

25 November 2009

LONDON STOCK EXCHANGE GROUP plc
ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

London Stock Exchange Group plc ("the Group") today reports results for the six months ended 30 September 2009.

Financial Headlines:

- Revenue of £310.9 million (H1 FY2009: 342.5 million), down four per cent sequentially on H2 last year and nine per cent on the corresponding period last year reflecting continuing competitive and difficult markets in cash equity trading
- Underlying operating expenses¹ of £180.2 million (H1 FY2009: £165.6m); down eight per cent against same period last year and down four per cent on H2 last year in constant currency and excluding £20.4 million of non-recurring costs following acquisition of MillenniumIT
- Operating profit¹ of £134.8 million (H1 FY2009: £181.0 million), partly reflecting inclusion of £20.4 million (of total £31 million) non-recurring MillenniumIT related costs
- Profit before tax of £79.4 million (H1 FY2009: £127.0 million)
- Basic EPS of 18.5 pence (H1 FY2009: 30.3 pence) and adjusted basic EPS of 29.0 pence (H1 FY2009: 39.3 pence); the £20.4 million non-recurring MillenniumIT related costs equate to 5.5 pence of EPS dilution in both cases
- Interim dividend of 8.4 pence per share, unchanged from last year's interim payment
- Strong net cash flow from operating activities of £106.8 million; net cash generated after return to shareholders of £37.6 million – gross drawn debt of £608 million, with £950 million of committed borrowing facilities through to 2012 or beyond

¹before impairment, amortisation of purchased intangibles and exceptional items

Operational Headlines:

- Capital Markets (47 per cent of Group revenue): £43.5 billion of new capital raised by companies on or coming to the Group's primary markets, continuing the trend of re-equitisation. In secondary markets activity trends were mixed reflecting the Group's diverse portfolio of products:
 - average daily UK equity value traded declined 16 per cent vs H2 last year;
 - average daily equity trades in Italy grew five per cent over the immediately preceding six months; and
 - the volume of trading in the Group's fixed income (cash) and derivatives markets increased 37 and 15 per cent respectively over the immediately preceding six months
- Post Trade Services (19 per cent of Group revenue): resilient performance with revenue up 16 per cent over the corresponding period last year albeit down slightly on H2 last year due to lower interest spreads, with continuing sequential increases in clearing and settlement contract volumes (up 14 and 11 per cent respectively on H2 last year)
- Information & Technology Services (33 per cent of Group revenue): demand for the Group's real time data by professional users declined as expected, but mostly offset by growth in other information and technology products, particularly reference data products and FTSE, where revenues were up ten per cent compared with corresponding period last year
- Benefits starting to flow from actions taken to meet market challenges and position for growth:
 - management structure streamlined and total headcount reduced by 12 per cent to give annualised cost savings of £11 million
 - business increasingly client focused

- Millennium Information Technologies Ltd (“MillenniumIT”) acquired in October to provide a competitive, high performance trading system, which will also deliver at least £10 million annual cost savings from FY 2012

Commenting on the six months, Xavier Rolet, Chief Executive said:

“Despite testing markets, there are some encouraging elements within our first half results. Both the Post Trade and the Information & Technology divisions performed well and in our primary markets business there was a continued flow of capital raising activity. The overall Group performance reflected market conditions depressed by the fall out from turmoil in financial markets last year and increased competition, particularly in UK cash equities trading which, as expected, resulted in a weaker performance in the Capital Markets division.

“The Group is taking a number of actions to diversify, strengthen and grow the business. The acquisition of MillenniumIT is a strategically important first step. As well as providing a high performance trading platform to enable us to compete more effectively, it will help to lower our cost base as part of an ongoing focus on cost reduction and provide further growth opportunities through technology sales in the global exchange market.

“Throughout the Group we are focusing on projects to leverage our considerable asset base and to drive efficiency as we operate in highly competitive and still somewhat uncertain market conditions.”

Further information is available from:

London Stock Exchange

Luca Grassis – Media

+39 02 72426 212

Anna Mascioni – Media

+39 02 72426 211

Chairman's Statement

As expected, over the past six months the Group encountered testing market conditions and increasing competition in its Capital Markets business, most notably in UK cash equities, with the overall effect of lower revenues and profitability in the period. However, there were good performances in both the Post Trade and Information & Technology Services divisions, which recorded increased revenues over H1 last year and in aggregate comprised 53 per cent of Group revenues.

Equity markets staged a recovery in the period in terms of growth in both the FTSE 100 (UK) and the FTSE MIB (Italy) indices, which has benefited the Group to some extent, though values traded still significantly lagged the equivalent period last year which featured heightened volatility and trading levels related to the turmoil in financial markets. The Group has continued to fulfil a vital function in providing capital raising facilities for companies, with record levels of money raised in the first quarter, and the flow of secondary issues continuing right through the half year and beyond. Conditions for IPOs remained difficult, though there was an uplift in new issue activity on our Main Market compared with H2 last year. Lower trading levels, together with intense competition from new trading venues with aggressive pricing, have contributed to lower equity trading revenues, the main area of decline for the Group. Derivative and fixed income trading performed more robustly in terms of trading volumes, although derivatives revenues were impacted by the mix of trading and changes to tariffs to promote market growth.

Across the Group a series of projects are underway to meet market challenges, position us for growth and to diversify revenues. In broad terms, the process can be characterised as:

- getting in shape by retaining a focus on cost reduction, ensuring we are fully client focused and accordingly improving our competitiveness;
- leveraging our core assets, particularly in post trade, non-real time information and technology products, derivatives and fixed income; and
- developing the business through selected partnership opportunities in their various forms.

Benefits from executing this strategy are already evident, with a more streamlined management team, a 12 per cent reduction in Group headcount from the position at the start of the year which will give annualised cost savings of £11 million, an increased client focus and a new technology road map.

Securing a low cost, flexible and high performance trading technology is key to being able to fully compete, and in the acquisition of MillenniumIT we now have an in-house ability to implement a new system towards the end of 2010 that will provide a high performance trading platform and result in lower development costs. It will also allow us to develop related market services and enhance MillenniumIT's third party technology sales business.

Financial Summary

Unless otherwise stated, all figures below refer to the six months ended 30 September 2009. Comparative figures are for the previous six months ended 31 March 2009 ("H2 last year") to better illustrate recent trends, although comparison is also made to the corresponding H1 period last year. The basis of preparation is set out at the end of this report.

The Group's performance in the first six months of the financial year reflects underlying market conditions, with revenue of £310.9 million, down four per cent on H2 last year, and down nine per cent on the comparable period (H1 FY2009: £342.5 million). Operating profit for the period, before impairment, amortisation of purchased intangibles and exceptional items, declined to £134.8 million from £159.7 million in H2 last year and £181.0 million in H1 last year. In constant currency, compared with H1 last year, revenues for the period were down 13 per cent and operating profit, before impairment, amortisation of purchased intangibles and exceptional items, declined 28 per cent.

Operating expenses, before impairment, amortisation of purchased intangibles and exceptional items, increased to £180.2 million from £167.2 million in H2 last year and from £165.6 million in H1 last year. Included in operating expenses in the current period is £20.4 million, of a total £31 million, of non-recurring accelerated depreciation and other IT costs relating to the existing TradElect platform, which will be replaced next year as a result of the acquisition of MillenniumIT. Excluding these costs, operating expenses in constant currency were eight per cent lower than the same period last year and four per cent below H2 last year. An additional £5 million of associated non-recurring costs will be taken in H2 this year, and £6 million in FY2011. The MillenniumIT acquisition (for US\$30 million/£18 million) is expected to result in estimated annual cost savings of at least £10 million from FY2012.

Exceptional items of £13.6 million principally relate to costs associated with the reduction of 133 in Group headcount announced in the period. At 30 September 2009, headcount fell to 1,006, down from 1,135 at year end, with the final staff leaving under this programme in the third quarter.

Net finance costs reduced to £18.8 million from £27.2 million in H1 last year (which included a £6.8 million exceptional loss related to a gilt lock interest rate contract), reflecting cash generation and lower interest rates. The underlying Group tax rate of 31 per cent (H1 FY2009: 32 per cent), compared with the standard UK tax rate of 28 per cent, reflects the mix of profit between the UK and Italy and the confirmation with HMRC of the deductibility of certain prior year costs.

Basic earnings per share were 18.5pence (H1 FY2009: 30.3 pence). Adjusted basic earnings per share decreased 26 per cent to 29.0 pence, reflecting the lower revenues and the effect of the £20.4 million of non-recurring costs associated with the MillenniumIT acquisition, equivalent to 5.5 pence per share.

Net cash flow from operating activities was £106.8 million (H1 FY2009: £145.4 million). Capital expenditure in the period amounted to £22.4 million, and full year spend is expected to be broadly in line with the prior year (FY2009: £56.4 million). Net cash generated after dividends was £36.9 million (H1 FY2009: £74.3 million).

The Group retains its prudent financial structure. At 30 September 2009 adjusted net debt was £581 million (after setting aside £125 million of cash for regulatory purposes) while drawn borrowings amounted to £608 million (31 March 2009: £625 million). A new £250 million, ten year bond was issued in June to replace a £180 million bridge facility due to expire in April 2010. Committed credit lines available for general Group purposes total £975 million, of which £950 million extend to 2012 or beyond, providing comfortable headroom.

Interim Dividend

The Directors have declared an interim dividend of 8.4 pence per share, holding the dividend unchanged from the level at the interim stage last year.

The interim dividend will be paid on 5 January 2010 to shareholders on the register on 4 December 2009.

Current Trading and Outlook

Underlying market conditions remain uncertain, at least in the near term, and competition in cash equities trading is expected to remain intense. During October daily average equity value traded in London increased eight per cent compared with September, while average daily equity volumes were up 13 per cent in Italy, although trading on both markets in November to date has fallen below October levels. In terms of equity capital raising, significant further issues are still taking place, and the pipeline for IPOs appears promising for 2010 although there is no certainty regarding the timing of new issues. In the Post Trade division, increased trading volumes will help drive post trade activities, although with more settled debt market conditions returning, lower interest spreads on margins held will weigh on clearing revenues. Demand for real time data by professional users is likely to remain under pressure in the second half, however the number of terminals remained unchanged in October, while other parts of the Information & Technology Services division remain robust.

The Group is pursuing a range of initiatives and opportunities to grow, diversify and further strengthen the business, while operational efficiency through the ongoing control of costs remains a key priority. These actions will make the Group a more competitive and structurally stronger business.

Chris Gibson-Smith
Chairman
25 November 2009

Operating Performance

A more detailed review of the operational performance of the business is provided in the operating report below. To assist investors in understanding the underlying performance of the Group, percentage changes are also presented on a constant currency basis.

Capital Markets

	Six months ended		Variance	Variance at constant currency	Six months ended		Variance at constant currency
	30 Sep	31 Mar			30 Sep		
	2009	2009			2008	Variance	
Revenue	£m	£m	%	%	£m	%	%
Primary Markets							
Annual fees	17.5	20.2	-13%	-13%	20.8	-16%	-19%
Admission fees	16.7	11.4	46%	46%	16.7	0%	-1%
	34.2	31.6	8%	8%	37.5	-9%	-11%
Secondary Markets							
Cash equities	70.9	79.1	-10%	-10%	105.1	-33%	-33%
Derivatives	10.5	12.1	-13%	-13%	13.5	-22%	-26%
Fixed income	13.8	12.8	8%	7%	13.0	6%	-2%
	95.2	104.0	-8%	-9%	131.6	-28%	-29%
Other	17.8	18.6	-4%	-4%	18.2	-2%	-11%
Total revenue	147.2	154.2	-5%	-5%	187.3	-21%	-24%

Capital Markets comprises the Group's primary markets activities, providing access to capital for corporates and others, and the secondary market trading of cash equities, derivatives and fixed income. Performance was mixed, with declines in cash equities and derivatives trading revenues on H2 last year reflecting difficult underlying market conditions and, for derivatives, lower prices. However, there was a pick up in fixed income trading and also improved primary markets results as strong further issue activity continued. The segment contributed 47 per cent of total Group revenues, down from 55 per cent in H1 last year.

Capital Markets - Primary Markets

	Six months ended				
	30 Sep	31 Mar	Variance	30 Sep	Variance
	2009	2009	%	2008	%
New Issues					
UK Main Market, PSM & SFM	22	16	38%	49	-55%
UK AIM	13	27	-52%	60	-78%
Borsa Italiana	3	3	0%	5	-40%
Total	38	46	-17%	114	-67%
Company Numbers (as at period end)					
UK Main Market, PSM & SFM	1,511	1,530	-1%	1,575	-4%
UK AIM	1,353	1,478	-8%	1,609	-16%
Borsa Italiana	295	296	0%	305	-3%
Total	3,159	3,304	-4%	3,489	-9%
Market capitalisation (as at period end)					
UK Main Market (£bn)	1,635	1,170	40%	1,445	13%
UK AIM (£bn)	57	38	50%	62	-8%
Borsa Italiana (€bn)	465	314	48%	480	-3%
Borsa Italiana (£bn)	425	289	47%	383	11%
Total (£bn)	2,117	1,497	41%	1,890	12%
Money raised (£bn)					
UK new	1.2	0.7	71%	6.2	-81%
UK further	30.9	57.3	-46%	34.0	-9%
Borsa Italiana new and further money raised	11.4	4.1	178%	3.5	226%
Total (£bn)	43.5	62.1	-30%	43.7	0%

Primary markets revenue of £34.2 million declined compared to the prior year reflecting the expected fall in annual fee revenues following the reductions in market capitalisation last year. Against the immediately preceding six month period, strong Main Market new and further issue activity grew admission fees, contributing to an eight per cent overall increase in primary market revenue.

During the period there was a notable increase in new issues on the UK Main Market compared with H2 last year, which together with the recovery in share prices resulted in aggregate market capitalisation across the Group's UK and Italian markets increasing by 41 per cent. The number of international new issues remained good overall in the period, with ten international companies listing on the Group's markets during the period. Although the total amount of money raised in further issues dropped against the previous six month period, the Group benefited in fee terms from an increased number of smaller and mid-sized capital raisings, rather than a few large issues.

Capital Markets - Secondary Markets

	Six months ended				
	30 Sep	31 Mar	Variance	30 Sep	Variance
	2009	2009	%	2008	%
Equity Volume Bargains (m)					
UK	78.4	94.0	-17%	94.6	-17%
Borsa Italiana	33.4	31.1	7%	33.8	-1%
Total	111.8	125.1	-11%	128.4	-13%
Equity Value Traded					
UK (£bn)	580	703	-17%	1,068	-46%
Borsa Italiana (€bn)	377	271	39%	568	-34%
Borsa Italiana (£bn)	331	233	42%	451	-27%
Total (£bn)	911	936	-3%	1,519	-40%
Equity Average Daily Bargains ('000)					
UK	622	740	-16%	739	-16%
Borsa Italiana	261	249	5%	262	0%
Total	883	989	-11%	1,001	-12%
Equity Average Daily Value Traded					
UK (£bn)	4.6	5.5	-16%	8.3	-45%
Borsa Italiana (€bn)	2.9	2.2	32%	4.4	-34%
Borsa Italiana (£bn)	2.6	1.9	37%	3.5	-26%
Total (£bn)	7.2	7.4	-3%	11.8	-39%
SETS Yield					
Yield basis points	0.92	0.89	3%	0.86	7%

Secondary markets revenues declined eight per cent against the immediately preceding six months, mainly reflecting a reduction in the value of UK cash equities traded.

The average daily number of trades in Italy rose five per cent compared with the six months ended March 2009, with a similar increase in the value of the FTSE MIB index over the same period. Trading on the UK electronic order book saw a 16 per cent reduction in the average daily value traded compared to H2 last year. This in part reflects an eight percentage point reduction in average share of market traded (from 78.6 per cent to 70.7 per cent) as competition from alternative venues, with aggressive pricing tactics, remained intense. A new tariff structure for UK cash equities trading took effect from 1 September 2009, with further refinements effective from 1 December 2009. The tariff change re-balances the charging between passive and aggressive trades, and makes the discount scheme more achievable for the most active traders, with charges for aggressive trades significantly lower than before. The effect of the changes for the two full months since introduction (until the end of October) has been a 15 per cent reduction in yield to 0.80 basis points, compared with the average yield from 1 April to 31 August 2009.

Upgrades to the TradElect platform continued, with reductions in latency to sub 2 milliseconds and new functionality, including hidden orders, to further enhance the attractiveness and competitiveness of the system. Work was also undertaken to define a trading technology roadmap that puts the Group at the forefront of market capabilities. The acquisition of Sri Lanka-based MillenniumIT, completed in October, will provide the Group with a high performance, lower cost and highly scalable trading platform. It will also bring in-house software development expertise and dedicated research and development support. Work is underway to effect a transition to MillenniumIT technology towards the end of calendar 2010, which will provide a significantly faster and more competitive trading platform in the cash equities market.

	Six months ended				
	30 Sep	31 Mar	Variance	30 Sep	Variance
	2009	2009	%	2008	%
Derivatives (contracts m)					
EDX	31.3	29.1	8%	32.0	-2%
IDEM	22.3	17.6	27%	19.4	15%
Total	53.6	46.7	15%	51.4	4%
Fixed Income					
MTS cash and Bondvision (€bn)	1,030	753	37%	975	6%
MTS money markets (€bn term adjusted)	18,288	14,856	23%	17,777	3%
Borsa Italiana MOT (€bn)	116	119	-3%	78	49%
Borsa Italiana MOT number of trades (m)	1.7	2.0	-15%	1.4	21%

The Group's derivatives operations produced strong growth in trading volumes on IDEM, the Italian derivatives market, following a change to tariffs earlier in the year. The benefits of the 27 per cent growth in IDEM volumes feeds through to clearing revenues in the Group's post trade operations. Trading on Borsa Italiana's energy derivatives market, IDEX, which started in November 2008, made good progress with 9.4 million MegaWatt hours (MWh) traded in H1, compared with 4.3 million MWh in H2 last year. Growth at EDX was driven by Russian derivatives, which now comprise over 50 per cent of contracts traded, from launch less than three years ago. Total derivatives revenues declined due to the mix of trading and tariff changes.

EDX will move to the TMX Sola derivatives trading platform on 30 November 2009, providing an improvement in the capability of the derivatives trading service, and work will continue to further develop the trading opportunities for this business in conjunction with TMX.

On the fixed income markets, revenues improved over the two preceding six month periods (though down slightly in constant currency against H1 last year). Trading levels on MTS increased following poor market conditions at the time of the financial crisis last year, with value traded on cash and repo markets increasing 37 per cent and 23 per cent respectively over H2 last year. On MOT, Borsa Italiana's electronic bond and government securities market, the number of trades declined 15 per cent.

Post Trade

	Six months ended			Variance at constant currency	Six months ended		Variance at constant currency
	30 Sep	31 Mar	Variance		30 Sep	Variance	
	2009	2009			2008		
£m	£m	%	£m	%			
Revenue							
Clearing	25.7	31.1	-17%	-18%	21.7	18%	8%
Settlement	10.8	9.3	16%	15%	7.9	37%	23%
Custody & other	22.8	20.9	9%	9%	21.5	6%	-4%
Total revenue	59.3	61.3	-3%	-4%	51.1	16%	5%

The Post Trade division principally comprises the Group's Italian-based clearing, settlement and custody businesses. Good revenue growth over the same time last year was achieved through stronger performances by the CC&G clearing operations and the Monte Titoli settlement business, although lower interest spreads on margin funds held in CC&G resulted in an overall revenue decline on H2 last year. The division accounted for 19 per cent of total Group revenue.

	Six months ended				
	30 Sep	31 Mar	Variance	30 Sep	Variance
	2009	2009	%	2008	%
CC&G Clearing:					
Equity clearing (m)	34.4	32.0	8%	34.4	0%
Derivative clearing (m)	22.3	17.6	27%	19.4	15%
Total Contracts (m)	56.7	49.6	14%	53.8	5%
Open interest (m) (as at period end)	4.9	4.6	7%	3.7	32%
Monte Titoli:					
Settlement instructions (m)	26.4	23.7	11%	21.9	21%
Custody assets under management (€tn)	2.8	2.7	4%	2.7	4%

Clearing transaction volumes at CC&G increased over H2 last year as a result of growth in both Italian cash equities and derivatives trading volumes. Revenues from treasury management fees declined from their elevated levels last year, despite an increase in the quantum of margin funds held, as a result of lower interest spreads compared with the unusually high spreads in the volatile markets last year.

CC&G achieved Recognised Overseas Clearing House status in the period, giving the opportunity to provide clearing services in the UK market for the EDX derivatives business once the transfer to the new trading platform for that market has been completed

In Monte Titoli, the number of settlement instructions during the half year increased, mainly reflecting the recovery in level of equities trading over the period, helping to increase revenues.

Custody and other revenues for the six months increased over the seasonally quieter H2 last year, with the average value of assets under custody increasing four per cent to €2.8 trillion following an improvement in market values. Revenues compared to last year reduced in constant currency due to the mix of assets shifting to government bonds which attract a lower custody charge, and a lower level of corporate actions which generate additional fees for both the custody and company secretarial businesses.

Information & Technology Services

	Six months ended		Variance	Variance at constant currency	Six months ended		Variance at constant currency
	30 Sep	31 Mar			30 Sep	Variance	
	2009	2009			2008		
	£m	£m	%	%	£m	%	%
Revenue							
Data charges	54.0	56.9	-5%	-5%	57.5	-6%	-9%
Other	49.5	48.2	3%	3%	44.9	10%	8%
Total revenue	103.5	105.1	-2%	-1%	102.4	1%	-2%

The Information & Technology Services division consists of real time data products and a number of other discrete businesses, including Global Indices products, Trade Processing operations, Desktop and Work Flow products and Technology operations. The division delivered a solid performance against a backdrop of the anticipated decline in demand for terminals taking real time data. The division contributed 33 per cent of total Group revenues.

	Six months ended				
	30 Sep	31 Mar	Variance	30 Sep	Variance
	2009	2009	%	2008	%
UK Terminals					
Professional - UK	38,000	42,000	-10%	45,000	-16%
Professional - International	56,000	62,000	-10%	67,000	-16%
Total	94,000	104,000	-10%	112,000	-16%
Borsa Italiana Professional Terminals	142,000	151,000	-6%	161,000	-12%
Proquote	5,000	4,800	4%	4,500	11%
Borsa Italiana Market Connect	28,000	26,000	8%	21,000	33%

The total number of terminals taking Group price and trading information continued on a declining trend, reflecting cut backs by UK and international users of real time data. However, the number of users of the Group's own data distribution and market connection services, Proquote and Market Connect, increased over the period, reflecting the value proposition of these businesses.

Revenue from other Information & Technology Services businesses grew 10 per cent over the same time last year. Growing contributions were provided by SEDOL (which provides unique identification for a range of global tradable securities), UnaVista (a post trade data matching service) and the FTSE indices joint venture. The Server Hosting business, which enables trading firms to physically locate their servers within the Exchange's own data centre to gain sub-millisecond access to TradElect, contributed increased revenues having launched last year. Going forward, revenues from MillenniumIT will be reported in this division.

Basis of Preparation

Results for Borsa Italiana for the period ended 30 September 2009 have been translated into Sterling using the average monthly exchange rate for the period of €1.143 : £1. Constant currency growth rates have been calculated by translating prior period results at the average exchange rate for the current period.

Average €:£ rate 6 months ended 30 September 2009	Closing €:£ rate at 30 September 2009	Average €:£ rate 6 months ended 31 March 2009	Closing €:£ rate at 31 March 2009	Average €:£ rate 6 months ended 30 September 2008	Closing €:£ rate at 30 September 2008
€1.143	€1.094	€1.148	€1.079	€1.260	€1.268

Further information

The Group will host a presentation of its Interim Results for analysts and institutional shareholders today at 9.30am at 10 Paternoster Square, London EC4M 7LS. The presentation will be accessible via live web cast which can be viewed at <http://www.londonstockexchange.com/investor-relations/investor-relations.htm>, or listened to on +44 (0)20 7162 0125. For further information, please call the Group's Investor Relations department on +44 (0) 20 7797 3322.

A conference for members of the Press will be held today at 11: 30am, at 10 Paternoster Square, London EC4M 7LS. For more information, please call the Press Office on: + 44 (0)20 7797 1222 (London) or +39 02 72426 364 (Milan).