9 June 2009

Pre-close Trading Update

IG Group Holdings plc ("IG" or the "Group") issues the following trading update relating to the financial year ended 31 May 2009.

The Group expects to report revenue of around £257m (2008: £184m) and adjusted profit before tax of around £125m (2008: £97m).[1] Excluding the impact of FX Online Japan KK ("FXO"), which the Group acquired during the period, organic revenue growth for the year was 25%. For the final quarter organic revenue growth was 18% year on year, compared to 12% in the third quarter. This improvement in rate of growth was achieved despite significant reductions in the level of market volatility.

As previously reported the Group's UK financial business and its Australian business suffered small declines in revenue in the third quarter.[2] Both businesses performed better in the final quarter and grew over the same period a year earlier. For the year as a whole these businesses achieved revenue of £150m (2008: £137.8m) and £28m (2008: £25m) respectively, representing growth of approximately 9% and 12% respectively.

The Group's six newest offices in Singapore, Germany, France, Spain, Italy and the US, all achieved strong growth, delivering revenue of approximately £42m (2008: £9.7m), representing growth of 333%.

As previously reported FXO saw a sudden decline in its revenue run-rate during February. Following this, revenue stabilised and was approximately £7m for the final quarter, giving total revenue for the eight months of ownership of £28m. The Group believes that the main cause of the weakness was a shift in the competitive landscape with a number of competitors offering ostensibly lower spreads. On 1 June 2009 FXO moved to the same variable spread model that IG had successfully introduced elsewhere during the final quarter. This change is expected to result in an increase in client activity and improved revenue.

The Financial Services Agency in Japan ("FSAJ") has now published limited detail of its possible restriction on leverage for retail foreign exchange ("forex") trading in Japan and has entered a month of public consultation. The current intention of the FSAJ is that there will be a one year period after any rules are enacted during which there will be no limitations on leverage, followed by a further year where leverage is limited to 50 times, before falling to a limit of 25 times leverage. If this timetable is confirmed after the consultation period there will be no impact on FXO during the current financial year.

Until the consultation period is completed and detailed rules are published it is impossible to assess any impact that these measures may ultimately have on the business.

The changes to the Group's approach to managing credit risk that were implemented during the year have been successful in reducing the incidence of doubtful debts. The charge for doubtful debts in the second half of the year is expected to be below 3% of revenue, compared to 12% of revenue in the first half. The majority of the charge in the second half related to legacy situations arising from positions that were instituted prior to the introduction of the more stringent approach to credit risk management.

The final quarter of the year saw a significant fall in volatility in both equity and forex markets and a strong rally in equity markets from their lows in early March. These conditions encouraged greater client trading in equities, but would have been expected to produce some reduction in trading in equity indices and forex. The Group took steps to improve the competitive positioning of its forex and equity indices' offerings during the quarter and as a result activity in forex was strong and activity in indices remained at similar levels to those seen in previous months despite the decline in volatility. Whilst it remains difficult to predict future trends in volatility or customer reaction to changing market and economic conditions, the recent decline in volatility will make the comparative for the first half of the current financial year challenging given the exceptional volatility in global financial markets during the first half of the previous financial year.

The Group continues to achieve strong account opening across its financial businesses worldwide. During the year clients opened approximately 74,000 accounts (including 13,000 with FXO) compared to 42,000 in the prior year, representing an overall increase in the rate of account opening of 76% and a like-for-like increase of 45%. The Group continues to consider this to be a key lead indicator of the future prospects of the business. Strong account opening and the continued development of the Group's offering leave the Group well positioned for further growth.

The results for the year ended 31 May 2009 will be announced on Tuesday 21 July 2009. There will be a presentation for analysts at 9.30am (UK time) at the offices of Financial Dynamics at Holborn Gate, 26 Southampton Buildings, London WC2A 1PB. Analysts wishing to attend the presentation should contact Rob Bailhache at robert.bailhache@fd.com or on +44 20 7269 7200.

Today there will be a conference call for analysts and investors at 8.30am (UK time). The call can be accessed by dialling +44 (0)20 3147 4971 and using passcode 655771#. A replay of the conference call will be available for a period of 14 days after the event by dialling +44 (0)20 7806 1970 and using passcode 655771#.

[1] *Adjusted profit before tax excludes amortisation of intangibles on consolidation of FX Online Japan KK.*
[2] *Geographic analysis in this statement is by office rather than by location of client.*

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