



**London**  
Stock Exchange Group

450.00  
ULVRL

4589.00  
WTB.L

6022.00  
RB.L

177.00  
TW.L

1152.00  
POLY.L

218.40  
SBRY.L

237.80  
MRO.L

231.00  
RBS.L

152.00  
HKL

45  
AV

94  
L

# A global financial markets infrastructure business

Interim Report  
30 June 2020

# Welcome to our Interim Report 2020

## HIGHLIGHTS

- Good financial and operational performance in H1 drives 11% increase in AEPS
- Further good income growth in Information Services and Post Trade; resilient underlying result in Capital Markets
- Strong operational resilience across the Group's trading, clearing and data platforms during unprecedented period; majority of employees continue to work remotely
- Group in strong financial position; confidence in future prospects supports increase in the interim dividend (up 16%) to 23.3 pence per share
- Good progress with foreign investment, antitrust and other regulatory approvals for the Refinitiv transaction, and integration planning is well developed; the Group expects to close the transaction by the end of the year or in early 2021

## H1 Summary

- Total Revenue up 4% to £1,058 million (H1 2019: £1,018 million); total income up 8% to £1,235 million (H1 2019: £1,140 million)
- FTSE Russell revenue up 5% to £330 million (H1 2019: £315 million) with growth in subscription revenues and flat asset-based revenues reflecting lower ETF AUM levels
- Post Trade revenue up 9% to £372 million (H1 2019: £342 million), driven by strong growth in LCH; record activity in CDS, FX and cash equities clearing; total income up 19% to £548 million (H1 2019: £462 million), mainly reflecting higher cash margin held
- Capital Markets revenue down 4% on a reported basis to £217 million, and up 12% on a like-for-like basis excluding the one-off benefit of an IFRS 15 adjustment in prior year
- Adjusted operating expenses, before depreciation and amortisation<sup>1</sup>, were up 8% (up 5% on a constant currency basis) and up 1% compared with H2 2019
- Adjusted operating profit<sup>1</sup> up 8% to £575 million (H1 2019: £533 million); operating profit was down 2% at £391 million (H1 2019: £399 million); profit before tax of £362 million (H1 2019: £363 million); profit after tax of £261 million (H1 2019: £265 million)
- Adjusted EBITDA<sup>1</sup> margin broadly unchanged at 54.6% (2019 H1: 54.5%)
- Adjusted EPS<sup>1</sup> up 11% to 112.0 pence (H1 2019: 100.6 pence); basic EPS down 9% at 64.6 pence (H1 2019: 70.7 pence)
- Strong balance sheet position with leverage at 1.4 times net debt: pro forma EBITDA

Organic growth combined with new product development and investment continued throughout the period. Highlights include:

### Information Services

- FTSE Russell announced a 10-year extension to a global index derivatives agreement with Cboe Global Markets to develop and list options based on FTSE Russell indices
- FTSE Russell launched a series of co-branded fixed income indices in partnership with Johannesburg Stock Exchange and new index derivatives launched by Singapore Stock Exchange using FTSE Russell indices

### Post Trade

- LCH SwapClear became the first clearing house to clear Singapore Dollar swaps benchmarked to alternative reference rate Singapore Overnight Rate Average (SORA)
- LCH EquityClear went live with a new LSEG Technology post trade platform, processing record equity clearing volumes in March 2020

- UnaVista approved by ESMA to be a trade repository under Securities Financing Transactions Regulation (SFTR)

## Capital Markets

- £19.8 billion equity capital raised across new and further issues up 29%, with 17% increase in value traded across venues
- China Pacific Insurance Group (CPIC) listed GDRs in London on Shanghai-London Stock Connect, the largest capital raise via an admission to London Stock Exchange in 2020 to date, raising US\$2 billion
- London Stock Exchange celebrated the 25th anniversary of AIM, the London Stock Exchange's growth market, with over 3,800 companies admitted since launch, raising £118 billion in equity capital

---

## CONTENTS

|   |    |
|---|----|
| Group CEO statement.....  | 3  |
| Operating performance .....                                       | 8  |
| Condensed consolidated income statement .....                     | 12 |
| Condensed consolidated statement of comprehensive income .....    | 13 |
| Condensed consolidated balance sheet.....                         | 14 |
| Condensed consolidated cash flow statement.....                   | 15 |
| Condensed consolidated statement of changes in equity .....       | 16 |
| Notes to the financial information .....                          | 17 |
| Principal risks.....  | 38 |
| Directors .....   | 42 |
| Statement of Directors' responsibilities.....                     | 43 |
| Independent review report to London Stock Exchange Group plc..... | 44 |
| Financial calendar / Investor relations contacts .....            | 45 |

Unless otherwise stated, all figures below refer to continuing operations for the six months ended 30 June 2020 (H1 or H1 2020). Comparative figures are for continuing operations for the six months ended 30 June 2019 (H1 2019).

<sup>1</sup> Before amortisation and impairment of purchased intangible assets and goodwill and non-underlying items

The Group's principal foreign exchange exposure arises from translating and revaluing its foreign currency earnings, assets and liabilities into LSEG's reporting currency of Sterling.

London Stock Exchange Group uses non-GAAP performance measures as key financial indicators as the Board believes these better reflect the underlying performance of the business. As in previous years, adjusted operating expenses, adjusted operating profit, adjusted profit before tax, adjusted earnings before interest, tax, depreciation and amortisation, adjusted EBITDA margin and adjusted earnings per share all exclude amortisation and impairment of purchased intangible assets and goodwill and non-underlying items.

# GROUP CEO STATEMENT



**David Schwimmer**  
Group CEO

**“The Group has delivered a good financial performance and demonstrated strong operational resilience. During this unprecedented period, we have focused on ensuring the welfare of our employees and on continuity of services to our customers, maintaining access to our markets and clearing venues, with record volumes executed across our services.**

**“We are making good progress on the proposed transaction with Refinitiv, securing a number of regulatory approvals and engaging constructively with authorities on remaining approvals. We also continue to make good progress on integration planning to ensure we are ready to deliver the benefits of the transaction to our shareholders, customers and other stakeholders. We expect to close the transaction by the end of the year or in early 2021.”**

## Overview of H1

The Group has produced a good half-year financial and operational performance against the backdrop of unprecedented conditions and with the majority of our employees around the world working on a remote basis. Throughout the period, we demonstrated strong operational resilience, maintaining orderly markets and managing market risk through our post trade services, with record volumes executed on our trading venues and at our clearing houses.

We have continued to develop and invest in the business during this period, successfully launching a new equity clearing platform at LCH in March during the peak of the equity market volatility, listing a second GDR through Shanghai-London Stock Connect and developing a number of new indices and winning new contracts in the Information Services division. Our commitment to open access and customer partnership is at the heart of our business model, offering systemically important services on an open, non-discriminatory basis and developing new products with our customers to support global markets.

Total income for the half-year increased 8%, reflecting good growth across many parts of the Group. This is particularly notable given the strong prior year comparative period inclusion of a one-off £32 million benefit from an IFRS 15 change in estimate, without which income would have risen 11%. Adjusted operating expenses before depreciation and amortisation were 8% higher, but increased 1% compared with H2 2019, demonstrating good underlying cost control. Adjusted operating profit increased 8% to £575 million, and adjusted EPS rose 11% to 112.0 pence per share. The Group’s adjusted EBITDA margin has remained broadly unchanged at 54.6% (2019 H1: 54.5%).

We remain in a strong financial position, with good cash generation supporting investment and product development while leverage remained stable at 1.4 times net debt to pro forma EBITDA. In line with our progressive dividend policy, and reflecting both the good H1 performance and confidence in future prospects, the interim dividend is increased by 16%, to 23.3 pence per share.

In August last year, we announced the proposed acquisition of Refinitiv, a leading global provider of data, analytics and financial markets solutions. We are making good progress on integration planning to ensure we are ready to deliver the benefits of the transaction immediately following completion. The Group continues to make good progress with foreign investment, merger control and other regulatory filings. Foreign investment approvals have been received in the US and Germany. Unconditional merger control clearances have been received in Botswana, Germany, Japan, Jersey, Kenya, Morocco, Pakistan, Russia, Saudi Arabia, Taiwan and Ukraine, and merger reviews are underway in several other jurisdictions, including in Singapore, Australia, US and Canada. The European Commission commenced a Phase II merger review in June and the Group continues to engage constructively with the case team. Today the Group confirms that it has commenced exploratory discussions which may result in a sale of LSEG’s interest in MTS or potentially the Borsa Italiana group as a whole. The Group expects to complete the transaction by the end of the year or in early 2021.

Further commentary on the Group’s performance in the six-month period is provided below.

## Operational Performance

Information Services delivered a 5% increase in revenue, to £437 million (up 3% on an organic and constant currency basis). FTSE Russell revenue increased by 5% to £330 million, and 3% on a constant currency basis. Subscription revenue grew 8% to £218 million, while asset-based revenue was flat at £112 million despite a considerable drop in AUM values due to market volatility during the period. ETF AUM benchmarked to FTSE Russell indices at the end of the period fell by 3% to US\$669 billion compared to the end of H1 2019, but up 15% from the end of Q1 2020 as the market recovered. Revenue from real time data grew 8% with strong new business to £52 million while other information services grew 4% to £55 million. Cost of sales was flat at £36 million, with 6% growth in gross profit at £401 million.

The Post Trade division, which incorporates LCH, CC&G, Monte Titoli and UnaVista since the start of the year, grew revenue by 9% to £372 million (up 8% on a constant currency basis). LCH grew 10% to £293 million, with a strong contribution from Non-OTC, which increased 16% to £80 million, with record levels of clearing activity in cash equity and listed derivatives arising from COVID-19 related volatility. OTC clearing revenue increased 6% to £157 million, largely due to growth in client clearing in SwapClear as the number of trades increased by 24%. The period also saw record volumes at ForexClear and CDSClear, and strong growth from client clearing in both services as they develop further. Other revenue at LCH grew 14% to £56 million due to higher levels of non-cash collateral. Post Trade Italy grew 3% to £53 million with strong activity at CC&G as contracts cleared increased 35% in the period to 67.5 million and at Monte Titoli with settlement instructions up 22% to 26.3 million.

LCH net treasury income (NTI) rose 56% to £149 million as average cash collateral increased 26% to €116.3 billion, and CC&G NTI increased 12% to £27 million as initial margin held increased 5% to €14.7 billion. NTI is mainly comprised of income from collateral handling fees, calculated on an agreed basis point spread for the collateral collected. This component is generally predictable and recurring income, typically making up two-thirds of NTI. The remaining one-third component of NTI is the return on investment of the cash collateral over the level returned to members. This element of NTI benefitted from the increased quantum of cash to invest in the period and also received a short-term benefit from the rapid reduction in central bank interest rates. Assuming no change in market environment, total NTI is expected to be lower in H2 and closer to the income reported in H2 2019, as cash collateral levels normalised by the end of H1 and short-term investments will reflect the now lower interest rates.

Total income for Post Trade rose 19% to £548 million (up 18% on a constant currency basis). Cost of sales grew 23% to £80 million, reflecting the strong growth at LCH and in NTI, leading to an 18% increase in gross profit, to £468 million.

Capital Markets revenue fell by 4% on a reported and constant currency basis due to the comparison with H1 2019 revenue for Primary Markets which included a one-off IFRS 15 benefit of £32 million. Excluding this impact, Primary Markets' revenue grew 12% to £65 million. In Secondary Markets, equities trading revenue increased 23% to £91 million, as volumes grew with the strong volatility in March as the market reacted to COVID-19. Equity value traded on London Stock Exchange increased by 21% and the number of trades at Borsa Italiana rose by 57%. Fixed income, derivatives and other trading revenue fell by 2% to £61 million, as activity in these asset classes was more subdued. Cost of sales was £2 million in the period, with reported gross profit falling 3% to £215 million.

Technology Services revenue was unchanged at £30 million. Lower cost of sales of £3 million meant overall gross profit increased 3% to £27 million.

## Financial Summary

Unless otherwise stated, all figures below refer to continuing operations for the six months ended 30 June 2020 (H1 2020). Comparative figures are for continuing operations for the six months ended 30 June 2019 (H1 2019). Variances are also provided on an organic and constant currency basis, accounting for the acquisition of Beyond Ratings in 2019 H1.

|   | Six months ended<br>30 June |              | Variance<br>% | Organic and<br>constant<br>currency<br>variance <sup>1</sup><br>% |
|---|-----------------------------|--------------|---------------|---|
|   | 2020<br>£m                  | 2019<br>£m   |               |   |
| <b>Continuing operations</b>  |                             |              |               |   |
| <b>Revenue</b>  |                             |              |               |   |
| Information Services  | 437                         | 416          | 5%            | 3%  |
| Post Trade  | 372                         | 342          | 9%            | 8%  |
| Capital Markets   | 217                         | 226          | (4%)          | (4%)  |
| Technology  | 30                          | 30           | -             | -   |
| Other revenue   | 2                           | 4            | -             | -   |
| <b>Total revenue</b>  | <b>1,058</b>                | <b>1,018</b> | <b>4%</b>     | <b>3%</b>   |
| Net treasury income through CCP businesses  | 176                         | 120          | 47%           | 46%   |
| Other income  | 1                           | 2            | -             | -   |
| <b>Total income</b>   | <b>1,235</b>                | <b>1,140</b> | <b>8%</b>     | <b>8%</b>   |
| Cost of sales   | (121)                       | (109)        | 11%           | 10%   |
| <b>Gross profit</b>   | <b>1,114</b>                | <b>1,031</b> | <b>8%</b>     | <b>7%</b>   |
| Adjusted operating expenses before depreciation, amortisation and impairment                                  | (438)                       | (406)        | 8%            | 5%  |
| Underlying depreciation, amortisation and impairment  | (99)                        | (88)         | 13%           | 13%   |
| <b>Adjusted operating expenses<sup>2</sup></b>  | <b>(537)</b>                | <b>(494)</b> | <b>9%</b>     | <b>6%</b>   |
| Share of loss after tax of associate  | (2)                         | (4)          | -             | -   |
| <b>Adjusted operating profit<sup>2</sup></b>  | <b>575</b>                  | <b>533</b>   | <b>8%</b>     | <b>9%</b>   |
| Add back underlying depreciation, amortisation and impairment   | 99                          | 88           | 13%           | 13%   |
| <b>Adjusted earnings before interest, tax, depreciation, amortisation and impairment<sup>2</sup></b>          | <b>674</b>                  | <b>621</b>   | <b>9%</b>     | <b>9%</b>   |
| Amortisation and impairment of purchased intangible assets and goodwill and non-underlying items <sup>3</sup> | (184)                       | (134)        | 38%           | 37%   |
| <b>Operating profit</b>   | <b>391</b>                  | <b>399</b>   | <b>(2%)</b>   | <b>(1%)</b>   |
| <b>Earnings per share</b>   |                             |              |               |   |
| Basic earnings per share (p)  | 64.6                        | 70.7         | (9%)          |   |
| Adjusted basic earnings per share (p) <sup>2</sup>  | 112.0                       | 100.6        | 11%           |   |
| <b>Dividend per share (p)</b>   | <b>23.3</b>                 | <b>20.1</b>  | <b>16%</b>    |   |

<sup>1</sup> Organic growth is calculated in respect of businesses owned for at least 6 months in either period and so excludes Beyond Ratings

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

<sup>3</sup> Includes transaction costs and restructuring costs

Note: Variances in all tables are calculated from unrounded numbers.

The Group's principal foreign exchange exposure arises from translating and revaluing its foreign currency earnings, assets and liabilities into LSEG's reporting currency of Sterling.

Revenue increased 4% to £1,058 million (H1 2019: £1,018 million), and up 3% on an organic and constant currency basis. As described in the operational performance section above, many parts of the Group have delivered good results, particularly in Post Trade and Information Services. Total income rose 8% to £1,235 million (H1 2019: £1,140 million) on a reported and organic and constant currency basis. Cost of sales increased 11% to £121 million, (10% on an organic and constant currency basis) primarily as a result of the growth in LCH and FTSE Russell, with gross profit increasing 8% to £1,114 million (H1 2019: £1,031 million).

Adjusted operating expenses before depreciation, amortisation and impairment grew 8% on a reported basis and up 5% on a constant currency basis. Underlying depreciation and amortisation at £99 million was 13% higher than last year, reflecting investments in previous periods. The Group continues to invest in new products and efficiency projects, to increase sales and to develop the Group's infrastructure. Adjusted operating expenses before depreciation and amortisation in H2 are expected to remain similar to H1 2020.

Adjusted operating profit for the period, before amortisation and impairment of purchased intangible assets and goodwill and non-underlying items, increased 8% to £575 million (H1 2019: £533 million). Operating profit was down 2% at £391 million (H1 2019: £399 million) dampened by an increase in amortisation and impairment of intangible assets and goodwill and non-underlying items primarily relating to the Refinitiv transaction.

Adjusted net finance costs were £22 million (H1 2019: £36 million) reflecting a lower blended rate of interest on our debt following the refinancing of Bonds that were due in October 2019. Profit before tax was £362 million (H1 2019: £363 million). The effective underlying tax rate was 23.6%, and 22.5% for H1 with the inclusion of one-off and previous year adjustments (year ended 31 December 2019: 23.7%). The reported tax rate expected for H2 is 23.0%.

Adjusted basic EPS, before amortisation and impairment of purchased intangible assets and goodwill and non-recurring items, increased 11% to 112.0 pence (H1 2019: 100.6 pence) while basic EPS was 64.6 pence (H1 2019: 70.7 pence).

Net cash inflow from operating activities was £448 million (H1 2019: £400 million), the increase reflecting strong underlying performance, partly offset by a timing-related increase in tax outflows. Capital expenditure in the period amounted to £89 million (H1 2019: £89 million). Looking ahead, we expect capex to run at a higher level in H2 as we continue to invest in further product development and other projects to enhance efficiency. Net cash generated after capex, other investing activities and dividends, was £165 million (H1 2019: £122 million). Discretionary free cash flow per share on the same basis was 98.0 pence (30 June 2019: 89.7 pence).

At 30 June 2020, operating net debt (after setting aside £1,337 million of cash for regulatory and operational support purposes) increased to £1,905 million, from £1,755 million at year end. During the period, the Group increased the amount of cash set aside by £80 million following regulatory guidance on COVID-19 requirements. Cash generated by the business funded the Group's investment outflows, dividend payments, tax payments and regular debt servicing. Operating net debt: pro forma EBITDA remained stable at 1.4 times (from 1.4 times at 31 December 2019), reflecting strong earnings growth balanced against the increase in operating net debt.

Standard & Poor's maintained its long-term ratings of LSEG at A and LCH Limited and LCH SA at AA-. Moody's maintained its A3 rating of LSEG. Both agencies maintained their negative outlooks in anticipation of the impact of the Refinitiv acquisition on net leverage. Both agencies are positive about the strategic rationale for the transaction and reference the Group's clearly positioned de-leveraging plans. The Group had net assets of £4,133 million at 30 June 2020 (31 December 2019: £3,801 million), including £1,641 million in cash and cash equivalents (31 December 2019: £1,493 million).

The Group's principal foreign exchange exposure arises as a result of translating and revaluing its foreign currency earnings, assets and liabilities into LSEG's reporting currency of Sterling. For the 6 months to 30 June 2020, the main translation exposures for the Group were its Euro reporting businesses (accounting for 29% of Group income and 30% of Group expenses) and its US dollar reporting businesses (accounting for 29% of income and 19% of expenses). A 10 cent movement in the average £/€ 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 £21 million. A 10 cent movement in the average £/US\$ rate for the six months would have changed the Group's operating profit by approximately £8 million. The Group continues to manage its translation risk exposure by matching the currency of its debt (including debt effectively issued in one currency and swapped into a different currency) to the currency of its earnings, where possible, to ensure its key financial ratios are protected from material foreign exchange rate volatility.

## Response to COVID-19

The first half of the year has brought unprecedented challenges to our employees, customers, suppliers and the communities we operate in. We have been focused on the welfare of our employees and the orderly conduct of business for our customers worldwide. Our systemic role and responsibility to provide continuity of service to our customers and support financial stability has never been clearer.

During the period, we have demonstrated our operational resilience against a backdrop of strong volumes at our trading venues and clearing houses, alongside the additional challenge of running operations with the majority of employees around the world operating on a remote basis. We continue to monitor the development of the pandemic globally. We expect the majority of our employees to work remotely for the remainder of 2020 with up to 30% gradually returning to the office in some locations where public health, government guidelines and the local status of the pandemic supports this approach. We continue to engage directly with employees to support their physical and mental well-being with a variety of bespoke programmes introduced to support their adaptation to new working environments.

Recognising the impact COVID-19 has on the communities in which we operate in around the world, we have made a number of financial donations and partnered with global and local organisations to further support those directly affected by the pandemic. LSEG Foundation used its Emergency Fund to support coronavirus relief efforts in the UK, Italy, Sri Lanka, France, Romania and the United States. These initial efforts were focused on emergency medical supplies and supporting hospitals and front line workers. Since then, the Group has focused on longer term recovery efforts in the UK and Italy, including supporting SME businesses to recover from economic impacts of the pandemic. Together, LSEG and the LSEG Foundation have donated £3.3 million to date.

## Interim Dividend

In line with the Group's dividend policy, the interim dividend is calculated as one-third of the prior full year dividend. Accordingly, the Directors have declared an interim dividend of 23.3 pence per share, an increase of 16% (H1 2019: 20.1 pence per share). The interim dividend will be paid on 22 September 2020 to shareholders on the register on 21 August 2020.

## Outlook

The Group has delivered a good financial performance in the first half of 2020 against the backdrop of unprecedented circumstances. The full impact of COVID-19 on working patterns, customer behaviour and product development is difficult to anticipate but have demonstrated we can adapt quickly and successfully across the Group. Despite the challenges, we are well positioned to continue to develop and to make further progress on our strategic plans, including closing the Refinitiv transaction.



**David Schwimmer**  
Group CEO  
31 July 2020



# OPERATING PERFORMANCE – KEY STATISTICS

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

## INFORMATION SERVICES

The Information Services division consists of global indices products, real time data products and a number of other discrete businesses including desktop and workflow products.

|                            | Six months ended |           | Variance | Organic and constant currency Variance <sup>1</sup> |
|----------------------------|------------------|-----------|----------|---|
|                            | 30 June          |           |          |   |
|                            | 2020             | 2019      |          |   |
| <b>Revenue</b>             | <b>£m</b>        | <b>£m</b> | <b>%</b> | <b>%</b>  |
| Index - Subscription       | 218              | 203       | 8%       | 6%  |
| Index - Asset based        | 112              | 112       | -        | (2%)  |
| FTSE Russell               | 330              | 315       | 5%       | 3%  |
| Real time data             | 52               | 48        | 8%       | 7%  |
| Other information services | 55               | 53        | 4%       | 3%  |
| Total revenue              | 437              | 416       | 5%       | 3%  |
| Cost of sales              | (36)             | (36)      | -        | (2%)  |
| Gross profit               | 401              | 380       | 6%       | 4%  |

<sup>1</sup> Organic growth is calculated in respect of businesses owned for at least 6 months in either period so excludes Beyond Ratings (acquired June 2019)

Note: UnaVista and some other minor items (previously reported in Other information services), are now included in Post Trade

|   | As at 30 June |            | Variance    |
|---|---------------|------------|-------------|
|   | 2020          | 2019       |             |
| <b>ETF assets under management benchmarked (\$bn)</b> |               |            |             |
| FTSE  | 404           | 406        | -           |
| Russell Indexes                                       | 265           | 284        | (7%)        |
| <b>Total</b>  | <b>669</b>    | <b>690</b> | <b>(3%)</b> |
| <b>Terminals</b>                                      |               |            |             |
| UK  | 64,000        | 66,000     | (3%)        |
| Borsa Italiana Professional Terminals                 | 97,000        | 100,000    | (3%)        |

Note: FTSE ETF assets under management benchmarked KPI has been rebased to remove previously reported active ETFs. The previous year comparator has also been adjusted, with a change of \$15 billion

## POST TRADE

The Post Trade division comprises the Group's clearing houses LCH and CC&G, settlement and custody businesses and UnaVista.

|  | Six months ended |             |            | Constant<br>currency<br>variance |
|--|------------------|-------------|------------|----------------------------------|
|  | 30 June          |             | Variance   |                                  |
|  | 2020             | 2019        |            |                                  |
| Revenue  | £m               | £m          | %          | %                                |
| OTC - SwapClear, ForexClear & CDSClear                     | 157              | 148         | 6%         | 6%                               |
| Non-OTC - Fixed income, Cash equities & Listed derivatives | 80               | 69          | 16%        | 16%                              |
| Other  | 56               | 49          | 14%        | 14%                              |
| <b>Total LCH revenue</b>                                   | <b>293</b>       | <b>266</b>  | <b>10%</b> | <b>10%</b>                       |
| Clearing   | 22               | 22          | 3%         | 3%                               |
| Settlement, Custody & other                                | 31               | 29          | 3%         | 2%                               |
| <b>Total Post Trade Italy revenue</b>                      | <b>53</b>        | <b>51</b>   | <b>3%</b>  | <b>3%</b>                        |
| UnaVista   | 26               | 25          | 4%         | 4%                               |
| <b>Total revenue</b>                                       | <b>372</b>       | <b>342</b>  | <b>9%</b>  | <b>8%</b>                        |
| LCH - Net treasury income                                  | 149              | 96          | 56%        | 54%                              |
| CC&G - Net treasury income                                 | 27               | 24          | 12%        | 12%                              |
| <b>Total income</b>  | <b>548</b>       | <b>462</b>  | <b>19%</b> | <b>18%</b>                       |
| <b>Cost of sales</b>                                       | <b>(80)</b>      | <b>(65)</b> | <b>23%</b> | <b>22%</b>                       |
| <b>Gross profit</b>  | <b>468</b>       | <b>397</b>  | <b>18%</b> | <b>18%</b>                       |

### Post Trade - LCH

|                                    | Six months ended |       | Variance |
|------------------------------------|------------------|-------|----------|
|                                    | 30 June          |       |          |
|                                    | 2020             | 2019  |          |
|                                    |                  |       | %        |
| <b>LCH OTC derivatives</b>         |                  |       |          |
| <b>SwapClear</b>                   |                  |       |          |
| IRS notional cleared (\$tn)        | 643              | 660   | (3%)     |
| SwapClear members                  | 122              | 120   | 2%       |
| Client trades ('000)               | 997              | 807   | 24%      |
| <b>CDSClear</b>                    |                  |       |          |
| Notional cleared (€bn)             | 1,398            | 696   | 101%     |
| CDSClear members                   | 26               | 26    | -        |
| <b>ForexClear</b>                  |                  |       |          |
| Notional value cleared (\$bn)      | 9,844            | 8,767 | 12%      |
| ForexClear members                 | 35               | 34    | 3%       |
| <b>LCH Non-OTC</b>                 |                  |       |          |
| Fixed income - Nominal value (€tn) | 102.7            | 105.6 | (3%)     |
| Listed derivatives (contracts m)   | 191.5            | 146.0 | 31%      |
| Cash equities trades (m)           | 1,047            | 699   | 50%      |
| LCH average cash collateral (€bn)  | 116.3            | 92.7  | 26%      |

Note: CDSClear notional cleared and LCH Non-OTC volumes have been rebased to count both sides of each cleared trade. This aligns with how activity is reported on LCH's website. The previous year comparator has also been adjusted

## Post Trade - Italy

|   | Six months ended |      | Variance<br>% |
|---|------------------|------|---------------|
|   | 30 June          |      |               |
|   | 2020             | 2019 |               |
| <b>CC&amp;G Clearing</b>                      |                  |      |               |
| Contracts (m)                                 | 67.5             | 50.1 | 35%           |
| Initial margin held (average €bn)             | 14.7             | 14.0 | 5%            |
| <b>Monte Titoli</b>                           |                  |      |               |
| Settlement instructions (trades m)            | 26.3             | 21.5 | 22%           |
| Custody assets under management (average €tn) | 3.31             | 3.30 | -             |

## 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 |            |               | Constant<br>currency<br>variance<br>% |
|---|------------------|------------|---------------|---------------------------------------|
|   | 30 June          |            | Variance<br>% |                                       |
|   | 2020<br>£m       | 2019<br>£m |               |                                       |
| <b>Revenue</b>  |                  |            |               |                                       |
| Primary Markets <sup>1</sup>                            | 65               | 90         | (28%)         | (28%)                                 |
| Secondary Markets - Equities                            | 91               | 74         | 23%           | 23%                                   |
| Secondary Markets - Fixed income, derivatives and other | 61               | 62         | (2%)          | (2%)                                  |
| <b>Total revenue</b>                                    | <b>217</b>       | <b>226</b> | <b>(4%)</b>   | <b>(4%)</b>                           |
| Cost of sales   | (2)              | (3)        | (38%)         | (38%)                                 |
| <b>Gross profit</b>                                     | <b>215</b>       | <b>223</b> | <b>(3%)</b>   | <b>(4%)</b>                           |

<sup>1</sup> Primary Markets revenue increased by £32 million in H1 2019 due to a change in estimate relating to IFRS 15. This is due to a reduction in the length of time initial admissions and further issue revenues are required to be recognised.

## Capital Markets - Primary Markets

|                                | Six months ended |             | Variance<br>% |
|--------------------------------|------------------|-------------|---------------|
|                                | 30 June          |             |               |
|                                | 2020             | 2019        |               |
| <b>New Issues</b>              |                  |             |               |
| UK Main Market & PSM           | 20               | 28          | (29%)         |
| UK AIM                         | 10               | 15          | (33%)         |
| Borsa Italiana                 | 4                | 15          | (73%)         |
| <b>Total</b>                   | <b>34</b>        | <b>58</b>   | <b>(41%)</b>  |
| <b>Money Raised (£bn)</b>      |                  |             |               |
| UK new                         | 2.1              | 2.7         | (22%)         |
| UK further                     | 17.0             | 10.8        | 57%           |
| Borsa Italiana new and further | 0.7              | 1.9         | (63%)         |
| <b>Total (£bn)</b>             | <b>19.8</b>      | <b>15.4</b> | <b>29%</b>    |

## Capital Markets - Secondary Markets

|                                       | Six months ended |        | Variance<br>% |
|---------------------------------------|------------------|--------|---------------|
|                                       | 30 June          |        |               |
|                                       | 2020             | 2019   |               |
| <b>Equity</b>                         |                  |        |               |
| <b>Totals for period</b>              |                  |        |               |
| UK value traded (£bn)                 | 704              | 583    | 21%           |
| Borsa Italiana (no of trades m)       | 48.7             | 31.1   | 57%           |
| Turquoise value traded (€bn)          | 295              | 311    | (5%)          |
| SETS Yield (basis points)             | 0.69             | 0.69   | -             |
| <b>Average daily</b>                  |                  |        |               |
| UK value traded (£bn)                 | 5.6              | 4.7    | 21%           |
| Borsa Italiana (no of trades '000)    | 387              | 249    | 55%           |
| Turquoise value traded (€bn)          | 2.3              | 2.5    | (6%)          |
| <b>Derivatives</b>                    |                  |        |               |
| Contracts (m)                         | 14.1             | 18.4   | (23%)         |
| <b>Fixed Income</b>                   |                  |        |               |
| MTS cash and BondVision (€bn)         | 1,702            | 1,650  | 3%            |
| MTS money markets (€bn term adjusted) | 55,842           | 57,749 | (3%)          |

Note: The H1 2019 number of derivative contracts includes 1.6 million from LSE Derivatives. This service no longer accepted new trades from November 2019

## 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.

|                     | Six months ended |           |           | Constant<br>currency<br>variance |
|---------------------|------------------|-----------|-----------|----------------------------------|
|                     | 30 June          |           | Variance  |                                  |
|                     | 2020             | 2019      |           |                                  |
|                     | £m               | £m        | %         | %                                |
| Total revenue       | 30               | 30        | -         | -                                |
| Cost of sales       | (3)              | (4)       | (13%)     | (13%)                            |
| <b>Gross profit</b> | <b>27</b>        | <b>26</b> | <b>3%</b> | <b>3%</b>                        |

## 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<br>6 months ended<br>30 June 2020 | Closing rate at<br>30 June 2020 | Average rate<br>6 months ended<br>30 June 2019 | Closing rate at<br>30 June 2019 |
|-----------|--|---------------------------------|--|---------------------------------|
| GBP : EUR | 1.14   | 1.09                            | 1.15   | 1.12                            |
| GBP : USD | 1.26   | 1.23                            | 1.29   | 1.27                            |

# CONDENSED CONSOLIDATED INCOME STATEMENT

|   | Notes | Six months ended 30 June 2020<br>Unaudited |                            |              | Six months ended 30 June 2019<br>Unaudited |                            |              |
|---|-------|--|----------------------------|--------------|--|----------------------------|--------------|
|   |       | Underlying items<br>£m                     | Non-underlying items<br>£m | Total<br>£m  | Underlying items<br>£m                     | Non-underlying items<br>£m | Total<br>£m  |
| <b>Continuing operations</b>  |       |  |                            |              |  |                            |              |
| Revenue   | 2     | 1,058                                      | -                          | 1,058        | 1,018                                      | -                          | 1,018        |
| Net treasury income from CCP clearing business                                  | 2     | 176  | -                          | 176          | 120  | -                          | 120          |
| Other income  | 2     | 1  | -                          | 1            | 2  | -                          | 2            |
| <b>Total income</b>   |       | <b>1,235</b>                               | <b>-</b>                   | <b>1,235</b> | <b>1,140</b>                               | <b>-</b>                   | <b>1,140</b> |
| Cost of sales   | 2     | (121)                                      | -                          | (121)        | (109)                                      | -                          | (109)        |
| <b>Gross profit</b>   |       | <b>1,114</b>                               | <b>-</b>                   | <b>1,114</b> | <b>1,031</b>                               | <b>-</b>                   | <b>1,031</b> |
| <b>Expenses</b>   |       |  |                            |              |  |                            |              |
| Operating expenses before depreciation, amortisation and impairment             | 3     | (438)                                      | (88)                       | (526)        | (406)                                      | (48)                       | (454)        |
| Share of loss after tax of associates   |       | (2)  | -                          | (2)          | (4)  | -                          | (4)          |
| <b>Earnings before interest, tax, depreciation, amortisation and impairment</b> |       | <b>674</b>                                 | <b>(88)</b>                | <b>586</b>   | <b>621</b>                                 | <b>(48)</b>                | <b>573</b>   |
| Depreciation, amortisation and impairment                                       |       | (99)                                       | (96)                       | (195)        | (88)                                       | (86)                       | (174)        |
| <b>Operating profit/(loss)</b>  | 2     | <b>575</b>                                 | <b>(184)</b>               | <b>391</b>   | <b>533</b>                                 | <b>(134)</b>               | <b>399</b>   |
| Finance income  |       | 10   | -                          | 10           | 7  | -                          | 7            |
| Finance expense   |       | (32)                                       | (7)                        | (39)         | (43)                                       | -                          | (43)         |
| <b>Net finance expense</b>  | 5     | <b>(22)</b>                                | <b>(7)</b>                 | <b>(29)</b>  | <b>(36)</b>                                | <b>-</b>                   | <b>(36)</b>  |
| <b>Profit/(loss) before tax</b>   |       | <b>553</b>                                 | <b>(191)</b>               | <b>362</b>   | <b>497</b>                                 | <b>(134)</b>               | <b>363</b>   |
| Taxation  | 6     | (124)                                      | 23                         | (101)        | (120)                                      | 22                         | (98)         |
| <b>Profit/(loss) for the period</b>   |       | <b>429</b>                                 | <b>(168)</b>               | <b>261</b>   | <b>377</b>                                 | <b>(112)</b>               | <b>265</b>   |
| <b>Profit/(loss) attributable to:</b>   |       |  |                            |              |  |                            |              |
| Equity holders  |       | 392  | (166)                      | 226          | 350  | (104)                      | 246          |
| Non-controlling interests   |       | 37   | (2)                        | 35           | 27   | (8)                        | 19           |
| <b>Profit/(loss) for the period</b>   |       | <b>429</b>                                 | <b>(168)</b>               | <b>261</b>   | <b>377</b>                                 | <b>(112)</b>               | <b>265</b>   |
| <b>Earnings per share attributable to equity holders</b>                        |       |  |                            |              |  |                            |              |
| Basic earnings per share  | 7     |  |                            | 64.6p        |  |                            | 70.7p        |
| Diluted earnings per share  | 7     |  |                            | 63.8p        |  |                            | 69.5p        |
| Adjusted basic earnings per share   | 7     |  |                            | 112.0p       |  |                            | 100.6p       |
| Adjusted diluted earnings per share   | 7     |  |                            | 110.7p       |  |                            | 98.9p        |
| <b>Dividend per share in respect of the financial period</b>                    |       |  |                            |              |  |                            |              |
| Dividend per share paid during the period                                       | 8     |  |                            | 49.9p        |  |                            | 43.2p        |
| Dividend per share declared for the period                                      | 8     |  |                            | 23.3p        |  |                            | 20.1p        |

The notes on pages 17 to 37 form an integral part of these interim condensed consolidated financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2020                     | 2019            |
|   | Unaudited<br>£m          | Unaudited<br>£m |
| <b>Profit for the period</b>  | 261                      | 265             |
| <b>Other comprehensive income:</b>  |                          |                 |
| <b>Items that will not be subsequently reclassified to profit or loss</b>   |                          |                 |
| Defined benefit pension scheme remeasurement gains                          | 24                       | 7               |
| Gain on equity instruments at fair value through other comprehensive income | 1                        | -               |
| Income tax relating to above items  | (9)                      | (2)             |
|   | <b>16</b>                | <b>5</b>        |
| <b>Items that may be subsequently reclassified to profit or loss</b>        |                          |                 |
| Net losses on net investment hedges   | (152)                    | (1)             |
| Debt instruments at fair value through other comprehensive income (FVOCI):  |                          |                 |
| - Net gains from changes in fair value                                      | 20                       | 11              |
| - Gains reclassified to the consolidated income statement on disposal       | (3)                      | (4)             |
| Exchange gains/(losses) on translation of foreign operations                | 356                      | (1)             |
| Income tax relating to above items  | (3)                      | (3)             |
|   | <b>218</b>               | <b>2</b>        |
| <b>Other comprehensive income, net of tax</b>                               | <b>234</b>               | <b>7</b>        |
| <b>Total comprehensive income for the period</b>                            | <b>495</b>               | <b>272</b>      |
| <b>Total comprehensive income attributable to:</b>                          |                          |                 |
| Equity holders  | 437                      | 256             |
| Non-controlling interests   | 58                       | 16              |
| <b>Total comprehensive income for the period</b>                            | <b>495</b>               | <b>272</b>      |

The notes on pages 17 to 37 form an integral part of these interim condensed consolidated financial statements.

# CONDENSED CONSOLIDATED BALANCE SHEET

|  |        | 30 June 2020<br>Unaudited | 31 December 2019 |
|--|--------|---------------------------|------------------|
|  | Notes  | £m                        | £m               |
| <b>Assets</b>  |        |                           |                  |
| <b>Non-current assets</b>  |        |                           |                  |
| Property, plant and equipment  |        | 273                       | 288              |
| Intangible assets  | 9      | 4,604                     | 4,421            |
| Investment in associates   |        | 28                        | 28               |
| Deferred tax assets  |        | 43                        | 49               |
| Investments in financial assets  | 10     | 326                       | 266              |
| Retirement benefit assets  |        | 91                        | 66               |
| Trade and other receivables  | 10     | 18                        | 19               |
|  |        | <b>5,383</b>              | <b>5,137</b>     |
| <b>Current assets</b>  |        |                           |                  |
| Trade and other receivables  | 10     | 593                       | 566              |
| Derivative financial instruments   | 10     | 8                         | 2                |
| Clearing member financial assets   |        | 819,877                   | 729,094          |
| Clearing member cash and cash equivalents                                |        | 85,234                    | 67,118           |
| Clearing member assets   | 10     | 905,111                   | 796,212          |
| Current tax  |        | 84                        | 160              |
| Investments in financial assets  | 10     | 64                        | 81               |
| Cash and cash equivalents  | 10     | 1,641                     | 1,493            |
|  |        | <b>907,501</b>            | <b>798,514</b>   |
| <b>Total assets</b>  |        | <b>912,884</b>            | <b>803,651</b>   |
| <b>Liabilities</b>   |        |                           |                  |
| <b>Current liabilities</b>   |        |                           |                  |
| Trade and other payables   | 10     | 487                       | 620              |
| Contract liabilities   |        | 265                       | 157              |
| Derivative financial instruments   | 10     | -                         | 1                |
| Clearing member liabilities  | 10     | 905,034                   | 796,102          |
| Current tax  |        | 20                        | 127              |
| Borrowings   | 10, 11 | 474                       | 512              |
| Provisions   |        | 12                        | 19               |
|  |        | <b>906,292</b>            | <b>797,538</b>   |
| <b>Non-current liabilities</b>   |        |                           |                  |
| Borrowings   | 10, 11 | 1,663                     | 1,573            |
| Derivative financial instruments   | 10     | 80                        | 39               |
| Contract liabilities   |        | 89                        | 88               |
| Deferred tax liabilities   |        | 454                       | 432              |
| Retirement benefit obligations   |        | 17                        | 17               |
| Other non-current payables   | 10     | 143                       | 150              |
| Provisions   |        | 13                        | 13               |
|  |        | <b>2,459</b>              | <b>2,312</b>     |
| <b>Total liabilities</b>   |        | <b>908,751</b>            | <b>799,850</b>   |
| <b>Net assets</b>  |        | <b>4,133</b>              | <b>3,801</b>     |
| <b>Equity</b>  |        |                           |                  |
| <b>Capital and reserves attributable to the Company's equity holders</b> |        |                           |                  |
| Ordinary share capital   |        | 24                        | 24               |
| Share premium  |        | 967                       | 967              |
| Retained earnings  |        | 773                       | 668              |
| Other reserves   |        | 1,981                     | 1,796            |
| <b>Total shareholders' funds</b>   |        | <b>3,745</b>              | <b>3,455</b>     |
| <b>Non-controlling interests</b>   |        | <b>388</b>                | <b>346</b>       |
| <b>Total equity</b>  |        | <b>4,133</b>              | <b>3,801</b>     |

The notes on pages 17 to 37 form an integral part of these interim condensed consolidated financial statements.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

|  | Notes  | Six months ended 30 June |                         |
|--|--------|--------------------------|-------------------------|
|  |        | 2020<br>Unaudited<br>£m  | 2019<br>Unaudited<br>£m |
| <b>Cash flow from operating activities</b>                   |        |                          |                         |
| Cash generated from operations                               | 13     | 600                      | 485                     |
| Interest received  |        | 3                        | 3                       |
| Interest paid  |        | (25)                     | (32)                    |
| Corporation tax paid   |        | (130)                    | (54)                    |
| Royalties paid   |        | -                        | (2)                     |
| <b>Net cash inflow from operating activities</b>             |        | <b>448</b>               | <b>400</b>              |
| <b>Cash flow from investing activities</b>                   |        |                          |                         |
| Purchase of property, plant and equipment                    |        | (5)                      | (15)                    |
| Purchase of intangible assets                                |        | (84)                     | (74)                    |
| Proceeds from sale of business <sup>1</sup>                  |        | -                        | 1                       |
| Acquisition of business <sup>2</sup>                         | 14     | -                        | (12)                    |
| Investment in financial assets classed as FVOCI <sup>3</sup> | 10     | -                        | (246)                   |
| Investment in government bonds                               |        | (16)                     | -                       |
| <b>Net cash outflow from investing activities</b>            |        | <b>(105)</b>             | <b>(346)</b>            |
| <b>Cash flow from financing activities</b>                   |        |                          |                         |
| Dividends paid to shareholders                               | 8      | (175)                    | (151)                   |
| Dividends paid to non-controlling interests                  |        | (3)                      | (39)                    |
| Purchase of non-controlling interests <sup>4</sup>           | 10     | -                        | (9)                     |
| Proceeds from exercise of employee share options             |        | -                        | 3                       |
| Purchase of own shares by the employee benefit trust         |        | (4)                      | (5)                     |
| Principal element of lease payments                          |        | (21)                     | (20)                    |
| Investment in convertible debt <sup>3</sup>                  |        | -                        | (4)                     |
| Proceeds from the issue of commercial paper                  | 11, 12 | 173                      | -                       |
| Repayment of commercial paper                                | 12     | (274)                    | -                       |
| Additional drawdowns from bank facilities                    | 12     | 170                      | 150                     |
| Repayments made towards bank credit facilities               | 12     | (129)                    | (24)                    |
| <b>Net cash outflow from financing activities</b>            |        | <b>(263)</b>             | <b>(99)</b>             |
| <b>Decrease in cash and cash equivalents</b>                 |        |                          |                         |
| Cash and cash equivalents at beginning of period             |        | 1,493                    | 1,510                   |
| Exchange gains/(losses) on cash and cash equivalents         |        | 68                       | (15)                    |
| <b>Cash and cash equivalents at end of period</b>            |        | <b>1,641</b>             | <b>1,450</b>            |

The Group's net cash inflow from operating activities of £448 million is after deduction of £41 million of expenses related to non-underlying items.

<sup>1</sup> There were no disposals of businesses during the period. Proceeds from the disposal of business in the prior period related to deferred consideration received on the disposal of Exactpro Systems Limited and its subsidiaries in 2018.

<sup>2</sup> There were no acquisitions during the period. Acquisition of business in the prior period related to Beyond Ratings in May 2019.

<sup>3</sup> There were no investments in financial assets classed as FVOCI during the period. Investment in financial assets classed as FVOCI in the prior period included investments of £244 million in Euroclear Holding SA/NV and £2 million in Nivaura Limited. The Group additionally invested £4 million in convertible debt from the latter.

<sup>4</sup> There was no purchase of non-controlling interest during the period. Purchase of non-controlling interest in the prior period related to the remaining interest in EuroTLX SIM S.p.A. for £9 million (€10 million) in 2019.

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 operations as manager of the clearing and guarantee systems.

The notes on pages 17 to 37 form an integral part of these interim condensed consolidated financial statements.



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Attributable to equity holders |               |                   |                |                                      |                           |              |
|--|--------------------------------|---------------|-------------------|----------------|--------------------------------------|---------------------------|--------------|
|  | Ordinary share capital         | Share premium | Retained earnings | Other reserves | Total attributable to equity holders | Non-controlling interests | Total equity |
|  | £m                             | £m            | £m                | £m             | £m                                   | £m                        | £m           |
| 31 December 2018 (as previously presented)                           | 24                             | 965           | 424               | 1,930          | 3,343                                | 355                       | 3,698        |
| Impact of the adoption of IFRS 16 <sup>1</sup>                       | -                              | -             | (23)              | -              | (23)                                 | -                         | (23)         |
| 1 January 2019 (restated)  | 24                             | 965           | 401               | 1,930          | 3,320                                | 355                       | 3,675        |
| Profit for the period  | -                              | -             | 246               | -              | 246                                  | 19                        | 265          |
| Other comprehensive income for the period                            | -                              | -             | 11                | (1)            | 10                                   | (3)                       | 7            |
| Issue of shares  | -                              | 2             | -                 | -              | 2                                    | -                         | 2            |
| Final dividend relating to the year ended 31 December 2018 (Note 8)  | -                              | -             | (151)             | -              | (151)                                | -                         | (151)        |
| Dividend payments to non-controlling interests                       | -                              | -             | -                 | -              | -                                    | (43)                      | (43)         |
| Employee share scheme expenses                                       | -                              | -             | 19                | -              | 19                                   | -                         | 19           |
| Tax in relation to employee share scheme expenses                    | -                              | -             | 6                 | -              | 6                                    | -                         | 6            |
| Purchase of non-controlling interests                                | -                              | -             | 2                 | -              | 2                                    | (1)                       | 1            |
| <b>30 June 2019 (Unaudited)</b>                                      | <b>24</b>                      | <b>967</b>    | <b>534</b>        | <b>1,929</b>   | <b>3,454</b>                         | <b>327</b>                | <b>3,781</b> |
| 31 December 2019   | 24                             | 967           | 668               | 1,796          | 3,455                                | 346                       | 3,801        |
| Profit for the period  | -                              | -             | 226               | -              | 226                                  | 35                        | 261          |
| Other comprehensive income for the period                            | -                              | -             | 26                | 185            | 211                                  | 23                        | 234          |
| Final dividend relating for the year ended 31 December 2019 (Note 8) | -                              | -             | (175)             | -              | (175)                                | -                         | (175)        |
| Dividend payments to non-controlling interests                       | -                              | -             | -                 | -              | -                                    | (16)                      | (16)         |
| Employee share scheme expenses                                       | -                              | -             | 21                | -              | 21                                   | -                         | 21           |
| Tax in relation to employee share scheme expenses                    | -                              | -             | 7                 | -              | 7                                    | -                         | 7            |
| <b>30 June 2020 (Unaudited)</b>                                      | <b>24</b>                      | <b>967</b>    | <b>773</b>        | <b>1,981</b>   | <b>3,745</b>                         | <b>388</b>                | <b>4,133</b> |

<sup>1</sup>After issuing the Group's Interim Report on 1 August 2019, the Group reassessed the impact of adopting IFRS 16 'Leases' and recognised an additional £7 million adjustment to equity.

The notes on pages 17 to 37 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 2020 was approved by the Directors on 31 July 2020.

## 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 2020 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' as adopted by the European Union (EU).

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 2019.

Comparative amounts presented for the condensed consolidated balance sheet relate to the Group's position as at 31 December 2019. All other comparative amounts presented relate to the six months ended 30 June 2019.

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

The Company is a public company, incorporated and domiciled in England and Wales. The address of its registered office is 10 Paternoster Square, London, EC4M 7LS.

The principal 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 2019, except for the adoption of amended standards effective as of 1 January 2020. None of the amendments adopted on 1 January 2020 have had a material impact on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standards, amendments or interpretations that have been issued but are not yet effective.

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. A further assessment has been included in relation to the impact of COVID-19 below.

The statutory financial statements of London Stock Exchange Group plc for the year ended 31 December 2019, 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 are unaudited but have been reviewed by the auditors and their review opinion is included in this report.

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

The Group has realigned its segmental reporting to reflect management structure changes so that all Post Trade Services are now combined in one operating segment. The new operating segment includes the previous segments of LCH Group and the Post Trade businesses in Italy, Monte Titoli and CC&G, as well as the results of UnaVista, which were previously included in the Information Services Division. There has been no impact on the allocation of goodwill and the cash generating units of LCH Group and Post Trade Services in Italy remain separate. The segmental results for the comparative period have been re-presented to align with the new structure. There is no change to the overall result.

### COVID-19

The ongoing impact of COVID-19 on the Group has been considered in the preparation of these interim condensed financial statements. The Directors have reviewed liquidity and covenant forecasts, regulatory capital, and critical accounting estimates and judgements for the Group. The Directors have also considered sensitivities including any potential impairments as a result of changes in cash flow forecasts. At the reporting date, no material short-term impacts have crystallised and the Group remains confident about its long-term future performance but remains vigilant in monitoring day to day changes as the global situation evolves. Staff and customer safety remain the paramount concerns of the Group and the Group has adapted successfully to the new ways of working.

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. A number of areas have been impacted by COVID-19 when exercising judgements and estimates and these have been identified below:

**Impairment of intangible assets and goodwill** - these assets form a significant part of the balance sheet and are key assets for the cash generating business in the Group. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance and estimates of the return required by investors to determine an

appropriate discount rate. The Group has reviewed the impact of COVID-19 on future cash flows along with the impact on the weighted average cost of capital applied to each cash generating unit and long-term growth rates. The analysis has focused on geographical impacts to each of the flows and rates. Following this review there was no direct impact to any cash generating units for COVID-19.

**Defined benefit pension asset or liability** - determined based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary. The value of the liabilities within the scheme have increased as the discount rates have fallen due to the global impact of COVID-19 on bond rates, but this has been offset by the growth in the assets leading to an overall growth in the Group's pension surplus.

**Expected credit losses** - the Group has factored into impairment reviews of financial assets the expectations of future events including COVID-19. The measured lifetime expected credit losses associated with these assets have not been materially impacted. The Group continues to monitor events and review whether additional provisions will be required in future periods.

**Contingent liabilities and provisions** - The Group has reviewed its businesses for any contingent liabilities and provisions that may have arisen due to COVID-19. While no items have been identified, the Group continues to actively monitor the business for any potential exposure.

#### **Going concern**

After making enquiries and assessing the risks associated with the COVID-19 pandemic and its impact so far, 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, credit and concentration, country, liquidity and market risk are discussed on pages 158 to 163 of the Annual report for the Group for the year ended 31 December 2019.

## 2. Segmental information

Segmental disclosures for the six months ended 30 June 2020 are as follows:

|   | Information Services | Post Trade Services | Capital Markets | Technology Services | Other       | Eliminations | Group        |
|---|----------------------|---------------------|-----------------|---------------------|-------------|--------------|--------------|
| Unaudited   | £m                   | £m                  | £m              | £m                  | £m          | £m           | £m           |
| <b>Revenue from external customers</b>  | <b>437</b>           | <b>372</b>          | <b>217</b>      | <b>30</b>           | <b>2</b>    | <b>-</b>     | <b>1,058</b> |
| Inter-segmental revenue   | -                    | -                   | -               | 11                  | -           | (11)         | -            |
| <b>Revenue</b>  | <b>437</b>           | <b>372</b>          | <b>217</b>      | <b>41</b>           | <b>2</b>    | <b>(11)</b>  | <b>1,058</b> |
| <b>Net treasury income from CCP clearing business</b>                           | <b>-</b>             | <b>176</b>          | <b>-</b>        | <b>-</b>            | <b>-</b>    | <b>-</b>     | <b>176</b>   |
| <b>Other income</b>   | <b>-</b>             | <b>-</b>            | <b>-</b>        | <b>-</b>            | <b>1</b>    | <b>-</b>     | <b>1</b>     |
| <b>Total income</b>   | <b>437</b>           | <b>548</b>          | <b>217</b>      | <b>41</b>           | <b>3</b>    | <b>(11)</b>  | <b>1,235</b> |
| Cost of sales   | (36)                 | (80)                | (2)             | (3)                 | -           | -            | (121)        |
| <b>Gross profit</b>   | <b>401</b>           | <b>468</b>          | <b>215</b>      | <b>38</b>           | <b>3</b>    | <b>(11)</b>  | <b>1,114</b> |
| <b>Share of loss after tax of associates</b>                                    | <b>-</b>             | <b>-</b>            | <b>-</b>        | <b>-</b>            | <b>(2)</b>  | <b>-</b>     | <b>(2)</b>   |
| <b>Earnings before interest, tax, depreciation, amortisation and impairment</b> | <b>253</b>           | <b>308</b>          | <b>120</b>      | <b>(2)</b>          | <b>(4)</b>  | <b>(1)</b>   | <b>674</b>   |
| Underlying depreciation, amortisation and impairment                            | (28)                 | (46)                | (16)            | (6)                 | (6)         | 3            | (99)         |
| <b>Operating profit/(loss) before non-underlying items</b>                      | <b>225</b>           | <b>262</b>          | <b>104</b>      | <b>(8)</b>          | <b>(10)</b> | <b>2</b>     | <b>575</b>   |
| Amortisation and impairment of goodwill and purchased intangible assets         |                      |                     |                 |                     |             |              | (96)         |
| Other non-underlying items  |                      |                     |                 |                     |             |              | (88)         |
| <b>Operating profit</b>   |                      |                     |                 |                     |             |              | <b>391</b>   |
| Net finance expense   |                      |                     |                 |                     |             |              | (29)         |
| <b>Profit before tax</b>  |                      |                     |                 |                     |             |              | <b>362</b>   |

Net treasury income from the CCP businesses of £176 million comprises gross interest income of £478 million less gross interest expense of £302 million.

The Group's revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the six months ended 30 June 2020 is shown below:

| <b>Unaudited</b>   | <b>Information<br/>Services</b> | <b>Post Trade<br/>Services</b> | <b>Capital<br/>Markets</b> | <b>Technology<br/>Services</b> | <b>Other</b> | <b>Group</b> |
|--|---------------------------------|--------------------------------|----------------------------|--------------------------------|--------------|--------------|
|  | £m                              | £m                             | £m                         | £m                             | £m           | £m           |
| <b>Revenue from external customers</b>                             |                                 |                                |                            |                                |              |              |
| <b>Major product &amp; service lines</b>                           |                                 |                                |                            |                                |              |              |
| FTSE Russell Indexes - subscription                                | 218                             | -                              | -                          | -                              | -            | 218          |
| FTSE Russell Indexes - asset based                                 | 112                             | -                              | -                          | -                              | -            | 112          |
| Real time data   | 52                              | -                              | -                          | -                              | -            | 52           |
| Other information services   | 55                              | -                              | -                          | -                              | -            | 55           |
| Clearing   | -                               | 315                            | -                          | -                              | -            | 315          |
| Settlement, custody and other                                      | -                               | 31                             | -                          | -                              | -            | 31           |
| UnaVista   | -                               | 26                             | -                          | -                              | -            | 26           |
| Primary capital markets  | -                               | -                              | 65                         | -                              | -            | 65           |
| Secondary capital markets - equities                               | -                               | -                              | 91                         | -                              | -            | 91           |
| Secondary capital markets - fixed income,<br>derivatives and other | -                               | -                              | 61                         | -                              | -            | 61           |
| Capital markets software licences                                  | -                               | -                              | -                          | 30                             | -            | 30           |
| Other  | -                               | -                              | -                          | -                              | 2            | 2            |
| <b>Total revenue from contracts with customers</b>                 | <b>437</b>                      | <b>372</b>                     | <b>217</b>                 | <b>30</b>                      | <b>2</b>     | <b>1,058</b> |
| <b>Timing of revenue recognition</b>                               |                                 |                                |                            |                                |              |              |
| Services satisfied at a point in time                              | 3                               | 357                            | 144                        | 1                              | -            | 505          |
| Services satisfied over time                                       | 434                             | 15                             | 73                         | 29                             | 2            | 553          |
| <b>Total revenue from contracts with customers</b>                 | <b>437</b>                      | <b>372</b>                     | <b>217</b>                 | <b>30</b>                      | <b>2</b>     | <b>1,058</b> |

Re-presented segmental disclosures for the six months ended 30 June 2019 are as follows:

|   | Information Services | Post Trade Services | Capital Markets | Technology Services | Other | Eliminations | Group |
|---|----------------------|---------------------|-----------------|---------------------|-------|--------------|-------|
| Unaudited   | £m                   | £m                  | £m              | £m                  | £m    | £m           | £m    |
| <b>Revenue from external customers</b>  | 416                  | 342                 | 226             | 30                  | 4     | -            | 1,018 |
| Inter-segmental revenue   | -                    | -                   | -               | 10                  | -     | (10)         | -     |
| <b>Revenue</b>  | 416                  | 342                 | 226             | 40                  | 4     | (10)         | 1,018 |
| <b>Net treasury income from CCP clearing business</b>                           | -                    | 120                 | -               | -                   | -     | -            | 120   |
| <b>Other income</b>   | -                    | -                   | -               | -                   | 2     | -            | 2     |
| <b>Total income</b>   | 416                  | 462                 | 226             | 40                  | 6     | (10)         | 1,140 |
| Cost of sales   | (36)                 | (65)                | (3)             | (4)                 | (1)   | -            | (109) |
| <b>Gross profit</b>   | 380                  | 397                 | 223             | 36                  | 5     | (10)         | 1,031 |
| Share of loss after tax of associates   | -                    | -                   | -               | -                   | (4)   | -            | (4)   |
| <b>Earnings before interest, tax, depreciation, amortisation and impairment</b> | 240                  | 241                 | 134             | 9                   | -     | (3)          | 621   |
| Underlying depreciation, amortisation and impairment                            | (21)                 | (37)                | (15)            | (13)                | (4)   | 2            | (88)  |
| <b>Operating profit/(loss) before non-underlying items</b>                      | 219                  | 204                 | 119             | (4)                 | (4)   | (1)          | 533   |
| Amortisation and impairment of goodwill and purchased intangible assets         |                      |                     |                 |                     |       |              | (86)  |
| Other non-underlying items  |                      |                     |                 |                     |       |              | (48)  |
| <b>Operating profit</b>   |                      |                     |                 |                     |       |              | 399   |
| Net finance expense   |                      |                     |                 |                     |       |              | (36)  |
| <b>Profit before tax</b>  |                      |                     |                 |                     |       |              | 363   |

Segmental results for the prior period have been re-presented showing the new segments (note 1). The total result is unaffected.

Net treasury income from the CCP businesses of £120 million comprises gross interest income of £655 million less gross interest expense of £535 million.

The Group's revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the six months ended 30 June 2019 is shown below:

| <b>Unaudited</b>   | <b>Information<br/>Services</b> | <b>Post Trade<br/>Services</b> | <b>Capital<br/>Markets</b> | <b>Technology<br/>Services</b> | <b>Other</b> | <b>Group</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>                             |                                 |                                |                            |                                |              |              |
| <b>Major product &amp; service lines</b>                           |                                 |                                |                            |                                |              |              |
| FTSE Russell Indexes - subscription                                | 203                             | -                              | -                          | -                              | -            | 203          |
| FTSE Russell Indexes - asset based                                 | 112                             | -                              | -                          | -                              | -            | 112          |
| Real time data   | 48                              | -                              | -                          | -                              | -            | 48           |
| Other information services   | 53                              | -                              | -                          | -                              | -            | 53           |
| Clearing   | -                               | 288                            | -                          | -                              | -            | 288          |
| Settlement, custody and other                                      | -                               | 29                             | -                          | -                              | -            | 29           |
| UnaVista   | -                               | 25                             | -                          | -                              | -            | 25           |
| Primary capital markets  | -                               | -                              | 90                         | -                              | -            | 90           |
| Secondary capital markets - equities                               | -                               | -                              | 74                         | -                              | -            | 74           |
| Secondary capital markets - fixed income,<br>derivatives and other | -                               | -                              | 62                         | -                              | -            | 62           |
| Capital markets software licences                                  | -                               | -                              | -                          | 30                             | -            | 30           |
| Other  | -                               | -                              | -                          | -                              | 4            | 4            |
| <b>Total revenue from contracts with customers</b>                 | <b>416</b>                      | <b>342</b>                     | <b>226</b>                 | <b>30</b>                      | <b>4</b>     | <b>1,018</b> |
| <b>Timing of revenue recognition</b>                               |                                 |                                |                            |                                |              |              |
| Services satisfied at a point in time                              | 4                               | 327                            | 156                        | 1                              | 4            | 492          |
| Services satisfied over time                                       | 412                             | 15                             | 70                         | 29                             | -            | 526          |
| <b>Total revenue from contracts with customers</b>                 | <b>416</b>                      | <b>342</b>                     | <b>226</b>                 | <b>30</b>                      | <b>4</b>     | <b>1,018</b> |

The revenue information has been re-presented to reflect the changes in segment reporting in 2020 (note 1). There is no change to the overall Group result.

The Group's revenue from contracts with customers disaggregated by geographical location is shown below:

|              | <b>Six months ended 30 June</b> |                  |
|--------------|---------------------------------|------------------|
|              | <b>2020</b>                     | <b>2019</b>      |
|              | <b>Unaudited</b>                | <b>Unaudited</b> |
|              | <b>£m</b>                       | <b>£m</b>        |
| UK           | 583                             | 584              |
| Italy        | 173                             | 160              |
| France       | 80                              | 68               |
| USA          | 202                             | 185              |
| Other        | 20                              | 21               |
| <b>Total</b> | <b>1,058</b>                    | <b>1,018</b>     |

### 3. Expenses by nature

Expenses comprise the following:

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2020                     | 2019            |
|   | Unaudited<br>£m          | Unaudited<br>£m |
| Employee costs  | 279                      | 270             |
| Short-term lease costs  | -                        | 1               |
| IT costs  | 73                       | 68              |
| Lease costs for low value items   | 1                        | 1               |
| Foreign exchange losses/(gains)   | 5                        | (2)             |
| Other costs   | 80                       | 68              |
| <b>Underlying operating expenses before depreciation, amortisation and impairment</b> | <b>438</b>               | <b>406</b>      |
| <b>Non-underlying operating expenses before amortisation and impairment</b>           | <b>88</b>                | <b>48</b>       |
| <b>Total operating expenses before depreciation, amortisation and impairment</b>      | <b>526</b>               | <b>454</b>      |

### 4. Non-underlying items

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2020                     | 2019            |
|   | Unaudited<br>£m          | Unaudited<br>£m |
| Amortisation and impairment of goodwill and purchased intangible assets | 96                       | 86              |
| Transaction costs   | 86                       | 22              |
| Restructuring costs   | 2                        | 24              |
| Integration costs   | -                        | 2               |
| <b>Total affecting operating profit</b>                                 | <b>184</b>               | <b>134</b>      |
| Finance expense   | 7                        | -               |
| <b>Total affecting profit before tax</b>                                | <b>191</b>               | <b>134</b>      |
| <b>Tax effect on items affecting profit before tax</b>                  |                          |                 |
| Deferred tax on amortisation of purchased intangible assets             | (11)                     | (13)            |
| Current tax on amortisation of purchased intangible assets              | (3)                      | (6)             |
| Tax effect on other items affecting profit before tax                   | (9)                      | (3)             |
| <b>Total tax effect on items affecting profit before tax</b>            | <b>(23)</b>              | <b>(22)</b>     |
| <b>Total non-underlying charge to income statement</b>                  | <b>168</b>               | <b>112</b>      |

Transaction costs comprise charges incurred for services relating to anticipated merger and acquisition transactions.

Restructuring costs comprise amounts arising from the cost savings programme in 2019.

During the period the Group incurred a £86 million amortisation charge in relation to purchased intangible assets, which includes £10 million accelerated amortisation in relation to Mergent, and the Group impaired goodwill of £10 million in relation to Mergent (note 9).



## 5. Net finance expense

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2020                     | 2019        |
|  | Unaudited                | Unaudited   |
|  | £m                       | £m          |
| <b>Finance income</b>                                    |                          |             |
| Bank deposit and other interest income                   | 2                        | 5           |
| Expected return on defined benefit pension scheme assets | 1                        | 1           |
| Other finance income                                     | 7                        | 1           |
| <b>Underlying finance income</b>                         | <b>10</b>                | <b>7</b>    |
| <b>Finance expense</b>                                   |                          |             |
| Interest payable on bank and other borrowings            | (28)                     | (38)        |
| Lease interest expense                                   | (2)                      | (2)         |
| Other finance expenses                                   | (2)                      | (3)         |
| <b>Underlying finance expense</b>                        | <b>(32)</b>              | <b>(43)</b> |
| <b>Non-underlying finance expense</b> (note 4)           | <b>(7)</b>               | <b>-</b>    |
| <b>Net finance expense</b>                               | <b>(29)</b>              | <b>(36)</b> |

Bank deposit and other interest income includes negative interest earned on the Group's borrowings. Interest payable includes amounts where the Group earns negative interest on its cash deposits.

## 6. Taxation

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2020                     | 2019        |
|   | Unaudited                | Unaudited   |
|   | £m                       | £m          |
| <b>Taxation charged to the income statement</b>                       |                          |             |
| <b>Current tax:</b>   |                          |             |
| UK corporation tax for the period                                     | 39                       | 53          |
| Overseas tax for the period   | 73                       | 57          |
| Adjustments in respect of previous years                              | -                        | (2)         |
|   | <b>112</b>               | <b>108</b>  |
| <b>Deferred tax:</b>  |                          |             |
| Deferred tax for the period   | 1                        | 3           |
| Adjustments in respect of previous years                              | (1)                      | -           |
| Deferred tax liability on amortisation of purchased intangible assets | (11)                     | (13)        |
|   | <b>(11)</b>              | <b>(10)</b> |
| <b>Taxation charge</b>  | <b>101</b>               | <b>98</b>   |

|   | <b>Six months ended 30 June</b> |                  |
|---|---------------------------------|------------------|
|   | <b>2020</b>                     | <b>2019</b>      |
|   | <b>Unaudited</b>                | <b>Unaudited</b> |
|   | <b>£m</b>                       | <b>£m</b>        |
| <b>Taxation on items not recognised in the income statement</b>       |                                 |                  |
| <b>Current tax credit:</b>  |                                 |                  |
| Tax allowance on share options/awards in excess of expense recognised | (12)                            | (5)              |
|   | (12)                            | (5)              |
| <b>Deferred tax expense/(credit):</b>                                 |                                 |                  |
| Tax allowance on defined benefit pension scheme remeasurements        | 9                               | 2                |
| Tax allowance on share options/awards in excess of expense recognised | 5                               | (1)              |
| Tax on movement in value of investments in financial assets           | 3                               | 3                |
|   | 17                              | 4                |
|   | 5                               | (1)              |

#### **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 19% (30 June 2019: 19%) as explained below:

|   | <b>Six months ended 30 June</b> |                  |
|---|---------------------------------|------------------|
|   | <b>2020</b>                     | <b>2019</b>      |
|   | <b>Unaudited</b>                | <b>Unaudited</b> |
|   | <b>£m</b>                       | <b>£m</b>        |
| Profit before taxation  | 362                             | 363              |
| Profit multiplied by standard rate of corporation tax in the UK | 69                              | 69               |
| Expenses not deductible   | 7                               | 12               |
| Overseas earnings taxed at higher rate                          | 29                              | 16               |
| Adjustments in respect of previous years                        | (1)                             | (2)              |
| Deferred tax assets (recognised) / no longer recognised         | (3)                             | 3                |
| <b>Taxation charge</b>  | <b>101</b>                      | <b>98</b>        |

The tax rate applied as at 30 June 2020 is the expected rate for the full financial year.

On 22 July 2020, Finance Act 2020 received Royal Assent enacting the UK corporation tax rate would remain at 19% from 1 April 2020 onward instead of reducing to 17%, the previously enacted rate. This has impacted the valuation of UK deferred tax balances giving rise to an increase in deferred tax assets of £2 million.

#### **EU State Aid**

The Group continues to monitor developments in relation to EU State Aid investigations. On 25 April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company (CFC) regime was published. It concludes that the UK legislation up to December 2018 does partially represent illegal State Aid.

Both the Group, among a number of other UK PLC's, and the UK Government have submitted appeals to the EU General Court to annul the EU Commission's findings.

The UK Government is required to continue the process of recovering the State Aid whilst the decision is under appeal. HMRC issued its first round of determinations in December 2019, focusing on the financial year 2015 due to the expiry of statutory time limits. One of these determinations was issued to the Group and required one of its two affected subsidiaries to pay over £1.2 million to HMRC. At the same time the Group appealed to HMRC against the determination. As at 30 June 2020, no further determinations have been received.

The appeal against the determination to HMRC is likely to be stayed until the final outcome of all appeals to the EU Courts in respect of the EU Commission's original decision are known.

In light of appeals made by UK PLC's (including the Group), the UK Government's own appeal, and in consideration of management's own internal view, the Group does not believe that any provision is required in relation to the investigation. Additionally, and in accordance with the provisions of IFRIC 23, the Group has continued to recognise a receivable against the HMRC determination paid in January 2020.

As previously disclosed, the Group has made claims under the CFC regime and considers that the maximum potential amount of additional tax payable excluding compound interest remains between nil and £65 million depending on the basis of calculation.

## 7. Earnings per share

Earnings per share attributable to equity holders of the parent company of the Group, London Stock Exchange Group plc (the 'Company') 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 Group share option and award schemes. Adjusted basic earnings per share and adjusted diluted earnings per share exclude amortisation and impairment of purchased intangible assets, goodwill and non-underlying items and to enable a better comparison of the underlying earnings of the business with prior periods.

|  | <b>Six months ended 30 June</b> |                  |
|--|---------------------------------|------------------|
|  | <b>2020</b>                     | <b>2019</b>      |
|  | <b>Unaudited</b>                | <b>Unaudited</b> |
| <b>Basic earnings per share</b>            | <b>64.6p</b>                    | 70.7p            |
| <b>Diluted earnings per share</b>          | <b>63.8p</b>                    | 69.5p            |
| <b>Adjusted basic earnings per share</b>   | <b>112.0p</b>                   | 100.6p           |
| <b>Adjusted diluted earnings per share</b> | <b>110.7p</b>                   | 98.9p            |

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

|  | <b>Six months ended 30 June</b> |                  |
|--|---------------------------------|------------------|
|  | <b>2020</b>                     | <b>2019</b>      |
|  | <b>Unaudited</b>                | <b>Unaudited</b> |
|  | <b>£m</b>                       | <b>£m</b>        |
| <b>Profit for the financial period attributable to the Company's equity holders</b>          | <b>226</b>                      | 246              |
| <b>Adjustments:</b>  |                                 |                  |
| Non-underlying items (Note 4)  | <b>168</b>                      | 112              |
| Non-underlying items and taxation attributable to non-controlling interests                  | <b>(2)</b>                      | (8)              |
| <b>Adjusted profit for the financial period attributable to the Company's equity holders</b> | <b>392</b>                      | 350              |
| Weighted average number of shares - million  | <b>350</b>                      | 348              |
| Effect of dilutive share options and awards - million  | <b>4</b>                        | 6                |
| <b>Diluted weighted average number of shares - million</b>                                   | <b>354</b>                      | 354              |

The weighted average number of shares excludes those held in the employee benefit trust. The Group holds no treasury shares at the reporting date.

In the prior period, the weighted average number of shares excluded those held in the employee benefit trust and treasury shares held by the Group.

## 8. Dividends

|  | Six months ended 30 June |           |
|--|--------------------------|-----------|
|  | 2020                     | 2019      |
|  | Unaudited                | Unaudited |
|  | £m                       | £m        |
| Final dividend for 31 December 2018 paid 29 May 2019: 43.2p per Ordinary share | -                        | 151       |
| Final dividend for 31 December 2019 paid 27 May 2020: 49.9p per Ordinary share | 175                      | -         |
|  | 175                      | 151       |

Dividends are only paid out of available distributable reserves.

The Board has proposed an interim dividend in respect of the six-month period ended 30 June 2020 of 23.3p per share, amounting to an estimated £82 million, to be paid in September 2020. This is not reflected in these interim condensed consolidated financial statements.

## 9. Intangible assets

|   | <u>Purchased intangible assets</u> |   |              |   |   | Total        |
|---|------------------------------------|---|--------------|---|---|--------------|
|   | Goodwill                           | Customer and<br>supplier<br>relationships | Brands       | Software,<br>licenses and<br>intellectual<br>property | Software,<br>contract<br>costs and<br>other |              |
|   | £m                                 | £m  | £m           | £m  | £m  |              |
| <b>Cost:</b>                                    |                                    |   |              |   |   |              |
| 1 January 2020                                  | 2,357                              | 1,826                                     | 980          | 568   | 1,023                                       | 6,754        |
| Additions                                       | -                                  | -   | -            | -   | 95  | 95           |
| Disposals                                       | -                                  | -   | -            | -   | (10)  | (10)         |
| Foreign exchange                                | 146                                | 100                                       | 49           | 19  | 56  | 370          |
| <b>30 June 2020 (Unaudited)</b>                 | <b>2,503</b>                       | <b>1,926</b>                              | <b>1,029</b> | <b>587</b>  | <b>1,164</b>                                | <b>7,209</b> |
| <b>Accumulated amortisation and impairment:</b> |                                    |   |              |   |   |              |
| 1 January 2020                                  | 515                                | 752                                       | 232          | 318   | 516   | 2,333        |
| Impairment                                      | 10                                 | -   | -            | -   | -   | 10           |
| Amortisation charge for the period              | -                                  | 55  | 20           | 11  | 65  | 151          |
| Disposals                                       | -                                  | -   | -            | -   | (10)  | (10)         |
| Foreign exchange                                | 28                                 | 40  | 10           | 9   | 34  | 121          |
| <b>30 June 2020 (Unaudited)</b>                 | <b>553</b>                         | <b>847</b>                                | <b>262</b>   | <b>338</b>  | <b>605</b>                                  | <b>2,605</b> |
| Net book values:                                |                                    |   |              |   |   |              |
| <b>30 June 2020 (Unaudited)</b>                 | <b>1,950</b>                       | <b>1,079</b>                              | <b>767</b>   | <b>249</b>  | <b>559</b>                                  | <b>4,604</b> |
| 31 December 2019                                | 1,842                              | 1,074                                     | 748          | 250   | 507   | 4,421        |

### Goodwill and purchased intangible assets

During the period, the fair value of the goodwill and purchased intangibles relating to the acquisition of Beyond Ratings were finalised, and considered no adjustment required to the goodwill recognised (note 14).

During the period an impairment of £10 million of goodwill has been recognised in relation to Mergent due to lower forecast cash flows driven by continued pressures on revenue.

The value in use of the Mergent CGU is equal to its carrying value. The impact of reasonable changes in the assumptions on Mergent's value in use is set out below:

|                             | <u>Impact on value in use of:</u> |                         |   |  |
|-----------------------------|-----------------------------------|-------------------------|---|--|
|                             | 5% reduction in<br>revenues       | 5% increase in<br>costs | 0.5% reduction<br>in long-term<br>growth rate | 0.5% increase<br>in pre-tax<br>discount rate |
| <u>Cash generating unit</u> | £m                                | £m                      | £m  | £m   |
| <b>Mergent</b>              | (21)                              | (20)                    | (7)   | (7)  |

Following a reassessment of useful economic lives £10 million accelerated amortisation has been recognised in Customer and Supplier relationships in relation to Mergent, resulting in a carrying value of £6 million as at 30 June 2020.

### Software, contract costs and other

During the period, additions included £83 million in relation to internally generated software (30 June 2019: £92 million).

During the period, the Group capitalised £2 million (30 June 2019: £3 million) of incremental contract costs in respect of revenue generating contracts with customers and recognised a £3 million (30 June 2019: £3 million) amortisation charge relating to contract cost assets. No impairment was recognised in period in relation to contract cost assets.

## 10. Financial assets and financial liabilities

### Financial instruments by category

The financial instruments of the Group at 30 June 2020 are categorised as follows:

#### Financial assets

| 30 June 2020<br>Unaudited                            | Amortised<br>cost<br>£m | Fair value<br>through other<br>comprehensive<br>income<br>£m | Fair value<br>through profit<br>or loss<br>£m | Total<br>£m    |
|--|-------------------------|--|---|----------------|
| <b>Clearing member business assets</b>               |                         |  |   |                |
| – Clearing member trading assets                     | 130,612                 | -  | 654,731                                       | 785,343        |
| – Other receivables from clearing members            | 2,677                   | -  | -   | 2,677          |
| – Other financial assets                             | -                       | 31,857   | -   | 31,857         |
| – Clearing member cash and cash equivalents          | 85,234                  | -  | -   | 85,234         |
| <b>Clearing member business assets</b>               | <b>218,523</b>          | <b>31,857</b>  | <b>654,731</b>                                | <b>905,111</b> |
| Trade and other receivables                          | 530                     | -  | 5   | 535            |
| Cash and cash equivalents                            | 1,641                   | -  | -   | 1,641          |
| Investments in financial assets - debt instruments   | -                       | 131  | -   | 131            |
| Investments in financial assets - equity instruments | -                       | 259  | -   | 259            |
| Derivative financial instruments                     | -                       | -  | 8   | 8              |
| <b>Total financial assets</b>                        | <b>220,694</b>          | <b>32,247</b>  | <b>654,744</b>                                | <b>907,685</b> |

There were no transfers between categories during the period.

Prepayments and contract assets within trade and other receivables are excluded as they are not financial instruments.

#### Financial assets measured at fair value

| 30 June 2020<br>Unaudited                            | Quoted prices in<br>active markets<br>(Level 1)<br>£m | Significant<br>observable<br>inputs<br>(Level 2)<br>£m | Significant<br>unobservable<br>inputs<br>(Level 3)<br>£m | Total<br>fair value<br>£m |
|--|---|--|--|---------------------------|
| <b>Clearing member business assets</b>               |   |  |  |                           |
| - Derivative instruments                             | 5,620   | 195,090  | -  | 200,710                   |
| - Non-derivative instruments                         | 18  | 454,003  | -  | 454,021                   |
| - Other financial assets                             | 31,857  | -  | -  | 31,857                    |
| <b>Fair value of clearing member business assets</b> | <b>37,495</b>   | <b>649,093</b>   | <b>-</b>   | <b>686,588</b>            |
| Investments in financial assets - debt instruments   | 131   | -  | -  | 131                       |
| Investments in financial assets - equity instruments | -   | -  | 259  | 259                       |
| Trade and other receivables - convertible loan notes | -   | -  | 5  | 5                         |
| <b>Derivatives not designated as hedges</b>          |   |  |  |                           |
| - Foreign exchange forward contracts                 | -   | 8  | -  | 8                         |
| <b>Total financial assets at fair value</b>          | <b>37,626</b>   | <b>649,101</b>   | <b>264</b>   | <b>686,991</b>            |

| Movements in Level 3 investments                                   | £m         |
|--|------------|
| 1 January 2020   | 246        |
| Revaluation of investment recognised in other comprehensive income | 1          |
| Effect of foreign exchange   | 17         |
| <b>30 June 2020</b>  | <b>264</b> |

#### Financial liabilities

| 30 June 2020<br>Unaudited                    | Amortised<br>cost<br>£m | Fair value<br>through profit<br>or loss<br>£m | Total<br>£m    |
|--|-------------------------|---|----------------|
| <b>Clearing member business liabilities:</b> |                         |   |                |
| – Clearing member trading liabilities        | 130,612                 | 654,731                                       | 785,343        |
| – Other payables to clearing members         | 119,691                 | -   | 119,691        |
| <b>Clearing member business liabilities</b>  | <b>250,303</b>          | <b>654,731</b>                                | <b>905,034</b> |
| Trade and other payables                     | 607                     | -   | 607            |
| Borrowings                                   | 2,137                   | -   | 2,137          |
| Derivative financial instruments             | -                       | 80  | 80             |
| <b>Total financial liabilities</b>           | <b>253,047</b>          | <b>654,811</b>                                | <b>907,858</b> |

There were no transfers between categories during the period.

Social security and other taxes within trade and other payables are excluded as they are not financial instruments.

#### Financial liabilities measured at fair value

| 30 June 2020<br>Unaudited                                 | Quoted prices in<br>active markets<br>(Level 1)<br>£m | Significant<br>observable<br>inputs<br>(Level 2)<br>£m | Significant<br>unobservable<br>inputs<br>(Level 3)<br>£m | Total<br>fair value<br>£m |
|---|---|--|--|---------------------------|
| <b>Clearing member trading business liabilities</b>       |   |  |  |                           |
| - Derivative instruments                                  | 5,620   | 195,090  | -  | 200,710                   |
| - Non-derivative instruments                              | 18  | 454,003  | -  | 454,021                   |
| <b>Fair value of clearing member business liabilities</b> | <b>5,638</b>  | <b>649,093</b>   | <b>-</b>   | <b>654,731</b>            |
| <b>Derivatives designated as hedges</b>                   |   |  |  |                           |
| Cross-currency interest rate swaps                        | -   | 80   | -  | 80                        |
| <b>Total financial liabilities at fair value</b>          | <b>5,638</b>  | <b>649,173</b>   | <b>-</b>   | <b>654,811</b>            |

The financial instruments of the Group at 31 December 2019 were categorised as follows:

#### Financial assets

| 31 December 2019                                     | Amortised<br>cost<br>£m | Fair value<br>through other<br>comprehensive<br>income<br>£m | Fair value<br>through profit<br>or loss<br>£m | Total<br>£m    |
|--|-------------------------|--|---|----------------|
| Clearing member business assets:                     |                         |  |   |                |
| - Clearing member trading assets                     | 122,299                 | -  | 574,889                                       | 697,188        |
| - Other receivables from clearing members            | 8,330                   | -  | -   | 8,330          |
| - Other financial assets                             | -                       | 23,576   | -   | 23,576         |
| - Clearing member cash and cash equivalents          | 67,118                  | -  | -   | 67,118         |
| <b>Clearing member business assets</b>               | <b>197,747</b>          | <b>23,576</b>  | <b>574,889</b>                                | <b>796,212</b> |
| Trade and other receivables                          | 521                     | -  | 5   | 526            |
| Cash and cash equivalents                            | 1,493                   | -  | -   | 1,493          |
| Investments in financial assets - debt instruments   | -                       | 106  | -   | 106            |
| Investments in financial assets - equity instruments | -                       | 241  | -   | 241            |
| Derivative financial instruments                     | -                       | -  | 2   | 2              |
| <b>Total financial assets</b>                        | <b>199,761</b>          | <b>23,923</b>  | <b>574,896</b>                                | <b>798,580</b> |

There were no transfers between categories during the period.

Prepayments and contract assets within trade and other receivables are excluded as they are not financial instruments.

#### Financial assets measured at fair value

| 31 December 2019                                     | Quoted prices in<br>active markets<br>(Level 1)<br>£m | Significant<br>observable<br>inputs<br>(Level 2)<br>£m | Significant<br>unobservable<br>inputs<br>(Level 3)<br>£m | Total<br>fair value<br>£m |
|--|---|--|--|---------------------------|
| Clearing member business assets                      |   |  |  |                           |
| - Derivative instruments                             | 11,492  | 3,061  | -  | 14,553                    |
| - Non-derivative instruments                         | 3   | 560,333  | -  | 560,336                   |
| - Other financial assets                             | 23,576  | -  | -  | 23,576                    |
| <b>Fair value of clearing member business assets</b> | <b>35,071</b>   | <b>563,394</b>   | <b>-</b>   | <b>598,465</b>            |
| Investments in financial assets - debt instruments   | 106   | -  | -  | 106                       |
| Investments in financial assets - equity instruments | -   | -  | 241  | 241                       |
| Trade and other receivables - convertible loan notes | -   | -  | 5  | 5                         |
| Derivatives not designated as hedges                 |   |  |  |                           |
| - Foreign exchange forward contracts                 | -   | 2  | -  | 2                         |
| <b>Total financial assets at fair value</b>          | <b>35,177</b>   | <b>563,396</b>   | <b>246</b>   | <b>598,819</b>            |



## Financial liabilities

| 31 December 2019                       | Amortised<br>cost<br>£m | Fair value<br>through profit<br>or loss<br>£m | Total<br>£m    |
|--|-------------------------|---|----------------|
| Clearing member financial liabilities: |                         |   |                |
| – Clearing member trading liabilities  | 122,299                 | 574,889                                       | 697,188        |
| – Other payables to clearing members   | 98,914                  | -   | 98,914         |
| Clearing member financial liabilities  | 221,213                 | 574,889                                       | 796,102        |
| Trade and other payables               | 747                     | -   | 747            |
| Borrowings                             | 2,085                   | -   | 2,085          |
| Derivative financial instruments       | -                       | 40  | 40             |
| <b>Total financial liabilities</b>     | <b>224,045</b>          | <b>574,929</b>                                | <b>798,974</b> |

There were no transfers between categories during the prior period.

Social security and other taxes within trade and other payables are excluded as they are not financial instruments.

## Financial liabilities measured at fair value

| 31 December 2019                                   | Quoted prices in<br>active markets<br>(Level 1)<br>£m | Significant<br>observable<br>inputs<br>(Level 2)<br>£m | Significant<br>unobservable<br>inputs<br>(Level 3)<br>£m | Total<br>fair value<br>£m |
|--|---|--|--|---------------------------|
| Clearing member business liabilities               |   |  |  |                           |
| - Derivative instruments                           | 11,492  | 3,061  | -  | 14,553                    |
| - Non-derivative instruments                       | 3   | 560,333  | -  | 560,336                   |
| Fair value of clearing member business liabilities | 11,495  | 563,394  | -  | 574,889                   |
| Derivatives designated as hedges                   |   |  |  |                           |
| - Cross-currency interest rate swaps               | -   | 39   | -  | 39                        |
| Derivatives not designated as hedges               |   |  |  |                           |
| - Foreign exchange forward contracts               | -   | 1  | -  | 1                         |
| <b>Total financial liabilities at fair value</b>   | <b>11,495</b>   | <b>563,434</b>   | <b>-</b>   | <b>574,929</b>            |

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.

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. 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.

There have been no transfers between levels during the current period. In 2019, the investment in Euroclear was transferred from Level 2 to Level 3; there were no other transfers.

The Group determines whether a transfer between levels has occurred by reviewing the categorisation of assets and liabilities at the end of each reporting period, based on the lowest level input that is significant to the valuation.

With the exception of Group borrowings, management has assessed that the fair value of financial assets and financial liabilities recognised at amortised cost approximates to their carrying values. The fair value of the Group's borrowings is disclosed in Note 11.

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 2019.

As at 30 June 2020, there were no provisions for impairment in relation to any of the CCP financial assets (31 December 2019: nil) and none of those assets are past due (31 December 2019: nil).

### **Investment in equity instruments**

Investments in equity instruments are recognised at fair value through other comprehensive income, given the intended long-term nature of these investments. The convertible loan notes with Nivaura are treated as fair value through profit or loss as they contain a derivative option. The equity investment in Euroclear was recognised as a Level 2 investment on acquisition but reassessed as Level 3 as at 31 December 2019. The investments in Nivaura are both classified as Level 3.

In the absence of any relevant third-party data on the fair value of Euroclear or Nivaura, the Group undertakes its own internal valuations. The Group regularly reviews the financial information of its investments which is available publicly or received as a shareholder.

The value of the investments is calculated primarily using a discounted cash flow forecast using a terminal growth rate of 2%. A risk adjusted discount rate of 9% was used for Euroclear and 30% for Nivaura. These valuations may then be benchmarked against other available models, such as the dividend discount model, regression analysis, and trading multiples.

As at 30 June 2020, the Group estimates the fair value of its investment in Euroclear to be €280 million (£256 million) and in Nivaura to be £3 million in equity and £5 million in the convertible loan notes. Movements in the value of the investments in the period are shown above.

The fair value shown in the Group's results for Euroclear also includes the effects of the retranslation of the euro investment into sterling.

### **Hedging activities and derivatives**

As at 30 June 2020, non-current derivative financial liabilities of £80 million (31 December 2019: £39 million) represent the fair value of €700 million cross-currency interest rate swaps designated as hedges.

For the period ended 30 June 2020, the Group recognised a net £111 million revaluation loss on euro and USD dollar borrowings (30 June 2019: £10 million gain) and a £41 million loss on the €700 million of cross-currency interest rate swaps (30 June 2019: £3 million loss) in reserves. No amounts have been reclassified to the income statement during the period (30 June 2019: £nil).

Foreign exchange forward contracts were arranged during the period to hedge euro and US dollar denominated exposures. The fair value of foreign exchange forward contracts at 30 June 2020 was £8 million of assets (31 December 2019: £2 million of assets and £1 million of liabilities). These derivatives are not designated as hedging instruments.

## 11. Borrowings

|                    | 30 June<br>2020<br>Unaudited<br>£m | 31 December<br>2019<br>£m |
|--------------------|------------------------------------|---------------------------|
| <b>Current</b>     |                                    |                           |
| Bank borrowings    | 301                                | 256                       |
| Commercial paper   | 173                                | 256                       |
|                    | <b>474</b>                         | <b>512</b>                |
| <b>Non-current</b> |                                    |                           |
| Bonds              | 1,663                              | 1,573                     |
|                    | <b>1,663</b>                       | <b>1,573</b>              |
| <b>Total</b>       | <b>2,137</b>                       | <b>2,085</b>              |

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

| Unaudited<br>Type                                 | Expiry Date | Notes/Facility<br>£m | Carrying value at  | Interest rate                      |
|---|-------------|----------------------|--------------------|------------------------------------|
|   |             |                      | 30 June 2020<br>£m | percentage at<br>30 June 2020<br>% |
| <b>Committed bank facilities</b>                  |             |                      |                    |                                    |
| Dual-currency bridge credit facility <sup>1</sup> | Jan 2022    | 10,853               | (8)                | LIBOR + 0.3                        |
| Multi-currency revolving credit facility          | Nov 2022    | 600                  | 167                | LIBOR + 0.45                       |
| Multi-currency revolving credit facility          | Dec 2024    | 600                  | 142                | LIBOR + 0.3                        |
| Total drawn bank facilities                       |             |                      | <b>301</b>         |                                    |
| <b>Commercial paper</b>                           | Jul 2020    | 173                  | <b>173</b>         | (0.3) <sup>2</sup>                 |
| <b>Unsecured notes</b>                            |             |                      |                    |                                    |
| £300 million bond issued November 2012            | Nov 2021    | 300                  | 299                | 4.75                               |
| €500 million bond issued September 2017           | Sep 2024    | 457                  | 456                | 0.875                              |
| €500 million bond issued December 2018            | Dec 2027    | 457                  | 454                | 1.75                               |
| €500 million bond issue September 2017            | Sep 2029    | 457                  | 454                | 1.75                               |
| Total unsecured notes                             |             |                      | <b>1,663</b>       |                                    |
| <b>Total borrowings</b>                           |             |                      | <b>2,137</b>       |                                    |

<sup>1</sup> Terminates at the earlier of 12 months after the acquisition of Refinitiv or the end of January 2022

<sup>2</sup> The Commercial paper interest rate reflected is the average interest rate achieved on outstanding issuances.

The fair value of the Group's borrowings at 30 June 2020 was £2,249 million (31 December 2019: £2,188 million).

There have been no significant changes in the Group's non-current borrowing arrangements in the period.

Notes outstanding under the Group's Commercial Paper Programme at 31 December 2019 were completely repaid in April 2020. Notes to the value of €189 million (£173 million) were reissued in June 2020.

## 12. Analysis of net debt

|                                  | 30 June<br>2020<br>Unaudited<br>£m | 31 December<br>2019<br>£m |
|----------------------------------|------------------------------------|---------------------------|
| <b>Due within one year</b>       |                                    |                           |
| Cash and cash equivalents        | 1,641                              | 1,493                     |
| Bank borrowings                  | (301)                              | (256)                     |
| Commercial paper                 | (173)                              | (256)                     |
| Derivative financial assets      | 8                                  | 2                         |
| Derivative financial liabilities | -                                  | (1)                       |
|                                  | 1,175                              | 982                       |
| <b>Due after one year</b>        |                                    |                           |
| Bonds                            | (1,663)                            | (1,573)                   |
| Derivative financial liabilities | (80)                               | (39)                      |
| <b>Total net debt</b>            | <b>(568)</b>                       | <b>(630)</b>              |

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

|   | 30 June<br>2020<br>Unaudited<br>£m | 31 December<br>2019<br>£m |
|---|------------------------------------|---------------------------|
| <b>Increase in cash in the period/year</b>              | <b>80</b>                          | <b>57</b>                 |
| Proceeds from the issue of commercial paper             | (173)                              | -                         |
| Repayment of commercial paper                           | 274                                | -                         |
| Additional drawdowns from bank credit facilities        | (170)                              | (261)                     |
| Repayments made towards bank credit facilities          | 129                                | 35                        |
| Repayment of bonds                                      | -                                  | 250                       |
| <b>Change in net debt resulting from cash flows</b>     | <b>140</b>                         | <b>81</b>                 |
| Foreign exchange  | (43)                               | 14                        |
| Movement on derivative financial assets and liabilities | (34)                               | 9                         |
| Bond valuation adjustment                               | (1)                                | (2)                       |
| Movement in bank credit facility arrangement fees       | -                                  | 8                         |
| Net debt at the start of the period/year                | (630)                              | (740)                     |
| <b>Net debt at the end of the period/year</b>           | <b>(568)</b>                       | <b>(630)</b>              |

### 13. Net cash flow generated from operations

|   | Notes | Six months ended 30 June |                         |
|---|-------|--------------------------|-------------------------|
|   |       | 2020<br>Unaudited<br>£m  | 2019<br>Unaudited<br>£m |
| <b>Profit before tax</b>  |       | <b>362</b>               | 363                     |
| <b>Adjustments for depreciation, amortisation and impairment of fixed assets:</b> |       |                          |                         |
| Depreciation and amortisation   |       | 185                      | 164                     |
| Impairment of intangible assets   |       | -                        | 9                       |
| Impairment of purchased intangibles and goodwill                                  | 9     | 10                       | -                       |
| Impairment of property, plant and equipment                                       |       | -                        | 1                       |
| <b>Adjustments for other non-cash items:</b>                                      |       |                          |                         |
| Profit on disposal of fixed assets  |       | -                        | (1)                     |
| Share of loss of associates   |       | 2                        | 4                       |
| Net finance expense   | 5     | 29                       | 36                      |
| Royalties   |       | -                        | 1                       |
| Share scheme expense  |       | 26                       | 19                      |
| Movement in pensions and provisions   |       | (7)                      | 18                      |
| Net foreign exchange differences  |       | 34                       | (13)                    |
| <b>Movements in working capital:</b>  |       |                          |                         |
| Increase in trade and other receivables   |       | (8)                      | (77)                    |
| Decrease in trade and other payables  |       | (100)                    | (80)                    |
| <b>Movements in other assets and liabilities related to operations:</b>           |       |                          |                         |
| Increase in clearing member financial assets                                      |       | (52,135)                 | (97,650)                |
| Increase in clearing member financial liabilities                                 |       | 52,208                   | 97,704                  |
| Movement in derivative assets and liabilities                                     |       | (6)                      | (13)                    |
| <b>Cash generated from operations</b>   |       | <b>600</b>               | 485                     |

## **14. Business combinations**

### **Acquisitions in the period to 30 June 2020**

There were no acquisitions during the period.

### **Acquisition in the period to 30 June 2019**

The Group made one acquisition in the period ended 30 June 2019.

On 31 May 2019, the Group acquired Beyond Ratings for £14 million cash consideration. At 30 June 2019, £12 million had been paid with a further £2 million paid in the second half of the year.

The Group has completed its fair value review of the business acquired and considers that the fair value of the assets acquired was immaterial and has therefore concluded that the total value of the consideration should be regarded as goodwill. The business is highly complementary to the Group's existing business and there is expected to be future cash flow growth from the combined business.

## **15. Commitments and contingencies**

The Group has commitments of £18 million for professional fees relating to the proposed merger with Refinitiv. The amounts are payable on the successful completion of the merger (31 December 2019: nil).

If merger clearances are not obtained or there is material delay in reaching agreement on remedies to facilitate the Refinitiv Transaction, LSEG will pay a termination fee of £198 million to the Refinitiv Shareholders.

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.

## **16. Events after the reporting period**

The European Commission commenced a Phase II merger review in June of the proposed acquisition of Refinitiv, a leading global provider of data, analytics and financial markets solutions. As part of this process, the Group has commenced exploratory discussions which may result in a sale of LSEG's interest in MTS or potentially the Borsa Italiana group as a whole. The Group expects to complete the transaction by the end of the year or in early 2021.

## Principal Risks

The management of risk is fundamental to the Group's day-to-day operations and the successful execution of its Strategic Plan.

LSEG's Enterprise-wide Risk Management Framework (ERMF) is designed to allow management and the Board to identify, assess and manage 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 to manage principal risks as set out in the UK Corporate Governance Code. Additional details can be found in our risk management oversight supplement. Please visit: [www.lseg.com/about-london-stock-exchange-group/risk-management-oversight](http://www.lseg.com/about-london-stock-exchange-group/risk-management-oversight) for the year ended 31 December 2019.

There have been some changes to the principal risks and uncertainties set out on pages 60-73 of the Group's Annual Report for the year ended 31 December 2019 as a result of COVID-19. A summary of the principal risks and uncertainties which may affect the Group in the second half of the financial year, including those relating to COVID-19, are as described below:

### **Strategic Risks**

#### **Global Economy**

As a diversified markets infrastructure business, we operate in a broad range of equity, fixed income 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 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.

The COVID-19 virus has turned into a global pandemic since emerging as a risk to the global economy in early 2020. Emergency interest rate cuts and unprecedented fiscal measures have supported global economies and financial markets. The scale of the impact to the global economy is not yet known, however, data collected for the first and second quarters confirmed consecutive quarters of negative global GDP growth and therefore technical recessions across all major developed economies.

In addition to COVID-19, other geopolitical tensions add uncertainty in the markets and may impact investor confidence and activity levels. Specifically, the UK's exit from the EU leaves significant uncertainty with respect to the UK's future relationship with the EU and other trading partners post transition period. Trade tensions between the US and its major trading partners, and more specifically China, also continues to unsettle global markets. All of these risks could impact the global capital markets and as such could affect the financial performance of the Group.

LSEG monitors the potential impact of macroeconomic and political events on its operating environment and business model and the Group is an active participant in international and domestic regulatory debates.

#### **Regulatory Change**

LSEG is a global business operating in multiple regulatory environments that reflect the diversity of products and the jurisdictions in which it operates. The Group is exposed to risks associated with the management of changes to these regulatory requirements. Regulation increases the compliance risk of the Group's global operations and also creates operational risks as the Group implements processes to meet the new regulations.

#### **Brexit**

The terms on which the UK withdraws from the EU will likely have a marked impact on economic conditions in both the UK and the EU. The UK's future relationship with the EU and the rest of the world could take a number of years to resolve, this has the potential to cause a prolonged period of economic uncertainty and could affect the Group's businesses, operations, financial condition and cash flows. While negotiations between the UK and EU continue, the process has been somewhat disrupted by the COVID-19 pandemic. For clearing services to EU members, LCH Ltd remains an EMIR Article 14 authorised CCP and is looking to be recognised as a Tier 2 third country CCP by ESMA. Additionally, the European Commission has indicated that it will extend this temporary equivalence agreement, as necessary.

In the event of a hard 'no deal' Brexit, LSEG business will not necessarily be able to rely on respective access between the UK and the EU, including equivalence decisions for all services provided between the EU and the UK. Accordingly, the Group is executing contingency plans to maintain continuity of service to customers and orderly functioning of its markets. These plans include setting up authorised entities in the EU27 and in the UK for certain Group businesses, as well as submitting applications for recognition following the adoption of the relevant equivalence. However, the complexity and the lack of clarity of the application of a hard Brexit and approaches to equivalence decisions may decrease the effectiveness or applicability of some of these contingency plans. As is the case with all change, these contingency plans introduce some execution risk. In addition, the Group also has a structured Brexit programme to engage with UK, EU and US Brexit policy leads to advise on financial market infrastructure considerations. LSEG's key objectives are maintaining London's position as a global financial hub and providing continuity of stable financial market infrastructure services.

Any of these risks could adversely affect the Group's business, results of operations, financial condition and cash flows.

#### **Refinitiv Transaction**

On 1 August 2019, LSEG announced that it had agreed definitive terms to acquire Refinitiv (the Transaction). Completion of the Transaction is subject to a number of conditions which may not be satisfied or waived, or which may not be capable of satisfaction without the imposition of undertakings, conditions or divestments, which could be material. Delay in completion may result in a prolonged period of uncertainty for LSEG and both delay and failure to complete may result in the accrual of additional and, in the case of a failure to complete, wasted costs.

The success of the Transaction will be dependent upon LSEG's ability to integrate the businesses of LSEG and Refinitiv; there will be challenges associated with the integration and the delivery of synergies and/or the benefits expected as a result of the Transaction may

not be achieved as anticipated or at all. An Integration Management Office (IMO) for the transaction has been established to manage the overall integration planning process.

There are also further risks in relation to the Transaction, existing risks to LSEG that will be impacted by the Transaction and new risks to LSEG as a result of the Transaction which are each described in the shareholder circular related to the Transaction dated 6 November 2019.

### **Competition**

The competitive environment in which LSEG operates has undergone, and continues to undergo, transformational changes triggered by market participants, investors, infrastructure operators and regulators, as well as intensifying competition. Continued consolidation has fuelled competition including between groups in different geographies.

- Our **Capital Markets** operations face continuing risk from competitors' commercial and technological offerings. There is strong competition for primary listings and capital raising from other global exchanges and regional centres with the increasing take-up of new funding models such as private equity, direct investment, crowd-funding and crypto-currencies.
- The Group's **Information Services** business faces competition from a variety of sources, most notably from index and benchmark providers as well as others that offer market data and analytics relating to securities that are traded on the Group's markets.
- In **Post Trade Services**, we continue to see increased clearing activity across a number of asset classes, in particular OTC derivatives products, reflecting the attractiveness of the Group's current customer offering and open access philosophy. The competition within the post trade environment has intensified due to a general industry move towards inter-operability of CCPs (where participants on trading platforms are offered a choice of CCPs), strengthened by regulatory developments, including MiFID II and MiFIR.
- In **Technology Services**, there is intense competition across all our current activities and in some of our growth areas as well as from incumbent providers. New entrants are increasing from both within and outside of our traditional competition base and some consolidation is evident.

Competitive markets are, by their very nature, dynamic, and the effects of competitor activity can never be fully mitigated. Senior management and a broad range of customer-facing staff in all business areas are actively engaged with clients to understand their evolving needs and motivations. We have established a Group Relationship Programme to co-ordinate this across Group businesses globally. Commercial initiatives are aligned with our clients and this is complemented by an ongoing focus on technology operations and innovation.

### **Transformation Risk**

The Group is exposed to transformation risks (risk of loss or failure resulting from change/transformation) as it continues to grow rapidly both organically and inorganically. The size and complexity of acquisitions in recent years have increased the Group's change management and transformation risks. However, they have also increased its opportunities to compete on a global scale and diversified its revenue footprint by industry, geography and customer base.

LSEG's Enterprise-wide Risk Management Framework ensures appropriate risk management across the Group, and the governance of the ever-growing 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. Regular reports are submitted to the Executive Committee, the Board Risk Committee and the Board.

### **Reputation/Brand/IP**

Several of the Group's businesses have iconic national brands that are well known at both national and international levels. Any events or actions that damage the reputation or brands of the Group, such as those propagated via social media, or caused by misuse, could adversely affect its business, financial condition, reputational and operating results.

Failure to protect the Group's Intellectual Property adequately (which may arise in its products and services, including software, data and brands) could result in costs for the Group (including defence costs), negatively impact the Group's reputation and affect the ability of the Group to compete effectively. This could adversely impact the Group's businesses, 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 trademark laws, copyright laws, patent laws, trade secret protection, database rights, confidentiality agreements and other contractual arrangements with its affiliates, clients, suppliers, strategic partners and others.

### **Financial Risks**

#### **Credit Risk**

The Group's 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. COVID-19 has the potential to introduce new, significant pressure to the performance of companies to which LSEG has a direct financial exposure.

#### **Investment Risk**

CCPs and other parts of LSEG Group are exposed to credit risk as a result of placing money with investment counterparties on both a secured and unsecured basis. Losses may occur due to the default of either the investment counterparty or of the issuer of bonds bought outright or received as collateral. The Group's credit risk also relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full.



Under the ERMF, CCP investments must be made in compliance with the LSEG 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. Requirements for investments by other members of the Group are set out in the Group's Board approved Treasury Policy.

#### **Market Risk (non-clearing)**

The Group is exposed to foreign exchange risk through its broadening geographical footprint, and interest rate risk through borrowing activities and treasury investments. Non-clearing market risk is monitored and managed closely and is under the oversight of the Group's Treasury Committee.

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

The Group's CCPs assume the counterparty risk for all transactions that are cleared through their markets. 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 of the Group's 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 Financial Risk Policy as well as policies of the CCPs themselves.

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

There are two distinct types of risk commonly referred to as liquidity risk. Market liquidity risk is the risk that it may be difficult or expensive to liquidate a large or concentrated position. Funding liquidity risk 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 sold to a defaulter.

The Group's CCPs collect clearing members' margin and/or default fund contributions in cash and/or in highly liquid securities. To maintain sufficient ongoing liquidity and immediate access to funds, cash deposits received are placed in highly liquid and secure investments, such as central bank deposits, sovereign bonds and reverse repos, as mandated under EMIR; securities deposited by clearing members are therefore held in dedicated accounts with Central Securities Depositories (CSDs) and/or International Central Securities Depositories (ICSDs). The Group's 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's CCPs manage their exposure to credit and concentration risks arising from such investments by maintaining a diversified portfolio of high-quality liquid investments. 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; minimum cash balances, access to contingent liquidity arrangements, and, for certain CCPs, access to central bank liquidity.

#### **Capital Management**

Principal risks to managing the Group's capital include: 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 other capital risk metrics; Key Risk Indicators are monitored regularly, and this risk is mitigated by the fact that the Group is strongly profitable and cash generative. The Group regularly assesses debt and equity markets and seeks to maintain access to new capital at reasonable cost.

#### **Model Risk**

The Group defines model risk as the potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of models, due to errors in the development, implementation or use of such models.

As part of the model validation framework, LSEG businesses have in place industry standard model risk control and governance pillars, including a Model Risk Policy, model inventory tools, documentation templates and standards. The Model Risk Committee provides oversight for all model activities across the Group and reports to the Board Risk Committee.

#### **Operational Risks**

##### **Operational Resilience**

LSEG invoked its pandemic business continuity plans during Q1 in response to the COVID-19 threat to the safety of its people and to its operations.

The rapid transition to 99% of its staff and of the majority of its key third party service providers to working from home was successfully managed and businesses have proven resilient under these remote arrangements, gradual return to office plans have been developed, however will not be fully executed until there is a cure or treatments available for COVID-19 or it is eradicated. The Group has also

developed detailed back-up plans for all its key employees and put in place additional controls to safeguard access to its systems and assets and the overall effectiveness of its activities.

As LSEG employees and those of its key supplier of services and of its customers or members continue to work from home while the rate of new COVID-19 infections remains high, there is a risk to the wellbeing of its key employees, to the effectiveness of its operations or its continuity which could have a significant adverse impact on the Group's business, its financial condition and its reputation.

### **Technology**

LSEG is highly dependent on the development and operation of its sophisticated technology and advanced information systems and those of its third-party service providers. Technology failures may impact our clients and the orderly running of our markets, potentially leading to system outages. Our reliance on technology has further increased through the periods of high volatility and protracted remote working experienced across all of our geographies during the COVID-19 pandemic.

The Group is reliant on outsourced service providers for key technology services and data provision and actively manages relationships with strategic technology suppliers to avoid a breakdown in service provision. The Group also actively monitors new technological developments and opportunities for innovation. Through the use of new tools, platforms and technology the group has programmes in place to continually improve its resilience.

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. LSEG Technology's systems are designed to be software and hardware fault tolerant and alternative systems are available in the unlikely event of multiple failures from which the system is unrecoverable.

The Group actively manages relationships with key strategic technology providers.

### **Change Management**

The considerable change agenda exposes the Group to the risk that change is either misaligned with the Group's strategic objectives or not managed effectively within time, cost, risk and quality criteria and could impact the resilience of its operations. This risk could be exacerbated by the current remote working arrangements by the Group's employees, of its key third-party service providers and of its customers/members. The volume of change is driven by both internal and external factors. Internal factors include the diversification strategy of the Group and its drive for technology innovation, consolidation and operational resilience. External factors include the changing regulatory landscape and requirements which necessitate changes to our systems and processes.

Appropriate governance and executive oversight are exercised over individual programmes and projects based on the scale, complexity and impact of the change to confirm compliance with the approved project management policy and to manage budget, resource, escalations, risks, issues and dependencies. For software specific development, software design methodologies, testing regimes and test environments are continuously being enhanced to minimise implementation risk.

### **Security Threats**

Public and private organisations continue to be targeted by increasingly sophisticated cyber-attacks. Cyber-attacks have the potential to adversely impact LSEG businesses.

Threats such as ransomware, theft of customer data and distributed denial of service attacks remain increasingly significant to the financial services industry. Further, COVID-19 has introduced additional cyber threats which look to exploit remote working arrangements, such as COVID-19 themed phishing attempts, and attacks on video conferencing facilities. Data or information loss through any form of cyber-attack could have a significant, negative reputational or financial impact on the Group. Additionally, new emerging technologies for the Group such as cloud computing and AI could impact our cyber security risk profile.

The Group continues to invest in and enhance its information security control environment, cyber defences and operational processes, including its recovery capability, as it delivers its Board approved Cyber Security Strategy. Extensive IT measures aligned to the National Institute of Standards and Technology (NIST) control framework are in place to prevent, detect and respond to cyber security threats. Effective vetting and monitoring and security training and awareness of our third-party service providers and people remain key components of the control framework. The Group monitors intelligence and liaises closely with global Government agencies, industry forums and regulators to help improve our ability to respond to the evolving threats faced by us and our industry.

### **Settlement and Custodial Risks**

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.

The Group provides routing, netting and settlement and custody services through its CSD to ensure that securities are settled in a timely and secure manner. There are operational risks associated with such services, particularly where processes are not fully automated. Operational risk is minimised via highly automated processes reducing administrative activities while formalising procedures for all services.

The operations of the settlement service are outsourced to the European Central Bank (TARGET2-Securities).

The CSD mitigates IT risks by providing for redundancy of systems, daily backup of data, fully updated remote recovery sites and SLAs with outsourcers.

### **Compliance Risks**

There is a risk that one or more of the Group's entities may fail to comply with the laws and regulatory requirements (including GDPR) to which it is, or becomes, subject. In this event, the entity in question may be subject to censures, fines and other regulatory or legal proceedings.

The Group continues to maintain systems and controls to mitigate compliance risk and compliance policies and procedures are regularly reviewed.

### **Data Governance**

Through various Group entities, LSEG collects, owns, licenses, calculates, transforms, and distributes data in many forms. Failure to govern the Group's data effectively, could result in those data being unfit for purpose with respect to availability, completeness, accuracy, validity, usage, entitlement and timeliness. This could result in the Group or its customers and stakeholders placing reliance on inadequate data when making strategic or operational decisions which could adversely affect the Group's business, financial condition and operating results.

The LSEG Chief Data Office (CDO) defines the Group's data standards. The standards identify the various data held across the Group, access rights/entitlements, any legal or regulatory restrictions which may apply and how such data is used, and the intended future uses. The framework sets out the principles to ensure Group Data is of the highest quality and meets the highest standards, while highlighting key characteristics of data in relation to measurement, oversight, and governance.

### **Employees**

The calibre and performance of our leaders and colleagues is critical to the success of the Group. The Group's ability to attract and retain key talent is dependent on a number of factors. This includes (but not exclusively) organisational culture and reputation, prevailing market conditions, compensation packages offered by competitors, and any regulatory impact thereon. In the context of the Refinitiv Transaction, there is a risk that some current and prospective employees experience uncertainty about their future roles within the combined business impacting the ability to retain or recruit key talent.

It is therefore critical that the Group continues to have appropriate variable remuneration and retention arrangements in place. These are necessary to drive strong business performance and alignment to long-term shareholder value and returns, impact the size of the local labour force with relevant experience, and the number of businesses competing for such talent. While the Group focuses very carefully on the attraction and retention of talent, if unsuccessful, it may adversely affect the Group's ability to conduct its business through an inability to execute business operations and strategies effectively.

Cultivating a diverse talent pool and an inclusive culture is of great importance to the Group to reflect the societies we serve, both for the innovation benefits that diversity of thought help to promote, but also in light of increased industry-wide expectations for ESG transparency. If the Group were unable to attract, support and retain diverse talent, it may have an adverse impact on the Group's ability to deliver its strategic objectives and its reputation.

The risk of loss of critical personnel temporarily or permanently has increased during the COVID-19 pandemic and so mitigation measures have been strengthened. Employee wellbeing and support are of primary importance for the Group.

### **Emerging Risks**

The emerging risks to which the Group is exposed are detailed on pages 60 to 73 of the 2019 Annual Report.

## **Directors**

The Directors of London Stock Exchange Group plc at 30 June 2020 were as follows:

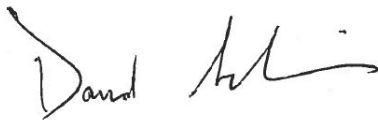
Don Robert  
David Schwimmer  
David Warren  
Raffaele Jerusalem  
Jacques Aigrain  
Marshall Bailey OBE  
Professor Kathleen DeRose  
Dominic Blakemore  
Cressida Hogg CBE  
Stephen O'Connor  
Dr Val Rahmani  
Professor Andrea Sironi

## Statement of directors' responsibilities

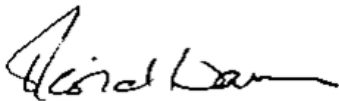
The directors confirm that, to the best of their knowledge, the interim condensed consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and that the interim report herein includes a fair review of the information required by the Financial Conduct 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 of the financial year and their impact on the interim condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the current financial year and any material changes in the related party transactions described in the last annual report.

By order of the Board



**David Schwimmer**  
Group CEO



**David Warren**  
Group CFO

31 July 2020

# INDEPENDENT REVIEW REPORT TO LONDON STOCK EXCHANGE GROUP PLC

## Introduction

We have been engaged by London Stock Exchange Group plc (the "Group", the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020, 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 explanatory notes 1 to 16. We have read the other information contained in the half-yearly financial 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 (UK and Ireland) 2410 '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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance 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 ("IFRS") as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

## Our responsibility

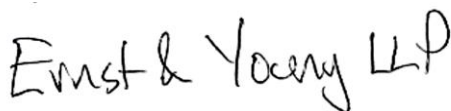
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## 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 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 half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.



**Ernst & Young LLP**

London

31 July 2020

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 | 20 August 2020    |
| Interim dividend record date          | 21 August 2020    |
| Interim dividend payment date         | 22 September 2020 |
| Q3 Trading Statement (revenues only)  | October 2020      |
| Financial year end                    | 31 December 2020  |
| Preliminary results                   | March 2021        |
| Annual General Meeting                | April/May 2021    |

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

London Stock Exchange Group plc  
10 Paternoster Square  
London EC4M 7LS

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

Shareholder helpline: +44 (0)20 7797 3322

email: [ir@lseg.com](mailto:ir@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>

### Registered office

London Stock Exchange Group plc  
10 Paternoster Square  
London EC4M 7LS

### Registered company number

London Stock Exchange Group plc: 5369106

### Registrar information

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

T +44 (0)371 384 2233 or +44 (0)121 415 7065  
Lines open 8.30 to 17.30, Monday to Friday.  
[www.shareview.co.uk](http://www.shareview.co.uk)

### Independent auditors

Ernst & Young LLP  
25 Churchill Place  
Canary Wharf  
London  
E14 5EY

T +44 (0)20 7951 2000

### Principal legal adviser

Freshfields Bruckhaus Deringer LLP  
65 Fleet Street  
London  
EC4Y 1HT

T +44 (0)20 7936 4000

### Corporate brokers

Barclays  
5 The North Colonnade  
Canary Wharf  
London  
E14 4BB

T +44 (0)20 7623 2323  
[www.barclays.com](http://www.barclays.com)

RBC Capital Markets  
RBC Europe Limited  
100 Bishopsgate  
London  
EC2N 4AA

T +44 (0)20 7653 4000  
[www.rbccm.com](http://www.rbccm.com)

AIM, London Stock Exchange, London Stock Exchange Group, LSE, LSEG, the London Stock Exchange Coat of Arms Device, SETS and UnaVista, are registered trade marks of London Stock Exchange plc. Main Market, is an un-registered trade mark of London Stock Exchange plc.

Borsa Italiana is a registered trade mark of Borsa Italiana S.p.A..

CC&G is a registered trade mark of Cassa di Compensazione e Garanzia S.p.A..

Monte Titoli and X-TRM are registered trade marks of Monte Titoli S.p.A..

BOND VISION is a registered trade mark of MTS S.p.A..

FTSE is a registered trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence.

FTSE Russell is a registered trade mark of London Stock Exchange plc.

Mergent is a registered trade mark of Mergent, Inc..

Beyond Ratings is a registered trade mark of Beyond Ratings.

MillenniumIT is a registered trade mark of Millennium Information Technologies Limited.

Turquoise is a registered trade mark of Turquoise Global Holdings Limited.

SwapClear, EquityClear, ForexClear and LCH are registered trade marks of LCH Limited.

CDSClear is a registered trade mark of LCH S.A..

Other logos, organisations and company names referred to may be the trade marks of their respective owners.



**London**  
Stock Exchange Group

London Stock Exchange Group plc  
10 Paternoster Square  
London  
EC4M 7LS  
Telephone +44 (0)20 7797 3000  
Registered in England and Wales No. 5369106  
[www.lseg.com](http://www.lseg.com)