



**London**  
Stock Exchange Group

# A global markets infrastructure business

**Interim Report**

30 June 2016

# Welcome to our Interim Report 2016

## HIGHLIGHTS

- Continued good financial performance with growth across all core business areas - in particular, in Information Services, including strong results at FTSE Russell, in Capital Markets and at LCH
- Revenue up 9% to £721.9 million (H1 2015: £663.0 million); total income up 11% to £785.8 million (H1 2015: £705.9 million)
- Adjusted operating profit<sup>2</sup> up 9% at £333.3 million (H1 2015: £305.7 million) as operating expenses remained well controlled while continuing to invest in growth opportunities; operating profit of £199.0 million (H1 2015: £210.5 million)
- Profit after tax of £114.5 million (H1 2015: £130.8 million) which included non-recurring merger related expenses; and, after accounting for the previously announced tax effects of the Russell IM sale, becomes a loss after tax of £15.9 million on a reported basis including discontinued operations (H1 2015: £165.1 million)
- Adjusted EPS<sup>2</sup> up 16% at 57.7 pence (H1 2015: 49.9 pence); basic EPS down 18% to 27.4 pence (H1 2015: 33.4 pence)
- Interim dividend increased 11.1% to 12.0 pence per share (H1 2015: 10.8 pence per share) in line with our stated dividend policy
- Strong balance sheet position with leverage reduced to 1.3 x net debt:EBITDA
- Merger with Deutsche Börse, announced in March 2016, making good progress - shareholder approvals achieved in July and work underway on regulatory consents
- Sale of Russell Investment Management successfully completed on schedule, for gross proceeds of US\$1,150 million – resulting in an implied multiple of 18x EBITDA (pre synergies) for the retained, high growth Russell Indices business, now integrated with FTSE
- New products and services announced during the period, including LCH Spider, a new rates portfolio margining service, ELITE Club Deal, an online private placement platform for SMEs, and CurveGlobal, a derivative trading venture which is expected to launch in Q3 2016
- The Group is well positioned, as a diversified open access market infrastructure business, to navigate political and macroeconomic changes in the period ahead

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## CONTENTS

Chief Executive's statement .....	2
Operating performance .....	7
Consolidated income statement .....	13
Consolidated statement of comprehensive income.....	15
Consolidated balance sheet.....	16
Consolidated cash flow statement.....	17
Consolidated statement of changes in equity .....	18
Notes to the financial information .....	19
Principal risks.....	44
Going concern/Directors.....	48
Statement of Directors' responsibilities.....	49
Independent review report to London Stock Exchange Group plc.....	50
Financial calendar / Investor relations contacts .....	51

Unless otherwise stated, all figures below refer to continuing operations<sup>1</sup> for the six months ended 30 June 2016. Comparative figures are for continuing operations for the six months ended 30 June 2015 (H1 2015).

<sup>1</sup> continuing operations exclude businesses sold, primarily being Russell Investment Management and Proquote

<sup>2</sup> before amortisation of purchased intangible assets, goodwill impairment and non-recurring items

Organic growth is calculated in respect of businesses owned for at least 6 months in either period and so excludes Exactpro, XTF, Proquote and Russell Investment Management. The Group's principal foreign exchange exposure arises from translating our European based Euro and US based USD reporting businesses into Sterling.

# CHIEF EXECUTIVE'S STATEMENT



***“The Group has delivered another good financial performance, with growth across all of our core business areas.”***

**Xavier Rolet**  
Chief Executive

## Overview

H1 2016 has been a period of notable achievement for the Group. We have delivered another good financial performance and continued to make significant progress on our strategy to develop as an increasingly global, open access market infrastructure business. We have developed new products and services, and are continuing to realise integration synergies and operational efficiencies, particularly at LCH and FTSE Russell.

In terms of financial results, the Group's performance reflects growth across all of our core business areas. In particular, Information Services featured increases across a range of products, including double-digit headline growth at FTSE Russell. LCH continued to make good progress in expanding its OTC services, with a good performance at SwapClear and also with CDS and Forex clearing. Capital Markets delivered strong results in equities and listed derivatives trading in a period marked by volatile market conditions. Our Italian Post Trade businesses also saw income growth, reflecting higher trading volumes and increased NTI in the period. Cost of sales increased 33% to £77.0 million, primarily as a result of growth in LCH, FTSE Russell and Turquoise, all of which incur variable costs related to turnover. Operating costs, excluding cost of sales, increased by 5% on a like-for-like basis at constant currency during a period of continued investment in organic growth and efficiency initiatives. The Group is also benefitting from progress in achieving cost synergies from the integration of Russell Indexes with FTSE and the ongoing cost reduction programme at LCH. Against the backdrop of good results and in line with the Group's progressive dividend policy, we have increased the interim dividend by 11.1%, to 12.0 pence per share.

Some of the key developments over the period are highlighted below:

- LCH received recognition as a clearing house in Singapore for SwapClear, ForexClear and EnClear (Freight); and in Japan for non-yen interest rate derivatives at SwapClear
- LCH Spider, a new rates portfolio margining service, launched in June
- CurveGlobal development on track and announced expected launch in Q3 2016
- Launch of a Green Revenue Index Series and innovative Low Carbon Economy data model, tracking companies that generate green revenues
- SETS intra-day auction launched in March 2016 with good initial volumes
- Launch of FTSE 100 weekly options traded on London Stock Exchange Derivatives Market
- MillenniumIT successfully implemented its Millennium Post Trade platform to support Singapore Exchange's Central Depository (CDP) business
- Launch of *1000 Companies to Inspire Europe* report, building on success of *1000 Companies to Inspire Britain*, reaffirming the Group's commitment to promoting SMEs
- ELITE expanded to over 400 companies in 23 countries, and has been launched with partnerships in Morocco and Turkey
- Launch of ELITE Club Deal, an online private placement platform for ELITE companies and professional investors

During the period, we announced our proposed all share merger with Deutsche Börse, to create a global markets infrastructure group, anchored in Europe, with significant revenue and cost synergies. We believe this transaction will best position us to accelerate our growth strategy and deliver substantial value creation for shareholders. We have provided full details of the merger rationale and benefits in shareholder documentation published in June 2016.

Further commentary on the Group's performance from continuing operations in the six month period is provided below.

## Operational Performance

Capital Markets, which comprises primary and secondary market activities, delivered a 7% increase in revenue (up 4% on an organic and constant currency basis). In primary markets, revenue was 3% lower as uncertain market conditions weighed on new issue activity. Nevertheless, our markets in Italy and the UK remained active, with 74 new issues in the first half of the year (H1 2015: 92), and £11.8 billion raised (H1 2015: £23.1 billion).

In secondary markets, equities trading revenue increased 11% (up 10% at constant currency), reflecting 33% growth of value traded at Turquoise and a 9% rise in the number of trades in Italy. Fixed income and derivatives trading revenue increased 9% (up 3% at organic constant currency), with 14% growth in derivatives volumes offsetting a small reduction in repo and cash trading at MTS.

Total income for Post Trade Services in Italy, comprising CC&G and Monte Titoli, increased 15% to £69.1 million (up 8% at constant currency). Clearing revenues rose 5%, reflecting increased equities and derivatives clearing volumes. Settlement revenue rose 1% (down 5% at constant currency) as settlement instructions declined by 36% and custody revenues reduced as assets under custody were 5% lower at €3.17 trillion. Treasury income increased 47% on a constant currency basis to £21.0 million, reflecting an increase in spreads over the period.

Total income for Post Trade Services - LCH, which comprises the Group's majority-owned global clearing business, increased 17% to £206.5 million (up 13% at constant currency). OTC revenue rose 15% on a constant currency basis, driven by further growth at SwapClear for interest rate swaps (IRS) clearing. Share of client clearing of IRS has remained good at 88% during the period, with a 48% increase in client trades. Uptake of compression services remained strong with \$178 trillion compressed in the first six months of 2016 (H1 2015: \$164 trillion), through use of proprietary and third party compression services.

Non-OTC products clearing revenue was flat on a reported basis (down 5% at constant currency). Cash equities clearing volume increased 27% as a result of increased trading across a number of venues using LCH clearing services. Fixed income clearing and Derivative clearing volumes each reduced by 4%, reflecting the lower trading activity in these markets. LCH net treasury income increased 24% at constant currency, with an increase in average cash collateral, up 9% to €61.3 billion.

Revenue for Information Services, the Group's largest business segment, increased 12% to £285.9 million (up 7% on an organic constant currency basis). This result reflects both the continued strong performance by FTSE Russell, with revenue up 13% (7% at constant currency) to £193.5 million, as well as increases in other product lines. Revenue from real time data increased 5% at constant currency, with growth in users of Italian data and a small year on year reduction in the number of professional users of real time UK data. Other information services continued to grow well with an 11% increase in revenue.

Technology Services revenue declined 1% (down 3% on an organic and constant currency basis), to £38.1 million. The reduction partly reflects normal variations in phasing of billable work as well lower revenues at the MillenniumIT ESP business.

## Financial Summary

Unless otherwise stated, all figures below refer to continuing operations for the six months ended 30 June 2016. Comparative figures are for continuing operations for the six months ended 30 June 2015 (H1 2015). Variances are also provided at organic and constant currency. The basis of preparation is set out on page 12 of this report.

	Six months ended		Variance	Organic and
	30 June			constant
	2016	2015	%	currency
	£m	£m	%	variance <sup>1</sup>
				%
<b>Revenue</b>				
Capital Markets	181.6	170.0	7%	4%
Post Trade Services - CC&G and Monte Titoli	48.1	46.8	3%	(3%)
Post Trade Services - LCH.Clearnet	167.1	149.1	12%	8%
Information Services <sup>1</sup>	285.9	256.4	12%	7%
Technology Services <sup>1</sup>	38.1	38.3	(1%)	(3%)
Other revenue	1.1	2.4	(54%)	(54%)
<b>Total revenue</b>	<b>721.9</b>	<b>663.0</b>	<b>9%</b>	<b>5%</b>
Net treasury income through CCP business	56.0	40.4	39%	31%
Other income	7.9	2.5	216%	216%
<b>Total income</b>	<b>785.8</b>	<b>705.9</b>	<b>11%</b>	<b>7%</b>
Cost of Sale	(77.0)	(58.1)	33%	25%
<b>Gross profit</b>	<b>708.8</b>	<b>647.8</b>	<b>9%</b>	<b>6%</b>
Operating expenses	(372.5)	(342.1)	9%	5%
Share of loss after tax of associate	(3.0)	-	-	-
<b>Adjusted operating profit<sup>2</sup></b>	<b>333.3</b>	<b>305.7</b>	<b>9%</b>	<b>5%</b>
Amortisation of purchased intangibles and non-recurring items	(134.3)	(95.2)	41%	38%
<b>Operating profit</b>	<b>199.0</b>	<b>210.5</b>	<b>(5%)</b>	<b>(9%)</b>
Basic earnings per share (p)	27.4	33.4	(18%)	-
Adjusted basic earnings per share (p) <sup>2</sup>	57.7	49.9	16%	-
Dividend per share (p)	12.0	10.8	11%	-

<sup>1</sup> Organic growth is calculated in respect of businesses owned for at least 6 months in either period and so excludes Exactpro, XTF, Proquote and Russell Investment Management. The Group's principal foreign exchange exposure arises from translating our European based Euro and US based USD reporting businesses into sterling.

<sup>2</sup> before amortisation and impairment of purchased intangible assets and goodwill and non-recurring items

The Group has delivered a good set of financial results. Revenue increased 9% to £721.9 million (H1 2015: £663.0 million), and up 5% on an organic and constant currency basis. The Group recorded growth across all core business segments, reflecting increased trading and clearing activities as well as strong ongoing demand for our information products, including benchmarks and indices. Total income rose 11% to £785.8 million (H1 2015: £705.9 million), and up 7% on an organic and constant currency basis. Cost of sales increased 33% to £77.0 million, reflecting growth in areas of the business with specific expenses related to turnover, in particular at LCH, FTSE Russell and Turquoise.

Operating expenses, excluding cost of sales and amortisation of purchased intangible assets and non-recurring items, rose 9% to £372.5 million (H1 2015: £342.1 million). On an organic and constant currency basis, costs were 5% higher, in a period of continued investment in organic growth and efficiency projects. Helping to offset the increase in operating expenses were savings at LCH and FTSE Russell from the targeted synergy programmes in these businesses.

Adjusted operating profit for the period, before amortisation of purchased intangible assets and non-recurring items, increased 9% to £333.3 million (H1 2015: £305.7 million). Non-recurring costs of £54.8 million were incurred in relation to the proposed merger with Deutsche Börse. Operating profit was £199.0 million (H1 2015: £210.5 million).

Net finance costs were £34.9 million (up from £34.3 million in H1 last year), and profit before tax was £164.1 million (H1

2015: £176.2 million). The underlying effective Group tax rate for the period was 25.6%, unchanged from the rate for the year ended 31 December 2015.

Adjusted basic EPS, before amortisation of purchased intangible assets and non-recurring items, increased 16% to 57.7 pence (H1 2015: 49.9 pence) while basic EPS was 27.4 pence (H1 2015: 33.4 pence).

On a reported basis, including discontinued operations, total income was £1,176.6 million (H1 2015: £1,208.7million), operating profit was £276.2 million (H1 2015: £239.4 million) and a loss after tax of £15.9 million (H1 2015: profit of £165.1 million). The net loss for the period follows the £197.6 million tax payment from the disposal of Russell Investment Management. This results in basic loss per share of 10.4 pence (H1 2015: basic EPS of 43.4 pence).

Net cash inflow from operating activities was £31.4 million (H1 2015: £166.4 million), reflecting increased tax payments and working capital outflows. Capital expenditure in the period amounted to £57.6 million (H1 2015: £48.6 million). Looking ahead, we expect full year run rate capex to continue at similar levels to H1, as we continue to invest in further integration work and product initiatives. Net cash generated after capex, other investing activities and dividends, was £276.1 million (H1 2015: £45.3 million). Free cash flow per share (post net interest paid, tax paid and investment activities) was 107.7 pence (30 June 2015: 38.8 pence).

Committed, undrawn credit lines available for Group purposes at 30 June 2016 totalled over £1 billion, extending out to 2020. Sale proceeds from the sale of Russell Investment Management were used to pay down pre-existing loan drawings while the Group exercised its option to extend the maturity of a £600m committed bank facility for a further 12 months, to June 2017. In July 2016, facility capacity was partially used to repay bond investors upon the maturity of the Group's £250m 10 year Notes. Facility headroom will continue to be managed prudently to provide the Group with financial flexibility for the medium term.

At 30 June 2016, adjusted net debt had reduced to £869.9 million (after setting aside £783.8 million of cash for regulatory and operational support purposes). Adjusted pro forma net debt:EBITDA reduced to 1.3 times (from 1.7 times at 31 December 2015).

The Group had net assets of £3,356.9 million at 30 June 2016 (31 December 2015: £3,196.1 million), including £1,001.7 million in cash and cash equivalents.

The Group's principal foreign exchange exposure arises as a result of translating its foreign currency earnings, assets and liabilities into LSEG's reporting currency of Sterling. For the 6 months to 30 June 2016, for continuing operations, the main exposures for the Group were its European-based Euro reporting businesses (accounting for c.35% of Group income and c.28% of Group expenses) and its US based operations (accounting for c.20% of income and c.12% of expenses). A 10 Euro cent movement in the average £/€ rate for the six months and a 10 cent movement in the average £/US\$ rate for the six months would have changed the Group's operating profit for the period before amortisation of purchased intangible assets and non-recurring items by approximately £7 million in each event.

The Group continues to manage its translation risk exposure by matching the currency of its debt (including debt effectively swapped from Sterling into currency) to the currency of its earnings, where possible, to ensure its key financial ratios are protected from material foreign exchange rate volatility.

## **Russell Investment Management**

In December 2014, the Group completed the acquisition of Frank Russell Company which comprised a leading international index business as well as an investment management business. As previously announced, the Group subsequently explored a sale of the non-core investment management operation. On 31 May 2016, the Group completed the sale of the investment management business to TA Associates and Reverence Capital Partners for total consideration of US\$1,150 million (£793 million<sup>1</sup>), of which US\$150 million (£103 million<sup>1</sup>) is to be received annually in four equal cash instalments, starting from 31 December 2017. The cash received on completion, net of the deferred consideration and closing adjustments, was £594.3 million. The implied consideration for the retained index business, now merged with FTSE, represents an implied multiple of c.18x EBITDA, before synergies.

Following the tax on gain on disposal of £197.6 million, reflecting the inherited low tax basis for the business, and other associated disposal costs, there was an accounting loss on disposal of £148.2 million (excluding post tax earnings of £97.1 million from the business during LSEG's ownership).

<sup>1</sup> Converted using spot exchange rate of 1.45 US\$ to £ as of 31 May 2016

## **Merger with Deutsche Börse**

During the period, we announced our proposed all share merger with Deutsche Börse, to create a global markets infrastructure group, anchored in Europe, with significant revenue and cost synergies. We believe this transaction can best position us to accelerate our growth strategy and deliver substantial value creation for shareholders. We have provided full details of the merger rationale and benefits in shareholder documentation published in June 2016. LSEG

shareholders approved the transaction on 4 July 2016 and 63.65% of shareholders of Deutsche Börse had accepted the offer by the end of the initial acceptance period on 29 July 2016, exceeding the required 60% threshold. Work is continuing to achieve the outstanding regulatory consents.

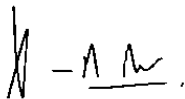
### **Interim Dividend**

The Group's dividend policy, reviewed last year, determines that the interim dividend is calculated as one-third of the prior full year dividend. Accordingly, the Directors have declared an interim dividend of 12.0 pence per share, an increase of 11.1% (10.8 pence per share for the six months ended 30 June 2015). The interim dividend will be paid on 20 September 2016 to shareholders on the register on 26 August 2016.

### **Outlook**

The Group has delivered a good H1 performance in a period marked by volatile market conditions. With growth in all of our core business areas, particularly at LCH and in our Information Services division including FTSE Russell, there remains good ongoing demand for our services.

The Group is well diversified by business activity and geography, with operations in the UK, continental Europe, United States and Asia. By successfully operating a full range of open access market infrastructure services, we are well positioned to navigate political and macroeconomic changes. We remain focused on the all share merger with Deutsche Börse and are working towards achieving the further approvals needed for completion of the transaction.



**Xavier Rolet**  
Chief Executive  
4 August 2016

# OPERATING PERFORMANCE – KEY STATISTICS

To assist investors in understanding the underlying performance of the Group, percentage changes are also presented on a constant currency basis.

## CAPITAL MARKETS

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.

	Six months ended		Variance	Organic and constant currency variance
	30 June			
	2016	2015		
	£m	£m	%	%
<b>Revenue</b>				
Primary Markets	44.2	45.4	(3%)	(4%)
Secondary Markets - Equities	83.1	74.7	11%	10%
Secondary Markets - Fixed income, derivatives and other	54.3	49.9	9%	3%
<b>Total revenue</b>	<b>181.6</b>	<b>170.0</b>	<b>7%</b>	<b>4%</b>
<b>Cost of sales</b>	<b>(11.7)</b>	<b>(8.0)</b>	<b>46%</b>	<b>46%</b>
<b>Gross profit</b>	<b>169.9</b>	<b>162.0</b>	<b>5%</b>	<b>2%</b>

## Capital Markets - Primary Markets

	Six months ended		Variance
	30 June		
	2016	2015	%
<b>New Issues</b>			
UK Main Market, PSM & SFM	25	47	(47%)
UK AIM	41	32	28%
Borsa Italiana	8	13	(38%)
<b>Total</b>	<b>74</b>	<b>92</b>	<b>(20%)</b>
<b>Money Raised (£bn)</b>			
UK New	1.9	6.3	(70%)
UK Further	6.0	12.8	(53%)
Borsa Italiana new and further	3.9	4.0	(3%)
<b>Total (£bn)</b>	<b>11.8</b>	<b>23.1</b>	<b>(49%)</b>



## Capital Markets - Secondary Markets

	Six months ended		Variance %
	2016	30 June 2015	
<b>Equity</b>			
<b>Totals for period</b>			
UK value traded (£bn)	637	655	(3%)
Borsa Italiana (no of trades m)	40.6	37.1	9%
Turquoise value traded (€bn)	759	570	33%
SETS Yield (basis points)	0.6	0.6	3%
<b>Average daily</b>			
UK value traded (£bn)	5.1	5.3	(4%)
Borsa Italiana (no of trades '000)	320	297	8%
Turquoise value traded (€bn)	6.0	4.5	33%
<b>Derivatives (contracts m)</b>			
LSE Derivatives	2.4	2.3	4%
IDEM	25.2	22.0	15%
<b>Total</b>	<b>27.6</b>	<b>24.3</b>	<b>14%</b>
<b>Fixed Income</b>			
MTS cash and BondVision (€bn)	2,042	2,135	(4%)
MTS money markets (€bn term adjusted)	44,425	44,856	(1%)

## POST TRADE SERVICES

The Post Trade Services division principally comprises the Group's Italian-based clearing, settlement and custody businesses.

	Six months ended		Variance	Constant currency variance
	30 June			
	2016	2015		
	£m	£m	%	%
<b>Revenue</b>				
Clearing	20.7	19.8	5%	(2%)
Settlement, custody & other	27.4	27.0	1%	(5%)
<b>Total revenue</b>	<b>48.1</b>	<b>46.8</b>	<b>3%</b>	<b>(3%)</b>
Net treasury income	21.0	13.4	57%	47%
<b>Total income</b>	<b>69.1</b>	<b>60.2</b>	<b>15%</b>	<b>8%</b>
Cost of sales	(5.7)	(2.6)	119%	111%
<b>Gross profit</b>	<b>63.4</b>	<b>57.6</b>	<b>10%</b>	<b>3%</b>

	Six months ended		Variance
	30 June		
	2016	2015	%
<b>CC&amp;G Clearing</b>			
Contracts (m)	68.5	61.5	11%
Initial margin held (average €bn)	11.8	12.3	(4%)
<b>Monte Titoli</b>			
Settlement instructions (trades m)	22.5	35.0	(36%)
Custody assets under management (average €tn)	3.2	3.3	(5%)

## LCH.CLEARNET

The LCH.Clearnet division principally comprises the Group's majority owned global clearing business.

### LCH.Clearnet

	Six months ended		Variance	Constant currency variance
	30 June			
	2016	2015		
Revenue	£m	£m	%	%
OTC - SwapClear, ForexClear/ CDSClear	89.0	75.3	18%	15%
Non-OTC - Fixed income, cash equities and listed derivatives	57.7	57.9	0%	(5%)
Other	20.4	15.9	28%	29%
<b>Total revenue</b>	<b>167.1</b>	<b>149.1</b>	<b>12%</b>	<b>8%</b>
Net treasury income	35.0	27.0	30%	24%
Other income	4.4	-	-	-
Unrealised gain	-	0.1	-	-
<b>Total income</b>	<b>206.5</b>	<b>176.2</b>	<b>17%</b>	<b>13%</b>
Cost of sales	(23.2)	(13.9)	67%	63%
<b>Gross profit</b>	<b>183.3</b>	<b>162.3</b>	<b>13%</b>	<b>9%</b>

### LCH.Clearnet

	Six months ended		Variance
	30 June		
	2016	2015	%
<b>OTC derivatives</b>			
<b>SwapClear</b>			
IRS notional cleared (\$trn)	346	261	33%
SwapClear members	102	111	(8%)
Client trades ('000)	460	310	48%
<b>CDSClear</b>			
Notional cleared (€bn)	264.4	66.4	298%
CDSClear members	11	11	0%
<b>ForexClear</b>			
Notional value cleared (\$bn)	576	522	10%
ForexClear members	23	23	0%
<b>Non-OTC</b>			
Fixed income - Nominal value (€trn)	34.9	36.5	(4%)
Listed derivatives (contracts m)	70.0	72.6	(4%)
Cash equities trades (m)	345.5	271.1	27%
Average cash collateral (€bn)	61.3	56.2	9%

## INFORMATION SERVICES

The Information Services division consists of Global Indices products, real time data products and a number of other discrete businesses including Trade Processing operations, Desktop and Work Flow products.

	Six months ended 30 June		Variance %	Organic and constant currency variance <sup>1</sup> %
	2016 £m	2015 £m		
<b>Revenue</b>				
FTSE Russell Indexes	193.5	171.2	13%	7%
Real time data	44.5	42.0	6%	5%
Other information services	47.9	43.2	11%	7%
<b>Total revenue</b>	<b>285.9</b>	256.4	12%	7%
Cost of sales	(24.9)	(18.2)	37%	26%
<b>Gross profit</b>	<b>261.0</b>	238.2	10%	5%

<sup>1</sup> Excludes XTF revenue from FTSE Russell Indexes revenue.

	As at 30 June		Variance %
	2016	2015	
<b>ETF assets under management benchmarked (\$bn)</b>			
FTSE	229	230	0%
Russell Indexes	161	159	1%
<b>Total</b>	<b>390</b>	389	0%
<b>Terminals</b>			
UK	73,000	75,000	(3%)
Borsa Italiana Professional Terminals	130,000	128,000	2%

## TECHNOLOGY SERVICES

Technology Services comprises technology connections and data centre services for clients of London Stock Exchange and Borsa Italiana, plus the MillenniumIT software business, based in Sri Lanka, which provides technology for the Group as well as third party sales and enterprise services.

	Six months ended		Variance	Organic and constant currency variance <sup>1</sup>
	30 June			
	2016	2015		
	£m	£m	%	%
<b>Revenue</b>				
MillenniumIT & other technology	38.1	38.3	(1%)	(3%)
Cost of sales	(11.5)	(15.4)	(25%)	(17%)
<b>Gross profit</b>	<b>26.6</b>	<b>22.9</b>	<b>16%</b>	<b>10%</b>

<sup>1</sup> Excludes Exactpro revenue

## BASIS OF PREPARATION

Results for the European and US businesses have been translated into Sterling using the exchange rates set out below. 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 June 2016	Closing rate at 30 June 2016	Average rate 6 months ended 30 June 2015	Closing rate at 30 June 2015
GBP : EUR	1.28	1.20	1.37	1.41
GBP : USD	1.43	1.33	1.52	1.57

# CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2016 Unaudited £m	2015 Unaudited £m Re-presented <sup>1</sup>
<b>Continuing operations</b>			
Revenue	2	721.9	663.0
Net treasury income through CCP business	2	56.0	40.4
Other income	2	7.9	2.5
<b>Total income</b>		<b>785.8</b>	<b>705.9</b>
Cost of sales	2	(77.0)	(58.1)
<b>Gross profit</b>		<b>708.8</b>	<b>647.8</b>
<b>Expenses</b>			
Operating expenses before amortisation of purchased intangible assets and non-recurring items	3	(372.5)	(342.1)
Share of loss after tax of associates		(3.0)	-
<b>Operating profit before amortisation of purchased intangible assets and non-recurring items</b>		<b>333.3</b>	<b>305.7</b>
Amortisation of purchased intangible assets	4	(74.4)	(76.9)
Non-recurring items	4	(59.9)	(18.3)
<b>Operating profit</b>	2	<b>199.0</b>	<b>210.5</b>
Finance income		2.2	0.3
Finance expense		(37.1)	(34.6)
<b>Net finance expense</b>	5	<b>(34.9)</b>	<b>(34.3)</b>
<b>Profit before tax from continuing operations</b>		<b>164.1</b>	<b>176.2</b>
Taxation on profit before amortisation of purchased intangible assets and non-recurring items		(76.5)	(79.2)
Taxation on amortisation of purchased intangible assets and non-recurring items	4	26.9	33.8
<b>Total taxation</b>	6	<b>(49.6)</b>	<b>(45.4)</b>
<b>Profit for the financial period from continuing operations</b>		<b>114.5</b>	<b>130.8</b>
<b>Discontinued operations</b>			
(Loss)/profit after tax for the period from discontinued operations	7	(130.4)	34.3
<b>(Loss)/profit for the financial period</b>		<b>(15.9)</b>	<b>165.1</b>
<b>Profit/(loss) attributable to:</b>			
<b>Equity holders</b>			
Profit for the period from continuing operations		95.4	115.5
(Loss)/profit for the period from discontinued operations	7	(131.5)	34.8
		(36.1)	150.3
<b>Non-controlling interests</b>			
Profit attributable to non-controlling interests from continuing operations		19.1	15.3
Profit/(loss) attributable to non-controlling interests from discontinued operations	7	1.1	(0.5)
		20.2	14.8

		(15.9)	165.1
<b>Earnings per share attributable to equity holders:</b>			
Basic (loss)/earnings per share	8	(10.4)p	43.4p
Diluted (loss)/earnings per share	8	(10.3)p	42.8p
Adjusted basic earnings per share	8	62.5p	65.5p
Adjusted diluted earnings per share	8	61.8p	64.6p
<b>Earnings per share for continuing operations attributable to equity holders:</b>			
Basic earnings per share	8	27.4p	33.4p
Diluted earnings per share	8	27.1p	32.9p
Adjusted basic earnings per share	8	57.7p	49.9p
Adjusted diluted earnings per share	8	57.1p	49.3p
<b>Dividend per share in respect of the financial period:</b>			
Dividend per share paid during the period	9	25.2p	22.5p
Dividend per share declared for the period	9	12.0p	10.8p

<sup>1</sup>. Comparative amounts have been re-presented to reflect the presentation of cost of sales and gross profit in the interim condensed consolidated financial statements which resulted in £58.1m of costs being re-presented from total operating expenses to cost of sales.

The notes on pages 19 to 43 form an integral part of these interim condensed consolidated financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	£m	£m
<b>(Loss)/profit for the financial period</b>	<b>(15.9)</b>	165.1
<b>Other comprehensive (loss)/income:</b>		
Defined benefit pension scheme remeasurement loss	<b>(3.7)</b>	(0.6)
<b>Items that may be subsequently reclassified to profit or loss</b>		
Net investment hedge	<b>(58.5)</b>	36.2
Change in value of available for sale financial assets	<b>0.4</b>	1.0
Exchange gain/(loss) on translation of foreign operations	<b>349.7</b>	(191.9)
Tax related to items not recognised in income statement	<b>1.1</b>	5.5
	<b>292.7</b>	(149.2)
<b>Other comprehensive income/(loss), net of tax</b>	<b>289.0</b>	(149.8)
<b>Total comprehensive income for the financial period</b>	<b>273.1</b>	15.3
Attributable to non-controlling interests	<b>63.7</b>	(34.5)
Attributable to equity holders	<b>209.4</b>	49.8
<b>Total comprehensive income for the financial period</b>	<b>273.1</b>	15.3

The notes on pages 19 to 43 form an integral part of these interim condensed consolidated financial statements.



# CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2016 Unaudited	30 June 2015 Unaudited (revised) <sup>1,2,3</sup>	31 December 2015
	Notes	£m	£m	£m
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		96.6	87.7	93.9
Intangible assets	10	4,018.2	3,599.4	3,704.2
Investment in associates		5.0	0.3	0.3
Deferred tax assets		52.7	42.5	34.6
Derivative financial instruments	12	-	64.9	22.4
Available for sale investments	12	35.0	4.5	61.0
Retirement benefit assets		24.7	19.1	25.2
Other non-current assets	12	153.2	34.3	46.0
		<b>4,385.4</b>	<b>3,852.7</b>	<b>3,987.6</b>
<b>Current assets</b>				
Inventories		5.9	7.6	3.7
Trade and other receivables	11	458.4	438.6	331.3
Derivative financial instruments	12	5.5	0.2	25.5
CCP financial assets		525,607.8	419,090.0	428,244.3
CCP cash and cash equivalents (restricted)		44,337.1	27,728.9	28,444.2
CCP clearing business assets	12	569,944.9	446,818.9	456,688.5
Current tax		5.8	55.1	7.2
Assets held at fair value	12	54.0	75.7	9.9
Cash and cash equivalents	12	1,001.7	866.7	923.9
		<b>571,476.2</b>	<b>448,262.8</b>	<b>457,990.0</b>
Assets held for sale	7	-	1,186.8	1,273.6
<b>Total assets</b>		<b>575,861.6</b>	<b>453,302.3</b>	<b>463,251.2</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	13	617.7	485.3	452.4
Derivative financial instruments	12	0.4	-	-
CCP clearing business liabilities	12	569,946.1	446,835.9	456,663.3
Current tax		53.8	52.6	3.5
Borrowings	14	534.0	837.8	930.2
Provisions	12	0.7	1.6	1.5
		<b>571,152.7</b>	<b>448,213.2</b>	<b>458,050.9</b>
Liabilities directly associated with assets held for sale	7	-	480.6	539.0
		<b>571,152.7</b>	<b>448,693.8</b>	<b>458,589.9</b>
<b>Non-current liabilities</b>				
Borrowings	14	546.9	924.2	678.7
Other non-current payables	13	-	32.0	43.5
Derivative financial instruments	12	12.0	-	-
Deferred income		0.7	3.4	2.2
Deferred tax liabilities		683.5	624.3	625.6
Retirement benefit obligations		45.4	43.5	40.6
Other non-current liabilities	12	54.0	66.4	65.3
Provisions	12	9.5	11.3	9.3
		<b>1,352.0</b>	<b>1,705.1</b>	<b>1,465.2</b>
<b>Total liabilities</b>		<b>572,504.7</b>	<b>450,398.9</b>	<b>460,055.1</b>
<b>Net assets</b>		<b>3,356.9</b>	<b>2,903.4</b>	<b>3,196.1</b>
<b>Equity</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Ordinary share capital		24.1	24.0	24.0
Share premium		961.3	959.9	960.0
Retained earnings		145.3	102.8	255.3
Other reserves		1,751.0	1,403.7	1,504.6
<b>Total shareholders' funds</b>		<b>2,881.7</b>	<b>2,490.4</b>	<b>2,743.9</b>
<b>Non-controlling interests</b>		<b>475.2</b>	<b>413.0</b>	<b>452.2</b>
<b>Total equity</b>		<b>3,356.9</b>	<b>2,903.4</b>	<b>3,196.1</b>

<sup>1</sup> The 30 June 2015 comparatives have been revised for IFRS 3 fair value adjustments on the acquisition of the Frank Russell Company.

<sup>2</sup> £13.7m of assets held at fair value has been re-presented to CCP financial assets.

<sup>3</sup> £75.7m of government bonds included in cash and cash equivalents have been re-classified to assets held at fair value.

The notes on pages 19 to 43 form an integral part of these interim condensed consolidated financial statements.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months ended 30 June	
		2016 Unaudited	2015 Unaudited Revised <sup>1</sup>
		£m	£m
<b>Cash flow from operating activities</b>			
Cash generated from operations	16	240.0	299.6
Interest received		2.4	1.2
Interest paid		(39.3)	(39.1)
Corporation tax paid		(171.4)	(95.3)
Withholding tax paid		(0.3)	-
<b>Net cash inflow from operating activities</b>		<b>31.4</b>	<b>166.4</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(12.5)	(17.1)
Sale of property, plant and equipment		-	5.4
Purchase of intangible assets		(45.1)	(31.5)
Proceeds from sale of a disposal group	17	594.3	-
Cash disposed as a part of discontinued operations	17	(185.2)	-
Investment in other acquisition		(0.7)	(0.9)
Investment in subsidiaries		-	(2.1)
Investments in associates		(7.8)	-
Dividends received from associates		0.4	7.2
Net cash inflow from acquisitions		-	0.2
<b>Net cash inflow/(outflow) from investing activities</b>		<b>343.4</b>	<b>(38.8)</b>
<b>Cash flow from financing activities</b>			
Dividends paid to shareholders	9	(87.7)	(78.0)
Dividends paid to non-controlling interests		(11.0)	(4.3)
Capital contributions in relation to non-controlling interests		20.2	6.9
Proceeds from own shares on exercise of employee share options		1.4	4.8
Net investment in available for sale financial assets		(5.1)	(75.7)
Repayments of finance lease		(2.9)	(2.5)
Net proceeds from borrowings		(570.7)	55.7
<b>Net cash outflow from financing activities</b>		<b>(655.8)</b>	<b>(93.1)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		1,176.4	1,127.2
Exchange gain/(loss) on cash and cash equivalents		106.3	(72.6)
<b>Cash and cash equivalents at end of period</b>		<b>1,001.7</b>	<b>1,089.1</b>
Cash and cash equivalents at end of period from continuing operations		1,001.7	866.7
Cash and cash equivalents at end of period from discontinued operations	7	-	222.4
<b>Cash and cash equivalents at end of period</b>		<b>1,001.7</b>	<b>1,089.1</b>

<sup>1</sup> £75.7m of government bonds included in cash and cash equivalents have been reclassified to assets held at fair value.

The notes on pages 19 to 43 form an integral part of these interim condensed consolidated financial statements.

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default funds held for counterparties for short periods in connection with this operation. Interest on CCP balances are received net of withholding tax, which is deducted at source. This withholding tax is effectively a cash outflow for the Group, and is shown separately in the cash flow statement.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders						
	Ordinary share capital	Share premium	Retained earnings / (losses)	Other reserves	Total attributable to equity holders	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
31 December 2014	23.9	957.7	20.0	1,524.9	2,526.5	428.8	2,955.3
Profit for the period	-	-	150.3	-	150.3	14.8	165.1
Other comprehensive income / (loss) for the financial period	-	-	5.9	(121.2)	(115.3)	(34.5)	(149.8)
Issue of shares	0.1	2.2	-	-	2.3	-	2.3
Interim dividend relating to the period ended 31 December 2014 (note 9)	-	-	(33.6)	-	(33.6)	-	(33.6)
Final dividend relating to the period ended 31 December 2014 (note 9)	-	-	(44.4)	-	(44.4)	-	(44.4)
Employee share scheme expenses	-	-	4.6	-	4.6	-	4.6
Dividend payments to non-controlling interests	-	-	-	-	-	(4.2)	(4.2)
Capital contributions in relation to non-controlling interests	-	-	-	-	-	8.1	8.1
30 June 2015 (Unaudited)	24.0	959.9	102.8	1,403.7	2,490.4	413.0	2,903.4
31 December 2015	24.0	960.0	255.3	1,504.6	2,743.9	452.2	3,196.1
(Loss)/profit for the period	-	-	(36.1)	-	(36.1)	20.2	(15.9)
Other comprehensive (loss)/income for the financial period	-	-	(0.9)	246.4	245.5	43.5	289.0
Issue of shares	0.1	1.3	-	-	1.4	-	1.4
Final dividend relating to the year ended 31 December 2015 (note 9)	-	-	(87.7)	-	(87.7)	-	(87.7)
Employee share scheme expenses, net of tax	-	-	13.9	-	13.9	-	13.9
Dividend payments to non-controlling interests	-	-	-	-	-	(17.0)	(17.0)
Net contributions in relation to non-controlling interests	-	-	-	-	-	14.5	14.5
Disposal of business	-	-	0.8	-	0.8	(38.2)	(37.4)
30 June 2016 (Unaudited)	24.1	961.3	145.3	1,751.0	2,881.7	475.2	3,356.9

The other reserves are set out on page 102 of the Group's Annual Report for the year ended 31 December 2015. The movement in the current period comprises a credit of £304.9m to the foreign exchange reserves and a charge of £58.5m to the hedging reserve.

The Board approved the allotment and issue of 173,193 ordinary shares of par value 6<sup>79/86</sup>p at 755p each in the Company to satisfy options granted under the Company's Save-As-You-Earn and International Sharesave Plans.

During the period, the Group also issued 1,750,000 ordinary shares at par value to the Employee Benefit Trust in relation to the Group's employee share option scheme.

The notes on pages 19 to 43 form an integral part of these interim condensed consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Interim Report for the London Stock Exchange Group plc (the 'Group' or the 'Company') for the six months ended 30 June 2016 was approved by the Directors on 4 August 2016.

## 1. Basis of preparation and accounting policies

The interim condensed consolidated financial statements of London Stock Exchange Group plc and its subsidiaries (collectively, the 'Group') for the six months ended 30 June 2016 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard 34 (IAS 34), 'Interim Financial Reporting'.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

All comparative amounts relate to the six months ended 30 June 2015, unless otherwise stated.

Amounts in the income statement for the six months ended 30 June 2015 have been re-presented to reflect the inclusion of two additional performance measures, being cost of sales and gross profit, on the face of the income statement. This resulted in £58.1m of costs from continuing operations being re-presented from total operating expenses into cost of sales. The change in presentation is to further assist users in understanding the financial performance of the Group and does not impact previously reported profit before tax or profit after tax for the period.

All other notes to the financial statements include amounts for continuing operations, unless otherwise stated.

The following amendments to standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) and have been adopted by the Group in these interim condensed consolidated financial statements:

- Amendments to IFRS 11, 'Joint arrangements' on accounting for acquisitions of interests in a joint operations'
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 27, 'Separate financial statements' on equity method in separate financial statements
- Annual Improvements 2012-2014
- Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative

The adoption of these standards did not have a material impact on these interim condensed consolidated financial statements.

There are no further standards, interpretations and amendments effective as of 1 January 2016 relevant to the Group or that impact the Group's annual consolidated financial statements and interim condensed consolidated financial statements.

The following standards and interpretations were issued by the IASB and IFRIC since the last Annual Report, but have not been adopted either because they were not endorsed by the European Union (EU) at 30 June 2016 or they are not yet mandatory and the Group has not chosen to early adopt. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review:

<b>International accounting standards and interpretations</b>	<b>Effective date</b>
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Associates and joint ventures' on sale and contribution of assets between an investor and its associate or joint venture	1 January 2016
IFRS 14, 'Regulatory deferral accounts'	1 January 2016
IFRS 15 'Revenue from contracts with customers'	1 January 2018
IFRS 9 'Financial instruments' on classification and measurement and amendments regarding general hedge accounting	1 January 2018
IFRS 16 'Leases'	1 January 2019

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the interim condensed consolidated financial statements. Although these estimates and assumptions are based on management's best judgement at the date of the interim condensed consolidated financial statements, actual results may differ from these estimates.

For these interim condensed consolidated interim financial statements, the Group is not adopting the columnar format for its consolidated income statement as stated in the Group basis of preparation and accounting policies in the Group's annual consolidated financial statements for the year ended 31 December 2015.

The statutory financial statements of London Stock Exchange Group plc for the year ended 31 December 2015, which carried an unqualified audit report, have been delivered to the Registrar of Companies and did not contain a statement under section 498 of the Companies Act 2006.

The interim condensed consolidated financial statements is unaudited but has been reviewed by the auditors and their review opinion is included in this report.

The interim condensed consolidated financial statements does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

## 2. Segmental information

Segmental disclosures for the six months ended 30 June 2016 are as follows:

Unaudited	Capital Markets £m	Post Trade Services - CC&G and Monte Titoli £m	Post Trade Services - LCH.Clear-net £m	Information Services £m	Technology Services £m	Other £m	Eliminations £m	Group £m
<b>Revenue from external customers</b>	181.6	48.1	167.1	285.9	38.1	1.1	-	721.9
Inter-segmental revenue	-	0.2	-	-	5.0	-	(5.2)	-
<b>Revenue</b>	<b>181.6</b>	<b>48.3</b>	<b>167.1</b>	<b>285.9</b>	<b>43.1</b>	<b>1.1</b>	<b>(5.2)</b>	<b>721.9</b>
<b>Net treasury income through CCP business</b>	-	21.0	35.0	-	-	-	-	56.0
<b>Other income</b>	-	-	4.4	-	-	3.5	-	7.9
<b>Total income</b>	<b>181.6</b>	<b>69.3</b>	<b>206.5</b>	<b>285.9</b>	<b>43.1</b>	<b>4.6</b>	<b>(5.2)</b>	<b>785.8</b>
Cost of sales	(11.7)	(5.7)	(23.2)	(24.9)	(11.5)	-	-	(77.0)
<b>Gross profit</b>	<b>169.9</b>	<b>63.6</b>	<b>183.3</b>	<b>261.0</b>	<b>31.6</b>	<b>4.6</b>	<b>(5.2)</b>	<b>708.8</b>
<b>Operating profit before amortisation of purchased intangible assets and non-recurring items</b>	<b>87.5</b>	<b>31.2</b>	<b>54.8</b>	<b>157.6</b>	<b>1.3</b>	<b>1.4</b>	<b>(0.5)</b>	<b>333.3</b>
Amortisation of purchased intangible assets								(74.4)
Non-recurring items								(59.9)
<b>Operating profit</b>								<b>199.0</b>
Net finance expense								(34.9)
<b>Profit before tax from continuing operations</b>								<b>164.1</b>
<b>Other income statement items</b>								
Depreciation and software amortisation	(4.2)	(4.8)	(15.6)	(8.5)	(3.1)	-	0.8	(35.4)

Net treasury income through CCP business of £56.0m comprises gross interest income of £192.9m less gross interest expense of £136.9m. Negative interest earned from investment in securities amounts to £2.0m.

Segmental disclosures for the six months ended 30 June 2015 are as follows:

Re-presented<sup>1</sup>

<b>Unaudited</b>	<b>Capital Markets</b>	<b>Post Trade Services - CC&amp;G and Monte Titoli</b>	<b>Post Trade Services - LCH.Clear-net</b>	<b>Information Services</b>	<b>Technology Services</b>	<b>Other</b>	<b>Eliminations</b>	<b>Group</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Revenue from external customers</b>	170.0	46.8	149.1	256.4	38.3	2.4	-	663.0
Inter-segmental revenue	-	0.5	-	-	4.7	-	(5.2)	-
<b>Revenue</b>	<b>170.0</b>	<b>47.3</b>	<b>149.1</b>	<b>256.4</b>	<b>43.0</b>	<b>2.4</b>	<b>(5.2)</b>	<b>663.0</b>
<b>Net treasury income through CCP business</b>	-	13.4	27.0	-	-	-	-	40.4
<b>Other income</b>	-	-	0.1	-	-	2.4	-	2.5
<b>Total income</b>	<b>170.0</b>	<b>60.7</b>	<b>176.2</b>	<b>256.4</b>	<b>43.0</b>	<b>4.8</b>	<b>(5.2)</b>	<b>705.9</b>
Cost of sales	(8.0)	(2.6)	(13.9)	(18.2)	(15.4)	-	-	(58.1)
<b>Gross profit</b>	<b>162.0</b>	<b>58.1</b>	<b>162.3</b>	<b>238.2</b>	<b>27.6</b>	<b>4.8</b>	<b>(5.2)</b>	<b>647.8</b>
<b>Operating profit before amortisation of purchased intangible assets and non-recurring items</b>	87.3	29.4	50.6	134.1	1.7	1.9	0.7	305.7
Amortisation of purchased intangible assets								(76.9)
Non-recurring items								(18.3)
<b>Operating profit</b>								210.5
Net finance expense								(34.3)
<b>Profit before tax from continuing operations</b>								176.2
<b>Other income statement items</b>								
Depreciation and software amortisation	(5.2)	(2.9)	(13.5)	(6.4)	(2.8)	(0.1)	1.7	(29.2)

<sup>1</sup> Comparatives have been re-presented to reflect the presentation of cost of sales and gross profit in the interim condensed consolidated financial statements.

Net treasury income through CCP business of £40.4m comprises gross interest income of £109.6m less gross interest expense of £69.2m. The 30 June 2015 comparatives have been amended from those previously reported (an decrease of £3.2m to both interest income and interest expense) as a result of amounts of negative interest which were previously offset against interest income. Net treasury income is unchanged. Interest from investment in securities amount to £4.2m.

### 3. Expenses by nature

Expenses comprise the following:

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	£m	£m
		Re-presented <sup>1</sup>
Employee costs	223.1	198.1
Depreciation and non-acquisition software amortisation	35.4	29.2
IT costs	42.4	42.0
Other costs	71.6	72.8
<b>Total operating expenses</b>	<b>372.5</b>	<b>342.1</b>

<sup>1</sup> Comparative amounts have been re-presented to reflect the presentation of cost of sales and gross profit in the interim condensed consolidated financial statements.

### 4. Amortisation of purchased intangible assets and non-recurring items

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	£m	£m
Amortisation of purchased intangible assets	74.4	76.9
Transaction costs	54.8	-
Restructuring costs	0.3	11.5
Integration costs	4.8	6.8
	59.9	18.3
<b>Total affecting operating profit</b>	<b>134.3</b>	<b>95.2</b>
<b>Total affecting profit before tax</b>	<b>134.3</b>	<b>95.2</b>
<b>Tax effect on items affecting profit before tax</b>		
Deferred tax on amortisation and impairment of purchased intangible assets	(20.1)	(20.7)
Current tax on amortisation and impairment of purchased intangible assets	(0.9)	(0.9)
Tax effect on other items affecting profit before tax	(5.9)	(12.2)
<b>Total tax effect on items affecting profit before tax</b>	<b>(26.9)</b>	<b>(33.8)</b>
<b>Total charge to income statement</b>	<b>107.4</b>	<b>61.4</b>

Restructuring and integration costs in the current and the prior period principally relate to the ongoing restructuring and integration of Frank Russell Company.

Transaction costs comprise charges incurred for ongoing services in relation to the proposed merger with Deutsche Börse.

## 5. Net finance expense

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	£m	£m
<b>Finance income</b>		
Bank deposit and other interest income	1.5	0.3
Expected return on defined benefit pension scheme assets	0.5	-
Other finance income	0.2	-
	<b>2.2</b>	<b>0.3</b>
<b>Finance expense</b>		
Interest payable on bank and other borrowings	(34.9)	(32.9)
Other finance expenses	(1.5)	(1.4)
Defined benefit pension scheme interest cost	(0.7)	(0.3)
	<b>(37.1)</b>	<b>(34.6)</b>
<b>Net finance expense</b>	<b>(34.9)</b>	<b>(34.3)</b>

Net finance expense includes amounts where the Group earns negative interest on its cash deposits.

## 6. Taxation

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	£m	£m
<b>Taxation charged to the income statement</b>		
Current tax:		
UK corporation tax for the period	38.4	34.7
Overseas tax for the period	35.4	42.9
Adjustments in respect of previous years	1.2	-
	<b>75.0</b>	<b>77.6</b>
Deferred tax:		
Deferred tax for the period	(4.3)	(11.6)
Adjustments in respect of previous years	(1.0)	-
Deferred tax liability on amortisation of purchased intangible assets	(20.1)	(20.6)
	<b>(25.4)</b>	<b>(32.2)</b>
<b>Taxation charge</b>	<b>49.6</b>	<b>45.4</b>



### Taxation on items not credited/(charged) to income statement

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	£m	£m
Current tax credit:		
Tax allowance on share options/awards in excess of expense recognised	4.9	0.4
Deferred tax credit/(loss):		
Tax allowance on defined benefit pension scheme remeasurement loss and movement in value of available for sale financial assets	1.1	0.4
Tax allowance on share options/awards in excess of expense recognised	(1.7)	4.7
	4.3	5.5

### Factors affecting the tax charge for the period

The income statement tax charge for the period differs from the standard rate of corporation tax in the UK of 20% (period ended 30 June 2015: 20.25%) as explained below:

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	£m	£m
Profit before taxation from continuing operations	164.1	176.2
Profit before taxation from discontinued operations	78.2	29.0
	242.3	205.2
Profit multiplied by standard rate of corporation tax in the UK	48.5	41.6
Profit on disposal of discontinued operations	169.4	-
Expenses not deductible	10.6	2.5
Deferred tax previously not recognised	-	(10.4)
Overseas earnings taxed at higher rate	34.7	13.2
Adjustments in respect of previous years	0.2	-
Amortisation of purchased intangible assets at overseas rates	(5.2)	(6.8)
<b>Taxation charge</b>	<b>258.2</b>	<b>40.1</b>
Income tax from continuing operations	49.6	45.4
Income tax attributable to discontinued operations	208.6	(5.3)
	258.2	40.1

The tax rate applied as at 30 June 2016 is the expected rate for the full financial year.

## 7. Discontinued operations

On 31 May 2016, the Group completed the sale of the Russell Investment Management business to TA Associates and Reverence Capital Partners in exchange for US\$1,150m (£793.1m) cash consideration.

The results of the Russell Investment Management business for the five month period to 31 May 2016 and the prior period comparatives are included as discontinued operations in the Group's condensed consolidated income statement.

The Group completed the disposal of Proquote Ltd in October 2015. The results of the Proquote Ltd business are included as discontinued operations for the six months ended 30 June 2015.

The results of discontinued operations are presented below:

	Six months ended 30 June	
	2016 Unaudited £m	2015 Unaudited Re-presented <sup>1</sup> £m
Revenue	389.5	501.9
Other income	1.3	0.9
<b>Total income</b>	<b>390.8</b>	502.8
Cost of sales	(200.3)	(265.5)
Share of profit after tax of associate	-	(0.1)
<b>Expenses</b>		
Expenses before amortisation of purchased intangible assets and non-recurring items	(162.7)	(176.8)
Amortisation of purchased intangible assets	-	(4.8)
Non-recurring items <sup>2</sup>	49.4	(26.7)
<b>Operating profit</b>	<b>77.2</b>	28.9
Finance income	1.1	0.4
Finance expense	(0.1)	(0.3)
<b>Net finance income</b>	<b>1.0</b>	0.1
<b>Profit before tax from discontinued operations</b>	<b>78.2</b>	29.0
Taxation on profit before amortisation of purchased intangible assets and non-recurring items	(11.0)	(7.2)
Taxation on non-recurring items	(197.6)	12.5
<b>Total taxation</b>	<b>(208.6)</b>	5.3
<b>(Loss)/profit for the period from discontinued operations</b>	<b>(130.4)</b>	34.3
<b>Attributable to:</b>		
Equity holders	(131.5)	34.8
Non-controlling interests	1.1	(0.5)
	<b>(130.4)</b>	34.3

<sup>1</sup> Comparative amounts have been re-presented to reflect the presentation of cost of sales and gross profit in the interim condensed consolidated financial statements.

<sup>2</sup> The non-recurring item in the current period of £49.4m relates to the profit on disposal of the Russell Investment Management business. Further details are provided in Notes 17 and 19.

As the Russell Investment Management business was sold prior to 30 June 2016, the assets and liabilities held for sale as at 31 December 2015 are no longer included on the Group's balance sheet as at 30 June 2016.

The net cash flows incurred by discontinued operations during the period are as follows:

	Six months ended 30 June	
	2016 Unaudited £m	2015 Unaudited £m
Cash flow from operating activities	59.1	(11.0)
Cash flow from investing activities	(8.3)	4.3
Cash flow from financing activities	20.0	4.1
<b>Net cash inflow/(outflow)</b>	<b>70.8</b>	(2.6)

## 8. Earnings per share

Earnings per share is presented on four bases: basic earnings per share; diluted earnings per share; adjusted basic earnings per share; and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on conversion or vesting of share options and share awards under the Employee Share Ownership Plan (ESOP). Adjusted basic earnings per share and adjusted diluted earnings per share exclude amortisation of purchased intangible assets and adjusted items to enable a better comparison of the underlying earnings of the business with prior periods. The following also reflects the earnings per share for the continuing and discontinuing operations.

	Six months ended 30 June					
	2016			2015		
	Unaudited			Unaudited		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
<b>Basic earnings/(loss) per share</b>	27.4p	(37.8)p	(10.4)p	33.4p	10.0p	43.4p
<b>Diluted earnings/(loss) per share</b>	27.1p	(37.4)p	(10.3)p	32.9p	9.9p	42.8p
<b>Adjusted basic earnings per share</b>	57.7p	4.8p	62.5p	49.9p	15.6p	65.5p
<b>Adjusted diluted earnings per share</b>	57.1p	4.7p	61.8p	49.3p	15.3p	64.6p

### Profit and adjusted profit for the financial period attributable to the Company's equity holders

	Six months ended 30 June					
	2016			2015		
	Unaudited			Unaudited		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£m	£m	£m	£m	£m	£m
Profit/(loss) for the financial period attributable to the Company's equity holders	95.4	(131.5)	(36.1)	115.5	34.8	150.3
<b>Adjustments:</b>						
<b>Amortisation and non-recurring items</b>						
Amortisation of purchased intangible assets	74.4	-	74.4	76.9	4.8	81.7
Transaction costs	54.8	-	54.8	-	-	-
Restructuring costs	0.3	-	0.3	11.5	26.7	38.2
Integration costs	4.8	-	4.8	6.8	-	6.8
Profit on disposal of assets and liabilities held for sale	-	(49.4)	(49.4)	-	-	-
	134.3	(49.4)	84.9	95.2	31.5	126.7
<b>Other adjusting items:</b>						
Tax effect of amortisation and impairment of purchased intangibles and non-recurring items	(26.9)	197.6	170.7	(33.8)	(12.5)	(46.3)
Amortisation of purchased intangible assets, non-recurring and adjusting items, and taxation attributable to non-controlling interests	(1.9)	-	(1.9)	(4.0)	-	(4.0)
<b>Adjusted profit for the financial period attributable to the Company's equity holders</b>	<b>200.9</b>	<b>16.7</b>	<b>217.6</b>	<b>172.9</b>	<b>53.8</b>	<b>226.7</b>
<b>Weighted average number of shares - million</b>			<b>348.1</b>			<b>346.3</b>
Effect of dilutive share options and awards - million			3.9			4.6
<b>Diluted weighted average number of shares - million</b>			<b>352.0</b>			<b>350.9</b>

The weighted average number of shares excludes those held in the Employee Benefit Trust.

## 9. Dividends

	Six months ended 30 June	
	2016 Unaudited £m	2015 Unaudited £m
Final dividend for 31 December 2015 paid 1 June 2016: 25.2p per Ordinary share	87.7	-
Final dividend for 31 December 2014 paid 2 June 2015: 12.8p per Ordinary share	-	44.4
Interim dividend for 31 December 2014 paid 5 January 2015: 9.7p per Ordinary share	-	33.6
	<b>87.7</b>	<b>78.0</b>

The Board has proposed an interim dividend in respect of the six month period ended 30 June 2016 of 12.0p per share, amounting to an estimated £42.0m, to be paid on 20 September 2016. This is not reflected in these interim condensed consolidated financial statements.

## 10. Intangible Assets

Unaudited	Purchased intangible assets					Total
	Goodwill	Customer and supplier relationships	Brands	Software, licenses and intellectual property	Software	
	£m	£m	£m	£m	£m	£m
Cost:						
30 June 2015 (revised)	1,776.3	1,467.0	813.7	420.7	283.9	4,761.6
Additions	1.0	-	-	-	62.6	63.6
Disposals	-	-	-	(0.8)	(4.8)	(5.6)
Disposal of business	-	-	-	-	(3.8)	(3.8)
Reclassification to assets held for sale	(0.2)	(26.3)	(7.4)	(7.9)	8.6	(33.2)
Foreign exchange	45.6	75.8	45.9	9.7	(4.8)	172.2
31 December 2015	1,822.7	1,516.5	852.2	421.7	341.7	4,954.8
Additions	-	-	-	-	45.8	45.8
Foreign exchange	204.2	155.8	66.0	8.6	51.8	486.4
<b>30 June 2016</b>	<b>2,026.9</b>	<b>1,672.3</b>	<b>918.2</b>	<b>430.3</b>	<b>439.3</b>	<b>5,487.0</b>
Accumulated amortisation:						
30 June 2015	468.2	301.3	53.7	218.9	120.1	1,162.2
Impairment	-	-	-	-	1.0	1.0
Amortisation charge for the period	-	41.6	16.4	17.0	20.1	95.1
Disposals	-	-	-	(0.7)	(4.7)	(5.4)
Disposal of business	-	-	-	-	(1.9)	(1.9)
Reclassification to assets held for sale	-	(0.5)	(0.1)	0.1	1.9	1.4
Foreign exchange	(19.6)	6.2	1.4	3.3	6.9	(1.8)
31 December 2015	448.6	348.6	71.4	238.6	143.4	1,250.6
Amortisation charge for the period	-	39.5	17.3	17.6	25.2	99.6
Foreign exchange	43.0	38.8	4.1	5.7	27.0	118.6
<b>30 June 2016</b>	<b>491.6</b>	<b>426.9</b>	<b>92.8</b>	<b>261.9</b>	<b>195.6</b>	<b>1,468.8</b>
Net book values:						
<b>30 June 2016 (Unaudited)</b>	<b>1,535.3</b>	<b>1,245.4</b>	<b>825.4</b>	<b>168.4</b>	<b>243.7</b>	<b>4,018.2</b>
31 December 2015	1,374.1	1,167.9	780.8	183.1	198.3	3,704.2
30 June 2015 (revised) (Unaudited)	1,308.1	1,165.7	760.0	201.8	163.8	3,599.4

The fair values of the purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The goodwill arising on consolidation represents the growth potential and assembled workforces of the Frank Russell Group, Italian Group, LCH.Clearnet Group, FTSE Group, MillenniumIT, Turquoise and Exactpro.

The valuation on the acquisition of Exactpro Systems Limited was finalised during the period and resulted in no change to the fair values attributed on acquisition.

During the prior year, the Group completed the exercise of attributing fair value adjustments to the assets and liabilities acquired from the Frank Russell Company. As a result, final fair value adjustments have been made to the previously presented provisional fair values at 30 June 2015 resulting in a reduction in the value of purchase consideration of £9.1m and an increase in other receivables of £9.1m. The impact of these final fair value adjustments resulted in a decrease in goodwill of £9.1m to amounts previously disclosed in our 31 December 2014 Annual Report and Interim Report 2015. The impact of these final fair value adjustments have been incorporated with effect from the acquisition date of the Frank Russell Company and the comparative 30 June 2015 balance sheet and related notes have been revised.

The valuation on the acquisition of Bonds.com was finalised during the prior period and resulted in a reduction of goodwill of £2.6m, an increase in purchased intangible assets of £4.4m and an increase in deferred tax liability of £1.8m.

During the period, additions relating to internally generated software amounted to £45.8m (30 June 2015: £33.9m).

The carrying value of licenses held under finance leases at 30 June 2016 amounted to £0.5m (30 June 2015: £1.7m).

## 11. Trade and other receivables

	30 June	
	2016	2015
	Unaudited	Unaudited (revised)
	£m	£m
<b>Current</b>		
Trade receivables	242.3	204.7
Less: Provision for impairment of receivables	(11.6)	(6.1)
Trade receivables - net	230.7	198.6
Prepayments and accrued income	164.4	157.1
Amounts due from associates	0.2	-
Other receivables	63.1	82.9
<b>Total</b>	<b>458.4</b>	<b>438.6</b>

The carrying values less impairment provision of trade and other receivables are reasonable approximations of fair values.

Trade receivables that are not past due are not considered to be impaired.

## 12. Financial assets and financial liabilities

### Financial instruments by category

The financial instruments of the Group at 30 June 2016 are categorised as follows:

30 June 2016 Unaudited	Loans and receivables £m	Held-to- maturity assets £m	Available for sale at fair value through OCI £m	Financial instruments at fair value through profit or loss £m	Total £m
<b>Assets as per balance sheet</b>					
Financial assets of the CCP clearing business:					
– CCP trading assets	-	-	-	339,611.1	<b>339,611.1</b>
– Receivables for repurchase transactions	151,426.2	-	-	-	<b>151,426.2</b>
– Other receivables from clearing members	11,031.8	-	-	-	<b>11,031.8</b>
– Financial assets held at fair value	-	-	10,720.9	12,816.4	<b>23,537.3</b>
– Cash and cash equivalents of clearing members	44,337.1	-	-	-	<b>44,337.1</b>
Financial assets of the CCP clearing business	206,795.1	-	10,720.9	352,427.5	<b>569,943.5</b>
Assets held at fair value	-	-	-	1.4	<b>1.4</b>
Total financial assets for CCP clearing business	206,795.1	-	10,720.9	352,428.9	<b>569,944.9</b>
Other non-current assets	153.2	-	-	-	<b>153.2</b>
Trade and other receivables	458.4	-	-	-	<b>458.4</b>
Cash and cash equivalents	992.1	-	9.6	-	<b>1,001.7</b>
Assets held at fair value	-	-	54.0	-	<b>54.0</b>
Available for sale financial assets	-	-	35.0	-	<b>35.0</b>
<u>Derivatives not designated as hedges:</u>					
- Foreign exchange forward contracts	-	-	-	1.1	<b>1.1</b>
<u>Derivatives used for hedging:</u>					
Net investment hedges:					
- Cross currency interest rate swaps	-	-	-	4.4	<b>4.4</b>
<b>Total</b>	<b>208,398.8</b>	<b>-</b>	<b>10,819.5</b>	<b>352,434.4</b>	<b>571,652.7</b>

There were no transfers between categories during the period.

<b>30 June 2016</b>	<b>Financial liabilities at amortised cost</b>	<b>Financial liabilities at fair value through profit and loss</b>	<b>Total</b>
<b>Unaudited</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Liabilities as per balance sheet</b>			
Financial liabilities of the CCP clearing business:			
– CCP trading liabilities	-	339,611.0	<b>339,611.0</b>
– Liabilities under repurchase transactions	151,426.2	-	<b>151,426.2</b>
– Other payables to clearing members	78,891.4	-	<b>78,891.4</b>
– Financial liabilities held at fair value	-	17.5	<b>17.5</b>
<b>Total financial liabilities of the CCP clearing business</b>	<b>230,317.6</b>	<b>339,628.5</b>	<b>569,946.1</b>
Trade and other payables	617.7	-	<b>617.7</b>
Borrowings	1,080.9	-	<b>1,080.9</b>
Provisions	10.2	-	<b>10.2</b>
Other non-current liabilities	16.7	37.3	<b>54.0</b>
<u>Derivatives not designated as hedges:</u>			
- Foreign exchange forward contracts	-	0.4	<b>0.4</b>
<u>Derivatives used for hedging:</u>			
Net investment hedges:			
- Cross currency interest rate swaps	-	12.0	<b>12.0</b>
<b>Total</b>	<b>232,043.1</b>	<b>339,678.2</b>	<b>571,721.3</b>

There were no transfers between categories during the period.



The financial instruments of the Group at 30 June 2015 are categorised as follows:

<b>30 June 2015 Unaudited</b>	<b>Loans and receivables £m</b>	<b>Held-to- maturity assets £m</b>	<b>Available for sale at fair value through OCI £m</b>	<b>Financial instruments at fair value through profit or loss £m</b>	<b>Total £m</b>
<b>Assets as per balance sheet</b>					
Financial assets of the CCP clearing business:					
– CCP trading assets	-	-	-	264,582.8	264,582.8
– Receivables for repurchase transactions	122,357.4	-	-	-	122,357.4
– Other receivables from clearing members	7,257.8	-	-	-	7,257.8
– Financial assets	-	16.0	11,014.9	13,847.4	24,878.3
– Cash and cash equivalents of clearing members	27,728.9	-	-	-	27,728.9
Financial assets of the CCP clearing business	157,344.1	16.0	11,014.9	278,430.2	446,805.2
Assets held at fair value	-	-	-	13.7	13.7
Total financial assets for the CCP clearing business	157,344.1	16.0	11,014.9	278,443.9	446,818.9
Other non-current assets	33.9	-	-	0.4	34.3
Trade and other receivables (revised)	438.6	-	-	-	438.6
Cash and cash equivalents (revised)	857.1	-	-	9.6	866.7
Assets held at fair value (revised)	-	-	75.7	-	75.7
Available for sale financial assets	-	-	4.5	-	4.5
<u>Derivatives not designated as hedges:</u>					
- Foreign exchange forward contracts	-	-	-	0.2	0.2
<u>Derivatives used for hedging:</u>					
Net investment hedges:					
- Cross currency interest rate swaps	-	-	-	64.9	64.9
<b>Total</b>	<b>158,673.7</b>	<b>16.0</b>	<b>11,095.1</b>	<b>278,519.0</b>	<b>448,303.8</b>

Balances on available for sale at fair value through OCI in the prior period, included £16.0m of government bonds, which were held to maturity.

Balances on cash and cash equivalents in the prior period included £75.7m of government bonds, which were assets held at fair value.

These have been reclassified in the current period.

<b>30 June 2015</b>	<b>Financial liabilities at amortised cost</b>	<b>Financial liabilities at fair value through profit and loss</b>	<b>Total</b>
<b>Unaudited</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Liabilities as per balance sheet</b>			
Financial liabilities of the CCP clearing business:			
– CCP trading liabilities	-	264,582.9	264,582.9
– Liabilities under repurchase transactions	123,570.2	-	123,570.2
– Other payables to clearing members	58,674.7	-	58,674.7
– Financial liabilities held at fair value	-	8.1	8.1
<b>Total financial liabilities of the CCP clearing business</b>	<b>182,244.9</b>	<b>264,591.0</b>	<b>446,835.9</b>
Trade and other payables	485.3	-	485.3
Borrowings	1,762.0	-	1,762.0
Provisions	12.9	-	12.9
Other non-current liabilities	34.3	32.1	66.4
Other non-current payables	32.0	-	32.0
<b>Total</b>	<b>184,571.4</b>	<b>264,623.1</b>	<b>449,194.5</b>

There were no transfers between categories during the period.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 30 June 2016:

30 June 2016 Unaudited	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total fair value £m
<b>Financial assets measured at fair value:</b>				
<u>CCP trading assets:</u>				
Derivative instruments:				
- Futures	4,216.7	-	-	4,216.7
- Options	2,449.4	-	-	2,449.4
- Commodities derivatives	35.3	-	-	35.3
Non-derivative instruments:				
- CCP transactions	39.0	332,870.7	-	332,909.7
<u>Financial assets held at fair value:</u>				
- Equities and bonds	16,103.3	-	-	16,103.3
- Securities	7,434.0	-	-	7,434.0
- Government backed, bank issue certificates of deposits	1.4	-	-	1.4
<b>Fair value of transactions with CCP members</b>	<b>30,279.1</b>	<b>332,870.7</b>	<b>-</b>	<b>363,149.8</b>
Assets held at fair value				
- Government bonds	-	54.0	-	54.0
Available for sale financial assets:				
- Investment in unquoted equity - Euroclear	-	5.0	-	5.0
- Government bonds	-	30.0	-	30.0
Derivatives not designated as hedges:				
- Foreign exchange forward contracts	-	1.1	-	1.1
Derivatives used for hedging:				
- Cross currency interest rate swaps	-	4.4	-	4.4
Cash and cash equivalents:				
- Government bonds	-	9.6	-	9.6

30 June 2016 Unaudited	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total fair value £m
<b>Financial liabilities measured at fair value:</b>				
<u>CCP trading liabilities:</u>				
Derivative instruments:				
- Futures	4,216.7	-	-	4,216.7
- Options	2,449.4	-	-	2,449.4
- Commodities derivatives	35.3	-	-	35.3
Non-derivative instruments:				
- CCP transactions	39.0	332,870.6	-	332,909.6
<u>Financial liabilities held at fair value:</u>				
- Equities and bonds	17.5	-	-	17.5
<b>Fair value of transactions with CCP members</b>	<b>6,757.9</b>	<b>332,870.6</b>	<b>-</b>	<b>339,628.5</b>
Derivatives not designated as hedges				
- Foreign exchange forward contracts	-	0.4	-	0.4
Derivatives used for hedging:				
- Cross currency interest rate swaps	-	12.0	-	12.0
Other non-current liabilities:				
- Canadian dollar denominated Put Option	-	28.7	-	28.7
- Euro denominated Put Option	-	8.6	-	8.6

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as a 30 June 2015:

30 June 2015 Unaudited	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total fair value £m
<b>Financial assets measured at fair value:</b>				
<u>CCP trading assets:</u>				
Derivative instruments:				
- Futures	5,517.8	-	-	5,517.8
- Options	1,608.8	-	-	1,608.8
- Commodities derivatives	60.4	-	-	60.4
Non-derivative instruments:				
- CCP transactions	21.2	257,374.7	-	257,395.9
<u>Financial assets held at fair value:</u>				
- Equities and bonds	22.8	-	-	22.8
- Securities	7,954.1	-	-	7,954.1
- Government backed, bank issued certificates of deposit	-	3,731.3	-	3,731.3
- Treasury bills	13,167.7	-	-	13,167.7
<b>Fair value of transactions with CCP members</b>	<b>28,352.8</b>	<b>261,106.0</b>	<b>-</b>	<b>289,458.8</b>
Assets held at fair value (revised):				
- Government bonds	-	75.7	-	75.7
Available for sale financial assets:				
- Investment in unquoted equity - Euroclear	-	4.5	-	4.5
Derivatives not designed as hedges:				
- Foreign exchange forward contracts	-	0.2	-	0.2
Derivatives used for hedging:				
- Cross currency interest rate swaps	-	64.9	-	64.9
Trade and other receivables:				
- Investments in subordinated trusts	-	0.4	-	0.4
Cash and cash equivalents:				
- Money market mutual funds	9.6	-	-	9.6

Balances on government backed, bank issued certificates of deposits have been restated in the current period to exclude £16.0m of government issue bonds held to maturity. Government bonds totalling £75.7m, previously included in cash and cash equivalents, have been restated in the current period as assets held at fair value.

30 June 2015 Unaudited	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total fair value £m
<b>Financial liabilities measured at fair value:</b>				
<u>CCP trading liabilities:</u>				
Derivative instruments:				
- Futures	5,517.8	-	-	5,517.8
- Options	1,608.8	-	-	1,608.8
- Commodities derivatives	60.4	-	-	60.4
Non-derivative instruments:				
- CCP transactions	21.2	257,374.7	-	257,395.9
<u>Financial liabilities held at fair value:</u>				
- Equities and bonds	8.1	-	-	8.1
<b>Fair value of transactions with CCP members</b>	<b>7,216.3</b>	<b>257,374.7</b>	<b>-</b>	<b>264,591.0</b>
Other non-current liabilities:				
- Canadian dollar denominated Put Option	-	25.0	-	25.0
- Euro denominated Put Option	-	7.1	-	7.1

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities classified as Level 1, the fair value is based on market price quotations at the reporting date.

For assets and liabilities classified as Level 2, the fair value is calculated using one or more valuation techniques (e.g. the market approach or the income approach) with market observable inputs. The selection of the appropriate valuation techniques may be affected by the availability of the relevant inputs as well as the reliability of the inputs. The inputs may include currency rates, interest rate and forward rate curves and net asset values. The results of the application of the various techniques may not be equally representative of fair value, due to factors such as assumptions made in the valuation.

There have been no transfers between Level 1 and Level 2 during the current and prior period.

When observable market data is not available, the Group uses one or more valuation techniques (e.g. the market approach or the income approach) for which sufficient and reliable data is available. These inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments. The Group had no Level 3 financial instruments in the current and prior period.

With the exception of Group borrowings, management has assessed that the fair value of financial assets and financial liabilities categorised as 'Loans and receivables', 'Held to Maturity' and 'Financial liabilities at amortised cost' approximate their carrying values. The fair value of the Group's borrowings is disclosed in Note 14.

The Group's financial assets and liabilities held at fair value consist largely of securities restricted in use for the operations of the Group's CCPs as managers of their respective clearing and guarantee systems. The nature and composition of the CCP clearing business assets and liabilities are explained in the accounting policies note in the Group's annual consolidated financial statements for the year ended 31 December 2015.

As at 30 June 2016, there were no provisions for impairment in relation to any of the CCP financial assets (30 June 2015: nil) and none of those assets are past due (30 June 2015: none).

Other non-current assets include financial instruments at fair value through profit and loss of nil (30 June 2015: £0.4m), prepayments relating to tax and insurances of £52.5m (30 June 2015: nil), deferred consideration receivable of £98.6m (30 June 2015: nil), tax receivable of nil (30 June 2015: £30.3m), rental deposits of £0.8m (30 June 2015: £0.9m), finance lease recoverable of £1.0m (30 June 2015: £1.6m) and other financial assets including security deposits and real estate related assets of £0.3m (30 June 2015: £1.1m).

Other non-current liabilities include deferred consideration of £2.1m (30 June 2015: £16.5m), put options of £37.3m (30 June 2015: £32.1m), non-current lease obligations of nil (30 June 2015: £1.0m), rental deposits of £2.8m (30 June 2015: nil) and other financial liabilities related to the clearing business of £11.8m (30 June 2015: £16.8m).

### Hedging activities and derivatives

As at 30 June 2016, the Group held 10 cross currency interest rate swaps with a notional total of €500m of which €200m matures in July 2016. These contracts effectively exchange some of the principal and coupon obligations of the 2016 and the 2019 £250m bonds from Sterling into Euros in order to more closely match the currency of borrowings to the Group's currency of net assets and earnings. This results in a reduction in translation exposure on Euro denominated net assets and the protection of Sterling cash flows. These swaps have been designated as a hedge of the Group's net investment in the Italian group and qualify for effective hedge accounting. Derivative financial assets of £4.4m represents the fair value of a total notional principal of €200m of cross currency interest rate swaps. Derivative financial liabilities of £12.0m represents the fair value of a total notional principal of €300m of cross currency interest rate swaps.

For the period ended 30 June 2016, the Group recognised a £55.1m mark to market value decrease on these derivatives in reserves (period ended 30 June 2015: £42.2m increase).

The Group designated the Canadian dollar denominated put option as a hedge of its net investment in its Canadian joint venture. A £4.5m increase in the value of the Canadian dollar denominated put option was recognised in the period due to movements in foreign exchange rates (period ended 30 June 2015: £6.0m decrease).

Foreign exchange forward contracts were arranged during the period to hedge the fair value of EUR and USD denominated exposures. These hedges forward buy payables denominated in EUR and USD, with the mark to market adjustments offsetting the hedged item revaluation in the income statement. This also offers more predictable cash flows to the Group at maturity. At 30 June 2016, payables of €8.0m and US\$24.1m were hedged forward. The marking to market of these contracts results in the recognition of derivative assets and liabilities totalling £1.1m and £0.4m respectively.

### 13. Trade and other payables

	30 June	
	2016	2015
	Unaudited	Unaudited
	£m	£m
Trade payables	104.5	126.2
Social security and other taxes	37.0	25.7
Other payables	166.7	110.0
Accruals and deferred income	309.5	255.4
<b>Total trade and other payables</b>	<b>617.7</b>	<b>517.3</b>
Current	617.7	485.3
Non-current	-	32.0
<b>Total trade and other payables</b>	<b>617.7</b>	<b>517.3</b>

## 14. Borrowings

	30 June	
	2016 Unaudited £m	2015 Unaudited £m
<b>Current</b>		
Bank borrowings	134.1	837.8
Bonds	250.0	-
Preferred securities	149.9	-
	<b>534.0</b>	<b>837.8</b>
<b>Non-current</b>		
Bonds	546.9	796.8
Preferred securities	-	127.4
	<b>546.9</b>	<b>924.2</b>

The Group has the following committed bank facilities and unsecured notes:

Unaudited Type	Expiry Date	Notes/ Facility	Carrying value at 30 June 2016	Interest rate percentage at 30 June 2016
		£m	£m	%
<b>Drawn value of facilities</b>				
Multi-currency revolving credit facility	Jun 2017	600.0	(1.2)	LIBOR + 0.6
Multi-currency revolving credit facility	Nov 2020	600.0	135.3	LIBOR + 0.45
<b>Total Bank Facilities</b>		<b>1,200.0</b>	<b>134.1</b>	
Notes due July 2016	Jul 2016	250.0	250.0	5.875
Notes due October 2019	Oct 2019	250.0	248.8	9.125
Notes due November 2021	Nov 2021	300.0	298.1	4.750
LCH.Clearnet Preferred Securities	May 2017	166.9	149.9	6.576
<b>Total Bonds</b>		<b>966.9</b>	<b>946.8</b>	
<b>Total Committed Facilities</b>		<b>2,166.9</b>	<b>1,080.9</b>	

The fair value of the Group's borrowings at 30 June 2016 was £1,080.9m (30 June 2015: £1,874.2m). The carrying value of bank drawn facilities and bonds at 30 June 2015 was £837.2m and £924.2m respectively.

### Current borrowings

The Group arranged £600m of new, committed bank facilities in November 2015 to replace existing facilities of £700m. The resulting committed bank lines total £1,200m. These facilities were partially utilised at 30 June 2016 with £134.1m drawn (30 June 2015: £837.2m) which includes £2.7m of deferred arrangement fees (30 June 2015: nil).

In July 2006, London Stock Exchange Group plc issued a £250m bond which is unsecured and is due for repayment in July 2016. Interest is paid semi-annually in arrears in January and July each year. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on movements in London Stock Exchange Group plc's credit rating with Moody's. The bond coupon remained at 5.875% per annum throughout this period.

In May 2007, LCH.Clearnet Group Limited issued through Freshwater Finance plc €200m of Perpetual Preferred Securities to underpin its capital structure. €20m of these Securities were subsequently repurchased in the market by LCH.Clearnet Group Limited. The coupon on these Securities is currently a fixed rate of 6.576% per annum and interest is paid annually. In May 2017, this coupon will be replaced by a rate of 3 month Euribor plus 2.1% per annum, and is the trigger point for a first call of the Securities.

In addition, a number of Group entities have access to uncommitted operational, money market and overdraft facilities which support post trade activities and day to day liquidity requirements across its operations. The aggregate drawing against these facilities as at 30 June 2016 was nil (30 June 2015: £0.6m).

Cassa di Compensazione e Garanzia S.p.A (CC&G) has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements in the event of a market stress or participant failure. In addition, it has arranged commercial bank back-up credit lines with a number of commercial banks, which totalled €420m at 30 June 2016, for overnight and longer durations to broaden its liquidity resources consistent with requirements under the European Markets Infrastructure Regulation (EMIR).

LCH.Clearnet SA has a French banking license and is able to access refinancing at the European Central Bank to support its liquidity position. LCH.Clearnet Limited is deemed to have sufficient fungible liquid assets to maintain an appropriate liquidity position and,



following the announcement by the Bank of England on 5 November 2014, is eligible to apply for participation in the Sterling monetary framework to further support the CCP in member or market stress scenarios.

### Non-current borrowings

In June 2009, London Stock Exchange Group plc issued a £250m bond which is unsecured and is due for repayment in October 2019. Interest is paid semi-annually in arrears in April and October each year. The issue price of the bond was £99.548 per £100 nominal. The coupon on the bond is dependent on the London Stock Exchange Group plc's credit ratings with Moody's and Standard & Poor's. The bond coupon remained at 9.125% per annum throughout this period.

In November 2012, the London Stock Exchange Group plc issued a further £300m bond under its euro medium term notes programme (launched at the same time) which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal. The coupon on the bond is fixed at 4.75% per annum.

## 15. Analysis of net debt

	2016	30 June 2015
	Unaudited	Unaudited revised <sup>1</sup>
	£m	£m
<b>Due within one year</b>		
Cash and cash equivalents	1,001.7	866.7
Bank borrowings	(134.1)	(837.8)
Bonds	(250.0)	-
Preferred securities	(149.9)	-
Derivative financial assets	5.5	0.2
Derivative financial liabilities	(0.4)	-
	472.8	29.1
<b>Due after one year</b>		
Bonds	(546.9)	(796.8)
Preferred securities	-	(127.4)
Derivative financial assets	-	64.9
Derivative financial liabilities	(12.0)	-
<b>Total net debt</b>	<b>(86.1)</b>	<b>(830.2)</b>

<sup>1</sup> £75.7m of government bonds included in cash and cash equivalents have been re-classified to assets held at fair value.

### Reconciliation of net cash flow to movement in net debt

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	£m	£m
<b>(Decrease) / Increase in cash in the period</b>	<b>(281.0)</b>	34.5
Cash movement attributable to discontinued operations	67.3	(222.4)
Bank loan net repayments / (drawings)	570.7	(55.7)
<b>Change in net cash resulting from cash flows</b>	<b>357.0</b>	(243.6)
Foreign exchange movements	64.0	(52.4)
Movement on derivative financial assets and liabilities	(54.8)	42.0
Bond valuation adjustment	(0.2)	(0.1)
Movement in deferred arrangement fees	(0.2)	-
Cash disposed of as part of discontinued operations	185.2	-
Net debt at the start of the period	(637.1)	(576.1)
<b>Net debt at the end of the period</b>	<b>(86.1)</b>	<b>(830.2)</b>

## 16. Net cash flow generated from operations

	Notes	Six months ended 30 June	
		2016 Unaudited £m	2015 Unaudited £m
Profit before tax from continuing operations		164.1	176.2
Profit before tax from discontinued operations	7	78.2	29.0
<b>Profit before tax</b>		<b>242.3</b>	205.2
Depreciation and amortisation		109.8	112.2
Loss on disposal of property, plant and equipment		-	(0.4)
Loss on disposal of investment in a subsidiary	17	148.2	-
Net finance expense	5, 7	33.9	34.3
Increase in inventories		(1.7)	(1.1)
Decrease/ (increase) in trade and other receivables		109.4	(84.5)
(Decrease)/ increase in trade and other payables		(424.0)	12.2
Increase in CCP financial assets		(50,381.8)	(39,425.6)
Increase in CCP clearing business liabilities		50,413.3	39,438.9
Defined benefit pension obligation - contributions in excess of expenses charged		(1.5)	0.3
Provisions utilised during the period		(4.5)	14.4
Increase in assets held at fair value from operating activities		-	(1.4)
Share scheme expense		24.6	11.1
Reduction in obligation arising from acquisitions		-	2.0
Purchase of investment fund		(19.3)	(8.5)
Foreign exchange gains on operating activities		(8.7)	(9.5)
<b>Cash generated from operations</b>		<b>240.0</b>	299.6
Comprising:			
Ongoing operating activities		221.2	273.6
Non-recurring items		18.8	26.0
		<b>240.0</b>	299.6

## 17. Disposal of business

On 31 May 2016, the Group sold the entire issued share capital it owned in the Russell Investment Management business, a subsidiary of the Group, to TA Associates and Reverence Capital Partners in exchange for US\$1,150m (£793.1m) total consideration, before any adjustments to consideration. Of the total consideration, US\$150m (£103.4m) is deferred and will be paid annually in four equal cash instalments starting from 31 December 2017.

The overall consideration is reduced by \$139.5m (£95.4m) for working capital adjustments, other deductions and foreign exchange movements. This less the deferred consideration results in net cash proceeds of \$860.5m (£594.3m).

The deferred consideration has been discounted, resulting in a balance of \$130.8m (£90.3m).

Net proceeds will be confirmed following the finalisation of the completion statement in respect of the transaction. On the date of disposal, the net assets of the Russell Investment Management business, the consideration and the profit on disposal were as follows:

	30 June 2016 Unaudited £m
<b>Assets</b>	
Property, plant and equipment	33.4
Intangible assets	704.8
Investments in associates	5.4
Trade and other receivables	189.3
Cash and cash equivalents	185.2
Deferred tax assets	3.4
Other assets	44.4
	1,165.9
<b>Liabilities</b>	
Borrowings	3.7
Trade and other payables	225.7
Current tax	2.9
Deferred tax liabilities	203.0
Provisions	1.0
Other liabilities	38.6
	474.9
<b>Total carrying value of net assets disposed</b>	<b>691.0</b>
<b>Attributable to non-controlling interests</b>	<b>(38.2)</b>
<b>Group's share of net assets disposed</b>	<b>652.8</b>
<b>Amounts accumulated in Other Comprehensive Income:</b>	
Foreign exchange translation reserves reclassified to profit or loss	(33.5)
<b>Reserve of disposal group</b>	<b>(33.5)</b>
<b>Group's share of net assets and reserves disposed</b>	<b>619.3</b>
<b>Consideration</b>	
Cash consideration (after adjustments to consideration)	594.3
Deferred consideration (discounted)	90.3
<b>Total consideration</b>	<b>684.6</b>
<b>Profit on disposal before disposal costs and tax</b>	<b>65.3</b>
Cost of disposal	(15.9)
<b>Profit on disposal before tax</b>	<b>49.4</b>
<b>Taxation:</b>	
Deferred tax arising on the disposal of subsidiary	(31.0)
Current tax arising on the disposal of subsidiary	(166.6)
<b>Loss on disposal after tax</b>	<b>(148.2)</b>
<b>Net cash inflow arising on disposal:</b>	
Initial consideration	690.8
Adjustments to consideration	(96.5)
<b>Net cash inflow</b>	<b>594.3</b>

The profit on disposal is included as a non-recurring item within discontinued operations and is disclosed in Note 7.

## 18. Transactions with related parties

The nature and contractual terms of key management compensation and inter-company transactions with subsidiary undertakings during the period are consistent with the disclosures in Note 35 of the Group's annual consolidated financial statements for the year ended 31 December 2015.

## 19. Commitments and contingencies

Connected with the disposal of Russell Investment Management on 31 May 2016, the Group entered into an indemnity arrangement with the acquirer relating to certain ongoing litigation between the disposed business and third parties. The provisions of the indemnity limit the Group's exposure to 50 per cent of any liability arising from this litigation up to a maximum of US\$25m. No provision has been made in the financial statements of the Group relating to these matters, at this time, on the basis that it is not currently considered to be probable that any amount will be paid under the arrangement.

Contracted capital commitments and other contracted commitments not provided for in the Group's interim condensed consolidated financial statements were nil (30 June 2015: nil) and nil (30 June 2015: £2.5m), respectively.

In the normal course of business, the Group receives legal claims in respect of commercial, employment and other matters. Where a claim is more likely than not to result in an economic outflow of benefits from the Group, a provision is made representing the expected cost of settling such claims.

## 20. Events after the reporting period

On 11 July 2016, the Group acquired a 60 per cent equity shareholding in SwapMatch Limited (SwapMatch) for a cash consideration of £1.5m. The non-controlling interest has an option to sell the remaining 40 per cent interest to the Group after a year subject, to mutual acceptance conditions.

The main activity of SwapMatch is to provide a neutral platform allowing prime brokers to match and net off synthetic equity positions with other brokers. The provisional fair value of net assets acquired was not material and the Group recognised £1.5m in goodwill; these fair values will be finalised within 12 months of the acquisition date. The goodwill represents the growth of future expected income streams from SwapMatch's customer base. The goodwill is not expected to be deductible for tax purposes.

If the acquisition had occurred on 1 January 2016, the estimated Group revenue for the year from continuing operations would have been £722.3m, with operating profit (before amortisation of purchased intangible assets and non-recurring items) of £333.4m. These amounts have been calculated using the Group's accounting policies and based on available information.

On 16 March 2016, the LSEG Board and the management board of Deutsche Börse AG ("DBAG") announced that they had agreed the terms of a recommended all-share merger of LSEG plc and DBAG. On 4 July 2016, the LSEG shareholder approval had been obtained and on 29 July 2016 the acceptance threshold for the DBAG exchange offer had been reached. Completion remains subject to the fulfilment or waiver of the outstanding conditions, including the receipt of all outstanding required regulatory, merger control and court approvals.

# Principal Risks

The management of risk is fundamental to our day to day operations and the successful execution of our Strategic Plan. As our Group has grown we have enhanced our risk management capabilities to maintain our trajectory while protecting the value of our business.

The LSEG Enterprise-wide Risk Management Framework (ERMF) is designed to allow management and the Board to identify and assess LSEG's risks and to ensure better decision taking in the execution of its strategy. It also enables the Board and executive management to maintain, and attest to the effectiveness of, the systems of internal control and risk management as set out in the UK Corporate Governance Code. Additional details regarding the Group's risk management oversight are set out on pages 44 and 45 of its Annual Report for the 12 months to 31 December 2015.

The principal risks and uncertainties which may affect the Group in the second half of the financial year include the following:

## Strategic Risks

### **Proposed Merger**

On 16 March 2016, the LSEG Board and the management board of DBAG announced that they had agreed the terms of a recommended all-share merger of LSEG plc and DBAG. It was announced on 4 July 2016 that LSEG shareholder approval had been obtained and on 29 July 2016 that the acceptance threshold for the DBAG exchange offer had been reached. Completion remains subject to the fulfilment or waiver of the outstanding conditions, including the receipt of all outstanding required regulatory, merger control and court approvals.

### **Global Economy**

As a diversified markets infrastructure business, we operate in a broad range of equity, bond and derivative markets servicing clients who increasingly seek global products and solutions. If the global economy underperforms, lower activity in our markets may lead to lower fee revenue.

The widening geographical footprint of the Group has had the dual effect of increasing the proportion of the Group's earnings that are in foreign currency, leading to greater foreign exchange risk but also improving the geographical diversification of the Group's income streams.

On 23 June 2016, the UK electorate voted to leave the EU. There is a broad range of possible outcomes resulting from this vote which has created uncertainty in the markets and makes it difficult to predict the medium to long term potential impact on the Group. Whilst the Group has a global footprint and is well diversified from a geographic and product perspective there are risks associated with the uncertainty in the UK and the potential impact across Europe. Any changes to the strategy or business models of our clients as a result of the UK's vote to leave the EU could impact the Group's strategy and or may lead to client attrition. The uncertainty or the outcome may erode investors' confidence and impact primary and secondary market volumes, assets based fees and clearing volumes in the UK. The results of the vote could also lead to market speculation regarding possible similar referendums in other EU countries and uncertainty regarding the future composition and direction of the EU. This could lead to volatility in the Euro foreign exchange rate and interest rates and to potential changes in perceived credit quality and potential ratings downgrades for companies including Group entities and counterparties. In the longer term, a UK exit from the EU would diminish the UK's ability to influence changes to EU regulation and may result in a divergence of regulatory frameworks which may have an impact on the operation of financial services markets in the UK and across the European Union. This could impact the operating framework of our clients and consequently of our Group. During this period of uncertainty there is also the risk of volatile markets which may have an impact on some of the Group's revenue streams and on the value of assets in the Group's pension funds.

Ongoing geopolitical tensions continue to add uncertainty in the markets and may impact investor confidence.

### **Regulatory Change**

The Group and its exchanges, other trading venues, clearing houses, index administrators, central securities depositories, trade repository and other regulated entities operate in areas that are highly regulated by governmental, competition and other regulatory bodies at European federal and national levels. The UK vote to leave the UK introduces significant uncertainty concerning the political and regulatory environment, the UK's future relationship with Europe, and the overall impact on the UK economy both in the short term and medium term.

Changes in the regulatory environment form a key input into our strategic planning, including the impact on our growth strategies, both organic and inorganic. We monitor regulatory developments continually and engage directly with regulatory and governmental authorities at national, EU and international levels. Our experience in dealing with complex regulatory change will be a vital part of managing the Group through the anticipated uncertainty in the short to medium term following the UK vote to leave the EU.

### **Competition**

We operate in a highly competitive industry. Continued consolidation has fuelled competition including between groups in different geographical areas.

- In our **Capital Markets** operations, there is a risk that competitors will improve their products, pricing and technology in a way that erodes our businesses. There is increasing competition for primary listings and capital raising from other global exchanges and regional centres.
- The Group's **Information Services** business faces competition from a variety of sources, notably from other venues that offer market data relating to securities that are traded on the Group's equity markets, as well as from index providers which offer indices and other benchmarking tools which compete with those offered by the Group.
- In **Post Trade Services**, competition will continue to intensify as we see a shift towards open access and interoperability of CCPs and legislative requirements for mandatory clearing of certain OTC derivative products. While this may create new business opportunities for the Group, competitors may respond more quickly to changing market conditions or develop products that are preferred by customers.

- In **Technology Services**, there is intense competition across all activities and there are strong incumbents in some of our growth areas.

The Group's track record of innovation and diversification ensures the Group continues to offer best in class services with a global capability. The Group is focussed on integrating acquisitions and delivering tangible synergies from them, supported by robust governance and programme management structures.

The Group's management and resources may be distracted during the merger approval and integration planning process. This may reduce the capacity to pursue other business opportunities, cause a delay in other projects currently contemplated by the Group or lead to an increase in the level of administrative errors.

#### **Compliance**

There is a risk that one or more of the Group's entities may fail to comply with the laws and regulatory requirements to which it is, or becomes, subject which may result in censures, fines and other regulatory or legal proceedings for the entity. The Group continues to maintain systems and controls to mitigate compliance risk and compliance policies and procedures are regularly reviewed.

#### **Transformation Risk**

The Group is exposed to transformation risks (risk of loss or failure resulting from change/transformation) given the current levels of change and alignment activity taking place across the Group. As part of the alignment processes, the Group targets specific synergy deliveries.

A failure to successfully align the businesses of the Group may lead to an increased cost base without a commensurate increase in revenue; a failure to capture future product and market opportunities; and risks in respect of capital requirements, regulatory relationships and management time.

The additional work related to M&A or the proposed merger and alignment activities including the proposed merger could have an adverse impact on the Group's day-to-day performance and/or key strategic initiatives which could damage the Group's reputation.

The size and complexity of recent acquisitions and the proposed merger with Deutsche Boerse have increased the Group's change management and transformation risks. However it has also increased its opportunities to compete on a global scale.

The LSEG Enterprise Risk Management Framework (ERMF) ensures appropriate Risk Management across the Group, and the governance of the enlarged Group is aligned and strengthened as appropriate. The Group performs regular reporting of change performance, including ongoing alignment activity. Each major initiative is overseen by a Steering Committee which monitors the associated risks closely and is typically chaired by the Chief Financial Officer or the Director of Corporate Strategy and includes Executive Committee members. Regular reports are submitted to the Executive Committee, the Board Risk Committee and the Board.

#### **Reputation/Brand**

A number of the Group's businesses have iconic national brands that are well-recognised at international as well as at national levels. The strong reputation of the Group's businesses and their valuable brand names are a key competitive strength. Any events or actions that damage the reputation or brands of the Group could adversely affect its business, financial condition and operating results.

Failure to protect the Group's Intellectual Property rights adequately could result in costs for the Group, negatively impact the Group's reputation and affect the ability of the Group to compete effectively. Further, defending or enforcing the Group's Intellectual Property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect the Group's business, financial condition and operating results.

LSEG has policies and procedures in place which are designed to ensure the appropriate usage of the Group's brands and to maintain the integrity of the Group's reputation. LSEG actively monitors the usage of its brands and other Intellectual Property in order to prevent or identify and address any infringements. The Group protects its Intellectual Property by relying upon a combination of trade mark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with its affiliates, clients, customers, suppliers, strategic partners and others.

### **Financial Risks**

#### **Credit Risk (clearing)**

The Group CCPs manage the credit risk of clearing counterparties by imposing stringent membership requirements, analysing member credit quality by means of an internal rating system and via variation margin, initial margins and additional margins.

#### **Latent Market Risk (clearing)**

There is a risk that one of the parties to a cleared transaction defaults on their obligation; in this circumstance the CCP is obliged to honour the contract on the defaulter's behalf and thus an unmatched risk position arises. The CCP may suffer a loss in the process of work-out (the 'Default Management Process') if the market moves against the CCP's positions.

All our CCPs have been EMIR certified, and are compliant with the EMIR requirements regarding margin calculations, capital and default rules. Under the ERMF, CCP latent market risk must be managed in compliance with the Group CCP Financial Risk Policy as well as policies of the CCPs themselves.

#### **Liquidity Risk (clearing)**

There are 2 distinct types of risk commonly referred to as liquidity risk – market liquidity risk and funding liquidity risk. The former is the risk that it may be difficult or expensive to liquidate a large or concentrated position. The latter is the risk that the CCP may not have enough cash to pay for physically settled securities delivered by a non-defaulter that cannot be on-sold to a defaulter.

The Group CCPs collect clearing members' margin and/or default funds contributions in cash and/or in highly liquid securities. To maintain sufficient ongoing liquidity and immediate access to funds, the Group CCPs deposit the cash received in highly liquid and secure investments, such as sovereign bonds and reverse repos, as mandated under EMIR; securities deposited by clearing members are therefore held in dedicated accounts with CSDs and/or ICSDs. The Group CCPs also hold a small proportion of their investments in unsecured bank and money market deposits. The successful operation of these investment activities is contingent on general market conditions and there is no guarantee that such investments will not suffer market losses. Furthermore, there is a risk that a counterparty default could lead to losses to the Group. Such a loss may occur due to the default of an issuer of bonds in which funds may be invested or the default of a bank in which funds are deposited.

The Group CCPs manage their exposure to credit and concentration risks arising from such investments by maintaining a diversified portfolio of high quality issuers and of banking counterparties. The Group relies on established policies with minimum counterparty credit criteria, instructions, rules and regulations, as well as procedures specifically designed to actively manage and mitigate credit risks. There is no assurance, however, that these measures will be sufficient to protect the Group's CCPs from a counterparty default.

Group CCPs have put in place regulatory compliant liquidity plans for day-to-day liquidity management, including contingencies for stressed conditions. Group CCPs have multiple layers of defence against liquidity shortfalls including; intraday margin calls, minimum cash balances, access to contingent liquidity arrangements, and, for certain CCPs, access to central bank liquidity.

#### **Investment Risk (clearing)**

Under the ERMF, CCP investments must be made in compliance with the Group CCP Financial Risk Policy (as well as the Policies of the CCPs themselves). These Policies stipulate a number of Risk Management standards including investment limits (secured and unsecured) as well as liquidity coverage ratios. Committees overseeing CCP investment risk meet regularly. CCP counterparty risk including liquidity management balances and counterparty disintermediation risk is consolidated daily at the Group level and reported to the Executive Committee, including limits and status rating.

#### **Settlement and Custodial Risks**

The Group offers post trade services and centralised administration of financial instruments through its Italian CSD subsidiary which offers pre-settlement, settlement and custody services. Settlement activities performed in the cross-border context carry counterparty risk. The CSD does not provide intra-day settlement financing to its members.

The Group's CCPs are exposed to operational risks associated with clearing transactions and the management of collateral, particularly where there are manual processes and controls. While the Group's CCPs have in place procedures and controls to prevent failures of these processes, and to mitigate the impact of any such failures, any operational error could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

In addition, the Group provides routing, netting and settlement services to ensure that cash and securities are exchanged in a timely and secure manner for a multitude of products. There are operational risks associated with such services, particularly where processes are not fully automated. A failure to receive funds from participants may result in a debiting of the Group's cash accounts which could have a material adverse effect on the Group's business, financial condition and operating results.

Counterparty risk is mitigated through pre-positioning (availability of security) and pre-funding (availability of cash).

Operational risk is minimised via highly automated processes reducing administrative activities while formalising procedures for all services. The Central Securities Depository (CSD) mitigates IT risks by providing for redundancy of systems, daily backup of data, fully updated remote recovery sites and SLAs with outsourcers. Liquidity for CSD operations is provided by the Bank of Italy. Ongoing industry changes to European CSD structure may introduce risks.

#### **Capital Management**

Principal risks to managing the Group's capital are: capital adequacy compliance risk and capital reporting compliance risk (in respect of regulated entities); commercial capital adequacy and quality risk and investment return risk (in respect of regulated and unregulated entities) and availability of debt or equity.

The Group's Capital Management Policy provides a framework to ensure the Group maintains suitable capital levels (both at Group and individual subsidiaries levels), and effectively manages the risks thereof. The Group's Treasury Policy recognises the need to observe regulatory requirements in the management of the Group's resources. The Risk Appetite approved by the Board includes components related to the Group's leverage ratios and capital risks; Key Risk Indicators are monitored regularly. The Group regularly assesses debt and equity markets to maintain access to new capital at reasonable cost.

#### **Operational Risks**

##### **Technology**

Secure and stable technology performing to high levels of availability and throughput continues to be critical to the support of the Group's businesses. Technology failures may impact our clients, potentially leading to a loss of trading or clearing volumes or impacting our information services activities. The Group continues to consolidate its IT development and operations in the MillenniumIT infrastructure to provide greater control and efficiency. This focus of activity means there is a risk of resource over-stretch to meet both the requirements of the Group and those of third parties.

The Group also has dependencies on a number of third parties for the provision of hardware, software, communication and networks for elements of its trading, clearing, settlement, data and other systems. The performance and availability of the Group systems are constantly reviewed and monitored to prevent problems arising where possible and ensure a prompt response to any potential service interruption issues. The Group's technology teams mitigate the risk of resource over-stretch by ensuring prioritisation of key development and operations activities, and resource utilisation and allocation are kept under constant review. The MillenniumIT systems are designed to be fault tolerant and alternative standby computer facilities are maintained to minimise the risk of system disruptions.

The Group actively manages relationships with key strategic IT suppliers to avoid any breakdown in service provision which could adversely affect the Group's businesses. The Group monitors new technological developments and opportunities such as Blockchain through its dedicated Global Technology Innovation team.

#### **Change Management**

The considerable change agenda is driven by both internal and external factors. Internal factors include the diversification strategy of the Group and its drive for technology innovation and consolidation. External factors include the changing regulatory landscape and requirements which necessitate changes to our systems and processes.

There are a significant number of major, complex projects and strategic actions underway concurrently, that, if not delivered to sufficiently high standards and within agreed timescales, could have an adverse impact on the operation of core services, and revenue growth, as well as damaging the Group's reputation.

The senior management team is focused on the implementation of the Group's strategy and the project pipeline in view of their importance to the Group's future success. Each major project is managed via a dedicated Programme Board overseen by members of the Executive Committee.

Software design methodologies, testing regimes and test environments are continuously being strengthened to minimise implementation risk.

#### **Security Threats**

The Group is reliant upon secure premises to protect its employees and physical assets whilst implementing appropriate safeguards to ensure uninterrupted operation of its IT systems and infrastructure. The threat of cyber crime requires a high level of scrutiny as it may have an adverse impact on our business. Terrorist attacks and similar activities directed against our offices, operations, computer systems or networks could disrupt our markets, harm staff, tenants and visitors, and severely disrupt our business operations. Civil or political unrest could impact on companies within the Group.

Long-term unavailability of key premises or trading and information outages and corruption of data could lead to the loss of client confidence and reputational damage. Security risks have escalated in recent years due to the increasing sophistication of cyber crime.

Security threats are treated very seriously. The Group has robust physical security arrangements, and extensive IT measures are in place to mitigate technical security risks. The Group is supported by the Centre for the Protection of National Infrastructure (CPNI) in the UK, with both physical and IT security teams monitoring intelligence and liaising closely with police and global Government agencies.

A third party security monitoring service is retained to assist with monitoring global physical security events with the potential to impact Group operations. The Group has well established and regularly tested business continuity and crisis management procedures. The Group risk function assesses its dependencies on critical suppliers and ensures robust contingency measures are in place.

#### **Employees**

The calibre and performance of senior management and other key employees, taken together, is critical to the success of the Group. The Group's ability to attract and retain key personnel is dependent on a number of factors. This includes (but not exclusively) prevailing market conditions, compensation packages offered by competing companies and any regulatory impact thereon. These factors also encompass the Group's ability to continue to have appropriate variable remuneration and retention arrangements in place, which help drive strong business performance.

The Group operates a performance management and appraisal system. Executive development opportunities are provided and the Nominations Committee is responsible for considering succession plans for key senior positions. In addition, a programme of succession planning is operated by the Group to minimise the impact of the loss of key staff critical to the operation of the business.

Regular benchmarking of reward and incentive systems is performed to ensure they are competitive. The Group also offers Long Term Incentive Plans for high performers and critical staff and turnover is closely monitored. A centralised training budget allows a coordinated approach to development across the Group. We continue to enhance our talent management approach and maintain a rigorous recruitment and selection process.



## Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements. The financial risk management objectives and policies of the Group and the exposure of the Group to capital risk, market risk, credit risk and liquidity risk are discussed on pages 108 to 112 of the Annual Report for the Group for the year ended 31 December 2015.

## Directors

The Directors of London Stock Exchange Group plc during the period ended 30 June 2016 were as follows:

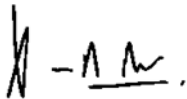
Donald Brydon CBE	(appointed 19 June 2015)
Xavier R Rolet KBE	
David Warren	
Raffaele Jerusalmi	
Andrea Munari	
Paul Heiden	
Jacques Aigrain	
Stephen O'Connor	
Mary Schapiro	(appointed 1 July 2015)
Professor Lex Hoogduin	(appointed 4 December 2015)
David Nish	(appointed 4 December 2015)
Baroness Sharon Bowles	(resigned 26 April 2016)
Stuart Lewis	(resigned 26 April 2016)
Sherry Coutu CBE	(resigned 26 April 2016)

## Statement of directors' responsibilities

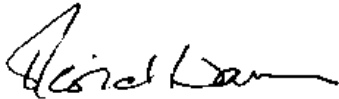
The directors confirm that, to the best of their knowledge, this interim condensed consolidated financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim report herein includes a fair review of the information required by the Financial Conduct Authority's Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the Interim Report, and a description of the principal risks and uncertainties for the remaining six months of the financial period; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

By order of the Board



**Xavier Rolet**  
Chief Executive



**David Warren**  
Chief Financial Officer

4 August 2016

# INDEPENDENT REVIEW REPORT TO LONDON STOCK EXCHANGE GROUP PLC (the 'Company')

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the six months ended 30 June 2016, which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and related notes 1 to 20. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

## Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

## Our responsibility

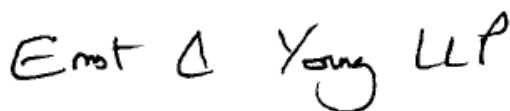
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.



**Ernst & Young LLP**

London

4 August 2016

### Notes:

1. The maintenance and integrity of the London Stock Exchange Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# FINANCIAL CALENDAR

Ex-dividend date for interim dividend	25 August 2016
Interim dividend record date	26 August 2016
Interim dividend payment date	20 September 2016
Financial year end	31 December 2016
Preliminary results	March 2017
Annual General Meeting	April 2017

The financial calendar is updated on a regular basis throughout the year. Please refer to our website <http://www.lseg.com/investor-relations> and click on the shareholder services section for up-to-date details.

## INVESTOR RELATIONS CONTACTS

### Investor Relations

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For enquiries relating to shareholdings in London Stock Exchange Group plc:

Shareholder helpline: +44 (0)20 7797 3322

email: [irinfo-r@lseg.com](mailto:irinfo-r@lseg.com)

Visit the investor relations section of our website for up-to-date information including the latest share price, announcements, financial reports and details of analysts and consensus forecasts <http://www.lseg.com/investor-relations>

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### Registered company number

London Stock Exchange Group plc: 5369106

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## **London**

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Stock Exchange Group

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Registered in England and Wales No. 5369106

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