



*London*  
**STOCK EXCHANGE**

11 July 2007

**LONDON STOCK EXCHANGE GROUP plc**

**INTERIM MANAGEMENT STATEMENT**  
**FOR THE THREE MONTHS ENDED 30 JUNE 2007**

Unless otherwise stated, all figures referenced below refer to the three months ended 30 June 2007 and the corresponding period last year.

The Exchange has made an excellent start to the financial year. Revenues for the first quarter increased strongly, up 19 per cent to £100.1 million (2006: £84.3 million). Record trading volumes on the Exchange's electronic order book continued to drive revenue growth, Issuer Services had a record quarter, while the number of terminals taking Exchange data also continued to increase:

- Very strong Issuer performance, with 43 Main Market new issues, nearly double the number last year (23) and the highest first quarter number in six years
- Average daily number of SETS bargains increased 51 per cent to 501,000 and average daily value traded rose 27 per cent to £8.4 billion
- The new high speed TradElect trading platform was successfully launched, on schedule, in June
- Professional terminals were 99,000 - up 10,000 on June 2006 and 3,000 since March 2007

Commenting on the first quarter and outlook, Clara Furse, Chief Executive, said:

"The Exchange continues to deliver excellent growth with all key businesses performing strongly. Volumes on SETS reached new record levels, as our Issuer and Information divisions also made a very good start to the financial year.

"In the months ahead we look forward to completing our merger with Borsa Italiana to create Europe's leading diversified exchange group. The merger will broaden the product and customer bases of the two exchanges, providing significant new opportunities for growth with benefits for market users and creating yet more value for shareholders.

"This very strong first quarter performance underlines our confidence in an excellent outcome for the full year."

**Issuer Services**

Issuer Services delivered an excellent result for the period, with revenue up 35 per cent to a record £19.4 million (2006: £14.4 million).

Activity in the primary market remained very strong, with 128 new issues on the Exchange's markets, raising a total of £10.2bn (2006: 138; £4.7bn). New admissions on the Main Market were at their highest level in six years, with 43 new issues (2006: 23) raising £7.5 billion (2006: £1.7 billion). In the first quarter there were 14 international Main Market new issues (2006: 4) raising £5.5 billion, more than half the £10.4 billion raised during the whole of FY 2007. AIM, our international market for smaller, growing companies, performed well with a total of 84 new issues (2006: 115). Income from annual fees rose during the period, mainly as a result of an increased number of companies on the Exchange's markets. At 30 June 2007, a total of 3,273 companies were traded on our markets (2006: 3,193) including 1,656 on AIM (2006: 1,549).

Income from RNS also increased, contributing £2.7 million to turnover (2006: £2.5 million) with RNS retaining a 75 per cent share of announcements in Q1.

## **Broker Services**

Broker Services' revenue reached £47.5 million, the second-best quarterly performance on record, an increase of 18 per cent over the same period last year (2006: £40.4 million).

Trading on the SETS electronic order book continued to be the principal driver of growth. Average daily bargains increased 51 per cent to 501,000 bargains per day, a new quarterly record (2006: 332,000), and the average daily value of shares traded on SETS increased 27 per cent to £8.4 billion (2006: £6.6 billion). SETSmm, the hybrid electronic order book, continued its strong growth, with an average 131,000 bargains per day during the quarter (2006: 70,000). Overall, the average size of a SETS bargain reduced to £16,700 (2006: £20,000) with a yield per SETS bargain of approximately £1.09 during the period (2006: £1.44), reflecting in part the extension of tariff discounts to intermediaries.

This performance reflects the continuation of the structural shift in trading, in particular the increased use of algorithmic trading, direct market access and derivatives-based business. The 51 per cent growth in volume on SETS in Q1 puts the Exchange well on course to achieve or exceed the targeted 480,000 bargains per day in FY 2008, as set out in January of this year. Trading on SETS in the first quarter accounted for 84 per cent of total Broker Services income (2006: 83 per cent).

On June 18 the Exchange launched its new high speed trading system, TradElect. The new platform has performed as expected, giving the market the ability to execute trades fully and resiliently in around 10 milliseconds and with capacity increasing more than fourfold. This enhanced performance is already supporting message rates at a much higher level than possible on the previous system.

## **Information Services**

Information Services showed strong growth, with revenue up 11 per cent to £28.4 million (2006: £25.5 million). The increase mainly reflects growth in terminal numbers over the corresponding period last year, together with increased contributions from Proquote and SEDOL.

The total number of terminals receiving real-time Exchange data at the end of Q1 was 120,000 (31 March 2007: 116,000; 30 June 2006: 107,000) of which approximately 99,000 were attributable to the higher-yield professional user base (31 March 2007: 96,000; 30 June 2006: 89,000).

The number of Proquote screens rose to 3,600 (30 June 2006: 3,100), including 1,100 international screens and SEDOL also performed well during the period.

## **Derivatives Services**

Revenue in Derivatives Services' increased 23 per cent to £2.7 million (2007: £2.2 million). EDX London performed very well with 9.3 million contracts traded (2006: 8.5 million), including 0.6m contracts for Russian derivatives, launched at the end of 2006.

## **Borsa Italiana**

On 23 June, the London Stock Exchange announced that it proposes to combine with Borsa Italiana S.p.A. through a recommended merger valuing Borsa Italiana at £1,103 million (€1,634 million). The combined group will bring together two highly efficient and complementary businesses, to be the most liquid order book by value and volume traded, with 48 per cent of the FTSEurofirst100 by market capitalisation. It will also be Europe's leading market for electronic trading of ETFs and securitised derivatives, as well as Europe's leading fixed income market. Total synergies amounting to £40 million are anticipated to arise from the combination and the transaction is expected to be earnings accretive by at least 10 per cent in FY 2009.

A shareholder circular will be posted later this month and an EGM will be held in the first half of August 2007.

## **Share Buyback Programme**

During the period, the Exchange bought back 6.0 million shares, for a total consideration of £77.3 million. As at 30 June 2007, the Exchange had completed £137 million of the current £250 million share repurchase programme with the total number of shares in issue at 201,093,149. The Exchange remains committed to keeping its capital management under active review.

## **Outlook**

The Exchange has maintained good momentum at the start of the year with strong growth in all businesses. This strong first quarter performance underpins our confidence in an excellent outcome for the full year.

Further information is available from:

London Stock Exchange	Patrick Humphris – Media	020 7797 1222
	Paul Froud – Investor Relations	020 7797 3322
Finsbury	James Murgatroyd	020 7251 3801

## LONDON STOCK EXCHANGE GROUP plc

### Summary Revenue - Three months ended 30 June 2007

Revenue	Three months ended 30 June	
	2007 £m	2006 £m
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<b>Continuing operations</b>		
Issuer services	19.4	14.4
Broker services	47.5	40.4
Information services	28.4	25.5
Derivatives services	2.7	2.2
Other income	2.1	1.8
<b>Total Revenue</b>	<b>100.1</b>	<b>84.3</b>