenue following its acquisition in February 2010.

Technology services includes a first time contribution from MillenniumIT, which delivered £6.7million of revenue following its acquisition in October 2009. Excluding MillenniumIT, organic constant currency growth in Technology Services of 18 per cent reflects revenues from the hosting business and Oslo exchange partnership, both initiated at the end of the prior year.

Operating Expenses

Our organic operating cost base, before goodwill impairment, amortisation of purchased intangibles and exceptional items, was reduced by eight per cent on a constant currency basis, highlighting our continued focus on cost reduction and more efficient operational delivery. These improvements include a full year's benefit from completion of the Borsa integration and an initial £6m saving following the 12 per cent reduction in our UK and Italy headcount during 2009. Current year costs also benefited from a £6.7 million reduction in expenses related to long term incentive arrangements reflecting the reduction in headcount and scheme performance in year.

One off costs of £25.3 million following our acquisition of MillenniumIT comprise non-recurring accelerated depreciation (£19.7 million) and other IT costs (£5.6 million) relating to the existing TradElect platform, which will be replaced next year. A further £6 million of such accelerated depreciation will be incurred next year.

Exceptional items comprise £30.1 million of restructuring costs, including £17.1 million primarily associated with the 2009 headcount reduction programme and £13.0 million relating to the subletting of surplus space in our Paternoster Square premises, together with £12.4 million associated with the acquisition of Turquoise and a residual £0.9 million for the integration of London Stock Exchange and Borsa Italiana.

Profit for the Year

Operating profit before goodwill impairment, amortisation of purchased intangibles and exceptional items decreased 18 per cent to £280.3 million (2009: £340.7 million), though was down only 10 per cent to £305.6 million when excluding the one off costs associated with the acquisition of MillenniumIT. Net finance costs declined £4.2 million reflecting gilt lock hedge costs in 2009 not recurring this year, partially offset by lower market rates on the Group's cash balances and the higher coupon on our 2009 bond. Our effective tax rate was 30.5 per cent (2009: 32.0 per cent) reflecting the mix of lower UK and higher Italian effective rates and a greater current year benefit from settling open tax filings. The profit attributable to equity holders for the year, after tax and minority interests, was £90.4 million (2009: £338.0 million loss, after a £484.0 million goodwill impairment).

The Group's foreign exchange exposure arises mainly from translating the Group's euro earnings, assets and liabilities into sterling. During the year, the Group's income has benefited from the strengthening of the average euro rate against sterling.

	2010	2009
Spot £/€ rate at 31 March	1.12	1.08
Average £/€ rate for the year	1.13	1.20

A €5c weakening in the average £/€ rate for the year would have reduced the Group's operating profit before acquisition impairment and amortisation, and exceptional items by approximately £6.1 million.

Earnings per Share

Our adjusted basic earnings per share, excluding goodwill impairment, amortisation of purchased intangible assets and exceptional items, decreased 19 per cent to 60.1 pence (2009: 74.2 pence). The one-off costs related to the MillenniumIT acquisition reduced current year earnings per share by 6.8 pence (2009: nil). Basic earnings per share increased to 33.8 pence (2009: negative 126.1 pence, reflecting the goodwill impairment in the prior year).

Cash Flow and Balance Sheet

We remained strongly cash generative in the year. While cash generated from operations decreased by 15 per cent to £301.2 million (2009: £352.6 million), our net cash inflow from operating activities was only four per cent lower than prior year at £215.2 million. Our net cash investment in the business of £49.5 million included £42.2 million of capital expenditure, £16.3 million spent to acquire MillenniumIT and Turquoise and £6.1 million funding to our TOKYO AIM venture.

The Group has net assets of £1,030.8 million at 31 March 2010 (2009: £1,053.2 million). The central counterparty clearing business assets and liabilities within CC&G largely offset each other and are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties. The gross clearing balances increased substantially year on year primarily as a result of a higher number and value of repurchase transactions processed by our clearing operations.

At 31 March 2010, the Group's key financing ratios remained strong with interest cover – the coverage of net finance expense by earnings before interest, taxation, amortisation and exceptional items – at 9.2 times (2009: 10.1 times) and our net debt to EBITDA at 1.5 times (2009: 1.6 times) on an actual basis. We remain well within our bank covenants.