



20 November 2008

IG Group Holdings plc
Trading update

IG Group Holdings plc (“IG” or “the Group”) issues the following trading update relating to the six-month period ending 30 November 2008.

Highlights

- ◆ Strong performance for the period as a whole
- ◆ Record levels of account opening, client activity, revenue and pre-tax profit
 - Revenues expected to be approximately £125m (H1 2008: £86m)
 - Pre-tax profits expected to be approximately £58m (H1 2008: £48m)
- ◆ Extraordinary October volatility resulted in strong revenues but increased costs
 - Doubtful debt charge of approximately £15m
- ◆ Excellent performance from newer international businesses
 - 85% quarter-on-quarter growth
 - 14% of Group revenue in the period
- ◆ Acquired FXOnline
 - Trading ahead of expectations
 - Immediate synergies achieved

Overview

Trading conditions have been strong in the period, particularly in the second quarter, and the Group has continued to achieve high levels of growth. Both the Group’s UK spread betting operation and the Group’s CFD operation, which deals with clients worldwide, have contributed to this growth.

The Group expects to report revenue of approximately £125m (H1 2008: £86m) and pre-tax profits of approximately £58m (H1 2008: £48m), representing increases of 45% and 21% respectively.

October trading

During October 2008 financial markets were extraordinarily volatile. The Vix volatility index peaked at 80, more than double the highest level it had previously achieved. The FTSE 100 index had daily falls of more than 7% on three days in the month and over the week ending 10 October it fell by 21%. During that week it was announced that certain UK banks were likely to be taken partially into state ownership and this resulted in dramatic falls in share prices across the banking sector generally, but in particular shares in Royal Bank of Scotland Group plc (“RBS”) fell by over 50% during a two day period.

These market conditions resulted in extraordinary trading conditions for the Group, which achieved significant new records in October for monthly revenue, number of transactions and number of accounts opened. However, while the volatility produced significant additional revenue, it also produced significant uplifts in betting duty and doubtful debts, both of which

were adversely affected by the impact of market volatility on clients' trading performance. As a result the Group expects that betting duty and the charge for doubtful debts will be approximately £7m and £15m, respectively for the six month period, with one third of the betting duty and almost 80% of the doubtful debt charge arising during October.

The majority of the doubtful debts arising in October relates to a small proportion of the client base (by number and revenue), and the larger debts arose primarily from client positions in RBS and the main equity indices. The incidence of doubtful debts, excluding October, has been broadly in line with that experienced in prior periods at around 2% of revenues. The Group takes a prudent approach to provisioning and where the Group has previously provided for large individual debts, it has typically seen good levels of recovery over a period of several years. The Group has taken a number of steps to reduce the risk of doubtful debts in similarly extraordinary market conditions in the future and will continue to pursue all outstanding debts vigorously.

Operating performance

The Group considers account opening to be a key lead indicator of future revenue growth. The Group continues to achieve strong levels of account opening. In the second quarter of the financial year it anticipates opening over 22,000 financial accounts, including around 4,000 at FX Online Japan in the two months since acquisition at the beginning of October. In the same quarter of the previous financial year the Group opened fewer than 10,000 financial accounts.

All areas of the Group's financial business have contributed to the strong growth in revenues achieved. The Group's newer businesses in mainland Europe, Singapore and the USA continue to deliver very strong growth, with revenues in the second quarter expected to be approximately 85% ahead of those achieved in the first quarter. Together these businesses are expected to contribute over 14% of the Group's revenue during the period, up from 3% in the corresponding period last year. To date, growth in these businesses has come primarily from direct retail clients. As the product has become more established, the Group is seeing increasing interest from potential introducers and has reached agreement with large online stockbrokers in France and Spain to provide CFDs to their clients on a white-label basis. Discussions are on-going with a number of other potential white-label partners.

During the period the Group has opened an office in Milan, to supplement its existing Italian desk in London and has subsequently seen an increase in the rate of recruitment of Italian clients. The Group has also commenced offering CFDs to Portuguese clients from its Iberian office in Madrid.

The Group's internet trading platform has been resilient under extreme load conditions, placing the Group at a significant competitive advantage. Over the last 12 weeks the Group achieved 99.98% reliability on its measure of core uptime.

FX Online

At the beginning of October the Group completed the acquisition of 87.5% of FX Online Japan KK ("FX Online"). Early performance has been strong with good revenues and material synergies being generated from the Group's more efficient hedging model. Integration of the business is proceeding well and the launch of CFDs by FX Online is expected early in 2009.

Current trading

Account opening and client activity remain strong across the Group and IG is benefiting from its broader international reach and increased product diversity.

