**LSEG OFFERING CIRCULAR DATED 23 MARCH 2021**

# London Stock Exchange Group plc

(incorporated with limited liability in England and Wales under registered number 05369106)

# LSEGA Financing plc

(incorporated with limited liability in England and Wales under registered number 13091751)

# LSEG Netherlands B.V.

(incorporated with limited liability in The Netherlands with registered number 81019548)

# £10,000,000,000
# Global Medium Term Note Programme

unconditionally and irrevocably guaranteed, in the case of Notes issued by LSEGA Financing plc or LSEG Netherlands B.V., by London Stock Exchange Group plc

London Stock Exchange Group plc ("**LSEG plc**"), LSEGA Financing plc ("**LSEGA**") and LSEG Netherlands B.V. ("**LSEG Netherlands**", and together with LSEG plc and LSEGA, the "**Issuers**" and "**LSEG Entities**" and each an "**Issuer**" and an "**LSEG Entity**") have each established a Global Medium Term Note Programme (the "**Programme**") described in this Offering Circular. Pursuant to the Programme, the Issuers may from time to time issue notes ("**Notes**") up to the maximum aggregate nominal amount of £10,000,000,000. Notes issued by either LSEGA or LSEG Netherlands will be unconditionally and irrevocably guaranteed by LSEG plc (LSEG plc, in such capacity, the "**Guarantor"** and the guarantee being, the "**Guarantee**").

Notes will be issued in series (each a "**Series**") in bearer form (such Notes, "**Bearer Notes**") or registered form (such Notes, **Registered Notes**). Each Series may comprise one or more tranches (each a "**Tranche**") issued on different issue dates. Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document setting out the final terms of such Tranche (the "**Final Terms**") or as amended, supplemented and/or replaced in a separate prospectus specific to such Tranche (a "**Drawdown Offering Circular**") as described under "*Final Terms, Supplements and New Offering Circulars*" below. In the case of a Tranche of Notes which is the subject of a Drawdown Offering Circular, each reference in this Offering Circular to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Circular unless the context requires otherwise. This Offering Circular must be read and construed together with all documents incorporated by reference herein, any amendments or supplements hereto and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Notes are constituted by, have the benefit of and are in all respects subject to a trust deed dated 23 March 2021 (the "**Trust Deed**") between the Issuers, the Guarantor and HSBC Corporate Trustee Company (UK) Limited (the Trustee, which expression shall include all persons appointed for the time being as trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the Noteholders). The Notes also have the benefit of an agency agreement dated 23 March 2021 (the "**Agency Agreement**") between the Issuers, the Guarantor, the Trustee, HSBC Bank plc as principal paying agent (the "**Principal Paying Agent**"), non-U.S. registrar (the "**Non-U.S. Registrar**") and transfer agent (the "**Transfer Agent**"), HSBC Bank USA, National Association as U.S Registrar (the "**U.S. Registrar**", together with the Non-U.S. Registrar, the "**Registrars**", and each a "**Registrar**") and U.S. paying agent (the "**U.S**. **Paying Agent**" and together with the Principal Paying Agent and the Registrars, the "**Agents**").

This Offering Circular is a base prospectus issued in compliance with Regulation (EU) 2017/1129 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK**

**Prospectus Regulation**"), for the purpose of giving information with regard to the issue of Notes issued under the Programme described in this Offering Circular during the period of twelve months after the date hereof.

This Offering Circular has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**") as the competent authority under the UK Prospectus Regulation. The FCA only approves this Offering Circular as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of any Issuer or the Guarantor nor as an endorsement of the quality of any Notes that are the subject of this Offering Circular. Investors should make their own assessment as to the suitability of investing in such Notes. This Offering Circular is valid for a period of twelve months from the date of approval. Applications have been made for the Notes to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market (the "**Regulated Market**") of the London Stock Exchange plc (the "**London Stock Exchange**") during the period of twelve months after the date hereof. The Regulated Market of the London Stock Exchange is a United Kingdom ("**UK**") regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**").

Notes may only be issued under the Programme in minimum denominations of at least €100,000 (or its equivalent in another currency).

**Neither the Notes issued under the Programme nor the Guarantee have been or will be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States and, subject to certain exceptions may not be offered or sold, or in the case of Bearer Notes, delivered, within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). Bearer Notes are subject to certain U.S. tax law requirements. The Notes are being offered and sold (A) within the United States to qualified institutional buyers (QIBs) as defined in Rule 144A under the Securities Act ("Rule 144A") in reliance upon the exemption provided by Rule 144A and/or (B) outside the United States to non-U.S. persons in reliance upon Regulation S. Prospective purchasers are hereby notified that the seller of the Notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Each purchaser of the Notes in making its purchase will be deemed to have made certain acknowledgements, representations and agreements (see "*Subscription and Sale*" in this Offering Circular).**

**Neither the Notes issued under the Programme nor the Guarantee have been approved or disapproved by the United States Securities and Exchange Commission (the "SEC") or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.**

***Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuers and Guarantor (as applicable) to fulfil their obligations under the Notes and under the Guarantee (as applicable) are discussed under "Risk Factors" below.***

*Arranger*

**BARCLAYS**

*Dealers*

| | |
|---|---|
| **BARCLAYS** | **BOFA SECURITIES** |
| **CITIGROUP** | **HSBC** |
| **BNP PARIBAS** | **BANK OF CHINA** |
| **CHINA CONSTRUCTION BANK** | **GOLDMAN SACHS & CO. LLC** |
| **GOLDMAN SACHS BANK EUROPE SE** | **IMI – INTESA SANPAOLO** |
| **LLOYDS BANK CORPORATE MARKETS** | **LLOYDS BANK CORPORATE MARKETS WERTPAPIERHANDELSBANK** |
| **LLOYDS SECURITIES INC.** | **MORGAN STANLEY** |
| **MUFG** | **NATWEST MARKETS** |

**RBC CAPITAL MARKETS** **SANTANDER**

**SMBC NIKKO** **TD SECURITIES**

**WELLS FARGO SECURITIES**

*The date of this Offering Circular is 23 March 2021.*

## IMPORTANT NOTICES

This Offering Circular comprises a base prospectus for the purposes of Article 8 of the UK Prospectus Regulation.

Notes may be issued on a continuing basis to one or more of the Dealers specified on the back page of this Offering Circular and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "**Dealer**" and together the "**Dealers**"). References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes. Notes issued by LSEG Netherlands or LSEGA shall have the benefit of a guarantee by LSEG plc.

**Responsibility for the information contained in this Offering Circular**

The Issuers and Guarantor each accept responsibility for the information contained in this Offering Circular and any Final Terms. To the best of the knowledge and belief of each of the Issuers and the Guarantor, the information contained in this Offering Circular is in accordance with the facts and this Offering Circular does not omit anything likely to affect the import of such information.

**Use of defined terms in this Offering Circular**

Certain terms or phrases in this Offering Circular are defined in bold and subsequent references to that term are designated with initial capital letters.

In this Offering Circular, all references to the "**Issuer**" are to the relevant issuer of a Series of Notes as specified in the applicable Final Terms. All references herein to the "**Group**" are to LSEG plc and its consolidated subsidiaries taken as a whole.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

**Credit Rating Agency Regulation notice**

The Programme has been assigned ratings of A3 by Moody's Investors Service, Inc ("**Moody's**") and A by S&P Global Ratings UK Limited ("**S&P**").

The rating of certain series of Notes to be issued under the Programme described in this Offering Circular may be specified in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

S&P is established in the UK and registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). S&P appears on the list of registered credit rating agencies on the UK Financial Conduct Authority's (the "**FCA**") Financial Services Register. The rating from S&P has been endorsed by S&P Global Ratings Europe Limited ("**S&P Europe**") in accordance with Regulation (EC) No. 1060/2009 (as amended) (the "**EU CRA Regulation**") for use in the European Union ("**EU**"). S&P Global Ratings Europe Limited is established in the EU and is registered under the EU CRA Regulation.

Moody's is neither established in the EU nor in the UK and not registered under the UK CRA Regulation or the EU CRA Regulation. However, the ratings of Moody's have been endorsed by Moody's Investors Service Ltd ("**Moody's UK**") in accordance with the UK CRA Regulation for use in the UK and by Moody's Deutschland GmbH ("**Moody's Europe**") in accordance with the EU CRA Regulation for use in the EU.

As such, S&P Europe and Moody's Europe is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the EU CRA Regulation. Moody's UK and S&P are included in the list of credit rating agencies published by the FCA on its website at https://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras.

The list of registered and certified rating agencies published by ESMA or the FCA on their respective websites is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA or FCA list, as applicable.

**Notice to potential investors**

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must make its own assessment as to the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement or the relevant Final Terms;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

No person is or has been authorised by the Issuers, the Guarantor, Barclays Bank PLC (the "**Arranger**"), the Dealers, the Agents or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantor, the Arranger, any of the Dealers, the Agents or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuers, the Guarantor, any Dealer, the Arranger, the Agents or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer by or on behalf of the Issuers, the Guarantor, any Dealer, the Arranger, the Agents or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall at any time imply that the information contained herein concerning the Issuers or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Dealers, the Arranger, the Agents and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. When deciding whether or not to purchase Notes of any Tranche, investors should review, inter alia,

any supplement to this Offering Circular (including the Final Terms relating to such Tranche, but not including any other Final Terms).

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantor, the Dealers, the Arranger, the Agents and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuers, the Guarantor, the Dealers, the Arranger, the Agents or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented or, as the case may be, will be required to represent that all offers and sales by them will be made on the same terms. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States of America, Canada, the United Kingdom, the European Economic Area, the Netherlands, Belgium, the Republic of Italy, Japan and Singapore (see "*Subscription and Sale*" below).

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any parent company or affiliate of the Dealers is a licensed broker or dealer in that jurisdiction and so agrees, the offering shall be deemed to be made by the Dealers or such parent company or affiliate on behalf of the Issuers or the Guarantor in such jurisdiction.

**Forms of the Notes**

If specified under the relevant Final Terms or relevant Drawdown Offering Circular, Notes that are Bearer Notes may be represented initially by one or more temporary global notes (each a "**Temporary Global Note**") (which may be held either in new global note form or classic global note form), without interest coupons, which will be deposited with a Common Depositary (in the case of Temporary Global Notes in classic global note form) or a Common Safekeeper (in the case of Temporary Global Notes in new global note form) for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") on or about the Issue Date of such Series of Notes. Each such Temporary Global Note will be exchangeable for a permanent global note (each a "**Permanent Global Note**", and a Permanent Global Note together with the Temporary Global Note, are the "**Global Notes**") or definitive Notes in bearer form as specified in the relevant Final Terms or relevant Drawdown Offering Circular following the expiration of 40 days after the later of the commencement of the offering and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership and as may be required by U.S. tax laws and regulations, as described in the section "*Forms of the Notes*". Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Bearer Notes may not be offered, sold or delivered within the United States or to United States persons.

If specified under the relevant Final Terms or relevant Drawdown Offering Circular, Registered Notes that are initially offered and sold in reliance on Regulation S (such Notes, "**Regulation S Notes**") will be represented on issue by beneficial interests in one or more global notes (each a "**Regulation S Global Note Certificate**"), in fully registered form, without interest coupons attached, which will either be (i) deposited with, and registered in the name of, a Common Depositary (where not held under the New Safekeeping Structure) or a Common Safekeeper (where held under the New Safekeeping Structure) for Euroclear and Clearstream, Luxembourg or (ii) will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"). Registered Notes that are initially offered and sold in reliance on Rule 144A (such Notes, "**144A Notes**") will be represented on issue by beneficial interests in one or more global note certificates (each a "**Rule 144A Global Note Certificate**" and, together with the Regulation S Global Note Certificates, the "**Global Note Certificates**"), in fully registered form, without interest coupons attached, which will either be (i) deposited with, and registered in the name of, a Common Depositary (where not held under the New Safekeeping Structure) or a Common Safekeeper (where held under the New Safekeeping Structure) for Euroclear and Clearstream, Luxembourg or (ii) will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, DTC. Ownership interests in the Global Note Certificates will be shown on, and transfers thereof will only be effected through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their respective participants. Notes in definitive, certificated and fully registered form will be issued only in the limited

circumstances described in this Offering Circular. In each case, purchasers and transferees of Notes will be deemed to have made certain representations and agreements. See "*Subscription and Sale*" and "*Transfer Restrictions*".

**Considerations of United States Securities laws**

The Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and Registered Notes may be offered and sold within the United States to "Qualified Institutional Buyers" (the "**QIBs**") in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and distribution of this Offering Circular, see "*Subscription and Sale*" and "*Transfer Restrictions*".

The Notes and the Guarantee have not been approved or disapproved by the United States SEC or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

This Offering Circular may be distributed in the United States only to QIBs solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from the registration requirements under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Subject to certain exceptions, Bearer Notes may not be offered, sold or delivered in the United States or to U.S. persons and are subject to U.S. tax law requirements.

Each purchaser or holder of Notes represented by a Regulation S Global Note Certificate or a Rule 144A Global Note Certificate, or any Notes issued in registered form in exchange or substitution therefor (together "**Restricted Notes**") will be deemed, by its acceptance or purchase of any such Restricted Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale*" and "*Transfer Restrictions*".

The Issuers and the Guarantor have agreed that, for so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, each Issuer will, during any period in which it is not subject to Section 13 or Section 15(d) under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted securities, or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case, upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

**MiFID II product governance / target market**

The Final Terms in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending any such Notes (a "**Distributor**") should take into consideration the target market assessment; however, a Distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR product governance / target market**

The Final Terms in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**Distributor**") should take into consideration the target market assessment; however, a Distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

**IMPORTANT – EEA RETAIL INVESTORS** - If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling such Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling such Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

**IMPORTANT – UK RETAIL INVESTORS** – If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, "**FSMA**") and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**UK Benchmark Regulation**

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmark Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 (*Register of administrators and benchmarks*) of the UK Benchmark Regulation. Transitional provisions in the UK Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the UK Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuers and Guarantor do not intend to update the Final Terms to reflect any change in the registration status of the administrator.

**NOTIFICATION UNDER SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (THE SFA)**

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the relevant Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and

Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**The Arranger, the Dealers, the Agents and the Trustee**

Save for the Issuers and the Guarantor, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Dealer or the Trustee or the Agents (each as defined in the Conditions) as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Programme or the Notes or their distribution. None of the Arranger, the Dealers, the Trustee and the Agents accepts liability in relation to the information contained in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the offering of any Notes or their distribution.

The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuers and/or Guarantor and their affiliates in the ordinary course of business.

**No incorporation of websites**

In this Offering Circular, reference to websites or uniform resource locators ("**URLs**") are inactive textual references. Except where expressely incorporated by reference, the contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Offering Circular.

**Forward-looking statements**

This Offering Circular contains statements that are, or may be deemed to be, forward-looking statements. These statements can be identified by the use of forward-looking expressions, including, without limitation, the terms "believes", "anticipates", "expects", "intends", "may", "will", "should" and "estimated" or, in each case, their negative or other variations or similar expressions, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts.

By their nature, forward-looking statements involve unknown risks, uncertainties and other factors, which may cause the actual results of operations, performance or achievement of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Prospective investors are cautioned not to place any undue reliance on such forward-looking statements, which speak only as at the date of this Offering Circular. Such forward-looking statements are inherently uncertain and are based on numerous assumptions about factors, including:

- the Group's financial position and financing plans;
- the Group's business strategies, trends and competitive position, and plans;
- the Group's plans and objectives for future operations;
- the Group's future earnings, cash flows and liquidity;
- the regulatory environment and the effects of future regulation and the Group's ability to comply with changes in laws, regulations or governmental policies to which its business is subject;
- economic, political and social factors that influence the level of activity in global financial and data markets which are beyond the Group's control and may adversely affect its financial condition;
- the uncertainty, downturns and changes in the markets that the Group serves, in particular, the financial services industry;
- the Group's ability to integrate the Refinitiv business, the benefits and/or business performance expected as a result of the Refinitiv Acquisition and the costs to achieve the synergies and benefits;
- the effect of Covid-19 on the Group's business, operations and financial performance;

- the uncertainty regarding Brexit and the outcome of future arrangements between the EU and the United Kingdom;
- non-controlling interests in certain consolidated subsidiaries of the Group;
- the competition faced by the Group in each of its main business areas, including Data & Analytics, Capital Markets and Post Trade;
- the increased accessibility to free or relatively inexpensive information and software which may reduce demand for the Group's products and services;
- the highly regulated markets in which the Group operates;
- the risks related to any non-compliance with legal and regulatory requirements;
- the ongoing requirements to maintain the regulatory status of the Group's regulated entities;
- regulatory capital requirements and changes in those requirements;
- risks associated with the Group's clearing and settlement activities and its exposure to counterparty risks of its clearing members;
- the exposure of LCH and CC&G to customer liquidity risk and investment counterparty default risk caused by their collateral management;
- data privacy breaches, misuse of personal data or failure to protect confidential information;
- unauthorised data access or privacy breaches, the Group's customers losing confidence in its security measures, resulting in increased costs for the Group;
- the Group's ability to attract and/or retain senior management and other key employees;
- an increase in the bargaining power of customers of the Group who, prior to the Refinitiv Acquisition, were customers of both LSEG and Refinitiv;
- the Group's ability to maintain existing revenues from recurring, subscription-based arrangements;
- the Group's success in offering new products, identifying opportunities, entering into or increasing its presence in new markets or attracting new customers;
- the incurrence of significant unanticipated costs or liabilities or its failure to deliver anticipated benefits in connection with new business initiatives;
- the reliance by the Group on third-party providers and other suppliers;
- the Group's dependencies on Thomson Reuters in relation to the Thomson Reuters News Agreement, content and brand usage, and transitional services;
- the Group's dependency on the development and operation of its sophisticated technology and advanced information systems;
- the vulnerability to security risks of the Group's data, IT systems and networks, and those of its third-party service providers
- the risks related to design defects, errors, failures or delays associated with new, modified or upgraded technology, products or services introduced by the Group;
- the Group's inability to continue improving or to successfully develop and implement new technologies, the Group or its third-party suppliers or its customers' ability to commit appropriate resources to developing and implementing new technologies;
- the risk of an operational failure in the Group's processes;

- the Group's failure to protect its proprietary software, data or intellectual property rights, or allegations that the Group has infringed the intellectual property rights or contractual rights of others;
- the Group's defined benefit obligations in respect of Refinitiv's pensions arrangements;
- litigation risks and other liabilities;
- the Group's ability to successfully manage actual or potential conflicts of interest that arise in its business;
- fluctuations in foreign exchange rates and interest rates;
- impairment of the Group's goodwill or intangible assets;
- changes in and the complexity of tax law; and
- the proposed introduction of an EU financial transaction tax and/or a tax on high frequency trading.

Cautionary statements in this Offering Circular, including in this subsection and, in particular, in the section entitled "*Risk Factors*," describe important factors that could cause actual results to differ materially from the Group's expectations. In addition, under no circumstances should the inclusion of forward-looking statements in this Offering Circular be regarded as a representation or warranty by the Group or the Dealers, or by any other person, that the Group will achieve the results described in those statements or that the assumptions underlying the statement will prove correct. If any of these risks and uncertainties materialise, or if any of the underlying assumptions prove to be incorrect, the Group's actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected.

Subject to its compliance with its legal and regulatory obligations, including under the Listing Rules, Disclosure and Transparency Rules and the UK Prospectus Regulation Rules, each Issuer undertakes no obligation to update or revise any forward-looking statement contained in this Offering Circular to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

This Offering Circular is based on English law in effect as of the date of issue of this Offering Circular. Except to the extent required by laws and regulations, the Issuers and Guarantor do not intend, and do not assume any obligation, to update this Offering Circular in light of the impact of any judicial decision or change to English law or administrative practice after the date of this Offering Circular.

**Market and Industry Information; Third-Party Information**

Market data and certain industry forecasts used in this Offering Circular were obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy or completeness of such information is not guaranteed. Similarly, internal surveys, reports and studies and market research, while believed by the Group to be reliable and accurately extracted by the Group for the purposes of this Offering Circular, have not been independently verified and the Group makes no representation as to the accuracy of such information. See the paragraph headed "*Forward-looking statements*" above.

The Group operates in markets in which it is difficult in certain cases to obtain precise market, economic and industry information. Certain factual information used in this Offering Circular has been obtained from PwC Asset Management and other third-party sources listed herein (see "*Industry, Competition, Regulatory and Legal Framework*" and "*Business of the Group*"). The Group believes that the information provided by these third parties is reliable, but the accuracy and completeness of this information is not guaranteed and any related estimates or projections may be based on significant assumptions. None of the Issuers, the Guarantor or the Dealers accepts responsibility for the factual correctness of any statistics or information obtained from third parties. This third-party information was not produced for the purposes of inclusion within any offering document for a transaction of the nature contemplated herein or for securing financing of any nature. PwC Asset Management and the other third-party sources listed herein do not accept any responsibility for the accuracy of the information made available in or based on their publicly available market research.
The information set out in this Offering Circular that has been sourced from third parties has been accurately reproduced and, so far as the Group is aware and has been able to ascertain from that published information, no

facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Offering Circular, the source of such information has been identified.

None of the Issuers, the Guarantor or the Dealers accepts responsibility for the factual correctness of any market data, industry or other information obtained from third parties. This third-party information was not produced for the purposes of inclusion within any offering document for a transaction of the nature contemplated herein or for securing financing of any nature. In addition, none of the Issuers, the Guarantor or any other party intends to, nor assumes any obligation to, update the market, industry or any other third-party information set forth in this Offering Circular.

**Copies of applicable Final Terms**

Copies of the applicable Final Terms will be available from the registered office of the relevant Issuer and the specified office of each of the Paying Agents (in the case of Bearer Notes) and the relevant Registrar and Transfer Agent (in the case of Registered Notes) during normal business hours and will only be obtainable by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity, and copies of the applicable Final Terms relating to Notes which are admitted to trading on the London Stock Exchange's Regulated Market and/or offered in the United Kingdom in circumstances where a prospectus is required to be published under the UK Prospectus Regulation will also be available on the website of the Regulatory News Service operated by the London Stock Exchange.

**Presentation of Information**

In this Offering Circular, all references to:

- **Australian dollars** and **A$** refer to the currency of Australia;
- **Canadian dollars** and **C$** refer to the currency of Canada;
- **EEA** refers to the European Economic Area;
- **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- **Hong Kong dollars** and **HK$** refer to the currency of Hong Kong;
- **JPY** and **¥** refer to the currency of Japan;
- a **Member State** is a reference to a Member State of the EEA;
- **Sterling** and **£** refer to the currency of the United Kingdom;
- **Swiss francs** and **CHF** refer to the currency of Switzerland; and
- **U.S. dollars**, **US$** and **$** refer to the currency of the United States of America.

**Stabilisation**

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as Stabilising Manager(s) (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable final terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

The Stabilising Manager(s) and the other Dealers make no representation as to the direction or magnitude of any effect that the transactions described above may have on the price of any Notes. Neither the Issuer, the Stabilising Manager(s) nor any Dealers makes any representation that anyone will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

## TABLE OF CONTENTS

**Page**

OVERVIEW OF THE PROGRAMME ........ 15
RISK FACTORS ........ 20
FINAL TERMS, SUPPLEMENTS AND NEW OFFERING CIRCULARS ........ 47
PRESENTATION OF FINANCIAL AND OTHER INFORMATION ........ 48
DIRECTORS, COMPANY SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS ........ 52
INDUSTRY, COMPETITION, REGULATORY AND LEGAL FRAMEWORK ........ 53
BUSINESS OF THE GROUP ........ 80
DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE ........ 118
SELECTED FINANCIAL INFORMATION ........ 141
OPERATING AND FINANCIAL REVIEW ........ 157
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP ........ 192
CAPITALISATION ........ 202
DESCRIPTION OF OTHER INDEBTEDNESS ........ 204
DESCRIPTION OF LSEGA ........ 210
DESCRIPTION OF LSEG NETHERLANDS ........ 211
FORM OF FINAL TERMS ........ 212
TERMS AND CONDITIONS OF THE NOTES ........ 223
USE OF PROCEEDS ........ 253
FORMS OF THE NOTES ........ 254
TRANSFER RESTRICTIONS ........ 262
BOOK-ENTRY CLEARANCE PROCEDURE ........ 265
TAXATION ........ 270
SERVICE OF PROCESS AND ENFORCEABILITY OF JUDGMENTS ........ 278
SUBSCRIPTION AND SALE ........ 280
INDEPENDENT AUDITORS AND REPORTING ACCOUNTANTS ........ 285
ADDITIONAL INFORMATION ........ 286
ANNEXES ........ 289

## OVERVIEW OF THE PROGRAMME

*This overview is a general description of the Programme and is qualified in its entirety by the remainder of this Offering Circular and, in relation to the Conditions of any particular Tranche of Notes, the applicable Final Terms. The Notes will be issued on such terms as shall be agreed between the relevant Issuer and the relevant Dealer(s) and will be subject to the Conditions.*

*All capitalised terms used and not defined in this section are defined in the Conditions.*

| | |
|---|---|
| **Issuer:** | London Stock Exchange Group plc, LSEGA Financing plc or LSEG Netherlands B.V., as specified in the applicable final terms. |
| **Guarantor:** | London Stock Exchange Group plc (only in respect of Notes issued by LSEGA Financing plc or LSEG Netherlands B.V.). See further "*Terms and Conditions of the Notes – Status and Guarantee of the Notes*". |
| **Description:** | Global Medium-Term Note Programme |
| **Legal Entity Identifier:** | LSEG plc: 213800QAUUUP6I445N30<br>LSEGA: 2138009YFYTGEHZNNZ09<br>LSEG Netherlands: 213800JCR9B7CYW7U265 |
| **Website of the Issuers:** | www.lseg.com |
| **Arranger:** | Barclays Bank PLC |
| **Dealers:** | Barclays Capital Inc. |
| | Barclays Bank PLC |
| | BofA Securities, Inc. |
| | BofA Securities Europe SA |
| | Merrill Lynch International |
| | Citigroup Global Markets Inc. |
| | Citigroup Global Markets Limited |
| | Citigroup Global Markets Europe AG |
| | HSBC Securities (USA) Inc. |
| | HSBC Bank plc |
| | HSBC Continental Europe |
| | BNP Paribas |
| | Bank of China Limited, London Branch |
| | China Construction Bank (Asia) Corporation Limited |
| | Goldman Sachs & Co. LLC |
| | Goldman Sachs Bank Europe SE |

| | |
|---|---|
| | Intesa Sanpaolo S.p.A. |
| | Lloyds Securities Inc. |
| | Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH |
| | Lloyds Bank Corporate Markets plc |
| | Morgan Stanley & Co. LLC |
| | Morgan Stanley & Co. International plc |
| | MUFG Securities Americas Inc. |
| | MUFG Securities (Europe) N.V. |
| | MUFG Securities EMEA plc |
| | NatWest Markets Plc |
| | NatWest Markets Securities Inc. |
| | NatWest Markets N.V. |
| | RBC Capital Markets, LLC |
| | RBC Europe Limited |
| | Santander Investment Securities Inc. |
| | Banco Santander, S.A. |
| | SMBC Nikko Securities America, Inc. |
| | SMBC Nikko Capital Markets Europe GmbH |
| | SMBC Nikko Capital Markets Limited |
| | TD Securities (USA) LLC |
| | TD Global Finance unlimited company |
| | The Toronto-Dominion Bank |
| | Wells Fargo Securities, LLC |
| | Wells Fargo Securities Europe S.A. |
| | Wells Fargo Securities International Limited |
| **Trustee:** | HSBC Corporate Trustee Company (UK) Limited |
| **Principal Paying Agent, Transfer Agent and Calculation Agent:** | HSBC Bank plc |
| **Non-U.S. Registrar:** | HSBC Bank plc |

| | |
|---|---|
| **U.S. Registrar and U.S. Paying Agent:** | HSBC Bank USA, National Association |
| **Method of Issue:** | The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a Series) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a Tranche) on the same or different issue dates with no minimum size. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the Final Terms). |
| **Issue Price:** | Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. |
| **Offer Price:** | If, as at the date of the Final Terms for a particular offer of Notes, the Offer Price cannot be determined, a description of the method of determining such Offer Price and the process for its disclosure will be included in the relevant Final Terms. |
| **Form of Notes:** | The Notes may be issued in bearer form (Bearer Notes) or in registered form (Registered Notes) only. For further information, see "*Forms of the Notes*". |
| **Clearing Systems:** | Clearstream, Luxembourg and Euroclear for bearer notes, Clearstream, Luxembourg, Euroclear and/or DTC for Registered Notes and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Principal Paying Agent and the relevant Dealer(s). |
| **Maturities:** | Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory requirements. |
| **Specified Denomination(s):** | Notes issued under the Programme may be issued either (1) pursuant to this Offering Circular and associated Final Terms or (2) pursuant to a Drawdown Offering Circular. The terms and conditions applicable to any particular Tranche of Notes will be the Conditions as completed by the relevant Final Terms or, as the case may be, supplemented, amended and/or replaced by the relevant Drawdown Offering Circular. Notes shall have a minimum Specified Denomination of not less than €100,000 (or the equivalent in any other currency as at the date of issue of the relevant Notes). |
| **Fixed Rate Notes:** | Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms. |
| **Floating Rate Notes:** | Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to the Euro Interbank Offered Rate (EURIBOR), as adjusted for any applicable Margin. Interest periods will be specified in the relevant Final Terms. |

| | |
|---|---|
| **Zero Coupon Notes:** | Zero Coupon Notes may be issued at their nominal amount or at a discount/premium to it and will not bear interest. |
| **Interest Periods and Interest Rates:** | The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The minimum interest rate shall not be less than zero. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms. |
| **Final Redemption:** | The Conditions will specify the basis for calculating the final redemption amounts payable. Unless permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies). |
| **Optional Redemption:** | The Final Terms in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption. For further information, see "*Terms and Conditions of the Notes – Redemption and Purchase*". |
| **Status of Notes:** | Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves all as described in "*Terms and Conditions of the Notes – Status and Guarantee of the Notes*". |
| **Negative Pledge:** | The Notes contain a negative pledge provision. See "*Terms and Conditions of the Notes – Negative Pledge*". |
| **Cross Default:** | The Notes contain a cross-default provision. See "*Terms and Conditions of the Notes – Events of Default*". |
| **Ratings:** | A Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. |
| **Early Redemption:** | Except as provided in "*Overview of the Programme – Optional Redemption*" above, Notes will not be redeemable at the option of the relevant Issuer prior to maturity. See *Terms and Conditions of the Notes – Redemption and Purchase*". |
| **Withholding Tax:** | All payments in respect of Notes will be made without deduction for or on account of withholding taxes. In the event that any such deduction is required in respect of taxes imposed by or on behalf of the United Kingdom (in the case of Notes issued by London Stock Exchange Group plc or LSEGA Financing plc) or the Netherlands (in the case of Notes issued by LSEG Netherlands B.V.), the relevant Issuer or the Guarantor, as the case may be, will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted. |

| | |
|---|---|
| **Governing Law:** | England and Wales. |
| **Listing and Admission to Trading:** | Notes issued under the Programme may be admitted to trading on the Regulated Market of the London Stock Exchange and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed between the relevant Issuer and the relevant Dealer, or may be unlisted, in each case as specified in the relevant Final Terms. |
| **Selling Restrictions:** | The Notes may be offered and sold (i) within the United States to QIBs in reliance on the exemption from registration provided by Rule 144A and (ii) to non-U.S. persons in offshore transactions in reliance on Regulation S.<br><br>For a further description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, Canada, the European Economic Area, Belgium, the Netherlands, the Republic of Italy, the United Kingdom, Japan and Singapore (see "*Subscription and Sale*" and "*Transfer Restrictions*"). |
| **Transfer Restrictions:** | There are restrictions on the transfer of Notes sold to non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act prior to the expiration of the relevant distribution compliance period and on the transfer of Registered Notes sold in the United States to QIBs pursuant to Rule 144A under the Securities Act. If so indicated in the Final Terms, there are restrictions on the transfer of Notes held in bearer form. See "*Transfer Restrictions*" below. |

## RISK FACTORS

*An investment in the Notes involves a high degree of risk and is suitable only for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the risks described below and other information in this Offering Circular and their personal circumstances. The occurrence of any of the following events could have an adverse effect, which could be material, on the Group's business, prospects, results of operations and financial condition and impair the Group's ability to fulfil its obligations in respect of the Notes, potentially causing a loss of all or part of the investment made when purchasing the Notes.*

*The risk factors described below are not an exhaustive list or an explanation of all relevant risks and should be used as guidance only. Additional risks and uncertainties that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, results of operations and financial condition.*

*This Offering Circular contains "forward-looking" statements that are based on assumptions and estimates, and subject to risks and uncertainties. the Group's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include those discussed below and elsewhere in this Offering Circular. See "Forward-Looking Statements".*

### RISKS RELATING TO THE BUSINESS OF THE GROUP

***Economic, political and social factors that influence the level of activity in global financial and data markets are beyond the Group's control and may adversely affect its financial condition.***

The operating results of the Group are highly dependent upon the level of activity in global financial and data markets. Many of the factors that influence the levels of primary market issuances, together with issuers' market capitalisations, secondary market trading volumes, and consequently demand for post-trade and information services (including data, analytics, risk management and index services), are economic, political and social factors that are beyond the control of Group, but have the potential to adversely affect its business, revenues, financial condition and operating results.

Such factors include: (i) inflation or deflation; (ii) general trends in the corporate financial markets, including in the broad investment strategies adopted by large financial institutions, investment houses and other fund managers across different asset classes; (iii) macro-economic changes in global or regional demand or supply shifts for equity, derivatives, fixed income, over-the-counter ("**OTC**") products, commodities, financial data and other capital markets products and services; (iv) changes in the financial standing of the Group's customers; (v) technological change; (vi) the liquidity of financial markets and individual asset classes within the financial markets; (vii) changes in government, fiscal and monetary policies; (viii) legislative and regulatory changes, including any direct or indirect restrictions on (or increased costs associated with) trading and clearing in, and participant access to, relevant markets and the provision of information services or investment management, including those that impact the Group's customers and clients; (ix) exposure to possibly adverse governmental or regulatory actions in countries where the Group operates or conducts business; (x) changes in market infrastructure and practice; (xi) levels of volatility in global markets; (xii) increased exposure to the effects of economic sanctions or other restrictive economic measures as a result of the increased size and geographic reach of the Group; (xiii) any change or development in global, national or regional political conditions; and (xiv) external events such as acts of terrorism, cyber-crime, any outbreak of hostilities or war, natural disasters, power outages, transportation interruptions and climate change.

Whilst the Group's increasingly diversified geographic presence, product and service offering and customer profile may mitigate its overall exposure to localised, product or service specific, or customer group specific, risks, there can be no assurance that these risks would arise in such a way, and the Group's diversification could expose it to elements of these risks which LSEG and Refinitiv may not have experienced as standalone businesses. The Group also has exposure to more economies, political and social systems, government actions and regulators than LSEG and Refinitiv had on a standalone basis. Such risks could adversely affect the business, revenues, financial condition and operating results of the Group.

***The Group may be adversely affected by uncertainty, downturns and changes in the markets that it serves, in particular the financial services industry.***

The Group is highly dependent on the financial services industry and as a result derives a significant proportion of its revenues from a number of large financial institutions. The financial services industry faces challenges including heightened regulatory scrutiny, consolidation among firms, increasing capital requirements, lower transaction volumes in certain markets and asset classes, and relatively low overall anticipated market growth. Since the 2008 financial crisis, banks and other firms across the financial services industry have continued to implement structural and technological changes designed to reduce costs, including job cuts and reductions in supplier spending, and it remains to be seen whether these changes will be further affected or exacerbated by the impact of the Covid-19 pandemic. The combination of these factors continues to put intense pressure on financial institutions' profitability and returns. Whilst increased and more complex regulatory requirements could create opportunities for the Group, these factors, together with the continued global economic uncertainty and future downturns in the financial services industry in one or more of the countries in which the Group operates, and changes in the market that the Group serves or significant trading market disruptions, could adversely affect the Group and its revenues, financial condition and results of operations.

***The Group's success is dependent upon its ability to integrate the Refinitiv business; there are challenges associated with the integration and the delivery of synergies, the benefits and/or business performance expected as a result of the Refinitiv Acquisition may not be achieved as anticipated or at all, and the costs to achieve the synergies and benefits may be higher than anticipated.***

The success of the Group depends, in part, on the effectiveness of the integration process and the ability of the Group to realise the anticipated benefits from combining the legacy LSEG and Refinitiv businesses. To the extent that the Group is unable to efficiently integrate the legacy LSEG and Refinitiv operations, realise anticipated revenue or cost synergies, retain qualified personnel or customers and avoid unforeseen costs or delay (which may be significant), there may be an adverse effect on the business, results of operations, financial condition and/or prospects of the Group.

In particular, some of the key integration challenges associated with the Refinitiv Acquisition include: coordinating and consolidating services and operations, particularly across different countries, regulatory regimes (including in relation to different business lines) and cultures; consolidating infrastructure, procedures, systems (including IT systems), facilities, accounting functions and policies, and managing a significant increase in the number of employees across geographically dispersed locations (from approximately 5,566 to approximately 23,140 as at 31 December 2020, with a material increase in the number of employees in certain locations including India, the Philippines and Poland), which may have challenges for compensation structures and other employee policies, oversight and management of employees and corporate culture. These challenges may be accentuated as a result of widespread remote working arrangements due to measures adopted in response to the Covid-19 pandemic. See "*Covid-19 could have a material adverse effect on the Group's business, operations and financial performance*". Challenges may also include operating and integrating a large number of different technology platforms and systems, including maintaining the operational resilience and security of legacy platforms, and consolidating services, or developing new services, where underlying assets used to provide those services are subject to contractual commitments with third parties. In addition, unanticipated events or liabilities may arise which result in a delay or reduction in the benefits anticipated to be derived from the Refinitiv Acquisition, or in costs significantly in excess of those estimated. Such events or liabilities may be as a result of a decision or action taken by a regulator with jurisdiction over the Group or any change in the regulatory or legislative framework applicable to the Group which has an adverse impact on the Group and its operations or otherwise. In particular, such changes in relation to the regulatory framework may relate to the terms of the UK's exit from the European Union ("**Brexit**"). See "*Uncertainty regarding Brexit and the outcome of future arrangements between the EU and the United Kingdom could have a material adverse effect on the Group*". While the Group believes that the Refinitiv Acquisition and integration costs and the revenue synergies or cost reductions anticipated to arise from the Refinitiv Acquisition have been reasonably estimated, no assurance can be given that the integration process will deliver all or substantially all of the anticipated benefits or realise any or all of such benefits, or will not require additional costs which may be significant.

The Group's management and resources may be distracted during the integration planning and implementation process. This may reduce the Group's capacity to pursue other business opportunities, cause a delay in other projects currently contemplated by the Group or lead to an increase in the number of operational risk events such as the level of administrative errors. A decline in service standards or a fault or interruption in services during the integration process may result in an increase in customer complaints and customer and/or regulatory actions,

which may lead to reputational damage and the loss of customers or business by the Group and ultimately have an adverse impact on its financial performance and financial condition.

Under any of these circumstances, the business growth opportunities, overhead cost reductions and other synergies that the Group anticipates will result from the Refinitiv Acquisition may not be achieved as expected, or at all, or may be materially delayed. To the extent that the Group incurs higher integration costs or achieves lower synergy benefits than expected, its business, results of operations, financial condition and/or prospects, may be adversely affected.

***Covid-19 could have a material adverse effect on the Group's business, operations and financial performance.***

The global pandemic from the outbreak of SARS-CoV-2 and its associated disease ("**Covid-19**") is causing widespread disruption to financial markets and normal patterns of business activity across the world, including in the UK, the U.S. and other markets in which the Group operates. In particular, the synchronisation of emergency measures to slow the spread of Covid-19 across the world has brought about rapid deterioration in economic growth across all countries and regions which, even if temporary, is likely to inflict significant damage on the world economy, directly adversely impacting the UK, the U.S. and the other markets in which the Group operates in many ways, including in respect of trade and capital flow. The scope and duration of the economic impact is highly uncertain, and may go beyond current forecasts in respect of the scale of output loss and recession in the UK, the U.S., and the other markets in which the Group operates. Stock market prices were significantly depressed in early 2020 due to the Covid-19 pandemic, and while they have recovered since then, there can be no assurance that stock prices will not be adversely affected by the pandemic again. To the extent that the impact of the Covid-19 pandemic results in a sustained depression of stock prices, FTSE Russell's assets under management ("**AUM**")-related fees could be reduced. The impact of the disruption to financial markets on revenues and working practices of the Group, both favourable and adverse, is uncertain.

As a result of the Covid-19 pandemic, the potential for conduct and compliance risks, as well as operational risks materialising has increased, notably in the areas of cyber, fraud, people, technology, operational resilience and where there is reliance on third-party suppliers. In addition to the key operational risks, widespread remote working as a result of 'social distancing' measures announced by authorities in a number of jurisdictions including the UK and the U.S. may lead to disruption to the Group's operations if a significant portion of its workforce is unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic. As the majority of the Group's employees and those of its key suppliers of services and of its customers or members continue to work remotely while the rate of new Covid-19 infections remains high, there is a risk to the wellbeing of its key employees, to the effectiveness and continuity of its operations which could have a material adverse effect on the Group's ability to realise the benefits of the Refinitiv Acquisition, results of operations, financial condition or prospects.

Whilst the Group will continue to monitor and assess the impact of Covid-19, the extent to which the Covid-19 pandemic will impact the Group's results of operations, financial condition and overall performance will depend on matters which are outside the Group's control and on future developments which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic.

***Uncertainty regarding Brexit and the outcome of future arrangements between the EU and the United Kingdom could have a material adverse effect on the Group.***

The United Kingdom withdrew from the EU on 31 January 2020 and entered into a transition period which expired on 31 December 2020. During the transition period, the majority of rights and obligations associated with membership in the EU continued to apply to the UK. On 24 December 2020, the EU and UK announced that they had reached an agreement in principle on future relations between the EU and the UK (the "**EU—UK Trade and Cooperation Agreement**"). On 31 December 2020, the UK implemented the EU—UK Trade and Cooperation Agreement, which entered into force provisionally on 1 January 2021. Despite the implementation of the EU—UK Trade and Cooperation Agreement, there remains significant uncertainty as to how the agreement will affect relations between the UK and the EU, including the legal rights and obligations for businesses in certain services industries not covered by the EU—UK Trade and Cooperation Agreement. Such uncertainty could negatively impact business and consumer confidence in the UK, including the UK's position as a financial services hub. It is difficult to predict the effect that Brexit will have on the business and operations of the Group, and what the effect will be on the UK, European and global economies.

A significant amount of EU law in matters ranging from employment law to data protection to competition and financial regulation is currently embedded in UK law either as a result of EU regulation directly applicable in the UK or from UK regulations implementing EU directives. Over the years, English law has been devised to function in conjunction with EU law (in particular, laws relating to financial markets, financial services, prudential and conduct regulation of financial institutions, financial collateral, settlement finality and market infrastructure). As a result, depending on any arrangements to be put in place subsequent to the EU—UK Trade and Cooperation Agreement, substantial amendments to English law may occur and may diverge from the corresponding provisions of EU law applicable after the transition/implementation period. Accordingly, it is also unclear what impact Brexit will have on the UK legal and regulatory landscape, which could in turn have a significant impact on the Group. There may also be consequences for EU nationals working for the Group. Although it is not possible to fully predict the effects of Brexit, it could have a material adverse effect on, amongst other things, the business activity of the Group and on political stability and economic conditions in the United Kingdom, the EU and elsewhere.

Lack of clarity about future UK laws and regulations, as the UK determines which EU laws and regulations to keep or replace in the UK, or how such laws and regulations may be changed, may adversely impact the buying behaviour of commercial and individual customers of the Group, and increase costs and disruption to the Group operating in the UK, the EU and elsewhere.

Any of the above-mentioned developments, or the perception that any of these developments are likely to occur, could have a material adverse effect on economic growth or business activity in the United Kingdom, the EU and elsewhere. In addition, any Brexit-related downturn is likely to be compounded by the effects of Covid-19. See "*Covid-19 could have a material adverse effect on the Group's business, operations and financial performance*". There remains a risk that political or other decisions could result in the relocation of businesses and people, cause business interruptions, lead to trade restrictions and increases in or the imposition of trade tariffs, lead to economic recession or depression, and impact the stability of the financial markets, the availability of credit, political systems, financial institutions and the financial and monetary system. By extension, this could impact the Group's envisioned business arrangements, licences and contingency plans, thereby damaging the reputation, operations and financial position of the Group and leading to increased costs to retain current revenues, any of which could have a material adverse effect on the Group.

***The Group is subject to certain risks related to non-controlling interests in certain consolidated subsidiaries.***

The Group conducts its business through subsidiaries. In certain cases, third-party shareholders hold non-controlling interests in these subsidiaries, such as LCH, LCH SA, Turquoise Global Holdings Limited ("**Turquoise**"), Tradeweb and, prior to the completion of the Borsa Italiana Divestment, MTS. MTS will form part of the Group until the Borsa Italiana Divestment is completed, at which point MTS will no longer form part of the Group. Completion of the Borsa Italiana Divestment is expected to occur shortly and in any event in the first half of 2021. See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment. The Group depends to some extent upon good relations with such third-party shareholders in these subsidiaries to ensure the profitable operations of such non-wholly owned subsidiaries. The Group may be adversely affected if its ability to exercise effective control over its non-wholly owned subsidiaries is impacted by these non-controlling interests or otherwise diminished in any way.

Various disadvantages may result from the involvement of non-controlling shareholders whose economic, business or legal interests or goals may not always be aligned with those of the Group. These shareholders may not be able or willing to fulfil their obligations, whether of a financial nature or otherwise, with respect to these non-wholly owned subsidiaries, which may require the Group to contribute additional capital to such subsidiaries. In addition, any dividends that are distributed from these non-wholly owned subsidiaries would be shared pro rata with these non-controlling shareholders according to their relative ownership interests. As a result, the Group may not be able to access the cash flow of these non- wholly owned subsidiaries to service its debt and cannot provide assurance that the amount of cash and cash flow reflected on its consolidated financial statements will be fully available to it. Upon a bankruptcy or restructuring of the Group's non-wholly owned subsidiaries, it is possible the Group may become liable for the liabilities of such subsidiaries. Furthermore, the Group's ability to engage in a strategic transaction involving these non-wholly owned subsidiaries on advantageous terms or at all when it so desires may be limited or restricted under the terms of its agreements with such shareholders. Some of these disadvantages may, among other things, result in the Group's inability to implement organisational efficiencies and transfer cash and assets from these non-wholly owned subsidiaries to another subsidiary in order to allocate such cash and assets most effectively.

For these or any other reasons, disagreements or disputes with these non-controlling shareholders could impair or adversely affect the Group's ability to conduct its business and to receive distributions from, and return on its

investments in, those non-wholly owned subsidiaries and the Group may be unable to resolve such disagreements or disputes in a manner that will be satisfactory to it. Any of the aforementioned could have a material adverse effect on the Group and its cash flows, financial condition and results of operations.

***The Group faces significant competition in each of its main business areas, including Data & Analytics (indices, data, risk and analytics); Capital Markets (primary and secondary capital markets trading) and Post Trade (clearing, settlement, central securities depository services and risk management services).***

The areas of the financial markets infrastructure ("**FMI**") and information services industries in which the Group operates are highly competitive, and therefore the Group faces significant competition from a number of competitors for the products and services that it offers. Competition has been intensified by trends including: (i) technological innovation, in particular given the Group's usage of complex information systems; (ii) the globalisation of world capital markets, which has resulted in greater mobility of capital, greater international participation in local regions and more competition among different geographical areas; and (iii) the continued growth and expansion of other market participants resulting in stronger global competitors.

The Group competes with other market participants in a variety of ways, including in relation to the: (i) quality and speed of trade execution, functionality, data, risk and index services; (ii) ease of use and performance of trading systems, data distribution platforms, and analytics and risk management services; (iii) range of products and services offered to customers, including trading participants and listed companies, including through the development of new and enhanced propositions; (iv) adoption of technological advancements including meeting customer data needs in relation to cloud capabilities; (v) increased customer demand for local language market data as more geographic markets become electronified; and (vi) increased customer interest in and demand for non-traditional "alternative data sets" (such as satellite imagery, location data, parking lot usage and credit card data, as well as other alternative data sets), which may require significant investment and innovation to meet, and which has intensified competition from smaller market data providers. Further, competitors continue to compete aggressively on price across listings, trade execution, post-trade services, index, analytics, risk management, data services and technology, as market conditions evolve and become ever more competitive. This trend is expected to continue in the future.

If the Group is unable to adapt to continued changing market pressures and evolving customer demands or maintain its industry position given the intense competition (or as a result of the Borsa Italiana Divestment or the behavioural commitments entered into with the European Commission in respect of the Group's Data & Analytics division and its OTC interest rate derivative clearing services (provided by LCH SwapClear), or other regulatory commitments), or is forced to reduce pricing, revenues and profit margins could decline. In addition, a decrease in customer demand for the Group's listing, trading, index, analytics, risk management and data or technology services could adversely impact other business segments, which may be seen by current and prospective customers as less valuable, any of which could have a material adverse effect on the Group, its cash flows, financial condition and results of operations.

***Increased accessibility to free or relatively inexpensive information and software may reduce demand for the Group's products and services.***

In recent years, more public sources of free or relatively inexpensive information of the kind the Group may seek to distribute have become available, particularly through the internet, and this trend is expected to continue. For example, certain public bodies and governmental and regulatory agencies have increased the amount of information they make publicly available at no cost. For example, in June 2015, the UK government made available 170 million financial records and accounts in relation to UK private companies, free of charge. The UK and other governments and regulators may replicate this kind of large-scale data disclosure in the future. Some regulators such as ESMA are exploring whether to introduce mandatory consolidated tape systems, which would require businesses such as the Group to submit real time financial data to a centralised system which would then be required to be disseminated to investors. In addition, private companies and organisations are increasingly making certain financial and other information publicly available at no cost. Technological developments are also making data more readily accessible to consumers through free-of-charge open source software that has similar functionality to some of the products and services that the Group offers, and a growing number of datasets are capable of being found through the use of simple internet search engines.

Public sources of free or relatively inexpensive information and software may reduce demand for the products and services that the Group offers. Although the Board believes that the Group's software, and its information and data, which is normalised and often enhanced through analytics, tools and applications that are part of customers' workflows, will remain more valuable than publicly available information and data, the Group and its

financial condition and results of operations may be adversely affected if its customers choose to use these public sources as a substitute for the Group's products or services.

***The Group operates in highly regulated markets which may restrict the operations of the Group***

A substantial part of the Group's activities involves operations in, and the provision of services into, highly regulated markets. The Group's regulated entities are subject to extensive oversight by national and supranational governmental and regulatory bodies, and the Group is regulated in various jurisdictions and by more regulators than LSEG or Refinitiv were individually. Such regulation and oversight:

- may limit the ability of the Group and its group entities to provide certain of their current or planned services, or to build an efficient, competitive organisation;
- may limit the ability of the Group and its group entities to outsource certain of its activities;
- may place financial and corporate governance restrictions on the Group and its group entities;
- may make it difficult for the exchanges, multilateral trading facilities ("**MTFs**"), alternative trading systems ("**ATSs**"), swap execution facilities ("**SEFs**") and other trading venues, central clearing counterparties ("**CCPs**") and/or central securities depositories ("**CSDs**") of the Group to compete with other competitors in different jurisdictions, including outside the EU;
- may impose restrictions such as capital requirements, clearing or trading requirements and proprietary trading restraints on market participants or otherwise cause market participants to change their behaviour in a manner that requires or incentivises such market participants to reduce their use of the exchanges, MTFs, ATSs, SEFs and other trading venues, CCPs and/or CSDs operated by the Group;
- may impose limitations or restrictions on pricing in relation to some market data or in relation to the provision of some market data inside or outside the EU;
- may significantly increase compliance and associated costs of the Group, for instance by requiring the businesses of the Group to devote substantial time and cost to the implementation of new rules and related operational changes;
- may materially increase the costs of, and restrictions associated with, trading and clearing which could decrease trading and clearing volumes and profits; and
- may increase the risk of shareholders experiencing dilution of, or losses on, their holdings which may not be compensated in the event that recovery and resolution powers are exercised by regulators.

Such restrictions, restraints, constraints and costs could materially adversely affect the Group, its financial condition and operating results.

The Group operates exchanges, MTFs, ATSs, SEFs and other trading venues, CCPs, CSDs, benchmark administrators, information services providers, data reporting service providers, trade repositories, market intermediaries, investment advisers and other regulated entities in multiple jurisdictions, including, but not limited to, the United Kingdom, the U.S., Italy, France, Ireland, the Netherlands, Singapore, Hong Kong and Switzerland. The Group's regulated activities in these jurisdictions generally need to be approved by the relevant regulatory authorities in each of these countries. The Group may from time to time seek to engage in new business activities, some of which may require changes to the rules pertaining to the relevant regulated entity and may also require changes to the relevant entity's regulatory status, such as obtaining new licences, exemptions or approvals from the relevant regulatory authority. In addition, the Group may wish to expand its current activities or commence new activities which may require further licences, exemptions or approvals. Upon completion of the Borsa Italiana Divestment, the Group will no longer operate any CSDs within its group, although it will retain the Group's existing 4.9% stake in Euroclear. Completion of the Borsa Italiana Divestment is expected to occur shortly and in any event in the first half of 2021. See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment.

Any delay or failure to obtain the requisite regulatory approvals or any conditions attached to such approvals could cause the Group to lose strategic business opportunities, slow its ability to integrate its different markets or slow or impede its ability to change its governance practices. The Group's competitive position could be

significantly weakened if its competitors are able to obtain regulatory approval for new functionalities faster, or with less cost or difficulty, or if approval is not required for such competitors.

Certain of the regulated entities in the Group are subject to recovery and resolution arrangements resulting from the implementation of the EU Bank Recovery and Resolution Directive ("**BRRD**") or domestic legislation such as the UK Banking Act 2009 (which implements BRRD in the UK). Resolution authorities (such as the Bank of England) have a number of resolution powers which they can use when a regulated entity enters resolution (including, for example, selling all or part of the business of the regulated entity, transferring it to a bridge institution or an asset management vehicle, or exercising a bail-in power). If the resolution authority exercises its powers, existing shareholders may experience dilution of their holdings or losses which may not be compensated. Holders of debt and other liabilities may also have their liabilities subject to write-off or conversion. Furthermore, if a resolution scenario arises, financial public support may only be available to the regulated entities as a last resort and after the resolution authorities have assessed and exploited the resolution tools including the bail-in power. There is no assurance that any financial public support will be forthcoming.

The Group is subject to laws such as export control and customs regulations. The Group's ability to comply with these laws and regulations is largely dependent on its establishment, maintenance and enforcement of effective compliance procedures. Failure to establish, maintain and enforce the required compliance procedures, even if unintentional, could subject the Group to significant losses, lead to disciplinary or other actions or affect the reputation of the Group.

Any of these risks could have a material adverse effect on the Group and its business, financial condition, results of operations and prospects. Similarly, future changes in the legal and regulatory environment in jurisdictions in which the Group operates, including changes to the implementing rules and corresponding guidance for any relevant legislative or regulatory regimes, may impose additional and/or more onerous requirements on the Group in areas that are currently subject to regulation, or may extend the scope of the regulatory regime to areas of the Group that to date have not been regulated.

***Non-compliance with legal and regulatory requirements may result in the Group and its group entities becoming subject to regulatory sanctions, fines, censures and other regulatory, administrative or judicial proceedings, including, in extreme circumstances, the withdrawal of authorisations, regulatory approvals, licences or exemptions required to operate the Group.***

The Group is subject to a number of legal and regulatory requirements as a result of its enhanced product and service offering and its expanded presence in multiple jurisdictions. The regulatory regimes that apply to the Group's products and services may conflict in different jurisdictions. Actual, suspected or alleged failure to comply with legal or regulatory requirements, including failure to obtain or renew a licence, could result in an entity of the Group becoming subject to investigations and/ or regulatory, administrative or judicial proceedings. These investigations or proceedings could result in substantial criminal and/or civil sanctions, fines and penalties, including the restriction or revocation of an authorisation, regulatory approval, licence, recognition, exemption or registration that the Group or its entities rely on to conduct their business. In particular, the Group has an expanded presence in the U.S. following the Refinitiv Acquisition, which may result in increased exposure to investigations and proceedings in the U.S.

Any such investigation or proceeding, whether successful or unsuccessful, could result in substantial costs and diversions of resources, and could negatively impact the Group's reputation. Any of these risks could have a material adverse effect on the Group and its cash flows, financial condition and operating results.

***The Group's regulated entities are subject to ongoing requirements to maintain their regulatory status.***

The Group's regulated entities, including those referred to below, must meet initial and ongoing requirements to obtain and maintain their regulated status. These requirements will generally include requirements for a regulated entity to have adequate financial and other resources available to it to operate its business.

For example, the London Stock Exchange, as a recognised investment exchange, must satisfy the recognition criteria in the Financial Services & Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 (as amended), as further expanded by the guidance in the FCA's Recognised Investment Exchanges Sourcebook. The recognition criteria include the requirement that the recognised investment exchange has "financial resources sufficient for the proper performance of its functions as a recognised investment exchange". Further, Turquoise, EuroMTS, Tradeweb Europe Limited and Refinitiv Transaction Services Limited, as UK investment firms operating MTFs and OTFs, are subject to the capital requirements

established by CRD IV and the UK Threshold Conditions for authorisation set out in Part 1B of Schedule 6 of the FSMA which include a requirement for the firm to have financial and other resources which are appropriate for the regulated activities which the firm carries on. EuroMTS will form part of the Group until the Borsa Italiana Divestment is completed, at which point EuroMTS will no longer form part of the Group. Completion of the Borsa Italiana Divestment is expected to occur shortly and in any event in the first half of 2021. See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment. In the U.S., DW SEF LLC, Refinitiv U.S. SEF LLC and TW SEF LLC, each being registered SEFs with the CFTC, are required to maintain sufficient financial resources to cover their operating costs for a one-year period, calculated on a rolling basis. LCH Limited and LCH SA, as CFTC-registered derivatives clearing organisations ("**DCOs**"), are subject to similar requirements, including the requirement to maintain sufficient financial resources to meet their obligations to their clearing members and participants, in the event that both such parties' default in respect of a trade being cleared. Further, the five broker-dealers operated by the Group, REDI Global Technologies LLC, Tradeweb LLC, Tradeweb Direct LLC, Directweb Inc. and MTS Markets International, are subject to extensive financial, reporting, conduct and other regulatory requirements imposed by the SEC and the Financial Industry Regulatory Authority ("**FINRA**").

Regulatory requirements are also imposed on other regulated entities within the Group in other jurisdictions. By way of example, Borsa Italiana and MTS as operators of, *inter alia*, Italian regulated markets must satisfy the financial and organisational requirements set forth under the Italian Financial Consolidated Act (*Testo unico delle disposizioni in materia di intermediazione finanziaria*). Borsa Italiana and MTS will form part of the Group until the Borsa Italiana Divestment is completed, at which point Borsa Italiana and MTS will no longer form part of the Group. Completion of the Borsa Italiana Divestment is expected to occur shortly and in any event in the first half of 2021. See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment. In addition, Financial & Risk Transaction Services Ireland Limited, an entity within the Refinitiv business and which is regulated by the Central Bank of Ireland as a MiFID investment firm operating an MTF, is subject to the capital requirements established by CRD IV and the conditions for authorisation set out in the European Union (Markets in Financial Instruments) Regulations 2017 which include a similar requirement for the firm to have financial and other resources which are appropriate for the regulated activities it provides. Further, Tradeweb EU B.V. and Turquoise Global Holdings Europe B.V. are authorised by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) as a Dutch investment firm operating an MTF and OTF and is therefore subject to the capital requirements established by CRD IV and CRR, and also to the conditions for authorisation set out in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), which are based on MiFID II.

Failure of the Group's regulated entities to maintain sufficient financial and other resources could result in the restriction or removal of the regulated entity's licence to operate its business, and therefore could have a material adverse effect on the Group, its financial condition and operating results.

***Regulatory capital requirements may negatively affect the Group, and such requirements are subject to change.***

In order to maintain their regulatory status, certain regulated entities within the Group are subject to minimum capital requirements in various jurisdictions. The regulatory capital regimes vary by jurisdiction and form of regulatory status. Some entities within the Group are subject to customised regulatory capital regimes which differ from those of credit institutions or other investment firms, while other entities are subject to the regulatory capital requirements applicable to investment firms and credit institutions established by CRD IV. EU regulated entities within the Group may also be subject to the revised Capital Requirements Directive 2019/878/EU, or CRD V, which may result in requirements to hold additional capital or to restructure certain EU entities under an intermediate EU parent undertaking. Regulatory capital requirements may require relevant entities to retain surplus capital, leading to capital inefficiencies within the Group.

Any changes to the capital requirements that are applicable to the Group or its group entities may result in increased capital requirements for one or more entities within the Group, or any sub-group which is within the Group or for the Group as a whole, which may have a materially adverse effect on the Group's ability to deliver its strategy, its business and cash flows, financial condition and operating results.

In particular, the relevant entity, sub-group or the Group as a whole may be required to raise further capital by equity issuance or other appropriate financing in order to ensure compliance with applicable regulatory capital requirements. There is a risk that future economic and market conditions may prevent the Group or any of its group entities from completing such financing and/or from allocating suitable capital within the timeframe required. Any failure to do so may lead to the relevant entity, sub-group or the Group as a whole being subject to

regulatory sanctions or other restrictive measures, including the revocation of operating licences, and may adversely affect the Group's reputation, its businesses and cash flows, financial condition and operating results. A failure by a relevant entity, sub-group or the Group as a whole to meet capital requirements or obligations that apply in relation to capital requirements may lead to regulatory action of the type described above and may negatively affect the business of the Group.

***The Group may be adversely affected by risks associated with clearing and settlement activities and is exposed to counterparty risks of its clearing members.***

The Group's clearing providers assume the counterparty risk for all transactions that are cleared through their markets and are exposed to the risk of default by third-party clearing members. This risk is greater if market conditions are unfavourable at the time of the default. Credit and liquidity exposure to clearing members is closely monitored and addressed by setting high membership standards for firms, collecting collateral in the form of margins and default fund contributions from clearing members and maintaining arrangements that cover the CCP's liquidity needs (including commercial bank liquidity credit lines and access to central bank liquidity support for some but not all of the Group's CCPs). Default by a clearing member could adversely affect the Group's CCPs' revenues and its customers' goodwill and, in extreme circumstances, could lead to a call on the Group's CCPs' own capital. While the Group has in place measures to mitigate such risks, and to the extent possible CCP default waterfalls are designed to eradicate or minimise the risk of a member's default impacting a CCP's capital, in extreme circumstances such measures may not be sufficient to mitigate the impact of these risks. In the event of a default by a clearing member, the Group's business, financial condition and operating results could be materially adversely affected.

In addition, certain CCPs within the Group have interoperability arrangements with other counterparties requiring collateral to be exchanged in proportion to the value of the underlying transactions involved. The relevant clearing provider entities within the Group are therefore exposed to the risk of a default of such counterparties under such arrangements.

The Group also may be subject to claims and litigation by clearing members, including in relation to default management exercises. Under the terms of their agreements with clearing members, the Group's CCPs have extensive powers and obligations in the circumstances of a clearing member's default to close out transactions entered into by the defaulting member and to apply margin and, if necessary, default fund monies, to meet any amounts owed by the defaulting member. These powers and obligations, when they do arise, usually have to be exercised in situations of market volatility and on the basis of preliminary information. In such circumstances, disputes with affected counterparties can arise. The amounts involved in such disputes can be significant. Any such matters could have a material adverse effect on the Group's reputation, business and cash flows, financial condition and results of operations.

***LCH and CC&G's collateral management expose them to customer liquidity risk and investment counterparty default risk.***

The CCPs of the Group, such as LCH Group and CC&G, collect clearing members' margin and/or default funds contributions in cash and/or in highly liquid securities. CC&G will form part of the Group until the Borsa Italiana Divestment is completed, at which point CC&G will no longer form part of the Group. Completion of the Borsa Italiana Divestment is expected to occur shortly and in any event in the first half of 2021. See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment. To maintain sufficient on-going liquidity and immediate access to funds, the CCPs of LSEG, and ultimately of the Group, deposit the cash received in highly liquid and secure investments, such as sovereign bonds and reverse repos, as mandated under the European Markets Infrastructure Regulation ("**EMIR**"); securities deposited by clearing members are therefore held in dedicated accounts with CSDs and/or international CSDs. These 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 may be exempt from market losses. Furthermore, there is a risk of an investment counterparty default which could lead to losses to the Group. Such a loss may occur, for example, 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 issuers and of banking counterparties.

These CCPs rely on established policies with minimum counterparty credit and concentration risk 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 an investment counterparty default.

A default by any of the above-mentioned investment counterparties could have a material adverse effect on the Group's reputation, business and cash flows, financial condition and results of operation.

***Data privacy breaches, misuse of personal data or failure to protect confidential information could adversely affect the Group's reputation and expose it to litigation or other legal or regulatory actions.***

The Group is subject to a number of laws and regulations relating to privacy, security and data protection, including the General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**") (in UK domestic law from 31 December 2020, the "**UK GDPR**" as it forms part of retained EU law by operation of the EUWA), the UK's Data Protection Act 2018, U.S. federal and applicable state privacy laws (including the recently passed California Consumer Privacy Act of 2018, which became effective on 1 January 2020 and California Privacy Rights Act of 2020) and certain other relevant non-EEA data protection and privacy laws. Such laws govern, or will govern, the Group's ability to collect, use and transfer personal data including in relation to actual and potential customers, suppliers, employees and third parties. In addition, new laws or regulations governing privacy, security and data protection may be introduced which will apply to the Group in future, in any of the jurisdictions in which the Group operates. The nature, extent and impact on the Group of any such new laws or regulations and any changes in existing laws or regulations is uncertain.

The Group relies on third-party service providers and its own employees and systems to collect and process personal data and to maintain and continue to develop its databases. Its business also includes subscription screening products (such as World-Check) which it sells to customers (including government entities, central banks, FIUs or other authorities, and regulated and unregulated entities) who need access for counterparty risk screening for legitimate purposes, to enable them to satisfy their legal, regulatory, compliance or similar obligations, including anti-money laundering reviews, KYC checks, sanctions screening, politically exposed person screening, anti-bribery and corruption screening, counter-terrorist financing screening and the prevention of financial crimes. Such screening products contain and process large amounts of personal data, including sensitive personal data for which the Group may be subject to heightened compliance requirements. Products such as World-Check pose particular data protection risks, including that the data held by World-Check may be inaccurate or not up-to-date or used by subscribers inappropriately or not stored securely. There is a risk that decisions may be made by subscribers about individuals leading to court proceedings and public censure due to inaccurate information being held on individuals. This may also attract reputational damage. In addition, World-Check and its subscribers must take particular care to ensure compliance with applicable data protection laws, including transparency and data security requirements, in relation to the delivery and use of the products respectively. Therefore, the Group is exposed to the risk that such data could be wrongfully appropriated, lost or disclosed, rendered unavailable, damaged or processed in breach of privacy, security or data protection laws. See "*—Unauthorised data access or privacy breaches may cause some of the Group's customers to lose confidence in its security measures and could result in increased costs for the Group*".

While the Group endeavours to comply with all applicable laws and regulations relating to privacy, security and data protection, it is possible that such requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other laws or the Group's practices. That concern is particularly relevant for the GDPR, given that different Member State regulators (or the UK's ICO) may differ as to their interpretation of it and the approach they may take to breaches, enforcement, complaints or the exercise of rights in relation to personal data by individuals. Further, the impact of the judgment by the Court of Justice of the European Union in Data Protection Commissioner v Facebook Ireland and Maximillian Schrems (Case C-311/18) EU:C:2020:559 ("**Schrems II**") may result in differences in application of the GDPR, as regards to whether, how and under what conditions personal data may be transferred from the EEA and the UK to other countries (each a "**recipient jurisdiction**"), dependent upon the data protection risks posed by the laws of that recipient jurisdiction.

Any perceived or actual failure by the Group to protect confidential data, personal data or any material non-compliance with privacy, security or data protection laws or regulations may harm its reputation and credibility, adversely affect its revenues, reduce its ability to attract or retain customers, result in litigation or other actions being brought against it and the imposition of significant fines and, as a result, could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

***Unauthorised data access or privacy breaches may cause some of the Group's customers to lose confidence in its security measures and could result in increased costs for the Group.***

The Group collects, stores, uses and transmits sensitive data, including the proprietary business information and personal data of its employees, partners, vendors, customers and third-parties on its networks. A number of the Group's customers and suppliers also entrust it with storing and securing their own confidential data and information. The Group also owns certain subscription-based screening products (such as World-Check) which contain large amounts of personal data, including sensitive personal data. Any malicious or accidental breach of data security could result in unintentional loss, disclosure of, or unauthorised access to, third-party, customer, vendor, employee or other confidential or sensitive data or information, which could potentially result in damage to the Group's brands and reputation, costs to the Group to enhance security or to respond to occurrences, lost sales, violations of privacy or other laws, penalties, fines, regulatory actions, investigations, sanctions, or litigation, and/or loss of confidence in its security measures, which could harm its ability to retain and attract customers. In addition, media or other reports of perceived security vulnerabilities to the Group's systems or those of the Group's third-party suppliers, whether or not accurate, could adversely impact the Group's brand and reputation and materially adversely affect its business, financial condition and results of operations.

***The Group may not be able to attract and/or retain senior management and other key employees, and failure to do so could have adverse consequences for the operations of the Group.***

The Group's success depends upon the experience and industry knowledge of its senior management and key employees. The ability of the Group to attract and retain key personnel depends on a number of factors, including (without limitation), prevailing market conditions, compensation packages offered by previous or competing employers, any regulatory impact thereon and the ability of the Group to continue to have appropriate variable remuneration and retention arrangements in place that drive strong business performance and results. The Covid-19 pandemic may also affect the Group's ability to attract and retain key personnel.

For example, 35 members of Refinitiv's senior management team participate in a pre-existing management incentive plan set up by Refinitiv Holdings that is expected to give rise to material payments to participants (although participants will only be able to start to realise value under their awards with effect from the expiry of certain lock-up provisions). The lock-up provisions begin to release in 2024 and expire in 2026. While in the short term this management incentive plan may benefit the Group's ability to retain these employees, following expiry of the lock-up provisions it may affect the ability of the Group to retain them in employment. See "*Directors, Senior Managers and Corporate Governance—Management incentive plan for Refinitiv's management team*"

Consequently, there can be no assurance that the Group will be successful in attracting and retaining the personnel it requires, which may adversely affect its ability to execute business operations and strategies effectively. If a significant number of Refinitiv's senior managers leave, the Group may need to recruit new personnel to ensure it has sufficient depth and experience to operate the relevant Refinitiv businesses. During the Refinitiv integration implementation process, there is also a risk that some current and prospective employees of the Group may experience uncertainty about their future roles within the Group, which may adversely affect the Group's ability to retain or recruit key managers and other employees. Any of the aforementioned could have a material adverse effect on the Group and its operations, cash flows, financial condition and results of operations.

***A number of large global financial institutions are customers of the Group, and in some cases, were customers of both LSEG and Refinitiv prior to the Refinitiv Acquisition. Such customers' bargaining power may further increase as a result of the Refinitiv Acquisition and they may seek to or successfully improve the terms on which they contract with the Group.***

A number of large global financial institutions (such as investment banks, asset management firms and large institutional investors) use the Group's products and services and may use multiple products and services that were provided by each of LSEG and Refinitiv prior to the Refinitiv Acquisition. Prior to the Refinitiv Acquisition, across their respective business lines, LSEG and Refinitiv both conducted business with a number of the same clients. As a result of the Refinitiv Acquisition, the bargaining power of those clients may be further increased. Such clients may use their increased bargaining power to seek to amend or renegotiate existing contracts to include terms less favourable to the Group than may historically have been the case with LSEG and Refinitiv, respectively. In addition, some clients (including those who may also compete with LSEG or Refinitiv as standalone businesses) may use the Refinitiv Acquisition as a basis for exercising rights to cancel or re-negotiate existing contracts, whether arising as a result of the Refinitiv Acquisition or otherwise, use the threat of such cancellation to improve their bargaining position with, or may otherwise decide to reduce their economic exposure to, the Group. Loss of

all or a substantial portion of the business of the Group's large customers, for whatever reason, could have a material adverse effect on the Group and its cash flows, financial condition and results of operations.

***The Group generates a significant percentage of its revenues from recurring, subscription- based arrangements, and its ability to maintain existing revenues and to generate higher revenues is dependent in part on maintaining a high subscription renewal rate.***

The Group is more reliant on recurring revenue streams derived from subscription or similar contractual arrangements than LSEG was prior to the Refinitiv Acquisition. For the financial year ended 31 December 2020, 43% of LSEG's total income was recurring in nature and derived from subscriptions or similar contractual arrangements (45% excluding the Borsa Italiana Group). For the financial year ended 31 December 2020, 82% of Refinitiv's total revenues were derived from recurring, recoveries and other revenues. The Group's revenues are supported by a relatively fixed cost base that is generally not impacted by fluctuations in revenues. The majority of the Group's subscription arrangements have an initial term of one year and the remaining portion largely have two or three-year initial terms. These arrangements typically have renewal provisions and the standard renewal term is one year. Renewal dates are spread over the course of the year.

While the Group's reliance on subscription-like arrangements may mitigate its reliance on other, less predictable sources of revenue, in order to maintain its existing revenues and to generate higher revenues, the Group is dependent on a significant number of its subscription customers continuing their contractual arrangements with it.

Subscription customers may be more likely to view the products and services they source as fixed business costs than other groups of customers, and consequently the Group may face pricing pressure in obtaining and retaining its customers. Customers may be able to seek price reductions from the Group when they renew a contract, when a contract is extended, or when the customer's business has significant volume changes, and may be more reluctant to accept any increases in price. Customers may also reduce their use of the Group's services if they decide to procure services in-house, or if they switch to another supplier. Further, the Group's smaller and mid-sized customers may also exert pricing pressure, particularly on renewal, due to pricing competition or other economic needs or pressures being experienced by the customer. This pricing pressure may result in lower revenue from a customer than the Group had anticipated, based on a previous agreement with that customer. The Group's revenues could be lower if a significant number of its customers renewed their arrangements with it but reduced the amount of their spending. This reduction in revenue could result in an adverse effect on the Group's business, financial condition and results of operations.

***The Group may not be successful in offering new products, identifying opportunities, entering into or increasing its presence in new markets or attracting new customers.***

The Group intends to continue to explore and pursue opportunities to strengthen and grow its businesses, among other things, to realise the anticipated benefits of the Refinitiv Acquisition. In order to meet or exceed the anticipated benefits of the Refinitiv Acquisition, the Group may develop or add to the existing products of LSEG or Refinitiv, launch new products, and enter into new markets or increase its presence in existing markets that already possess established competitors, including newly developing areas of competition, where competitors may be subject to less regulation, and where demand for such services is subject to uncertainty. As a result of these expansions, the Group may spend substantial time and money developing new products or improving current product offerings and, if not successful, the Group may not fully realise the anticipated benefits of the Refinitiv Acquisition, may miss potential market opportunities, and may not be able to offset the cost of such initiatives. If the Group is unable to expand its business to successfully launch new products, identify and pursue opportunities and therefore effectively compete with its competitors, this could have a material adverse effect on the Group and its cash flows, financial condition and results of operations.

***New business initiatives of the Group, including acquisitions, partnerships and joint ventures, may require significant resources and/or result in significant unanticipated costs or liabilities or fail to deliver anticipated benefits.***

The Group's strategy for future growth includes the identification and implementation of new business initiatives such as acquisitions, partnerships and joint ventures with third parties, all of which involve various risks. The Group's ability to successfully implement any such new business initiatives (including any recently completed or existing initiatives of LSEG or Refinitiv) is subject to, among other things, availability of internal resources (which may be reduced as a result of efforts directed towards integration of the LSEG and Refinitiv businesses) and execution risks, and the success of such initiatives may be adversely impacted by a number of factors, including

the Group's financial profile (including leverage ratio), regulation, anti-trust, intellectual property, assumed existing or pending litigation and political considerations. In addition, some of the Group's activities are subject to minimum regulatory capital requirements which may constrain its ability to use its available capital resources to finance future business initiatives such as potential acquisitions.

The implementation of such business initiatives may not achieve the revenue or profitability that would justify the original investment made by the LSEG, Refinitiv or the Group, or support the goodwill recorded for the acquisition. Furthermore, such activities will require significant time and resources from management and may require the diversion of resources from other activities of the Group. Failure to implement such business initiatives due to any of the foregoing factors could have a material adverse effect on the Group, its financial condition and operating results.

***The Group relies on third-party providers and other suppliers for a number of products (including data and content) and services that are important to its business, including through certain outsourcing arrangements. An interruption or cessation of an important product or service supplied by any third-party, or the loss of an exclusive licence, could adversely affect the Group, its financial condition, operating results and reputation.***

The Group relies on access to certain data used in its business through licences with third- parties, and depend on third-party suppliers for data and content, including data received from certain competitors, clients, various government and public record services venues and financial institutions, that are used in its products and services. Some of this data is provided exclusively from particular suppliers and may not be obtained from other suppliers. The Group also depends on a number of other suppliers, such as online service providers, hosting service and software providers, data processors, software and hardware vendors, banks, local and regional utility providers, and telecommunications companies, for elements of their trading, clearing, settlement, data or risk management services and other systems. If these third-parties were to discontinue providing products or services to the Group for any reason or fail to provide the type of service agreed to, the Group may experience significant disruption to its business and may be subject to litigation by its customers or increased regulatory scrutiny or regulatory fines. The Group's third-party data suppliers will perform audits on it from time to time in the ordinary course of business to determine if data licences for redistribution have been properly accounted for in accordance with the terms of the applicable licence agreement and, as a result of these audits, the Group may incur additional expenses.

The Group outsources certain functions to third-party service providers, including for telecommunications, certain finance and human resources administrative functions, and facilities management and IT services, in order to leverage leading specialised capabilities and achieve cost efficiencies. Outsourcing these functions involves the risk that the third-party service providers may not perform to the Group's standards or legal requirements, may not produce reliable results, may not perform in a timely manner, may not maintain the confidentiality of the Group's proprietary information, or may fail to perform at all. Failure of these third-parties to meet their contractual, regulatory, confidentiality, or other obligations to the Group could result in material financial loss, higher costs, regulatory actions and reputational harm. Outsourcing these functions also involves the risk that the third-party service providers may not maintain adequate physical, technical and administrative safeguards to protect the security of the Group's confidential information and data. Failure of these third-parties to maintain these safeguards could result in unauthorised access to the Group's systems or a system or network disruption that could lead to improper disclosure of confidential information or data, regulatory penalties and remedial costs. Any of the aforementioned could have a material adverse effect on the Group's business, financial condition, operating results and reputation.

***The Group has certain dependencies on Thomson Reuters in relation to the Thomson Reuters News Agreement, content and brand usage, and transitional services, which could result in an adverse impact on the Group, its financial condition, results of operations, reputation and brand.***

The Group has certain dependencies on the Thomson Reuters group in relation to: (i) the Thomson Reuters News Agreement, a long-term news content and relationship agreement in respect of which the Group receives financial and general news content; and (ii) its use of the Reuters brand pursuant to a brand licence from Thomson Reuters. In particular, the Thomson Reuters News Agreement is for a 30-year term (expiring in 2048), with no express rights for either party to terminate these arrangements early. This means that the Group has committed to pay to receive Thomson Reuters content until 2048, at a cost of (subject to upwards adjustment for inflation) no less than US$325 million per annum. The Thomson Reuters News Agreement is described in detail in "*Business—Material Contracts*".

As a result, the integrity of Thomson Reuters' brand and reputation and the content that Thomson Reuters provides, is important to the Group's reputation as a trusted source of information and news and therefore its

ability to attract and retain customers. Certain actions taken by Thomson Reuters, a company that the Group does not control, could potentially have a negative impact on the Group's reputation. Any potential deterioration of the quality of the news and editorial content provided to the Group by Thomson Reuters may negatively impact the value of its products and services provided to its customers. In such circumstances, the Group's contractual rights under the Thomson Reuters News Agreement may not be sufficient to mitigate any resulting negative impact. There is also a risk under the terms of the Thomson Reuters News Agreement that Thomson Reuters may question the Group's performance with respect to the Thomson Reuters Trust Principles, which could impact the Group's continued receipt of news, or that Thomson Reuters may question the Group's adherence to quality control provisions in the Reuters brand licence, which could impact the Group's residual use of the Reuters brand, each of which may adversely affect the Group's financial condition and results of operations.

In addition, the Group is party to a mutual transitional services agreement with Thomson Reuters in respect of the acquisition by the Blackstone Consortium of a 55% interest in Thomson Reuters' financial and risk business (the "**2018 Transaction**" and the "**Thomson Reuters Financial & Risk Business**", respectively), which was renamed Refinitiv after the 2018 Transaction closed on 1 October 2018 (the "**2018 Transaction Closing Date**"). If Thomson Reuters fails to provide transitional services, the Group may not be able to operate its business effectively until it is able to perform these services on its own. Third-party suppliers under the transitional services agreement could also seek to hold the Group responsible for liabilities under the agreement that Thomson Reuters had agreed to retain, and in such circumstances there can be no assurance that indemnity cover from Thomson Reuters in respect of such liabilities will be sufficient to fully protect the Group against such liabilities, or that Thomson Reuters will be able to satisfy its indemnification obligations. Similarly, the Group has obligations to Thomson Reuters under the transitional services agreement and may fail to perform such obligations either in a timely or effective manner or at all, or the Group may fail to migrate away from transitional services or other arrangements with Thomson Reuters by the end of the relevant term, which could lead to liabilities for the Group.

Any of the aforementioned may adversely affect the Group's financial condition, results of operations, reputation and brand.

***The Group is highly dependent on the development and operation of its sophisticated technology and advanced information systems and those of its third-party service providers; any failure of, or disruption to, any of these systems and related development projects could adversely affect the Group.***

The Group's collection, aggregation and distribution of financial data, indices, trade and price information, provision of analytics and risk management services, and provision of markets infrastructure, including platforms for the execution, clearing and settlement, as applicable, of trades on markets, depends on technology that is secure, stable and performs at high levels of availability and throughput at low latency. The Group operates sophisticated technology platforms and service management processes in conjunction with external suppliers (although their products and services will not be reliant upon third-party suppliers for all of their IT development). While such IT development insourcing provides the Group with a significant degree of control, there remains a risk of resource over-stretch to meet both the requirements of the Group and those of third-parties.

To compete effectively, the Group must be able to anticipate and respond, in a timely and effective manner, to the need for new and enhanced technology. The markets in which the Group competes are characterised by rapidly changing technology, evolving industry standards and regulatory requirements, frequent enhancements to existing products and services, the introduction of new services and products and changing customer demands. If the Group's systems are unable to expand to meet increased demand, are disrupted or otherwise fail to perform, the Group's reputation, business and operating results could be impacted. New major IT projects and IT integrations have risks associated with them as well, particularly with regards to migrating products and services to new technological platforms in a safe, resilient and regulatory-compliant manner. New major IT projects and technology migrations (such as data centre relocations and cloud migrations) require significant capital investment and there can be no assurance that such migrations will be completed successfully or in line with allocated budgets. New or upgraded platforms also may not perform as intended or deliver the expected benefits, including, where relevant, increased transaction volumes and lower operating costs. There cannot, therefore, be any assurance that such projects will prove cost-effective and, in such circumstances, the profitability and reputation of the Group, its products and services and its technology brands could be damaged. Furthermore, the flexibility of the Group and its ability to respond to customer needs for services could consequently be disrupted.

Additionally, the Group's ability to provide uninterrupted services is dependent on systems where failure, disruption or capacity limitations could adversely affect the Group's business and reputation. These systems have experienced failures in the past, and it is possible that systems failures will occur in the future. Such failures may arise for a wide variety of reasons, such as software malfunctions, insufficient capacity, including network

bandwidth in particular during peak trading times or periods of unusual market volatility, as well as hardware and software malfunctions or defects, or complications experienced in connection with the operation of such systems, including system upgrades. If the Group's (or its third-party service providers') technology and/or information systems suffer from major or repeated failures, this could interrupt or disrupt its trading, clearing, settlement, index, analytics, data information or risk management services and undermine confidence in the Group's platforms and services, cause reputational damage, impact operating results, cause delays to the integration of the LSEG and Refinitiv businesses, and lead to customer claims, litigation and regulatory action including investigations and sanctions, as well as reputational damage. While the Group has incident and disaster recovery plans, business contingency plans and back-up procedures in place to minimise, mitigate, manage and recover from the risk of an interruption of, or failure to, its critical IT operations, it cannot entirely eliminate the risk of a system failure, interruption or data breach occurring. Further, to the extent that IT systems, cloud-based services or other networks are managed or hosted by third-parties, coordination with such third-parties would be required to resolve any issues, which may mean that any such problems take longer to resolve than if they were managed or hosted by the Group alone.

Following the Refinitiv Acquisition, certain IT systems and supporting functions of LSEG and Refinitiv may be integrated in due course, which will expand the scope and therefore the exposure of the Group's IT systems. If the Group's IT systems suffer from major or repeated failures, this could interrupt or disrupt and/or undermine confidence in the Group's products and services, cause reputational damage, adversely impact operating results and lead to customer claims, litigation and regulatory action including investigations and sanctions, any of which could materially adversely affect the Group's business, prospects, financial condition and results of operations.

***The Group's data, IT systems and networks, and those of its third-party service providers, may be vulnerable to security risks, such as cyber attacks (including cyber fraud), data breach or other leakage of sensitive data, which could adversely affect the Group.***

The Group accumulates, stores and uses certain data that is sensitive, commercially valuable and/or subject to data protection laws in the countries in which it operates. As with all IT dependent companies, the Group's IT systems and networks (whether current or future, or from legacy LSEG and Refinitiv businesses), and those of its third- party service providers, may also be vulnerable to cyber attacks, data breaches, unauthorised access, computer viruses and other security issues (despite regular testing, security reviews and training and awareness campaigns), and such attacks, breaches, access, viruses and other issues may not be detected by the Group. The Group may be an attractive target to persons seeking to circumvent security measures to wrongfully access and use the Group's, its suppliers' or its customers', networks, information and IT systems (including hardware and software), or cause interruptions or malfunctions in their operations. The Group could also be subject to attempts to wrongfully access and use its information and systems, or cause interruptions or malfunctions to its operations. Although the Group has policies and procedures in place and takes measures to protect data and IT systems in accordance with applicable laws, the security measures taken by the Group may ultimately prove inadequate, and it is possible that there may be unauthorised access, loss or leakages in the future, including due to cyber attacks or frauds. Unauthorised access to, loss or leakage of sensitive data, fraud in relation to sensitive data or violation of data protection laws, whether due to cyber attack or otherwise, and cyber attacks more generally, may result in reputational damage, regulatory sanctions, fines, litigation, loss of market share, loss of transaction volumes, loss of customers, loss of revenues or financial losses, any of which could also have a material adverse effect on the Group and its cash flows, financial condition and results of operations.

***Design defects, errors, failures or delays associated with new, modified or upgraded technology, products or services introduced by the Group could negatively impact its business.***

The Group, and in particular its Refinitiv businesses, is heavily reliant on complex technology systems, and relies more on such systems than LSEG did prior to the Refinitiv Acquisition. Despite testing, software, hardware, products and services that the Group provides, develops, licenses or distributes may contain errors or defects when first released/launched or when new updates or enhancements are released that cause the software, hardware, products or services to operate incorrectly or less effectively. Many of the Group's technologies, products and services also rely on data and services provided by third-party providers over which the Group has no control and may be provided to the Group with defects, errors, failures or delay. The Group may also experience delays while developing and introducing new products and services for various reasons, such as difficulties in licensing data inputs or adapting to particular operating environments. Defects, errors, failures or delays in the Group's technology, products or services that are significant, or are perceived to be significant, could result in rejection or delay in market acceptance, damage to the Group's reputation, loss of revenue, a lower rate of licence renewals or upgrades, diversion of development resources, liability claims or regulatory actions, or increases in service and

support costs. The Group may also need to expend significant capital resources to eliminate or work around defects, errors, failures or delays. In each of these ways, the Group's business, financial condition or results of operations and prospects could be materially adversely impacted.

***The Group operates in a business environment that continues to experience significant and rapid technological change. If the Group is unable to continue improving or to successfully develop and implement new technologies, or if the Group or its third-party suppliers or its customers do not commit appropriate resources to developing and implementing new technologies or if the Group's technological investment proves unsuccessful, it could result in a loss of customers.***

The technologies upon which FMI providers such as the Group rely, including those in respect of the collection, aggregation and distribution of data and other content, index, desktop, analytics and risk management services, are subject to ongoing and rapid change (including in relation to a shift to cloud-based resources, the development of distributed ledger technologies and AI). Further, in recent years, electronic trading and customer demand for increased choice of execution methods has grown significantly. These developments entail significant technological, financial and business risks. These risks include the Group failing to provide reliable and cost-effective electronic trading and data services and functionality or user experience on a basis that is comparable to the systems provided by other third-party providers, to attract independent software vendors to write front-end software that will enable access to their electronic trading, data platforms and automated order routing systems and to generate sufficient revenue to justify substantial levels of capital investment in electronic trading and data platforms and clearing and settlement systems. If the Group is unable to anticipate and respond to the demand, industry standards and regulatory requirements for new services, products and technologies in a timely manner or on a cost-effective basis, or to adapt to technological advancements and changing standards, it may be unable to compete effectively.

The adoption of new technologies or market practices, for instance in blockchain or AI, may require the Group to devote additional resources to improve and adapt its services to meet new demand, and there can be no assurance that these investments will be successful or that the Group will be quick enough to react to deploy new solutions. If there is insufficient demand for a new service or customers or third-party suppliers lack the appropriate resources or infrastructure to support new products and trading and clearing functionality developed by the Group, or do not subscribe to new services in a timely manner, new initiatives may be unsuccessful or result in significant losses.

Any failure or delay in developing new technology, or inability to exploit technology as successfully or cost-effectively as competitors, including new market entrants, could result in a decrease in customer demand, which could have a material adverse effect on the Group's business and cash flows, financial condition and results of operations.

***An operational failure in the Group's processes could result in financial losses and reputational damage. If the products or services of the Group contain undetected errors or defects or fail to perform properly or suffer delays, such errors, defects, failures or delays could have a material adverse effect on its business, financial condition or results of operations, brand and reputation.***

The Group's Data & Analytics division collects, aggregates, enriches and distributes data and develops, calculates, markets and distributes indices in a variety of asset classes. As a result, the Group's indices underlie derivative financial instruments of investors, financial market product developers and issuers. Indices (and data forming part of such indices) and other products developed or licensed by the Group may contain miscalculations or undetected errors, and this risk may be heightened where manual processing is required. As a consequence, market participants who use real time price and order-book information or other market moving signals to make their buy or sell decisions and recommendations or require accurate instrument reference data for risk management activities and error-free settlement may base their decisions on miscalculated or erroneous information. Therefore, the Group may be exposed to risks of litigation being brought against it based on such miscalculations or undetected errors which, even if ultimately unsuccessful, could materially adversely affect its reputation and cause disruption to its business, as well as adversely affect its ability to retain and attract customers for its products. Any such events could have a material adverse effect on the Group's cash flows, financial condition and results of operations, brand and reputation.

Although the Group primarily deploys automated data processing, manual data processing is also utilised in relation to certain services, and therefore operator errors or omissions may occur, for example, in relation to the manual input of data, or the incorrect processing of customer instructions in its custody business. In addition, the Group is exposed to operational risks associated with the clearing and settlement of transactions, risk management

methodologies or calculations, the management of collateral (including the management of CCP collateral and collateral investment by custodians), as well as the provision and receipt of routing, netting and settlement services to ensure that cash and securities are exchanged in a timely and secure manner for a multitude of products, particularly where there are manual processes and controls. As a result, the Group remains exposed to the risk of inadequate handling of customer instructions in certain business segments. Further, manual intervention in market and system management is necessary in certain cases. While the Group has procedures and controls in place 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 its business and cash flows, financial condition, results of operations and reputation.

***A failure to protect the Group's proprietary software, data or intellectual property rights, or allegations that the Group has infringed the intellectual property rights or contractual rights of others, could adversely affect the Group, its brands and reputation.***

The Group has brands that are well-recognised globally by customers and within the financial market industry segments and countries in which it operates. Any events or actions that damage the reputation or brands of the Group could adversely affect its business, financial condition, operating results and reputation.

The Group faces risks arising from the unauthorised use of: (i) its proprietary software; (ii) the trademarks, service marks, trade names, database rights, copyright and patents that it owns or licenses for use in its businesses, including rights to use certain indices as the basis for passive funds or financial products; and (iii) its data, including for trading, calculation and benchmarking purposes, (together, the "**Group's IP Assets**"). Although the Group relies on a variety of trademark, copyright, patent, database and trade secrets laws, as well as confidentiality and other contractual arrangements with affiliates, customers, strategic investors and others, to protect its proprietary software, intellectual property and its rights in data, these protections may be inadequate to deter misuse or misappropriation of the Group's IP Assets or to allow the Group to enforce its intellectual property rights. Furthermore, some of the products and processes of the Group may not be subject to intellectual property protection, and competitors of the Group may also independently develop and patent or otherwise protect products or processes that are the same or similar to the products or processes of the Group. Although the Group is currently unaware of the existence of any such matters that are material in the context of the Group as a whole, failure to protect the Group's IP Assets, and any efforts required to defend or enforce intellectual property rights, which may require significant financial and managerial resources, could, individually or in aggregate, affect the ability of the Group to compete effectively and have an adverse effect on the Group's reputation, business, financial condition and operating results.

Additionally, third-parties may assert intellectual property rights claims against the Group, with or without merit, and such claims could divert management resources and be costly to defend or settle. If the Group is unsuccessful in defending such claims, it could be required to pay damages, modify or discontinue its use of technology or business processes, or purchase licences from third-parties, any of which could also have a material adverse effect on the Group's business and cash flows, financial condition, results of operations and reputation.

***The Group has significant defined benefit obligations in respect of pensions arrangements that are affected by factors outside of its control***

The Group has significant defined benefit obligations for certain pension arrangements within its worldwide operations. This includes sizeable defined benefit pension (or similar) plans in the United Kingdom, Guernsey, Germany, Switzerland and the Netherlands and smaller arrangements in other locations, that are affected by factors that are outside of the Group's control, including market factors and changes in legislation. Material arrangements include the London Stock Exchange Group Pension Scheme ("**LSEG Pension Scheme**"), which has two separate sections, the Reuters Pension Fund ("**RPF**") and the Reuters Supplementary Pension Scheme ("**SPS**") in the United Kingdom, the Refinitiv Overseas Pension Plan in Guernsey ("**ROPP**") and the Refinitiv Switzerland Pension Fund in Switzerland. Other than the LSEG Pension Scheme, these defined benefit pension arrangements remain open to future accrual. The trustee of the RPF has a unilateral power to amend the rules of the plan and increase the benefits payable under the RPF, subject to receiving the consent of the scheme actuary (and subject, in the case of increases, to certain restrictions in place until 31 December 2024).

The valuations of obligations for material plans are calculated by independent actuaries and require assumptions in respect of a number of factors including future compensation levels, expected mortality, inflation and demographic statistics, along with the discount rate to measure obligations. These assumptions are reviewed annually. Significant differences in actual experience or significant changes in assumptions may materially affect the Group's valuations of pension obligations and related future expenses. In addition, the performance of equity

and fixed income and other investment markets, which may be influenced by general economic conditions, including interest rates, inflation and currency exchange rates, may impact the funding level of the Group's funded plans and required contributions.

The UK pension plans' trustees are required to undertake triennial valuations of the LSEG Pension Scheme, the RPF and the SPS and agree statutory funding plans with LCH Limited and London Stock Exchange plc (in respect of the LSEG Pension Scheme) and with Refinitiv Limited (in respect of the RPF and SPS) as the sponsoring employers of these plans, although the trustees are free to call for a further valuation on an earlier date if there have been material changes in circumstances and they think necessary. Any future decline in the value of plan assets, changes in mortality and/or morbidity rates, future changes in interest rates, changes in inflation rates or changes in the current investment strategies of the pension plans could increase or contribute to the pension plans' funding deficits and require the Group to make additional funding contributions in excess of those currently expected. As is the case for all formerly contracted-out defined benefit pension plans in the United Kingdom, the liabilities of the LSEG Pension Scheme, the RPF and the SPS, and so the funding level, have been impacted by a High Court decision requiring the impact of unequalised guaranteed minimum pension benefits provided to men and women to be equalised. An allowance has been made for this liability in the 31 December 2019 actuarial valuations in respect of the RPF and SPS and will be made in the next triennial actuarial valuation in respect of each section of the LSEG Pension Scheme. After the most recent actuarial valuations were agreed in respect of the LSEG Pension Scheme, the RPF and SPS, a further judgment was rendered which confirms that the trustees of formerly contracted-out defined benefit pension plans will also be required to equalise guaranteed minimum pension benefits provided to men and women in respect of transfers out of such plans, including historic transfers. This could also impact on the liabilities of, and therefore the funding level of, the LSEG Pension Scheme, the RPF and the SPS.

Refinitiv Limited has agreed the technical provisions basis for the most recent triennial valuation for the RPF and the SPS, which showed a surplus of £39 million for the RPF and a surplus of £18 million for the SPS on the agreed technical provisions basis as of 31 December 2019. The next triennial valuation for the RPF and the SPS will be at 31 December 2022. As the RPF and SPS were in surplus at 31 December 2019, no further deficit repair contributions are currently due or payable.

LSEGA Inc. and Refinitiv UK Parent Limited have provided a guarantee to each of the trustees of the RPF and the SPS on a joint and several basis to cover any employer debt that may arise in relation to the RPF and the SPS under section 75 of the Pensions Act 1995 and any future deficit contributions in accordance with an agreed schedule of contributions, being obligations of Refinitiv Limited. The guarantee provided to the trustee of the RPF is subject to a payment cap of £700 million and the guarantee provided to the trustee of the SPS is subject to a payment cap of £120 million. Both guarantees are limited to a 15-year term from the 2018 Transaction Closing Date.

Refinitiv Limited has also granted a negative pledge to the trustees of the RPF and the SPS, respectively, not to grant security on its assets (or those of its subsidiaries) other than liens in connection with working capital facilities, liens incurred in the ordinary course of business and non-consensual liens.

LCH Limited and London Stock Exchange plc have agreed the technical provisions basis for the most recent triennial valuation for each section of the LSEG Pension Scheme, which showed a combined deficit of £98 million as at 31 December 2017. As part of those valuations, it has been agreed that, until December 2022, annual deficit repair contributions of: (i) £3 million are payable by LCH Limited plc in respect of the section of the LSEG Pension Scheme that it sponsors; and (ii) £14 million are payable by London Stock Exchange plc in respect of the section of the LSEG Pension Scheme that it sponsors. LSEG plc has provided a limited guarantee to the trustee of the LSEG Pension Scheme in respect of those contributions payable by London Stock Exchange plc. The next triennial valuation for each section of the LSEG Pension Scheme is currently underway with an effective date of 31 December 2020 and with a statutory deadline for completion by 31 March 2022.

In certain circumstances, the UK Pensions Regulator has statutory powers to demand contributions or other financial support from companies connected or associated with an employer in a defined benefit pension plan (such as other entities within a group). These are commonly referred to as "moral hazard" powers and enable the UK Pensions Regulator to take action if it considers it is reasonable to do so, including where corporate activity has had a materially detrimental effect on the security of members' benefits in a pension plan. The Group and its connected persons are within the scope of these "moral hazard" powers in respect of the LSEG Pension Scheme, the RPF and the SPS.

The UK Pensions Regulator also has statutory powers to intervene in pension scheme funding if the employers and trustees fail to reach agreement or if it is not satisfied that the statutory funding plans will eliminate the funding deficit in a timely manner.

New legislation has been introduced in the UK which will make changes to the UK regulatory framework governing defined benefit pension schemes by: (i) extending the UK Pension Regulator's powers in relation to its "moral hazard powers"; (ii) clarifying the scheme funding framework; and (iii) introducing a new statutory requirement to comply with some aspects of the UK Pension Regulator's guidance on scheme funding, which could affect the valuation of assets and liabilities of the UK defined benefit plans at their next triennial valuations. The new legislation also introduces new criminal offences for "risking accrued scheme benefits" (where a person engages in an act that they knew or ought to have known would have a materially detrimental effect on the security of members' benefits in a pension plan) and for "avoidance of employer debt" (where a person acts in a way that prevents the recovery of any employer debt which is due to a defined benefit pension scheme or otherwise compromises or settles such a debt), in each case, without "reasonable excuse." The new legislation on criminal offences and extending the UK Pensions Regulator's moral hazard powers is expected to come into force later in 2021 and the legislation on scheme funding is expected to come into force in 2022. The Group and its connected persons (and others, in the case of the criminal offences) will be within the scope of this new legislation in respect of the LSEG Pension Scheme, the RPF and the SPS.

The defined benefit plans operated in Germany, Switzerland and the Netherlands had a combined deficit of £65 million measured on a U.S. GAAP basis as at 31 December 2020. The ROPP had a surplus of £2 million measured on a U.S. GAAP basis at 31 December 2020.

Any of the foregoing could have an adverse effect on the Group's business, results, financial condition and prospects.

***The Group is subject to litigation risks and other liabilities.***

The Group is exposed to litigation risks, including in relation to allegations of the misuse of the data and intellectual property of others, employment and competition matters and defamation claims as well as other commercial disputes. Some of this litigation risk arises under laws and regulations relating to tax, anti- money laundering, foreign asset controls, foreign corrupt practices, privacy and data use and dissemination, and this litigation risk could increase as a result of the Group's diversification of its customer base and geographic presence, including to more litigious jurisdictions like the U.S. These risks also include potential liabilities arising from defects in the Group's index or data services, claims in relation to the use or management of personal data held by the Group, or disputes over the terms of a securities trade, or from claims that a system or operational failure or delay caused monetary losses to a customer, as well as potential liability from claims relating to facilitation of unauthorised transactions or materially false or misleading statements in connection with a transaction on the Group's trading venues. Claims may arise against the Group's service providers regarding quality of trade execution, improperly cleared or settled trades, default management mismanagement, or even fraud. Despite deploying measures seeking to minimise these risks, any such litigation (either individually or in the aggregate) could be lengthy and costly, and could result in the expenditure of significant financial and management resources, which could adversely affect the Group's business and cash flows, financial condition and results of operations. See "*Business of the Group—Legal and other proceedings*" for details in respect of the Group's material litigation.

***The Group may not always successfully manage actual or potential conflicts of interest that arise in its business.***

The Group increasingly has to manage actual or potential conflicts of interest, including situations where its services to a particular client conflict, or are perceived to conflict, with the interests of another client, as well as situations where certain employees of the Group have access to material non-public information that may not be shared with all employees of the Group. Failure to adequately address potential conflicts of interest could adversely affect the Group's reputation, operating results and business prospects.

The Group has procedures and controls that are designed to identify and mitigate conflicts of interest, including those designed to prevent the improper sharing of information. However, appropriately managing conflicts of interest is complex and difficult. The Group's reputation could be damaged and the willingness of clients to enter into transactions in which such a conflict might arise may be affected if the Group fails, or appears to fail, to deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions.

***The Group is exposed to fluctuations in foreign exchange rates and interest rates.***

The Group uses sterling as its reporting currency for the purposes of its consolidated accounts and other financial reports, and the subsidiaries of the Group will continue to use their existing functional currencies for the purposes of their accounts and other financial reports, including the Refinitiv companies acquired in respect of the Refinitiv Acquisition.

The results of such entities will be converted into sterling for the purposes of consolidation in the Group's accounts. Changes in the foreign exchange rates of the various functional currencies of the Group's subsidiaries (in particular the Euro and the U.S. dollar) as against sterling could have an adverse impact on the Group's reported results. In addition, since the Group conducts operations in a number of different countries, including in Europe, the U.S. and Asia, a substantial portion of its assets, liabilities, revenues and expenses are denominated in Euros, U.S. dollars and other currencies, and its businesses are exposed to foreign exchange rate fluctuations. Such exposure will continue and may be increased by the multiple currency conversions that will take place as a result of transactions between subsidiaries of the Group located in different jurisdictions. There can be no assurance that the Group will be able to successfully mitigate these risks and, accordingly, changes in foreign exchange rates could have an adverse effect on the value of the Group's business, financial condition and operating results.

In addition, the Group is exposed to interest rate fluctuations, in particular in connection with cash investments, marketable securities, deposits of cash and cash equivalents or debt (including in relation to the US$9.325 billion and €3.580 billion term facilities agreement entered into by LSEG and certain of its subsidiaries on 1 August 2019 with Barclays Bank PLC as Agent (the "**Bridge Facility**"), or any longer-term financing which replaces the Bridge Facility), as well as through corporate transactions and CCP collateralised investments. Subject to any applicable restrictions, the Group may use derivative financial instruments and/or hedging arrangements with the aim of reducing some of the negative impacts that could result from fluctuations in these rates. However, the Group's assumptions and assessments with regard to the future development of these rates and the chosen level of risk avoidance or risk tolerance will have a substantial impact on the success or failure of its hedging policies. Accordingly, there can be no assurance that the Group will be successful in managing and mitigating the impact of interest rate fluctuations, which could have a material adverse effect on the Group's business, financial condition and operating results.

***If the Group's goodwill or intangible assets become impaired, the Group may be required to record a significant charge to earnings.***

Under International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2020 as it applies in the European Union ("**IFRS**"), the Group reviews its amortisable intangible assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill and intangible assets are tested for impairment at least annually, and are also tested when factors arise that may be considered a change in circumstances indicating that the carrying value of the goodwill or intangible assets may not be recoverable, such as a decline in stock price and market capitalisation, reduced future cash flow estimates, and slower growth rates in the relevant business. Accordingly, the Group may be required to record a significant charge in its financial statements during the period in which any impairment of its goodwill or intangible assets is determined, and it cannot be ruled out that it may need to do so in respect of the goodwill or intangible assets of Refinitiv. The Group cannot guarantee that impairment charges will not be necessary on goodwill or other intangible assets on any future balance sheet date particularly in the event of a substantial deterioration of the Group's future prospects or general economic conditions. In addition, any goodwill arising from the Refinitiv Acquisition accounted for by the Group may be subject to impairment, and it may be required to record a significant charge in its financial statements. If impairment charges are incurred, this could have a material adverse effect on the Group's financial condition.

***Changes in and the complexity of tax law may adversely affect the Group.***

The Group operates in a large number of jurisdictions and has a material presence in the U.S. The tax rules to which the Group is subject, including in the U.S., are increasingly complex. The members of the Group must make judgements as to the interpretation and application of these rules.

Changes in tax law (including tax rates), tax treaties, accounting policies and accounting standards, including as a result of the Organisation for Economic Co-Operation and Development's review of base erosion and profit shifting, the EU's anti-tax abuse measures, and proposals in a number of jurisdictions to introduce digital services taxes, combined with increased investments by governments in the digitisation of tax administration, could result

in an increased tax burden for the Group and increased levels of audit activity, investigations, litigation or other actions by relevant tax authorities.

Under audit, tax authorities may disagree with the interpretation and/or application of relevant tax rules by the members of the Group. A challenge by the tax authorities in these circumstances might require members of the Group to incur costs in connection with litigation or in reaching settlement and, if the tax authority's challenge is successful, could result in additional taxes (perhaps with interest and penalties) being assessed on members of the Group. This could increase the amount payable in respect of tax by the members of the Group and may additionally, given the current political and economic environment in relation to tax liabilities of multinational companies, cause reputational damage to the Group. Where a member of the Group disputes with a tax authority tax alleged to be due, provision may be made in relation to such dispute. Such provision may not cover the actual costs and/or liabilities suffered in relation to such dispute, resulting in an adverse effect on the Group.

For example, as discussed in note 6 of LSEG's interim results for the six months ending on 30 June 2020, on 25 April 2019, the European Commission's final decision regarding its investigation into the UK's controlled foreign company regime was published. It concluded that the group financing exemption in UK legislation in place to December 2018 was in partial breach of EU state aid rules. The UK government and certain taxpayers are currently appealing this decision, but in the meantime (in accordance with EU state aid rules) HMRC has begun the process of recovering the alleged aid from taxpayers. Like many other multinational groups that have acted in accordance with this UK legislation, the Group may be adversely affected by these proceedings and the final outcome of the ongoing appeals against the decision of the European Commission.

***The Group may be affected by the proposed introduction of an EU financial transaction tax ("FTT") and/or a tax on high frequency trading.***

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a participating Member State). However, Estonia has since stated that it will not participate.

In January 2017 it was suggested by a member of the European Commission that a draft text for the FTT could be ready by mid-2017, however no such draft was published.

The Commission's Proposal had a very broad scope: under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of participating member states of the EU ("**Member States**"), and could apply to various types of financial instrument.

In June 2019, the Economic and Financial Affairs Council of the European Union again discussed the possibility of moving forward with the FTT. The most recent proposal is for the FTT to apply (more narrowly than was envisioned by the Commission's Proposal) to acquisitions of shares of listed companies which are headquartered in participating Member States. It was suggested that agreement on an FTT might be reached in Autumn 2019, though no agreement has yet been published.

The FTT proposal and the scope of any such tax remains subject to negotiation between participating Member States and additional Member States may also decide to participate. It is therefore not possible to predict what effect the proposed FTT might have on the Group. The tax could adversely affect the business of the Group, as it might, for example, increase costs of trading or clearing in the markets in which it operates and for this or other reasons cause: (i) a decrease in trading or clearing volumes; and/or (ii) a shift of trading to foreign markets outside Europe, either of which might lead to a fall in demand for the Group's trading and clearing services, which may impact the Group's market share or pricing structures. Taxes on high frequency trading which may be introduced in the future may similarly affect the Group's business, financial condition and operating results.

## FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

***Risks related to the structure of a particular issue of Notes.***

A wide range of Notes may be issued under the Programme. A number of such Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

*General*

If an investor chooses to sell its Notes issued under the Programme in the open market at any time prior to the maturity of the Notes, the price the investor will receive from a purchaser may be less than its original investment, and may be less than the amount due to be repaid at the maturity of the Notes if an investor were to hold onto the Notes until that time. Factors that will influence the price received by investors who choose to sell their Notes in the open market may include, but are not limited to, market appetite, inflation, the period of time remaining to maturity of the Notes, prevailing interest rates and the financial position of the relevant Issuer and the Group.

*Intra Group payment of dividends and distributions*

LSEG plc is a holding company with no material assets other than its equity interests in its subsidiaries. Almost all of LSEG plc's operations are carried out through its operating subsidiaries. LSEG plc's principal source of income is, and its ability to meet its financial obligations is therefore dependent upon the level of, dividends, loan repayments, distributions and other intercompany transfers of funds it receives from its operating subsidiaries. There is no contractual obligation for its operating subsidiaries to make regular dividend payments to LSEG plc. In addition, the ability of the directors of a subsidiary of LSEG plc to declare dividends or the amount of dividends they may pay will depend on the relevant company's operating results and will be subject to applicable laws and regulations. Claims of creditors of LSEG plc's subsidiaries have priority as to the assets of such subsidiaries to the claims of LSEG plc. Consequently, the claims of the holders of Notes issued by LSEG plc are structurally subordinated, in the event of the insolvency of LSEG plc's subsidiaries, to the claims of the creditors of LSEG plc's subsidiaries.

*LSEG Netherlands and LSEGA are finance vehicles and do not have separate operating businesses*

LSEG Netherlands and LSEGA, which are each wholly owned subsidiaries of LSEG plc, each have no operating activities so are reliant upon inter-company loans and interest from LSEG plc (and other subsidiaries of LSEG plc) in order to satisfy their respective payment obligations under the Notes. It is intended that proceeds from Noteholders received by LSEG Netherlands and LSEGA (as applicable) in respect of Notes issued by either of them will be lent to LSEG plc (or other subsidiaries of LSEG plc) as inter-company loans and that funds received from such loans will be used by LSEG Netherlands and LSEG plc (as applicable) to fund payments due to Noteholders. In circumstances where one or more of the risks referred to herein arises and adversely affects the business, financial condition or operational results of any member of the Group there may in turn be an adverse effect on the ability of that member of the Group to make dividend and/or interest payments to LSEG plc and/or on the ability of LSEG plc or the relevant member of the Group to make interest payments to LSEG Netherlands and LSEGA (as applicable), so as to enable LSEG plc, LSEG Netherlands and LSEG (as applicable), to satisfy their respective payment obligations under the Notes, or, as the case may be, under the Guarantee.

*Fixed Rate Notes bear interest at a fixed rate, which may affect the secondary market value and/or the real value of the Notes over time due to fluctuations in market interest rates and the effects of inflation*

Fixed Rate Notes bear interest at a fixed rate. Investors should note that (i) if interest rates start to rise then the income to be paid by the Notes might become less attractive and the price the investors get if they sell such Notes could fall. However, the market price of the Notes has no effect on the interest amounts due on the Notes or what investors will be due to be repaid on the Maturity Date if the Notes are held by the investors until they expire; and (ii) inflation will reduce the real value of the Notes over time which may affect what investors can buy with their investments in the future and which may make the fixed interest rate on the Notes less attractive in the future.

*If the relevant Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing market rates.

*If the relevant Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

*There are risks that certain benchmark rates may be administered differently or discontinued in the future, including the potential phasing-out of EURIBOR, which may adversely affect the trading market for, value of and return on, Notes based on such benchmarks*

The Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds was published in the Official Journal of the EU on 29 June 2016 and became applicable from 1 January 2018. The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation forms part of UK domestic law by virtue of the EUWA (the "**UK Benchmark Regulation**") and among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmark Regulation (as applicable) could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation and/or UK Benchmark Regulation (as applicable), and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to such benchmark; (ii) trigger changes in the rules or methodologies used in the benchmarks or (iii) lead to the disappearance of the benchmark.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**")

as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the EU Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of the EURIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 7(j) (*Benchmark Discontinuation*)), or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The Conditions provide for certain fallback arrangements in the event that a published benchmark, such as EURIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Conditions), the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the UK Benchmark Regulation and EU Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

***Risks related to Notes generally.***

Set out below is a brief description of certain risks relating to the Notes generally:

*The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders*

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the conditions of the Notes or any of the provisions of the Trust Deed or (ii) determine that any condition, event or act which, but for such determination, would constitute an Event of Default (as defined in the Trust Deed), shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under any Notes in place of the relevant Issuer or the Guarantor, in the circumstances described in Condition 17.

In addition, pursuant to Condition 7(j), certain changes may be made to the interest calculation provisions of Floating Rate Notes in the circumstances set out in Condition 7(j), without the requirement for consent of the Noteholders.

*Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination (as defined in Condition 1) plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a nominal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

*The value of the Notes could be adversely affected by a change in English law or administrative practice*

The Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

*Notes in book-entry form will be subject to the rules of DTC, Euroclear or Clearstream, Luxembourg (as applicable) respectively, which may not be adequate to ensure the owners their timely exercise of rights under the Notes*

Notes will initially only be issued in global form and deposited with a Common Safekeeper or Common Depositary for DTC, Euroclear or Clearstream, Luxembourg, as applicable. Interests in the Global Notes and Global Note Certificates will trade in book-entry form only. The Common Safekeeper or Common Depositary, or its nominee, for DTC, Euroclear or Clearstream, Luxembourg as applicable will be the sole holder of the Global Notes and Global Note Certificates representing the Notes. Accordingly, owners of book-entry interests must rely on the procedures of DTC, Euroclear or Clearstream, Luxembourg, as applicable, and non-participants in DTC, Euroclear or Clearstream, Luxembourg as applicable, must rely on the procedures of the participant through which they own their interests, to exercise any rights and obligations of a holder of Notes.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the relevant Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. The procedures to be implemented through DTC, Euroclear and Clearstream, Luxembourg, as applicable, may not be adequate to ensure the timely exercise of rights under the Notes.

*Additional Notes issued in further issues of Notes by the Issuer may not be fungible for U.S. federal income tax purposes with previously issued Notes in the same Series.*

Additional Notes (as described under "*Terms and Conditions—Further Issues*") may not be fungible for U.S. federal income tax purposes with previously issued Notes in the same Series. Whether any Additional Notes would be fungible for U.S. federal income tax purposes with previously issued Notes in the same series will depend on whether the issuance of such Additional Notes would be treated as a "qualified reopening" for such purposes. This determination will depend on facts that cannot be determined at this time, including the date when the Additional Notes are issued, the yield of the outstanding Notes of the same Series at that time (based on their fair market value), whether the outstanding Notes were issued with more than a statutory de minimis amount of original issue discount ("**OID**") and whether such outstanding Notes are publicly traded or quoted at the time of the issuance of the Additional Notes. If the issuance of Additional Notes is not a qualified reopening of the previously issued Notes of the same Series and the Additional Notes are issued with OID (or a greater amount of OID, if any, than the previously issued Notes) the market value of the then outstanding Notes of the same Series may be adversely affected unless the Additional Notes can be distinguished from the previously issued Notes in the same Series.

***Risks related to the market generally.***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. There is no guarantee of what the market price for selling or buying the Notes will be at any time. If prevailing market conditions reduce market interest in the Notes, the availability of a market price may be impaired. Moreover, if trading actively levels are low, this may severely and adversely impact the price that an investor would receive if it wishes to sell its Notes.

*If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes*

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency (as defined in Condition 1). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Credit ratings assigned to the Issuers and/or Guarantor or any Notes may not reflect the risks associated with an investment in those Notes*

One or more independent credit rating agencies may assign credit ratings to the Issuers, Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third-country non-UK credit rating agencies, third-country credit ratings can either be: (i) endorsed by a UK registered credit rating agency; or (ii) issued by a third-country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third-country ratings, for a certain limited period of time, transitional

relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

*The yield associated with Fixed Rate Notes will differ according to the price at which the Notes are purchased*

The indication of yield stated within the Final Terms of the Notes applies only to investments made at (as opposed to above or below) the issue price of the Notes. If an investor invests in Notes issued under the Programme at a price other than the issue price of the Notes, the yield on the investment will be different from the indication of yield on the notes as set out in the Final Terms of the Notes.

## FINAL TERMS, SUPPLEMENTS AND NEW OFFERING CIRCULARS

In this section the expression "**Necessary Information**" means, in relation to any Tranche of Notes, the Necessary Information which is material to an investor for making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuers and Guarantor, of the rights attaching to the Notes and the reasons for the issuance and its impact on the relevant Issuer. In relation to the different types of Notes which may be issued under the Programme the Issuers and Guarantor have included in this Offering Circular all of the Necessary Information except for information relating to the Notes which is not known at the date of this Offering Circular and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Offering Circular and which is required in order to complete the Necessary Information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Offering Circular. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Offering Circular in which case such information, together with all of the other Necessary Information in relation to the relevant series of Notes, may be contained in a Drawdown Offering Circular.

*Final Terms*

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Offering Circular and must be read in conjunction with this Offering Circular. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as completed to the extent described in the relevant Final Terms.

*Drawdown Offering Circulars*

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Offering Circular will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Offering Circular. In the case of a Tranche of Notes which is the subject of a Drawdown Offering Circular, each reference in this Offering Circular to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Circular unless the context requires otherwise.

*Supplemental Offering Circulars*

The Issuers and Guarantor have undertaken, in connection with the admission of the Notes to the Official List and to trading on the Regulated Market of any issue of Notes, that, if there shall occur between the time when this Offering Circular is approved and the final closing of any offer of Notes to the public, or as the case may be, the time when trading on the Regulated Market begins, any significant new factor, material mistake or material inaccuracy relating to information included in this Offering Circular for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuers and Guarantor and the rights attaching to the Notes, the Issuers and Guarantor shall prepare a supplement to this Offering Circular or publish a replacement offering circular for use in connection with any subsequent issue by any Issuer of Notes and will supply to each Dealer and the Trustee such number of copies of such supplement hereto or replacement offering circular as such Dealer and Trustee may reasonably request. The Issuers and Guarantor will also make copies of such supplement hereto or replacement offering circular available, free of charge, upon oral or written request, at the specified offices of the Paying Agents and in respect of Registered Notes, the relevant Registrar and the Transfer Agent.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, in any material respect, the Issuer shall prepare a supplement to this Offering Circular or publish a replacement offering circular for use in connection with any subsequent issue by the relevant Issuer of Notes.

If at any time the Issuers and Guarantor shall be required to prepare a supplementary offering circular, the Issuers and Guarantor shall prepare and make available an appropriate supplement to this Offering Circular or a further offering circular which, in respect of any subsequent issue of Notes to be admitted on the Official List and trading on the Regulated Market, shall constitute a supplementary offering circular.

# PRESENTATION OF FINANCIAL AND OTHER INFORMATION

## HISTORICAL FINANCIAL INFORMATION

The Group was formed on 29 January 2021 as a result of the Refinitiv Acquisition. LSEG plc is currently the holding company of the Group.

### LSEG

Unless otherwise stated, financial information relating to LSEG presented in this Offering Circular has been extracted without material adjustments from the audited consolidated financial statements of LSEG as at and for the financial years ended 31 December 2020 (the "**LSEG 2020 Financial Statements**"), 2019 (the "**LSEG 2019 Financial Statements**") and 2018 (the "**LSEG 2018 Financial Statements**" and collectively, the "**LSEG Financial Statements**"), each of which has been prepared in accordance with IFRS and included in Annex 1 (*LSEG Financial Statements*) to this Offering Circular.

The LSEG Financial Statements have been prepared in pounds sterling.

### Refinitiv

Unless otherwise stated, financial information relating to Refinitiv presented in this Offering Circular has been extracted without material adjustments from the combined historical financial information of Refinitiv as at and for the financial years ended 31 December 2020 (the "**Refinitiv 2020 Financial Statements**") and 2019 and as at and for the twelve months ended 31 December 2018 (collectively, the "**Refinitiv Historical Financial Information**"), which has been included in Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular.

Save for, as disclosed in the subsequent paragraph, the combined historical financial information of Refinitiv as at and for the financial years ended 31 December 2020, 2019 and 2018 have been prepared in accordance with IFRS on the basis of accounting policies which are consistent with those adopted by LSEG in the LSEG Financial Statements. See Note 1 in Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular.

As the 2018 Transaction closed on 1 October 2018, the combined income statement and cash flow statement information of Refinitiv for the twelve months ended 31 December 2018 is a combination of historical financial information of: (i) the Thomson Reuters Financial & Risk Business for the period from 1 January 2018 to 30 September 2018 (the "**predecessor period**") and (ii) Refinitiv for the period from 1 October 2018 to 31 December 2018 (the "**successor period**"). The combined financial information for the predecessor period was prepared on a stand-alone basis and was derived from the historical consolidated financial statements and accounting records of Thomson Reuters. Consequently, the operating results of the successor period are not comparable in certain respects to the operating results of the predecessor period. Under IFRS, Refinitiv was required to present separately its operating results for the predecessor and the successor periods. However, for the purposes of this Offering Circular, the Group has supplemented Refinitiv's predecessor and successor period reporting with combined operating results for the twelve-month period ended 31 December 2018 to facilitate a comparative discussion. Refinitiv's income statement and cash flow information for the combined twelve-month period ended 31 December 2018 is not required by or presented in accordance with IFRS and has not been prepared as pro forma results. It is a simple addition of the operating results for the predecessor and successor periods and does not include any forms of adjustment related to such periods. As a result, such financial information may not be comparable with Refinitiv's financial information for the financial years ended 31 December 2020 and 2019. See Note 1 in Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular.

The Refinitiv Historical Financial Information has been prepared in U.S. Dollars.

### Presentation of Consolidated and Combined Income Statement Data

The LSEG Financial Statements and the Refinitiv Historical Financial Information present their respective consolidated or combined income statement data on (i) an "underlying"; (ii) a "non-underlying"; and (iii) "total" basis (which is the sum of (i) and (ii)). Consistent therewith, the sections entitled "*Selected Financial Information—Selected Consolidated Historical Financial Information of LSEG*" and "*Selected Financial Information—Selected Combined Historical Financial Information of Refinitiv*" of this Offering Circular present LSEG's and Refinitiv's respective income statement data in "underlying", "non-underlying" and "total" formats. However, the section entitled "*Operating and Financial Review*" discusses LSEG's and Refinitiv's historical

financial results solely in "underlying" format to better reflect the historic performance of their respective businesses.

**Adoption of IFRS 16**

On 1 January 2019: (i) LSEG adopted IFRS 16 'Leases' and the impact thereof has been reflected through transition adjustments to LSEG's opening retained earnings as at 1 January 2019, as presented in its consolidated statement of changes in equity; and (ii) for the purposes of preparation of the Refinitiv Historical Financial Information, Refinitiv adopted IFRS 16 'Leases' and the impact thereof has been reflected through transition adjustments to Net Parent Investment as at 1 January 2019. IFRS 16 'Leases' superseded IAS 17 'Leases' and provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. Both LSEG and Refinitiv have chosen the modified retrospective approach to IFRS 16. Consequently, none of LSEG or Refinitiv has restated the comparative financial information for the year ended 31 December 2018, which continues to be reported under IAS 17.

Adoption of IFRS 16 'Leases' has resulted in certain numbers presented in this Offering Circular as at and for the years ended 31 December 2020 and 2019 not being directly comparable with numbers reported in similar line items as at or for the year ended 31 December 2018 and the addition of certain new line items. See "*Operating and Financial Review—Key Factors Affecting Comparability of Results Across Periods—Adoption of IFRS 16*".

**Segmental financial information**

The Group currently operates three segments: (i) "Data & Analytics"; (ii) "Capital Markets"; and (iii) "Post Trade". The Group records revenue that falls outside of these segments, including revenue from events and media services, as "Other Revenue" and income from other sources, such as from subletting property, as "Other Income".

Prior to the completion of the Refinitiv Acquisition, LSEG operated four segments: (i) "Information Services"; (ii) "Post Trade"; (iii) "Capital Markets"; and (iv) "Technology Services" (which supported each of its three main business segments). LSEG recorded revenue that fell outside of these segments, including revenue from events and media services, as "Other Revenue".

The "Post Trade" segment was created as at 1 January 2020, due to LSEG's realignment of its segmental reporting to reflect management structure changes. Prior to 1 January 2020, the businesses that fell under the "Post Trade" segment were split into the following segments: "Post Trade Services—LCH" and "Post Trade Services—CC&G and Monte Titoli." and the relevant Net Treasury Income associated with each business. Additionally, UnaVista was included in the "Information Services" segment. Therefore, the segmental results of operations for the year ended 31 December 2020 may not be directly comparable with segmental results of operations for prior periods.

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

In this Offering Circular, any reference to "pro forma" financial information of the Group is to information which has been extracted without material adjustments from the unaudited pro forma financial information contained in the section entitled "*Unaudited Pro Forma Financial Information of the Group*" (the "**Unaudited Pro Forma Financial Information**"). The Unaudited Pro Forma Financial Information is based on the historical financial information of LSEG as at and for the year ended 31 December 2020 contained in the LSEG 2020 Financial Statements included in Annex 1 (*LSEG Financial Statements*) to this Offering Circular and the Refinitiv 2020 Financial Statements included in Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular. The Unaudited Pro Forma Financial Information has been prepared in accordance with Annex 20 of Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129, as it forms part of retained European Union law in the United Kingdom as defined in the EUWA.

The Unaudited Pro Forma Financial Information is presented in sterling, the reporting currency of the Group. The unaudited pro forma income statement of the Group has been prepared to illustrate the effect on the results of operations, of the Group as if the Refinitiv Acquisition and the Borsa Italiana Divestment had taken place on 1 January 2020. The statement of net assets has been prepared to illustrate the effect on the net assets of the Group as if the Refinitiv Acquisition and the Borsa Italiana Divestment had taken place on 31 December 2020.

The Unaudited Pro Forma Financial Information presented in this Offering Circular does not constitute financial statements within the meaning of Section 434 of the Companies Act. The Unaudited Pro Forma Financial Information does not purport to represent what the Group's financial position and results of operations actually would have been if the Refinitiv Acquisition had been completed on 31 December 2020 and 1 January 2020,

respectively, nor does it purport to represent the results of operations for any future period or the financial condition of LSEG, Refinitiv or the Group as at any future date. In addition to the matters noted above, the Unaudited Pro Forma Financial Information does not reflect the effect of anticipated synergies and efficiencies associated with the Refinitiv Acquisition.

Financial data in this Offering Circular has been extracted without material adjustments, or derived, from the Unaudited Pro Forma Financial Information, the Group's accounting records or its internal management reporting systems or derived from the LSEG Financial Statements or the Refinitiv Historical Financial Information, as applicable.

**ALTERNATIVE PERFORMANCE MEASURES**

To supplement the Unaudited Pro Forma Financial Information, the LSEG Financial Statements or the Refinitiv Historical Financial Information, as applicable, this Offering Circular contains certain "Alternative Performance Measures" ("**APMs**"). An APM is defined as a financial measure that measures historical or future financial performance, financial position or cash flows, but which excludes or includes amounts that would not be so excluded or included in the most comparable IFRS measures. Management relies on these APMs for decision-making and for evaluating the performance of the Group. The Directors believe that these and similar measures are also used widely by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

An explanation of the relevance of each APM and their limitations is set out below. Reconciliations of the APMs to the most directly comparable measures calculated and presented in accordance with IFRS are contained in the section entitled "*Selected Financial Information—Other Financial Data and Ratios—Non-IFRS financial information*". The Group does not regard these non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS.

These APMs include the following:

- **Gross borrowings** are the sum of current and non-current borrowings as at the relevant date, excluding lease liabilities.
- **Net derivative financial liabilities** are the market valuations of derivative positions that are a loss at the valuation point.
- **Net debt** is gross borrowings *less* cash and cash equivalents and net derivative financial liabilities.
- **Regulatory and operational cash** is cash set aside to support regulatory and certain operational requirements.
- **Operating net debt** is net debt *excluding* regulatory and operational cash.
- **Underlying EBITDA** is consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation, foreign exchange gains or losses and non-underlying items, prorated for acquisitions or disposals undertaken in the year. A reconciliation of LSEG's Underlying EBITDA to its profit for the year is presented in "*Selected Financial Information—Other Financial Data and Ratios—Non-IFRS financial information—LSEG*". A reconciliation of the Group's Underlying EBITDA to its profit/(loss) from operations is presented in "*Selected Financial Information—Other Financial Data and Ratios—Non-IFRS financial information—Group*".
- **Underlying EBITDA margin** is Underlying EBITDA as a percentage of total income.
- **Net leverage ratio** is the ratio of operating net debt to Underlying EBITDA.
- **Post-Divestment Underlying EBITDA** is Underlying EBITDA of the Group, adjusted for the impacts of the Borsa Italiana Divestment. A reconciliation of the Group's Post-Divestment Underlying EBITDA to its profit/(loss) from operations is presented in "*Selected Financial Information—Other Financial Data and Ratios—Non-IFRS financial information—Group*".
- **Post-Divestment Underlying EBITDA margin** is Post-Divestment Underlying EBITDA as a percentage of total income.

- **Post-Divestment net leverage ratio** is the ratio of operating net debt to Post-Divestment Underlying EBITDA.
- **Refinitiv's capital expenditure** is derived from the sum of purchase of property, plant and equipment and purchase of intangible assets.

The APMs included in this Offering Circular are not in accordance with or an alternative to measures prepared in accordance with IFRS. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. APMs as presented in this Offering Circular may not be comparable to similarly titled measures reported by other companies in the same sector as the Group.

The Group believes that these APMs, when considered in conjunction with IFRS measures, enhance investors' and Management's overall understanding of the Group's financial performance. In addition, because the Group has historically reported certain non-IFRS results to investors, it believes the inclusion of APMs provides consistency in its financial reporting.

### ROUNDING

Certain figures included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

### CURRENCIES

Unless otherwise indicated, all references in this Offering Circular to "sterling", "GBP", "£", "pence" or "p" are to the lawful currency of the United Kingdom; references to "EUR", "Euro" or "€" are to the official currency of the Eurozone; and references to "U.S. Dollars", "USD", "US$" or "$" are to the lawful currency of the United States.

### NO PROFIT FORECASTS OR ESTIMATES

No statement in this Offering Circular is intended to be or is to be construed as a profit forecast or estimate for any period.

### QUANTIFIED SYNERGY BENEFITS

Statements of identified synergies and estimated cost savings relate to future actions and circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the identified synergies and estimated cost savings referred to in this Offering Circular may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.

### TIME OF DAY

Unless otherwise indicated, all references in this Offering Circular to time of day are references to London time.

## DIRECTORS, COMPANY SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

| | | |
|---|---|---|
| **Directors of the Group:** | Don Robert | Chair |
| | David Schwimmer | Chief Executive Officer |
| | Anna Manz | Chief Financial Officer |
| | Stephen O'Connor | Senior Independent Director |
| | Jacques Aigrain | Non-Executive Director |
| | Dominic Blakemore | Non-Executive Director |
| | Professor Kathleen DeRose | Non-Executive Director |
| | Cressida Hogg CBE | Non-Executive Director |
| | Dr. Val Rahmani | Non-Executive Director |
| | Martin Brand | Non-Executive Director |
| | Douglas Steenland | Non-Executive Director |
| | Erin Brown | Non-Executive Director |
| **Company Secretary of the Group:** | Lisa Condron | |
| **Registered Office of the Group:** | 10 Paternoster Square<br>London EC4M 7LS | |
| **Legal Advisers to the Group as to English and U.S. law:** | Freshfields Bruckhaus Deringer LLP<br>100 Bishopsgate<br>London EC2P 2SR | |
| **Legal Advisers to the Dealers as to English and U.S. law:** | Linklaters LLP<br>One Silk Street<br>London EC2Y HQ | |
| **Reporting Accountants to the Group:** | Ernst & Young LLP<br>25 Churchill Place<br>Canary Wharf<br>London E14 5EY ("**E&Y**")<br><br>PricewaterhouseCoopers LLP<br>1 Embankment Place<br>London WC2N 6RH | |
| **Independent auditors to LSEG:** | Ernst & Young LLP<br>25 Churchill Place<br>Canary Wharf<br>London E14 5EY | |
| **Reporting Accountants to Refinitiv:** | PricewaterhouseCoopers LLP<br>1 Embankment Place<br>London WC2N 6RH | |

## INDUSTRY, COMPETITION, REGULATORY AND LEGAL FRAMEWORK

The following information has been provided for background purposes only. The information has been extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as the Group is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### INDUSTRY OVERVIEW

As a global FMI and data leader, the Group provides a range of services operating across the financial markets value chain. This set of products and services are categorised into four value chain segments: (i) capital formation and issuance; (ii) pre-trade and liquidity discovery; (iii) trade execution, and (iv) post trade and capital optimisation.

#### *Capital formation and issuance*

This segment includes offerings which support both public and private companies in raising capital in a manner most suitable for their individual financing needs, enabling issuers to raise equity or debt efficiently, and increase their visibility with a wide group of customers and investors. This segment also includes a broad range of data, analytics and workflow solutions which are targeted at supporting issuers, intermediaries and investors in the capital raising process. The Group's Capital Markets division provides primary and secondary listing services through the London Stock Exchange and Borsa Italiana to companies and government entities which are seeking to have their securities admitted to trading, as well as providing issuer services for these entities. Listing and admission to trading are necessary pre-conditions to the trading of securities on an exchange. Listing securities on an exchange is one of the numerous options available to businesses seeking to raise primary capital and to investors seeking to monetise the value in their shares through the secondary markets. Through ELITE, the Group also provides corporates considering a potential future listing access to a network of entrepreneurs, advisors, investors and key stakeholders focusing on the provision of business support for Small and Medium-Size Enterprises ("**SMEs**"). See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment, of which Borsa Italiana and ELITE will form a part.

#### *Pre-trade and liquidity discovery*

This segment includes a broad range of data, analytics and workflow solutions to support investment decision making, capital allocation and performance benchmarking activities. Pre-trade information services include real time and trading data (for example, order book information, price data and trading volumes and statistics), non-real time data feed services (including pricing, reference and valuation data products), news and research services and the development, calculation and dissemination of indices and benchmark rates. These products and services are used by a broad range of market participants, including trading professionals, investment managers, wealth managers and risk and compliance professionals.

The Group's Data & Analytics division provides its clients with a range of leading information and data products including content (both real-time and non-real-time data), pricing and reference services, and indices, benchmarks and analytics, delivered via a number of distribution channels including data feeds, cloud, desktop solutions and partners.

The Group's Data & Analytics division also provides a range of risk solutions to support clients' compliance and regulatory needs. These solutions allow clients to detect, assess and minimise money laundering risks, allow them to help identify KYC fraud and address supplier, partner and distributor risks. In addition, the Group's risk-related solutions facilitate audit, compliance and operational risk processes, helping its customers mitigate risk. The Group also addresses wealth management advisors' needs with a suite of intelligent solutions to manage retail brokerage operations including workflow and productivity tools, transaction processing, reporting and archiving and data delivery (this solution, BETA, is available in the U.S. only).

For further detail on the businesses which are included within the Group's Data & Analytics division, please see "*Business of the Group—The Business—The Group*".

***Trade execution***

This segment includes services which provide access to liquidity, enabling market participants to trade a wide range of financial products, including both cash securities (such as individual equities, exchange traded funds ("**ETFs**"), foreign exchange or fixed income securities) and derivative instruments (whose value depends on an underlying asset such as an individual equity or fixed income security, index, commodity or currency).

These services include trading venues, on which trading of these financial products takes place, as well as trade workflow solutions such as order management systems ("**OMS**") and execution management systems ("**EMS**") which provide connectivity to trading venues and associated data and analytics to support trading activities.

The Group's Capital Markets division indirectly operates a number of trading platforms which collectively enable trading services for various market participants across multiple asset classes. The Group's trading platforms include the London Stock Exchange, Borsa Italiana, Turquoise, CurveGlobal, MTS, Tradeweb, FXall and Matching. See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment, of which Borsa Italiana and MTS will form a part. The Group also provides a range of trade execution technology services to businesses within its group as well as third-parties. For further detail on the businesses which are included within the Group's Capital Markets division, please see "*Business of the Group—The Business—The Group*".

The Group's Data & Analytics division offers workflow tools, including order management and trade execution management systems (through REDI and AlphaDesk), to support clients' capital markets activities across multiple asset classes. For further detail on the businesses which are included within the Group's Data & Analytics division, please see "*Business of the Group—The Business—The Group*".

***Post trade and capital optimisation***

This segment includes a range of services to support customers in risk management and capital efficiency to enable increased trading and investment activities, including central counterparty clearing services, collateral management solutions, pricing and reference services, settlement and custody services and post trade reporting.

Clearing, settlement and custody services are post trade services that are used to implement and complete transactions. Securities clearing, which takes place between trade execution and settlement, includes netting, enrichment of trades with information required for settlement (e.g., settlement account information) as well as the validation of the existence of sufficient cash collateral and securities. Securities clearing also includes the services of a CCP which acts as counterparty to both buyers and sellers and manages the counterparty risks resulting in margin requirements for clearing members to cover their net risk exposure.

Settlement involves the effective transfer of securities and cash between the counterparties to the trade, whilst custody services involve the secure and reliable safekeeping of securities on behalf of their owners and the handling of payments and notifications to such parties, including the handling of corporate actions and dividend re-investments.

Post trade reporting includes products and services which support customers in meeting their regulatory reporting obligations and requirements, whilst reducing operational risk associated with these activities.

The Group's Post Trade division provides a broad range of post trade services, including clearing (through LCH and CC&G) and settlement and custody services (provided through Monte Titoli). See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment, of which CC&G and Monte Titoli will form a part. These services operate across both OTC and non-OTC products on an open access basis. UnaVista also provides a technology platform for regulatory reporting, designed to help firms reduce operational risk across all asset classes. For further detail on the businesses within the Group's Post Trade division, please see "*Business of the Group—The Business—The Group*".

## MARKET TRENDS

The FMI and data landscape is fast moving and dynamic and has evolved significantly in recent years. The needs of the Group's customers, who operate on a global basis and range from the world's largest financial institutions to retail investors and SMEs, are changing. FMI providers are adapting, and in the case of the

Group will have to adapt, their strategies as a result of these changes. There are a number of key trends which are expected to continue to shape customer needs and therefore shape the Group's strategy and plans:

- growth and distribution of global wealth;
- increasing demand for multi-asset class solutions and coverage across the financial markets value chain;
- digitisation, AI and automation driving demand for data-driven solutions;
- growth in ESG, climate awareness and the impact of social responsibility;
- innovation and competition;
- technology resiliency and cyber security; and
- continued regulatory change.

***Growth and distribution of global wealth***

*Global wealth and distribution:* As global wealth continues to grow, data from a PricewaterhouseCoopers Asset Management publication, Asset & Wealth Management Revolution: Embracing Exponential Change (2017) (the "**PwC Asset Management Report**"), shows that total AUM is expected to reach approximately US$145 trillion by 2025. Increasing global wealth brings with it increased numbers of market participants, volumes of financial transactions and demand for financial data. The distribution of global wealth is expected to shift significantly between different geographical regions by 2025.

*Growth of Emerging Markets:* According to the PwC Asset Management Report, between 2020 and 2025, developing markets are expected to increase their share of the world's assets, driven by double-digit growth in AUM for emerging markets, including in the Asia-Pacific and in Latin America (where AUM are expected to grow by 12% and 10%, respectively). Growth in developing economies is expected to continue to outpace that of developed markets such as North America and Europe (where AUM during the same period are expected to grow by 4.0% and 3.4% , respectively, according to the PwC Asset Management Report) and is expected to contribute towards approximately 75% of the world's GDP growth over the next 5 years, according to the International Monetary Fund.

*Importance of global presence:* Increasingly, customers want to be able to trade across different regions, asset classes and currencies and are, therefore, seeking FMI providers who can provide access and solutions on a global scale.

*Implications for the Group:* The Group is established as a global FMI leader and provider of trusted data and execution capabilities. Through the Refinitiv Acquisition, the Group has established a strong emerging markets footprint and, as such, is well-positioned to capitalise on opportunities in these markets, alongside a broad presence in wealth management with solutions across wealth advisors, brokerage processing and digital platforms.

The Group will continue to build on LSEG and Refinitiv's focus on establishing partnerships in strategically important regions to serve its global customers, develop a balanced global footprint with significant presence in all major regions including Asia and emerging markets, and enhance its presence and achieve growth in the U.S., the world's largest financial market. For example, Shanghai-London Stock Connect allows global investors to access China's growing capital markets, while London Stock Exchange listed issuers will have direct access to Chinese investors, a first across European exchange providers. Refinitiv has a track record of investing across emerging markets to ensure it retains highly rated content and capabilities, such as FXT, a leading FX desktop product, and Dealing, a global professional trading community with more than 15,000 trading professionals around the world.

The Group will also continue to develop a scaled technology and operating model, investing in key regions to support delivery of the Group's activities globally.

***Increasing demand for multi-asset class solutions and coverage across the financial markets value chain***

*Changes in investment preferences and products:* Investment preferences are continuing to shift in response to the changing market landscape. Infrastructure solutions, trading, and data and analytics continue to develop beyond traditional equities into other asset classes such as fixed income and private capital as customers look for more diversification and flexibility in their multi-asset class investment solutions. According to the PwC Asset Management Report, in 2019 assets in passive U.S. equity funds outweighed actively managed assets for the first time, and passive and alternative investment AUMs are expected to grow considerably by 2025, to US$37 trillion and US$21 trillion, respectively. ETFs continue to grow in popularity as low-cost alternative investment vehicles with US$12 trillion ETF AUM forecast by 2023 and environmental, social and governance ("**ESG**") factors are becoming a more mainstream consideration in investment decision-making, with around US$30 trillion of AUM having an ESG integration strategy (according to data from BlackRock, and BNP Paribas). The increased accessibility of private capital is creating alternative market structures which are becoming increasingly popular with investors.

*Electronification of asset classes and automation of multi-asset investment strategies:* There has been a gradual transition from single-asset class human-based trading to both single-asset and multi-asset class electronic trading, which is reliant on a wider set of distribution capabilities including APIs, direct data feeds and other non-display data. This transition has been facilitated by the continued adoption of digital technology across the industry such as automation, cloud computing and AI, and machine learning.

*Changing operating dynamics of customers*: Buy and sell-side customers continue to focus on operating model reforms and cost efficiencies in response to continued management and performance fee pressures, growing investor scrutiny and regulatory-driven changes. Customers are increasingly looking across the value chain from trading to clearing and settlement in order to realise efficiencies and are looking for more innovative and effective ways of accessing the products and services they require.

*Growing demand for unified user experience and simplified access*: The need for more open offerings to promote simplified access and flexible solutions delivery is focusing product development and design on the user experience. In this space, offerings are more successful and relevant when they allow for simplified open access while leveraging insights from customer data.

*Implications for the Group*:

The Group seeks to build upon both LSEG's and Refinitiv's efforts to expand capabilities across core businesses and asset classes in each of the Group's divisions.

For example, in Data & Analytics, the Group continues to realise value from the integrations of Mergent and The Yield Book, which have expanded its ability to provide solutions across multiple asset classes and enhanced its data and analytics capabilities. Sell-side pressure to reduce costs is leading clients to seek purpose-built solutions to meet their particular requirements, such as Refinitiv Workspace. Additionally, the demand of wealth management firms for desktop solutions, such as Refinitiv Workspace for Wealth Advisors, to navigate the increasingly complex financial ecosystem and to remain competitive is increasing demand for Refinitiv's applications. The Group is well-positioned to aggregate, organise and distribute data to its customers, covering multiple asset classes across the financial markets value chain in response to this demand. This trend may also present an opportunity for the adoption of new products such as Refinitiv Workspace as the need for data and content accelerates.

In Capital Markets, the electronification of trading, particularly in the OTC markets, is leading to greater trading volumes on Tradeweb and on Refinitiv's electronic trading platforms, especially on Matching and FXall, whilst in Post Trade, LCH has extended its core clearing offering to additional asset classes.

The Group expects to continue to build out its capabilities across the value chain through strategic acquisitions, organic initiatives and partnerships, for example, its continued investment in alternative forms of funding and private capital through its minority investment in Nivaura in 2019, a digital platform used for issuing and administering corporate bonds, loans and equity.

This is supported by a strong focus by the Group on technological and operational excellence, and its partnership approach, which leaves it well positioned to play a leading role in addressing customer challenges across the industry.

***Digitisation, AI and automation driving demand for data-driven solutions***

Advances in technology, including cloud computing, machine learning and AI, have enhanced data processing and storage capabilities across the FMI industry. Further, technological developments have created increasingly digitised trading processes generating more data, with c.50 zettabytes of data expected to have been generated in 2020, nearly double the 2018 level, and expected to reach 153 zettabytes by 2024 at 26% compound growth rate (according to data from International Data Corporation). As a result, there is an increased need for data categorisation and management. Data is increasingly viewed as a core component in investment decision-making, with customers demanding data-driven solutions in order to realise value. As a result, customers increasingly need enhanced data management, more sophisticated analytics and data solutions and effective data distribution to keep up with the fast-paced nature of today's markets.

*Implications for the Group:*

The Group expects the need for greater and more accurate data to drive increased demand for the Group's Data & Analytics products. Both LSEG and Refinitiv have historically invested in developing their respective data management, distribution and storage capabilities through organic initiatives, partnership and acquisitions, including the Group's acquisitions of The Yield Book (which enhanced its data analytics capabilities) and Beyond Ratings (which expanded its ESG offering in relation to fixed income securities).

The Group will continue to take advantage of this trend through continued investment in Refinitiv's Data Platform and Workspace offerings. The Group expects such investment to further support collaboration with the developer community and its platform tools, as well as improving its extensive network of third-party partnerships. Offerings targeted at investment managers and buy-side professionals, such as Refinitiv Workspace, Datastream and StarMine, are expected to perform well in this environment given investment managers' need to access data and quantitative analytics to support their investment strategies.

Cloud storage and computing power available on demand offer a way for customers to reduce costs and consume the Group's data in a more agile, flexible and integrated way. This is also driving business opportunities from machine learning and AI, driving consumption of and the desire for, access to data from, multiple sources, combined with demand for sophisticated data analytics, offering new use cases. The Group expects to continue to see shifts to open platforms and cloud-based workflow solutions.

***Growth in ESG, climate awareness and the impact of social responsibility***

ESG and climate factors are becoming a mainstream consideration in investment decision-making, with the number of ESG indices growing by approximately 40% in 2020 alone, according to IIA. Businesses are increasingly disclosing climate-related risk metrics in their external reporting with 77 of the FTSE 100 companies having implemented the Task Force on Climate-related Financial Disclosures framework covering climate governance, strategy and risk management, according to the Investment Association. The Group's customers are also increasingly focused on diversity, inclusion and corporate governance as factors in their investment decision making, with global service providers responding to these needs rapidly with new data and innovative IP.

*Implications for the Group:*

The increasing awareness of, and focus on, ESG brings a growing demand for relevant benchmarks, data and analytics to support investment mandates and decision making. Recognising these shifts in demand, both the legacy LSEG and Refinitiv businesses have continued to invest in building out their data sets, capabilities and products in these areas which have come together as part of the acquisition. For example, in 2020, LSEG launched its enhanced Green Revenues 2.0 Data Model, measuring the green revenue exposure of more than 16,000 listed companies across developed and emerging markets, and Refinitiv invested in Lipper Fund ESG Scores to objectively measure sustainable performance across 10 core themes including: emissions, environmental product innovation, diversity and inclusion, human rights and shareholders satisfaction. Lipper Fund ESG Scores now provide ratings to over 31,000 unique portfolios covering US$29 trillion in AUM.

***Innovation and competition***

The level of competition, innovation and technological disruption across the financial services industry has created the need for FMI and data providers to respond in an agile and flexible way. Large scale consolidation

activities, the arrival of new entrants and the growth of fintech and major technology firms are all key components of this trend.

Providers continue to invest in and improve their products through enhancing their technology footprint and partnering with businesses in adjacent sectors to offer a wider array of solutions. Meanwhile, other providers are diversifying and broadening their propositions to gain access to new product areas and geographies.

Customers continue to sponsor the entry of new market infrastructure providers, for example, by committing to provide order or transaction flow and/or by participating in their formation, thus contributing to the competitive dynamics within the sector. Through sponsored entry, customers are able to ensure that they receive access to the services that they demand on competitive terms and incentivise existing platforms to innovate in order to compete against new players.

*Implications for the Group:*

As its operating landscape continues to evolve, the Group works alongside customers to adapt. The Group has an extensive network of customers from across the globe whose ongoing support, trust and input into its business is essential to the generation of long-term value for all stakeholders. The Group believes that this partnership approach enables it to continue to foster innovation and add value to customers' operations.

In addition, the Group actively assesses and executes growth opportunities that will enhance its existing business offerings or create new opportunities in complementary segments. The Group also continuously monitors its markets and pricing policies to mitigate its exposure to competitive threats.

***Technology resiliency and cyber security***

Technology has been a critical component of the FMI and data industry's fight against the cyber threats facing financial markets, with many businesses moving to improve and further align their resiliency standards. There is a continuous focus from regulators on the operating standards of FMI providers to ensure continuity of critical business services and the overall resilience of the financial sector. Key industry players are adopting technology strategies commensurate with changes to global regulation and standards to appropriately manage their technology footprint.

*Implications for the Group:*

One of the Group's key priorities is to invest in global cyber resilience and compliance projects in a consistent way across its businesses and geographies. In addition, the Group continues to comply with various regulations covering cyber security, operational controls and data protection requirements. The Group will continue to monitor and engage with regulators and leading industry working groups on the development of regulatory frameworks and appropriate harmonisation of standards across jurisdictions.

The Group will also continue to monitor and respond to developments in resiliency and cyber security arising from the Covid-19 pandemic.

Covid-19 has substantially changed ways of working, leading to swift changes in tools, processes, and business models. This change and disruption to standard ways of working has heightened potential risks to the Group's control environment and it is working hard to both mitigate these risks and support its customers through a volatile period for the markets. The Group is confident in the ability of its platforms to manage the increased demand for its services triggered by the Covid-19 pandemic and expects to continue to maintain these in a way that protects its customers and the broader financial system.

***Continued regulatory change***

The following points set out the Group's assessment of likely regulatory changes and their implications for the Group.

*Brexit update* (*LSEG*)*:* In respect of clearing, LCH SA and CC&G benefit from a temporary deemed permission by the Bank of England which was confirmed publicly on 24 January 2019. This deemed permission will last for a maximum of three years extendable by HM Treasury in increments of twelve months. In addition, the European Commission announced on 21 September 2020 that the temporary equivalence for UK CCPs would apply from the end of the transition period until 30 June 2022 and ESMA announced

on 28 September 2020 that LCH Ltd would be recognised by ESMA as a third country CCP under Article 25 of EMIR at the end of the Brexit transition period until 30 June 2022. See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment, of which CC&G will form a part. In respect of the provisions of benchmarks, the FCA has granted FTSE International Limited ("**FIL**") authorisation as a benchmark administrator. This authorisation is comprehensive across asset classes, and covers the FTSE, Russell, FTSE Canada and FTSE MTS equity and fixed income indices that are known to be used as benchmarks in the UK. The EU's third country transitional provisions provide for continued provision of benchmarks administered by FIL as a non-EU based administrator up until 31 December 2023.

*Implications for LSEG*: LCH SA, CC&G and LCH Ltd's recognitions confirm their ability to continue to offer all clearing services for all products and services to all members and clients following the expiration of the Brexit transition period, for the periods to which they relate.

LSEG's Capital Markets business has implemented a number of measures to mitigate the impact of the Share Trading Obligation which, in the absence of an equivalence determination, prevents EU investment firms from trading shares listed or traded on a trading venue in the EU on a UK trading venue, including LSE plc and Turquoise Global Holdings Limited. LSE plc has obtained a licence from the Bundesanstalt für Finanzdienstleistungsaufsicht, a dispensation from the Dutch Central Bank (*De Nederlandsche Bank*) and recognition from the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") to enable it to continue to service its German, Dutch and Italian members respectively. Turquoise Global Holdings Europe B.V. ("**TGHE**") has been established in the Netherlands and is fully licensed by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) and the Dutch Central Bank (*De Nederlandsche Bank*) to operate an MTF; it became operational on 30 November 2020. On 4 November 2020 the FCA announced that absent mutual equivalence decisions by the EU and the UK before the end of the transition period it would use the Temporary Transitional Power to issue directions to permit UK investment firms to continue to trade shares on EU trading venues that are Recognised Overseas Investment Exchanges, have deemed authorisation under the temporary permissions regime ("**TPR**") or fall within the overseas persons exclusion. TGHE is currently providing services to its UK clients under the TPR. ESMA set out its final position on the Share Trading Obligation scope on 26 October 2020, clarifying that after the end of the transition period on 31 December 2020, ESMA assumes that all EU shares (shares with an EEA International Securities Identification Number ("**ISIN**")) are within the scope of the Share Trading Obligation (except those that trade on UK trading venues in sterling), while UK shares (shares with a UK ISIN) are outside the scope of the Share Trading Obligation.

LSE plc is authorised by the FCA as both an Approved Publication Arrangement ("**APA**") and an Approved Reporting Mechanism ("**ARM**") for the provision of UK MiFIR trade and transaction reporting services respectively while UnaVista Ltd is authorised by ESMA as a trade repository ("**TR**") under both EMIR and the Securities Financing Transaction Regulation ("**SFTR**"). In order to provide uninterrupted reporting services to EU investment firms, UnaVista TRADEcho B.V. ("**UVTE**") was incorporated in the Netherlands and became fully operational on 30 November 2020; it is authorised as an APA and ARM by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) and as an EMIR and SFTR TR by ESMA. UnaVista Ltd has received authorisation from the FCA to act as an EMIR TR within the UK and is operating under a temporary permission from the same regulator as an SFTR TR while its application for permanent approval is reviewed.

FIL is authorised by the FCA as a benchmark administrator. The EU Benchmarks Regulation incorporates a third-country transition period during which non-EU firms involved in benchmark administration are able to continue providing benchmarks to supervised entities in the EU until they are approved (specifically via 'recognition' or 'endorsement,' under the EU Benchmarks Regulation) by an EU regulator. Initially this transition period was to run until 31 December 2021. However, following approval by the European Parliament of the EU Benchmarks Regulation "quick fix" legislation on 19 January 2021, these transitional provisions have been extended to the end of 2023 with the potential for a further extension to 31 December 2025.

As part of a structured Brexit programme formed by LSEG, it continues to engage with UK and EU Brexit policy leads to advise on financial market infrastructure considerations. LSEG's key objectives are: (i) maintaining London's position as a global financial hub; (ii) providing continuity of cross-border financial services; and (iii) protecting against policies which may result in fragmentation of financial markets.

*Brexit update* (*Refinitiv*)*:* In respect of Refinitiv's Venues & Transactions division segment, in 2019 Refinitiv established Financial & Risk Transaction Services Ireland Limited ("**FRTSIL**") in Ireland. FRTSIL obtained

authorisation from the Central Bank of Ireland as an investment firm operating an MTF. FRTSIL has also entered the Temporary Permission Regime in the UK. Accordingly, Refinitiv is able to continue to access the European and UK markets following the end of the transition period on 30 December 2020. FRTSIL has also obtained a number of secondary licences in other jurisdictions including, but not limited to, Hong Kong, Singapore, Switzerland, Australia and Canada. Accordingly, FRTSIL is licensed to provide services to EEA and UK clients as well as clients located in other key jurisdictions. FRTSIL has been providing access to such clients since 30 September 2019. Additionally, Tradeweb established Tradeweb EU B.V. in the Netherlands. Tradeweb EU B.V. has obtained authorisation in the Netherlands from the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) and the Dutch Central Bank (*De Nederlandsche Bank*) as an investment firm operating an MTF and an OTF. Tradeweb EU B.V. started servicing clients in January 2019. The operations of these new trading venues permit Refinitiv to continue to access EEA, as well as UK-based market participants intending to access Refinitiv's venues. In relation to Refinitiv's benchmark business, Refinitiv Benchmark Services (UK) Limited ("**RBSL**") is the administrator of a number of indices and benchmarks. RBSL is regulated as an administrator of certain benchmarks used within the EU and is thus within the scope of the EU Benchmarks Regulation. The EU Benchmarks Regulation provides for a third-country transition period during which non-EU firms involved in benchmark administration (including RBSL) are able to continue providing benchmarks for use by EU supervised entities. Initially this transition period was to run until 31 December 2021. However, following approval by the European Parliament of the EU Benchmarks Regulation "quick fix" legislation on 19 January 2021, these transitional provisions have been extended to the end of 2023 with the potential for a further extension to 31 December 2025. Third country administrators such as RBSL will have until the end of the transition period to gain permission under the EU Benchmarks Regulation by either obtaining 'recognition' as administrator, or RBSL's benchmarks being granted 'endorsement'.

*Implications for Refinitiv:* As part of a structured programme formed by Refinitiv, it continues to engage with UK and EU industry and governmental policy leads on financial market infrastructure considerations. Refinitiv's key objectives are: (i) continued access for clients to its trading venues; (ii) providing continuity of cross-border financial services; and (iii) planning for potential changes in the EU Benchmarks Regulation regime. Refinitiv is also part of the group considering the Future Regulatory Framework proposals and work led by the UK Treasury.

*Cross-border market access:* As G20 mandates continue to be implemented and revised, focus has increased across jurisdictions on cross-border market access to financial market infrastructure products and services. In the EU, EMIR 2.2, the EU Benchmarks Regulation , MiFID II/MiFIR and other financial services files contain third country provisions that could impact EU participant access across non-EU clearing, trading, benchmarks and other global products and services. In the U.S., the CFTC has proposed several revisions to expand cross-border derivatives markets access. The UK continues to evaluate its market access rules following Brexit.

*Implications for the Group:* As a leading global financial market infrastructure business, market access rules impact how customers across jurisdictions access the Group's products and services. The Group promotes harmonisation and cross-border rules that support open and global markets. The Group expects to remain closely engaged with authorities at national and multilateral levels to promote open, cross-border access to its global offerings.

*EU Benchmarks Regulation and LIBOR transitions:* The EU Benchmarks Regulation came into effect in January 2018. Building on the IOSCO Principles, the regulation impacts benchmark users, contributors and administrators. There are initiatives in other jurisdictions to review the regulatory framework governing benchmarks. Regulators have established a clear priority to move away from inter-bank rates including LIBOR to introduce alternative reference rates in several major jurisdictions. In June 2020, the UK Chancellor published a written statement which stated that the UK government will introduce amendments to the UK onshore version of the EU Benchmarks Regulation to ensure that FCA powers are sufficient to manage an orderly transition from LIBOR. These amendments were included in the Financial Services Bill 2019-21 (which was introduced in the UK Parliament on 21 October 2020) and provide the FCA with new and enhanced powers to oversee the orderly wind-down of LIBOR. The Financial Services Bill is undergoing Parliamentary scrutiny as part of the UK legislative process and is intended to come into force in 2021. The Bank of England, FCA and the Working Group on Sterling Risk-Free Reference Rates are continuing their work in relation to LIBOR transition. On 5 March 2021, the FCA announced the dates for the cessation and loss of representativeness of each of the 35 LIBOR benchmark settings currently published by ICE Benchmark

Administration ("**IBA**"). Broadly, the FCA's announcement confirmed that the IBA will cease publication of LIBOR settings immediately after 31 December 2021, with the exception of some U.S. dollar LIBOR tenors which will continue until end of June 2023. In addition, the FCA announced it will consult on the limited use of an unrepresentative "synthetic" LIBOR based on a changed methodology for certain tenors of LIBOR beyond the applicable cessation dates.

*Implications for the Group:* FTSE Russell is a leading global benchmarks provider. FIL has been authorised by the FCA as a benchmark administrator under the UK Benchmark Regulation. RBSL is a global benchmarks provider and is authorised by the FCA as a benchmark administrator under the UK Benchmark Regulation.

The Group views the UK Benchmark Regulation positively, as it raises standards across the industry, and the Group will continue to monitor the changing regulatory landscape to facilitate the widest possible consumption of its benchmarks and related services. Regarding the interbank reference rate transitions, LCH is closely engaged with the relevant government authorities and industry participants to fully support a smooth transition to selected alternative reference rates.

*Uncleared margin rules* ("**UMRs**"): Under the UMRs, certain non-centrally cleared OTC derivatives will be subject to initial and variation margin requirements. The UMRs are currently being phased in. On 3 April 2020, in light of the significant challenges posed by Covid-19, the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions agreed to extend by one year the deadline for completing the final two implementation phases of the margin requirements for non-centrally cleared derivatives, such that the final implementation phase will take place on 1 September 2022. Cleared instruments such as exchange traded derivatives and centrally-cleared OTC swaps are not within the scope of UMRs.

*Implication for the Group:* The new phase of the UMRs to be introduced may drive market participants to clear more trades centrally and, therefore, may increase the overall number of derivatives which are centrally cleared across the sector.

*CCP Recovery and Resolution*: Authorities across Europe, North America and other major jurisdictions, as well as international standard setters, are working on further developing the regulatory frameworks for the recovery and resolution of CCPs. In the rare scenario where CCPs face severe distress or failure, this global framework will ensure that the critical functions of CCPs are preserved while maintaining financial stability.

*Implications for the Group:* Harmonisation of the requirements for CCP recovery plans, and the introduction of resolution plans prepared by the resolution authorities should provide clarity on the impact on CCPs and identify the critical functions they must maintain in the unlikely event of their failure. The Group will continue to assist the authorities and provide input for the development of this framework including in respect of the potential increase of CCP resources. The European Commission published a framework for the recovery and resolution of CCPs in the EU in the Official Journal of the EU on 22 January 2021 (the "**CCP Recovery and Resolution Regulation**"). The CCP Recovery and Resolution Regulation aims to ensure that CCPs' critical functions are preserved in a crisis scenario while maintaining financial stability and preventing the costs associated with the restructuring and resolution of failing CCPs from falling to taxpayers. The Regulation also imposes a second layer of CCP's own contribution in case of a default of a clearing member that is not covered by the non-defaulting clearing members' resources (a "Default Fund"). This additional layer of CCP own resources may lead to increased costs for LCH SA and CC&G, the LSEG CCPs established in the EU. On 24 February 2021 HM Treasury published a consultation paper on an expanded resolution regime for UK CCPs. HM Treasury intends to revise and expand the UK CCP resolution regime to bring it in line with international standards. This will involve giving the Bank of England additional powers to mitigate the risk and impact of a CCP failure and the subsequent risks to financial stability and public funds. HM Treasury states that its proposals are not significantly different from the CCP Recovery and Resolution Regulation. Accordingly, similar requirements may apply to LCH Ltd in the future as apply to LCH SA and CC&G under the CCP Recovery and Resolution Regulation.

*Market Structure Reviews:* MiFID II/MiFIR is the widest ranging of the EU's legislative initiatives in terms of its impact on LSEG and its customers. The application of MiFID II/MiFIR is under review at present, as MiFID/MiFIR requires the European Commission to present the Parliament and Council with a report on the operation of the new framework, together with a legislative proposal for reform, if deemed necessary. The European Commission has carried out a consultation on this although in a speech on 23 February 2021, the European Commissioner for Financial Stability, Financial Services and the Capital Markets Union, Mairead

McGuinness, stated that the European Commission intends to adopt a legislative proposal relating to the review of MiFID II at the end of 2021. On 15 February 2021, the Council of the EU confirmed the adoption of changes to MiFID II with respect to information requirements, product governance, position limits and to help the recovery from the Covid-19 pandemic. MiFID II/MiFIR has been "onshored" in the UK as part of the onshoring process following Brexit. The Group will continue to monitor for any potential divergences between the EU MiFID II/MiFIR and the onshored UK MiFID II/MiFIR that may arise following the conclusion of the European Commission's review of MiFID II/MiFIR. In the U.S., there is growing focus on both equity and fixed income market structure topics with a view to implementing changes, whilst there is a global regulatory scrutiny process led by IOSCO into the rapidly growing ETF space.

*Implications for the Group:* The impact on the Group includes rules on market transparency, trading protocols and microstructures market data, transaction reporting, SME Growth Markets, and Open Access for CCPs, trading venues and benchmark providers. The impact of MiFID II/MiFIR has been broadly neutral, with the ability to offer customer solutions in areas such as block trading on Turquoise and Open Access potentially providing opportunities across all the Group's divisions (see the paragraph headed "*Open access*" below). The Group will follow the U.S. debates closely given the potential impact on its growing U.S. operations, as well as the global focus on ETFs.

*Capital Markets Union* ("**CMU**"): CMU is a plan introduced by the EC that aims to create deeper and more integrated European capital markets, enhance competition and remove barriers to retail investment.

*Implications for the Group*: CMU may increase activity across the Group's Capital Markets and Post Trade divisions. The Group will closely follow development of the relevant regulatory files such as the EC proposals for a prudential regime for investment firms including market makers and initiatives to support SME growth markets.

*Sustainable Finance:* The Global Commission on the Economy and Climate estimated that US$90 trillion of investment is needed by 2030 to achieve the objectives of the Paris Agreement. Given the desire of some investors to integrate ESG factors into investment strategies, asset managers across the world are responding. There is also legislative interest, with the EU Disclosure Regulation on disclosures to be made by asset managers and investment funds relating to sustainable investments and sustainability risks and there are EU proposals for a taxonomy regulation which will provide businesses and investors with a common language to identify those economic activities which are considered environmentally sustainable. The European Commission's consultation on the renewed sustainable finance strategy ended on 15 July 2020. On 10 February 2021, the European Commission published its summary report.

*Implications for the Group:* The Group will actively continue to contribute to this global and regional debate, in particular building upon LSEG's contributions to the EC Sustainable Finance Action Plan and the Technical Expert Group, and the UK Green Finance Taskforce and Institute. In Italy, Borsa Italiana joined the Italian Observatory on Sustainable Finance. See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment. The Group has also contributed to the Canadian High-Level Expert Group. As the Group's clients integrate climate change and sustainability into their plans, the Group will support issuers to access capital and investors' choice in developing and implementing investment strategies.

*Open access:* Open access underpins provisions within EMIR and MiFID II/MiFIR that change the way some clearing houses, trading venues and index providers will need to provide their products and services. The changes, which have applied to clearing houses and trading venues since 3 January 2018 (unless such clearing houses and trading venues are temporarily exempt from the provisions in relation to certain instruments) and have applied to index providers from 3 January 2020, require access to be provided to potential users of trading, clearing and indices on a non-discriminatory basis. National competent authorities were able to exempt trading venues and CCPs from the MiFIR access provisions for exchange-traded derivatives until 3 July 2020, without the possibility for further extension. However, the entry into application of the open access provisions with respect to exchange-traded derivatives was postponed for a year, and will enter into application on 4 July 2021.

*Implications for the Group:* Open access remains a key principle that underpins the Group's strategy and business model and is fully aligned with the way the Group expects to operate. Open access increases competition across a range of services, to the benefit of investors and market participants, and potentially

provides the Group's relevant businesses and partnerships with opportunities to launch new products and attract new trading and clearing flows (e.g., CurveGlobal).

The Group's clearing services already accept clearing trades that originate from venues outside of the Group and some of the Group's trading venues already provide choice of clearing through alternative CCPs outside its group. Further, FTSE Russell provides index licences to several exchange businesses that are competitors to the Group's trading venues.

The Group's Refinitiv business complies with the Open Access requirements applicable under MiFIR. Tradeweb's EU trading venues provide trade feeds to clearing houses authorised and/or recognised in the EU that wish to clear transactions in financial instruments traded on its trading venues. Pursuant to MiFIR's provisions on access to benchmarks, the Group's Refinitiv business also provides information relating to the benchmarks it operates to trading venues outside of the Group on a non-discriminatory basis.

*Emerging Technology:* For the financial services industry, regulators in major jurisdictions are closely monitoring and developing regulatory frameworks on emerging financial technology ("**Fintech**"), specifically the potential uses of distributed ledger technology, cloud computing, machine learning and AI. Regulators are also exploring opportunities for regulatory technology to help develop new strategies for the hosting and use of regulatory data.

*Implications for the Group:* Emerging technology-related regulatory initiatives will have implications for all of the Group's functions and services to varying degrees, either as compliance obligations or constituents of the services that the Group provides to its customers. The Group will monitor and engage with regulators and leading industry working groups on these issues for the development of regulatory framework; the Group will also work closely with potential new entrants and monitor market trends in the emerging technology space.

*Operational resilience and cyber security:* Regulators (both at a national level and through the G7 cyber experts working group and other multilateral bodies) and the industry are working to keep pace with the growing cyber threats facing markets through enhancements and further development of resilience standards. There is continuous focus from regulators on the operational resilience of FMIs to ensure continuity of critical business services and the overall resilience of the financial sector. The European Commission adopted a legislative proposal for the Digital Operational Resilience Act ("**DORA**") on 24 September 2020, which aims to put in place a detailed and comprehensive framework on digital operational resilience for EU financial entities. On 16 December 2020, the European Commission published a new EU Cybersecurity Strategy along with a proposal for the revision of the Network and Information Security Directive and a proposed Directive on the resilience of critical entities.

*Implications for the Group:* One of the Group's key priorities is to continue to invest in ensuring cyber resilience and compliance with applicable regulations. In addition to complying with current cyber and data protection requirements, both LSEG and Refinitiv comply with significant data and cyber operational controls and standards required under numerous regulations. The Group will continue to monitor and engage with regulators and leading industry working groups on the development of regulatory frameworks and appropriate harmonisation of standards across jurisdictions.

*Outsourcing:* In recent years, authorities in a number of jurisdictions have introduced new or stricter rules and regulations regarding outsourcing of critical activities by regulated entities. For instance, MiFID II has introduced detailed requirements associated with outsourcing, including in relation to the terms of outsourcing agreements, rights of termination, rights of information and rights to inspect and access books and premises of service providers. In addition, there is increased oversight of outsourcing arrangements and outsourcing service providers. The FCA referred to outsourcing as a particular area of supervisory focus in January 2019 and, more recently, has noted in the context of operational resilience that firms also need to effectively manage service providers to reduce the risk of operational disruption and harm to their consumers. The DORA legislative proposal published by the European Commission on 24 September 2020 enhances the existing EU requirements on information communication technology ("**ICT"**) outsourcing. The DORA legislative proposal contemplates the creation of an EU-level oversight framework for critical third party ICT providers ("**CTTPs**"), and the addition of a broad restriction on EU financial entities using CTTPs established in a third country.

*Implications for the Group:* Changes in rules and regulations affecting outsourcing arrangements will have implications for the Group both as a regulated financial services provider and also as a provider of outsourced services to other regulated financial services providers, both intra-group and externally. Accordingly, the Group will continue to monitor and engage with regulators on changes to the rules and regulations affecting outsourcing arrangements and intends to change its processes and products and services to comply with any amended requirements in this area.

**COMPETITION**

The Group expects to be subject to competition across all markets for all of its products, with competitors ranging in size from smaller, highly specialised single-product businesses to multi-national companies. The competitive environment in which the Group operates has undergone, and continues to undergo, transformational changes by market participants, investors, infrastructure operators and regulators, as well as intensifying competition.

To better serve the needs of their existing customers and to attract new customers, competitors continue to enhance, invest and improve their products and services (such as by adding new content and functionalities), develop new products and services, compete on price, invest in technology and partner with other businesses in key sectors to allow them to offer a broader array of products and services. Sophisticated FMI providers are diversifying and broadening their propositions to gain access to new product areas and geographies.

Smaller and newer competitors are seeking to differentiate themselves from the breadth of existing offerings through specialisation. As a result, these competitors may be able to adopt new or emerging technologies, including AI and analytic capabilities, or address customer requirements more quickly than existing providers.

Customers continue to sponsor entry of new market infrastructure providers, for example by committing to provide order or transaction flow and/or by participating in their formation, thus shaping the market. Through sponsored entry, customers are also able to ensure that they get the services that they demand on competitive terms and incentivise existing platforms to compete strongly against new players.

These developments have resulted in competition that has driven down fees while spurring technological development. Financial markets infrastructure providers, such as the Group, will need to continue to work hard to address these changing customer needs in an evolving regulatory landscape.

***Data & Analytics***

The Group's Data & Analytics division offers a broad range of data and analytics products and, as such, competes with a wide range of both large and smaller specialist providers, in a sector characterised by numerous market entrants and expansion and high levels of innovation. These providers include Bloomberg, FactSet, S&P Global (including its Market Intelligence business), FIS, ICE Data Services, IHS Markit, SIX Financial, Dow Jones, and new entrants such as Money.net, Symphony and OpenFin.

In index and benchmarks, established market participants such as MSCI and S&P Dow Jones Indices continue to compete strongly and competitors are expanding, whilst REDI Technologies' execution management capabilities' principal competitors include Bloomberg, Virtu Financial, FlexTrade and Instinet. BETA's principal competitors include Pershing, Broadridge, Fidelity and FIS Global.

The Risk business competes with a wide variety of global, regional and niche competitors. Principal competitors include Dow Jones (which is owned by News Corp.), RELX Group, Wolters Kluwer and Experian.

The market segments for the Group's data, information, software, services and products are highly competitive and are subject to rapid technological changes and evolving customer demands and needs. The Group continue to work hard to address these changing customer needs in an evolving regulatory and technological landscape.

***Capital Markets***

Principal competitors of the Group's Capital Markets division include exchange groups, electronic communication networks, dark pools and other alternative trading systems, market makers and other execution venues. The Group also faces competition from large brokers and customers that may assume the role of

principal and act as counterparty to orders originating from retail customers, or by matching their respective order flows through bilateral trading arrangements.

The Group's equities businesses primarily compete with other exchange groups for listings, such as HKEX, ICE and Nasdaq, whilst its trading offerings compete with European exchanges and MTFs such as Euronext and Cboe Europe Equities. MiFID II/MiFIR has been particularly effective in facilitating the emergence and growth of MTFs, including significant players such as BATS/Chi-X Europe (which have since merged and now operate as Cboe Europe Equities), leading to an unprecedented level of competition between equities trading venues.

The Group's fixed income venues principally compete with, amongst others, MarketAxess, Bloomberg and large inter-dealer brokers. Tradeweb's retail and wholesale marketplaces also face competition from the principal venues in those areas, including ICE and CME/NEX.

The Group's FX venues primarily compete with large inter-dealer brokers, such as TP-ICAP, Tradition and BGC Partners; as well as FX platforms offered by custodians such as State Street's Currenex and FXConnect, and FX venues operated by exchanges such as Deutsche Borse's 360T, Euronext FX and CBOE FX, CME Group's EBS platform and, Bloomberg. The Group's FX venues also compete with single-dealer portals and bank voice execution.

***Post Trade***

The Group's Post Trade businesses compete with other providers of clearing and regulatory reporting services. This includes other exchange groups, such as ICE, CME, Deutsche Borse, SIX, Moscow Exchange, HKEX, JPX, ASX and, following completion of the Borsa Italiana Divestment, Euronext. See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment.

Since the introduction of MiFID II/MiFIR and EMIR, on the back of a general shift towards central clearing, a number of new CCPs have also entered the market and succeeded in capturing a significant share of European trade flow. The competition within the post trade environment has also 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 MiFID. Both European Multilateral Clearing Facility N.V. and EuroCCP Ltd. (an example of customer-sponsored entry) emerged as leading pan-European cash equities clearing houses and in 2013 merged to become one of Europe's leading post trade service providers (European Central Counterparty N.V., now operated by Cboe Europe Equities).

Entry and expansion into European markets for clearing is also made possible by the adoption of "equivalence" decisions by the European Commission, enabling non-EU CCPs to seek recognition to provide clearing services in the EU under more favourable regulatory conditions for themselves as well as for their bank customers. In addition, certain post trade business is expected to shift from traditional service providers, such as the national CSDs to the central European settlement infrastructure, T2S, at the same time fuelling competition between the national CSDs for the remaining services.

**REGULATORY AND LEGAL ENVIRONMENT**

The Group operates in a highly regulated industry.

Several entities within LSEG are operators of exchanges and other trading venues, CCPs, CSDs, index administrators, information service providers, trade repositories, other regulated entities and transaction service providers. LSEG offers a variety of products and services within the FMI landscape, including trading and clearing of equities and derivatives, transaction settlement, custody and management of securities, the provision of market information and the development and operation of electronic systems.

The legal and regulatory framework governing the operations of LSEG is subject to ongoing reform. The focus of regulatory reform since the global financial crisis has been on areas such as increasing capital requirements, requirements for risk management and monitoring and managing systemic risks, measures to create more efficient and more effective supervision, market transparency and transparent and non-discriminatory access to financial market infrastructure. Initiatives to mitigate potential systemic risks stemming from the derivatives market, including the requirement to trade certain OTC derivatives on regulated venues and clear them through CCPs, have also been implemented, along with rules on non-discriminatory access to such

infrastructures. Key supranational and national regulatory schemes applicable to LSEG's business are summarised below.

Refinitiv is subject to a number of U.S. federal and state laws, as well as laws and regulations in other jurisdictions. In addition, a number of Refinitiv entities are regulated in other jurisdictions. Each regulated entity has licences in jurisdictions in which, and in some cases into which, it undertakes business or offers services. Refinitiv also has a number of businesses which, while not regulated, provide services to regulated clients for whom Refinitiv applies an appropriate programme of compliance to assist them in meeting their own regulatory obligations. Various Refinitiv entities are subject to regulations that provide broad regulatory, administrative and enforcement powers to supervisory agencies of the jurisdictions in which they operate. Refinitiv is subject to the rules and regulations administered by, but not limited to, the FCA, the SEC, the CFTC, the Central Bank of Ireland, the Australian Securities and Investment Commission, the Hong Kong Monetary Authority, the Hong Kong Securities & Futures Commission, the Japanese Financial Services Agency, the Reserve Bank of India, the Bank Negara Malaysia, the Monetary Authority of Singapore, the Swiss Financial Market Supervisory Authority and regulatory authorities in various Canadian provinces.

In addition to the regulators summarised above, Refinitiv is also subject to regulation by self-regulatory organisations such as FINRA and the National Futures Association ("**NFA**"), as well as various national and local securities, and other regulators (such as regulatory agencies and bodies like the U.S. Department of Labor) in the U.S. and other foreign jurisdictions where it does business.

The regulatory environment in which Refinitiv's businesses operate remains subject to change and heightened regulatory scrutiny. Regulatory developments globally have resulted, or are expected to result in, greater regulatory oversight and internal compliance obligations for firms across the financial services industry. In addition, there is enhanced legislative and regulatory oversight regarding aspects of Refinitiv's business, including the operation of trading venues and the administration of benchmarks. These legal and regulatory changes have impacted, and may in the future impact, the manner in which Refinitiv is regulated and the manner in which it operates and governs its businesses.

The discussion set out below provides a general overview of the primary laws and regulations impacting the Group's businesses. Certain Group subsidiaries may be subject to one or more elements of this regulatory framework depending on the nature of their businesses, the products and services they provide or the geographic locations in which they operate. To the extent the discussion includes references to statutory and regulatory provisions, such references are to those statutory and regulatory provisions only and to their provisions as at the date of this Offering Circular.

***Regulatory and legal environment in the EEA and the UK***

LSEG's entities operate various FMI throughout the UK and the EEA (being the EU Member States together with Norway, Iceland and Liechtenstein) including cash and derivative exchanges, (alternative) multilateral trading venues for financial products and commodities, CCPs and a settlement system for transactions concluded both on and off-exchange as well as trade repositories and market data and index providers.

LSEG operates exchanges in the UK and Italy and also has CCPs in the UK, France and Italy. LSEG's EEA exchange holds an exchange licence under national law transposing MiFID II, granted by the relevant national exchange regulatory authority, and is subject to ongoing supervision by such authority. Likewise, each of the EEA investment firms of LSEG is licensed, and subject to ongoing supervision, by the relevant national competent authority under national law transposing MiFID II. See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment, of which Borsa Italiana will form a part.

LSEG's UK exchange holds an exchange licence under UK law, granted by the relevant UK regulatory authority, and is subject to ongoing supervision by such authority. Likewise, each of the UK investment firms of LSEG are licensed, and subject to ongoing supervision, by the relevant national competent authority.

Each EEA CCP within LSEG is licensed under EMIR. LCH SA is also licensed as a credit institution in France pursuant to national law transposing the requirements of the Capital Requirements Directive 2013/36/EU and as such is subject, amongst others, to the capital requirements set out in CRD IV. LCH SA will also be subject to the revised Capital Requirements Directive 2019/878/EU, or CRD V, which may result in requirements to hold additional capital or to restructure EU entities under an intermediate EU parent undertaking. Investment firms will be subject to the new Investment Firms Regulation and Directive in the EU. These will introduce a new prudential regime for investment firms, as well as introducing new liquidity, remuneration and regulatory reporting requirements.

Certain Group subsidiaries in the UK and EU including Ireland and the Netherlands are investment firms which are authorised to conduct financial services business under UK MiFID II and national laws implementing MiFID II, as applicable. Such subsidiaries are regulated by the relevant UK authority or national authority in their member state, and are subject to rules which impose certain capital, operational and compliance requirements and allow for disciplinary action in the event of non- compliance.

LSEG's UK CCP, LCH Limited, is licensed under UK EMIR. Investment firms, such as Turquoise, will be subject to the new UK equivalent of the EU Investment Firms Regulation and Directive, the Investment Firm Prudential Regime. This will introduce a new prudential regime for investment firms, as well as introducing new liquidity, remuneration and regulatory reporting requirements.

LSEG's CSD, Monte Titoli, operates under authorisation from CONSOB in agreement with the Bank of Italy. In addition, Monte Titoli is now part of a new European securities settlement engine coordinated by the European Central Bank ("**ECB**"), the T2S. T2S is operated by the Eurosystem on a cost-recovery basis. See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment, of which Monte Titoli will form a part.

The regulatory framework in which the Group operates in the UK is derived from the EU legislation set out above. Following the end of the transition period on 31 December 2020, UK legislation came into effect in order to 'onshore' various pieces of EU legislation that would otherwise have ceased to have effect in the UK. This 'onshoring' process involved amending and restating EU legislation and regulatory requirements so that they work in a UK-only context. This includes the EU legislation described above. The onshoring process involved restating existing EU legislation and regulatory requirements without amendment, save for amendments that were necessary to address 'deficiencies' arising from the UK's withdrawal from the EU – for example, replacing reference to EU supervisory bodies with the UK equivalent. Where this section refers to the UK onshored version of a piece of EU legislation, it is prefaced with 'UK' (e.g. 'UK MiFID II').

The Group has two UK subsidiaries authorised by the FCA as benchmark administrators, Refinitiv Benchmark Services Ltd and FTSE International Ltd. This authorisation has been granted under the UK Benchmark Regulation and the UK subsidiaries are subject to the operational and compliance requirements of the UK's benchmark rules and to the oversight of the FCA.

The regulatory framework in which the Group operates in the EEA is derived from EU directives and regulations in the financial services area. EU directives do not automatically apply throughout the EEA and must be implemented into the national laws of EEA member states, by such member states. EU regulations have direct effect in EU member states (although this is not the case for Iceland, Liechtenstein and Norway). There may be differences in approach as regards the implementation of EU directives and supervision under EU legislation, and there may also be additional national requirements as regards its implementation and supervision.

A non-exhaustive list of the key aspects of the UK and EEA regulatory frameworks applicable to the Group are summarised in the following paragraphs.

*MiFID, MiFID II and MiFIR*

Since its introduction and implementation in November 2007, MiFID has aimed to provide a single market for financial services by harmonising national rules on the provision of such services and on financial transactions throughout the EEA. The implementation of MiFID also addressed market operators' governance, shareholders and organisation.

MiFID has since been replaced by MiFID II, which has been transposed into the national law of the Member States. On 26 February 2021 changes to MiFID II concerning, amongst other things, information requirements, product governance and position limits to assist in the market were published in the Official Journal of the EU. The changes entered into force on the day following their publication and will become applicable 12 months after the entry into force of the Directive.

Some of the key changes brought about by MiFID II and MiFIR focus on market infrastructure. These include, for example, requirements for transparent and non-discriminatory access by trading venues and CCPs to other trading venues and CCPs, the extension of pre and post trade transparency to non-equities markets, extension of and changes to the transaction reporting regime and requirements relating to the provision and publication of market data. MiFIR also introduced a Share Trading Obligation requiring investment firms to trade shares which

are admitted to trading on a regulated market or traded on a trading venue to take place on a regulated market, multilateral trading facility, systematic internaliser or an equivalent third-country trading venue (the "**STO**"). Following the end of the transition period on 31 December 2020, UK trading venues have become third-country trading venues from the perspective of the EU. Shares with an EEA International Securities Identification Number ("**ISIN**") are subject to the STO and, in the absence of a decision as to equivalence by the EC in respect of the UK, with certain exceptions, cannot be traded on trading venues or systematic internalisers in the UK.

In addition, MiFID II and MiFIR (and the equivalent UK rules) have introduced a regime for the authorisation and regulation of data reporting services. MiFID II and MiFIR created a passporting framework for authorised data reporting service providers. Such service providers include persons authorised to provide the service of publishing trade reports on behalf of investment firms pursuant to their post trade transparency obligations. A number of Group entities are regulated under MiFID II and MiFIR (or the equivalent UK rules). Refinitiv Transaction Services Limited, Turquoise Global Holdings Limited, Tradeweb Europe Limited, Financial & Risk Transaction Services Ireland Limited, Turquoise Global Holdings Europe BV and Tradeweb EU BV are entities within the Group that are regulated as investment firms authorised to operate trading venues under MiFIR or MiFID II and MiFIR (and the equivalent UK rules), as applicable. Tradeweb Execution Services Limited has recently received authorisation by the FCA as an investment firm whilst Tradeweb Execution Services B.V. is seeking authorisation as an investment firm from the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) and the Dutch Central Bank (*De Nederlandsche Bank*). The requirements under MiFID II and MiFIR (and the equivalent UK rules) in relation to trading venues include requirements relating to transparency and non-discriminatory access given to CCPs and pre and post trade transparency requirements. In addition, London Stock Exchange plc, Tradeweb Europe Limited, UnaVista TRADEcho BV and Tradeweb EU BV are regulated as data reporting service providers, respectively, under UK MiFID II and UK MiFIR and MiFID II and MiFIR and are subject to various additional requirements, including requirements relating to the provision of market data on a non-discriminatory and reasonable commercial basis.

The UK has onshored MiFID II and MiFIR and it applies to the Group's UK entities in a similar manner to the application of MiFID II and MiFIR set out above in the context of the EEA.

Unlike ESMA, the FCA considers that the ISIN or currency that a share carries and trades in should not determine the scope of the STO. Under the Temporary Transitional Power, firms are currently permitted to continue trading shares on EU trading venues and systematic internalisers where they choose to do so and where the regulatory status of those venues and systematic internalisers permits such activity.

*Market Abuse*

The current market abuse regime under MAR directly applies to all EU Member States. MAR is complemented by CSMAD.

One of the key developments for operators of exchanges and other trading venues is that MAR introduced an express obligation on them to establish and maintain effective arrangements, systems and procedures aimed at preventing and detecting insider dealing and market manipulation. Operators must report all transactions and orders (including any cancellations or modifications) that could constitute insider dealing or market manipulation to competent authorities without delay. In addition, the scope of MAR now extends to instruments traded on trading venues other than regulated markets, as well as to additional types of products and instruments. Manipulation of certain benchmarks is also within the scope of MAR.

The UK has onshored MAR and it applies to the Group's UK entities in a similar manner to the application of MAR set out above in the context of the EEA. The UK had opted out of CSMAD and it was therefore not subject to the onshoring process.

*EMIR and Interoperability*

EMIR imposes various requirements on CCPs, trade repositories and counterparties to derivative contracts. EMIR in particular imposes organisational requirements on CCPs, for instance as regards board composition, the establishment of an independent risk function and default management arrangements (including the CCP's own contribution in case of default of a clearing member that is not covered by the defaulting clearing members' resources). These include requirements in relation to "interoperability arrangements" which involve CCPs establishing arrangements with each other so that a counterparty using one CCP may execute a trade with a counterparty that has chosen a different CCP.

EMIR seeks to reduce the additional risks resulting from interoperability arrangements by restricting the circumstances in which CCPs may enter into such arrangements. Under EMIR, CCPs may only enter into interoperability arrangements where certain risk management and approval requirements are met, such as the provision of margin between interoperating CCPs and additional risk monitoring and management processes.

The European CCPs in LSEG are licensed and regulated under EMIR.

Following a review process by the EC, EMIR has recently been amended by two new regulations: informally known as the EMIR Refit Regulation and EMIR 2.2. Broadly, the EMIR Refit Regulation amends certain of the transaction-level requirements and EMIR 2.2 amends the supervisory framework applicable to EU and third country CCPs (which, following Brexit, includes UK CCPs such as LCH Limited). Third-country CCPs are required to be categorised into tiers. CCPs that are, or are likely to become systemically important for the financial stability of the EU or one of its Member States are referred to as "**Tier 2 CCPs**". On 28 September 2020, ESMA announced the recognition of LCH Limited as a Tier 2 CCP under the EMIR 2.2 supervisory framework. Tier 2 CCPs will be subject to EMIR requirements for CCPs (or their home state rules if these are considered comparable), to direct supervision by ESMA and to certain potential additional requirements imposed by the EU Central Banks of Issue. ESMA may also conclude (after consulting with the ESRB and in agreement with the relevant central banks) that a third-country CCP or some of its clearing services are of such substantial systemic importance that it should not be recognised in respect of those services of activities. In parallel, the Governing Council of the ECB adopted a recommendation to amend Article 22 of the Statute of the European System of Central Banks and of the European Central Bank. The amendment would have provided the ECB with a clear legal competence in the area of central clearing, which would pave the way for the Eurosystem to exercise the powers that are foreseen for central banks issuing a currency under the review of EMIR proposed by the EC. However, the ECB withdrew its recommendation to amend Article 22 of the Statute of the European System of Central Banks and of the European Central Bank as the draft amendment to the text of Article 22 that resulted from the discussions between the European Parliament, the Council and the EC did not, in the ECB's view, meet the objectives that informed the ECB's proposal.

The UK has onshored EMIR and it applies to the Group's UK entities in a similar manner to the application of EMIR set out above in the context of the EEA.

*Single Supervisory Mechanism*

The Single Supervisory Mechanism ("**SSM**") impacts the regulation of LSEG's entities located in the Eurozone that are licensed as credit institutions such as LCH SA. The SSM confers on the ECB the competence to carry out, in co-operation with national competent authorities ("**NCAs**"), key supervisory tasks for credit institutions in the participating EU Member States, being the current members of the Eurozone. It also provides the ECB with far-ranging investigatory and enforcement powers. The ECB directly supervises significant institutions, while less significant institutions continue to be directly supervised by the national competent authorities, under the oversight of the ECB. Currently, all entities within LSEG, located in the Eurozone, that are authorised as credit institutions qualify as less significant institutions and are thus not under the direct supervision of the ECB. However, through regulations, guidelines and general instructions addressed to the NCAs, the ECB can exercise indirect supervision on these less significant institutions.

The UK was not part of the SSM and the SSM was therefore not subject to the onshoring process.

*Legislation on recovery and resolution of CCPs ("**CCP Recovery and Resolution**")*

The European Commission published a framework for the recovery and resolution of CCPs in the EU in the Official Journal of the EU on 22 January 2021 (the "**CCP Recovery and Resolution Regulation**"). With certain exceptions, the new framework will apply from 12 August 2022. The EC's proposal aims to ensure that CCPs' critical functions are preserved in a crisis scenario while maintaining financial stability and preventing the costs associated with the restructuring and resolution of failing CCPs from falling to taxpayers. The proposal could lead to increased costs for CCPs: resolution authorities that identify barriers to resolution could require CCPs to take appropriate measures to address such barriers, including changes to the CCP's operational or legal structure or to its pre-funded loss-absorbing resources. The text of the proposal also imposes a Default Fund, as defined above.

The UK's recovery and resolution regime for CCPs is set out in the Banking Act 2009 and was therefore not subject to the onshoring process. The Bank of England's Annual Report on the Supervision of Financial Market

Infrastructures (15 February 2019 – 3 December 2020) notes that the Bank of England is working with stakeholders to consider further development of the UK regime. On 24 February 2021 HM Treasury published a consultation paper on an expanded resolution regime for UK CCPs. The consultation paper notes that, apart from few technical areas, the CCP Recovery and Resolution Regulation is not significantly different from the proposed UK regime.

*BRRD, Single Resolution Mechanism ("**SRM**") and potential legislation on recovery and resolution of financial market infrastructures*

The BRRD, which applies to credit institutions and certain investment firms and their groups, provides for the introduction of a package of minimum early intervention and resolution-related tools and powers (including the power to bail-in eligible liabilities) for relevant authorities in Member States and for special rules for cross- border groups, along with rules on recovery and resolution planning. With several adaptations, the BRRD applies to LCH SA as it is licensed as a credit institution. The BRRD additionally introduced rules on minimum requirements for own funds and eligible liabilities. The minimum requirements, which are to be set by the competent authorities with regard to each institution, are designed to ensure that institutions always hold sufficient liabilities so that the bail-in tool can be used effectively in case of their resolution. The technical standards drafted by the European Banking Authority setting out the requirements in more detail apply in this regard since they were adopted by the EC.

The BRRD has been transposed into the national law of the Member States.

The BRRD has been amended by an amending directive ("**BRRD II**") as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms. EU member states are required to bring into force the laws, regulations and administrative provisions necessary to comply with BRRD II, and apply such measures, by 28 December 2020. The EU CCP Recovery and Resolution framework would ensure that BRRD does not apply to CCPs that are licensed as credit institutions, such as LCH SA. Once the CCP Recovery and Resolution framework is adopted in the EU, it will apply to LCH SA rather than BRRD.

In the event that the ACPR as the French resolution authority determines that: (i) LCH SA is failing, or is likely to fail; (ii) there is no reasonable prospect that this failure may be prevented within a reasonable period of time other than by the implementation of a resolution action; and (iii) a resolution action is necessary having regard to the objectives of the resolution regime and by virtue of LCH SA's judicial liquidation not meeting these objectives to the same extent, then the ACPR may take resolution actions. These include appointing a special manager to replace the management body of LCH SA, who may exercise all the powers of the shareholders and the management body under the control of the ACPR. The ACPR may also use one or more resolution tools, including sale of the business, establishment of a bridge institution, asset separation or bail-in. It is a principle of resolution under BRRD that the shareholders of an institution in resolution bear the first losses. A resolution of LCH SA would therefore be likely to have a significant impact on the value of LSEG's investment in LCH SA.

The SRM framework was established by the SRM Regulation, which applies to all credit institutions in the Eurozone and provides for bank resolution (including resolution planning) to be managed through a Single Resolution Board ("**SRB**") and a single resolution fund, which is financed by the banking sector. Within the SRM, the SRB is directly responsible for resolution planning and resolution in relation to (i) the most significant credit institutions (those which are directly supervised by the ECB) and (ii) other cross-border groups. The national resolution authorities are responsible for the remaining less significant institutions. The SRM II Regulation, which has applied from 28 December 2020, makes amendments to the SRM Regulation as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms.

The UK has onshored BRRD and it applies to the Group's UK entities in a similar manner to the application of BRRD set out above in the context of the EEA.

The UK was not part of the SRM and the SRM was therefore not subject to the onshoring process.

By way of further detail on the operation of the rules in the UK with respect to EuroMTS and Turquoise under the Banking Act 2009. The Bank of England, as the resolution authority, can exercise a number of stabilisation options using its stabilisation powers if (A) the FCA determines that either EuroMTS or Turquoise is failing, or is likely to fail; and (B) the Bank of England is satisfied that (i) having regard to timing and other relevant circumstances it is not reasonably likely that action will be taken by or in respect of EuroMTS or Turquoise that will mean they are not failing or reasonably likely to fail; (ii) the exercise of a stabilisation power is necessary having regard to the public

interest in the advancement of one or more of the special resolution objectives; and (iii) that one or more of the special resolution objectives would not be met by the winding up of EuroMTS or Turquoise. The stabilisation options include (i) the sale of all or part of the business of EuroMTS or Turquoise to a commercial purchaser; (ii) transfer of all or part of the business of EuroMTS or Turquoise to a 'bridge bank'; (iii) transfer of all or part of the business of EuroMTS or Turquoise to an asset management vehicle; or (iv) bail-in. In addition, in certain circumstances capital instruments issued by EuroMTS or Turquoise may be subject to mandatory write-down or conversion. The exercise of one of the stabilisation options in respect of EuroMTS or Turquoise would likely have a significant impact on the value of LSEG's investment in EuroMTS or Turquoise. See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment, of which EuroMTS will form a part.

The Bank of England is also the resolution authority for UK CCPs, including LCH Limited. As the resolution authority for LCH Limited, the Bank of England may use stabilisation powers available to it under the Banking Act 2009 to pursue a number of stabilisation options if it determines that LCH Limited is: (i) failing or is likely to fail to satisfy the requirements resulting from section 286 of FSMA (that is, the recognition requirements); and (ii) having regard to timing and other relevant considerations, it is not reasonably likely that (ignoring the stabilisation powers) action will be taken by or in respect of LCH Limited that will enable it to maintain the continuity of any critical clearing services it provides while also satisfying the recognition requirements. The stabilisation options available to the Bank of England include (i) sale of all or part of the business of LCH Limited to a commercial purchaser; (ii) transfer of all or part of the business of LCH Limited to a 'bridge bank'; or (iii) transfer ownership of LCH Limited to any person. A resolution of LCH Limited would be likely to have a significant impact on the value of LSEG's investment in LCH Limited.

*Benchmarks*

Responding to allegations of manipulation of LIBOR and EURIBOR, since 2012 in particular, the EC passed new legislation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, in the form of the EU Benchmarks Regulation. Certain entities within LSEG are regulated as administrators of certain benchmarks used in the EU and are thus caught by the EU Benchmarks Regulation.

The EU Benchmarks Regulation imposes obligations in respect of: (i) the provision of benchmarks; (ii) the contribution of input data to a benchmark; and (iii) the use of a benchmark. Of particular relevance to LSEG, the EU Benchmarks Regulation requires the authorisation of, and imposes governance and control requirements on, benchmark administrators, i.e., persons who have control over the provision of a benchmark.

Two Refinitiv companies, RBSL and FIL, are authorised as benchmark administrators under the UK Benchmark Regulation. Accordingly, the rules of the UK Benchmark Regulation requiring the authorisation of and imposing governance and control requirements on benchmark administrators, apply to RBSL and FIL. As benchmark administrators, RBSL and FIL are subject to various governance, conflict of interest and record-keeping requirements, as well as control requirements in relation to the determination of the benchmarks they operate.

The UK has on-shored the Benchmark Regulation and it applies to LSEG's UK entities in a similar manner to the application of the Benchmark Regulation set out above in the context of the EEA. In June 2020, HM Treasury stated that it would use Financial Services Bill to amend the UK Benchmark Regulation to, amongst other things, give the FCA enhanced powers in respect of critical benchmarks. These amendments were included in the FS Bill which was introduced in the UK Parliament on 21 October 2020. The Financial Services Bill is undergoing Parliamentary scrutiny as part of the UK legislative process and is intended to come into force in 2021.

*Central Securities Depositories Regulation ("**CSDR**")*

The CSDR, which was adopted in 2014, creates a uniform European regulatory framework for CSDs, including a uniform authorisation process that required CSDs operating under national authorisations to renew their licence under the harmonised framework in September 2017. Moreover, the CSDR introduced an obligation of dematerialisation for most securities (meaning that financial instruments exist only as book entry records), harmonised settlement periods for most transactions in such securities and settlement discipline measures. Another consequence of CSDR is that CSDs are required to reapply for authorisation for additional licences to provide banking-type ancillary services. Several of these obligations are, however, not yet applicable.

The EC and ESMA were tasked with specifying the requirements in additional technical standards. ESMA released draft regulatory technical standards in relation to the settlement discipline regime as well as internal rules and authorisation requirements. These provisions were accepted by the EC and published in the Official Journal. ESMA has proposed that their application be postponed for another year until February 2022. On 23 October 2020, the European Commission adopted a regulation which extends the date for application of the settlement discipline provisions to 1 February 2022.

The UK has on-shored CSDR and it applies to the Group's UK entities in a similar manner to the application of CSDR set out above in the context of the EEA.

In a written statement dated 23 June 2020, the UK's chancellor confirmed that the UK will not be implementing the EU's new settlement discipline regime as set out in the CSDR.

*Brexit*

For further information in relation to Brexit, please refer to "*Risk Factors—Uncertainty regarding Brexit and the outcome of future arrangements between the EU and the United Kingdom could have a material adverse impact on the Group*".

The Group has obtained necessary licences and put in place necessary arrangements in the EEA and the UK to continue providing services to its EEA and UK clients.

*Data Protection - EU GDPR*

The EU GDPR lays down rules relating to the protection of natural persons with regard to the processing of personal data and rules relating to the free movement of personal data. It seeks to ensure a consistent and high level of protection of natural persons and to remove the obstacles to flows of personal data within the EU. The EU GDPR replaced and repealed the 1995 EU directive (which was implemented in the United Kingdom by the Data Protection Act 1998) in 2018. The GDPR is an EU regulation and thus is directly applicable in all EU member states. The EU GDPR represents a material change in the way personal data is regulated in the EEA, as well as outside of the EEA, to the extent that goods or services are being provided to EU citizens and their personal information is collected and processed during the course of that interaction. Refinitiv's GDPR governance programme covers other upcoming regulatory changes (including the EU Data Strategy) and the data privacy impact that this will have on its current business model going forward. Refinitiv is monitoring the draft EU e-Privacy Regulation, which will replace the current EU e-Privacy Directive, and may impact how firms can electronically market to customers, and how cookies and other tracking technologies are used in websites.

The UK on-shored the EU GDPR into UK legislation in anticipation of Brexit, and the EU Commission has now proposed to grant the UK Data Adequacy, to allow for the continued free flow of data between the EU and the UK. If confirmed after the EDPB non-binding opinion and by Member State approval, the Adequacy assessment will be re-examined by the end of 2024.

In the interim, businesses have been preparing for data transfer compliance without an Adequacy Assessment, which means ensuring that the transfer of personal data from the EU to the UK takes place via the data transfer mechanisms in Chapter 5 of the EU GDPR. Businesses have been preparing for this eventuality with the roll-out of amended inter-group agreements and third party mitigating measures. Personal data transfers from the UK to other EU Adequate countries have been confirmed as being Adequate, and the UK has expressed its intention to announce further Adequacy Assessments with third countries in future.

The CJEU's decision in Schrems II on 16 July 2020 has invalidated the U.S. Privacy Shield and transfers from the EU and the UK to the U.S. under the U.S. Privacy Shield. In relation to Standard Contractual Clauses ("**SCCs**"), the most commonly used method for international data transfers, these are now subject to additional scrutiny as a result of this ruling. Guidance on how to address the impact of Schrems II was published by the European Data Protection Board in November 2020. Firms are considering the impact of both Schrems II Guidance and new SCCs which are anticipated to be finalised in early 2021. The UK position on both has not yet been made clear. In addition, the EC published new draft SCCs in November 2020. Once the new draft SCCs are approved, organisations will have a twelve month grace period from the date those SCCs enter into force to implement them with their data importers. The situation in respect of international data transfers from the EEA continues to evolve.

*Other Data Protection and Privacy Developments*

Data protection and privacy legislation continue to develop in jurisdictions across the world, including Brazil enacting its data protection legislation with retrospective effect from 16 August 2020. In India, there are three significant proposals to provide a comprehensive framework for data protection which are working their way through the legislative process, and may be passed in 2021. This would likely impact local employee, customer and financial data which forms part of the Group's global products and services with potential significant impacts including additional compliance measures, the localisation of certain data, and the potential impact on the location of the processing or development of other data categories. In China, the new Multi-Level Protection Scheme and related cyber and national security requirements continue to develop and a new personal data protection law has been proposed. A significant challenge in determining the compliance requirements and business impact is the limited number of translations available and broad terms in which the obligations are expressed, which makes it difficult to assess the specific impact for both on-shore and off-shore customer engagement models, but additional compliance, notice and disclosure measures to both customers and authorities are and will continue to be required, together with data localisation measures.

*Other EU Developments*

At the EU level, the legislative proposal for DORA was published on 24 September 2020, and requires changes focused on the oversight framework for critical third-party ICT providers ("**CTTPs**"), and the addition of a broad restriction on EU financial entities using CTTPs established in a third country, providing a strong indication that the EC intends to use DORA as another opportunity to require re-localisation in Europe. ICT services impacted are likely to include digital and data services provided through the ICT systems to one or more internal or external users, including provision of data, data entry, data storage, data processing and reporting services, data monitoring as well as data based business and decision support services. According to the proposal DORA will apply to 'financial entities' including EU trading venues, CCPs, CSDs, investment firms and trade repositories, and so would apply to a number of entities in the Group.

Other EU legislative proposals published in late 2020 which may impact the Group's handling and sharing of data include the Digital Services Act ("**DSA**"), Digital Markets Act ("**DMA**") and Data Governance Act ("**DGA**"). The DSA and DMA are part of a set of measures announced in the 2020 European Strategy for Data and have two main goals: (i) creating a safer digital space in which the fundamental rights of all users of digital services are protected, and (ii) establishing a level playing field to foster innovation, growth and competitiveness in the European Single Market and globally. The DGA is intended to provide a framework for the sharing of data of public entities (government to business data sharing), to set up data intermediaries and to enable individuals to give their data under a new "data altruism" concept. The DGA will be soon followed by a Data Act that will provide rules for business-to-business and business-to-government data sharing. The DGA applies to both personal and non-personal data sets.

*Fifth Money Laundering Directive ("**MLDV**")*

MLDV came into effect on 9 July 2018 and, being a directive, was required to be transposed by EU member states (by 10 January 2020). MLDV amended the Fourth Money Laundering Directive with a view to strengthening the EU anti-money laundering and counter-terrorist financing framework. A number of Group entities are subject to MLDV (or the equivalent UK rules). The Group has anti-money laundering compliance policies and procedures in place.

***Regulatory and legal environment in the U.S.***

LSEG's entities currently operate various market infrastructure providers in the U.S., including, amongst others: (i) two DCOs (LCH Limited and LCH SA) and a foreign board of trade ("**FBOT**"), all registered with the CFTC; (ii) a clearing agency (LCH SA) registered with the SEC; and (iii) a brokerage firm registered with the SEC, the FINRA and 50 states and 2 territories of the U.S.

Various agencies and regulatory bodies of the U.S. federal government have taken, and continue to take, actions to address the 2008 financial crisis and its aftermath. These actions include, but are not limited to, the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank**"), which was signed into law on 21 July 2010 and which imposes a new regulatory framework on the U.S. financial services industry and the securities and commodity derivatives markets in particular. Dodd-Frank mandates that prudential banking regulators (including the Board of Governors of the Federal Reserve System), the SEC and the CFTC issue implementing rules and regulations. The regulators have adopted substantially all of these rules and regulations. However, the compliance dates of certain rules and regulations have been deferred.

These changes, individually or collectively, have altered, and will continue to alter, the manner in which the Group's U.S. registered entities operate, particularly when considered cumulatively with similar legislative and regulatory initiatives in Europe and elsewhere in the world. The cumulative effect of these recent regulatory changes and the related costs of compliance are uncertain at this time.

The reform of the financial system has affected, among other areas, the regulation of CCPs and broker-dealers. These regulatory changes include, but are not limited to, the following:

*Derivatives clearing organisations ("**DCOs**")*

Title VII of Dodd-Frank has significantly amended the Commodity Exchange Act ("**CEA**") to address all aspects of the trading and clearing of derivatives. It establishes a trading and clearing mandate for those categories of swaps designated by the CFTC as being subject to mandatory clearing (currently, certain categories of interest rate swaps and credit default swaps). Pursuant to Title VII of Dodd-Frank, the CFTC has adopted a range of new regulatory requirements relating to the classification of swaps, the obligation to trade certain categories of swaps on regulated trading platforms known as swap execution facilities ("**SEFs**") or designated contract markets ("**DCMs**"), the registration of market participants who make a market in swaps as swap dealers ("**SDs**") or trade a material amount of swaps as major swap participants, the operation of DCOs, the reporting of swap transaction information to registered swap data repositories ("**SDRs**") and documentation requirements and responsibilities relating to the foregoing.

Section 725(c) of Dodd-Frank (which amended Section 5b(c)(2) of the CEA) sets forth core principles with which a DCO must comply. The implementing regulations establish standards for compliance, financial resources/capital, participant and product eligibility, risk management, settlement procedures, treatment of funds, default rules and procedures, rule enforcement, system safeguards, reporting, record-keeping, public information, information sharing, merger control considerations and legal risk.

In February 2016 the CFTC and EC announced a common approach regarding requirements for CCPs. The agreement is designed to ensure that European CCPs and U.S. CCPs will be able to continue to provide services to counterparties located in the U.S. and the EU, respectively. On 15 March 2016, the EC adopted an equivalence decision under EMIR with respect to CFTC requirements (Commission Implementing Decision (EU) 2016/377), which applies from 5 April 2016. A number of U.S. CCPs have since applied for and been recognised under EMIR. Once recognised, U.S. CCPs may continue to provide clearing services to clearing members of trading venues in the EU within the terms of ESMA's recognition, subject principally to compliance with applicable U.S. requirements.

At the same time, on 16 March 2016, the CFTC approved a substituted compliance framework for dually-registered CCPs located in the EU, together with a comparability determination with respect to certain EU rules. The determination became effective upon official publication on 22 March 2016. The determination will permit EU CCPs already registered with the CFTC as DCOs and those seeking registration to provide services to U.S. clearing members and clients while complying with certain corresponding EU requirements set forth in EMIR. Simultaneously, the CFTC issued a no-action letter (No. 16-26 of 16 March 2016) providing limited relief for DCO/CCPs from the application of CFTC regulations to discrete aspects of a DCO/CCP's non-U.S. clearing activities. Both CCPs in LSEG, namely LCH Ltd and LCH SA, are dual-regulated notwithstanding this regime.

In August 2018, the CFTC published for comment a proposal that would authorise the CFTC to grant a non-U.S. CCP an exemption from registration as a DCO, conditionally or unconditionally ("**Limited Exemption**"). Under the proposal, an exempt DCO would be permitted to clear swaps on behalf of certain U.S. persons and futures commission merchants (FCMs), but only with respect to the proprietary accounts of such persons, as that term is defined by CFTC rules. Importantly, an FCM would not be permitted to clear swaps on behalf of customers. Further, to qualify for the proposed relief, the CFTC would have to find that the DCO/CCP is subject to comparable, comprehensive supervision and regulation by its home country regulator.

More recently, in July 2019, the CFTC published for comment two additional proposals (Registered with Alternative Compliance and Exemption from DCO Registration) intended to reduce the regulatory obligations to which certain registered DCOs located outside of the U.S. would be subject. As above, the relief provided under both the Registered with Alternative Compliance proposal and the Exemption from DCO Registration proposal would be available to a DCO/CCP that is subject to comparable, comprehensive supervision and

regulation by its home country regulator. In addition, the CFTC would have to find that the DCO/CCP is not deemed to pose a substantial risk to the U.S. financial system. A non-U.S. DCO/CCP would be deemed to pose a substantial risk to the U.S. financial system if: (i) the DCO/CCP holds 20% or more of the required initial margin of clearing members with U.S. parents for swaps across all registered and exempt DCOs; and (ii) 20% or more of the initial margin requirements for swaps at that clearing organisation is attributable to clearing members with U.S. parents. In contrast to the 2018 Limited Exemption proposal, the Exemption from DCO Registration proposal would allow DCOs exempt from registration to clear for U.S. customers outside of the U.S. clearing model.

The Registered with Alternative Compliance proposal was finalised on 17 September 2020 largely as proposed. As finalised, it will not impact the way in which the CFTC regulates LCH Ltd, although LCH SA may be able to apply for alternative compliance. On 18 November 2020, the CFTC finalised its 2018 Limited Exemption proposal. In doing so, the CFTC specifically declined to adopt the 2019 Exemption from DCO Registration proposal, although the CFTC noted that it may consider permitting U.S. customer clearing at exempt DCOs or establishing a substantial risk test for exempt DCOs at a later time.

*Foreign Boards of Trade (“**FBOTs**”)*

FBOTs are subject to a new registration system under Dodd-Frank and no longer rely on a no-action process to operate. In determining whether to register an FBOT, the CFTC evaluates whether the FBOT’s home regulatory authority oversees the FBOT in a manner that is comparable to the CFTC’s oversight of DCMs, and specifically whether the FBOT’s regulator supports and enforces regulatory objectives that are substantially equivalent to those supported and enforced by the CFTC, such as prevention of market manipulation and safeguards against customer and market abuse. The new application procedures and registration requirements ensure that the process by which FBOTs are permitted to provide members and other participants located in the U.S. with direct access to their trading systems is standardised, fair and consistent to registration applicants and transparent to the general public.

*Clearing Agencies*

Clearing agencies are subject to multiple regulatory regimes. Any clearing agency that clears or settles securities and security-based swaps (“**SBS**”), including single-name credit-default swaps, is required to register with the SEC under section 17A of the U.S. Exchange Act. The clearing of SBS is subject to rules similar but not identical to those applicable to DCOs in respect of swaps.

The SEC has adopted final rules establishing minimum standards for the operation, governance, and risk management practices of registered clearing agencies, including clearing agencies designated as systemically important. The SEC has also adopted final rules that establish a process for clearing agencies to provide information to the SEC about SBS that the clearing agencies plan to accept for clearing. It has also adopted prudential rules enhancing the oversight of systemically important clearing agencies or those that engage in complex transactions, such as SBS. The SEC has also finalised its regime for the reporting and public dissemination of SBS transaction data to SBS repositories (“**Regulation SBSR**”). However, the compliance date of Regulation SBSR has been deferred.

*Broker-dealers*

Broker-dealers are subject to registration and other requirements under the U.S. Exchange Act. They are subject to supervision and enforcement by the SEC and FINRA as an industry-wide self-regulatory organisation and must also maintain registration with FINRA. SEC and FINRA rules and regulations and guidelines are subject to frequent changes. In addition, those rules and guidelines continue to evolve through regulatory notices and interpretive, exemptive and no-action letters.

LSEG’s U.S. registered broker-dealer, MTS Markets International, Inc., is subject to extensive regulatory requirements that apply to all aspects of its business activity, including: capital requirements (which require a broker-dealer to maintain a specified level of minimum net capital in relatively liquid form); the use and safekeeping of customer funds and securities; the suitability of customer investments; record-keeping and reporting requirements; employee-related matters; limitations on extensions of credit in securities transactions; prevention and detection of money laundering and terrorist financing; procedures relating to research analyst independence; procedures for the clearance and settlement of trades; and communications with the public. See “*Business of the Group—The Business—LSEG—The Borsa Italiana Group*” for further

details in relation to the Borsa Italiana Divestment, of which MTS Markets International, Inc. will form a part.

Refinitiv's subsidiaries operate four registered broker-dealers. U.S. registered broker-dealers are subject to extensive regulatory requirements that apply to all aspects of their business activity, including: (i) capital requirements (which require a broker-dealer to maintain a specified level of minimum net capital in relatively liquid form); (ii) the use and safekeeping of customer funds and securities, rules regulating the suitability of customer investments (which require recommended securities transactions to be suitable for each customer based on the customer's specific facts and circumstances); (iii) record-keeping and reporting requirements; (iv) requirements relating to employees and employee investments, limitations on extensions of credit in securities transactions; (v) the prevention and detection of money laundering and terrorist financing; (vi) the application of procedures relating to research analyst independence; (vii) the application of procedures for the clearance and settlement of trades; and (viii) requirements in relation to communications with the public. These requirements are imposed by the SEC, FINRA and, in some cases, other self-regulatory organisations.

Some of Refinitiv's broker-dealer subsidiaries are also registered with the SEC as alternative trading systems ("**ATSs**"), which are exchange-like trading platforms that are exempted from registration as national securities exchanges provided they comply with prescribed conditions. As registered ATSs, these broker-dealers must comply with various conduct, reporting, disclosure and other obligations, as required by the SEC under Regulation ATS.

Dodd-Frank expands the extraterritorial jurisdiction of U.S. courts over actions brought by the SEC or the U.S. with respect to violations of the antifraud provisions in the U.S. Securities Act, the U.S. Exchange Act and the U.S. Investment Advisers Act.

*Cross-border effects of U.S. derivatives regulation*

The interplay between the U.S. and EU regulatory frameworks relating to derivatives trading is uncertain. The equivalence regime is in its nascent stages. MiFIR will require certain derivative transactions between financial counterparties (such as, amongst others, investment firms, credit institutions and insurance companies) and/or certain non-financial counterparties (established in the EU and whose transactions in OTC derivative contracts exceed EMIR's prescribed clearing threshold) in sufficiently liquid derivatives to be executed on a qualifying EU trading venue or a trading venue located in a third country that has been declared equivalent by the EC for such purposes and that meets the requirements of the MiFID II/MiFIR regime. This trading obligation will also apply to counterparties which enter into derivatives that have been declared subject to the trading obligation with non-EU financial institutions or other non-EU entities that would be subject to the clearing obligation if they were established in the EU. It will further apply to non-EU entities that would be subject to the clearing obligation if they were established in the EU, which enter into derivatives transactions pertaining to a class of derivatives that has been declared subject to the trading obligation, provided that the contract has a direct, substantial and foreseeable effect within the EU or where such obligation is necessary or appropriate to prevent the evasion of any provision of MiFIR. The Dodd-Frank framework for derivatives, for its part, applies to any transaction in which a U.S. person nexus is present, with limited recourse to substituted compliance or considerations of equivalence. Broadly, where a U.S. person is involved in a transaction, the Dodd-Frank framework applies a series of entity and transaction-level requirements to the relevant swap.

Although the CFTC has adopted final rules implementing a substantial portion of Dodd-Frank's requirements with respect to swaps, CFTC regulation and its interpretation continues to evolve and uncertainties remain, particularly with regard to the extraterritorial application of CFTC regulations.

The SEC has now substantially finalised its Dodd-Frank rulemaking with respect to security-based SDs. It is expected that dealers that reach the de minimis threshold will need to register with the SEC as a security-based swap dealer no later than 1 November 2021, at which time market participants will need to start complying with most security-based swap rules.

Several Refinitiv subsidiaries currently operate as market intermediaries, infrastructure providers or investment advisers that are registered in the U.S. with the SEC, CFTC and various self-regulatory organisations, including FINRA and the NFA.

As is the case in the EEA, there is enhanced legislative and regulatory interest in financial services in the U.S. and any future laws or regulations could potentially increase the regulatory burden on Refinitiv and require it to adopt new or different approaches to its operations.

Furthermore, the continuing tension and sanctions activity between the U.S. and China require continual monitoring to determine any business and vendor adjustments that may be required.

*Swap execution facilities (“**SEFs**”)*

Section 733 of Dodd-Frank introduced a new category of registered entity, the swap execution facility, under the CEA. SEFs include trading systems or platforms on which multiple participants have the ability to execute or trade swaps by accepting bids and offers made by multiple participants in the facility or system. Refinitiv and its subsidiaries operate three registered SEFs. As a condition of registration, a SEF must satisfy numerous “core principles” set forth in the CEA. To the extent that trading facilities may be subject to U.S. regulation as SEFs as well as EU regulation as MTFs or OTFs, the CFTC and the EU have worked to address the circumstance in which the same entity may be required to register under both the U.S. and European regimes. In December 2017, the CFTC and the EC took action to implement mutual recognition of derivatives trading venues. On 5 December 2017, the EC issued an equivalence decision finding that certain DCMs and SEFs are eligible for compliance with the EU trading obligation for derivatives. On 8 December 2017, the CFTC issued an order of exemption, pursuant to its authority under Section 5h(g) of the CEA, exempting certain MTFs and OTFs from the SEF registration requirement (the “**CFTC Order**”). The exemption was based on the CFTC’s finding that MTFs and OTFs that are authorised within the EU are subject to comparable, comprehensive supervision and regulation on a consolidated basis by appropriate governmental authorities within their respective member states. The CFTC has subsequently amended the list of MTFs and OTFs identified in the CFTC Order to include additional MTFs. In November 2018, the CFTC issued proposed amendments to its existing regulations related to SEFs to, among other things, apply the SEF registration requirements to certain swap broking entities and aggregators of single-dealer platforms, and allow SEFs to offer flexible execution methods for all swaps that they list for trading. Consultation in respect of the proposed amendments has closed and the proposed amendments are pending. In July 2020, the CFTC finalised a rule prohibiting post-trade name giving-up for swaps executed, pre-arranged or pre-negotiated anonymously on or pursuant to the rules of a SEF and intended to be cleared. In November 2020, the CFTC finalised a rule amending certain parts of its regulations relating to the execution of package transactions on SEFs to allow for flexible means of execution, and to allow for the resolution of error trades on SEFs.

*Introducing brokers (“**IBs**”)*

Refinitiv subsidiaries currently operate three registered IBs. IBs solicit or accept orders for futures, options or swaps contracts, although they do not accept any money, securities, or property (or extend credit in respect of them) to margin, guarantee, or secure trades or contracts that result or may result. IBs are also required to be members of NFA. As an entity registered with the CFTC and an NFA member, an IB is subject to regulatory requirements including, among other things, KYC, regulated sales practices, supervision, record-keeping and reporting.

*Investment Adviser*

One of Refinitiv’s subsidiaries, Refinitiv Global Markets (“**RGM**”), is a registered SEC investment adviser under the U.S. Investment Advisers Act. RGM has two divisions: (i) IFR Markets (“**IFR**”); and (ii) Municipal Market Data (“**MMD**”). IFR electronically publishes real time commentary and technical and fundamental analysis in respect of the global commodity and fixed income (cash, futures and derivatives) markets. MMD electronically publishes real time commentary and technical and fundamental analysis of the municipal cash, futures and U.S. Treasury markets. MMD also creates a suite of indicative yield curves providing an opinion to the market regarding where MMD sees fair value. In addition to receiving published advice, subscribers to RGM products and services are able to contact RGM’s analysts to discuss the published information. RGM is registered at federal level and is therefore exempt from state level registration requirements.

The supervised persons associated with RGM are subject to various regulations that impact how they operate, including as regards their practices related to supervision, rendering investment advice, sales and marketing methods, personal trading practices, treatment of material non-public information and record-keeping and financial reporting.

*Cross-border effects of U.S. derivatives regulations*

The interplay between the U.S. and EU regulatory frameworks relating to derivatives trading is uncertain. The equivalence regime is in the early stages of being developed. MiFIR sets out a regime which requires certain derivatives transactions in sufficiently liquid derivatives between financial counterparties (such as investment firms, credit institutions and insurance companies, amongst others) and certain non-financial counterparties (established in the EU and whose transactions in OTC derivatives contracts exceed EMIR's prescribed clearing threshold) to be executed on a qualifying EU trading venue or a trading venue located in a third country that has been declared equivalent by the EC for such purposes, and that meets the requirements of MiFID II/MiFIR. This trading obligation will also apply to counterparties who enter into derivatives that have been declared to be subject to the obligation, with non-EU financial institutions or other non-EU entities that would be subject to the clearing obligation set out in EMIR if they were established in the EU. It will also apply to non-EU entities, that would be subject to the clearing obligation under EMIR if they were established in the EU, who enter into derivatives transactions relating to a class of derivatives that have been declared to be subject to the trading obligation, provided that the contract has a direct, substantial and foreseeable effect within the EU or where such obligation is necessary or appropriate to prevent the evasion of any provision of MiFIR. The OTC derivatives that are subject to the MiFIR trading obligation must have been specified. ESMA maintains a register of derivatives that have been declared to be subject to the trading obligation in MiFIR, as well as the trading venues on which those derivatives can be traded and the dates on which the obligation takes effect, according to the category of counterparty. The EC has declared that certain CFTC-authorised SEFs and designated contract markets are equivalent for the purposes of the MiFIR trading obligation, which includes SEFs operated by Tradeweb entities.

The Dodd-Frank framework for derivatives applies to any transaction in which a U.S. person nexus is present, with limited recourse to substituted compliance or the ability for there to be an equivalence determination. Broadly, where a U.S. person is involved in a transaction, the Dodd-Frank framework applies a series of entity and transaction-level requirements to the relevant swap. In July 2013, the CFTC issued interpretive guidance to inform the public about how the CFTC understood, and intended to apply, its extraterritorial authority. In July 2020, the CFTC approved a final rule on the cross-border application of certain swap provisions under the CEA.

Although the CFTC has adopted final rules implementing a substantial portion of Dodd-Frank's requirements with respect to swaps, the CFTC regulation and its interpretation continues to evolve and uncertainties remain.

The SEC has now substantially finalised its Dodd-Frank rulemaking with respect to security-based swap dealers. It is expected that dealers that reach the de minimis threshold will need to register with the SEC as a security-based swap dealer no later than 1 November 2021, at which time market participants will need to start complying with most security-based swap rules.

*Privacy and USA Patriot Act*

Many aspects of Refinitiv's business are subject to the comprehensive legal requirements of multiple different functional regulators concerning the use and protection of personal information, including client and employee information. Refinitiv has implemented policies and procedures in response to such requirements. Refinitiv endeavours to safeguard the data entrusted to it in accordance with applicable laws and its internal data protection policies, including taking steps to reduce the potential for identity theft or other improper use or disclosure of personal information, while seeking to collect only the data that is necessary to properly achieve its business objectives and to best serve its clients.

The California Consumer Privacy Act of 2018, which was passed in June 2018 and came into effect in January 2020, grants consumers a right to request: (i) that a business disclose the categories and specific pieces of personal information that it collects about the consumer; (ii) the categories of sources from which that information is collected; (iii) the business purposes for collecting or selling the information; and (iv) the categories of third-parties with whom the information is shared. The California Consumer Privacy Act further grants consumers a right to request that a business that sells a consumer's personal information, or discloses it for a business purpose, discloses the categories of information that it collects and the identity of third-parties to which the information was sold or disclosed, among other rights. The California Privacy Rights Act of 2020 (the "**California Privacy Rights Act**") was approved by voters in California's election on 3 November 2020 and will largely replace the California Consumer Privacy Act. The majority of the substantive provisions of the California Privacy Rights Act come into force on 1 January 2023 and apply to personal data collected after 1 January 2022. The California Privacy Rights Act brings California's privacy laws closer to the GDPR, while preserving key unique components of the California Consumer Privacy Act. Refinitiv continues to work on its compliance program related to the California Consumer Privacy Act and the newly approved California Privacy Rights Act.

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act, commonly referred to as the USA Patriot Act, provides the federal government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers and increased information sharing, and broadened anti-money laundering requirements applicable to financial institutions. In addition, Refinitiv is subject to applicable anti-money laundering legislation in the U.S.

***Other Non-U.S. and non-European Regulation***

Some of Refinitiv's subsidiaries and their activities are also subject to other local country regulations, including those of Australia, Brazil, Canada, China, Hong Kong, India, Malaysia, Japan, Russia, Singapore, Switzerland and Thailand.

***Other Regulations***

*Telecommunications licences*

Refinitiv also offers certain connectivity services (branded Delivery Direct) typically to its larger clients which, depending on the local national telecommunications regulatory framework at a given location, can bring these services within the scope of telecommunications regulation. The national regulatory environment can require specific authorisations and compliance with a number of ongoing obligations, for example, payment of regulatory fees and filing of regular reports. Accordingly, Refinitiv maintains a number of telecommunications authorisations, including in Canada, Singapore and Hong Kong.

## BUSINESS OF THE GROUP

*In this section, the "Group" refers to London Stock Exchange Group plc together with its subsidiaries on a consolidated basis, except where otherwise specified or clear from the context, following the Refinitiv Acquisition (as defined below). Any references to "LSEG" refer to London Stock Exchange Group plc prior to the Refinitiv Acquisition. Any projections and other forward-looking statements in this section are not guarantees of future performance and actual results could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Presentation of Financial and Other Information", "Risk Factors", "Operating and Financial Review" and "Forward looking statements".*

### Overview of the Group

On 29 January 2021, LSEG plc and its subsidiaries (together with LSEG plc, "**LSEG**") and Refinitiv Parent Limited ("**Refinitiv Parent**") and its subsidiaries (together with Refinitiv Parent, "**Refinitiv**") merged to form the Group (the "**Refinitiv Acquisition**"). As a result of the Refinitiv Acquisition, Refinitiv's shareholders (including (i) certain investment funds affiliated with Blackstone, including an affiliate of Canada Pension Plan Investment Board, an affiliate of GIC Special Investments Pte. Ltd., and certain co-investors (the "**Blackstone Consortium**") and (ii) Thomson Reuters (together with the Blackstone Consortium, the "**Refinitiv Shareholders**") hold approximately 37% economic interest in LSEG plc and less than 30% of the total voting rights in LSEG plc. On 19 March 2021, certain of the Refinitiv Shareholders announced that they have agreed to sell 10,422,684 LSEG Shares pursuant to certain exceptions from the lock-up arrangements agreed as part of the Refinitiv Acquisition. Following settlement of such sale, the Refinitiv Shareholders will hold an approximate 35% economic interest in LSEG plc and less than 30% of the total voting rights in LSEG plc.

The Group is a leading global financial markets infrastructure and data provider by total income, with pro forma total income for the year ended 31 December 2020 of £7.1 billion (excluding the Borsa Italiana Group), exceeding those of any other listed global financial markets infrastructure and data provider.

The Group operates on a global scale, with a significant presence in key financial centres, including in North America, Europe, Asia and emerging markets. As a result of the Refinitiv Acquisition, Refinitiv's larger footprint in the U.S. and Asia in particular enhances and diversifies LSEG's existing geographic operations and customer reach.

The Group services customers across the entire financial services lifecycle, providing: (i) superior data content, data management and distribution capabilities, by bringing together Refinitiv's capabilities in data collection, management and distribution with LSEG's leading global, multi-asset index capabilities through FTSE Russell, and (ii) single-asset class and multi-asset class capital markets and post trade offerings, by bringing together LSEG's leading equities trading businesses and global multi-asset clearing houses with Refinitiv's leading foreign exchange ("**FX**") trading venues and Tradeweb's leading fixed income trading venue.

The Group operates three business divisions: (i) Data & Analytics (ii) Capital Markets; and (iii) Post Trade, all supported by a commitment to operational and technological innovation and performance.

### Strengths

The Group believes that the below strengths help to differentiate it from its competitors.

#### *Global financial markets infrastructure and data leader that is strengthened by the Refinitiv Acquisition*

The Group is the largest publicly-listed financial markets infrastructure and data group by revenue globally, formed by the combination of the highly complementary legacy LSEG and Refinitiv businesses. The Refinitiv Acquisition provides the Group with significant capabilities across asset classes, enabling it to respond to emerging financial markets infrastructure and data trends. The Group has a balanced global footprint with a significant presence in key financial centres, in particular in North America, Asia and fast-growing emerging markets, as well as in Europe. The Group's Refinitiv businesses have an extensive footprint in the U.S., which is the world's largest financial market, with the largest equities and fixed income markets by volume of listings, and the second largest FX market by trading volume. Refinitiv has strong relationships with sell-side and buy-side customers, as well as the corporate market. The Refinitiv Acquisition also provides the Group with deeper access to the Asia Pacific region through Refinitiv's presence in 30 countries in the region, with approximately 9,800 legacy Refinitiv employees in Asia Pacific, including over 1,100 in China. Refinitiv's businesses provide the

Group with access to over 40,000 customers and over 400,000 end users across approximately 190 countries, expanding and diversifying the Group's overall geographic footprint and customer reach.

The Refinitiv Acquisition has materially increased the Group's presence as a data, analytics and workflow solutions provider to the corporate, wealth and risk markets. It provides access to new groups of customers which the Group is well-placed to serve, and positions the Group as a leading provider of trading venues, presenting customers with optionality with respect to the range of solutions offered by the Group and the ability to deploy single-asset and multi-asset class investment strategies.

***Leading customer proposition in data and analytics, with opportunities in valuable intellectual property ("IP") and innovative new services***

The Group brings together Refinitiv's leading data content, data management and solutions capabilities with LSEG's global index and analytics businesses. These capabilities enable the Group to support customers in relation to the growth of their passive investments and the development of single-asset and multi-asset class investment strategies. This includes the ability to create new indices and analytics products in emerging areas such as ESG benchmarks by utilising Refinitiv's data sets and LSEG's best-in-class analytics capabilities.

The Refinitiv Acquisition has significantly enhanced the Group's product innovation capabilities and complements its other recent acquisitions in data and analytics, including The Yield Book, Mergent and Beyond Ratings. Refinitiv's expertise in data management and data enrichment allows the Group to create significant value for customers from its existing data sets, in particular from post trade services. These capabilities allow the Group to deliver a wider suite of solutions to meet the fast-evolving needs of the investment and trading community.

In addition to the acquisition of IP and new products, the Refinitiv Acquisition provides the Group with enhanced distribution capabilities, by utilising Refinitiv's open platform model, its over 400,000 end users, and its global salesforce. These combined platforms with multi-channel distribution capabilities facilitate access to an expanded range of content by a broader group of customers.

***Creates a global multi-asset class capital markets business with the addition of high-growth foreign exchange and fixed income venues***

The Group is a global multi-asset class capital markets business with one of the leading FX and fixed income venues. FX and fixed income are amongst the largest traded asset classes globally and benefit from multiple growth trends including the electronification of markets, the shift from active to passive investment and the increased direct role played by buy-side firms in the market. The Group benefits from Refinitiv's leading execution venues in OTC markets, including the Tradeweb Group (in which Refinitiv has an approximately 53% economic interest), Matching and FXall, with average daily trading volume of over US$400 billion in FX and over US$830 billion in fixed income across Refinitiv's execution venues. This is highly complementary to LSEG's existing position as an operator of leading listing and trading venues. Opportunities exist for technology-driven product innovations across asset classes and the Group is well-positioned to support customers as they seek opportunities in respect of these trends on a global basis.

***Driven by core principles of open access and customer partnership***

The Group offers customers extensive choice in products and services, providing both proprietary and third-party content across a wide range of applications and platforms on an open access basis.

The Group takes forward the long-standing commitments of LSEG and Refinitiv to open access and a customer-centric approach that delivers innovation and choice to their respective customers. LSEG operates on an open access basis across its Data & Analytics, Post Trade and Capital Markets businesses, and has provided its technology products globally to more than 40 exchanges and trading platforms. LSEG also operates a number of its businesses in partnership with its customers, including LCH, Turquoise and CurveGlobal, creating greater innovation, efficiency and choice. Refinitiv operates an open data platform and has over 40,000 customers and over 400,000 end users globally. Refinitiv's open platform provides it with multi-point access to a broad array of data drawn from its customers and third parties, which enables it to provide access to cutting edge content and analytics. Refinitiv's partnerships with its customers play a key role in re-distributing content to end users, such as by providing a contributions platform for customers to contribute live pricing, and agreements in place with customers to redistribute broker research and help manage relevant end-user entitlements and access. Refinitiv's open platform also allows customers to engage with other users through its offerings such as App Studio and Side-

by-Side Integration API. Refinitiv's Side-by-Side Integration API enables users to create a single streamlined workflow across all of the user's applications, allowing users to leverage data into multiple formats. Applications allow users to leverage this functionality to build new insight capabilities and distribute these insights to other customers via Eikon.

The Group creates long-term value through aligning its products and services with the interests of customers. This open access partnership approach is a strength for the Group, because it benefits customers, shareholders and other stakeholders. This makes it a more robust platform than certain vertical or integrated models, which could be more susceptible to future competitive and regulatory pressures as the global financial markets infrastructure and data landscape evolves.

***Attractive business mix and opportunities to generate revenue growth***

The Group has an attractive revenue profile, with strong revenue growth and a high level of recurring, diversified revenue streams. Including recoveries, 71% of the Group's pro forma revenue in the year ended 31 December 2020 (excluding the Borsa Italiana Group) comprised recurring subscription-based revenue. The Group's revenue is well-diversified across products and geographies.

The Group targets a revenue compound annual growth rate ("**CAGR**"), excluding recoveries and including Net Treasury Income, of 5% to 7% over the first three years following completion of the Refinitiv Acquisition on 29 January 2021 ("**Completion"**), although growth in 2021 is expected to be below the bottom end of this range. The Group expects to achieve its target three year growth rate through: (i) continued performance of the legacy LSEG businesses, where underlying total income CAGR has been 7.0% from the year ended 31 December 2018 to 2020, and where Information Services (including FTSE Russell) and Post Trade (including LCH and UnaVista), are expected to form the basis of continued strong growth; (ii) accelerating revenue growth of Refinitiv's Data, Distribution, Analytics and Workflow businesses, resulting from its ongoing transformation programme (including the expansion of its data content sets, enhancement of its platform capabilities, continued expansion in emerging and frontier markets, and salesforce initiatives); (iii) continued strong growth of Tradeweb and Risk; and (iv) realisation of target run-rate revenue synergies following the Refinitiv Acquisition, which the Group expects to be in excess of £225 million per year by 31 December 2025. The Board expects that these revenue synergies will originate from:

- **Cross-selling opportunities and enhancing existing products**, which account for approximately 90% of the identified benefits of the Refinitiv Acquisition. Cross-selling opportunities include the distribution of LSEG's index products and The Yield Book analytics via Refinitiv's data platforms and the distribution of Refinitiv's pricing and reference data to LSEG's index customers. The Group intends to enhance existing products by: (i) providing additional services to LSEG's issuer customers, through the addition of Refinitiv's data, and LCH valuation, margin and capital optimisation tools; (ii) extending LSEG's suite of fixed income indices; and (iii) improving and increasing the number of Refinitiv's indices by utilising LSEG's index expertise.

- **Developing and launching new products**, which account for approximately 10% of the identified benefits of the Refinitiv Acquisition. This includes developing new fixed income and ESG index and analytics services using Refinitiv's extensive data and content sets.

These revenue synergy assumptions have been risk adjusted, and the Group has exercised a degree of prudence in their calculation. The total quantified revenue synergies in excess of £225 million per year are equivalent to approximately 3% of the Group's pro forma total income from operations for the year ended 31 December 2020, of £7.1 billion (excluding the Borsa Italiana Group).

The Group expects that revenue synergy realisation from the Refinitiv Acquisition will take place progressively, whereby approximately 60% of the total run-rate benefits will be realised by 31 December 2023, rising to 100% of run-rate benefits by 31 December 2025. Milestones for 2021 include cross-selling Refinitiv's pricing and reference data and new FTSE Russell product launches using Refinitiv's pricing and reference data. The Group expects that revenue synergies will drive additional growth in later years following a period of up-front investment.

The Group expects that realisation of these revenue synergies would result in cash costs of approximately £180 million in aggregate, which will be a combination of underlying operating expenses and capital expenditure. The Group considered revenue dis-synergies that could arise from the Refinitiv Acquisition and, whilst not significant,

these were taken into account in deriving a net synergy position. These costs will mainly consist of development capital expenditure and investment in the distribution capabilities of the Group.

***Opportunities for significant cost synergies***

The Group has a strong track record of delivering shareholder value from complex transactions. The Group believes that it will be able to achieve incremental and recurring pre-tax cost synergies in excess of £350 million per year by 31 December 2025. The Group expects that these cost synergies will originate from:

- **Corporate and employee related efficiencies**, which account for approximately 50% of the identified benefits. These efficiencies include removing duplication of corporate functions, delayering management and leveraging the Group's wider geographic footprint, while continuing to invest in growth.

- **Technology efficiencies**, which account for approximately 30% of the identified benefits. These efficiencies include streamlining data, infrastructure and information technology capabilities across the Group.

- **Property and other efficiencies**, which account for approximately 20% of the identified benefits. These efficiencies are expected to arise from consolidating the property footprint of the Group in common locations, rationalising supplier contracts, and the depreciation benefits of technology and property de-duplication.

The total anticipated cost synergies in excess of £350 million per year are equivalent to approximately 12% of the Group's pro forma adjusted operating expenses (before depreciation, amortisation, impairments and non-underlying items and excluding the Borsa Italiana Group) from operations, of £2.9 billion, for the year ended 31 December 2020.

The Group expects that cost synergy realisation will take place progressively, whereby approximately 25% of the total run-rate benefits will be realised by 31 December 2021, rising to 70% of run-rate benefits by 31 December 2023 and 100% by 31 December 2025. Milestones for 2021 include delayering and removing duplication in senior management roles, consolidation of property to reduce the Group's footprint and enable collaboration, and technology efficiencies from contract rationalisation with the Group's scale service providers, such as for run and development services.

The Group expects that the realisation of these cost synergies will result in non-recurring cash costs of approximately £550 million in aggregate, the majority of which will be incurred between 2021 and 2023 and classified as either non-underlying operating expenses or capital expenditure. The phasing will be assessed further and refined as part of the detailed integration planning in due course.

The Group is targeting a combined Underlying EBITDA margin of around 50% in the medium term following Completion, based on revenues excluding recoveries and including Net Treasury Income, as well as earnings per share accretion of 30% in the first year after Completion with further increases in the second and third year after Completion. This is driven by the significant cost synergies from the Refinitiv Acquisition, completion of Refinitiv's existing cost savings programme, as well as the strong expected revenue growth for the Group.

***Strong cash generation and disciplined capital management***

The Group's ratio of net debt to pro forma Underlying EBITDA for the year ended 31 December 2020 was 3.3x. Taking into account the expected completion of the Borsa Italiana Divestment, the Group expects its leverage to materially decrease. The Group's strong cash generation is expected to result in further deleveraging, with the Group's ratio of net debt to Underlying EBITDA reducing to within a range of 1.0x to 2.0x in the 24 months following Completion, consistent with the Group's capital management policy. The Group's high level of recurring revenue and cash generation enable the Group to invest in its core businesses and maintain disciplined leverage levels. The Group maintains LSEG's longstanding capital management framework and targets a strong investment grade credit rating.

The Group is expected to receive proceeds in cash on completion of the Borsa Italiana Divestment (before deductions of applicable taxes and other transaction related costs) of €4.325 billion, plus an additional amount reflecting cash generation in the period from (and including) 1 July 2020 to completion of the Borsa Italiana Divestment. The Group intends to use the net proceeds from the Borsa Italiana Divestment to repay certain of the

Group's indebtedness and for general corporate purposes, bringing LSEG closer to achieving its target net debt to Underlying EBITDA ratio of 1.0x to 2.0x within 24 months following Completion.

***Highly experienced management team***

The Group's executive team has multiple decades of combined expertise in the FMI, data and information services industries. The Chair of the Group's board of directors, Don Robert, was appointed to the board of directors in January 2019 and was previously Group Chief Executive Officer at Experian plc and Chairman of the US Consumer Data Industry Association. The Group's Chief Executive Officer, David Schwimmer, joined the Group in August 2018 and was previously at Goldman Sachs, where he gained over 20 years of experience in financial services and served as Global Head of Market Structure. The Group's Chief Financial Officer, Anna Manz, joined the Group in November 2020 and was previously Chief Financial Officer at Johnson Matthey plc and Chief Strategy Officer at Diageo plc, where she gained over 17 years of experience. The Group believes that the collective industry knowledge and leadership capabilities of the Group's executive team will enable it to continue to successfully execute its strategy.

**Strategy**

The Group's strategy includes the following:

***Build upon existing strategies of the LSEG and Refinitiv businesses***

The Group's purpose is to promote financial stability and sustainable growth by connecting the world's financial markets and empowering economies through trusted data and market infrastructure. This represents a continuation of the long-standing role that both LSEG and Refinitiv have played in supporting the development of financial markets and responding to customers' evolving needs across the financial markets value chain.

The Group will build on LSEG and Refinitiv's existing strategies to provide a broad global service offering across the financial markets value chain to better serve its customers, who increasingly operate on a global basis. These range from the world's largest investment banks and trading firms, asset owners and wealth and asset managers, to corporates and SMEs to institutional and retail investors.

As a result of the Refinitiv Acquisition, the Group will be better able to build on these strategies. The Group will focus on the strategic goal of becoming a global FMI leader, with the ability to innovate and invest globally in order to meet the following strategic priorities:

***Respond to customers' and partners' needs for a trusted FMI partner to provide seamless access and solutions across the financial markets value chain on a global scale***

The Group will seek to build on LSEG and Refinitiv's existing, well-balanced global presences and diverse set of products and services to facilitate innovation and address customers' efficiency challenges, such as cost management, access to liquidity, trade execution and capital efficiency.

The Group will continue to work in close partnership with its customers to develop tailored solutions to their specific needs. Opportunities include exploring solutions which reduce the costs of capital raising for corporates and SMEs, delivering new and enhanced data and analytics to inform pre-trade and post-trade decision making, and developing solutions targeted at simplifying capital markets workflows, as well as continuing to focus on investment and partnerships in emerging and frontier markets.

***Develop innovative data, analytics, indices and IP for customers, including by drawing on data and domain expertise from across the Group's existing information services, capital markets and post trade businesses***

The Group will integrate and build upon Refinitiv's data content, management and solutions capabilities with LSEG's global index and analytics businesses. This will enable the Group to better support customers in responding to the growth and further development of passive investment and multi-asset class investment strategies.

The Group will continue to invest in content, particularly data sets which complement traditional financial data to inform its customers' decision making. The Group will utilise Refinitiv's extensive data sets in conjunction with LSEG's index creation and analytics capabilities to create new indices and analytics products in areas of growing investor focus such as ESG and multi-factor indices. The Group's data capabilities will also complement and

reinforce the workflow of its Capital Markets and Post Trade businesses, allowing it to feed data into execution and risk based decision-making.

The Group will also continue to invest in a simplified global data platform experience (including Refinitiv Workspace) to provide faster data onboarding, roll out, and a better customer experience, while also seeking to provide increased flexibility in how customers can consume content and derive value from the Group's products.

***Provide efficient access to support capital raising and trading activities across asset classes globally to drive sustainable growth***

The Group brings together global, multi-asset class capital markets offerings, with leading listing and trading venues in equities, ETFs, fixed income, FX and derivatives.

The Group will continue to focus on developing its access model to serve customers across the capital markets value chain, providing efficient access to liquidity across multiple asset classes and regions, and supporting customers seeking to trade, invest and raise capital on a global basis. The Group will do this while maintaining its commitment to the principles of open access.

***Enable simplified access for customers to the Group's products and services***

The Group will build on its scaled operations function to bring benefits to both customers and the Group's businesses by delivering new and differentiated content, supported by efficient processes and technology. The Group's strategy is focused on deploying trusted and scalable technology to the processes of sourcing, extracting, translating and quality controlling data. The Group will also focus on ensuring a more consistent approach to its interaction with, and support of, external and internal customers, including through enhancements to sales and support models such as MyRefinitiv, a single point of reference for customer queries, billing data and other services.

With the combined technology functions of LSEG and Refinitiv bringing together domain expertise in building and operating resilient, high performing data and market infrastructure platforms, the Group is well placed to meet the challenges and opportunities presented by the increasing importance and changing requirements of technology infrastructure. The Group is in the process of moving significant parts of its operations to the cloud and will continue to adopt a "cloud first" strategy, whilst investing in cyber security and resilience.

***Deepen and expand its principles of open access and customer partnership***

The Group will continue both LSEG's and Refinitiv's long-standing commitment to the principles of open access and customer partnership, which differentiates the Group from its competitors. A commitment to these principles promotes innovation and choice, as well as sustainable long-term value creation for customers.

*Open access*

The Group is committed to open access principles and will not operate a vertically integrated model. The Group will seek to provide access to execution venues and products for a wide range of users, including to those venues and products that compete with the services provided by the Group.

The Group's proposed open access approach draws upon LSEG's post trade business in particular, which provides clearing and settlement services for products traded on third-party venues (such as BrokerTec and Euronext) and Refinitiv's data platform, which allows customers to engage with third-party providers and data sets across an open access environment.

*Customer partnership*

The Group has an extensive network of customers across the globe whose ongoing support, trust and input into its business is essential to the generation of long-term value for all of its stakeholders. A number of businesses within the Group are owned and governed in partnership with customers, including LCH and Turquoise. As the Group's customers are minority shareholders in these businesses, they have the opportunity to participate in the governance and development of the business. The Group believes this partnership approach will continue to foster innovation and enable the Group to add value to customers' businesses and operations, by providing the Group with the opportunity work closely with, and better understand the needs of, its customers.

**History**

*LSEG*

The London Stock Exchange is one of the world's oldest stock exchanges and can trace its history back more than 300 years. It was originally constituted by deed of settlement in 1802 and 1875, as amended from time to time, prior to the adoption of modern memoranda and articles of association in 1991. LSEG plc's recent corporate history commenced on 19 November 1986 when it was incorporated and registered in England and Wales with registered number 2075721, as a private limited company under the Companies Act 1985 with the name The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited. On 9 December 1995, The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited changed its name to The London Stock Exchange Limited. On 8 June 2000, The London Stock Exchange Limited was re-registered as a public limited company pursuant to section 43 of the Companies Act 1985 and changed its name to The London Stock Exchange plc. The London Stock Exchange plc became a listed company in July 2001. At this point it was predominantly a UK equities exchange.

The holding company of LSEG was incorporated and registered in England and Wales on 18 February 2005 under the Companies Act 1985 as a private company limited by shares with registered number 5369106 and with the name Milescreen Limited. On 16 November 2005, it changed its name to London Stock Exchange Group Limited. On 7 December 2005, it was re-registered as a public limited company pursuant to section 43 of the Companies Act 1985 and changed its name to London Stock Exchange Group plc. On 15 May 2006, London Stock Exchange Group plc became the holding company of London Stock Exchange plc pursuant to a scheme of arrangement made under section 425 of the Companies Act 1985 and replaced The London Stock Exchange as the listed entity.

LSEG's path towards becoming a global financial markets infrastructure and data group evolved through a series of strategic acquisitions starting in 2007 when LSEG plc became the holding company of Borsa Italiana, diversifying its activities into European equities and fixed income. See "*—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment. LSEG expanded into Technology Services through the acquisition of MillenniumIT in 2009. In 2013, LSEG plc completed the acquisition of a majority stake in the global clearing house, LCH (with two subsequent stake increases in 2017 and 2018), expanding further into the provision of Post Trade services. In 2011, LSEG plc completed the acquisition of the outstanding 50% of FTSE International Limited; in 2014, LSEG plc completed the acquisition of Frank Russell Company (with Russell's asset management business ("**Russell Investments**") subsequently sold in June 2016); and in 2017, LSEG also completed the acquisition of Mergent, The Yield Book and Citi Fixed Income Indices, in each case developing its capabilities in data, indices and analytics.

*Refinitiv*

Refinitiv was originally the Thomson Reuters Financial & Risk Business. Thomson Reuters was created in 2008 when The Thomson Corporation, founded in 1934 as a publishing company by Roy Thomson, acquired Reuters Group, founded in 1851 by Paul Julius Reuter as a business transmitting stock market quotations, which then became a global reporting network for media, financial and economic data. Operating in the first year under a dual-listed company structure, in 2009, it unified its dual listed structure to become Thomson Reuters, which is listed on the New York Stock Exchange and the Toronto Stock Exchange. Thomson Reuters had multiple business units, and the Thomson Reuters Financial & Risk Business accounted for approximately half of its revenues.

On 30 January 2018, the Blackstone Consortium announced the acquisition of an approximate 55% interest in Thomson Reuters' financial and risk business (the "**2018 Transaction**" and the "**Thomson Reuters Financial & Risk Business**", respectively), which was renamed Refinitiv after the 2018 Transaction closed on 1 October 2018 (the "**2018 Transaction Closing Date**"). As part of the 2018 Transaction, Thomson Reuters retained an approximate 45% interest in Refinitiv.

Prior to the 2018 Transaction Closing Date, on 21 March 2018, F&R (Cayman) Parent Ltd. was incorporated as a private company in the Cayman Islands as a special purpose acquisition vehicle by Blackstone, and changed its name on 28 February 2019, after the 2018 Transaction Closing Date, to Refinitiv Parent. Refinitiv Parent is headquartered in London and New York and is the holding company of Refinitiv.

Refinitiv holds an approximate 85% voting interest and an approximate 53% economic interest in Tradeweb Markets Inc. and its subsidiaries, (the "**Tradeweb Group**"). Tradeweb Markets Inc. ("**Tradeweb**") is a Delaware company and the holding company of Tradeweb Markets LLC, ("**Tradeweb Markets**"), which offers electronic marketplaces for trading fixed income, derivatives, money market and equity products. It was listed on NASDAQ

Global Select Market under the ticker symbol "TW" on 4 April 2019, having been transferred to Refinitiv by Thomson Reuters as part of the 2018 Transaction. Tradeweb operates as a standalone, publicly listed entity.

*The Refinitiv Acquisition*

The Group acquired Refinitiv on 29 January 2021 (the "**Refinitiv Acquisition Completion Date**"). The integration of the legacy LSEG and Refinitiv businesses adheres to several overarching integration principles. These include:

- Safeguard customers' interests and minimise disruption during the integration process.
- Adopt a customer centric mindset, focusing on enhancing value for customers in existing and new areas.
- Maintain focus on delivering announced value creation plans for stakeholders whilst being mindful of existing business as usual plans.
- Focus on attracting and retaining world class talent.
- Follow a 'one team' approach to the integration, by taking the best from LSEG and Refinitiv to develop new practices for the Group.

The Refinitiv Acquisition is expected to deliver a strong financial profile for the Group and create significant value, offering an enhanced revenue mix with attractive growth, significant synergies, attractive returns and maintenance of the current capital management framework. The Group has targeted annual run-rate revenue synergy benefits in excess of £225 million and annual run-rate cost synergies in excess of £350 million by 31 December 2025.

**The Business**

Descriptions of the legacy LSEG business and the legacy Refinitiv business are presented below, as well as a description of the business of the Group.

<u>LSEG</u>

LSEG is a global FMI business that sits at the centre of the world's financial community. LSEG is headquartered in London, with significant operations in North America, Italy (pending completion of the Borsa Italiana Divestment), France, Romania and Sri Lanka, with approximately 5,566 employees as of 31 December 2020. The LSEG Ordinary Shares are admitted to the premium segment of the Official List and to trading on London Stock Exchange's Regulated Market. LSEG is a constituent of the FTSE 100 index.

LSEG operates on an open access basis in partnership with its customers. It operates three main business segments: (i) Information Services; (ii) Post Trade; and (iii) Capital Markets, each supported by Technology Services and a commitment to operational excellence.

***Information Services***: The Information Services segment ("**Information Services**"), which operates through FTSE Russell, is a leading global multi-asset class provider of indices, analytics and data solutions. Through The Yield Book, FTSE Russell has a highly respected analytics platform that provides insights into a broad array of fixed income instruments. LSEG's Information Services division also provides customers with an extensive range of real time data, reference data, news and software products, including Mergent, SEDOL and Regulatory News Service ("**RNS**").

***Post Trade***: The Post Trade segment ("**Post Trade**"), which operates through LCH, operates a group of leading multinational clearing houses, with clearing operations in the UK, the Eurozone, the U.S. and an expanding presence in the Asia Pacific region. In addition to LSEG's majority ownership of LCH, Post Trade includes the Italian clearing house Cassa di Compensazione e Garanzia ("**CC&G**"), a European custody and settlement business, Monte Titoli S.p.A. ("**Monte Titoli**"), and UnaVista, a post trade regulatory reporting service. See "*The Borsa Italiana Group*" below for further details in relation to the Borsa Italiana Divestment, of which CC&G and Monte Titoli will form a part.

Prior to 1 January 2020, UnaVista was included in the Information Services segment and Post Trade was comprised of two separate segments: Post Trade Services—LCH and Post Trade Services—CC&G and Monte

Titoli. The former Post Trade Services—LCH segment provided CCP and clearing services and non-cash collateral management and earned net interest on cash held for margin and default funds. The former Post Trade Services—CC&G and Monte Titoli segment was comprised of CC&G and Monte Titoli and generated revenue from clearing fees based on trades and contracts cleared, net interest earned on cash, securities held for margin and default funds, and fees from settlement and custody services.

***Capital Markets***: The Capital Markets segment ("**Capital Markets**") operates a broad range of international equity, ETF, fixed income and derivatives markets, including London Stock Exchange plc ("**London Stock Exchange**"), Borsa Italiana, MTS S.p.A. ("**MTS**"), Turquoise Global Holdings Limited ("**Turquoise**") and Curve Global Limited ("**CurveGlobal**"). Through these platforms, LSEG provides businesses and investors with access to capital markets that enable companies to grow and develop. Through its various platforms, LSEG's Capital Markets division offers international businesses and investors access to Europe's capital markets. It also provides access to secondary markets, which enable improved price formation, transparency and trading efficiency.

***Technology Services***: The Technology Services segment ("**Technology Services**") supports LSEG's above-mentioned segments by developing and operating high performance technology solutions including trading, market surveillance and post trade systems for over 40 organisations and exchanges, including LSEG's own markets.

*The Borsa Italiana Group*

LSEG plc announced on 9 October 2020 that it had agreed to sell its entire shareholding of London Stock Exchange Group Holdings Italia S.p.A. ("**LSEG Italia**"), the parent company of the Borsa Italiana Group (as defined below) to Euronext N.V. (the "**Borsa Italiana Buyer**") for an equity value of €4.325 billion, plus an additional amount reflecting cash generation to completion (the "**Borsa Italiana Divestment**").

The share purchase agreement relating to the Borsa Italiana Divestment (the "**Borsa Italiana Share Purchase Agreement**") was entered into on 9 October 2020 between LSEG plc, London Stock Exchange Group Holdings (Italy) Limited (the "**Borsa Italiana Seller**" or "**LSEGHI**") and the Borsa Italiana Buyer. The Borsa Italiana Share Purchase Agreement is governed by English law and sets out the arrangements for the consummation of the Borsa Italiana Divestment and certain ancillary matters. See "*Material Contracts of the Group—Sale and purchase agreement relating to the sale of the Borsa Italiana Group*".

LSEG Italia and its subsidiaries (the "**Borsa Italiana Group**") constitute a European FMI business, offering products and services across a range of asset classes and at all levels of the value chain, being (i) listing and pre-trade; (ii) capital markets and trading venues, (iii) post-trade services, including clearing, settlement and custody; (iv) market data services; and (v) technology and infrastructure services. The Borsa Italiana Group principally consists of:

- Borsa Italiana, which operates three primary markets for equities: Borsa Italiana Main Market (MTA), MIV (Market for Investment Vehicles) and AIM Italia, a market dedicated to SMEs. In addition to its equity primary markets, other markets operated by Borsa Italiana include ETFplus, ATFund, SeDeX, MOT, ExtraMOT, Italian Derivatives Market ("**IDEM**"), EuroTLX and BIt Equity MTF;

- MTS, a provider of regulated electronic fixed income markets, in which Borsa Italiana holds a 62.53% interest. The remaining shares are held by 22 shareholders, which include leading dealer-banks and investment firms. MTS facilitates a number of regulated electronic fixed income markets in both the dealer-to-dealer and dealer-to-client spaces across Europe and the U.S.;

- CC&G, an Italian clearing house providing risk management and CCP services, including granting of anonymity, interposition (trade date novation), netting by novation, position-keeping, collateral management, reporting, delivery of settlement instructions to the securities settlement system, failure management and buy-in procedures for Italian and European securities;

- Monte Titoli, an Italian central securities depository and provider of settlement, custody, asset servicing, collateral management and issuer services. Monte Titoli is part of the T2S, the centralised settlement platform for securities, developed by the Eurosystem, created to provide settlement services for transactions in central bank money;

- ELITE, an international business development and capital-raising platform, in which the Borsa Italiana Group holds a 75% interest. Elite supports SMEs in their growth and funding journeys, promoting capital formation and operating private placing platforms in the UK and Italy; and

- GATElab, a provider of ultra-low latency technology to boost pre-trade, trading and post-trade operations. GATElab provides front-office trading and market access solutions to the global financial community.

LSEGHI, a wholly owned subsidiary of LSEG plc, owns 100% of the shares in LSEG Italia. LSEG Italia in turn owns 99.998% of the shares in Borsa Italiana.

In the financial year ended 31 December 2020, the Borsa Italiana Group contributed Underlying EBITDA of £260 million, adjusted profit before tax of £229 million and profit before tax of £193 million to LSEG, and had gross assets of £1,687 million (excluding central counterparty clearing (CCP) assets).

*Refinitiv*

Refinitiv powers and connects the global financial community to support investing, transactions, data management and risk management in a safe, effective and efficient way. Refinitiv is a leader in market and financial data, news, analytics and workflow solutions that serve as key infrastructure for the trading and investment markets, with a global footprint of over 40,000 customers and over 400,000 end users in approximately 190 countries.

Refinitiv serves the needs of multiple communities within the financial services sector, in particular: (i) trading professionals, by providing trading tools, real time data, and access to multiple leading liquidity venues across asset classes; (ii) investment managers, by providing leading non-real time data, benchmarks, research and portfolio management solutions; (iii) wealth managers, by providing wealth advisor workflow tools, digital solutions and back office processing services; and (iv) risk and compliance professionals, by providing tools to support their evolving regulatory and compliance needs.

Refinitiv's business had three strategic components: (i) Data Platform and Workspace; (ii) Venues & Transactions; and (iii) Risk. Refinitiv also collects revenues from customers and passes it through to a third-party provider in return for distribution of their content or services through Refinitiv's platform. This has a minimal impact on Refinitiv's profitability.

**Data Platform and Workspace**: delivers pricing, reference, fundamental and low latency real time data analytics and related value-added services across asset classes and markets globally with delivery mechanisms integrated into financial institutions' workflows. Refinitiv Workspace, plus Eikon, FXT tools and Thomson One, delivers data, analytics, workflow tools and access to market liquidity to sell-side and buy-side firms, governments and corporate institutions. Through Workspace, Refinitiv's significant data, content sources, analytics and workflow tools are delivered to meet users' needs, from access to low latency trading data and execution capabilities for its trading communities, to delivery of non-real time and referential data content such as ESG, alternative data and analytics for investment managers.

**Venues & Transactions**: operates leading trading venues including Matching and FXall, and trading workflow solutions such as AlphaDesk (an OMS) and REDI Technologies. These venues and solutions provide access to varied sources of liquidity, enabling Refinitiv's clients to electronically transact in an efficient manner across asset classes and end markets. Refinitiv also has an approximate 52% economic interest in the Tradeweb Group. Tradeweb offers electronic marketplaces for trading fixed income, derivatives, money market and equity products.

**Risk:** includes Refinitiv's World-Check, Refinitiv Due Diligence ("**RDD**") and Giact products which address the ever-increasing compliance and regulatory needs of its customers, in particular around KYC compliance processes, client on-boarding, digital identity verification, payments verification, fraud prevention and other financial crime risk management programmes.

**Recoveries**: recoveries revenue is collected from customers and passed through to third-party providers in return for distribution of their content or services through Refinitiv's platform. This has a minimal impact on Refinitiv's profitability.

Refinitiv is headquartered in London and New York, with significant operations in America, Asia and Europe, including in emerging countries.

Refinitiv's revenue base for the financial year ended 31 December 2020 was highly predictable, with 75% of revenue from recurring revenue and 7% of revenues from recoveries. From 2016 to 2020, Refinitiv achieved average annual customer retention rates of approximately 90%, based on the dollar value of revenues from product renewals.

*The Group*

The Group operates three business divisions: (1) Data & Analytics (2) Capital Markets; and (3) Post Trade, all supported by a commitment to operational and technological innovation and performance.

*(1) Data & Analytics*

*Overview*

The Data & Analytics division accounted for, on a continuing operations basis, 66% of the Group's (excluding the Borsa Italiana Group) pro-forma total income for the financial year ended 31 December 2020.

The Data & Analytics division primarily consists of LSEG's existing Information Services division together with Refinitiv's Data Platform and Workspace, workflow trading products (e.g., Autex, Electronic Trading, REDI, Alphadesk), investment solutions and customer and third party risk solutions. The division provides customers with a wide range of leading information and data products including real-time and non-real-time data, pricing and reference services, indices and analytics, delivered via a number of distribution channels, including data feeds and desktop solutions.

In respect of certain services of the Group's Data & Analytics division, LSEG plc has made certain commitments to the European Commission concerning non-discriminatory access (including quality of access). These commitments reinforce LSEG's existing commitment to open access. In addition, LSEG plc has committed to implement an information barrier to ringfence potentially sensitive information within the Group. It is not expected that such commitments will result in material changes to the Group's business model or operations.

*Businesses within Data & Analytics*

The Group's Data & Analytics division is made up of products and solutions across the five business categories: (A) Trading and Banking Solutions, (B) Enterprise Data Solutions, (C) Investment Solutions, (D) Wealth Solutions and (E) Customer and Third-Party Risk Solutions. In addition, the Data Platform business sits within Data & Analytics but works across divisions of the Group.

*(A) Trading and Banking Solutions*

The Trading and Banking Solutions business provides customers with a broad suite of content, news and workflow solutions to inform and connect trading, treasury management and risk management market participants. The Trading and Banking Solutions business includes LSEG's Mergent Online from its Information Services division, as well as Refinitiv's Trading Desktop, FXT, Workspace for Investment Bankers, Workspace for Students, Electronic Trading, Autex, REDI and AlphaDesk, Trade Notification and Deal Tracker businesses.

*Mergent Online*

Mergent Online is part of LSEG's Information Services division, serving academic and public libraries, as well as corporate and financial institutions. It provides business and financial information on public and private companies globally, including company history, annual reports, executive biographies and compensation data in addition to economic and demographic information, global financials and analytics, equity pricing and supply chain data.

*Trading Desktop*

Eikon is Refinitiv's open platform desktop and mobile solution for financial professionals, offering an array of desktop solutions providing information, analytics, workflow tools and access to market liquidity for sell-side, buy-side, governmental and corporate institutions.

Eikon Premium is the premium full feature, multi-asset desktop application, targeted at traders and financial analysts.

Eikon Datastream for Office includes Refinitiv's comprehensive historical financial database with over 35 million individual instruments or indicators across all major asset classes, featuring 70 years of data.

In addition, Refinitiv has multiple fixed income products that address specific customer needs. These products include:

- Eikon for Fixed Income: provides news, pricing and fixed income market data to trading users;
- *TM3* (Municipal Market Monitor): provides news, primary and secondary market information, and MDD yield curves (among other things) for the U.S. municipal bond industry;
- *AMA* (Advanced Mortgage Analytics): provides high-performance, ultra-dynamic, big data mortgage analytics;
- *LPC* (Loan Pricing Connector): provides news, data and analysis on the syndicated loan market; and
- *IFR* (International Financing Review): delivers detailed coverage of primary markets issuance across asset classes, market commentary and analysis in addition to deal and league table data.

*FXT*

FXT is a leading desktop for FX spot, forward, swap, NDF and options traders. FXT provides a single point of access to Refinitiv's leading FX venues, Matching and FXall, which together handled US$430 billion daily average FX volume for the 12-month period ended 31 December 2020. FXT also provides connectivity to the world's largest global professional FX community of approximately 15,000 trading professionals via Dealing (as at 31 December 2020).

*Workspace for Investment Bankers*

Workspace for Investment Bankers, which includes Refinitiv's Deals data and exclusive after market research from the industry's most sought after experts, is a desktop offering targeting M&A and capital raising professionals.

*Workspace for Students*

Workspace for students is a desktop offering targeting academics such as universities and students.

*Electronic Trading*

Electronic Trading provides workflow and functionality to support FX and money markets electronic trading, providing banking clients with control over electronic pricing, distribution, and hedging to meet the needs of their client base and improve internal efficiency through automation.

*Autex*

Autex is a global FIX-based order-routing network for multiple asset classes, providing buy-side connectivity to brokers. Autex Trade Route allows customers to connect to a network of more than 650 brokers and venues over a FIX order routing network (handling an order flow of over 40 billion shares a day).

*REDI and AlphaDesk*

REDI Technologies is an award-winning EMS that offers multi-asset class trading functionality, powerful workflow and compliance tools, and rich analytics via desktop, cloud and API. It allows users to trade equities, futures and options with over 200 brokers, through a single interface. To complement REDI Technologies Refinitiv acquired an order management system, AlphaDesk, in May 2019, offering end-to-end, buy-side trading solutions to its customers.

*Trade Notification*

Trade Notification is a trade reporting tool that enables customers to reach counterparties around the world with a single connection, with guaranteed delivery and global customer support. The Trade Notification network improves transparency and powers genuine straight-through processing and is connected to all of the Group's FX trading venues.

*Deal Tracker*

Deal Tracker offers a suite of tools for monitoring and processing every FX trade on major foreign exchange platforms around the world, from the front to the back office. Deal Tracker offers pre-trade, trade and post-trade capabilities, which enable customers to automatically capture call statistics and examine current dealing activity across FX businesses, monitor trading activity in real time, and consolidate post-trade feeds into a single stream. Deal Tracker is also offered as a comprehensive, secure, cloud-based archiving and compliance solution.

*(B) Enterprise Data Solutions*

Enterprise Data Solutions provides a broad range of market participants with real-time data and news, reference and legal entity data, with associated integration capabilities for a variety of platforms. The Enterprise Data Solutions Business includes LSEG's Real-Time Data business from its Information Services segment and Refinitiv's pricing and reference services, real-time data, real-time integration, Machine Readable News and Verified Entity Data as a Service businesses from its Enterprise Data Solutions segment.

*Real time data*

LSEG's real time data business provides real time data on a range of tradable instruments in both display and non-display format. The real time data business' tick-by-tick data, showing the full depth of the order book, is used by traders, brokers and fund managers globally, while real time prices are licensed to display on websites.

SEDOL Masterfile is a global, multi-asset class reference data service, providing unique identification codes ("**SEDOL codes**") for global equity, derivatives and fixed income securities. SEDOL Masterfile is hosted on the UnaVista platform. It allows real time creation and functionality directly through browser access. SEDOL codes are also available via a customised pre-allocation service so that issuers can improve new issuance processing time frames.

As the UK representative of the Association of National Numbering Agencies, London Stock Exchange allocates UK ISINs. In an extension to this, London Stock Exchange LEI Limited, a wholly owned indirect subsidiary of LSEG, is a fully accredited local operating unit for the global allocation of legal entity identifiers, which uniquely identify every legal entity or structure, in any jurisdiction, which is party to a financial transaction.

*Pricing and reference services*

Refinitiv's evaluated pricing and reference data offers tailor-made and transparent valuations, along with risk calculations, for structured notes, hard-to-value OTC derivatives, and other illiquid equity and foreign exchange securities. Refinitiv provides full access to the pricing process, including cash flow descriptions, market data inputs, numerical methods and model assumptions to help address its customers' transparency and regulatory requirements.

Refinitiv also delivers comprehensive reference data to the global financial community, which includes identifiers like ISIN, securities description, regulatory reference data, and parent company and issuer relationship, as well as mnemonic codes such as PERM ID. In addition, Refinitiv offers equity corporate actions data for over 100,000 public companies and deep terms and conditions information. Refinitiv is an originator, consolidator and value-add redistributor of security and financial instrument data. Refinitiv enables customers' security master management, asset setup, enterprise data management, automated corporate actions processing, compliance and exposure reporting and many other financial workflows.

Refinitiv's pricing and reference data offerings also include DataScope, which provides non-real time pricing and reference data. DataScope provides access to a universe of over 80 million exchange traded

and OTC securities, as well as third-party specialist and broker data. DataScope can also calculate the net asset value of a portfolio using the point-in-time pricing data, and provides customers with the flexibility to only pay for the content consumed.

*Real-time data*

Refinitiv's real time data feeds support trading, analytics, risk metrics and reporting by streaming real time securities prices and deep market insights from exchanges around the world and OTC markets, including detail required by sophisticated customers such as millisecond timestamps, short sale indicators, auction data and tick-level data. Refinitiv's low latency offering leverages a proprietary, binary encoded, bandwidth optimised wire protocol in order to process content in a faster and more efficient way.

Refinitiv's consolidated data feeds cover over 80 million instruments, spanning more than 500 exchanges and thousands of OTC markets, supplied through application programming interfaces and file transfer protocols. Refinitiv maintains real time points-of-presence in Chicago, Frankfurt, Hong Kong, London, New York, Singapore and Tokyo.

*Real-time integration*

Refinitiv Real-Time Managed Distribution Service provides cloud-based capabilities for data integration, publication, distribution, and analytics. The deployed component of this is Refinitiv Real-Time Distribution System, which is a networked data distribution system for the financial marketplace. Refinitiv Real-Time Distribution System facilitates the reliable flow of real time data from data feed handlers and other programs supplying information, through a network, to display analytical applications for human and machine consumption. Refinitiv Real-Time Distribution System enables firms to integrate data from any source and to enrich and validate those sources of data to create proprietary prices, analytics and other content, and to feed all of that content into any type of workflow application whilst also managing individual user access to such data.

*Machine Readable News ("**MRN**")*

MRN provides news sentiment signals for real-time systematic trading through to stock selection for portfolio rebalancing. MRN transforms unstructured, real-time news from Reuters News and third-party services into a machine readable feed. Each story is scored for author sentiment, relevance and novelty at a company or commodity level. The news analytics engine also provides 90 additional fields of metadata including index data to inform research and trading activities.

*Verified Entity Data as a Service ("**VEDaaS**")*

VEDaaS provides descriptive information on legal entities, including issuers, market counterparties, other private companies, and funds, which is linked to parent entity records and cross-referenced to industry codes and customers' internal client identifiers. VEDaaS includes (i) Managed Data Service, which manages 58 data fields that make up a core entity record; and (ii) Enhanced Data Service, which comprises additional offerings to support clients' regulatory reporting requirements.

*(C) Investment Solutions*

Investment Solutions draws upon LSEG and Refinitiv's existing data, technology and capital markets expertise to deliver a range of investment and risk management services that serve customers in all stages of the investment process. Investment Solutions products and services are targeted at supporting consistency and accuracy in investment strategy and asset allocation decisions through insight, analytics, indices and benchmark products. The Investment Solutions business includes LSEG's FTSE Russell business from its Information Services division and Refinitiv's WMR/Refinitiv FX Benchmarks, Lipper, StarMine, SentiMine, Refinitiv Quantitative Analysis, Eikon for Investment Managers and Fundamentals, Ownership and ESG businesses from its Refinitiv Data & Workspace segment.

*FTSE Russell*

FTSE Russell is a leading global multi-asset class provider of indices, analytics, and data solutions with approximately US$15 trillion AUM benchmarked as at 31 December 2020. FTSE Russell's offering

forms an important part of the investment process and includes a wide range of indices for investors to benchmark markets across different asset classes, styles and strategies covering 98% of the global investable equities market. FTSE Russell is a leading provider of indices for the growing ETF market, with US$869 billion AUM benchmarked to its indices as at 31 December 2020.

Some key features of FTSE Russell's service offerings are as follows:

- FTSE Russell provides analytics and data solutions to assist customers in their risk management and asset allocation. It has built global relationships and is used by the world's top financial institutions and their clients.

- With nearly two decades of sustainable investment experience, FTSE Russell provides clients with sustainable investment data models, ratings, analytics, and indices covering thousands of companies across developed and emerging markets globally. To bolster this capability, in June 2019 LSEG acquired Beyond Ratings, an ESG data and analytics company specialising in the application of ESG principles to fixed income products.

- Through The Yield Book, FTSE Russell has a highly respected analytics platform that provides insights into a broad array of fixed income instruments. With 30 years' experience, The Yield Book offers a trusted source for in-depth risk analytics, regulatory stress-testing and complex portfolio analysis across global markets.

- FTSE Russell is committed to leading global best practice standards in index design, governance and transparency and embraces the IOSCO Principles.

*WM/Refinitiv FX Benchmarks*

Refinitiv provides several benchmark products, including WM/Refinitiv FX benchmarks, used globally for portfolio valuation, performance measurement, index calculation, and as a price reference in financial contracts. Refinitiv also provides a range of index solutions for benchmarking or the development of investment vehicles, including a custom index service (including IP creation, data and calculation, regulatory and reporting, and marketing and licensing offerings).

*Lipper*

Refinitiv's proprietary Lipper funds content provides independent insight to asset managers and institutional investors on global collective investments, including mutual funds, hedge funds and fund fees. Trusted by investment professionals for more than 40 years, Refinitiv provides coverage and insight to the funds industry.

*StarMine*

Refinitiv offers proprietary StarMine quantitative analytics and models to provide a foundation for investment research.

*SentiMine*

Refinitiv Labs created SentiMine to help customers gain more value from unstructured content by reducing the time and associated cost of consuming research. SentiMine combines natural language processing (NLP), sentiment analysis and deep learning to provide insights from thousands of unstructured research reports and company transcripts quickly and efficiently.

*Refinitiv Quantitative Analytics*

Refinitiv Quantitative Analytics provides access to a range of "ready to use" content and quantitative analysis, including an extensive range of historical price, company, index and macroeconomic data from leading vendors such as Refinitiv, S&P, MSCI and FTSE Russell. It includes Quants and Feeds, which is a front office product suite for financial data management and research, aimed at simplifying client workflows to construct, validate, and deploy quantitative investment strategies.

*Eikon for Investment Managers*

Eikon for Investment Managers is a desktop offering designed for a range of users across research and advisory functions. Workspace is the rebranded name and product for Eikon; it has the same functionality as Eikon but with enhanced capabilities, interface and technology. Refinitiv plans to upgrade the different Eikon variants to Workspace over time; currently, the launched versions of Workspace include Wealth, Students and Investment Banking.

*Fundamentals, Ownership and ESG*

Refinitiv's Fundamentals, Ownership and ESG content sets help meet the financial analysis requirements of its clients. Refinitiv's proprietary estimates content, known as International Brokers Estimate System (IBES), is compiled from analyst performance forecasts for approximately 22,000 active companies from over 900 contributors, and is recognised as a comprehensive view of the industry.

*(D) Wealth Solutions*

Wealth Solutions provides a suite of solutions designed to facilitate wealth manager workflows, including advisor solutions, investor wealth portals and brokerage processing tools. Together, these elements enable advisors to be more informed, efficient and engaged and ultimately to provide a relevant and responsive investor experience.

The Wealth Solutions business includes the following Refinitiv businesses from its Wealth Solutions segment.

*Digital Advisor*

Variants of the Thomson One, Eikon and Workspace desktop products, focused on providing real-time, cross-asset data, news and research tools that investment management advisors require to streamline workflows and identify investment opportunities.

*Digital Solutions*

Refinitiv's Digital Investor business was formed by the acquisitions of Scivantage and ASI. Refinitiv acquired Scivantage, a wealth company, in March 2020. Scivantage's primary solutions include Wealthsqope, a digital wealth management offering.

Refinitiv's Knowledge Direct business provides APIs, hosted digital solutions and data to facilitate digital investor engagement (either directly or through an adviser), while allowing investment advisers to provide a personalised client experience.

*Maxit Solutions*

Maxit E2E, an end-to-end tax information reporting solution and a digital client experience. In July 2020, Refinitiv acquired ASI, a small digital advice platform, to further expand its digital wealth capabilities.

*BETA*

BETA is Refinitiv's complete suite of integrated, intelligent solutions to manage retail brokerage operations, including workflow and productivity tools, transaction processing, reporting and archiving, data delivery and more.

*(E) Customer and Third-Party Risk Solutions*

Customer and Third-Party Risk Solutions comprises Refinitiv's existing risk segment. Key products include World-Check and RDD, along with other businesses that deliver risk management through an enterprise view of risk. On 8 December 2020, Refinitiv acquired Giact Systems, LLC, a leader in the U.S. in digital identity, payments verification and fraud prevention, complementing Refinitiv's existing risk segment.

*World-Check*

World-Check is one of Refinitiv's core products in information, software products and managed services, serving the KYC and third-party screening needs of the world's largest firms, helping these organisations

detect, assess and minimise potential risks with customers, suppliers and partners and protect against reputational and financial damage. It combines human expertise and technology to provide a global database. Refinitiv's customers are compliance and risk management professionals, anti-money laundering reporting officers, general counsels, supply chain and procurement managers and business leaders.

*Refinitiv Due Diligence (RDD)*

RDD provides customers with extensive background checks on any entity or individual, helping them identify key issues relating to bribery, corruption and financial crime, notably, money laundering. RDD offers auditable proof of due diligence and helps firms meet their legal and regulatory obligations. RDD can be conducted in approximately 190 countries or territories and in over 60 languages. In October 2020, Refinitiv acquired the Red Flag Group, a leading provider of workflow data, due diligence and ratings solutions, to further expand its enhanced due diligence offering.

*Refinitiv Qual-ID*

Refinitiv Qual-ID is a digital identity verification and risk screening solution that brings together a powerful combination of digital identity verification, document proofing, and risk screening via API technology.

*Enterprise Risk Management Technology ("**ERMT**")*

ERMT uses a flexible assessment engine that aligns with organisational methodology and processes, delivering a holistic and harmonised view of an organisation's overall risk position. ERMT applies data analytics to assess risk and controls, and integrates disparate data sources with an adaptive data model to house all relevant information – helping achieve a risk mitigation strategy that suits customers' business requirements.

*GIACT*

GIACT provides a platform for payment verification and identity proofing of consumers and SMEs. GIACT's platform combines proprietary data with their access to privileged data. With a robust combination of offline, online, behavioural and payment identifiers, in real time to help identify and mitigate fraud, GIACT enables companies to fight fraud using their single API to combat payment fraud, identity threat and account takeovers.

The combination of World-Check and GIACT's EPIC platform helps customers transact with increased confidence and reduced risk throughout the customer lifecycle.

<u>Data Platform</u>

The Group is accelerating investment into its Data Platform, which today provides a leading set of data management capabilities that power many of its products and services, including aggregation, normalisation and enrichment, cataloguing, symbology and data tagging, with distribution across desktop, API and others. The Group expects to continue to migrate more of its content and services onto the Data Platform to improve customers' integration and discovery experience through simplification. The Refinitiv Data Platform, while not a specific revenue line, sits within the Data & Analytics division but will ultimately work across the Group's divisions.

This set of capabilities supports the Group's operating model and will be utilised across the Group to deliver enhanced value to the Group's customers by improving access to, and distribution and development of, the Group's products and services.

The Refinitiv Data Platform, through investment, is expected to be a competitive advantage for the Group, offering the potential to enhance its overall customer experience by providing: (i) a simplified point of access to the breadth and depth of the Group's data products and services, enabling delivery of a more consistent customer experience; (ii) a channel for the Group to work with customers and partners to build new products and services; and (iii) a consistent mechanism for distribution of both the Group's and third-party data, analytics and services through multiple channels, including real-time data feeds, human interfaces (i.e., desktop solutions such as Eikon and Workspace) and the cloud.

The combination of LSEG's and Refinitiv's capabilities provides the Group with a strong foundation from which to deliver new and enhanced analytics offerings in a scalable manner to better meet customers' needs, including:

- *improving product distribution:* using the Refinitiv Data Platform's distribution capabilities to broaden the accessibility of analytics products (for example, LSEG's Yield Book product) and enable greater usability of these products;

- *enhancing existing products*: improving the quality of existing analytics offerings, utilising content sets from across the Group to expand coverage of analytics products to new asset classes to improve the value proposition for the Group's customers; and

- *developing new solutions:* using the data management capabilities within the Refinitiv Data Platform, along with data and domain expertise from across the Group to develop new analytics products targeted at meeting customers' evolving priorities, for example, through trade analytics (e.g. transaction cost analysis), regulatory and surveillance analytics (e.g. FRTB, CCAR) or liquidity analytics.

(2) Capital Markets

*Overview*

The Capital Markets division accounted for, on a continuing operations basis, 16% of the Group's (excluding the Borsa Italiana Group) pro-forma total income during the financial year ended 31 December 2020.

The Group's Capital Markets division combines LSEG's Capital Markets division with Refinitiv's leading fixed income and FX venues, providing access to capital for domestic and international businesses, and efficient electronic platforms for secondary market trading of equities, fixed income and FX.

*Businesses within Capital Markets*

The products and services of the Capital Markets division are split into Primary Markets and Secondary Markets, with Secondary Markets aligned by asset class, namely (i) Equities, (ii) FX and (iii) Fixed Income.

The Group operates a range of primary and secondary markets across multiple asset classes. The Group's Primary Markets division enables companies to more efficiently raise capital or issue debt and to increase their visibility with a wide group of customers and investors. The Secondary Markets division introduces investors to multiple pools of liquidity and allow active and efficient trading of equity, FX and fixed income products through its high-performance trading platforms.

Primary Markets

The Primary Markets business includes the following LSEG businesses from its Capital Markets segment.

*Primary Markets*

Primary Markets, such as the London Stock Exchange and Borsa Italiana, are where securities are listed. Revenues from Primary Markets are derived from fees charged to equity issuers seeking admission to the Primary Markets of London Stock Exchange and Borsa Italiana. See "*—The Business—LSEG—The Borsa Italiana Group*" above for further details in relation to the Borsa Italiana Divestment. The fees are charged based on the market value of the securities listed. Issuers of equity securities are subsequently subject to annual fees. On London Stock Exchange, fees are also charged for companies carrying out further equity fundraisings once they are listed. With respect to fixed income securities, a flat fee is charged for each new bond issued onto the Group's markets.

*London Stock Exchange, United Kingdom*

In the UK, London Stock Exchange operates the following Primary Markets:

- *Main Market*: London Stock Exchange's flagship market comprising four different segments for international and domestic businesses looking to access Europe's most liquid pool of capital: the premium segment, the standard segment, the high growth segment and the specialist fund segment. It is one of the world's most international markets for the listing and trading of public

equity and debt. Main Market companies come from a broad range of sectors and vary widely in size, covering a spectrum from fledgling growth companies to global multinationals.

- *AIM*: a world-leading growth market launched in 1995, with over 3,900 companies supported and £122 billion raised, which delivered a 54% share of total capital raised on EU growth markets in 2020 and seven of the top ten European growth market IPOs. AIM's regulatory structure, tailored to the needs of SMEs, allows companies to quickly and cost-effectively raise capital at admission and through further fundraisings from a diverse set of investors who understand the needs of entrepreneurial businesses.

- *Professional Securities Market*: offers issuers the opportunity to list debt securities or depository receipts restricted to professional investors.

- *International Securities Market*: an exchange-regulated MTF market for primary debt issuance constructed with an efficient and customer-centric admission process at the core. This market enables issuers to connect with institutional and professional investors from around the world.

Further, in 2019, London Stock Exchange launched the Shanghai Segment of the Main Market as Shanghai-London Stock Connect. Shanghai-London Stock Connect brings together two of the world's largest capital markets, allowing established Chinese issuers to raise capital from London's global liquidity pool and global investors to access China A-share instruments from outside Greater China.

*Borsa Italiana, Italy*

In Italy, Borsa Italiana operates three Primary Markets for equities:

- *MTA*: the Italian main market for domestic and international equity issued by companies seeking to access a global investor base. Within MTA, the STAR segment, launched in 2001, is tailored to small and mid-cap companies.

- *AIM Italia*: the Italian Growth Market dedicated to SMEs with high growth potential, launched in 2009. AIM Italia's regulatory structure is tailored to meet the needs of SMEs and allows these companies to efficiently raise capital at admission and through further fundraisings.

- *MIV*: the regulated market providing capital, liquidity and visibility for retail and professional investors on a range of investment vehicles.

*ELITE*

LSEG, through its Italian-based subsidiary ELITE S.p.A., launched the ELITE platform. Initially launched in Italy and subsequently in the UK in 2014, its aim is to facilitate access to capital for SMEs and enhance their growth prospects. With over 1,400 private companies registered across 45 countries and drawn from a wide variety of sectors, ELITE promotes capital formation and operates a private placement platform in the UK and Italy through its authorised entities, ELITE Club Deal Limited and ELITE SIM S.p.A.

ELITE S.p.A. has set up, in the UK, ELITE Club Deal Limited, an investment firm authorised to provide arranging services and, in Italy, ELITE SIM S.p.A., an investment firm authorised by CONSOB and Bank of Italy, to provide the investment services of transmitting and receiving orders.

See "*—The Business—LSEG—The Borsa Italiana Group*" above for further details in relation to the Borsa Italiana Divestment, of which ELITE S.p.A. will form a part.

*LSEG Issuer Services*

The LSEG Issuer Services platform is a digital hub for London Stock Exchange issuers. Through this platform, issuers can access a wide range of solutions dedicated to serving the individual needs of public companies. Through its Spark platform, Issuer Services is able to host virtual events and publication of content from issuers, Marketplace members, London Stock Exchange and other thought leaders.

*Secondary Markets - Equities*

The Secondary Markets - Equities offering within Capital Markets is comprised of LSEG's equities trading platforms which provide services via a range of reliable electronic trading systems, in an effective regulatory environment and with a high level of price and trade transparency.

Revenue in the cash equities segment is principally derived from fees for execution on the electronic order books. In the UK and on Turquoise, fees are based on value-traded; whereas in Italy, fees are based on volume of contracts traded. Revenues are also generated from annual membership fees, reporting fees for trades carried out away from the order book and market maker security registration fees.

*Equities trading*

LSEG's equities trading business provides members with access to liquid markets and fast and efficient trade execution and reporting. LSEG's cash trading services are designed to deliver efficient trading price formation and execution services through reliable trading systems, effective regulation and a high level of price and trade transparency. Average daily value traded through LSEG's UK cash equities order book was £4.9 billion in the year ended 31 December 2020.

Turquoise, LSEG's majority-owned MTF, provides trading across a broad range of pan-European and U.S. shares, international order book depository receipts, ETF's and European rights issues.

In Italy, Borsa Italiana facilitates secondary equities trading through multiple regulated markets including MTA, AIM Italia and MIV as well as other MTFs. See "*—The Business—LSEG—The Borsa Italiana Group*" above for further details in relation to the Borsa Italiana Divestment, of which MTA, AIM Italia, MIV and BIt Equity MTF will form a part.

*Secondary Markets – Foreign Exchange (FX)*

The FX offering within Capital Markets is comprised of Refinitiv's existing FX venues, FXall and Matching.

*FXall*

FXall is Refinitiv's leading, premium independent electronic multibank trading platform, used by over 2,400 institutional clients and 200 leading FX banks and alternative market makers. The platform has experienced a 9% CAGR from 2016 to 2020 in average daily trading volume, making it a leader in its segment with approximately US$216 billion in average daily volume for the 12-month period ended 31 December 2020. FXall's customers are FX and money market traders, sales desks, hedge funds, alternative market makers, asset managers, banks, broker-dealers, prime brokers and institutional treasury groups.

*Matching*

Matching is a primary electronic communication network that provides firm and anonymous liquidity through a central limit order book platform, anonymously connecting participants to trade spots and forwards in over 70 different currency pairs. Since its launch in 1992, Spot Matching is a trading segment for spot FX trading that caters for the needs and requirements of both manual and electronic trades. Forward Matching is a trading segment of the Refinitiv MTF for the trading of FX swaps.

*Secondary Markets – Fixed Income, Derivatives and Other*

The Fixed Income and Derivatives offering is comprised of LSEG's existing fixed income and derivatives offering and Refinitiv's Tradeweb business.

*Fixed income*

LSEG's fixed income business is provided through a range of electronic trading venues, including LSEG's majority owned subsidiary, MTS and the Italian MOT business.

- *Order Book for Retail Bonds* ("**ORB**"): ORB, which launched in 2010, is London Stock Exchange's electronic order book for bonds and is aimed at private investors and retail brokers. ORB offers a range of gilts, corporate and supranational bonds. It operates as an open electronic

order-driven market with dedicated market makers committed to quoting two-way tradable prices on-screen throughout the trading day. ORB offers trading in smaller sizes by value to appeal to retail investors.

- *MTS*: MTS facilitates a number of regulated electronic fixed income markets in both the dealer-to-dealer and dealer-to-client spaces across Europe and the U.S. MTS offers several products in connection with fixed income markets. Revenue from MTS is principally derived from fees for the execution of trades on MTS' markets. These fees are based on the volume traded. Revenue is also derived from membership fees and the sale of market data products.

- *MOT* and *ExtraMOT*: MOT is the fixed income, electronic order-driven regulated retail-sized market operated by Borsa Italiana. It has two different segments, defined according to the CSD, in which the trades are settled: DomesticMOT (settlement in Monte Titoli) and EuroMOT (settlement in Euroclear or Clearstream, Luxembourg). Borsa Italiana also operates ExtraMOT, an MTF regulated by Borsa Italiana, for the trading of corporate Eurobonds. ExtraMOT also operates a professional segment. Both MOT and ExtraMOT markets are cleared through CC&G.

- *ETFplus*: an electronic market for ETFs, exchange traded commodities ("**ETCs**") and exchange traded notes.

- *ATFund*: an MTF for open-ended funds.

- *SeDeX*: an MTF for securitised derivatives, covered warrants and certificates.

See "*—The Business—LSEG—The Borsa Italiana Group*" above for further details in relation to the Borsa Italiana Divestment, of which MTS, MOT, ExtraMOT, ETFplus, ATFund and SeDeX will form a part.

*Derivatives*

LSEG's derivatives business offers trading of equity derivatives through the IDEM and trading of commodities, power and specialist products, through IDEM, the Italian Derivatives Energy Exchange and the Agricultural Derivatives Exchange in Italy, and interest rate derivatives products through CurveGlobal Markets in the UK. See "*—The Business—LSEG—The Borsa Italiana Group*" above for further details in relation to the Borsa Italiana Divestment, of which LSEG's trading of equity derivatives through IDEM, the Italian Derivatives Energy Exchange and the Agricultural Derivatives Exchange in Italy will form a part.

In 2015, LSEG announced the launch of CurveGlobal, an interest rate derivatives joint venture with a number of major dealer banks and Chicago Board Options Exchange. CurveGlobal went live in September 2016, initially in short-term and long-term interest rate futures. CurveGlobal products trade on CurveGlobal Markets, the derivatives segment of London Stock Exchange (re-branded from London Stock Exchange Derivatives Market in 2019). CurveGlobal products are cleared by LCH, which gives investors access to a single default fund across OTC and listed trades and the ability to use LCH Spider, a portfolio margining service for interest rate derivatives launched in May 2016. This provides members and their clients opportunities to benefit from risk and collateral efficiencies on an open access basis. LSEG currently holds approximately 43.7% of CurveGlobal's total share capital.

*LSEG Technology Services*

LSEG's Technology Services (previously part of LSEG's Technology division) provide LSEG and its customers, including banks, specialist trading firms and other capital market venues with hosting and connectivity services providing resilient, high-speed, low latency trading platforms, post trade platforms, real time market data and surveillance products and services. The network connectivity and hosting businesses from Technology Services now form part of the Secondary Markets segment of the Group.

LSEG's cash equity and retail bond markets run on the latest version of the Millennium Exchange trading platform. This technology has reduced LSEG's cost base and enabled customers to benefit from enhanced functionality and co-location services. This has allowed LSEG to meet the needs of its customers quickly and cost effectively. LSEG has implemented solutions for over 40 organisations and exchanges

worldwide. In March 2020, LSEG's EquityClear service went live with Millennium's Clearing and Risk technology platform with the ability to process trades on a real time basis with high throughput and low latency.

*Tradeweb*

Tradeweb is a global operator of electronic marketplaces for trading across a range of asset classes, including, fixed income, derivatives, money market and equity products. Tradeweb provides access to markets, data and analytics, electronic trading, straight-through-processing and reporting for more than 40 products to clients in the institutional, wholesale and retail markets. In 2020, the Tradeweb platform supported US$838 billion in average daily trading volume in bonds, derivatives and ETFs. Tradeweb is listed and operates as a standalone unit. The Group currently owns an approximate 53% economic interest in the Tradeweb Group, with the remainder owned by third-parties. Volumes across both rates and money markets have grown strongly year-on-year, increasing 9% and 28%, respectively, in 2020, as the digitisation of trading facilitates lead to faster and more cost-effective trading. Tradeweb's customers are institutional traders, banks and broker-dealers.

*Regulatory News Services (formerly part of LSEG's Information Services division)*

Regulatory News Service ("**RNS**") was formerly part of LSEG's Information Services division. It is a regulatory and financial communications channel and helps companies and their intermediaries fulfil their UK (and other global) regulatory disclosure obligations. RNS operates as a Primary Information Provider and is regulated by the FCA. RNS' clients include the UK's leading listed companies and financial public relations firms and corporate advisers.

*(3) Post Trade*

*Overview*

The Post Trade division accounted for, on a continuing operations basis, 13% of the Group's (excluding the Borsa Italiana Group) pro-forma total income during the financial year ended 31 December 2020.

The Group's Post Trade division is comprised of the existing LSEG Post Trade division, which currently provides a range of clearing, settlement and regulatory reporting services to support clients' risk and balance sheet management, regulatory reporting and capital efficiency.

In respect of the OTC interest rate derivative clearing services provided by SwapClear, LSEG plc made certain commitments to the European Commission concerning non-discriminatory access as part of its review of the Refinitiv Acquisition, which concluded on 13 January 2021. These commitments reinforce LSEG and LCH's existing commitment to open access on a non-discriminatory basis. In addition, LSEG has committed to implement an information barrier to ringfence potentially sensitive information within the Group. It is not expected that such commitments will result in material changes to the Group's business model or operations.

*Businesses within Post Trade*

The following businesses are included in Post Trade and form part of LSEG's Post Trade segment:

*LCH*

LSEG holds an 82.6% majority stake in LCH, a group of leading multi-asset class clearing houses. LSEG acquired a 55.5% majority stake in 2013, which was subsequently increased in 2017 and 2018. LCH provides proven risk management capabilities across a range of asset classes, including Rates (OTC and exchange traded derivatives), Fixed Income, FX, CDS, Equities and Commodities. LCH has clearing operations in the UK, Eurozone and North America and an expanding presence in the Asia-Pacific region. LCH operates under a customer partnership approach whereby products and processes are designed in conjunction with customers including clearing house members.

LCH operates its CCPs through two entities that are overseen by regulators in various jurisdictions in which business is carried out, including:

- LCH Limited (UK-domiciled) is authorised as a central counterparty to offer services and activities in the EU in accordance with EMIR and regulated as a Recognised Clearing House by the Bank of England in the UK. LCH Limited is also registered in the U.S. as a Derivatives Clearing Organisation by the CFTC.

- LCH SA (France-domiciled) is authorised as a central counterparty to offer services and activities in the EU in accordance with EMIR and regulated as a credit institution and central counterparty by its national competent authorities: l'Autorité des marchés financiers (AMF), l'Autorité de Contrôle Prudentiel et de Résolution (ACPR), and Banque de France (BDF). LCH SA is also registered in the U.S. as a Derivatives Clearing Organisation by the CFTC and as a clearing agency by the SEC.

LCH operates the following services:

- *SwapClear* (*OTC Rates*)*:* an interest rate derivatives clearing service, delivering high levels of efficiency and liquidity to dealers and clients. SwapClear allows market participants to fully comply with mandatory clearing requirements in multiple jurisdictions around the world. SwapClear is a leading global provider offering clearing across 27 currencies. SwapClear's global, multi-currency pool of cleared OTC liquidity provides customers with opportunities to benefit from portfolio margining, counterparty risk reduction and operational efficiencies. In 2020, SwapClear processed US$1.1 quadrillion in notional, from a record 6.4 million trades. US$747.2 trillion in notional, and 5.2 million trades were compressed over the period, enabling members and their clients to benefit from capital and operational efficiencies.

- *Listed Rates:* provides a platform for generating significant capital and operational efficiencies between OTC and listed derivative positions. Members and their clients can trade futures contracts, for example, through CurveGlobal and clear them at LCH. By clearing futures contracts such as these through LCH, which uses the same default fund as SwapClear, members can potentially realise substantial margin efficiencies – portfolio margining their listed futures positions against SwapClear OTC's interest rate swap positions, through LCH Spider.

- *ForexClear:* offers clearing services for non-deliverable and deliverable FX products. Clearing is offered for 12 emerging market currencies and five G10 currencies for non-deliverable forwards. LCH's ForexClear launched clearing of deliverable FX options, and associated spot and forward hedges in collaboration with CLS's settlement service beginning in July 2018. In October 2019, ForexClear launched the clearing of deliverable FX forwards, the first CCP to clear the product. In 2021, ForexClear launched the clearing of Non-Deliverable Options (NDOs).

- *CDSClear:* clears a broad range of European and U.S. CDS products allowing margin offsets to provide opportunities for increased capital efficiency. Over 100 index series and 500 single name CDS contracts are eligible for clearing.

- *RepoClear*: clears cash bond and repo trades and is offered through LCH Limited and LCH SA across a number of European markets. In 2019, LCH SA consolidated the clearing of European government bond repo clearing activity into one CCP enabling members to benefit from netting and use Euroclear, Clearstream or T2S settlement in a CSD of their choice. RepoClear cleared €205.3 trillion of nominal value in 2020.

- *CommodityClear*: offers clearing service for commodity derivatives through LCH SA. Members can clear a wide range of agricultural and soft commodity futures and options that are listed on Euronext Derivatives.

- *EquityClear:* offers equity clearing services for a number of European regulated exchanges and MTFs including London Stock Exchange, Turquoise, Euronext, SIX Swiss Exchange, Oslo Børs, Cboe Europe Equities and other venues. Risk management and clearing services are also provided from European trading to the close of the U.S. markets. LCH Ltd also provides interoperability with other CCPs.

- *LCH SwapAgent:* launched in May 2017, LCH SwapAgent provides a service designed to simplify the processing, margining and settlement of uncleared derivatives by extending part of

the existing clearing infrastructure to the bilateral market without novation to a central counterparty and associated risk management. In 2020, SwapAgent surpassed US$1 trillion in notional registered.

*CC&G*

Established in 1992, CC&G is an Italian-based clearing house providing risk management and CCP services. The main services offered include granting of anonymity, interposition (trade date novation), netting by novation, position-keeping, collateral management, reporting, delivery of settlement instructions to the securities settlement system, fails management and buy-in procedures for Italian and European securities.

CC&G, by serving as the guarantor of final settlement of contracts and as buyer towards each seller and seller towards each buyer, assumes counterparty risk. By assuming the counterparty risk, CC&G underpins many important financial markets, facilitating trading and increasing confidence within the Italian markets. CC&G's activities are performed under the supervision of the Bank of Italy and CONSOB, which approve CC&G's regulations that it puts in place for its members.

CC&G is: (i) a Recognised Overseas Clearing House and authorised by the FCA to operate in the UK; and (ii) with approval from the Bank of Italy and a college of regulators, is licensed to operate as a CCP in the EU under EMIR and is interoperable with LCH SA for Italian Government bonds traded on MTS and BrokerTec. CC&G acts as clearing house and CCP for transactions covering a broad range of trading venues and asset classes.

See "*—The Business—LSEG—The Borsa Italiana Group*" above for further details in relation to the Borsa Italiana Divestment, of which CC&G will form a part.

*Monte Titoli*

Monte Titoli is LSEG's Italian-based CSD and is a provider of settlement, custody, asset servicing, collateral management and issuer services to a domestic and international client base of 188 members and over 2,600 issuers. Almost all securities held in Monte Titoli are in dematerialised (i.e., electronic) form. The remaining securities are held as global or jumbo certificates, but managed in book entry form. Monte Titoli is authorised to perform these activities by the Bank of Italy and supervised by both the Bank of Italy and CONSOB, the Italian authorities with regulatory and supervisory powers over the Italian financial system. It is also part of T2S, the centralised settlement platform for securities, developed and operated by the Eurosystem (the European Central Bank and the national central banks of the Eurozone), created to provide settlement services for transactions in central bank money.

See "*—The Business—LSEG—The Borsa Italiana Group*" above for further details in relation to the Borsa Italiana Divestment, of which Monte Titoli will form a part.

*UnaVista*

UnaVista is a technology platform for regulatory reporting, reference data and analytics, providing business solutions designed to help firms reduce operational risk across all asset classes.

<u>*Group Strategic Accounts*</u>

In addition to the sales and account management functions in each of the three business divisions described above (Data & Analytics, Capital Markets and Post Trade), the Group will operate a Group Strategic Accounts ("**GSA**") function, which provides a single point for relationship management across the Group for its largest and most strategic customers.

<u>*Strategic Investments and Innovation*</u>

LSEG and Refinitiv each have strategic investments in companies which operate across the financial markets value chain. An LSEG strategic investments team manages the Group's existing investments and identifying new opportunities. New opportunities will be identified using the following strategic goals:

- solving for capability gaps, accessing new IP / technologies and accelerating innovation;

- strengthening and influencing commercial partnerships with key strategic partners; and
- providing investors early access to companies with significant growth potential.

The Group's existing strategic investments include:

*AcadiaSoft*

In June 2018, LSEG acquired an approximate 16% minority stake in AcadiaSoft, a leading provider of risk and collateral management services for the non-cleared derivatives community. Alongside the investment, LCH SwapAgent and AcadiaSoft signed heads of terms for an agreement to deepen collaboration on new products, aimed at automating and standardising the margin process for non-cleared derivatives.

*Euroclear*

In January 2019, LSEG acquired a 4.9% minority stake in Euroclear Holding SA/NV. Euroclear Holding SA/NV and its group provide settlement, custody and collateral management services across Europe. This minority investment is expected to strengthen the Group's and Euroclear's existing operational and commercial relationship and provide further opportunities for the companies to deliver benefits to their customers, through commercial collaboration and product development.

*Nivaura*

In February 2019, LSEG acquired a 7.3% minority stake in Nivaura. Nivaura is a UK based developer of end-to-end automation solutions for primary financial instrument issuances and administration that uses a combination of legal mark-up language and distributed ledger technologies.

*CurveGlobal*

A description of CurveGlobal (in which LSEG currently holds approximately a 43.7% stake) is included in "*Capital Markets—Secondary Markets–Fixed Income, Derivatives and Other—Derivatives*" above.

*Primary Bid*

In October 2020, LSEG committed to acquire a 9% stake in PrimaryBid as part of PrimaryBid's $50 million Series B funding round. PrimaryBid's platform connects retail investors with public companies raising capital on the same terms as institutional investors. The investment, and ongoing collaboration, is part of the Group's commitment to broadening access to capital markets for retail investors and supporting companies through providing access to long-term equity capital.

*Global Data Consortium (GDC)*

GDC offers an API platform which provides reference data for identity verification in over 50 countries. The platform includes data from 210 data sources across 80 providers.

In June 2020, Refinitiv invested in GDC to further expand into the growing digital identity space to further enhance Refinitiv's existing Qual-ID offering. In January 2021, Refinitiv exercised a $2 million warrant to increase its stake in GDC slightly to approximately 11%.

*ModuleQ*

ModuleQ is a Microsoft partner for Office 365 and Microsoft Teams. ModuleQ's intelligent app predicts users' current priorities while working in Microsoft Teams to bring them timely and relevant content, news and analytics.

In March 2020, Refinitiv invested in and entered into a strategic partnership agreement with ModuleQ. The Refinitiv and ModuleQ partnership will help provide proactive, mission-critical business information directly in their workflow, to professionals across industries from sales teams, lawyers and bankers to company executives. The Group holds a 12.5% minority stake in the business.

*BattleFin*

BattleFin is a technology and events company focused on enabling corporations, hedge funds and investment firms to source, evaluate, test and purchase alternative data.

In June 2019, Refinitiv made a strategic investment in BattleFin and formed a partnership to enable customers access to alternative datasets across its data platforms, including quantitative data management platform QA Direct in the Cloud. The Group holds a 14.3% minority stake in the business.

*Citywire*

Citywire is a London based financial publishing and information company specialising in providing news, information and insight to professional advisers and investors globally. The Group holds a 18.9% minority stake in the business.

*Innovation*

The Group uses Refinitiv Labs to increase the speed and agility of product innovation across divisions. With significant expertise in the fields of artificial intelligence, machine learning and data science, Refinitiv Labs is a proven research and development function, capable of deploying new technologies to meet the emerging needs of the Group's partners and customers.

*Technology and Operations*

*Technology*

The technology functions of LSEG and Refinitiv bring together domain expertise in building and operating resilient, high performing data and market infrastructure platforms. The Group's technology function supports delivery of the Group's strategic priorities through the provision of secure, resilient, and sustainable technology, enhanced by cloud, data and technological innovation.

*Operations*

Over time, the Group will have a scaled operations function that will benefit both the Group and its customers. The Group is developing an innovative operating model with the anticipated capacity to accelerate the delivery of new and differentiated content. The Group's operations function will be supported by efficient processes and technology and will focus on delivering a more consistent service offering. The Group's strategy focuses on deploying consistent technology enablement to the Refinitiv data platform's sourcing, extracting, translating and quality control processes, and adopting a consistent approach to the interaction with, and support of, external and internal customers.

## Material Contracts of the Group

The following is a summary of the Group's material contracts (other than contracts related to indebtedness, which can be found in "*Description of Other Indebtedness*", and contracts entered into in the ordinary course of business), for the two years immediately preceding the publication of this document, and any other contract (not entered into in the ordinary course of business) entered into by any member of the Group which contains any provisions under which any member of the Group has an obligation or entitlement which is material to the Group as at the date of this document.

*Sale and purchase agreement relating to the sale of Russell Investments*

On 8 October 2015, Frank Russell Company ("**Russell**"), Emerald Acquisition Limited ("**Emerald**"), an acquisition vehicle of funds controlled by TA Associates and Reverence Capital Partners, and LSEG plc entered into a stock and asset purchase agreement (the "**Russell SAPA**") providing for the sale of Russell's asset management business ("**Russell Investments**") to TA Associates and Reverence Capital Partners for gross proceeds of US$1,150 million in cash, subject to customary closing adjustments and the satisfaction or waiver of a number of customary conditions (including regulatory and other required approvals). LSEG plc is a party to the Russell SAPA in its capacity as the parent company of Russell, in respect of certain specified provisions only. Certain funds controlled by TA Associates and Reverence Capital Partners separately provided limited guarantees

of certain of Emerald's obligations under the Russell SAPA. The Russell SAPA is governed by the laws of New York State.

The transaction closed on 3 December 2014. The base purchase price in respect of the sale of Russell Investments was US$1,150 million which was subject to certain customary adjustments at and following closing. US$1,000 million was agreed to be paid in cash on closing, with the balance of US$150 million paid annually in four equal cash instalments, starting from 31 December 2017. The final instalment was received on 31 December 2020.

*Thomson Reuters News Agreement*

On the 2018 Transaction Closing Date, Reuters News and certain Refinitiv subsidiaries entered into an agreement whereby Reuters News agreed to provide Refinitiv, for a 30-year term, with the various categories of general news and financial content that Reuters News provided to the Thomson Reuters Financial & Risk Business prior to the 2018 Transaction Closing Date. In consideration for the provision of such content, Refinitiv agreed to pay Reuters News US$325 million per year, increasing annually to adjust for inflation as well as to reflect any mutually agreed upon additions, enhancements or revisions of the content that Reuters provides. Refinitiv has exclusivity in all distribution channels over the categories of financial content that Reuters provided on an exclusive basis to the Thomson Reuters Financial & Risk Business prior to the 2018 Transaction Closing Date (e.g., certain economic, company, market and commodity news alerts, real time economic data and financial polls, among other data). However, Reuters News has the right to publish small amounts of the above exclusive financial content that is of significant general news interest. Refinitiv also has a non-exclusive licence to distribute categories of financial content that were provided to it on a non-exclusive basis (e.g., certain politics, economic, company, market and commodity news, other than alerts and real time data), provided that this news is combined with other financial content and subject to certain customer restrictions. Reuters News has certain restrictions on licensing such non-exclusive content to financial firms or Refinitiv's competitors.

The agreement establishes a partnership council to address disputes and review quality metrics and industry developments, among other issues. The partnership council is comprised of two senior business executives of each party and meets in full at least twice a year (and once a quarter with one member from each party). Each party also designates a relationship manager to manage the agreement on an ongoing basis and to meet at least quarterly during the term.

The agreement has no express provision allowing for termination in the event of a party's breach. If the content licensed by Reuters News falls below certain quality standards, Reuters News has agreed to increase investment to address the issue. The parties have agreed to attempt to resolve all disputes amicably, and if this fails, can bring an action (including a claim for specific performance or injunctive relief) in the New York courts.

*Trademark Licence Agreements*

On the 2018 Transaction Closing Date, Thomson Reuters and certain Refinitiv subsidiaries entered into two trademark licence agreements (one covering the U.S. and one covering the rest of the world) by virtue of which Refinitiv has, for a period of 30 years, a worldwide, paid-up: (i) exclusive licence to use the "Reuters" mark, subject to certain branding restrictions to differentiate such use from the use of "Reuters" by Reuters News, on the products and services offered by Refinitiv at the 2018 Transaction Closing Date (and any extensions that have substantially the same purpose); and (ii) non-exclusive licence to use "Reuters" as a corporate name to market and sell a broader class of financial products. The licence terminates automatically upon termination of the Thomson Reuters News Agreement. The licence includes the right to use "Reuters" in domain names and in social and mobile media, and does not cover hardware or products in the legal, tax and accounting fields.

*Tradeweb Stockholders Agreement*

On 8 April 2019, Refinitiv Parent and Refinitiv US PME LLC (as stockholders) ("**Tradeweb's Refinitiv Stockholders**") and Tradeweb (as the company) entered into a stockholders agreement (the "**Tradeweb Stockholders Agreement**") pursuant to which Tradeweb agreed to nominate a number of individuals designated by Tradeweb's Refinitiv Stockholders for election as Tradeweb's directors at any meeting of Tradeweb's shareholders such that the number of directors so designated by Tradeweb's Refinitiv Stockholders serving as directors of Tradeweb will be equal to: (i) if Tradeweb's Refinitiv Stockholders and their affiliates together continue to hold at least 50% of the combined voting power of Tradeweb's outstanding common stock as of the record date for such meeting, the total number of directors comprising Tradeweb's entire board of directors; (ii) if Tradeweb's Refinitiv Stockholders and their affiliates together continue to hold at least 40% (but less than 50%) of the combined voting power of Tradeweb's outstanding common stock as of the record date for such meeting,

the lowest whole number that is greater than 40% of the total number of directors comprising Tradeweb's board of directors; (iii) if Tradeweb's Refinitiv Stockholders and their affiliates together continue to beneficially own at least 30% (but less than 40%) of the combined voting power of Tradeweb's outstanding common stock as of the record date for such meeting, the lowest whole number that is greater than 30% of the total number of directors comprising Tradeweb's board of directors; (iv) if Tradeweb's Refinitiv Stockholders and their affiliates together continue to hold at least 20% (but less than 30%) of the combined voting power of Tradeweb's outstanding common stock as of the record date for such meeting, the lowest whole number that is greater than 20% of the total number of directors comprising Tradeweb's board of directors; and (v) if the Tradeweb's Refinitiv Stockholders and their affiliates together continue to hold at least 10% (but less than 20%) of the combined voting power of Tradeweb's outstanding common stock as of the record date for such meeting, the lowest whole number (such number always being equal to or greater than one) that is greater than 10% of the total number of directors comprising Tradeweb's board of directors. In the case of a vacancy on the Tradeweb board created by the removal, resignation or otherwise of a director designated by Tradeweb's Refinitiv Stockholders, the Tradeweb Stockholders Agreement, to the extent Tradeweb's Refinitiv Stockholders continue to be entitled to nominate such director, will require Tradeweb to nominate an individual designated by Tradeweb's Refinitiv Stockholders for election to fill the vacancy.

In addition, for so long as the Tradeweb Stockholders Agreement remains in effect, Tradeweb's directors nominated by Tradeweb's Refinitiv Stockholders may be removed only with the consent of Tradeweb's Refinitiv Stockholders.

*Tradeweb Registration Rights Agreement*

On 8 April 2019, Tradeweb, Tradeweb's Refinitiv Stockholders and the affiliates of certain banks holding an ownership interest in Tradeweb ("**Tradeweb's Bank Stockholders**") entered into a registration rights agreement ("**Tradeweb Registration Rights Agreement**") pursuant to which Tradeweb granted Tradeweb's Refinitiv Stockholders, Tradeweb's Bank Stockholders, their affiliates and certain of their transferees ("**Tradeweb's Stockholders**") the right, under certain circumstances and subject to the terms of certain lock-up agreements and other restrictions, to require Tradeweb to register under the Securities Act their Tradeweb shares of Class A common stock. After registration pursuant to this right, these shares of Class A common stock will become freely tradable without restriction under the Securities Act.

(i) Demand Rights

From time to time after 1 October 2019, Tradeweb's Stockholders may request that Tradeweb registers all or a portion of their Tradeweb registrable shares for sale under the Securities Act, including, when eligible, pursuant to a shelf registration statement (provided, in all cases, the aggregate number of registrable shares that are requested to be included in any such registration equals at least US$100 million). In addition, from time to time when a shelf registration statement is effective, Tradeweb's Stockholders may request that Tradeweb facilitate a shelf takedown of all or a portion of their Tradeweb registrable shares (provided the aggregate number of registrable shares that are requested to be included in any such takedown equals at least US$100 million). The foregoing demand rights are subject to a number of exceptions and limitations, and Tradeweb will not be required to effect a demand (whether for a non-shelf registered offering, an underwritten shelf registration or an underwritten shelf takedown) on more than one occasion in any twelve-month period. This limitation on the number of demands will fall away at the earlier of: (i) 4 April 2022 (i.e., the third anniversary of the pricing date of Tradeweb's initial public offering); and (ii) the date Tradeweb's Bank Stockholders own a number of shares of Tradeweb's common stock, in the aggregate, that is less than 10% of the number of shares of Tradeweb's common stock then outstanding. In addition, from and after the time that Tradeweb's Bank Stockholders own a number of shares of Tradeweb's common stock, in the aggregate, that is less than 10% of the total number of shares of Tradeweb's common stock then outstanding, Tradeweb's Bank Stockholders will have no further demand rights. In addition, Tradeweb will not be required to effect the registration as requested by any of Tradeweb's Stockholders, if in the good faith judgment of Tradeweb's board of directors, such registration would materially interfere with certain existing or potential material transactions or events involving Tradeweb and should be delayed or is reasonably likely to require premature disclosure of information that could have a material adverse effect on it. These demand rights are also subject to cutbacks, priorities and other limitations.

(ii) Piggyback Registration Rights

In addition, if at any time Tradeweb registers any shares of its Class A common stock (other than pursuant to registrations on Form S-4 or Form S-8), the holders of registrable shares are entitled to include, subject to certain exceptions and limitations, all or a portion of their registrable shares in the registration. The foregoing rights, with

respect to Tradeweb's Bank Stockholders, will fall away when Tradeweb's Bank Stockholders own a number of shares of Tradeweb's common stock, in the aggregate, that is less than 10% of the total number of shares of Tradeweb's common stock then outstanding, provided, that, with respect to each Tradeweb Bank Stockholder on an individual basis, in no event shall such Tradeweb Bank Stockholder, together with any other holder that is an affiliate of such Tradeweb Bank Stockholder, cease to be entitled to piggyback rights if such Tradeweb Bank Stockholder, together with any such affiliate, owns a number of shares of Tradeweb's common stock, in the aggregate, that is more than 2% of the total number of shares of common stock then outstanding.

In the event that any registration in which the holders of registrable shares participate pursuant to the Tradeweb Registration Rights Agreement is an underwritten public offering, the number of registrable shares to be included may, in specified circumstances, be limited.

(iii) Transfer Restrictions

Without Tradeweb's prior written consent, Tradeweb's Stockholders are not permitted to transfer any registrable shares they beneficially owned as of the closing of Tradeweb's initial public offering (the "**Initial Tradeweb Shares**"), including pursuant to Tradeweb Registration Rights Agreement, except: (i) with respect to 50% of such holder's Initial Tradeweb Shares, after 1 October 2019; (ii) with respect to the remainder of such holder's Initial Tradeweb Shares, after 4 April 2020 (i.e., 365 days after the pricing date of Tradeweb's initial public offering); (iii) to certain permitted transferees; and (iv) in certain other limited circumstances.

*Master Services Agreement*

On 1 October 2018, Refinitiv Parent and Thomson Reuters entered into the Master Services Agreement pursuant to which each party agreed to provide each other, on a transitional basis, with services and specified content consistent with the services and content that the various Thomson Reuters business lines provided to each other prior to the 2018 Transaction with the purpose of facilitating the smooth implementation of the 2018 Transaction. Some of the services and content sets provided by Thomson Reuters to Refinitiv are Newsroom Compliance Complete content as well as Westlaw, Practical Law, Onesource, Checkpoint, and Thomson Reuters Regulatory Intelligence and Compliance Complete products. Some of the services and products provided by Refinitiv to Thomson Reuters are Eikon, certain loan pricing content, Lipper data, capital markets and advisory private equity content, global historical banking content and the World-Check product. In each case such services are provided in accordance with the scope of use, term and other provisions agreed in the Master Services Agreement. The initial term of the provision of most of these services under the Master Services Agreement is three years.

*The Relationship Agreement*

For a description of the Relationship Agreement, see "*Directors, Senior Managers and Corporate Governance—Corporate Governance*".

*The Relationship Agreement Support Agreement*

For a description of the Relationship Agreement Support Agreement, see "*Directors, Senior Managers and Corporate Governance—Corporate Governance*".

*Sale and purchase agreement relating to the sale of the Borsa Italiana Group*

On 9 October 2020, London Stock Exchange Group Holdings (Italy) Limited (the "**LSEGHI**"), a wholly owned subsidiary of LSEG and the parent company of London Stock Exchange Group Holdings Italia S.p.A. ("**LSEG Italia**"), entered into a share purchase agreement with LSEG and Euronext N.V. (the "**Buyer**") for the sale of the entire issued share capital of LSEG Italia to the Buyer for an equity value of €4.325 billion, plus certain additional amounts for each day elapsed in the period from (and including) 1 July 2020 until the completion of the sale. LSEG Italia and its subsidiaries (together, the "**Borsa Italiana Group**") comprise, inter alia: (i) Borsa Italiana S.p.A., the operator of the Italian stock exchange in which LSEG Italia holds a 99.99% stake; (ii) MTS, the European fixed income trading venue in which Borsa Italiana holds a 62.53% majority stake; (iii) Cassa di Compensazione e Garanzia S.p.A., the Italian clearing house; and (iv) Monte Titoli S.p.A., an Italian-based custody and settlement business.

LSEGHI has given warranties relating to title, capacity and authority (the "**Fundamental Warranties**") as well as customary business warranties in respect of the Borsa Italiana Group and its business. The warranties given by LSEGHI will be deemed to be repeated immediately prior to the completion of the sale. LSEGHI's liability in respect of claims by the Buyer under the warranties (other than the Fundamental Warranties) is limited to an

aggregate nominal cap of €1.00. The Buyer has taken out a warranty and indemnity insurance policy in respect of such claims. LSEGHI has agreed to pay €3,502,000, which represents 50% of the premium and certain other associated costs, in respect of the policy. LSEGHI's liability in respect of other claims by the Buyer under the Share Purchase Agreement (including under the Fundamental Warranties) is limited to an amount equal to 100% of the purchase price.

Subject to the satisfaction or waiver of all outstanding conditions, the Borsa Italiana Divestment is expected to complete shortly and in any event in the first half of 2021. As part of LSEG's commitments to the European Commission in connection with the EU merger clearance for the Refinitiv Acquisition, the Borsa Italiana Group will need to be managed separately from the wider LSEG group until the completion of the divestment. Alcis Advisers GmbH, the monitoring trustee, will oversee LSEG's compliance with the commitments on behalf of the European Commission.

**Insurance**

As at the date of this Offering Circular, the Group has maintained the existing insurance policies of its legacy LSEG and Refinitiv businesses. The Group has appointed a global insurance broker and is in the process of integrating policies and reviewing programme structures across the Group. As part of this comprehensive review, the Group intends to implement insurance policies that reflect the risks faced by the combined Group.

A description of the insurance coverage of the legacy LSEG and Refinitiv businesses is below.

*LSEG*

As an integral part of its risk management framework LSEG maintains a comprehensive portfolio of insurance policies that are designed to provide cover for specific risks or liabilities that may arise from activities undertaken by businesses. In order to assess the scope and the adequacy of coverage, the risk profile of LSEG is evaluated on an annual basis to ensure an appropriate level of risk transfer via a group-wide master and local insurance policies.

All insurance policies are placed with established insurance carriers that can demonstrate sufficient creditworthiness and service capabilities to protect LSEG. Coverage includes but is not restricted to crime and civil liability, property and casualty, terrorism, pension trust liability, travel, and employer's liability. Additionally, LSEG has subscribed to various specific employee benefit insurance policies including life, accident and assistance policies. A directors' and officers' policy is in force to cover members of the Board and all other officers of LSEG in respect of legal action whilst they carry out their fiduciary duties.

LSEG, as a diversified FMI group, has a global footprint and business lines which have varied risk profiles. Changes to business profiles and geographic exposures are evaluated and cover is adapted where necessary with a view to maintaining sufficient insurance coverage to mitigate foreseeable risks. However, LSEG may still incur damages that are not covered by insurance policies or that exceed coverage limits or amounts set aside to cover such risks. Moreover, there can be no assurance that LSEG will be able to maintain or obtain adequate insurance coverage in the future.

*Refinitiv*

As an integral part of its risk management framework, Refinitiv maintains insurance or otherwise insures against hazards in a manner appropriate and customary for its businesses. Such insurance is designed to provide cover for specific risks or liabilities that may arise from activities undertaken by its businesses.

There are, however, certain losses that may be either uninsurable or not economically insurable, in whole or in part. Insurance proceeds may not compensate Refinitiv fully for its losses. Moreover, there can be no assurance that Refinitiv will be able to maintain or obtain adequate insurance coverage in the future.

All insurance policies are placed with established insurance carriers that can demonstrate sufficient creditworthiness and service capabilities to protect Refinitiv and are reviewed periodically. Coverage includes but is not restricted to professional indemnity insurance, cyber insurance, and directors' and officers' insurance, business interruption insurance, public and employers' liability insurance, general office insurance and property damage insurance.

## Employees

A key facet of the Group's strategy is attracting, developing and retaining the right employees for every role. To achieve this, the Group places great importance on supporting its employees' development. In addition, the Group emphasises diversity and equal opportunities among its employees. As at 15 March 2021, the Group employed 23,708 employees.

The average number of employees employed by LSEG during the financial years ended 31 December 2020, 31 December 2019 and 31 December 2018 was as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| *By geographical location[(1)(2)]* | | | |
| United Kingdom | 1,829 | 1,631 | 1,628 |
| Sri Lanka | 1,236 | 1,082 | 1,025 |
| Italy | 652 | 643 | 612 |
| U.S. | 683 | 664 | 659 |
| France | 200 | 185 | 166 |
| Other | 619 | 493 | 315 |
| **Total** | **5,219** | **4,698** | **4,405** |

Note:

(1) Permanent/regular and fixed term staff only.
(2) Certain employee numbers will be affected as a result of the Borsa Italiana Divestment.

The average number of Refinitiv employees during the financial years ended 31 December 2020, 31 December 2019 and 31 December 2018 was as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| *By geographical location[(1)]* | | | |
| U.S. | 2,852 | 3,210 | 3,406 |
| India | 5,390 | 4,908 | 4,412 |
| United Kingdom | 2,260 | 2,222 | 2,562 |
| Philippines | 1,705 | 1,505 | 1,309 |
| Poland | 953 | 1,215 | 1,387 |
| Other | 6,008 | 6,121 | 6,353 |
| **Total** | **19,168** | **19,181** | **19,429** |

Note:

(1) Represents FTEs and does not include contractors.

## Employee Share Plans

The Group operates several employee share plans for its legacy LSEG and Refinitiv businesses, details of which are below.

*Principal terms of LSEG plc's employee share plans*

LSEG plc currently operates several employee share plans which provide for the grant of awards or options over its shares to its employees (the "**LSEG Share Plans**"). LSEG's reward strategy focuses both on the short term, through an annual bonus scheme linked to its global performance management approach, and on the medium term through share plans aimed at senior management and the wider workforce. The LSEG Long-Term Incentive Plan (2014) (the "**LSEG LTIP (2014)**") aligns the performance and reward of senior management with the Group's ongoing performance and growth and the LSEG Deferred Bonus Plan and the LSEG Restricted Share Award Plan (2018) facilitate the retention of employees.

In 2020, LSEG operated employee share ownership plans for permanent employees, split across nine countries. Under the LSEG Sharesave plans (comprising the LSEG Save As You Earn Scheme and the LSEG International Sharesave Plan), eligible employees can save up to £500 or equivalent per month, with the option after three years of using their accumulated savings to exercise an option to receive LSEG shares at a discounted price. The LSEG Share Purchase Plan allows eligible employees to purchase up to £500 of LSEG shares per month and receive an award of additional LSEG shares, which vests after completion of a three-year plan cycle.

During 2020, more than 1,150 employees across seven countries were able to benefit from Sharesave maturities to acquire LSEG shares, which included share price appreciation of 163%, reflecting the Group's performance over the previous three years. There was also increased take up under the employee share ownership plans more generally, increasing overall participation in 2020 to 61% of eligible employees.

*Interests in LSEG plc's employee share plans*

As at 15 March 2021, the aggregate number of LSEG Ordinary Shares outstanding pursuant to options and awards under the LSEG Share Plans (including 448,369 options and awards granted to Directors and LSEG Key Managers) was 3,570,147. Save as disclosed in this paragraph, neither LSEG plc nor any of its subsidiaries has granted any option over its shares or loan capital which remains outstanding or has agreed, conditionally or unconditionally, to grant any such options.

*Management Incentive Plan ("**MIP**") for Refinitiv's senior management team*

35 members of Refinitiv's senior management team currently participate in the MIP set up by York Parent. The MIP was designed by Blackstone and Thomson Reuters for the purpose of the 2018 Transaction to retain management, incentivise performance and share growth in Refinitiv's value. Under the MIP, management have acquired shares in York Parent. 40% of these shares are subject to time-based vesting and 60% are subject to various performance conditions.

To improve the retentive effect of the MIP, amendments have been made to the MIP in connection with the Refinitiv Acquisition so that certain of the shares did not vest on Completion and will be subject to forfeiture in certain leaver circumstances. All 35 participants have signed up to these changes to the MIP, and accordingly this will act as an important retention tool for key Refinitiv management. The performance-based MIP shares will vest on the third anniversary of Completion provided only that the participant has neither resigned nor been dismissed (other than for certain prescribed, 'good leaver' reasons). The time-based MIP shares will vest on Completion but will be transferrable or payable only in accordance with the lock-up restrictions described below.

Upon completion of the Refinitiv Acquisition, the outstanding MIP shares were converted into the same class of common shares in York Parent and accordingly participating members of Refinitiv's management continue to hold their interests in York Parent shares following Completion. On 29 January 2024, LSEG Shares representing management's entitlements under the MIP will be transferred to management (or an aggregator vehicle or nominee). These LSEG Shares are subject to lock-up restrictions under which MIP participants will not be able to begin to realise the value in their MIP shares until 29 January 2026, save that: (i) members of management based in the U.S. and UK are permitted to sell a portion of their shares following completion of the Refinitiv Acquisition so as to satisfy tax liabilities that arise in connection with completion of the Refinitiv Acquisition; and (ii) management may be permitted to realise value: (a) at the same time as, and on a pro rata basis with, Blackstone and Thomson Reuters; or (b) insofar as sales are required for tax purposes.

**Intellectual Property**

As the Group operates in a dynamic and competitive industry, its business is dependent, in part, on the creation and subsequent protection of intellectual property and knowhow. This is especially important in product design and underlying systems where the business is dependent on licensing the use of intellectual property, such as information services (including data and indices) and software. Where appropriate, the Group takes specific measures such as licence restrictions, registering trademarks and patents, and asserting copyright and database rights to protect its own intellectual property.

Through FTSE Russell, the Group is a global leader in financial indexing, benchmarking and analytical solutions with approximately US$15 trillion in assets benchmarked to its indices. The Group also provides customers with an extensive range of real time and reference data products as well as reporting, reconciliation and confirmation services, including SEDOL, UnaVista and RNS. The Group's business and customers depend on its technology

to be secure and maintain high levels of availability. The Group licenses certain of its software and intellectual property to customers and is also a licensee under numerous agreements with third parties.

The Group is a leading developer and operator of high-performance technology solutions, including trading, market surveillance and post trade systems for over 40 organisations and exchanges including the Group's own platforms. Additional services include network connectivity and hosting.

Many of the Group's products and services contain information and content that is delivered to customers through a variety of media, including online, software-based applications, smartphones, tablets, books, journals and dedicated transmission lines. The Group's principal intellectual property assets are protected by patents, trademarks, trade secrets, database rights and copyrights, as well as confidentiality agreements with third-parties. The Group continues to apply for and receive patents for its innovative technologies, and owns many prominent trademarks and domain names. Additionally, the Group continues to acquire intellectual property through the acquisition of companies. The Group also obtains significant content and data through licensing arrangements with content providers, including via the Thomson Reuters News Agreement and the Master Services Agreement, and has the long-term right to use the "Reuters" trademark in its business pursuant to the Trademark Licence Agreements.

The Group's businesses are also dependent on the good reputation of its brands which it seeks to protect from third-party abuse. Where appropriate, the Group's brand names are protected through trademarks (whether registered or unregistered) in the United Kingdom, United States, Europe and other territories of the world (as applicable).

**Material Real Property**

Details of the material properties of the Group are set out below:

| Location | Tenure | Rent p.a. at 31 December 2020 ('000) | Rent review date | Term | Areas | Uses |
|---|---|---|---|---|---|---|
| Paternoster Square, London, UK | Leasehold | £12,505 | 02/09/2023 | Expiry 01/09/2028<br>(with break clause 31/08/2024) | 18,976 $m^2$ | Sole tenancy, office-based functions and commercial events suite |
| Aldgate House, London, UK | Leasehold | £2,405 | 25/03/2021 | Expiry 24/03/2026 | 5,990 $m^2$ | Mixed tenancy, office-based functions |
| Telehouse London, UK | Leasehold | £235 | Annually on 1 January | Expiry 31/12/2035 | 1,845 $m^2$ | Data centre |
| Palazzo Mezzanotte, Milan, Italy[(1)] | Leasehold | £5,597 | Annually on 1 January | Expiry 31/12/2023, termination with one year notice | 12,306 $m^2$ | Sole tenant, office-based functions and commercial events suite |
| 28 Liberty Street, New York, U.S. | Leasehold | £5,237 | 17/04/2026 | Expiry 30/04/2031 | 6,951 $m^2$ | Mixed tenancy, office-based functions |
| Le Centorial, 16-18, Rue du Quatre Septembre, Paris, France | Leasehold | €3,279 | Annually on 1 October | Expiry 31/05/2024 | 4,980 $m^2$ | Mixed tenancy, office-based functions |
| 2 Exchange Square, Hong Kong, China | Leasehold | HKD 14,392 | None | Expiry 31/07/2022 | 655 $m^2$ | Mixed tenancy, office-based functions |

| Location | Tenure | Rent p.a. at 31 December 2020 ('000) | Rent review date | Term | Areas | Uses |
|---|---|---|---|---|---|---|
| Bauddhaloka Mawatha, Colombo, Sri Lanka | Leasehold | LKR 91,334 | None | Expiry 31/12/2022 | 2,983 $m^2$ | Mixed tenancy, office-based functions |
| Tripoli Market, Colombo, Sri Lanka | Leasehold | LKR 47,006 | None | Expiry 31/05/2026 | 2,850 $m^2$ | Mixed tenancy, office-based functions |
| 1 Millennium Drive, Malabe, Sri Lanka | Freehold (virtual) | n/a | n/a | n/a | 14,472 $m^2$ | Operating Facilities |
| 6L Iuliu Maniu Blvd, Bucharest, Romania | Leasehold | €583 | Annually on 1 October | Expiry 30/09/2023 | 3,216 $m^2$ | Mixed tenancy, office-based functions |
| 1, 3 & 5 Earl St and 56 & 58 Christopher St, London, UK | Freehold | n/a | n/a | n/a | 8,836 $m^2$ | Operating Facilities, Data Centre |
| 3 Times Square, New York, U.S.[(2)] | Leasehold | US$20,024 | n/a | 18/11/2021 | 458,089 sq. ft | Operating facilities and corporate office |
| Technopolis, Bangalore, India | Leasehold | INR 167,083 | 01/04/2022 | 16/06/2022 | 326,464 sq. ft | Operating facilities |
| 5 Canada Square, Canary Wharf, London, UK[(3)] | Leasehold | £14,437 | 2022 | 02/10/2027 | 354,000 sq. ft | Operating facilities and corporate office |
| Floors 1 and 2, Tower A, RMZ Infinity, Bangalore, India | Leasehold | INR 56,873 | n/a | 06/14/2021 | 74,370 sq. ft | Operating facilities |
| Floor 1, Tower E, RMZ Infinity, Bangalore, India | Leasehold | INR 43,753 | 27/06/2021 | 06/26/2023 | 36,230 sq. ft | Operating facilities |
| Tower D, RMZ Infinity, Bangalore, India | Leasehold | INR 91,417 | 17/06/2022 | 06/16/2024 | 68,940 sq. ft | Operating facilities |
| Arca Building, Beijing, China | Leasehold | CNY 40,906 | 01/03/2021 | 31/08/2021 | 162,580 sq. ft | Operating facilities |

| Location | Tenure | Rent p.a. at 31 December 2020 (‘000) | Rent review date | Term | Areas | Uses |
|---|---|---|---|---|---|---|
| ZGC#1, Building, China | Leasehold | CNY 16,719 | 1/11/2022 | 31/10/2025 | 101,662 sq. ft | Operating facilities |
| 717 Parkway, St. Louis, Missouri, U.S. | Leasehold | US$$1,114 | n/a | 4/30/2021 | 101,375 sq. ft | Operating facilities |
| 795 Parkway, St. Louis, Missouri, U.S. | Freehold | n/a | n/a | n/a | 53,439 sq. ft | Operating facilities |
| 2&3 World Square and 8/10 & 18/20 Upper McKinley Hill, Manila, Philippines(4) | Leasehold | PHP 137,066 | 1/5/2021 & 1/9/2020 | 30/4/2025 & 31/8/2023 | 153,413 sq. ft | Operating facilities |
| Baltic Business Center, Gdynia, Poland | Leasehold | EUR1,277 | n/a | 30/11/2021 | 117,856 sq. ft | Operating facilities |
| 28 Liberty St. New York, NY, U.S.(5) | Leasehold | US$ 7,951 | 1/4/2027 | 31/3/2027 | 108,917 sq. ft | Operating facilities and corporate office |
| Champion Tower & ICBC Tower, Hong Kong, China | Leasehold | HKD 40,638 | n/a | 31/12/2021 | 33,201 sq. ft | Administrative office |

Notes:

(1) This will no longer be a material property of the Group following completion of the Borsa Italiana Divestment. See “—*The Business—LSEG—The Borsa Italiana Group*” for further details in relation to the Borsa Italiana Divestment.
(2) Refinitiv leases this facility from 3XSQ Associates, an entity owned by Thomson Reuters and Rudin Times Square Associates. Refinitiv and Thomson Reuters have entered into a sublease agreement whereby Refinitiv has subleased to Thomson Reuters approximately 140,000 sq. ft of the property area. Reduction to rent and RSF due to a return of space on floors 6 and 15 in late 2020, resulting in 20% reduction of rent on approximately 62,000 sq. ft
(3) Refinitiv has a reversionary lease with the superior landlord for an additional 10 years from 2027.
(4) Consists of 128,591 sq. ft, for which the lease is due to expire on 30 April 2025 with a rent review on 1 May 2021, and 24,822 sq. ft for which the lease is due to expire on 31 August 2023 with a rent review on 1 September 2021.
(5) New lease at 28 Liberty St commenced on 15 December 2020, with a 15 month rent-free period through March 2022.

### Legal and other proceedings

Except as set out below, there are no governmental, legal or arbitration proceedings (including proceedings which are pending or threatened of which the Group is aware), which may have, or have had in the recent past, material effects on the Group’s financial position or profitability.

*LCH Group Matter*

The LCH Group has had correspondence and discussions with the joint special administrators of MFG (the “**Administrators**”) in relation to default management exercises that took place prior to LCH’s acquisition by LSEG. The Administrators made an application to the English High Court seeking an Order to compel disclosure

of certain documents and information which was rejected by the English High Court. Separately, proceedings were filed in the Paris Commercial Court by the Administrators seeking to assess any losses suffered by MFG in connection with the close-out of MFG's positions at the time of its default and to establish the extent (and quantum) of LCH SA's liability for such losses. These claims were rejected by the Paris Commercial Court in a judgment dated 13 May 2016 on the basis that the proceedings were time-barred under LCH SA's rule book. The Administrators appealed the decision. The appeal was heard by the Paris Court of Appeal in October 2018. The appeal judgment was handed down on 19 December 2018 and the Paris Court of Appeal ruled in favour of LCH SA, confirming the first instance decision and rejecting the appeal. The Administrators have appealed the decision to the French Supreme Court and filed their briefs in support of their appeal on 30 September 2019 and 1 October 2020. LCH SA responded on 2 December 2019 and 1 December 2020 respectively. The trial hearing is set for 13 April 2021 before the French Supreme Court. The decision is expected to be handed down four to six weeks later. On the merits, the Administrators have requested the appointment of a judicial expert to determine, inter alia, the assessment of MFG's alleged damages, but pending the outcome of such determination, the Administrators have asserted that MFG suffered a loss of €132.6 million, which corresponds to the difference between the Bloomberg prices as at the date of the default and the prices obtained by LCH SA as a consequence of the liquidation of MFG's portfolio. LCH SA is not aware of any basis for a successful claim, provided that it would not be time-barred, and firmly rejects any allegations of potential liability.

*Omnesys Matter*

Omnesys NEST, a sell-side order management system, was acquired in 2013 as part of the acquisition of Omnesys Technologies Pvt Ltd ("**OTPL**") by Refinitiv's predecessor company. OTPL had a continuing licensing agreement with Omnesys Technologies Inc ("**OTI**") to license OTI's middleware for the Omnesys NEST platform.

On 23 June 2019, OTI purported to terminate the licensing agreement effective 1 August 2019, alleging that the usage reports provided to OTI over the preceding six years omitted certain details and were not certified as required by the licensing agreement. On 15 July 2019, Refinitiv filed a lawsuit in New York State Supreme Court in Rockland County seeking an injunction to prevent OTI from terminating the operation of the middleware for Omnesys NEST and causing disruption to Refinitiv's customers. The New York State Supreme Court issued a temporary restraining order on 16 July 2019 in favour of Refinitiv, ensuring that the status quo was maintained and service to customers is not disturbed. The Court extended that temporary restraining order on 15 August 2019, so that it remained in place pending the Court's decision on Refinitiv's motion for a preliminary injunction.

On 8 September 2019, OTI filed an amended answer, and asserted counterclaims against Refinitiv, seeking $250 million in damages. On 30 September 2019, Refinitiv filed a partial motion to dismiss seeking dismissal of the portion of OTI's counterclaim requesting consequential damages.

On 4 May 2020, the Court granted Refinitiv's partial motion to dismiss and permitted OTI to amend its answer to remove its request for consequential damages. OTI filed a second amended answer on 7 May 2020 which again seeks damages in the amount of US$250 million. The Court granted Refinitiv's motion for a preliminary injunction on 12 May 2020, thereby ensuring that Refinitiv will continue to be able to provide services under the operative agreement with OTI during the pendency of the litigation. Refinitiv was ordered to post a US$100,000 undertaking.

Following the Court's decision on the motion for a preliminary injunction and the motion to dismiss, the litigation has proceeded to the discovery phase of the litigation. The parties agreed to an interim discovery schedule, which was ordered by the Court on 17 June 2020. A pre-trial conference was held on 3 December 2020 to discuss the status of discovery, which has been delayed by the Covid-19 pandemic. There is a remote compliance conference scheduled for 8 June 2021.

OTI seeks US$250 million in damages for supposed underpayment for sales made, not by Refinitiv, but by Refinitiv's customers to their customers. Refinitiv considers that this underpayment theory is without legal or factual basis as Refinitiv's applicable revenues from the sales to its customers in the relevant period is substantially less than US$10 million.

Refinitiv will continue to defend the interests of its customers. Refinitiv will engage as and when necessary and appropriate with authorities and regulators regarding actions taken by OTI that could interfere with customers' access rights. As detailed in its motion to dismiss, Refinitiv believes it has strong defences to the counterclaim asserted by OTI and intends to continue to vigorously defend its interests with regard to this claim.

*Tradeweb Treasuries Matter*

In December 2015, more than 40 substantially similar putative class action complaints filed by individual investors, pension funds, retirement funds, insurance companies, municipalities, hedge funds and banks were consolidated in the U.S. District Court for the Southern District of New York under the caption *In re Treasuries Securities Auction Antitrust Litigation, No. 1:15-md-2673* (*S.D.N.Y.*) (*PGG*). In November 2017, the plaintiffs in these consolidated actions filed a consolidated amended complaint in which they alleged: (i) an "Auction Conspiracy" among primary dealers of U.S. Treasury securities in auctions for treasury securities and in the "when-issued" and secondary markets for such securities and other derivative financial products; and (ii) a "Boycott Conspiracy" among certain primary dealers and Tradeweb Markets, Tradeweb IDB Markets, Inc. and Dealerweb Inc. (which will be jointly referred to throughout this paragraph as the "**Tradeweb Parties**"). The plaintiffs purport to represent two putative classes: an "Auction Class" consisting of all persons who purchased treasuries in an auction, transacted in treasuries with a dealer defendant or through an exchange from 1 January 2007 through 8 June 2015, and a "Boycott Class" consisting of all persons who transacted in treasury securities in the secondary market with a dealer defendant from 15 November 2013 to the present. The consolidated amended complaint alleges that the Tradeweb Parties participated in the alleged "Boycott Conspiracy" through which certain primary dealers are alleged to have boycotted trading platforms permitting "all-to-all" trading of treasury securities. The complaint asserts claims against the Tradeweb Parties under Section 1 of the Sherman Antitrust Act and for unjust enrichment under state law and seeks to permanently enjoin the Tradeweb Parties and the dealer defendants from maintaining the alleged "Boycott Conspiracy" and an award of treble damages, costs and expenses. The defendants filed motions to dismiss in February 2018, including a separate motion to dismiss filed by the Tradeweb Parties. The motions to dismiss are pending. At this stage, LSEG is unable to estimate or quantify the potential damages in relation to this matter. Tradeweb has stated that it intends to continue to vigorously defend its interests with regard to this claim.

*Tradeweb Interest Rate Swaps Matter*

In November 2015, Public School Teachers' Pension and Retirement Fund of Chicago, on behalf of itself and a putative class of other similar purchasers of interest rate swaps, filed a lawsuit in the U.S. District Court for the Southern District of New York against Tradeweb Markets, ICAP Capital Markets LLC and several investment banks and their affiliates (the "**Dealer Defendants**"), captioned *Public School Teachers' Pension and Retirement Fund of Chicago v. Bank of America Corporation, Case No. 15-cv-09219* (*S.D.N.Y.*). Additional plaintiffs, including Tera Group Inc. and Javelin Capital Markets LLC, filed lawsuits and, ultimately, the cases were consolidated under the caption *In re Interest Rate Swaps Antitrust Litigation, No. 1:16-md-2704*. The plaintiffs allege that defendants conspired to forestall the emergence of exchange style trading for interest rate swaps and seek treble damages and declaratory and injunctive relief under federal antitrust laws with respect to Tradeweb Markets. Plaintiffs allege that Tradeweb agreed with the Dealer Defendants to shutter its plans to launch an exchange-like trading platform for interest rate swaps in furtherance of the conspiracy and provided a forum where the Dealer Defendants carried out their alleged collusion. Tradeweb Markets and certain other entities were dismissed from the lawsuit in July 2017, following the court's order and opinion on defendants' motions to dismiss. In May 2018, the court denied plaintiffs' request for leave to amend their complaint to reinstate Tradeweb Markets as a defendant, but granted leave to amend to include additional allegations. In October 2018, plaintiffs filed a motion seeking leave to file a proposed fourth amended complaint. They did not seek to name Tradeweb Markets as a defendant but instead purported to reserve all rights with respect to Tradeweb Markets. While Tradeweb Markets is not a party to the litigation, it was actively engaged in third-party discovery and responded to the parties' data and document requests. Additionally, in June 2018, the plaintiffs notified the court that they are likely to move for entry of judgment of the dismissed claims. At this stage, LSEG is unable to estimate or quantify the potential damages in relation to this matter, given in particular that Tradeweb has been dismissed as a defendant from this matter. Tradeweb has stated that it intends to continue to vigorously defend its interests with regard to any claims against it that arise from this litigation.

**Sustainability**

*Being a Responsible Business*

The Group has made significant progress on sustainability and continues to push for consistent disclosures across the FMI industry. The Group has supported the UK Financial Stability Board's Task Force on Climate-related Financial Disclosures (the "**TCFD**") since its launch and has encouraged issuers to follow the TCFD's reporting recommendations. The Group is also the first global exchange group to commit to net zero emissions through the Business Ambition for 1.5°C and is a member of the United Nations Climate Change 'Race to Zero' initiative.

These commitments cover the Group's own carbon emissions as well as its influence across the marketplace through its business and client support. The Group has science-based emissions targets to reduce its emissions in line with the 2016 Paris Agreement in accordance with the United Nations Framework Convention on Climate Change. In the year ended 31 December 2020, the Group reduced its absolute carbon footprint by approximately 9% compared to the year ended 31 December 2019.

The Group is well-positioned at the heart of the global financial markets to act as a facilitator for sustainability. The Group brings investors and issuers together in three critical areas: (i) data and disclosure, by catalysing consistent, comparable and reliable global climate data; (ii) the growth of the green economy, by enabling the growth and development of green industries and (iii) climate transition across sectors, by supporting investment and capital flows to achieve climate transition and resilience.

Ethnic and gender diversity remain a key priority for the Group, with 34% of the Group's UK and U.S. colleagues identifying as black, Asian or minority ethnic groups as of 31 December 2020. As at 31 December 2020, women comprised 40% of the Group's Executive Committee and 37% of the Group's senior leadership. The Group has joined the Race at Work Charter, developed inclusion networks and continues to make progress in promoting ethnically diverse talent.

*Enabling and Supporting Positive Change*

The Group is well-positioned to support and facilitate sustainable and low-carbon solutions across the financial markets ecosystem by providing access to capital and supporting integration of sustainability into investment processes.

Within Data & Analytics, the Group provides ESG data covering 450 metrics across ESG categories for over 10,000 companies around the world. The Group also provides ESG macro datasets to establish the sustainability footprints of countries, and launched the Green Revenues 2.0 Data Model in 2020. The Group also operates sustainable indices including the Climate WGBI and Climate EGBI indices for sovereign debt, the FTSE TPI Climate Transition index series and the FTSE4Good index series. The Group also provides ESG and climate risk analytics tools including green crime screening to help unwrap ownership hierarchies across over 200 countries and screen the associated entities for risks including those related to green crimes.

Within Capital Markets, the Group has sustainability-focused products including the Green Economy Mark, which recognises issuers with over 50% of revenues from green sources. The Group recognised 92 Green Economy Mark issuers in 2020. The Group also has a dedicated Sustainable Bond Market ("**SBM**") that champions innovative issuers in sustainable finance and improves access, flexibility and transparency for investors. The SBM includes a dedicated Transition Bond Segment to enable the financing of decarbonisation beyond traditionally green industry sectors. The SBM enabled issuers to raise £75 billion in bonds related to Covid-19 responses. In 2020, 43 bonds raising £13.5 billion were listed on the SBM.

To promote sustainability-related disclosure, the Group formed the Measure Up initiative in partnership with Fortune, which encourages companies to collect and disclose data on their racial composition by reporting levels of minority inclusion in the workplace. The Group has also implemented ESG Disclosure Scores, which support companies in understanding their level of ESG disclosure relative to industry peers. In 2020, 12 issuers scored over 90% and eight of these issuers scored 100% in their ESG Disclosure Scores.

The Group expects future opportunities across the sustainable finance landscape to include: (i) scaling its sustainable finance and investment data, analytics and benchmarks across asset classes and across a wider investable universe; and (ii) developing capabilities to help its clients prepare for sustainable finance and investment regulations.

## DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

### DIRECTORS AND KEY MANAGERS

### The Directors

The following table lists the names, ages and positions of the Directors.

| Name | Age | Position |
|---|---|---|
| Don Robert | 61 | Chair |
| David Schwimmer | 51 | Chief Executive Officer |
| Anna Manz | 48 | Chief Financial Officer |
| Stephen O'Connor | 59 | Senior Independent Director |
| Jacques Aigrain | 66 | Non-Executive Director |
| Dominic Blakemore | 51 | Non-Executive Director |
| Professor Kathleen DeRose | 60 | Non-Executive Director |
| Cressida Hogg CBE | 51 | Non-Executive Director |
| Dr. Val Rahmani | 63 | Non-Executive Director |
| Martin Brand | 46 | Non-Executive Director |
| Douglas Steenland | 69 | Non-Executive Director |
| Erin Brown | 46 | Non-Executive Director |

***Business address of the Directors***

The business address of the Directors is 10 Paternoster Square, London, EC4M 7LS United Kingdom.

***Profiles of the Directors***

*Don Robert (Chair)*

Don Robert joined the Board as a Non-Executive Director on 1 January 2019 and became Chair on 1 May 2019. Don was previously Chair of Experian plc, a role he stepped down from in July 2019. Prior to his appointment as Chair of Experian plc in 2014, he was Chief Executive Officer of Experian plc from 2006 to 2014 and prior to that served as Chief Executive Officer of Experian North America from 2001 to 2005. Other previous senior roles include, President of Credco, Inc. from 1992 to 1995, Chair of the US Consumer Data Industry Association, Director and Trustee of the National Education and Employer Partnership Taskforce, Non-Executive Director of First Advantage Corp from 2003 to 2009, Non-Executive Director and Senior Independent Director at Compass Group plc from 2009 to 2018 and Chair of Achilles Group Limited. Don also served as a Non-Executive Director of the Court of Directors, Bank of England from 2014 to 2019. Don's principal activities currently performed outside of LSEG are Chair of Validis Holdings Limited and Chair of Council of the London School of Hygiene & Tropical Medicine, partner at the start up PE firm Corten Capital, a visiting fellow at Oxford University and Honorary Group Captain, Royal Airforce.

*David Schwimmer (Chief Executive Officer)*

David Schwimmer joined the Board on 1 August 2018. Prior to joining LSEG, David spent 20 years at Goldman Sachs, where he held a number of senior roles, most recently as Global Head of Market Structure and Global Head of Metals & Mining. During his tenure, he also served as Chief of Staff to Lloyd Blankfein from 2005 to 2006, who was then President and COO of Goldman Sachs, and spent three years in Russia as Co-Head of Russia/CIS from 2006 to 2009. Prior to joining Goldman Sachs, David practised law at Davis Polk & Wardwell.

*Anna Manz (Chief Financial Officer)*

Anna Manz joined the Board as Chief Financial Officer on 21 November 2020. Anna previously held the positions of CFO and Executive Director of Johnson Matthey plc from 2016 to 2020, leading its Finance, Procurement and IT functions. Prior to joining Johnson Matthey plc, Anna spent 17 years at Diageo plc in a number of senior finance roles, including most recently as Chief Strategy Officer and member of the Executive Committee, and previously as Finance Director of Spirits North America and Group Treasurer and Finance Director of Asia Pacific. Anna's principal role currently performed outside of LSEG is as Non-Executive Director at ITV plc, a role she has held since 2016.

*Stephen O'Connor (Senior Independent Director)*

Stephen O'Connor joined the Board on 12 June 2013. Stephen was previously Chair of the International Swaps and Derivatives Association from 2011 to 2014, having been appointed as a Non-Executive Director in 2009. Stephen also worked at Morgan Stanley from 1988 to 2013, where he was a member of the Fixed Income Management Committee and held senior roles including Global Head of Counterparty Portfolio Management and Global Head of OTC Client Clearing. Stephen was a member of the High-Level Stakeholder Group for the UK Government's review of the Future of Computer Trading in Financial Markets and served as Vice-Chair of the Financial Stability Board's Market Participants Group on Financial Benchmark Reform. Stephen was formerly a member of the U.S. Commodity Futures Trading Commission Global Markets Advisory Committee. He was a Non-Executive Director of OTC DerivNet Ltd from 2001 to 2013 and was Chair from 2001 to 2011. Stephen's principal activities currently performed outside of LSEG are as Chair of HSBC Bank plc, Chair of Quantile Technologies Limited, a member of the Scientific Advisory Board of the Systemic Risk Centre, London School of Economics and Political Science and Non-Executive Director of FICC Market Standards Board Limited.

*Jacques Aigrain (Non-Executive Director)*

Jacques Aigrain joined the Board on 1 May 2013. Jacques was formerly Chair of LCH Group from 2010 to 2015. He has also been a Non-Executive Director of Resolution Ltd from 2010 to 2013, a Supervisory Board member of Deutsche Lufthansa AG from July 2007 to April 2015, a Non-Executive Director of the Qatar Financial Centre Authority from March 2011 to October 2015, and a Non-Executive Director of Swiss International Airlines AG (a subsidiary of Deutsche Lufthansa AG) from December 2001 to June 2018. Jacques joined Swiss Re Group in 2001 and was also Chief Executive Officer of Swiss Re Group from 2006 to 2009 and a Senior Adviser at Warburg Pincus LLC from 2014 to 2020. Prior to 2001 (when he joined Swiss Re Group), Jacques spent 20 years with J.P. Morgan Chase, working in its New York, London and Paris offices. Jacques's principal activities currently performed outside of LSEG are as Chair of LyondellBasell Industries NV, Chair of Singular Bank S.A.U. and a Non-Executive Director at WPP plc.

*Dominic Blakemore (Non-Executive Director)*

Dominic Blakemore joined the Board on 1 January 2020. Dominic is currently Group Chief Executive Officer of Compass Group PLC, a role he assumed in January 2018. Dominic's previous roles at the Compass Group included: Group Finance Director from 2012 to 2015 and Group Chief Operating Officer, Europe from 2015 to 2017, before becoming Deputy Chief Executive Officer in October 2017. Dominic was formerly a Non-Executive Director and Chair of the Audit, Risk and Compliance Committee of Shire plc from 2014 to 2018 and Chief Financial Officer of Iglo Foods Group Limited from 2010 to 2011. Before joining Iglo, Dominic was European Finance & Strategy Director at Cadbury plc from 2008 to 2010 having previously held senior finance roles at that company. Prior to his role at Cadbury plc, Dominic was a Director at Pricewaterhouse Coopers LLP. Dominic is also a member of the Council of University College London.

*Professor Kathleen DeRose (Non-Executive Director)*

Kathleen DeRose joined the Board on 28 December 2018. Kathleen previously held a number of senior roles at Credit Suisse Group AG from 2010 to 2015 including Managing Director (Head of Business Strategy and Solutions, Investment Strategy and Research). Prior to that she was Managing Director (Head of Global Investment Process, Asset Management). Other roles Kathleen has undertaken have included Managing Partner, Head of Portfolio Management and Research at Hagin Investment Management (2006 to 2010), and Managing Director, Head of Large Cap Equities at Bessemer Trust (2003 to 2006). Prior to 2003, Kathleen also held a number of roles at Deutsche Bank (1991 to 2003), where she became a Managing Director of the bank, and at JPMorgan Chase (formerly Chase Manhattan Bank) (1983 to 1991). In addition to her senior executive positions, Kathleen served as a board member of EDGE (Economic Dividends for Gender Equality) from 2014 to 2015, and she was founding Chair of Evolute Group AG from 2016 to 2017. Kathleen's principal activities currently performed outside of LSEG are as Non-Executive Director of Voya Financial, Inc. and as a Clinical Associate Professor of Finance at the New York University Leonard N. Stern School of Business, where she leads the fintech curriculum. Kathleen is also the Director of the Fubon Center for Technology, Business and Innovation, and its Fintech initiative.

*Cressida Hogg CBE (Non-Executive Director)*

Cressida Hogg joined the Board on 8 March 2019. Cressida spent almost 20 years with 3i Group plc having joined them in 1995 from JP Morgan. She co-founded 3i's infrastructure business in 2005, becoming Managing Partner in 2009, and led the team which acted as Investment Adviser to 3i Infrastructure plc, a FTSE 250 investment company. She advised on all of 3i Infrastructure's transactions from its flotation in 2007 through to her leaving in 2014. From 2014 to April 2018, Cressida was Global Head of Infrastructure at the Canada Pension Plan Investment Board. Cressida was previously a member of the advisory board for Infrastructure UK (the HM Treasury unit that works on the UK's long-term infrastructure priorities) from 2010 to 2013, a Non-Executive Director of Anglian Water Group from 2007 to 2018, and a Non-Executive Director of Associated British Ports from 2015 to 2018. Cressida received a CBE in 2014 for services to infrastructure investment and policy. Cressida's principal activities currently performed outside of LSEG are as Chair of the board of Land Securities Group plc and Non- Executive Director of Troy Asset Management.

*Dr. Val Rahmani (Non-Executive Director)*

Val Rahmani joined the Board on 20 December 2017. Val has over 30 years' experience in the technology industry including at IBM from 1981 to 2009, most recently as General Manager of Internet Security Systems. She was CEO at Damballa Inc., a privately held internet security software firm from 2009 to 2012. She was also a Non-Executive Director of Aberdeen Asset Management plc from 2015 to 2017, and Teradici Corporation from 2010 to 2015. Val's principal activities currently performed outside of LSEG are as Non-Executive Director of RenaissanceRe Holdings Limited, Non-Executive Director of CTG Inc, the private company Entrust and the early stage company Rungway.

*Martin Brand (Non-Executive Director)*

Martin Brand joined the Board on 29 January 2021. Martin is a Senior Managing Director and serves as co-head of U.S. Acquisitions for Blackstone's Private Equity Group. Martin leads Blackstone's private equity investments in technology, media, telecom, and financial institutions. He also serves as a member of the investment committee of Blackstone's Tactical Opportunities funds. Martin was involved in Blackstone's investments in Refinitiv, MagicLab, Promontory Interfinancial Network (now IntraFi Network), Paysafe, Vungle, JDA, Optiv, Ultimate Software, Kronos (which merged with Ultimate Software to form Ultimate Kronos Group), Ipreo, Knight Capital Group, Lendmark, Exeter Finance, Viva, NCR, First Eagle Investment Management, BankUnited, PBF Energy, Performance Food Group, Travelport, New Skies, Cine UK, NHP, Kabel BW, Kabelnetz NRW, Primacom, and Sulo. Before joining Blackstone, Martin worked as a derivatives trader with Goldman Sachs in New York and Tokyo, and with McKinsey & Company in London. Martin received a BA/MA in Mathematics and Computation, First Class Honours, from Oxford University and an MBA from Harvard Business School. He is Chair of Tradeweb Markets and a director of Ultimate Kronos Group, Exeter Finance, IntraFi Network, and First Eagle. Martin Brand is a Trustee of the American Academy Berlin and a director of the Park Avenue Armory.

*Douglas Steenland (Non-Executive Director)*

Douglas Steenland joined the Board on 29 January 2021. Douglas has been a Senior Adviser to Blackstone Private Equity Group since 2009. Douglas served in a number of Northwest Airlines Corporation executive positions from 1991 including Chief Executive Officer from 2004 to 2008 and President from 2001 to 2004. Prior to that, he was a senior partner at Washington, D.C. law firm Verner, Liipfert, Bernhard, McPherson and Hand (now part of DLA Piper) and also worked in the Office of the General Counsel of the U.S. Department of Transportation. Douglas was Chairman of the Air Transport Association from January 2008 to December 2009, after serving as a Director from 2005 to 2008, and previously a Director of International Lease Finance Group, Travelport LLC and Performance Food Group Company. Douglas is currently Lead Independent Director of American International Group, Inc. and a Director of Hilton Worldwide Holdings Inc. and American Airlines Group, Inc.

*Erin Brown (Non-Executive Director)*

Erin Brown joined the Board on 29 January 2021. Erin has served in a number of senior executive roles at Thomson Reuters and is currently Head of Finance for the Thomson Reuters Corporates segment. Erin joined Thomson Reuters in 2011 and previously served as Treasurer, Vice President of Knowledge Solutions – Tax & Accounting, Vice President, Finance, and Vice President and Assistant Treasurer. In 2018, Erin led Thomson Reuters' sale of a 55% interest in its former Financial & Risk business (now Refinitiv) to certain investment funds affiliated with Blackstone. Prior to joining Thomson Reuters, Erin held a number of finance roles at General

Motors from 2003 to 2011. Erin has been a director of Refinitiv Holdings Limited (now York Parent Limited) since September 2019.

**The Key Managers**

The following table lists the names, ages and positions of the Key Managers.

| Name | Age | Position |
|---|---|---|
| Balbir Bakhshi | 50 | Chief Risk Officer |
| Catherine Johnson | 52 | General Counsel |
| Tim Jones | 48 | Chief People Officer |
| Daniel Maguire | 44 | Group Head, Post Trade and Chief Executive Officer, LCH Group |
| Anthony McCarthy | 59 | Chief Information Officer |
| Murray Roos | 45 | Group Head, Capital Markets |
| David Shalders | 53 | Chief Operating Officer and Head of Integration |
| Brigitte Trafford | 55 | Chief Communications and Marketing Officer |
| David Craig | 51 | Group Head, Data & Analytics and Chief Executive Officer, Refinitiv |
| Andrea Remyn Stone | 47 | Chief Product Officer, Data & Analytics |
| Debra Walton | 60 | Chief Revenue Officer, Data & Analytics |

***Business address of the Key Managers***

The business address of the Key Managers is 10 Paternoster Square, London, EC4M 7LS United Kingdom.

***Profiles of the Key Managers***

*Balbir Bakhshi (Chief Risk Officer)*

Balbir Bakhshi joined LSEG as Chief Risk Officer in January 2021 with a deep commercial understanding and knowledge of risk management. Balbir was previously Group Head of Non-Financial Risk Management at Deutsche Bank and served on the Supervisory Board of Deutsche Bank Luxembourg S.A. as Chair of its Risk Committee. Prior to that, Balbir was Global Head of Operational Risk Management at Credit Suisse, having held a variety of senior roles, including UK Investment Banking Chief Risk Officer and Head of Market Risk. Balbir started his career at LCH as a risk analyst.

*Catherine Johnson (General Counsel)*

Catherine Johnson joined LSEG in 1996. Catherine manages an international team of lawyers and compliance professionals and advises the Board and other Senior Executives on key legal and compliance issues and strategic initiatives. Catherine is a member of the Group's Executive Committee and the Chair of FTSE International Limited. Catherine has led a number of major corporate transactions, including the Refinitiv-Acquisition, and held responsibilities including Group General Counsel and Group Compliance, Head of Legal and Head of Market Supervision, and Head of Regulation Strategy. Catherine holds a law and economics degree from Kings College, Cambridge, and qualified at Herbert Smith in 1993 in its corporate division.

*Tim Jones (Chief People Officer)*

Tim Jones joined LSEG in 2010 and was appointed Chief People Officer in May 2011. Tim was appointed to the LSEG Executive Committee in January 2020 and is responsible for attracting, developing and retaining talent for the Group's global business. Tim was previously HR Director at Aegis Media, most recently for the EMEA region, and spent 15 years at Marks & Spencer in a variety of business and HR roles.

*Daniel Maguire (Group Head, Post Trade and Chief Executive Officer, LCH Group)*

Daniel Maguire became Group Head, Post Trade in January 2020. He has been Chief Executive Officer of LCH Group since October 2017, having joined LCH in 1999. He also serves as Chair of the LCH Group and Chair of CurveGlobal. Previously, Daniel has held the positions of LCH Group COO, Global Head of SwapClear and head of LCH's ForexClear and Listed Rates services. Prior to joining LCH, Daniel worked at J.P. Morgan. Daniel was appointed to the Board of the International Swaps and Derivatives Association in April 2018.

*Anthony McCarthy (Chief Information Officer)*

Anthony (Tony) McCarthy was appointed Chief Information Officer in January 2020. Prior to this, Tony was CIO for LCH Group and LCH Ltd from October 2017 until December 2019, where he was accountable for the provision of IT services in each CCP. Previously, Tony was a Managing Director in IT at Deutsche Bank and was the Group CIO for the bank from March 2011 to November 2013. Before this, Tony was the CIO for Investment Banking Technology within Deutsche Bank's Corporate and Investment Bank (CIB). Tony spent his first 12 years with Deutsche Bank based in New York, and his last five years up to July 2014 based in London. Prior to joining Deutsche Bank in 1997, Tony worked at Morgan Stanley for 12 years, during which time Tony had a five-year assignment in Tokyo, from where he assumed the role of Head of Far East IT for three of those years. Tony received a BS in Chemical Engineering from Clarkson University and an MBA from the State University of New York at Albany.

*Murray Roos (Group Head, Capital Markets)*

Murray Roos is Group Head, Capital Markets and a member of LSEG's Executive Committee. Prior to joining LSEG in April 2020, he was at Citigroup, where he was most recently Global Co-Head of Equities and Securities Services, having previously led Global Equity Sales and Trading, as well as the Multi-Asset Structuring Group. Prior to joining Citigroup in 2015, he spent a decade at Deutsche Bank holding a number of senior roles including EMEA Head of Equities, Head of Emerging Markets Equities and Global Head of Prime Finance. Murray began his career as a derivatives trader in South Africa.

*David Shalders (Chief Operating Officer and Head of Integration)*

David Shalders was appointed Chief Operating Officer and Head of Integration on 18 November 2019. David brings over 30 years' experience to LSEG in integration, technology and operations in the financial services sector. Most recently, David was Group Operations and Technology Director at Willis Towers Watson, having led the integration of Willis and Towers Watson. Prior to his six years at Willis Towers Watson, David spent 19 years at The Royal Bank of Scotland in a number of senior operations and technology roles, including as Group Head of Integration for RBS' ABN Amro acquisition.

*Brigitte Trafford (Chief Communications and Marketing Officer)*

Brigitte Trafford joined the LSEG Executive Committee in September 2020 with her appointment as Chief Communications and Marketing Officer. Brigitte previously led the Corporate Affairs function at Virgin Media. Prior to this, Brigitte held similar positions at ICAP plc as the Director of Corporate Affairs, Lloyds Banking Group as the Group Communications Director and ITV plc as the Group Communications Director. Earlier in Brigitte's career, she worked at Dow Jones in New York. Brigitte is a member of the global advisory board of NewsGuard Technologies.

*David Craig (Group Head, Data & Analytics and Chief Executive Officer, Refinitiv)*

David Craig joined LSEG's Executive Committee in January 2021 as Group Head, Data & Analytics and Chief Executive Officer of Refinitiv. Before leading Refinitiv, David started Thomson Reuters' Risk business and was responsible for the turnaround of the Thomson Reuters Financial & Risk Business (now Refinitiv) as its President from 2012. David first joined Reuters plc as Chief Strategy Officer in 2007 and led the integration planning for its merger with Thomson Corporation. He is a member of the Advisory Council of TheCityUK, Co-Chairman of the India UK Financial Services Partnership and a member of the UK Financial Services Trade Advisory Group for the UK Department of International Trade. Prior to joining Thomson Reuters, David spent seven years as a partner at McKinsey, in the technology strategy practice. He was previously a Senior Principal at American Management Systems, developing risk, trading and telecommunications systems, and was project manager for the LCH SwapClear service launched in 1999. David started his career in manufacturing engineering.

*Andrea Remyn Stone (Chief Product Officer, Data & Analytics)*

Andrea Remyn Stone joined LSEG's Executive Committee as Chief Product Officer, Data & Analytics division in January 2021. Andrea reports to David Craig. Andrea joined the Refinitiv Executive Leadership team in February 2020 on her appointment as Chief Customer Proposition Officer of Refinitiv. Andrea joined from Dealogic where she was Chief Strategy Officer. Prior to Dealogic, Andrea spent five years at Bloomberg as Global Head of Strategy and Corporate Development from 2010 to 2015, and, before joining Bloomberg, was McGraw-Hill's Managing Director of Standard and Poor's Investment Research and Advisory Services from 2007 to 2010.

Andrea is a strategic advisor to Alkymi.io, a machine learning unstructured data platform, and has served as a mentor at W.O.M.E.N. in America.

*Debra Walton (Chief Revenue Officer, Data & Analytics)*

Debra Walton joined LSEG's Executive Committee as Chief Revenue Officer, Data & Analytics division in January 2021. Debra leads the Data & Analytics division's Sales and Account Management function and oversee the Group's Key Strategic Accounts. Debra leads all sales, client and partner relationship management and market development activities for Refinitiv. Debra has held senior executive positions across product, content, sales and marketing at Refinitiv and the Financial & Risk business division of Thomson Reuters since she joined the firm in 2003, including Global Managing Director, Customer Proposition from 2016 to 2018 and Chief Product and Content Officer from 2015 to 2018. Debra is a board member of Tradeweb. Before joining Thomson Reuters, Debra was a Managing Director at Cantor Fitzgerald and a Senior Vice President at Dow Jones Telerate. Debra was a board member of the Women's Refugee Commission, a non-profit civil rights and social action organisation, and is currently an advisory board member of Springboard Enterprises.

**Director and Key Manager Confirmations**

None of the Directors or the Key Managers has, during the five years prior to the date of this document, been: (i) convicted in relation to a fraudulent offence; (ii) associated with any bankruptcy, receivership, liquidation or company put into administration while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company; (iii) subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies); or (iv) disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

**SERVICE CONTRACTS, LETTERS OF APPOINTMENT, INTERESTS IN LSEG PLC SECURITIES AND REMUNERATION**

**Service contracts and letters of appointment of the Directors**

***The Executive Directors***

The Executive Directors have entered into service agreements with LSEG as summarised below:

*David Schwimmer*

Mr Schwimmer is employed by LSEG Employment Services Limited under the terms of a service agreement dated 12 April 2018 and was appointed with effect from 1 August 2018. The service agreement may be terminated by Mr Schwimmer or LSEG Employment Services Limited on not less than 12 months' written notice. Alternatively, LSEG Employment Services Limited may terminate the contract by payment in lieu of notice of a sum equal to 12 months' salary and the cost to LSEG Employment Services Limited of the pension, insurance and flexible benefits described below (but excluding, without limitation, the cost of bonus and share incentives). Any payment in lieu of notice will be paid in 12 monthly instalments from the date of termination, unless this would result in a less favourable treatment for Mr Schwimmer under U.S. tax laws. If Mr Schwimmer commences alternative employment, is appointed as a Non-Executive Director or provides services pursuant to a consultancy agreement within 12 months after leaving LSEG, the payment in lieu of notice instalments will be reduced by one-twelfth of the annual remuneration earned from the alternative employment, directorship or consultancy. Mr Schwimmer's annual salary is £800,000.

Mr Schwimmer receives benefits in kind, principally private medical, income protection and life assurance. Mr Schwimmer participates in a flexible benefits plan whereby he receives an allowance of £15,000 per year from which he can purchase additional benefits or receive the benefits allowance as a cash payment. This flexible benefit is not used to calculate bonus payments or pension contributions. Mr Schwimmer has elected to be paid a cash allowance equal to 10% of basic annual salary in lieu of participation in the LSEG Personal Pension Plan. This allowance will be paid in arrears in 12 monthly instalments.

Each year Mr Schwimmer is entitled to tax preparation and filing assistance in the U.S. and the UK. LSEG Employment Services Limited will meet the reasonable costs up to £30,000 of repatriating Mr Schwimmer and his family's effects and their flights back to the US if his employment is terminated, other than for cause or by reason of his resignation. For the first five years of his employment, LSEG Employment Services Limited will

pay Mr Schwimmer a pre-tax allowance of up to £50,000 per year to be used for flights between London and the U.S. for Mr Schwimmer or his dependants.

During the first three years of Mr Schwimmer's employment, he also receives a pre-tax housing allowance of up to £150,000 per year towards rental accommodation; this allowance will cease on 31 July 2021.

Mr Schwimmer is eligible to participate in the LSEG plc annual bonus plan. Bonus awards are approved by the LSEG plc Remuneration Committee and are based on annual financial targets, delivery of strategic objectives and individual performance. Fifty per cent of any annual bonus award is subject to mandatory deferral into LSEG shares for a period of three years. Mr Schwimmer is eligible to participate in the LSEG Deferred Bonus Plan, the LSEG LTIP (2014) and the LSEG Save As You Earn Scheme.

*Anna Manz*

Ms Manz is employed by LSEG Employment Services Limited under the terms of a service agreement dated 24 June 2020 and was appointed with effect from 21 November 2020. The service agreement may be terminated by Ms Manz or LSEG Employment Services Limited on not less than 12 months' written notice. Alternatively, LSEG Employment Services Limited may terminate the contract by payment in lieu of notice of a sum equal to 12 months' salary and the cost to LSEG Employment Services Limited of the pension, insurance and flexible benefits described below (but excluding without limitation the cost of bonus and share incentives). Any payment in lieu of notice will be paid in 12 monthly instalments from the date of termination. If Ms Manz commences alternative employment, is appointed as a Non-Executive Director or provides services pursuant to a consultancy agreement within 12 months after leaving LSEG, the payment in lieu of notice instalments will be reduced by one-twelfth of the annual remuneration earned from the alternative employment, directorship or consultancy. Ms Manz's annual salary is £650,000.

Ms Manz receives benefits in kind, principally private medical, income protection and life assurance. Ms Manz participates in a flexible benefits plan whereby she receives an allowance of £15,000 per year from which she can purchase additional benefits or receive the benefits allowance as a cash payment. This flexible benefit is not used to calculate bonus payments or pension contributions. Ms Manz is entitled to a contribution of 10% of salary into the LSEG Personal Pension Plan. Alternatively, she may elect to be paid a cash allowance equal to 10% of basic annual salary in lieu of participation in the LSEG Personal Pension Plan, payable in arrears in 12 monthly instalments.

Ms Manz is eligible to participate in the LSEG plc annual bonus plan. Cash bonus awards are approved by the LSEG plc Remuneration Committee and are based on annual financial targets, delivery of strategic objectives and individual performance. Fifty per cent of any annual bonus award is subject to mandatory deferral into LSEG shares for a period of three years. Ms Manz is eligible to participate in the LSEG Deferred Bonus Plan, the LSEG LTIP (2014) and the LSEG Save As You Earn Scheme. Ms Manz has received awards under the LSEG LTIP (2014) and also the LSEG Restricted Share Award Plan (2018) to compensate for remuneration forfeited from Johnson Matthey.

**The Chair and the other Non-Executive Directors**

The Chair and the other Non-Executive Directors have entered into letters of appointment with the Group as summarised below:

*Don Robert (Chair)*

Mr Robert is appointed under a letter of appointment with London Stock Exchange Group plc dated 14 December 2018, under which he receives an annual fee of £525,000 for his role as Chair. His appointment may be terminated by either party on six months' written notice with no other right to additional compensation on termination.

*Non-Executive Directors*

The Non-Executive Directors (apart from the Senior Independent Director) are each engaged under a letter of appointment with LSEG plc, under which they receive an annual basic fee of £80,000, plus £30,000 for certain Non-Executive Directors if they act as Chair of a Board committee. The Senior Independent Director is engaged under a letter of appointment with LSEG plc, under which he receives an annual basic fee of £150,000. The Non-Executive Directors also receive a travel allowance of £4,000 per intercontinental trip, reflecting the global nature of the company's business and the additional time commitment required for travel. The Group Chair is not eligible

for this allowance as he receives an all-inclusive fee for his role. The annual basic fees that were paid prior to 1 January 2021 are described on page 111 of LSEG plc's Annual Report and Accounts for the financial year ended 31 December 2020.

Save as described above, the Non-Executive Directors have no contractual right to compensation on termination of their appointments.

*Refinitiv Directors*

The Refinitiv Directors (as defined below) are each engaged under a letter of appointment with LSEG plc, under which they are not entitled to a fee or other remuneration. The Refinitiv Directors have no contractual right to compensation on termination of their appointments. As at the date of this Offering Circular, the Refinitiv Directors are Martin Brand, Douglas Steenland and Erin Brown.

***Other service contracts***

Save as disclosed above, there are no service contracts between any Director and any member of the Group and no such contract has been entered into or amended within the six months preceding the date of this document. There are also no service contracts between any person who has resigned as a Director in the period between the Group General Meeting and the publication of this document, and no such contract has been entered into or amended within the six months preceding the date of this document.

***Benefits upon termination of employment***

Save as disclosed below, none of the members of the administrative, management, or supervisory bodies' service contracts with members of the Group provide for benefits upon termination of employment.

**Key Manager employment arrangements**

The Key Managers participate in the Group's annual bonus arrangements. The annual bonus focuses on financial targets, strategic initiatives and personal contribution. 50% of any annual bonus is subject to mandatory deferral into shares under the LSEG Deferred Bonus Plan 2014, normally for a period of three years. The Key Managers are eligible to participate in the LSEG LTIP 2014. Details of the LSEG LTIP (2014) and other LSEG Share Plans are set out below. David Craig and Debra Walton are participants in the management incentive plan ("**MIP**") established by York Parent Limited ("**York Parent**", formerly known as Refinitiv Holdings), as described below, which will continue to operate for a period, post-Completion, until all awards have vested.

**Directors' interests in LSEG plc securities**

The interests in LSEG Shares of the Directors (and their connected persons within the meaning of Section 252 of the Companies Act) as at 15 March 2021 were as follows:

| | **As at 15 March 2021(2)(3)(4)** | |
|---|---|---|
| **Director(1)** | **LSEG Ordinary Shares held** | **Percentage of LSEG Shares held** |
| Don Robert | 10,000 | 0.0018% |
| David Schwimmer | - | - |
| Anna Manz | - | - |
| Jacques Aigrain | 1,400 | 0.0003% |
| Dominic Blakemore | 928 | 0.0002% |
| Professor Kathleen DeRose | 1,000 | 0.0002% |
| Cressida Hogg CBE | 1,150 | 0.0002% |
| Stephen O'Connor | 2,000 | 0.0004% |
| Dr. Val Rahmani | 1,429 | 0.0003% |
| Martin Brand | - | - |
| Douglas Steenland | - | - |
| Erin Brown | - | - |
| **Total** | **17,907** | **0.0032%** |

Note:

(1) The interests of the Directors in LSEG Shares set out in this table have been aggregated with the interests of their connected persons.
(2) Excluding Directors' interests in LSEG Ordinary Shares held under options and awards pursuant to the LSEG Share Plans, which are set out below.
(3) Calculations exclude LSEG plc treasury shares.
(4) Does not reflect anticipated share grants for 2021, which are expected to be distributed to Directors prior to 15 April 2021.

As at 15 March 2021, the Directors held the following outstanding options and awards over LSEG Ordinary Shares under the LSEG Share Plans:

| Name | Share Plan | Grant Date | Price at Grant (£) | Exercise price per LSEG Ordinary Share (£) | LSEG Ordinary Shares in respect of which options granted |
|---|---|---|---|---|---|
| David Schwimmer............. | LSEG LTIP (2014) | 8 August 2018 | 45.39 | - | 51,222 |
| | LSEG LTIP (2014) | 22 March 2019 | 46.42 | - | 50,086 |
| | LSEG Deferred Bonus Plan 2014 | 22 March 2019 | 46.42 | - | 5,945 |
| | LSEG LTIP (2014) | 22 April 2020 | 73.50 | - | 32,653 |
| | LSEG Deferred Bonus Plan 2014 | 16 March 2020 | 67.94 | - | 9,640 |
| | LSEG SAYE Option Scheme | 28 April 2020 | - | 56.00 | 321 |
| Anna Manz........................ | LSEG Restricted Share Award Plan (2018) | 24 November 2020 | 78.84 | - | 3,762 |
| | LSEG LTIP (2014) | 24 November 2020 | 78.84 | - | 11,719 |
| **Total...................................** | | | | | **165,348** |

**Key Managers' interests in LSEG plc securities**

The interests in LSEG Shares of the Key Managers (and their connected persons within the meaning of Section 252 of the Companies Act) as at 15 March 2021 were as follows:

| | As at 15 March 2021[2][3] | |
|---|---|---|
| **Key Managers[1]** | **LSEG Ordinary Shares held** | **Percentage of LSEG Shares held** |
| Balbir Bakhshi........................................................................................ | - | - |
| Catherine Johnson ................................................................................. | 30,970 | 0.0056% |
| Tim Jones ............................................................................................. | 3,765 | 0.0007% |
| Daniel Maguire....................................................................................... | 15,252 | 0.0027% |
| Anthony McCarthy................................................................................. | 2,666 | 0.0005% |
| Murray Roos........................................................................................... | 2,548 | 0.0005% |
| David Shalders ...................................................................................... | - | - |
| Brigitte Trafford .................................................................................... | - | - |
| David Craig ........................................................................................... | - | - |

| Key Managers[1] | As at 15 March 2021[2][3] LSEG Ordinary Shares held | Percentage of LSEG Shares held |
|---|---|---|
| Andrea Remyn Stone | - | - |
| Debra Walton | - | - |
| **Total** | **55,201** | **0.0099%** |

Note:

(1) The interests of the Key Managers in LSEG Shares set out in this table have been aggregated with the interests of their respective connected persons.
(2) Excluding Key Managers' interests in LSEG Ordinary Shares held under options and awards pursuant to the LSEG Share Plans, which are set out below.
(3) Calculations exclude LSEG plc treasury shares.

As at 15 March 2021, the Key Managers held the following outstanding options and awards over LSEG Ordinary Shares under the LSEG Share Plans[1]:

| Name | Share Plan | Grant Date | Price at Grant (£) | Exercise price per Share (£) | Shares in respect of which options granted |
|---|---|---|---|---|---|
| Balbir Bakhshi | - | - | - | - | - |
| Catherine Johnson | LSEG LTIP (2014) | 26 April 2018 | 42.73 | - | 12,286 |
| | LSEG LTIP (2014) | 26 April 2018 | 42.73 | - | 8,190 |
| | LSEG LTIP (2014) | 22 March 2019 | 46.42 | - | 16,372 |
| | LSEG Deferred Bonus Plan 2014 | 22 March 2019 | 46.42 | - | 4,093 |
| | LSEG Deferred Bonus Plan 2014 | 16 March 2020 | 67.94 | - | 4,938 |
| | LSEG LTIP (2014) | 22 April 2020 | 73.50 | - | 16,326 |
| Tim Jones | LSEG LTIP (2014) | 26 April 2018 | 42.73 | - | 9,946 |
| | LSEG LTIP (2014) | 26 April 2018 | 42.73 | - | 6,435 |
| | LSEG SAYE Option Scheme | 1 June 2018 | - | 34.37 | 523 |
| | LSEG LTIP (2014) | 22 March 2019 | 46.42 | - | 12,925 |
| | LSEG Deferred Bonus Plan 2014 | 22 March 2019 | 46.42 | - | 3,231 |
| | LSEG Deferred Bonus Plan 2014 | 16 March 2020 | 67.94 | - | 3,576 |
| | LSEG LTIP (2014) | 22 April 2020 | 73.50 | - | 14,081 |
| Daniel Maguire | LCH Group LTIP | 26 April 2018 | 42.73 | - | 14,919 |
| | LSEG LTIP (2014) | 26 April 2018 | 42.73 | - | 9,946 |
| | LCH Group LTIP | 22 March 2019 | 46.42 | - | 15,672 |
| | LSEG LTIP (2014) | 22 March 2019 | 46.42 | - | 7,836 |
| | LSEG Deferred Bonus Plan 2014 | 22 March 2019 | 46.42 | - | 4,200 |
| | LSEG Deferred Bonus Plan 2014 | 16 March 2020 | 67.94 | - | 2,722 |
| | LSEG LTIP (2014) | 22 April 2020 | 73.50 | - | 20,408 |
| Anthony McCarthy | LSEG LTIP (2014) | 22 April 2020 | 73.50 | - | 17,346 |
| Murray Roos | LSEG LTIP (2014) | 22 April 2020 | 73.50 | | 28,571 |
| | LSEG Restricted Share Award Plan (2018) | 22 April 2020 | 73.50 | | 19,265 |
| | LSEG SAYE Option Scheme | 28 April 2020 | - | 56.00 | 321 |
| David Shalders | LSEG LTIP (2014) | 28 November 2019 | 70.26 | - | 14,232 |
| | LSEG Deferred Bonus Plan 2014 | 16 March 2020 | 67.94 | - | 735 |
| | LSEG LTIP (2014) | 22 April 2020 | 73.50 | - | 13,605 |
| | LSEG SAYE Option Scheme | 28 April 2020 | - | 56.00 | 321 |
| Brigitte Trafford | - | - | - | - | - |
| David Craig | - | - | - | - | - |
| Andrea Remyn Stone | - | - | - | - | - |

| Name | Share Plan | Grant Date | Price at Grant (£) | Exercise price per Share (£) | Shares in respect of which options granted |
|---|---|---|---|---|---|
| Debra Walton ............ | - | - | - | - | - |
| **Total..........................** | | | | | **283,021** |

Note:

(1) Does not reflect anticipated share plan awards for 2021, which are expected to be granted to Key Managers prior to 15 April 2021.

**Directors' and Key Managers' past remuneration**

In addition to the options and awards disclosed above, the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to the Directors for services in all capacities to LSEG (including subsidiaries of LSEG plc where applicable) by any person for the financial year ended 31 December 2020, was as follows:

| Name | Position | Annual Salary / Fees (£'000) | Annual Bonus (£'000) | Other benefits (£'000)[1] | LTIP (£'000) | Total (£'000) |
|---|---|---|---|---|---|---|
| Don Robert | Chair | 525 | - | 32 | - | **557** |
| David Schwimmer | Chief Executive Officer | 794 | 1,369 | 317 | 4,396 | **6,876** |
| Anna Manz | Chief Financial Officer | 69 | 101 | 10 | - | **180** |
| Jacques Aigrain | Non-Executive Director | 115 | - | - | - | **115** |
| Dominic Blakemore | Non-Executive Director | 101 | - | - | - | **101** |
| Professor Kathleen DeRose | Non-Executive Director | 80 | - | 10 | - | **90** |
| Cressida Hogg CBE | Non-Executive Director | 80 | - | - | - | **80** |
| Stephen O'Connor | Senior Independent Director | 189 | | - | - | **189** |
| Dr. Val Rahmani | Non-Executive Director | 80 | - | 16 | - | **96** |

Note:

(1) For a description of other benefits received by the Directors, please refer to the Directors' Remuneration Report on pages 104 and 113 of the Annual Report and Accounts of LSEG plc for the financial year ended 31 December 2020.

In addition to the options and awards disclosed above, the aggregate remuneration (including any contingent or deferred compensation) and benefits in kind paid or granted to the Key Managers by LSEG plc and its subsidiaries during the financial year ended 31 December 2020 for services in all capacities was £33.6 million. LSEG plc is not required to, and does not otherwise disclose publicly, remuneration for the Key Managers on an individual basis.

**MIP for Refinitiv's management team**

Please see "*Business of the Group—Employee Share Plans*" for a description of Refinitiv's MIP.

**Directors' and Officers' Insurance**

LSEG plc maintains a directors' and officers' liability insurance policy for the members of the Board in line with usual market practice.

**DIRECTORSHIPS AND PARTNERSHIPS OF THE DIRECTORS**

The Directors hold or have held the following directorships (other than, where applicable, directorships held in LSEG plc and/or in any subsidiaries of LSEG plc), and/or are and were members of the following partnerships, within the past five years:

| Name | Role | Current Directorships / Partnerships | Past Directorships / Partnerships |
|---|---|---|---|
| Don Robert | Chair of LSEG and of the Nomination Committee | Validis UK Holdings Limited<br>Validis Group Holdings Limited<br>Validis Holdings Limited (Chair)<br>Corten Advisors UK LLP<br>Albemarle Ship Investments LLP | Achilles Group Limited<br>Achilles Holdco Limited<br>Experian Holdings Limited<br>Experian Finance plc<br>Experian Information Solutions Inc.<br>Corten Management UK Limited<br>Compass Group Plc.<br>Education and Employers Taskforce |
| David Schwimmer | Chief Executive Officer | - | - |
| Anna Manz | Chief Financial Officer | ITV plc | Johnson Matthey plc<br>Diageo DV Limited<br>Haberdashers' Aske's Elstree Schools Limited |
| Stephen O'Connor | Senior Independent Director | Quantile Technologies Limited<br>Quantile Group Limited<br>HSBC Bank plc.<br>FICC Market Standards Board Limited | GE Capital International Holdings Limited<br>OTC DerivNet Limited |
| Jacques Aigrain | Non-Executive Director and Chair of the Remuneration Committee | Singular Bank S.A.U.<br>LyondellBasell Industries NV<br>WPP plc.<br>Tufton Management Company Limited | Swiss International Air Lines Limited |
| Dominic Blakemore | Non-Executive Director and Chair of the Audit Committee | Compass Group Holdings plc.<br>Compass Group plc<br>Hospitality Holdings Limited | Shire plc. |
| Professor Kathleen DeRose | Non-Executive Director and Chair of Risk Committee | Voya Financial, Inc. | Evolute Group AG |
| Cressida Hogg CBE | Non-Executive Director | Land Securities Group plc.<br>Troy Asset Management Limited | Associated British Ports Holdings Limited<br>ABPA Holdings Limited<br>Anglian Water Group<br>AWG Parent Co Limited<br>Osprey Acquisitions Limited<br>Osprey Holdco Limited |
| Dr. Val Rahmani | Non-Executive Director | RenaissanceRe Holdings Limited<br>CTG Inc.<br>Entrust Corporation<br>Rungway Limited | Aberdeen Asset Management plc. |

| Name | Role | Current Directorships / Partnerships | Past Directorships / Partnerships |
|---|---|---|---|
| Martin Brand | Non-Executive Director | Tradeweb Markets Inc.<br>UKG Inc.<br>Nexus Parent LLC<br>Exeter Finance Corp.<br>Enzo Parent LLC<br>First Eagle Holdings, Inc.<br>Seventh Regiment Armory Conservancy, Inc. | Paysafe Group Holdings Limited<br>Optiv Inc.<br>Ipreo Parent Holdco LLC<br>LFS HoldCo LLC<br>LFS TopCo LLC<br>Redbird Parent Holdings, Inc. |
| Douglas Steenland | Non-Executive Director | American International Group, Inc.<br>Hilton Worldwide Holdings Inc.<br>American Airlines Group, Inc.<br>IBS, Inc. | Travelport LLC<br>Performance Food Group Company<br>RGIS, LLC<br>Trans Maldivian Airways (Pvt) Ltd |
| Erin Brown | Non-Executive Director | - | Highland Fidelity Limited<br>York Parent Limited |

**DIRECTORSHIPS AND PARTNERSHIPS OF THE KEY MANAGERS**

The Key Managers hold or have held the following directorships (other than, where applicable, directorships held in LSEG plc and/or in any subsidiaries of LSEG plc), and/or are and were members of the following partnerships. within the past five years:

| Name | Role | Current Directorships / Partnerships | Past Directorships / Partnerships |
|---|---|---|---|
| Balbir Bakhshi | Chief Risk Officer | Aston Residential Limited<br>Aston Propco Limited | - |
| Catherine Johnson | General Counsel | - | - |
| Tim Jones | Chief People Officer | - | - |
| Daniel Maguire | Group Head, Post Trade and Chief Executive Officer of LCH Group | International Swaps and Derivatives Association, Inc. | - |
| Anthony McCarthy | Chief Information Officer | - | untapt, Inc. |
| Murray Roos | Group Head, Capital Markets | Nivaura Ltd | - |
| David Shalders | Chief Operating Officer and Head of Integration | Charities Aid Foundation<br>CAF Nominees Limited<br>Llewelyn Davies Enterprises Limited<br>Future Screen Partners 2005 No.1 LLP | Willis Towers Watson plc<br>TP ICAP plc. |
| Brigitte Trafford | Chief Communications and Marketing Officer | NewsGuard Technologies, Inc. | Virgin Media Limited |

| Name | Role | Current Directorships / Partnerships | Past Directorships / Partnerships |
|---|---|---|---|
| David Craig | Group Head, Data & Analytics and Chief Executive Officer of Refinitiv | Great Ormond Street Hospital Children's Charity | Thomson Reuters Foundation<br>Thomson Reuters Investment Holdings Limited |
| Andrea Remyn Stone | Chief Product Officer, Data & Analytics | Corso Capital Partners LLC | - |
| Debra Walton | Chief Revenue Officer, Data & Analytics | Tradeweb Markets Inc. | Tradeweb Markets LLC |

## DIRECTORS' AND KEY MANAGERS' CONFLICTS OF INTEREST

Save for their capacities as persons legally and beneficially interested in LSEG Shares as disclosed above, there are (i) no potential conflicts of interest between any duties which will be owed to the Group of the Directors and Key Managers and their respective private interests and/or other duties; and (ii) no other arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any of the Directors and Key Managers were selected as a member of the administrative, management or supervisory bodies or member of senior management.

## CORPORATE GOVERNANCE

### UK Corporate Governance Code

The Directors and the Group are committed to the highest standards of corporate governance. The Group complies with the requirements of the UK Corporate Governance Code, which is the corporate governance regime applicable to the Group. The Group reports to its shareholders on its compliance with the UK Corporate Governance Code in accordance with the Listing Rules.

### Board structure

The Board is a unitary board with overall responsibility for the leadership, control and oversight of the Group. Responsibility for the day-to-day management of the Group has been delegated by the Board to the Executive Committee. This delegation is effected through the Chief Executive Officer, who is accountable to the Board. The functions of Chair and Chief Executive Officer are not combined and both roles' responsibilities are clearly divided. A number of responsibilities of the Board are delegated to other committees of the Board (the "**Board Committees**"). Details in respect of the Board Committees are set out below.

The Board has overall responsibility for the Group's objectives; strategy; annual budgets; major acquisitions and capital projects; treasury policy and succession. It sets governance policies, ensures implementation thereof and monitors and reviews evolving governance best-practice. It defines the roles and responsibilities of the Chair, Chief Executive Officer, other Directors and the committees of the Board. In addition, the Board, following recommendation from the Audit Committee, approves the interim management statements, half-yearly and annual financial statements, reviews systems of internal control and approves any significant changes in accounting policies. The Board approves all resolutions and related documentation put before its shareholders at general meetings. The Board also sets LSEG plc's dividend policy, approves its interim dividend and recommends its final dividend.

The UK Corporate Governance Code recommends that at least half the board of directors of a premium listed company, excluding the Chair, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. Six of the Group's 11 Directors (excluding the Chair) are independent Non-Executive Directors. The Group's independent Non-Executive Directors are Jacques Aigrain, Dominic Blakemore, Kathleen DeRose, Cressida Hogg, Val Rahmani and Stephen O'Connor.

The UK Corporate Governance Code recommends that the board of directors of a premium listed company should appoint one of its non-executive directors to be the Senior Independent Director, to act as a sounding board for the Chair and to serve as an intermediary for the other directors when necessary. The Senior Independent Director should be available to shareholders if they have concerns which contact through the normal channels of the Chief Executive Officer has failed to resolve or for which such contact is inappropriate. Stephen O'Connor is the Senior Independent Director of LSEG plc.

In line with best practice principles set out in the UK Corporate Governance Code, LSEG plc has adopted a policy of annual re-election for all Directors. Directors seeking re-election are subject to an annual performance appraisal. LSEG plc expects to continue to apply this policy in respect of the Directors.

**Group Board Committees**

*Executive Committee*

The Chief Executive Officer chairs the Executive Committee, which supports the CEO in the day-to-day management of the Group. The Executive Committee reports to the Chief Executive Officer who is, among other things, responsible for the overall strategy of the Group. The Executive Committee comprises the Executive Directors and the Key Managers.

*Audit Committee*

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of the Group's annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the Group's relationship with its external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of the Group's internal control review function. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board. The Audit Committee gives due consideration to laws and regulations, including the general duties of directors set out in the Companies Act, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules, Prospectus Rules, Market Abuse Regulation, Disclosure Guidance and Transparency Rules and any other applicable rules as appropriate. The Audit Committee takes appropriate steps to ensure that the Group's statutory auditors are independent of the Group and that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies. The Audit Committee meets not less than three times a year at appropriate times in the reporting and audit cycle and otherwise as required. The Audit Committee is chaired by Dominic Blakemore and its other members are Jacques Aigrain, Stephen O'Connor and Kathleen DeRose. The UK Corporate Governance Code recommends that the Audit Committee should comprise at least three members who are independent Non-Executive Directors (other than the Chair), and that at least one member should have recent and relevant financial experience. LSEG plc complies with the requirements of the UK Corporate Governance Code in this respect. The Company Secretary is the secretary of the Audit Committee and attends all meetings. The Chair of the Board, Chief Executive attend meetings on a regular basis and other directors may be invited to attend all or part of any meeting as and when appropriate. The external auditors, Group Chief Internal Auditor, Group CRO, Group CFO and Group Financial Controller attend meetings of the Committee on a regular basis.

*Nomination Committee*

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition, balance and skill set of the Board and any Board Committees. It is also responsible for periodically reviewing the Board's structure and succession planning including identifying potential candidates to be appointed as Directors or Board Committee members, as the need may arise. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and the Board Committees, retirements and appointments of additional and replacement directors and Board Committee members and will make appropriate recommendations to the Board on such matters. The Nomination Committee meets as necessary to consider these proposals for appointment to the Board and the Board Committees and other matters within the scope of its terms of reference. The Nomination Committee is chaired by Don Robert and its other members are Jacques Aigrain, Kathleen DeRose, Cressida Hogg, Stephen O'Connor, Val Rahmani, Dominic Blakemore, Martin Brand, Erin Brown and Douglas Steenland. Pursuant to the terms of the Relationship Agreement, any Refinitiv Director (as defined below) appointed to the Board will be appointed to the Nomination Committee (provided that such appointment is not inconsistent with the provisions of the UK Corporate Governance Code relating to the composition of the Nomination Committee). The UK Corporate Governance

Code recommends that a majority of the Nomination Committee are independent Non-Executive Directors. LSEG plc complies with the requirements of the UK Corporate Governance Code in this respect. The Company Secretary is the secretary of the Nomination Committee and attends all meetings. The Chief Executive Officer, Chief People Officer and external advisers attend meetings of the Nomination Committee if they are requested to do so.

*Remuneration Committee*

The Remuneration Committee determines the Group's policy on the remuneration of the Chair and Executive Directors, which is subject to approval by the Board. The Remuneration Committee's duties include setting the over-arching principles, parameters and governance framework for the Group's remuneration policy applicable to Executive Directors and determining the individual remuneration and benefits package of the Chair and each of the Executive Directors. In performing its duties the Remuneration Committee takes into account the guidance set out in the UK Corporate Governance Code and other relevant remuneration rules. The Remuneration Committee meets not less than twice a year. The Remuneration Committee is chaired by Jacques Aigrain and its other members are Cressida Hogg, Don Robert and Val Rahmani. The UK Corporate Governance Code recommends that the Remuneration Committee should include three independent directors. The Chair can also be a member if he was independent on appointment. The Group complies with the requirements of the UK Corporate Governance Code in this respect. The Company Secretary is the secretary of the Remuneration Committee and attends all meetings. The Chief Executive Officer, the Chief People Officer and external remuneration advisers attend meetings on a regular basis.

*Risk Committee*

The Risk Committee assists the Board in discharging its responsibilities for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, maintaining sound risk management and internal control systems. The Risk Committee meets not less than three times a year. The Risk Committee is chaired by Kathleen DeRose and its other members are Stephen O'Connor, Val Rahmani and Dominic Blakemore. The Company Secretary is the secretary of the Risk Committee and attends all meetings. The Chair of the Board, Group Chief Executive attend the Committee on a regular basis and other directors may be invited to attend all or part of any meeting as and when appropriate. The Chief Financial Officer, Chief Risk Officer, the Group Chief Internal Auditor and other representatives of the risk function, and external audit attend meetings of the Committee on a regular basis.

*Additional committees*

If the need should arise, the Board may establish such additional Board Committees as it deems appropriate from time to time.

*Integration Committee*

Following Completion, the Group established, and will maintain for not less than three years, an Integration Committee for the purpose of overseeing and monitoring the delivery of the integration of the LSEG and Refinitiv businesses. The Integration Committee is led by David Schwimmer and is not a formal LSEG Board Committee. The integration of LSEG and Refinitiv will adhere to several overarching integration principles, including to: (i) safeguard customers' interests and minimise disruption during the integration process; (ii) adopt a customer centric mindset, focusing on enhancing value for customers in existing and new areas; (iii) maintain focus on delivering announced value creation for stakeholders whilst being mindful of existing business as usual plans; (iv) focus on attracting and retaining world class talent; and (v) follow a 'one team' approach to the integration, taking the best from LSEG and Refinitiv in developing new practices for the Group. The Board is confident in the ability of the Group to complete a successful and timely integration of LSEG and Refinitiv without undue disruption to the businesses and operations of the Group and its clients. Each of Thomson Reuters, Blackstone, CPPIB and GIC will be represented on the Integration Committee. David Shalders joined LSEG on 18 November 2019 as Chief Integration Officer and a member of the Executive Committee.

### The Relationship Agreement

On 29 January 2021, LSEG plc, York Holdings II Limited and York Holdings III Limited (the "**Refinitiv Sellers**") and York Parent Limited (formerly known as Refinitiv Holdings Limited), along with BCP York Holdings (Delaware) L.P. (the "**ConsortiumCo**") entered into the Relationship Agreement, which regulates the relationship between them following the Refinitiv Acquisition. The principal terms of the Relationship Agreement are summarised below.

*Director appointment rights*

York Parent is entitled to nominate for appointment to the Board, and to remove (and nominate another person in that person's place), the "**Refinitiv Directors**":

- three Refinitiv Directors for as long as the Refinitiv Sellers and ConsortiumCo hold in aggregate at least 25% of the LSEG Shares;
- two Refinitiv Directors for as long as the Refinitiv Sellers and ConsortiumCo hold in aggregate at least 17.5%, but less than 25%, of the LSEG Shares; and
- one Refinitiv Director for as long as the Refinitiv Sellers and ConsortiumCo hold in aggregate at least 10%, but less than 17.5%, of the LSEG Shares.

Each of the Refinitiv Directors is also appointed to the Nomination Committee (provided such membership is not inconsistent with the provisions of the UK Corporate Governance Code).

For so long as York Parent is entitled to nominate three Refinitiv Directors, one such nominee will be a representative of Thomson Reuters. The other nominees will be representatives of Blackstone.

The appointment of any Refinitiv Director to the Board is subject to, among other matters, the prior approval (not to be unreasonably withheld or delayed) of a majority of the members of the Nomination Committee (excluding any existing Refinitiv Directors that are members of such committee) and such person's appointment or continuation as a Director not being objected to by the FCA or the Bank of England.

*Integration Committee*

Following completion of the Refinitiv Acquisition, LSEG established, and will maintain for not less than three years, an integration committee (the "**Integration Committee**") for the purpose of overseeing and monitoring the delivery of the integration of the LSEG and Refinitiv businesses. The Integration Committee is led by the LSEG Chief Executive Officer, David Schwimmer, but is not a formal Board committee. Each of Thomson Reuters, Blackstone, CPPIB and GIC are represented on the Integration Committee.

*Voting on shareholder resolutions*

During: (i) the period from the Refinitiv Acquisition Completion Date and for so long as any Refinitiv Director is appointed to the Board and for three months thereafter; or (ii) if any Refinitiv Director has been removed from the Board as a result of the provisions referred to under '*Loss of rights*' below, the Relevant Period (the "**Voting Commitment Period**"), the Refinitiv Sellers and ConsortiumCo will vote all the LSEG Shares held by them in line with the recommendation of a majority of the Board on any resolution proposed at a general meeting of LSEG plc (including an annual general meeting) other than: (a) a resolution required by Chapter 10 of the Listing Rules (in respect of significant transactions); (b) a resolution relating to a non-pre-emptive share issue outside of the customary approvals given at each annual general meeting; or (c) a resolution to approve or implement a takeover of LSEG plc (subject to separate restrictions during the Relevant Period on voting any Consideration Shares in favour of a takeover of LSEG plc, summarised below under "*Lock-up provisions*") (each, a "**Relevant Resolution**") (the "**Voting Commitment Provisions**"). On account of this voting commitment, the UK Panel on Takeovers and Mergers has confirmed that as a technical matter it will treat the Directors as acting in concert with the Refinitiv Sellers and ConsortiumCo for so long as the voting commitment is in place.

After the end of the Voting Commitment Period, if the Refinitiv Sellers and/or ConsortiumCo vote any LSEG Shares against the recommendation of a majority of the Board on any resolution proposed at a general meeting (other than a Relevant Resolution), York Parent's right to nominate Refinitiv Directors will cease.

*Standstill provisions*

The Relationship Agreement contains standstill provisions (the "**Standstill Provisions**") pursuant to which each of York Parent, the Refinitiv Sellers and ConsortiumCo undertook that from the Refinitiv Acquisition Completion Date until the third anniversary of the Refinitiv Acquisition Completion Date and thereafter for so long as: (i) any Refinitiv Director is appointed to the Board; or (ii) the Refinitiv Sellers and ConsortiumCo hold in aggregate 10% or more of the LSEG Shares (the "**Relevant Period**"), it will not, among other matters (subject to certain exceptions):

- acquire or offer to acquire any interest in any LSEG Shares (except where LSEG plc makes an offering or issue of LSEG Shares and the relevant shareholder takes up its rights to subscribe for or acquire the shares offered to it);
- announce or make a takeover, or a proposal for a takeover, of LSEG plc;
- act in concert with any person in connection with a takeover, or possible takeover, of LSEG plc;
- other than pursuant to certain existing arrangements, act in concert with any person with respect to the holding, voting, acquisition or disposal of any interest in LSEG Shares;
- solicit or participate in any solicitation of LSEG Shareholders to vote on any resolution contrary to the recommendation of a majority of the Board; or
- requisition or join in requisitioning any general meeting of LSEG plc

*Lock-up provisions*

The Relationship Agreement contains lock-up provisions (the "**Lock-up Provisions**") pursuant to which, subject to certain exceptions, the Refinitiv Sellers and ConsortiumCo undertook that they will not:

- Dispose of any of the Consideration Shares on or before the second anniversary of Completion (the "**Second Anniversary**");
- Dispose of more than one-third of the Consideration Shares during the period from the Second Anniversary to the third anniversary of Completion (the "**Third Anniversary**"); or
- Dispose of more than one-third of the Consideration Shares (together with any Consideration Shares that the Refinitiv Sellers and/or ConsortiumCo were entitled to Dispose of before the Third Anniversary but did not so Dispose of) during the period from the Third Anniversary to the fourth anniversary of Completion.

The Lock-up Provisions do not apply in respect of 5,781,285 LSEG Ordinary Shares to be issued to ConsortiumCo on the PIK Redemption Date (as defined in the Relationship Agreement), which may be Disposed of at any time. The Lock-up Provisions also do not apply to any LSEG Shares to which members of Refinitiv management are entitled pursuant to the MIP, provided that the Refinitiv Sellers will not Dispose of any LSEG Shares to which Refinitiv management are entitled until such time as relevant members of Refinitiv management are entitled to sell such LSEG Shares in accordance with the MIP. Please see "*Management incentive plan for Refinitiv's management team*" above for further information.

The Lock-up Provisions will cease to apply after the fourth anniversary of the Refinitiv Acquisition Completion Date.

*Exceptions to the Lock-up Provisions*

Exceptions to the Lock-up Provisions include:

- a Disposal pursuant to an on-market purchase of LSEG Ordinary Shares by LSEG plc;
- at such time that the Refinitiv Sellers and ConsortiumCo hold in aggregate less than 10% of the LSEG Shares, a Disposal by way of a distribution of all of the LSEG Shares then held by the Refinitiv Sellers and ConsortiumCo to Thomson Reuters, Blackstone, CPPIB and GIC in accordance with the Relevant Shareholder Arrangements and following which the Relevant Shareholder Arrangements will be terminated;
- a transfer by the Refinitiv Sellers or ConsortiumCo of LSEG Shares to a wholly owned subsidiary or parent company, provided that the transferee agrees to be bound by the terms of the Relationship Agreement;

- a Disposal by the Refinitiv Sellers of LSEG Shares in order to enable certain persons with interests in Refinitiv to satisfy certain tax liabilities that they incurred in connection with completion of the Refinitiv Acquisition; and
- a Disposal to enable York Parent to satisfy an indemnity claim made by LSEG plc pursuant to the Stock Purchase Agreement.

In addition, early release from the Lock-up Provisions in respect of certain of the Consideration Shares is permitted if:

- a disposal of certain parts of Refinitiv (either to satisfy the conditions to Completion or in certain circumstances following Completion) results in particular tax liabilities for Thomson Reuters or any of its affiliates (in practice no such disposals are expected);
- Thomson Reuters or any of its affiliates incurs an incremental tax liability as a result of LSEG plc electing to settle part of the consideration for Refinitiv in cash (LSEG plc did not in fact make such an election); and/or
- implementation of the Completion Steps results in particular tax liabilities for Thomson Reuters or any of its affiliates.

The Refinitiv Sellers are, in these circumstances, generally entitled to Dispose of such number of the Consideration Shares as will result in total net proceeds sufficient to enable Thomson Reuters to pay the relevant tax liability, provided that: (i) if the liability is triggered by implementation of the Completion Steps or a Disposal which is required to satisfy the conditions to Completion, the amount of Consideration Shares disposed of is a minimum of US$750 million less an amount equal to such proportion of any cash received by Thomson Reuters on Completion or as a result of the relevant Disposal as is for US federal income tax purposes treated as attributable to Refinitiv TW Holdings Ltd. (which may reduce the amount the Refinitiv Sellers are entitled to Dispose of to nil); and (ii) the Refinitiv Sellers shall not be entitled to Dispose of LSEG Shares if such Disposal would result in Thomson Reuters receiving total net proceeds in excess of US$1.5 billion, other than in certain limited circumstances where incremental tax liabilities are incurred by Thomson Reuters in connection with LSEG plc electing to settle part of the consideration for Refinitiv in cash.

As the Completion Steps gave rise to a tax liability for Thomson Reuters, and LSEG plc did not elect to pay any portion of the consideration in cash, the Refinitiv Sellers are, following Completion, entitled to Dispose of such number of LSEG Shares as will result in total net proceeds for Thomson Reuters of a minimum of US$750 million.

In connection with these provisions, LSEG plc has agreed to give Thomson Reuters certain information and consultation rights in respect of certain transactions being undertaken by LSEG plc.

*Additional Lock-up Provisions*

In addition to the provisions described above, the Lock-up Provisions also provide that the Refinitiv Sellers and ConsortiumCo will not before the end of the Relevant Period:

- accept, vote any Consideration Shares in favour of or take any other step to facilitate or support any takeover of LSEG plc except for (i) in the case of a takeover that requires a shareholder vote and is at the time recommended by a majority of the Directors, voting in favour of the transaction or (ii) in the case of a takeover by way of offer (rather than a scheme of arrangement or other transaction), accepting such offer: (a) on the last day for acceptances if it is recommended by a majority of the Directors at such time; or (b) after the offeror has declared that it has received acceptances in respect of more than 50% of the LSEG Ordinary Shares held by all shareholders other than the Refinitiv Sellers and ConsortiumCo, persons acting in concert with them and the Directors; or
- give an irrevocable commitment or letter of intent in connection with any takeover of LSEG plc unless at the time it is given the transaction is recommended by a majority of the Directors and it is on terms that are consistent with the paragraph above.

*Orderly marketing arrangements*

The Relationship Agreement provides that where the Refinitiv Sellers and/or ConsortiumCo are permitted to Dispose of any Consideration Shares such Disposals will be subject to certain restrictions (the "**Orderly Marketing Provisions**"), including that:

- for so long as the Refinitiv Sellers and ConsortiumCo hold in aggregate 5% or more of the LSEG Shares, any Disposal will only be by way of: (i) a sale to an institutional investor; or (ii) a placing, block trade, bought deal or marketed sell-down to one or more institutional investors (a "**Permitted Disposal**");

- for so long as the Refinitiv Sellers and ConsortiumCo hold in aggregate 5% or more of the LSEG Shares, they will not sell any LSEG Shares if, to their knowledge, to do so would result in any transferee or any person acting in concert with the transferee being required to make a mandatory offer for LSEG plc under Rule 9 of the City Code;

- for so long as the Refinitiv Sellers and ConsortiumCo hold in aggregate 10% or more of the LSEG Shares, there will be no more than three Permitted Disposals in any rolling 12 month period after the Second Anniversary (subject to certain limited exceptions, including in relation to Disposals permitted by certain of the exceptions to the Lock-up Provisions);

- for so long as the Refinitiv Sellers and ConsortiumCo hold in aggregate 10% or more of the LSEG Shares, they will not sell, in aggregate through one or more sales, 10% or more of the LSEG Shares to any one person or group of persons that to their knowledge is acting in concert; and

- for so long as the Refinitiv Sellers and ConsortiumCo hold in aggregate 5% or more but less than 10% of the LSEG Shares, they will only sell LSEG Shares in a manner reasonably designed to maintain an orderly market in the LSEG Ordinary Shares.

LSEG plc has agreed to provide reasonable co-operation and assistance to the Refinitiv Sellers and/or ConsortiumCo in connection with any permitted Disposal of LSEG Shares.

*Relationship with York Parent, Refinitiv Sellers and ConsortiumCo*

The Relationship Agreement contains undertakings from York Parent, the Refinitiv Sellers and ConsortiumCo that, among other things:

- transactions and arrangements between York Parent, the Refinitiv Sellers and/or ConsortiumCo and their Associates (as such term is defined in the Relationship Agreement) and LSEG will be conducted on an arm's length basis and on normal commercial terms;

- York Parent, the Refinitiv Sellers and ConsortiumCo and their Associates will not take any action that would have the effect of preventing LSEG plc from complying with the UK Corporate Governance Code or its obligations under the Listing Rules;

- York Parent, the Refinitiv Sellers and ConsortiumCo and their Associates will not propose or procure the proposal of a shareholder resolution of LSEG plc which is intended or appears to be intended to circumvent the proper application of the Listing Rules; and

- they and their Associates will not take any action that would affect the ability of LSEG to carry on its business independently of York Parent, the Refinitiv Sellers, ConsortiumCo and/or the Indirect Shareholders or their respective Associates (as such term is defined in the Relationship Agreement).

*Provision of information and confidentiality*

During the Relevant Period, subject to compliance with applicable law, each of York Parent, the Refinitiv Sellers and ConsortiumCo are entitled to certain information from LSEG plc, including: (i) such financial or other information relating to LSEG as is reasonably requested by York Parent, the Refinitiv Sellers and/or ConsortiumCo to comply with applicable law, including its tax or public reporting obligations; and (ii) the monthly management accounts of LSEG plc.

In addition, subject to compliance with applicable law and certain exceptions, the Refinitiv Directors and members of the Integration Committee will be entitled to provide materials received by them in such capacity to certain individuals at Thomson Reuters, Blackstone, CPPIB and GIC.

Any information relating to LSEG provided in accordance with these provisions will be subject to customary confidentiality obligations contained in the Relationship Agreement.

*Loss of rights*

In the event of an un-remedied material breach by York Parent, the Refinitiv Sellers and/or ConsortiumCo of any of the Voting Commitment Provisions, the Standstill Provisions, the Lock-up Provisions or the Orderly Marketing Provisions, any outstanding rights of York Parent under the Relationship Agreement to nominate Refinitiv Directors for appointment to the Board will cease to apply (except that, if the breach is by ConsortiumCo and at the time the Refinitiv Sellers and ConsortiumCo hold in aggregate 25% or more of the LSEG Shares, York Parent will remain entitled to nominate for appointment to the Board one Refinitiv Director that will be a representative of Thomson Reuters).

In addition, if there is an un-remedied material breach by any of Thomson Reuters, Blackstone, CPPIB or GIC of certain provisions of the Relationship Agreement Support Agreement, the Stock Purchase Agreement Support Agreement and/or the Relevant Shareholder Arrangements (or, with respect to Blackstone, the York Parent, the Refinitiv Sellers and/or ConsortiumCo breach certain provisions of the Relationship Agreement), or (other than with respect to CPPIB) there are certain changes to the ownership structure of such party, the relevant party's rights: (i) to be represented on the Integration Committee; (ii) to receive information as referred to under '*Provision of information and confidentiality*' above and below; and (iii) in the case of Thomson Reuters or Blackstone, for its representatives to be appointed to the Board, will cease to apply.

In the event of an un-remedied material breach by LSEG plc of its obligation to appoint to the Board any person nominated for appointment in accordance with the Relationship Agreement by York Parent as a Refinitiv Director, the Voting Commitment Provisions, Standstill Provisions, Lock-up Provisions and (subject to certain exceptions) Orderly Marketing Provisions will cease to apply to York Parent, the Refinitiv Sellers and ConsortiumCo.

*Termination*

Subject to certain exceptions, the Relationship Agreement will terminate:

- if the Refinitiv Sellers and ConsortiumCo cease to hold in aggregate 5% or more of the LSEG Shares;
- if, at such time as the Refinitiv Sellers and ConsortiumCo hold in aggregate less than 10% of the LSEG Shares, all of such shares are distributed to Thomson Reuters, Blackstone, CPPIB and GIC in accordance with the Relevant Shareholder Arrangements and following which the Relevant Shareholder Arrangements will be terminated; or
- if, as a direct result of a takeover of LSEG plc or a transaction which requires LSEG Shareholder approval pursuant to Chapter 10 of the Listing Rules, the Refinitiv Sellers and ConsortiumCo cease to hold in aggregate 10% or more of the LSEG Shares.

In addition, any party will be able to terminate the Relationship Agreement with immediate effect on or at any time after LSEG plc passes a winding-up resolution or certain insolvency-related events relating to LSEG plc.

**The Relationship Agreement Support Agreement**

On 29 January 2021, LSEG plc entered into the Relationship Agreement Support Agreement with, among others, the Indirect Shareholders, Blackstone Management Partners and ConsortiumCo which regulates the relationship between LSEG plc and such other parties after Completion. The purpose of the Relationship Agreement Support Agreement is to ensure that relevant provisions from the Relationship Agreement (which is between LSEG plc, York Parent, the Refinitiv Sellers and ConsortiumCo) also apply as between LSEG plc and these entities. The principal terms of the Relationship Agreement Support Agreement are summarised below.

*Standstill provisions*

The Relationship Agreement Support Agreement contains standstill provisions mirroring the Standstill Provisions in the Relationship Agreement (and summarised above in relation to the Relationship Agreement) and that are applicable (also during the Relevant Period) to each of Blackstone Management Partners, Thomson Reuters, CPPIB and GIC and their respective Associates (as such term is defined in the Relationship Agreement Support Agreement).

*No transfers of interests*

The Relationship Agreement Support Agreement contains undertakings by each of Thomson Reuters, Blackstone, CPPIB and GIC not to:

- permit any Disposal of LSEG Shares by York Parent, the Refinitiv Sellers and/or ConsortiumCo where such Disposal would constitute a breach of the terms of the Relationship Agreement; or
- vary, amend, waive any rights under or terminate any rights under certain provisions of the Relevant Shareholder Arrangements, or enter into any other agreement or arrangement relating to their interests in LSEG Shares or shares in York Parent, the Refinitiv Sellers and/or ConsortiumCo,

in each case except as permitted by the terms of the Relationship Agreement or the Relationship Agreement Support Agreement.

In addition, the Relationship Agreement Support Agreement contains provisions under which each of Thomson Reuters, Blackstone, CPPIB and GIC agrees that it will not, and will procure that its Associates (as defined in the Relationship Agreement Support Agreement) will not, subject to certain limited exceptions, dispose of any securities in: (i) York Parent and/or ConsortiumCo; or (ii) any entity that has a direct or indirect equity interest in York Parent and/or ConsortiumCo.

The purpose of these provisions is to ensure that the Indirect Shareholders retain their interests in York Parent and/or ConsortiumCo (as applicable) and thereby continue to stand behind relevant provisions of the Relationship Agreement.

*Provision of information and confidentiality*

The Relationship Agreement Support Agreement contains equivalent information sharing provisions to those contained in the Relationship Agreement (and summarised above in relation to the Relationship Agreement) that operate (also during the Relevant Period and subject to applicable law and certain exceptions) in favour of Thomson Reuters, Blackstone, CPPIB and GIC, together with equivalent confidentiality undertakings from each of such parties in relation to any information relating to LSEG provided in accordance with such provisions.

*Loss of rights*

The Relationship Agreement Support Agreement contains provisions relating to the circumstances in which the parties to the Relationship Agreement and Relationship Agreement Support Agreement will lose certain rights under those agreements, and in which Thomson Reuters, Blackstone, CPPIB and GIC will cease to be bound by certain provisions of the Relationship Agreement Support Agreement, that (in each case) mirror the equivalent provisions in the Relationship Agreement (as summarised above).

*Termination*

Subject to certain exceptions, the Relationship Agreement Support Agreement will terminate when the Relationship Agreement terminates.

**Relevant Shareholder Arrangements**

In connection with their respective investments in York Parent and/or ConsortiumCo, Thomson Reuters, Blackstone, CPPIB, GIC and ConsortiumCo have entered into the Relevant Shareholder Arrangements. Details of the Relevant Shareholder Arrangements are summarised below.

*Governance*

As a result of the governance arrangements set out in the Relevant Shareholder Arrangements, Blackstone is, subject to certain consultation and/or consent rights in favour of the other Indirect Shareholders in respect of certain matters, able to determine matters to be decided by the board of directors and/or shareholders of York Parent and by ConsortiumCo (including matters relating to their holdings of LSEG Shares).

The Relevant Shareholder Arrangements require the board of York Parent to cause York Parent and its subsidiaries (including the Refinitiv Sellers) to vote its or their LSEG Shares in accordance with the Voting Commitment Provisions (as further described above).With respect to any resolution where those entities have discretion as to how to vote their LSEG Shares, the board of York Parent is entitled to cause those entities to vote the LSEG Shares as it deems appropriate, provided that it must first consult with Thomson Reuters.

*Sell down mechanics*

Pursuant to the Relevant Shareholder Arrangements, when the Refinitiv Sellers are entitled to sell LSEG Shares pursuant to the Lock-up Provisions of the Relationship Agreement (other than with respect to certain permitted sales pursuant to a lockup release relating to Thomson Reuters taxable events, in which case the sales and proceeds will be allocated to Thomson Reuters), ConsortiumCo and Thomson Reuters will each have certain rights to require the Refinitiv Sellers to sell a portion of the LSEG Shares allocated to it in line with Thomson Reuters' and ConsortiumCo's proportionate interests in York Parent, except that while Thomson Reuters holds more than 10% of the shares in York Parent, Thomson Reuters will have the right to require the Refinitiv Sellers to sell proportionately more of the LSEG Shares allocated to it than ConsortiumCo. Of the LSEG Shares to be sold that are allocated to ConsortiumCo, ConsortiumCo will be permitted to sell a percentage of the LSEG Shares held directly by it proportionate to the number of LSEG Shares held by the Refinitiv Sellers and permitted to be sold in such time period, provided that the aggregate number of such LSEG Shares sold by ConsortiumCo and the Refinitiv Sellers does not exceed the maximum number of LSEG Shares that may be sold under the Relationship Agreement in such time period (disregarding any sales of shares held by ConsortiumCo and not subject to the lock-up arrangements).

At the ConsortiumCo level, each of Blackstone, CPPIB and GIC will have certain rights to require York Parent to initiate a sale of a portion of the LSEG Shares that ConsortiumCo is entitled to require York Parent to cause to sell, and to require ConsortiumCo to sell a portion of the LSEG Shares that ConsortiumCo is entitled to sell that is in line with such party's proportionate holding in ConsortiumCo.

If the Refinitiv Sellers and ConsortiumCo hold in aggregate less than 10% of LSEG Shares and distribute all of the LSEG Shares to the Indirect Shareholders, the key Relevant Shareholder Arrangements will terminate. The Relationship Agreement and Relationship Agreement Support Agreement will also terminate in such circumstances.

Alternatively, if the Relationship Agreement terminates for any other reason, there will be an automatic distribution of any LSEG Shares held by the Refinitiv Sellers and ConsortiumCo to the Indirect Shareholders and the key Relevant Shareholder Arrangements will subsequently terminate.

*Other*

Pursuant to the Relevant Shareholder Arrangements, the Indirect Shareholders have agreed to certain exclusive investment provisions relating to their joint investment in LSEG plc. Under the Relationship Agreement, in the event of breach by one of such parties of those provisions, certain rights under the Relationship Agreement in favour of that party will terminate (including in the case of Blackstone or Thomson Reuters, its right for York Parent to nominate the relevant Refinitiv Director(s)). LSEG plc has third-party enforcement rights in respect of this and certain other provisions of the Relevant Shareholder Arrangements.

**Share dealing code**

LSEG plc has adopted codes in respect of securities dealing in relation to LSEG plc's securities, the securities of LSEG plc's direct and indirect subsidiaries, and the securities of other companies, which are based on the requirements of the Market Abuse Regulation. The codes apply to the Directors and other relevant employees and contractors of the Group.

## SELECTED FINANCIAL INFORMATION

*The financial information relating to the Group presented in this section as at and for the year ended 31 December 2020 has been derived without material adjustments from the Unaudited Pro Forma Financial Information. The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, by its nature, does not represent the Group's actual financial position or results as at and for the year ended 31 December 2020 or any future period or date. The Unaudited Pro Forma Financial Information has been prepared in pounds sterling.*

*The financial information relating to LSEG presented in this section as at and for each of the years ended 31 December 2020, 2019 and 2018 has been derived without material adjustments from the LSEG Financial Statements. The LSEG Financial Statements have been prepared in pounds sterling.*

*The financial information relating to Refinitiv presented in this section as at and for each of the years ended 31 December 2020, 2019 and 2018 has been derived without material adjustments from the Refinitiv Historical Financial Information. The Refinitiv Historical Financial Information as at and for each of the financial years ended 31 December 2020, 2019 and 2018 has been prepared in accordance with IFRS on the basis of the accounting policies consistent with those adopted by LSEG in the LSEG Financial Statements solely for inclusion in this Offering Circular. Due to the 2018 Transaction's completion on 1 October 2018, the combined income statement and cash flow statement information of Refinitiv for the twelve months ended 31 December 2018 presented in this section is a combination of historical financial information of: (i) the Thomson Reuters Financial & Risk Business for the period from 1 January 2018 to 30 September 2018; and (ii) Refinitiv for the period from 30 September 2018 to 31 December 2018. See Note 1 in Annex 2 (Refinitiv Historical Financial Information) to this Offering Circular. Such information is not required by or presented in accordance with IFRS and has not been prepared as pro forma results. It is a simple addition of the operating results for the relevant periods and does not include any forms of adjustment related to such periods. As a result, such financial information may not be comparable with Refinitiv's financial information for the financial years ended 31 December 2020 and 2019. See "Presentation of Financial and Other Data—Historical Financial Information—Refinitiv".*

*LSEG and Refinitiv (for the purposes of preparation of the Refinitiv Historical Financial Information) each adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective transitional arrangements and consequently, the comparative amounts for the year ended 31 December 2018 have not been restated. As a result, LSEG's and Refinitiv's results for the years ended 31 December 2020 and 2019 may not be fully comparable to their respective results for the year ended 31 December 2018.*

*The information below should be read in conjunction with the Unaudited Pro Forma Financial Information, the LSEG Financial Statements, the Refinitiv Historical Financial Information and accompanying notes included elsewhere in this Offering Circular, as well as the discussion in the sections entitled "Presentation of Financial and Other Data" and "Operating and Financial Review".*

### SELECTED PRO FORMA FINANCIAL INFORMATION OF THE GROUP (PRE BORSA ITALIANA DIVESTMENT)

The following tables set out certain financial information, on a pro forma basis (and pre-Borsa Italiana Divestment), relating to the Group as at and for the year ended 31 December 2020, that has been derived without material adjustments from the Unaudited Pro Forma Financial Information. Such Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and does not constitute financial statements within the meaning of Section 434 of the Companies Act. The Unaudited Pro Forma Financial Information does not purport to represent what the Group's financial position or results of operations actually would have been if the Refinitiv Acquisition had been completed on 31 December 2020, nor does it purport to represent the results of operations for any future period or the financial condition of the Group at any future date. The pro forma income statement and net assets statement information of the Group set out below should be read in conjunction with the section entitled "*Unaudited Pro Forma Financial Information of the Group*".

*Selected pro forma income statement information of the Group*[1]

| | LSEG year ended 31 Dec 2020 | Refinitiv year ended 31 Dec 2020 | Pro forma Adjustments related to Refinitiv acquisition: Transaction costs and refinancing adjustments[2] | Pro forma Adjustments related to Refinitiv acquisition: Tax benefits of transaction costs and refinancing adjustments[2] | Pro forma Group year ended 31 Dec 2020 |
|---|---|---|---|---|---|
| | | | (£ million) | | |
| **Total income** | 2,444 | 5,073 | – | – | 7,517 |
| Cost of sales | (224) | (762) | – | – | (986) |
| **Gross profit** | **2,220** | **4,311** | **–** | **–** | **6,531** |
| **Expenses** | | | | | |
| Operating expenses before depreciation, amortisation impairments and non-underlying items | (887) | (2,188) | – | – | (3,075) |
| Share of (loss)/ profit after tax of associates | (4) | – | – | – | (4) |
| **Earnings before interest, tax, depreciation amortisation, impairment and non-underlying items** | **1,329** | **2,123** | **–** | **–** | **3,452** |
| Non-underlying operating expenses | (168) | (414) | (208) | – | (790) |
| **Earnings before interest, tax, depreciation amortisation and impairment** | **1,161** | **1,709** | **(208)** | **–** | **2,662** |
| Depreciation, amortisation and impairment | (406) | (1,742) | – | – | (2,148) |
| Operating profit | **755** | **(33)** | **(208)** | **–** | **514** |
| Net interest expense | (70) | (651) | (534) | – | (1,255) |
| Income taxes | (198) | (45) | – | 108 | (135) |
| **Profit/(loss) from operations** | **487** | **(729)** | **(742)** | **108** | **(876)** |
| Profit attributable to non-controlling interests | 66 | 68 | – | – | 134 |
| Profit attributable to equity holders | 421 | (797) | (742) | 108 | (1,010) |
| **Profit/(loss) from operations** | **487** | **(729)** | **(742)** | **108** | **(876)** |
| **Operating profit** | **755** | **(33)** | **(208)** | **–** | **514** |
| *Add back:* | | | | | – |
| Amortisation and impairment of purchased intangibles and goodwill | 195 | 1,142 | – | – | 1,337 |
| Non-underlying operating expenses | 168 | 414 | 208 | – | 790 |
| **Underlying operating profit** | **1,118** | **1,523** | **–** | **–** | **2,641** |

Note:

(1) This table does not reflect any pro forma adjustments for the Borsa Italiana Divestment included in the Unaudited Pro Forma Financial Information.

(2) Transaction costs and Tax benefits of transaction costs also include adjustments relating to the pro forma debt restructuring, including drawdowns on the Bridge Facility and repayment of existing debt as if the Refinitiv Acquisition had completed on 1 January 2020.

*Selected pro forma net assets statement information of the Group*[1]

| | LSEG as at 31 Dec 2020 | Refinitiv as at 31 Dec 2020 | Estimated excess of purchase consideration over net assets acquired | Acquisition related transactions and financing adjustments and Refinancing [(2)] | Tax benefits of acquisition related transactions and financing adjustments [(2)] | Pro forma Group as at 31 Dec 2020 |
|---|---|---|---|---|---|---|
| | (£ million) | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment.... | 297 | 693 | – | – | – | 990 |
| Intangible assets .......... | 4,324 | 13,852 | 11,989 | – | – | 30,165 |
| Investments in associates | 25 | 7 | – | – | – | 32 |
| Deferred tax assets .......... | 51 | 495 | – | – | – | 546 |
| Derivative financial instruments .. | – | 2 | – | – | – | 2 |
| Investment in financial assets .......... | 280 | 21 | – | – | – | 301 |
| Retirement benefit asset | 81 | 404 | – | – | – | 485 |
| Other non-current assets | 14 | 150 | – | – | – | 164 |
| | **5,072** | **15,624** | **11,989** | **–** | **–** | **32,685** |
| **Current assets** | | | | | | |
| Trade and other receivables | 594 | 511 | – | – | – | 1,105 |
| Clearing member financial assets | 758,510 | – | – | – | – | 758,510 |
| Clearing member cash and cash equivalents .. | 83,011 | – | – | – | – | 83,011 |
| Clearing member business assets .......... | 841,521 | – | – | – | – | 841,521 |
| Investment in financial assets .......... | 92 | 9 | – | – | – | 101 |
| Current tax... | 77 | 45 | – | – | 108 | 230 |
| Cash and cash equivalents .. | 1,785 | 937 | – | (4) | – | 2,718 |
| | **844,069** | **1,502** | **–** | **(4)** | **108** | **845,675** |
| **Total assets.......** | **849,141** | **17,126** | **11,989** | **(4)** | **108** | **878,360** |
| **Liabilities** | | | | | | |
| **Current liabilities** | | | | | | |
| Trade and other payables .................... | 613 | 974 | – | 496 | – | 2,083 |
| Clearing member | 841,553 | – | – | – | – | 841,553 |

| | LSEG as at 31 Dec 2020 | Refinitiv as at 31 Dec 2020 | Estimated excess of purchase consideration over net assets acquired | Acquisition related transactions and financing adjustments and Refinancing [(2)] | Tax benefits of acquisition related transactions and financing adjustments [(2)] | Pro forma Group as at 31 Dec 2020 |
|---|---|---|---|---|---|---|
| business liabilities...... | | | | | | |
| Derivative financial instruments.. | 6 | 116 | – | (66) | – | 56 |
| Current tax... | 24 | 132 | – | – | – | 156 |
| Borrowings.. | 605 | 323 | – | 8,311 | – | 9,239 |
| Contract liabilities...... | 168 | 80 | – | – | – | 248 |
| Provisions.... | 1 | 41 | – | – | – | 42 |
| | **842,970** | **1,666** | **–** | **8,741** | **–** | **853,377** |
| **Non-current liabilities** | | | | | | – |
| Borrowings.. | 1,346 | 9,484 | – | (7,569) | – | 3,261 |
| Derivative financial instruments.. | 11 | 4 | – | – | – | 15 |
| Contract liabilities...... | 94 | 3 | – | – | – | 97 |
| Deferred tax liabilities...... | 411 | 220 | – | – | – | 631 |
| Retirement benefit obligation .... | 18 | 101 | – | – | – | 119 |
| Other non-current liabilities...... | 152 | 609 | – | – | – | 761 |
| Provisions.... | 14 | 57 | – | – | – | 71 |
| | **2,046** | **10,478** | **–** | **(7,569)** | **–** | **4,955** |
| **Total liabilities** | **845,016** | **12,144** | **–** | **1,172** | **–** | **858,332** |
| **Net assets ..........** | **4,125** | **4,982** | **11,989** | **(1,176)** | **108** | **20,029** |

Note:

(1) This table does not reflect any pro forma adjustments for the Borsa Italiana Divestment included in the Unaudited Pro Forma Financial Information.

(2) Transaction costs and Tax benefits of transaction costs also include adjustments relating to the pro forma debt restructuring, including drawdowns on the Bridge Facility and repayment of existing debt as if the Refinitiv Acquisition had completed on 1 January 2020.

**SELECTED CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF LSEG**

The tables below set out certain financial information relating to LSEG as at and for the years indicated, that has been derived without material adjustments from the LSEG Financial Statements. See Annex 1 to this Offering Circular.

***Selected consolidated historical income statement information of LSEG for the years ended 31 December 2020, 2019 and 2018***

| | Year ended 31 December 2020 | | |
|---|---|---|---|
| | Underlying[(1)] | Non-Underlying[(1)] | Total[(1)] |
| | | (£ million) | |
| Revenue | 2,124 | – | 2,124 |
| Net treasury income from CCP clearing business | 319 | – | 319 |
| Other income | 1 | – | 1 |
| **Total income** | **2,444** | – | **2,444** |
| Cost of sales | (224) | – | (224) |
| **Gross profit** | **2,220** | – | **2,220** |
| **Expenses** | | | – |
| Operating expenses before depreciation, amortisation and impairment | (887) | (168) | (1,055) |
| Income from equity investments | — | - | – |
| Share of loss after tax of associates | (4) | - | (4) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | **1,329** | **(168)** | **1,161** |
| Depreciation, amortisation and impairment | (211) | (195) | (406) |
| **Operating profit/(loss)** | **1,118** | **(363)** | **755** |
| Finance income | 7 | - | 7 |
| Finance expense | (64) | (13) | (77) |
| Net finance expense | (57) | (13) | (70) |
| **Profit/(loss) before tax** | **1,061** | **(376)** | **685** |
| Taxation | (257) | 59 | (198) |
| **Profit/(loss) for the year** | **804** | **(317)** | **487** |

Note:

(1) See "*Presentation of Financial and Other Information—Historical Financial Information—Presentation of Consolidated Income Statement Data*".

| | Year ended 31 December 2019 | | |
|---|---|---|---|
| | Underlying[(1)] | Non-Underlying[(1)] | Total[(1)] |
| | | (£ million) | |
| Revenue | 2,056[(2)] | — | 2,056 |
| Net treasury income from CCP clearing business | 255 | — | 255 |
| Other income | 3 | — | 3 |
| **Total income** | **2,314** | — | **2,314** |
| Cost of sales | (210) | — | (210) |
| **Gross profit** | **2,104** | — | **2,104** |
| **Expenses** | | | |
| Operating expenses before depreciation, amortisation and impairment | (839) | (132) | (971) |
| Income from equity investments | 7 | — | 7 |
| Share of loss after tax of associates | (7) | — | (7) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | **1,265** | **(132)** | **1,133** |
| Depreciation, amortisation and impairment | (200)[(3)] | (195) | (395)[(3)] |
| **Operating profit/(loss)** | **1,065** | **(327)** | **738** |
| Finance income | 14 | — | 14 |

| | Year ended 31 December 2019 | | |
|---|---|---|---|
| | **Underlying**[1] | **Non-Underlying**[1] | **Total**[1] |
| | | (£ million) | |
| Finance expense | (85)[4] | (16) | (101)[4] |
| Net finance expense | (71) | (16) | (87) |
| **Profit/(loss) before tax** | **994** | **(343)** | **651** |
| Taxation | (236) | 50 | (186) |
| **Profit/(loss) for the year** | **758** | **(293)** | **465** |

Notes:

(1) See "*Presentation of Financial and Other Information—Historical Financial Information—Presentation of Consolidated Income Statement Data*".

(2) Includes a one-off credit of £32 million due to the adoption of IFRS 15 in respect of LSEG's admission and listing services fees.

(3) Includes £26 million related to the adoption of IFRS 16. See "*Operating and Financial Review—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*" and "*Presentation of Financial and Other Data—Adoption of IFRS 16*".

(4) Includes £4 million related to the adoption of IFRS 16. See "*Operating and Financial Review—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*" and "*Presentation of Financial and Other Data—Adoption of IFRS 16*".

| | Year ended 31 December 2018 | | |
|---|---|---|---|
| | **Underlying**[1] | **Non-Underlying**[1] | **Total**[1] |
| | | (£ million) | |
| Revenue | 1,911 | — | 1,911 |
| Net treasury income from CCP clearing business | 218 | — | 218 |
| Other income | 6 | — | 6 |
| **Total income** | **2,135** | **—** | **2,135** |
| Cost of sales | (227) | — | (227) |
| **Gross profit** | **1,908** | **—** | **1,908** |
| **Expenses** | | | |
| Operating expenses before depreciation, amortisation and impairment | (834) | (21) | (855) |
| Income from equity investments | — | — | — |
| Share of loss after tax of associates | (8) | — | (8) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | **1,066** | **(21)** | **1,045** |
| Depreciation, amortisation and impairment | (135) | (159) | (294) |
| **Operating profit/(loss)** | **931** | **(180)** | **751** |
| Finance income | 13 | — | 13 |
| Finance expense | (79) | — | (79) |
| Net finance expense | (66) | — | (66) |
| **Profit/(loss) before tax** | **865** | **(180)** | **685** |
| Taxation | (187) | 55 | (132) |
| **Profit/(loss) for the year** | **678** | **(125)** | **553** |

Note:

(1) See "*Presentation of Financial and Other Information—Historical Financial Information—Presentation of Consolidated Income Statement Data*".

***Selected consolidated historical balance sheet information of LSEG as at 31 December 2020, 2019 and 2018***

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | | (£ million) | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 297 | 288 | 149 |
| Intangible assets | 4,324 | 4,421 | 4,687 |
| Investment in associates | 25 | 28 | 25 |
| Deferred tax assets | 51 | 49 | 42 |
| Investments in financial assets | 280 | 266 | 31 |
| Retirement benefit asset | 81 | 66 | 46 |
| Trade and other receivables | 14 | 19 | 33 |
| | **5,072** | **5,137** | **5,013** |
| **Current assets** | | | |
| Trade and other receivables | 594 | 566 | 785 |
| Derivative financial instruments | – | 2 | — |
| Clearing member financial assets | 758,510 | 729,094 | 764,411 |
| Clearing member cash and cash equivalents | 83,011 | 67,118 | 70,927 |
| Clearing member assets | 841,521 | 796,212 | 835,338 |
| Current tax | 77 | 160 | 147 |
| Investments in financial assets | 92 | 81 | 53 |
| Cash and cash equivalents | 1,785 | 1,493 | 1,510 |
| | **844,069** | **798,514** | **837,833** |
| **Total assets** | **849,141** | **803,651**[(1)] | **842,846** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 613 | 620 | 538 |
| Contract liabilities | 168 | 157 | 153 |
| Derivative financial instruments | 6 | 1 | 30 |
| Clearing member liabilities | 841,553 | 796,102 | 835,508 |
| Current tax | 24 | 127 | 61 |
| Borrowings | 605 | 512 | 561 |
| Provisions | 1 | 19 | 2 |
| | **842,970** | **797,538** | **836,853** |
| **Non-current liabilities** | | | |
| Borrowings | 1,346 | 1,573 | 1,642 |
| Derivative financial instruments | 11 | 39 | 17 |
| Contract liabilities | 94 | 88 | 118 |
| Deferred tax liabilities | 411 | 432 | 475 |
| Retirement benefit obligations | 18 | 17 | 22 |
| Other non-current payables | 152 | 150 | 11 |
| Provisions | 14 | 13 | 10 |
| | **2,046** | **2,312** | **2,295** |
| **Total liabilities** | **845,016** | **799,850**[(2)] | **839,148** |
| **Net assets** | **4,125** | **3,801** | **3,698** |

Notes:

(1) Includes £175 million related to the adoption of IFRS 16. See "*Operating and Financial Review—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*" and "*Presentation of Financial and Other Data—Adoption of IFRS 16*".

(2) Includes £198 million related to the adoption of IFRS 16. See "*Operating and Financial Review—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*" and "*Presentation of Financial and Other Data—Adoption of IFRS 16*".

***Selected consolidated historical cash flow statement information of LSEG for the years ended 31 December 2020, 2019 and 2018***

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | | (£ million) | |
| **Cash flow from operating activities** | | | |
| Cash generated from operations | 1,283 | 1,089 | 969 |
| Interest received | 4 | 6 | 3 |
| Interest paid | (78) | (103) | (76) |
| Royalties paid | (1) | (2) | (2) |
| Corporation tax paid | (232) | (153) | (173) |
| Withholding tax (paid)/received | (4) | — | 1 |
| **Net cash inflow from operating activities** | **972** | **837** | **722** |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | (33) | (41) | (50) |
| Purchase of intangible assets | (189) | (154) | (144) |
| Proceeds from sale of businesses | 29 | 30 | 58 |
| Cash disposed as part of the sale of businesses | - | — | (2) |
| Acquisition of business, net of cash acquired | - | (14) | 3 |
| Investment in associates | - | (11) | (28) |
| Investments in financial assets classed as FVOCI | (2) | (247) | — |
| Investment in government bonds | - | (3) | — |
| Proceeds from divestment of government bonds | 2 | — | — |
| **Net cash outflow from investing activities** | **(193)** | **(440)** | **(163)** |
| **Cash flow from financing activities** | | | |
| Dividends paid to shareholders | (257) | (221) | (189) |
| Dividends paid to non-controlling interests | (21) | (40) | (42) |
| Purchase of non-controlling interests | - | (9) | (452) |
| Purchase of own shares by the employee benefit trust | (4) | (5) | (4) |
| Proceeds from exercise of employee share options | 10 | 5 | 7 |
| Investment in convertible debt | - | (4) | — |
| Loan to associate | - | (1) | — |
| Arrangement fees paid | (4) | — | (4) |
| Proceeds from the issue of bonds | - | — | 445 |
| Bond repayment | - | (250) | — |
| Net (repayments)/proceeds from the issue of commercial paper | (101) | — | 255 |
| Repayments made towards bank credit facilities | (127) | (35) | (489) |
| Additional drawdowns from bank credit facilities | 4 | 261 | — |
| Trade finance loans received | 1 | — | — |
| Principal element of lease payments (2018: Payments towards lease obligations) | (43) | (41) | (2) |
| **Net cash outflow from financing activities** | **(542)** | **(340)** | **(475)** |
| **Increase in cash and cash equivalents** | **237** | **57** | **84** |
| Cash and cash equivalents at beginning of year | 1,493 | 1,510 | 1,382 |
| Exchange (loss)/gain on cash and cash equivalents | 55 | (74) | 44 |
| **Cash and cash equivalents at end of year** | **1,785** | **1,493** | **1,510** |

**SELECTED COMBINED HISTORICAL FINANCIAL INFORMATION OF REFINITIV**

The tables below set out certain financial information relating to Refinitiv as at and for each of the years indicated, that has been derived without material adjustments from the Refinitiv Historical Financial Information. See Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular.

***Selected combined historical income statement information of Refinitiv for the years ended 31 December 2020, 2019 and 2018***

| | **Year ended 31 December 2020** | | |
|---|---|---|---|
| | **Underlying**[(1)] | **Non-Underlying**[(1)] | **Total**[(1)] |
| | | (US$ million) | |
| Revenue | 6,513 | - | 6,513 |
| Cost of sales | (978) | - | (978) |
| **Gross profit** | **5,535** | **-** | **5,535** |
| Operating expenses before depreciation, amortisation and impairment | (2,809) | (532) | (3,341) |
| Share of profit after tax of associates | - | - | - |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | **2,726** | **(532)** | **2,194** |
| Depreciation, amortisation and impairment | (769) | (1,466) | (2,235) |
| **Operating profit/(loss)** | 1,957 | (1,998) | (41) |
| Finance income | 279 | - | 279 |
| Finance expense | (1,114) | - | (1,114) |
| **Profit/(loss) before tax** | **1,122** | **(1,998)** | **(876)** |
| Taxation | (491) | 433 | (58) |
| **Profit/(loss) for the year** | **631** | **(1,565)** | **(934)** |

Note:

(1) See "*Presentation of Financial and Other Information—Historical Financial Information—Presentation of Consolidated Income Statement Data*".

| | **Year ended 31 December 2019** | | |
|---|---|---|---|
| | **Underlying**[(1)] | **Non-Underlying**[(1)] | **Total**[(1)] |
| | | (US$ million) | |
| Revenue | 6,250 | — | 6,250 |
| Cost of sales | (956) | — | (956) |
| **Gross profit** | **5,294** | — | **5,294** |
| Operating expenses before depreciation, amortisation and impairment | (2,976) | (426) | (3,402) |
| Share of profit after tax of associates | 2 | — | 2 |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | **2,320** | **(426)** | **1,894** |
| Depreciation, amortisation and impairment | (659)[(2)] | (1,432) | (2,091)[(2)] |
| **Operating profit/(loss)** | **1,661** | **(1,858)** | **(197)** |
| Finance income | 263 | — | 263 |
| Finance expense | (966)[(3)] | — | (966)[(3)] |
| **Profit/(loss) before tax** | **958** | **(1,858)** | **(900)** |
| Taxation | (243) | 403 | 160 |
| **Profit/(loss) for the year** | **715** | **(1,455)** | **(740)** |

Notes:

(1) See "*Presentation of Financial and Other Information—Historical Financial Information—Presentation of Consolidated Income Statement Data*".

(2) Includes US$173 million related to the adoption of IFRS 16. See "*Operating and Financial Review—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*" and "*Presentation of Financial and Other Data—Adoption of IFRS 16*".

(3) Includes US$35 million related to the adoption of IFRS 16. See "*Operating and Financial Review—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*" and "*Presentation of Financial and Other Data—Adoption of IFRS 16*".

| | Twelve months ended 31 December 2018 (combined)[1] | | |
|---|---|---|---|
| | **Underlying**[2] | **Non-Underlying**[2] | **Total** |
| | | (U$S million) | |
| Revenue | 6,205 | — | 6,205 |
| Cost of sales | (870) | — | (870) |
| **Gross profit** | **5,335** | — | **5,335** |
| Operating expenses before depreciation, amortisation and impairment | (3,268) | (472) | (3,740) |
| Share of profit after tax of associates | 1 | — | 1 |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | **2,068** | **(472)** | **1,596** |
| Depreciation, amortisation and impairment | (555) | (600) | (1,155) |
| **Operating profit/(loss)** | **1,513** | **(1,072)** | **441** |
| Finance income | 51 | — | 51 |
| Finance expense | (238) | — | (238) |
| **Profit/(loss) before tax** | **1,326** | **(1,072)** | **254** |
| Taxation | (363) | 282 | (81) |
| **Profit/(loss) for the year** | **963** | **(790)** | **173** |

Notes:

(1) Represents a combination of (i) for the period from 1 January 2018 to 30 September 2018, the financial information of the Thomson Reuters Financial & Risk Business; and (ii) for the period from 30 September 2018 to 31 December 2018, the financial information of Refinitiv. See Note 1 in Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular. See also "*Presentation of Financial and Other Information—Historical Financial Information—Refinitiv*".

(2) See "*Presentation of Financial and Other Information—Historical Financial Information—Presentation of Consolidated Income Statement Data*".

### *Selected combined historical balance sheet information of Refinitiv as at 31 December 2020, 2019 and 2018*

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| **Assets** | | (US$ million) | |
| **Non-current assets** | | | |
| Property, plant and equipment | 944 | 1,018 | 476 |
| Intangible assets | 18,877 | 18,857 | 20,248 |
| Investment in associates | 10 | 12 | 7 |
| Deferred tax assets | 675 | 334 | 22 |
| Derivative financial instruments | 3 | 3 | 34 |
| Investments in financial assets | 28 | 4 | 5 |
| Retirement benefit asset | 550 | 508 | 438 |
| Trade and other receivables | 205 | 154 | 73 |
| | **21,292** | **20,890** | **21,303** |
| **Current assets** | | | |
| Trade and other receivables | 696 | 827 | 1,059 |
| Derivative financial instruments | 12 | 17 | — |
| Current tax | 61 | 27 | — |
| Cash and cash equivalents | 1,277 | 1,134 | 1,192 |
| | **2,046** | **2,005** | **2,251** |
| **Total assets** | **23,338** | **22,895** | **23,554** |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |

| | As at 31 December | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| **Assets** | | (US$ million) | |
| Trade and other payables | 1,328 | 1,452 | 1,517 |
| Contract liabilities | 109 | 96 | 119 |
| Derivative financial instruments | 158 | 15 | 4 |
| Current tax | 180 | 138 | 90 |
| Borrowings | 440 | 88 | 91 |
| Provisions | 56 | 76 | 130 |
| | **2,271** | **1,865** | **1,951** |
| **Non-current liabilities** | | | |
| Borrowings | 12,924 | 12,664 | 12,915 |
| Derivative financial instruments | 6 | 87 | 41 |
| Contract liabilities | 4 | 9 | 20 |
| Deferred tax liabilities | 300 | 321 | 757 |
| Retirement benefit obligations | 138 | 130 | 133 |
| Other non-current payables | 830 | 659 | 60 |
| Provisions | 78 | 72 | 74 |
| | **14,280** | **13,942** | **14,000** |
| **Total liabilities** | **16,551** | **15,807** | **15,951** |
| **Net assets** | **6,787** | **7,088** | **7,603** |

***Selected combined historical cash flow statement information of Refinitiv for each of the years ended 31 December 2020, 2019 and 2018***

| | Year ended 31 December | | Twelve months ended 31 December |
|---|---|---|---|
| | 2020 | 2019 | 2018 (combined)[1] |
| | | (US$ million) | |
| **Cash flow from operating activities** | | | |
| Cash generated from operations | 2,232 | 1,852 | 1,737 |
| Interest paid | (708) | (826) | (128) |
| Corporation tax paid | (88) | (130) | (23) |
| Withholding tax paid | — | — | (6) |
| **Net cash inflow from operating activities** | **1,436** | **896** | **1,580** |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | (125) | (194) | (160) |
| Purchase of intangible assets | (469) | (321) | (265) |
| Proceeds from sale of businesses | — | — | 6 |
| Proceeds from disposals of property and equipment | 10 | 2 | — |
| Acquisition of businesses | (805) | (70) | (16,626) |
| Other investing activities | 1 | 1 | — |
| **Net cash outflow from investing activities** | **(1,388)** | **(582)** | **(17,045)** |
| **Cash flow from financing activities** | | | |
| Dividends paid to non-controlling interests | (35) | (115) | (79) |
| Payroll taxes paid from share-based payment award exercises | (76) | (9) | — |
| Arrangement fee paid | (3) | (6) | — |
| Net transfers from Refinitiv Holdings/Thomson Reuters | — | — | 3,301 |
| Proceeds from the issuance of debt | 600 | 8 | 13,472 |
| Proceeds from exercise of awards | 101 | — | — |
| Principal element of lease payments | (146) | (139) | — |
| Repayment of term loans | (342) | (99) | — |
| Offering costs from follow-on offering | (3) | (15) | — |
| Debt issuance costs | — | — | (413) |
| **Net cash (outflow)/inflow from financing activities** | **96** | **(375)** | **16,281** |

| | Year ended 31 December | | Twelve months ended 31 December |
|---|---|---|---|
| | 2020 | 2019 | 2018 (combined)[1] |
| | | (US$ million) | |
| **Increase/(decrease) in cash and cash equivalents** | **144** | **(61)** | **816** |
| Cash and cash equivalents at beginning of year | 1,134 | 1,192 | 381 |
| Exchange (loss)/gain on cash and cash equivalents | (1) | 3 | (5) |
| **Cash and cash equivalents at end of year** | **1,277** | **1,134** | **1,192** |

Note:

(1) Represents a combination of (i) for the period from 1 January 2018 to 30 September 2018, the financial information of the Thomson Reuters Financial & Risk Business; and (ii) for the period from 30 September 2018 to 31 December 2018, the financial information of Refinitiv. See Note 1 in Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular. See also "*Presentation of Financial and Other Information—Historical Financial Information—Refinitiv*".

## OTHER FINANCIAL DATA AND RATIOS

### *Revenue by segment*

*LSEG*

The table below sets out the revenue of LSEG's historical reporting segments, by business line and after inter-segmental eliminations, for the years indicated:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | | (£ million) | |
| **Revenue** | | | |
| Information Services[1] | 882[2] | 902 | 841 |
| Post Trade[1] | 751 | — | — |
| Post Trade Services—LCH[1] | — | 550 | 487 |
| Post Trade Services—CC&G and Monte Titoli[1] | — | 103 | 102 |
| Capital Markets | 427 | 426[3] | 407 |
| Technology Services | 61 | 66 | 65 |
| Other | 3 | 9 | 9 |
| **Total revenue** | **2,124** | **2,056** | **1,911** |

Notes:

(1) Starting 1 January 2020, LSEG introduced its new "Post Trade" segment, which includes the results of its former "Post Trade Services—LCH" and "Post Trade Services—CC&G and Monte Titoli" segments, as well as the results of UnaVista, which was previously reported as part of its "Information Services" segment. See "*Presentation of Financial and Other Information—Historical Financial Information—Segmental reporting*".

(2) Excludes £54 million of revenue generated by UnaVista for the year.

(3) Includes a one-off credit of £32 million due to the adoption of IFRS 15 in respect of LSEG's admission and listing services fees.

*Group*

The table below sets out the revenue of Group's intended reporting segments, by business line and after inter-segmental eliminations, on a pro forma basis (pre-Borsa Italiana Divestment), for the year ended 31 December 2020:

| | **Year ended 31 December 2020** |
|---|---|
| | (£ million) |
| **Income**[1] | |
| Data and Analytics[2] | 4,716 |
| Capital Markets[3] | 1,387 |
| Post Trade Services[4] | 1,071 |
| **Total revenue** | **7,174** |
| Other income[5] | **343** |
| **Total income** | **7,517** |

Notes:

(1) Over 77% of the Group's income was generated outside the UK, with 36% generated in North America, 23% in the UK, 21% in other European countries, and 20% in Asia and other countries.

(2) Within Data & Analytics, 34% of income was generated in Trading and Banking Solutions, 25% in Enterprise Data Solutions, 24% in Investment Solutions, 11% in Wealth Solutions and 6% in Customer and Third Party Risk.

(3) Within Capital Markets, 60% of income was generated in Fixed Income, Derivates and Other, 20% in FX and 20% in equities.

(4) Within Post Trade, 71% of income was generated in Post Trade and 29% in net treasury income.

(5) Includes recoveries revenue, which is collected from customers and passed through to third-party providers who provide access to their content via Refinitiv's platform.

***Non-IFRS financial information***

*LSEG*

The table below sets out key non-IFRS financial measures and ratios for LSEG, as at or for the years indicated:

| | **Year ended 31 December** | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | (£ million; unless otherwise indicated) | | |
| Gross borrowings[1] | 1,951 | 2,085 | 2,203 |
| Cash and cash equivalents | (1,785) | (1,493) | (1,510) |
| Net derivative financial liabilities[2] | 17 | 38 | 47 |
| **Net debt**[3] | **183** | **630** | **740** |
| Regulatory and operational cash[4] | 1,242 | 1,125 | 1,120 |
| **Operating net debt**[5] | **1,425** | **1,755** | **1,860** |
| Underlying operating expenses[6] | 887 | 839 | 834 |
| Underlying operating profit[7] | 1,118 | 1,065 | 931 |
| Underlying EBITDA[8] | 1,329 | 1,265 | 1,066 |
| Underlying EBITDA margin (%)[9] | 54.4% | 54.7% | 49.9% |
| Net leverage ratio[10] | 1.1 | 1.4 | 1.7 |

Notes:

(1) Represents the sum of LSEG's current and non-current borrowings as at the relevant date. Does not include lease liabilities, which as at 31 December 2020 were £189 million (31 December 2019: £183 million (including £201 million related to the adoption of IFRS 16); and 31 December 2018: £5 million). See "*Presentation of Financial and Other Information—Alternative Performance Measures*", "*Operating and Financial Review—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*" and "*Presentation of Financial and Other Data—Adoption of IFRS 16*".

(2) Represents the market valuations of derivative positions that are a loss at the valuation point. See "*Presentation of Financial and Other Information—Alternative Performance Measures*".

(3) Represents gross borrowings *less* cash and cash equivalents and net derivative financial liabilities. See "*Presentation of Financial and Other Information—Alternative Performance Measures*".

(4) Represents cash set aside to support regulatory and certain operational requirements. See "*Presentation of Financial and Other Information—Alternative Performance Measures*".
(5) See "*Presentation of Financial and Other Information—Alternative Performance Measures*".
(6) Represents operating expenses before depreciation, amortisation and impairment, on an underlying basis. See "*Presentation of Financial and Other Information—Alternative Performance Measures*" and "*Selected Financial Information—Selected Consolidated Historical Financial Information of LSEG—Selected consolidated historical income statement information of LSEG for the years ended 31 December 2020, 2019 and 2018.*"
(7) Represents operating profit, on an underlying basis. See "*Presentation of Financial and Other Information—Alternative Performance Measures*" and "*Selected Financial Information—Selected Consolidated Historical Financial Information of LSEG—Selected consolidated historical income statement information of LSEG for the years ended 31 December 2020, 2019 and 2018.*"
(8) The table below sets forth a reconciliation of LSEG's Underlying EBITDA to its profit for the year, in each case, for the years indicated:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (£ million) | | |
| **Profit for the year** | **487** | **465** | **553** |
| Non-underlying items | 317 | 293 | 125 |
| **Underlying profit for the year** | **804** | **758** | **678** |
| Underlying taxation | 257 | 236 | 187 |
| Underlying net finance expense | 57 | 71[(a)] | 66 |
| **Underlying operating profit** | **1,118** | **1,065** | **931** |
| Underlying depreciation, amortisation and impairment | 211 | 200[(a)] | 135 |
| **Underlying EBITDA** | **1,329** | **1,265** | **1,066** |

Note:

(a) Due to the adoption of IFRS 16 by LSEG, (i) its depreciation charge increased by £26 million; and (ii) additional £4 million of lease interest expenses was recognised, in each case, to reflect the recognition of "right of use" assets on its balance sheet. See "*Operating and Financial Review—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*" and "*Presentation of Financial and Other Data—Adoption of IFRS 16*".

(9) LSEG's Underlying EBITDA margin is its Underlying EBITDA as a percentage of total income.
(10) Represents the ratio of LSEG's operating net debt to its Underlying EBITDA.

*Group*

*Pre Borsa Italiana Divestment*

The table below sets out key non-IFRS financial measures and ratios for the Group, on a pro forma basis (pre-Borsa Italiana Divestment), as at or for the year ended 31 December 2020 (see also "*Unaudited Pro Forma Financial Information of the Group*"):

| | Year ended 31 December 2020 |
|---|---|
| | (£ million; unless otherwise indicated) |
| Gross borrowings[(1)] | 12,500 |
| Cash and cash equivalents | (2,718) |
| Net derivative financial liabilities[(2)] | 69 |
| **Net debt**[(3)] | **9,851** |
| Regulatory and operational cash[(4)] | 1,388 |
| **Operating net debt**[(5)] | **11,239** |
| Underlying operating expenses[(6)] | 3,075 |
| Underlying operating profit[(7)] | 2,641 |
| Underlying EBITDA[(8)] | 3,452 |
| Underlying EBITDA margin (%)[(9)] | 45.9% |
| Net leverage ratio[(10)] | 3.3x |

Notes:

(1) Represents the sum of the Group's current and non-current borrowings. Does not include lease liabilities, which as at 31 December 2020 were £639 million. See "*Presentation of Financial and Other Information—Alternative Performance Measures*".
(2) Represents the market valuations of derivative positions that are a loss at the valuation point. See "*Presentation of Financial and Other Information—Alternative Performance Measures*".
(3) Represents gross borrowings *less* cash and cash equivalents and net derivative financial liabilities. See "*Presentation of Financial and Other Information—Alternative Performance Measures*".
(4) Represents cash set aside to support regulatory and certain operational requirements. See "*Presentation of Financial and Other Information—Alternative Performance Measures*".
(5) See "*Presentation of Financial and Other Information—Alternative Performance Measures*".
(6) Represents operating expenses before depreciation, amortisation and impairment, on an underlying basis. See "*Presentation of Financial and Other Information—Alternative Performance Measures*".
(7) Represents operating profit adjusted for amortisation of purchased intangible assets and non-underlying items. See "*Presentation of Financial and Other Information—Alternative Performance Measures*".
(8) The table below sets forth a reconciliation of the Group's Underlying EBITDA to its profit/(loss) from operations, on a pro forma basis, for the year ended 31 December 2020:

| | **Year ended 31 December 2020** |
|---|---|
| | (£ million) |
| **Profit/(loss) from operations** | **(876)** |
| Non-underlying items excluding total income taxes and net interest expense | 2,127 |
| **Underlying profit for the year including total income taxes and net interest expense** | **1,251** |
| Income taxes | 135 |
| Net interest expense | 1,255 |
| **Underlying operating profit** | **2,641** |
| Underlying depreciation, amortisation and impairment | 811 |
| **Underlying EBITDA** | **3,452** |

(9) The Group's Underlying EBITDA margin is its Underlying EBITDA as a percentage of total income.
(10) Represents the ratio of the Group's operating net debt to its Underlying EBITDA.

*Post Borsa Italiana Divestment*

The table below sets out key non-IFRS financial measures and ratios for the Group, on a pro forma basis (post Borsa Italiana Divestment), as at or for the year ended 31 December 2020 (see also "*Unaudited Pro Forma Financial Information of the Group*"):

| | **Year ended 31 December 2020** |
|---|---|
| | (£ million; unless otherwise indicated) |
| Post-Divestment gross borrowings[(1)] | 12,500 |
| Post-Divestment cash and cash equivalents | (6,420) |
| Post-Divestment net derivative financial liabilities[(2)] | 69 |
| **Post-Divestment net debt**[(3)] | **6,149** |
| Post-Divestment regulatory and operational cash[(4)] | 1,172 |
| **Post-Divestment operating net debt**[(5)] | **7,321** |
| Post-Divestment Underlying operating expenses[(6)] | 2,937 |
| Post-Divestment Underlying operating profit[(7)] | 2,411 |
| Post-Divestment Underlying EBITDA[(8)] | 3,192 |
| Post-Divestment Underlying EBITDA margin (%)[(9)] | 44.9% |
| Post-Divestment Net leverage ratio[(10)] | 2.3x |

Notes:

(1) Represents the sum of the Group's current and non-current borrowings. Does not include lease liabilities, which as at 31 December 2020 were £608 million, on a post-Borsa Italiana Divestment basis. See "*Presentation of Financial and*

*Other Information—Alternative Performance Measures*" and "*Unaudited Pro Forma Financial Information of the Group*".

(2) Represents Net derivative financial liabilities, on a post-Borsa Italiana Divestment basis. See "*Presentation of Financial and Other Information—Alternative Performance Measures*" and "*Unaudited Pro Forma Financial Information of the Group*".

(3) Represents Net debt, on a post-Borsa Italiana Divestment basis. See "*Presentation of Financial and Other Information—Alternative Performance Measures*" and "*Unaudited Pro Forma Financial Information of the Group*".

(4) Represents Regulatory and operational cash, on a post-Borsa Italiana Divestment basis. See "*Presentation of Financial and Other Information—Alternative Performance Measures*" and "*Unaudited Pro Forma Financial Information of the Group*".

(5) Represents Operating net debt, on a post-Borsa Italiana Divestment basis. See "*Presentation of Financial and Other Information—Alternative Performance Measures*" and "*Unaudited Pro Forma Financial Information of the Group*".

(6) Represents Underlying operating expenses, on a post-Borsa Italiana Divestment basis. See "*Presentation of Financial and Other Information—Alternative Performance Measures*" and "*Unaudited Pro Forma Financial Information of the Group*".

(7) Represents Underlying operating profit, on a post-Borsa Italiana Divestment basis. See "*Presentation of Financial and Other Information—Alternative Performance Measures*" and "*Unaudited Pro Forma Financial Information of the Group*".

(8) Represents Underlying EBITDA, on a post-Borsa Italiana Divestment basis. See "*Presentation of Financial and Other Information—Alternative Performance Measures*" and "*Unaudited Pro Forma Financial Information of the Group*". Adjustments relating to the Borsa Italiana Divestment totalled £260 million. A reconciliation of the Group's Underlying EBITDA to its profit/(loss) from operations, on a pro forma basis (pre-Borsa Italiana Divestment), for the year ended 31 December 2020 is presented in note 8 of "*—Pre Borsa Italiana Divestment*" above.

(9) The Group's Post-Divestment Underlying EBITDA margin is its Post-Divestment Underlying EBITDA as a percentage of total income.

(10) Represents the ratio of the Group's operating net debt to its Post-Divestment Underlying EBITDA.

## OPERATING AND FINANCIAL REVIEW

*This section should be read in conjunction with the information in the sections entitled "Presentation of Financial and Other Information", "Selected Financial Information", "Business of the Group", "Unaudited Pro Forma Financial Information of the Group" and "Description of Other Indebtedness" of this Offering Circular, as well as the LSEG Financial Statements and the Refinitiv Historical Financial Information included elsewhere in this Offering Circular.*

*The following discussion includes forward-looking statements based on assumptions about the Group's future business. The Group's actual results could differ materially from those contained in these forward-looking statements as a result of many factors, including but not limited to those described in the sections entitled "Forward-Looking Statements" and "Risk Factors" of this Offering Circular.*

*The financial information relating to the Group presented in this section as at and for the year ended 31 December 2020 has been derived without material adjustments from the Unaudited Pro Forma Financial Information. The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, by its nature, does not represent the Group's actual financial position or results as at and for the year ended 31 December 2020 or any future period or date. The Unaudited Pro Forma Financial Information has been prepared in pounds sterling.*

*The financial information relating to LSEG presented in this section as at and for each of the years ended 31 December 2020, 2019 and 2018 has been derived without material adjustments from the LSEG Financial Statements. The LSEG Financial Statements have been prepared in pounds sterling.*

*The financial information relating to Refinitiv presented in this section as at and for each of the years ended 31 December 2020, 2019 and 2018 has been derived without material adjustments from the Refinitiv Historical Financial Information. The Refinitiv combined historical financial information as at and for each of the financial years ended 31 December 2020, 2019 and 2018 has been prepared in accordance with IFRS on the basis of the accounting policies consistent with those adopted by LSEG in the LSEG Financial Statements solely for inclusion in this Offering Circular. Due to the 2018 Transaction's completion on 1 October 2018, the combined income statement and cash flow statement information of Refinitiv for the financial year ended 31 December 2018 presented in this section is a combination of historical financial information of: (i) the Thomson Reuters Financial & Risk Business for the period from 1 January 2018 to 30 September 2018; and (ii) Refinitiv for the period from 30 September 2018 to 31 December 2018. See Note 1 Annex 2 (Refinitiv Historical Financial Information) to this Offering Circular. Such information is not required by or presented in accordance with IFRS and has not been prepared as pro forma results. It is a simple addition of the operating results for the relevant periods and does not include any forms of adjustment related to such periods. As a result, such financial information may not be comparable with Refinitiv's financial information for the financial years ended 31 December 2020 and 2019. See "Presentation of Financial and Other Data—Historical Financial Information—Refinitiv".*

*LSEG and Refinitiv (for the purposes of preparation of the Refinitiv Historical Financial Information) each adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective transitional arrangements and consequently, the comparative amounts for the year ended 31 December 2018 have not been restated. As a result, LSEG's and Refinitiv's results for the years ended 31 December 2020 and 2019 may not be fully comparable to their respective results for the year ended 31 December 2018.*

### OVERVIEW OF THE GROUP

On 29 January 2021, LSEG and Refinitiv merged to form the Group in the Refinitiv Acquisition. As a result of the Refinitiv Acquisition, the Refinitiv Shareholders hold approximately 37% economic interest in LSEG plc and less than 30% of the total voting rights in LSEG plc. On 19 March 2021, certain of the Refinitiv Shareholders announced that they have agreed to sell 10,422,684 LSEG Shares pursuant to certain exceptions from the lock-up arrangements agreed as part of the Refinitiv Acquisition. Following settlement of such sale, the Refinitiv Shareholders will hold an approximate 35% economic interest in LSEG plc and less than 30% of the total voting rights in LSEG plc.

The Group is a leading global financial markets infrastructure and data provider by total income, with pro forma total income for the year ended 31 December 2020 of £7.1 billion (excluding the Borsa Italiana Group), exceeding those of any other listed global financial markets infrastructure and data provider.

The Group operates on a global scale, with a significant presence in key financial centres, including in North America, Europe, Asia and emerging markets. As a result of the Refinitiv Acquisition, Refinitiv's larger footprint in the U.S. and Asia in particular enhances and diversifies LSEG's existing geographic operations and customer reach.

The Group services customers across the entire financial services lifecycle, providing: (i) superior data content, data management and distribution capabilities, by bringing together Refinitiv's capabilities in data collection, management and distribution with LSEG's leading global, multi-asset index capabilities through FTSE Russell; and (ii) single-asset class and multi-asset class capital markets and post trade offerings, by bringing together LSEG's leading equities trading businesses and global multi-asset clearing houses with Refinitiv's leading FX trading venues and Tradeweb's leading fixed income trading venue.

The Group operates three business divisions: (i) Data & Analytics; (ii) Capital Markets; and (iii) Post Trade, all supported by a commitment to operational and technological innovation and performance.

**RECENT DEVELOPMENTS**

*Refinitiv Acquisition and formation of the Group*

On 1 August 2019, LSEG announced that it had agreed definitive terms with the Refinitiv Shareholders to acquire Refinitiv in an all share transaction for a total enterprise value of US$27 billion (as at 1 August 2019).

On the Refinitiv Acquisition Completion Date, LSEG Shares were issued to the Refinitiv Shareholders in satisfaction of the consideration due under the terms of the Refinitiv Acquisition. As a result of the Refinitiv Acquisition, the Refinitiv Shareholders acquired (taking into account the voting ordinary shares which were issued one month after completion of the Refinitiv Acquisition as described below) an approximate 37% economic interest and less than 30% of the total voting rights in LSEG.

Also on 29 January 2021, the entire enlarged voting ordinary share capital of LSEG (including the 112,254,597 voting ordinary shares issued to the Refinitiv Shareholders), consisting of a total of 463,841,689 voting ordinary shares, were admitted to the premium segment of the Official List and to trading on London Stock Exchange's Main Market. The 67,355,526 limited voting ordinary shares issued to the Refinitiv Shareholders will not be admitted to listing or trading on any market. A further 24,615,845 voting ordinary shares were issued on 1 March 2021 to certain of the Refinitiv Shareholders one month after completion of the Refinitiv Acquisition Completion Date. On 19 March 2021, certain of the Refinitiv Shareholders announced that they have agreed to sell 10,422,684 LSEG Shares pursuant to certain exceptions from the lock-up arrangements agreed as part of the Refinitiv Acquisition. Following settlement of such sale, the Refinitiv Shareholders will hold an approximate 35% economic interest in LSEG plc and less than 30% of the total voting rights in LSEG plc.

As a result of the Refinitiv Acquisition, the Relationship Agreement has become effective and is governing the relationship between the Group and the Refinitiv Shareholders. In accordance with that Relationship Agreement, Martin Brand, Erin Brown and Douglas Steenland have been appointed to the LSEG Board. See "*Directors, Senior Managers and Corporate Governance—Corporate Governance*".

LSEG plc is currently the holding company of the combined Group. Any financial reporting for the Group after the Refinitiv Acquisition Completion Date is expected to be carried out at the level of LSEG plc.

*Refinancing of Refinitiv's indebtedness*

In connection with the Refinitiv Acquisition and for the purpose of refinancing Refinitiv's outstanding indebtedness, LSEG incurred the following additional indebtedness:

- US$7.325 billion and €3.080 billion under the Bridge Facility (see "*Liquidity and Capital Resources—Indebtedness and Contractual Obligations—The Bridge Facility*" and "*Description of Other Indebtedness—The Bridge Facility*"); and

- US$2.0 billion and €0.5 billion under the 2020 Revolving Credit and Term Facility (see "*Liquidity and Capital Resources—Indebtedness and Contractual Obligations—The 2020 Revolving Credit and Term Facility*" and "*Description of Other Indebtedness—The 2020 Revolving Credit and Term Facility*"),

and repaid, or caused to be repaid, the following outstanding nominal amounts of Refinitiv's indebtedness (together with interest accrued, but unpaid, premium and any other additional amounts required by the documents governing such indebtedness, as applicable):

- on 29 January 2021, the following nominal amounts under the Credit Agreement entered into between (and amongst others) Refinitiv Parent Limited, Refinitiv US Holdings Inc., the guarantors thereto, the lenders from time to time and Bank of America, N.A. as the Administrative and Collateral Agent on 1 October 2018 and thereafter amended on 20 December 2019, and 15 January 2020 (the "**Refinitiv Credit Agreement**"): (i) US$6.720 billion of initial Dollar term loans; (ii) €2.3079 billion of initial euro term Loans; and (iii) US$350 million under the revolving credit facility;

- on 29 January 2021, US$1.250 billion aggregate nominal amount of 6.250% senior first lien notes due 2026 (the "**Refinitiv Secured Dollar Notes**") and US$1.575 billion aggregate nominal amount of 8.250% senior notes due 2026 (together with the Refinitiv Secured Dollar Notes, the "**Refinitiv Dollar Notes**"), issued under separate indentures both dated 1 October 2018 (the "**Refinitiv Secured Notes Indenture**" and the "**Refinitiv Unsecured Notes Indenture**", respectively); and

- on 1 February 2021, €860 million aggregate nominal amount of 4.500% senior first lien notes due 2026 (the "**Refinitiv Secured Euro Notes**") and €365 million aggregate nominal amount of 6.875% senior notes due 2026 (together with the Refinitiv Secured Euro Notes, the "**Refinitiv Euro Notes**"), issued under the Refinitiv Secured Notes Indenture and the Refinitiv Unsecured Notes Indenture, respectively, both indentures having been satisfied and discharged in full on 29 January 2021.

In addition to funding the fees associated with the repayment and cancellation of the Refinitiv debt, the drawings made by LSEG from its Revolving Credit Facilities funded the cancellation of certain interest rate swap contracts associated with the Refinitiv Term Loans.

In connection with these transactions, Refinitiv recognised an intercompany payable to LSEG of US$12,140 million, as well as the following expenses in 2021:

- a make-whole premium of US$329 million on the early redemption of the Refinitiv Dollar Notes;

- the write-off of unamortised deferred costs and original issue discounts of US$505 million; and

- cumulative hedging losses of US$80 million, recycled from the hedging reserve.

LSEG has undertaken not to seek the repayment of amounts advanced to Refinitiv unless adequate alternative financing has been secured.

*LSEG's additional indebtedness*

In late December 2020, LSEG also arranged the following additional committed credit facilities for its general corporate purposes:

- US$1.075 billion under the 2020 Revolving Credit and Term Facility, which was put in place on 16 December 2020 (see "*Liquidity and Capital Resources—Indebtedness and Contractual Obligations—The 2020 Revolving Credit and Term Facility*" and "*Description of Other Indebtedness—The 2020 Revolving Credit and Term Facility*"); and

- £1.425 billion under the 2017 Revolving Credit Facility, which was originally put in place on 11 December 2017 and was amended and restated on 16 December 2020 (see "*Liquidity and Capital Resources—Indebtedness and Contractual Obligations—The 2017 Revolving Credit Facility*" and "*Description of Other Indebtedness—The 2017 Revolving Credit Facility*").

The facilities described above were partially utilised to refinance Refinitiv's indebtedness, but continue to provide the Group with additional financing flexibility.

*Borsa Italiana Divestment*

On 9 October 2020, LSEG agreed to sell its entire shareholding in London Stock Exchange Group Holdings Italia S.p.A. ("**LSEG Italia**", and, together with its subsidiaries, the "**Borsa Italiana Group**") to Euronext N.V. for an equity value of €4.325 billion, plus an additional amount reflecting cash generation to completion (the "**Borsa**

**Italiana Divestment**”). In connection with this, it was announced on 9 October 2020 that CDP Equity and Intesa Sanpaolo will join the group of Euronext’s long-term reference shareholders through the subscription of a private placement and a subsequent rights issuance intended to support the acquisition of LSEG Italia by Euronext.

In the financial year ended 31 December 2020, the Borsa Italiana Group contributed Underlying EBITDA of £260 million, adjusted profit before tax of £229 million and profit before tax of £193 million to LSEG, and had gross assets of £1,687 million (excluding central counterparty clearing (CCP) assets).

The share purchase agreement relating to the Proposed Borsa Italiana Group Divestment was entered into on 9 October 2020 between LSEG plc, LSEGHI and Euronext N.V.

See “*Business of the Group—The Business—LSEG—The Borsa Italiana Group*” for further details in regards to the Borsa Italiana Divestment.

## Trading Update

*The information below is preliminary and has been prepared by the Group’s management. It is based on a number of assumptions that are subject to inherent uncertainties and subject to change, and neither E&Y nor PwC has audited, reviewed, examined, compiled or applied agreed-upon procedures with respect to such preliminary information and, accordingly, E&Y and PwC do not express an opinion or any other form of assurance with respect thereto. The auditor reports and accountants’ report included in this Offering Circular relate to the LSEG’s previously issued LSEG Financial Statements and the Refinitiv Historical Financial Information, respectively. They do not extend to the preliminary information set out in this section and should not be read to do so. Although we believe the information to be reasonable, actual results may vary from the information contained below and such variations could be material. As such, you should not place undue reliance on this information. This information may not be indicative of the remainder of the quarter or any future period. See “Forward-Looking Statements” and “Risk Factors” for a more complete discussion of certain of the factors that could affect the Group’s future performance.*

Since 31 December 2020, our legacy LSEG and Refinitiv businesses have continued to trade well and generally in line with expectations. In particular, there has been no material additional impact from the ongoing Covid-19 pandemic and related national lockdowns in the countries where we operate. See also “*—Recent developments*” for discussion of important events relating to the Refinitiv Acquisition, which was completed on 29 January 2021.

## KEY FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The business environment in which the Group operates directly affected LSEG’s and Refinitiv’s respective historical results of operations and financial condition in the periods under review and is expected to continue affecting the Group’s results of operations and financial condition in the future. Relevant factors include (i) the level of trading activity in the Group’s markets, which during any period is significantly influenced by general market conditions, (ii) competition, (iii) market share and (iv) the pace of industry consolidation. In recent years, the Group’s business environment has been characterised by increasing competition among global data providers and venues for trading, clearing and settlement volumes and listings, the globalisation of exchanges, customers and competitors, market participants’ demand for speed, capacity and reliability, which requires continuing investment in technology, and increasing competition for market data revenues.

A description of the key factors that have affected LSEG’s and Refinitiv’s historical results of operations and financial condition and that, following the Refinitiv Acquisition, have affected or are expected to continue to affect the Group’s results of operations and financial condition is set forth below.

### ***LSEG***

*Brexit and ongoing regulatory changes*

On 31 January 2020, the UK left the European Union (“**Brexit**”) and on 24 December 2020 the UK and EU agreed to the EU—UK Trade and Cooperation Agreement. The transition period provided by the European Union (Withdrawal Agreement) Act 2020 ended on 31 December 2020. Both the UK and the EU conducted assessments of regulatory equivalence of their respective regimes throughout 2020. Some of LSEG’s cross-border activities benefitted from equivalence, including equivalence for the EU CCPs operating in the UK and UK CCPs operating in the EU. Not all aspects of the existing UK regulatory framework have been deemed equivalent by the EU,

including the Markets in Financial Instruments Regulation (MiFIR) for the purposes of the Share Trading Obligation ("**STO**") and Derivatives Trading Obligation ("**DTO**").

Equivalence for UK CCPs operating in the EU allowed LSEG to secure temporary recognition of LCH Limited by ESMA until 30 June 2022. LCH S.A. benefits from the UK Temporary Permission Regime. There is no EU equivalence currently for the purpose of the STO which has affected the ability for some EU firms to trade certain shares on LSE plc. The absence of EU equivalence for the purpose of the DTO is expected to limit the ability of some EU firms to trade some classes of derivatives in the UK, which may impact subsequent clearing activities for LCH S.A.

The Group continues to engage with UK and EU policy makers to advise on financial market infrastructure considerations. Its key objectives are: (i) maintaining London's position as a global financial hub; (ii) providing continuity of cross-border financial services; and (iii) guarding against policies which may result in the fragmentation of financial markets. The Group continues to maintain an ongoing dialogue with UK, EU and other international authorities on these matters.

In addition, LSEG's results of operations and financial condition in the periods under review were affected by similar factors as those described in "*—Refinitiv—Changing regulatory environment*" below.

*Increasing demand for multi-asset class solutions and coverage across the financial markets' value chain*

Investment preferences are continuing to shift in response to the changing market landscape. Demand for infrastructure solutions, data and analytics continues to develop as investors look for more diversity and flexibility within their portfolios, and opportunities to identify "alpha", stretching beyond traditional equities into other asset classes such as fixed income and private capital.

In the periods under review, there was a gradual transition from single-asset class human-based trading to both single and multi-asset class electronic trading, which is reliant on a wider set of distribution channels including APIs, data feeds, cloud and bulk delivery. This transition has been further accelerated by the adoption of digital technology across the financial industry, such as automation tools, Cloud computing and machine learning.

In the periods under review, LSEG was focused on aggregating, organising and distributing data to its customers, covering multiple asset classes across the financial markets value chain in response to rising demand. It also utilised commercial models that are more aligned with its open platform approach, providing customers with greater flexibility in extracting value from the data they are consuming and the distribution mechanisms they are utilising on an enterprise basis.

*Innovation and competition*

Competition, innovation and technological disruption across the financial services industry has created the need for financial market infrastructure and data providers to respond in an agile and flexible way. Large scale consolidation activities, the arrival of new entrants and the growth of financial technology start-ups (as well as "BigTech" firms) are all key components of this trend. Providers continue to invest in, and improve, their products through enhancing their technology footprint, and partnering with businesses in adjacent sectors to offer a wider array of solutions. Meanwhile, other providers are diversifying and broadening their propositions to gain access to new product areas and geographies.

In addition, customers also continue to sponsor the entry of new market infrastructure providers, for example, by committing to provide order or transaction flow and/or by participating in their formation, thus contributing to the competitive dynamics within the sector. Through sponsored entry, customers are able to ensure that they receive access to the services that they demand on competitive terms, and incentivise existing platforms to innovate in order to compete against new players.

As its operating landscape continued to evolve, in the periods under review LSEG continued to work alongside its customers to adapt to these developments. The Group has an extensive network of customers from across the globe whose ongoing support, trust and input into its business is essential to the generation of long term value for all of the Group's stakeholders.

In addition, LSEG's results of operations and financial condition in the periods under review were affected by similar factors as those described in "*—Refinitiv—Competitive landscape*" below.

*Growth in ESG and climate awareness*

ESG and climate factors are becoming a mainstream consideration in investment decision-making with the number of ESG indices growing constantly. Businesses are increasingly disclosing climate-related risk metrics in their external reporting with 77 of the FTSE 100 having implemented the TFCD framework covering climate governance, strategy and risk management. Equally, customers are increasingly focused on diversity, inclusion and corporate governance as factors in their investment decision making, with global service providers responding to these needs rapidly with new data and innovative IP.

The increasing awareness of, and focus on, ESG brings a growing demand for relevant benchmarks, data and analytics to support investment mandates and decision making. Recognising these shifts in demand, in the periods under review LSEG continued to invest in building out its data sets, capabilities and products in these areas. By way of example, in 2020, LSEG launched its enhanced Green Revenues 2.0 Data Model, measuring the green revenue exposure of more than 16,000 listed companies across developed and emerging markets.

*Greater demand for data-driven solutions, enabled through digitisation, AI and automation*

Advances in technology, including Cloud computing, machine learning and AI, have enhanced data processing and storage capabilities across the FMI. Sell-side banks are increasingly focused on digitising their processes through automation technologies. This movement has, in part, been accelerated by the impact of Covid-19 which has propagated the widespread adoption of digital communication channels and information sharing tools across platforms (see "—*Impact of the Covid-19 pandemic*" below).

Buy and sell-side customers continue to focus on operating model reforms and cost efficiencies in response to continued management and performance fee pressures, growing investor scrutiny and regulatory-driven changes. Customers are increasingly looking across the value chain from trading to clearing and settlement in order to realise efficiencies and are looking for more innovative and effective ways of accessing the products and services they require.

Demand for well maintained and structured datasets has also been growing as customers seek to improve the output quality of their digitisation efforts and make more use of the data at their disposal. Improvements in data processing and technology form a powerful tool to support investment decision-making, with customers benefitting from deeper insights, sophisticated and scalable analytics, and more thorough and actionable risk management.

In the periods under review, LSEG continued to develop innovative data, analytics, indices and IP for customers, drawing on data and domain expertise from across its "Information Services", "Capital Markets" and "Post Trade" business segments.

Additionally, LSEG continued to reduce costs for customers via its approach to Cloud technology, machine learning and AI technologies, whilst supporting increased consumption of data in an agile and flexible way.

*Growth and redistribution of global wealth*

As global wealth continues to increase, developing markets are playing a greater role in wealth generation, particularly across the Asia-Pacific and in Latin America. Customers want to be able to trade across different regions, asset classes and currencies and are, therefore, seeking market providers who can provide access and insight on a global scale.

The growth of global wealth and access to global markets is uneven, particularly in the context of geopolitical uncertainties and events such as the Covid-19 pandemic and Brexit (see "—*Impact of the Covid-19 pandemic*" and "—*Brexit and ongoing regulatory changes*"). Measures designed to curb the economic impact of such events have caused widespread disruption to financial markets and normal patterns of business activity. Providing access to data and information, which can help market participants understand and respond to unfolding events as they arise is therefore a critical step in stabilising the long-term profile of global growth.

In the periods under review, LSEG continued to be a global FMI leader and provider of trusted data and execution capabilities, offering a wide range of services to the financial markets globally. It established partnerships (such as the Shanghai-London Stock Connect initiative, a long-term strategic partnership with the Singapore Exchange, SGX, and a global ESG partnership with Sustainalytics) in strategically important regions to serve its global customers.

*Technological resilience and cyber security*

Technology has been a critical component of the financial industry's fight against the cyber threats facing financial markets, with many businesses moving to improve and further align their resiliency standards. There is a continuous focus from regulators on the operating standards of FMIs to ensure continuity of critical business services and the overall resilience of the financial sector. Key industry players are therefore adopting technology strategies commensurate with changes to global regulation and standards to appropriately manage their technology footprint.

In the periods under review, one of LSEG's key priorities has been to invest in global cyber resilience and compliance projects in a consistent way across its businesses and geographies. In addition, LSEG has ensured to compliance with all applicable cyber and data protection requirements and standards.

*Impact of the Covid-19 pandemic*

LSEG's results of operations and financial condition in the periods under review were affected by similar factors as those described in "—*Refinitiv—Impact of the Covid-19 pandemic*" below.

In order to strengthen LSEG's cash position in light of the Covid-19 pandemic, LSEG's regulated companies increased their cash-on-hand by withholding payment of their dividends in line with regulatory guidance on Covid-19 requirements. LSEG also undertook efforts to help customers affected by Covid-19, such as by waiving fees for Covid-19 related issuances on the Sustainable Bond Market.

***Refinitiv***

*Changing regulatory environment*

In the wake of the financial crisis of 2008 and 2009, regulators have continued to implement new frameworks for financial services companies globally. Many of these rules relate to financial advisor compensation, fees and expenses, investor disclosure, and the use of hedge funds and alternative investments. Complex regulations including GDPR, MiFID II, the European Union Benchmark Regulation, as well as increasing pressures from anti-money laundering, financial crime and data protection regulations are driving profound and structural change and increased cost burdens for Refinitiv's customers. This environment created opportunities for Refinitiv's Data Platform and Risk products, which address the increasing demand by banks and buy-side firms to reduce risk while lowering costs.

Recent shifts in the industry, such as a greater emphasis on serving investors' interests and lowering fees, are fundamental changes that will continue. In the periods under review, Refinitiv introduced several new product offerings and solutions to help financial advisors determine, demonstrate, and document that their advice is in the best interest of the investor. These include the addition of more than 200 additional reference data fields to support MiFID II compliance reporting and visibility on Best Execution, and the development of MiFID II risk, liquidity, volume, pricing and referential content; aggregating across the breadth of MTFs, OTFs and regulated markets.

*Competitive landscape*

In the periods under review, Refinitiv's business was subject to intense competition across all segments for all of its products, with competitors ranging in size from smaller, highly specialised, single-product businesses to multi-billion-dollar companies. Such competitors are making investments to improve existing, and develop new, products, services and technology. Certain competitors have aggressively marketed their products as lower cost alternatives and have offered price incentives to attract new business.

*Strategic partnerships and targeted acquisitions*

The Group believes that the 2018 Transaction repositioned Refinitiv's business to enable it to accelerate revenue growth in an industry that has been rapidly consolidating, while benefiting customers. In addition, in the periods under review, Refinitiv undertook certain strategic transactions (such as the acquisition of GIACT, Red Flag Group, Scivantage and AlphaDesk) to help build its business.

*Cost Saving and Investment Programme*

The 2018 Transaction repositioned Refinitiv's business as it transformed the cost base and accelerated investment. By 31 December 2020, these programmes had delivered US$650 million in run-rate savings. The cost saving programme was focused on an overhaul of Refinitiv's organisational design following the separation from Thomson Reuters, transfer of roles to operational hubs and third-party partners, data centre shut-downs, server virtualisations, network rationalisations and a reduced real estate footprint. Across the same period, Refinitiv made investments in the Refinitiv Data Platform, Workspace and in the transformation of its content capabilities to accelerate content ingestion and expand coverage.

*The rise of passive investing*

In the past decade, passively managed index funds have seen greater investor interest, and this trend has become more dramatic in recent years. In order to reduce the operating costs of actively managed funds and pass savings to investors, there is increased adoption of artificial intelligence and automation across the investment management and advisory segment of the financial markets. This is leading to a greater demand for data and solutions that can provide quantitative analysis.

*Market volatility*

In the periods under review, Refinitiv was exposed to financial risks involving the volatility of equity markets, as well as foreign currency and interest rate fluctuations. Market volatility impacted all areas of Refinitiv's business, but in particular, transaction revenues.

*Growth in ESG and climate awareness*

Refinitiv's results of operations and financial condition in the periods under review were affected by similar factors as those described in "*—LSEG—Growth in ESG and climate awareness*" above.

In 2020, Refinitiv invested in Lipper ESG Fund Scores to objectively measure sustainable performance across 10 core themes including emissions, environmental product innovation, diversity and inclusion, human rights and shareholders satisfaction. As at the date of this Offering Circular, Lipper ESG Fund Scores are provided for approximately 31,000 unique portfolios covering $29 trillion in AUM.

*Customer environment*

In response to its customers' increased focus on automation and headcount and cost reductions, in the periods under review Refinitiv continued to shift to an open platform and Cloud-based workflow solutions. This drove increased focus on the total cost of services as banks look for integrated, Cloud-based workflow solutions to reduce the cost of their trading operations. In the future, this may result in pressure on pricing for certain products, but the Group believes this presents an opportunity to provide new products and services to such customers.

*Increasing digitisation and automation*

Change is evident across the financial services industry, particularly in the wealth management market where there is a demand for automated advisory solutions and self-service customer solutions, particularly in developing markets. In the periods under review, this put pressure on headcount in the wealth management advisory industry and thus on Refinitiv's desktop business which serves that industry. However, that also presented an opportunity for adoption of these digital solutions as the need for Refinitiv data and content accelerated.

*Health of the global economy*

As a seller of financial information, the success of Refinitiv's business was highly dependent on the health of global financial markets and on the financial services industry in particular. Global economic conditions and the strength of the financial services industry had a significant impact on its financial results.

*Impact of the Covid-19 pandemic*

On 11 March 2020, the World Health Organization labelled the public health emergency caused by the Covid-19 outbreak a global pandemic. The rapid escalation of events worldwide resulted in an unprecedented health crisis that has had, and is expected to continue to have, an impact on the macroeconomic environment and business

evolution. To tackle the issue, many governments issued orders to stay at home, closed certain businesses and venues, prohibited public gatherings, and other guidelines.

Refinitiv responded to this in a variety of ways to ensure minimal disruptions to services provided to clients and the well-being of employees, as far as possible. Most of Refinitiv's staff are currently working from home, except for essential staff that must be in the office. The Group is closely monitoring its technology infrastructure due to the changing requirements of employees working from home and the increased client activity and trading volume on its platforms.

On 6 April 2020, as a precautionary measure, Refinitiv borrowed $250 million on its Revolving Credit Facility. The full amount of this borrowing, plus interest, was repaid on 6 October 2020.

**KEY FACTORS AFFECTING COMPARABILITY OF RESULTS ACROSS PERIODS**

*Adoption of IFRS 16*

LSEG

On 1 January 2019, LSEG adopted IFRS 16 'Leases'. The impact of adopting the new standard has been reflected through transition adjustments to LSEG's opening retained earnings at the start of 2019, as presented in the consolidated statement of changes in equity in the LSEG Financial Statements for the year ended 31 December 2019.

The table below sets out a summary of the impact at the date of transition:

| | As reported | IFRS 16 | After Adoption |
|---|---|---|---|
| | 31 December 2018 | Impact of Adoption | 1 January 2019 |
| | | (£ million) | |
| Property, plant and equipment | 149 | 172 | 321 |
| Investment in leases | — | 3 | 3 |
| **Assets** | **149** | **175** | **324** |
| Lease liabilities – current | 4 | 39 | 43 |
| Lease liabilities – non-current | 1 | 162 | 163 |
| Trade and other payables – accruals | 355 | (3) | 352 |
| Deferred tax liabilities | 475 | (4) | 471 |
| Provisions | 12 | 4 | 16 |
| **Liabilities** | **847** | **198** | **1,045** |
| **Retained earnings** | **424** | **(23)** | **401** |
| **Equity** | **424** | **(23)** | **401** |

LSEG adopted IFRS 16 'Leases' using the modified retrospective transitional arrangements and consequently the comparative amounts as at and for the year ended 31 December 2018 have not been restated. The standard requires LSEG to recognise a "right-of-use" asset where LSEG has a long-term arrangement to benefit from an asset which it controls in return for regular consideration (a lease). This definition includes the majority of LSEG's offices around the world, and these form the largest group of assets recognised on 1 January 2019. Other assets include motor vehicles.

LSEG has recognised "right-of-use" assets and corresponding liabilities for all leased assets, except for those with only short-term commitment (less than 12 months) or for individual assets of a value less than £5,000. In such cases, LSEG recognises the associated lease payments as an expense on a straight-line basis over the lease term.

"Right-of-use" assets for property or equipment are included within property, plant and equipment on the face of the balance sheet. Assets relating to the right-of-use of an intangible are included within intangible assets on the face of the balance sheet.

The impact of the adoption of IFRS 16 'Leases' on LSEG's consolidated results of operations for the year ended 31 December 2019 is presented in "*Selected Financial Information—Selected Consolidated Historical Financial Information of LSEG*".

Refinitiv

Also on 1 January 2019, Refinitiv adopted IFRS 16 'Leases' (for the purposes of preparation of the Refinitiv Historical Financial Information). The impact of adopting this standard has been reflected through transition adjustments to Net Parent Investment at 1 January 2019.

The table below sets out a summary of the impact at the date of transition:

| | As reported | IFRS 16 | After Adoption |
|---|---|---|---|
| | 31 December 2018 | Transition Adjustments | 1 January 2019 |
| | | (US$ million) | |
| Property, plant and equipment | 476 | 549 | 1,025 |
| Intangible assets | 20,248 | (51) | 20,197 |
| **Assets** | **20,724** | **498** | **21,222** |
| Lease liabilities – current | — | 146 | 146 |
| Lease liabilities – non-current | — | 407 | 407 |
| Non-current payables | 60 | (28) | 32 |
| Provisions | 204 | (27) | 177 |
| Deferred tax | 757 | 1 | 758 |
| **Liabilities** | **1,021** | **499** | **1,520** |
| **Net Parent Investment** | **5,741** | **(1)** | **5,740** |

Refinitiv adopted IFRS 16 'Leases' using the modified retrospective transitional arrangements and consequently the comparative amounts as at and for the year ended 31 December 2018 have not been restated. Refinitiv has recognised "right-of-use" assets and corresponding liabilities for all leased assets, except for those with only short-term commitment (less than 12 months). In such cases, Refinitiv recognises the associated lease payments as an expense on a straight-line basis over the lease term.

"Right-of-use" assets for property or equipment are included within property, plant and equipment on the face of the combined balance sheet.

The cost of "right-of-use" assets was calculated at an amount equal to the lease liability, adjusted by the amount of favourable lease intangible assets, unfavourable lease liabilities and onerous lease provisions relating to leases recognised in the combined balance sheet immediately before the date of initial application. The value recognised for lease liabilities is the present value of the remaining lease payments, discounted to 1 January 2019 using the same rate.

The impact of the adoption of IFRS 16 'Leases' on Refinitiv's combined results of operations for the year ended 31 December 2019 is presented in "*Selected Financial Information—Selected Combined Historical Financial Information of Refinitiv*".

*Refinitiv's Separation from Thomson Reuters and operating as a standalone company*

The 2018 Transaction was financed by the following financing transactions, all of which were consummated on 1 October 2018:

- the borrowing of (i) US$6,500 million under a new senior secured U.S. dollar denominated term loan facility (the "**Refinitiv Dollar Loan Facility**"), (ii) €2,355 million under a new senior secured euro denominated term loan facility (the "**Refinitiv Euro Loan Facility**" and, together with the Dollar Loan Facility, the "**Refinitiv Term Loan Facilities**") and the entry into a new US$750 million senior secured revolving credit facility (the "**Refinitiv Revolving Credit Facility**" and, together with the Term Loan Facilities, the "**Refinitiv Facilities**");
- the issuance of the Refinitiv Dollar Notes and the Refinitiv Euro Notes (collectively, the "**Refinitiv Notes**");
- the issuance by Refinitiv Holdings Ltd of US$1,000 million aggregate initial liquidation preference of shares of pay-in-kind preferred equity (the "**Refinitiv PIK Preferred Stock**") to an affiliate of certain investment funds affiliated with Blackstone, an affiliate of Canada Pension Plan Investment Board, an

affiliate of GIC Special Investments Pte. Ltd., and certain co-investors (the "**Sponsors**") at a purchase price of US$963 million; and

- the investment of US$4,088 million in equity by the Sponsors and certain co-investors, which amount was reduced by 55% of the cash generated above US$275 million by the Financial & Risk Business between 30 January 2018 and the closing of the 2018 Transaction.

The net proceeds from the borrowings under the Refinitiv Facilities, the issuance of the Refinitiv Notes, the equity contribution by the Sponsors and the investment in Refinitiv PIK Preferred Stock by the Sponsors were used to (i) finance the consummation of the 2018 Transaction and other transactions contemplated by the Transaction Agreement, including amounts payable thereunder, (ii) provide cash on hand to Refinitiv Holdings Ltd and (iii) pay related fees, costs and expenses in connection with these transactions (the entry into and borrowings under the Refinitiv Facilities, the issuance of the Refinitiv Notes, the 2018 Transaction and the other transactions described in this sentence are referred to, collectively, as the "**Separation Transactions**").

As the 2018 Transaction closed on 1 October 2018, the combined historical financial information of Refinitiv for the financial year ended 31 December 2018 is a combination of historical financial information of: (i) the Thomson Reuters Financial & Risk Business for the period from 1 January 2018 to 30 September 2018 (the "**predecessor period**") and (ii) Refinitiv for the period from 1 October 2018 to 31 December 2018 (the "**successor period**"). The combined financial information for the predecessor period was prepared on a stand-alone basis and was derived from the historical consolidated financial statements and accounting records of Thomson Reuters. Consequently, the financial position and operating results of the successor period are not comparable in certain respects to the financial position and operating results of the predecessor period. Under IFRS, Refinitiv is required to present separately its operating results for the predecessor and the successor periods. However, for the purposes of this Offering Circular, the Group has supplemented Refinitiv's predecessor and successor period reporting with combined financial results for the twelve months ended 31 December 2018 to facilitate a comparative discussion. Refinitiv's financial information for the combined twelve-month period ended 31 December 2018 is not required by or presented in accordance with IFRS and has not been prepared as pro forma results. It is a simple addition of predecessor and successor periods and does not include any forms of adjustment related to such periods. As a result, such financial information may not be comparable with its financial information for other periods.

Prior to the 2018 Transaction, Refinitiv historically existed as part of the consolidated businesses of Thomson Reuters Corporation and its subsidiaries. The historical combined carve-out financial statements for the predecessor period were prepared on a stand-alone basis and were derived from the historical consolidated financial statements and accounting records of Thomson Reuters. The carve-out financial information reflects the combined historical results of operations, financial position and cash flows of the Financial & Risk Business, as if such financial information was historically managed this way, in conformity with U.S. GAAP and represent the predecessor period of Refinitiv.

In the predecessor period, Refinitiv relied on Thomson Reuters for a significant portion of its operational support. As such, the preparation of the carve-out financial statements was based on certain assumptions and estimates, including allocations of certain support functions that were provided on a centralised basis by Thomson Reuters, including but not limited to, expenses related to finance and accounting, human resources, information technology, real estate and legal. In addition, the combined carve-out financial information includes certain assets and liabilities that were historically maintained by Thomson Reuters on a centralised basis, but which are specifically identifiable or allocable to the Financial & Risk Business, as well as assets and liabilities transferred to the Financial & Risk Business as part of the 2018 Transaction. Thomson Reuters' third-party debt, and the related interest expense has not been reflected for any of the periods presented, as Refinitiv was not the legal obligor of such debt and Thomson Reuters' borrowings were not directly attributable to these operations.

In the predecessor period, expenses and cost allocations have been determined on a basis that Refinitiv considered to be reasonable and appropriate; however, the expenses reflected in Refinitiv's historical results of operations may not necessarily reflect Refinitiv's results of operations if it had been a separate, standalone entity during the periods presented, and may not reflect its future results of operations, financial position and cash flows.

All intercompany transactions have been eliminated. In the predecessor period, certain transactions between the Financial & Risk Business and Thomson Reuters have been included in the financial information presented herein and are considered to be effectively settled for cash at the time the transaction is recorded. The total net effect of these transactions is reflected in the combined carve-out statements of cash flows as a financing activity and in the combined carve-out statements of financial position as net parent investment. Net parent investment represents

the Financial & Risk Business' cumulative earnings as adjusted for cash distributions to Thomson Reuters and capital contributions from Thomson Reuters.

In the predecessor period, income tax expense has been recorded as if the Financial & Risk Business filed tax returns on a stand-alone basis separate from Thomson Reuters. This separate return methodology applies the accounting guidance for income taxes to the combined carve-out financial statements as if the Financial & Risk Business was a stand-alone enterprise for the periods presented. Prior to the carve-out, Refinitiv's operating results were included in Thomson Reuters' consolidated U.S. federal and state income tax returns or non-U.S. jurisdiction tax returns. The calculation of Refinitiv's income taxes involves considerable judgment and the use of both estimates and allocations. Therefore, the tax liabilities and current and deferred taxes included in the combined financial information of Refinitiv for the year ended 31 December 2018 may not be reflective of actual tax balances that were included in Thomson Reuters' consolidated filings prior to the carve-out.

Additionally, Refinitiv incurred a significant amount of indebtedness in connection with the consummation of the Separation Transactions, and its total indebtedness and related interest expense is significantly higher than they were prior to the 2018 Transaction. See "*—Recent Developments—Refinancing of Refinitiv's indebtedness*".

## DESCRIPTION OF KEY CONSOLIDATED INCOME STATEMENT ITEMS OF LSEG

**The following is a discussion of the key consolidated income statement line items of LSEG, presented on an "underlying" basis.**

### Total income

Total income is comprised of revenues, net treasury income from CCP clearing business and other income:

- *Revenue*: The main source of LSEG's revenue is fees for services provided. Revenue is measured based on the consideration specified in a contract with a customer. Amounts deducted from revenue relate to (i) discounts, (ii) value added tax and other sales-related taxes, and (iii) revenue share arrangements whereby as part of an operating agreement amounts received by LSEG less any pass-through costs due to LSEG. LSEG recognises revenue as services are performed and as it satisfies its obligations to provide a product or service to a customer;

  *Revenue by segment*

  LSEG is organised into operating units based on its service lines and has five reportable segments: "Information Services", "Post Trade", "Capital Markets", "Technology Services" and "Other". In the years ended 31 December 2019 and 2018, the "Post Trade" was split into two segments: "Post Trade Services–LCH" and "Post Trade Services–CC&G and Monte Titoli" (see "*Presentation of Financial and Other Information—Historical Financial Information—Segmental financial information*"). These segments generate revenue in the following areas:

  - "Information Services": subscription and licence fees for data and index services provided;
  - "Post Trade": (i) Post Trade Services–LCH: fees based on CCP and clearing services provided and non-cash collateral management; and (ii) Post Trade Services–CC&G and Monte Titoli: clearing fees based on trades and contracts cleared, and fees from settlement and custody services;
  - "Capital Markets": admission fees from initial listing and further capital raises, annual fees charged for securities listed on LSEG's markets, and fees from secondary market services;
  - "Technology Services": capital markets software licences and related IT infrastructure, network connection and server hosting services; and
  - "Other": events and media services.

- *Net treasury income from CCP clearing business*: Includes net treasury income earned on margin and default funds, held as part of the risk management process ("**Net Treasury Income**"). Net Treasury Income is the result of interest earned on cash assets lodged with the clearing house, less interest paid to the members on their margin and default fund contributions; and

- *Other income*: Fees are generated from the provision of events and media services, and are typically recognised as revenue at the point the service is rendered and becomes payable when invoiced.

**Cost of sales**

Cost of sales comprises data and licence fees, data feed costs, expenses incurred in respect of revenue share arrangements and costs incurred in the MillenniumIT business that are directly attributable to the construction and delivery of customers' goods or services, and any other costs linked and directly incurred to generate revenues and provide services to customers.

Revenue share expenses presented within cost of sales relate to arrangements with customers where the revenue share payment is not limited to the amount of revenues receivable from the specific customer.

**Gross profit**

Gross profit is calculated as total income less cost of sales.

**Expenses**

LSEG's expenses are comprised of:

- *Operating expenses before depreciation, amortisation and impairment*. Operating expenses before depreciation, amortisation and impairment comprise staff costs, IT costs and other day to day running costs of the business.

- *Income from equity investments.* Income from equity investments comprises LSEG's income from its 4.92% share in Euroclear, which was acquired in January 2019.

- *Share of loss after tax of associates*. Share of loss after tax of associates primarily reflects LSEG's 43.71% minority share of the loss after tax of CurveGlobal, as well as LSEG's share of the results on its other associates, including the HUB Exchange funding platform and AcadiaSoft Inc.

**Earnings before interest, tax, depreciation, amortisation and impairment**

Earnings before interest, tax, depreciation and amortisation is calculated as gross profit *plus* income from equity investments, *less* operating expenses before depreciation, amortisation and impairment and share of loss after tax of associates.

**Depreciation, amortisation and impairment**

Depreciation represents charges recognised against property, plant and equipment assets. Amortisation represents charges recognised against self-developed software intangible assets, purchased intangibles and goodwill. Impairments may also be recognised against either of these asset classes.

**Operating profit**

Operating profit is calculated as net earnings before interest and tax.

**Net finance expense**

Net finance expense is calculated as finance income, *less* finance expense.

Finance income and expense comprises interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial period and calculated using the effective interest rate method. In conditions where negative interest rates apply, LSEG recognises interest paid on cash deposits as an expense and interest received on liabilities as income. Recurring fees and charges levied on committed bank facilities, cash management transactions and the payment services provided by LSEG's banks are charged to the income statement as accrued. Credit facility arrangement fees are capitalised and then amortised back to the income statement over the term of the facility subject to projected utilisation. Fees and charges are included within other finance costs. Fair value gains and losses on financial instruments include the movement in the market valuations of derivative instruments held as fair value hedges.

**Profit before tax**

Profit before tax is calculated as operating profit, *less* net finance expense.

**Taxation expense**

Tax expense represents tax charges levied on the Group's profits in the jurisdictions in which it operates.

**Profit for the year**

Profit for the year is calculated as profit before tax less taxation expense.

DESCRIPTION OF KEY CONSOLIDATED INCOME STATEMENT ITEMS OF REFINITIV

**The following is a discussion of the key consolidated income statement line items of Refinitiv, presented on an "underlying" basis.**

**Revenue**

Refinitiv generates revenue from selling information, software and services. Revenue is measured based on the consideration specified in a contract with a customer. Amounts deducted from revenue relate to discounts, value added tax, and other sales related taxes. Refinitiv recognises revenue when control of Refinitiv's products or services is transferred to customers.

Refinitiv's revenue is split between: (i) Recurring revenues, which represent a majority of Refinitiv's revenues and primarily consist of fees to access products or services delivered electronically over time for both desktop and non-desktop services, (ii) Transactions revenues, which are recognised primarily at a point in time when control transfers and based on their type such as volume-based fees relating to trading and currency and other professional fees from service and consulting arrangements, and (iii) Recoveries/Other revenues, which consist of fees for third-party content, such as exchange data that Refinitiv distributes directly to its customers, and communications fees.

**Cost of sales**

Cost of sales relates to the production and servicing of Refinitiv's offerings, including the production and maintenance of data, third-party content fees, exchange fees, production and distribution costs, and royalty fees.

**Gross profit**

Gross profit is calculated as revenue less cost of sales.

**Operating expenses before depreciation and amortisation**

Operating expenses comprise staff costs, IT costs and other day to day running costs of the business.

**Share of profit after tax of associates**

Share of profit after tax of associates comes from Refinitiv's after tax earnings on certain equity investments.

**Earnings before interest, tax, depreciation, amortisation and impairment**

Earnings before interest, tax, depreciation, amortisation and impairment is calculated as gross profit, *plus* share of profit after tax of associates *less* operating expenses before depreciation, amortisation and impairment.

**Depreciation, amortisation and impairment**

Depreciation expense relates to computer hardware, buildings and building improvements and furniture, fixtures and equipment. Amortisation expense relates to developed software, purchased software, contract cost assets and purchased intangible assets. Impairments may also be recognised against any of these asset classes.

**Operating income**

Operating profit is calculated as earnings before interest and tax.

**Finance income and expense**

Finance income and expense comprise interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial period and calculated using the effective interest rate method.

Recurring fees and charges levied on committed bank facilities, the cash management transactions, and the payment services provided by Refinitiv's banks, are charged to the income statement as accrued. Credit facility arrangement fees are capitalised and then amortised back to the income statement over the term of the facility subject to projected utilisation. Fees and charges are included within other finance costs.

Fair value gains and losses on financial instruments include the movement in the market valuations of derivative instruments not held as cash flow hedges.

**Profit before tax**

Profit before tax is calculated as operating profit and finance income *less* finance expense.

**Taxation**

Tax expense represents tax charges levied on the Refinitiv's profits in the jurisdictions in which it operates.

**Profit for the year**

Profit for the year is calculated as profit before tax less taxation expense.

**CONSOLIDATED RESULTS OF OPERATIONS OF LSEG**

The table below sets out consolidated results of operations of LSEG on an "underlying" basis only for the years indicated (see "*Presentation of Financial Information—Historical Financial Information—Presentation of Consolidated Income Statement Data*" and "*Selected Financial Information—Selected Consolidated Historical Financial Information of LSEG*"):

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | | (£ million) | |
| Revenue | 2,124 | 2,056[3] | 1,911 |
| Net treasury income from CCP clearing business | 319 | 255 | 218 |
| Other income | 1 | 3 | 6 |
| **Total income** | **2,444**[1] | **2,314** | **2,135** |
| Cost of sales | (224) | (210) | (227) |
| **Gross profit** | **2,220**[2] | **2,104** | **1,908** |
| **Expenses** | | | |
| Operating expenses before depreciation, amortisation and impairment | (887) | (839) | (834) |
| Income from equity investments | - | 7 | — |
| Share of loss after tax of associates | (4) | (7) | (8) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | **1,329** | **1,265** | **1,066** |
| Depreciation, amortisation and impairment | (211) | (200)[4] | (135) |
| **Operating profit** | **1,118** | **1,065** | **931** |
| Finance income | 7 | 14 | 13 |
| Finance expense | (64) | (85)[5] | (79) |
| **Net finance expense** | **(57)** | **(71)** | **(66)** |
| **Profit before tax** | **1,061** | **994** | **865** |
| Taxation | (257) | (236) | (187) |
| **Profit for the year** | **804** | **758** | **678** |

**Note:**

(1) 40% of LSEG's revenue for the year ended 31 December 2020 was generated in sterling, 28% in U.S. dollars, 30% in euro and 2% in other currencies.

(2) 42% of LSEG's underlying expenses in the year ended 31 December 2020 were incurred in sterling, 33% in euro, 19% in U.S. dollars and 6% in other currencies.
(3) Includes a one-off credit of £32 million due to the adoption of IFRS 15 in respect of LSEG's admission and listing services fees.
(4) Includes £26 million related to the adoption of IFRS 16. See "*—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*" and "*Presentation of Financial and Other Data—Adoption of IFRS 16*".
(5) Includes £4 million related to the adoption of IFRS 16. See "*—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*" and "*Presentation of Financial and Other Data—Adoption of IFRS 16*".

**Comparison of consolidated results of operations of LSEG for the years ended 31 December 2020, 2019 and 2018**

**On an "underlying" basis only**

***Total income***

LSEG's total income for the year ended 31 December 2020 was £2,444 million, compared with £2,314 million for the year ended 31 December 2019, an increase of 5.6%. This increase was primarily driven by an increase in revenue of £68 million, or 3.3%, and an increase of £64 million, or 25.1%, in net treasury income from CCP clearing business, and was partially offset by a decrease of £2 million, or 66.7%, in other income. The increase in revenue was primarily due to increases in revenue in the "Information Services" and "Post Trade" segments discussed below. The increase in net treasury income from CCP clearing business was primarily due to increases in average collateral held throughout the year.

LSEG's total income for the year ended 31 December 2019 was £2,314 million, compared with £2,135 million for the year ended 31 December 2018, an increase of 8.4%. This increase was primarily driven by an increase in revenue of £145 million, or 7.6%, and an increase of £37 million, or 17.0%, in net treasury income from CCP clearing business, and was partially offset by a decrease of £3 million, or 50.0%, in other income. The increase in revenue was primarily due to increases in revenue in the "Information Services", "Post Trade—LCH" and "Post Trade—CC&G and Monte Titoli" segments discussed below. The increase in net treasury income from CCP clearing business was primarily due to increases in collateral held as a result of increased trading volumes.

*Revenue by segment*

The table below sets out the revenue of LSEG's historical reporting segments, by business line and after inter-segmental eliminations, for the years indicated:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | | (£ million) | |
| **Revenue** | | | |
| Information Services[1] | 882[2] | 902 | 841 |
| Post Trade[1] | 751 | — | — |
| Post Trade Services—LCH[1] | — | 550 | 487 |
| Post Trade Services—CC&G and Monte Titoli[1] | — | 103 | 102 |
| Capital Markets | 427 | 426[3] | 407 |
| Technology Services | 61 | 66 | 65 |
| Other | 3 | 9 | 9 |
| **Total revenue** | **2,124** | **2,056** | **1,911** |

Note:

(1) Starting 1 January 2020, LSEG introduced its new "Post Trade" segment, which includes the results of its former "Post Trade Services—LCH" and "Post Trade Services—CC&G and Monte Titoli" segments, as well as the results of UnaVista, which was previously reported as part of its "Information Services" segment. See "*Presentation of Financial and Other Information—Historical Financial Information—Segmental reporting*".
(2) Excludes £54 million of revenue generated by UnaVista.
(3) Includes a one-off credit of £32 million due to the adoption of IFRS 15 in respect of LSEG's admission and listing services fees.

*Information Services segment*

Revenue in the "Information Services" segment for the year ended 31 December 2020 was £882 million, compared with £902 million for the year ended 31 December 2019, a decrease of 2.2%. UnaVista, which was reported as part of the "Post Trade" segment from 1 January 2020, generated £54 million revenue for the year ended 31 December 2020. Therefore, had UnaVista continued to be reported as part of the "Information Services" segment, its segmental revenue would have increased by £34 million, or 3.8%. The segment's non-UnaVista business revenue increased primarily due to good subscription renewal rates.

Revenue in the "Information Services" segment for the year ended 31 December 2019 was £902 million, compared with £841 million for the year ended 31 December 2018, an increase of 7.3%. This increase was primarily driven by increases in revenue from FTSE Russell of £57 million, or 9.6% due to strong subscription renewal rates and data sales, as well as increases in average AUM levels in benchmarked ETFs and other investable products. Revenue from real time data increased by £3 million, or 3.2%, driven by increased licence sales and partially offset by a decline in the number of terminals. Income from other information increased slightly by £1 million, or 0.6%, with recurring licence growth in data products largely offset by a decline in transactional revenues in UnaVista.

*Post Trade segment*

Revenue in the "Post Trade" segment for the year ended 31 December 2020 was £751 million, compared with a combined revenue of £653 million for the year ended 31 December 2019 in the previously reported "Post Trade Services—LCH" and "Post Trade Services—CC&G and Monte Titoli" segments, an increase of 15.0%. Excluding the £54 million of UnaVista's revenue, which were reclassified from the "Information Services" segment from 1 January 2020, the "Post Trade" segment's revenue for the year ended 31 December 2020 would have increased by £44 million, or 6.7%, compared with a combined revenue in the previously reported "Post Trade Services—LCH" and "Post Trade Services—CC&G and Monte Titoli" segments for the year ended 31 December 2019. This increase was primarily driven by a £24 million increase in non-OTC clearing revenue due to higher volumes as a result of increased market volatility and an increase of £15 million in revenue from compression services and non-cash collateral management fees.

Revenue in the historical "Post Trade Services—LCH" segment for the year ended 31 December 2019 was £550 million, compared with £487 million for the year ended 31 December 2018, an increase of 12.9%. This increase was primarily driven by increases in OTC clearing revenues of £39 million, or 14.6%, due to an increase in client trade volume on SwapClear and membership growth in ForexClear. Non-OTC clearing revenues increased by £4 million, or 2.9%, primarily due to growth in RepoClear, which was driven by growth in the underlying Repo market. Net Treasury Income increased by £31 million, or 17.7%, reflecting an increase in average cash collateral driven by volumes cleared and market volatility. Other revenues increased by £20 million, or 24.1%.

Revenue in the historical "Post Trade Services—CC&G and Monte Titoli" segment for the year ended 31 December 2019 was £103 million, compared with £102 million for the year ended 31 December 2018, an increase of 1.0%. CC&G clearing revenues increased by £2 million, or 4.8%, due primarily to growth in bond clearing volumes and higher guarantee deposit fees and fails commissions. Revenues from settlement, custody and other income decreased slightly by £1 million, or 1.6%, due to lower settlement revenues resulting from a decrease in settlement instructions, partially offset by a rise in custody revenues due to an increase in assets under custody.

*Capital Markets segment*

Revenue in the "Capital Markets" segment for the year ended 31 December 2020 was £427 million, compared with £426 million for the year ended 31 December 2019, an increase of 0.2%. Excluding the one-off £32 million impact of the balance sheet adjustments under IFRS 15 in 2019, the underlying revenue increased by £33 million, or 8.3%. This increase was primarily driven by an increase of £20 million, or 13.2%, in Secondary Markets—Equities and an increase of £12 million, or 10.1%, in Primary Markets (excluding IFRS 15 impact). The underlying revenue growth in Primary Markets was driven by the total amount of capital raised across the Group's markets, through new and further issues, which increased by 91% in 2020. Secondary Markets revenue is directly linked to average orderbook daily value traded, which increased by 4% to £4.9 billion in 2020 from £4.7 billion in 2019 as a result of the Covid-19 pandemic driving increased trading amidst heightened market volatility, particularly in March and November of 2020.

Revenue in the "Capital Markets" segment for the year ended 31 December 2019 was £426 million, compared with £407 million for the year ended 31 December 2018, an increase of 4.7%. This increase was primarily driven by an increase in revenue from Primary Markets of £38 million, or 33.6%, four new admissions each raising over

£1 billion and an increase in the average market capitalisation of companies joining LSEG's UK markets, as well as a £32 million increase in revenue due to the adoption of IFRS 15. This was partially offset by decreases in revenue from Secondary Markets–equities of £18 million, or 10.6%, and Secondary Markets—fixed income, derivatives and other of £1 million, or 0.8%, which were primarily due to a decline in UK average order book daily value as well as lower volumes in European and Italian equity trading.

_Technology Services segment_

Revenue in the "Technology Services" segment for the year ended 31 December 2020 was £61 million, compared with £66 million for the year ended 31 December 2019, a decrease of 7.6%. This decrease was primarily driven by Covid-19 challenges and the Group's focus on delivering internal technology requirements.

Revenue in the "Technology Services" segment for the year ended 31 December 2019 was £66 million, compared with £65 million for the year ended 31 December 2018, an increase of 1.5%, primarily driven by an expanding product suite and higher sales volumes.

_Other revenue_

Other revenue for the year ended 31 December 2020 was £3 million, compared with £9 million for the year ended 31 December 2019 a decrease of 66.7%.

Other revenue for the year ended 31 December 2019 was £9 million, compared with £9 million for the year ended 31 December 2018.

***Cost of sales***

LSEG's cost of sales for the year ended 31 December 2020 was £224 million, compared with £210 million for the year ended 31 December 2019, an increase of 6.7%. This increase was primarily driven by an increase of £23 million, or 19.0% in the "Post Trade" segment for the year ended 31 December 2020 of £144 million, compared with a combined cost of sales of £121 million in the previously reported "Post Trade Services—LCH" and "Post Trade Services—CC&G and Monte Titoli" segments, due to costs required to generate additional revenue in the year, which was partially offset by small decreases in the "Information Services" segment and the "Capital Markets" segment.

LSEG's cost of sales for the year ended 31 December 2019 was £210 million, compared with £227 million for the year ended 31 December 2018, a decrease of 7.5%. This decrease was primarily driven by decreases in the cost of sales of £11 million, or 68.8%, in the "Capital Markets" segment due to commercial policy changing from a rebate model to a discount scheme; £9 million, or 7.3%, in "Post Trade Services—LCH" segment due to the updated revenue share agreement coming into force; and £2 million, or 22.2% in "Technology Services" segment, which were partially offset by an increase in cost of sales £4 million, or 5.7%, in "Information Services" primarily due to increased data and partnership costs.

***Gross profit***

LSEG's gross profit for the year ended 31 December 2020 was £2,220 million, compared with £2,104 million for the year ended 31 December 2019, an increase of 5.5%, due to the factors mentioned above.

LSEG's gross profit for the year ended 31 December 2019 was £2,104 million, compared with £1,908 million for the year ended 31 December 2018, an increase of 10.3%, due to the factors mentioned above.

***Operating expenses before depreciation, amortisation and impairment***

LSEG's operating expenses before depreciation, amortisation and impairment for the year ended 31 December 2020 were £887 million, compared with £839 million for the year ended 31 December 2019, an increase of 5.7%. This increase was primarily driven by spending to support LSEG's growth through the development of new products and achieving a route to market in its income generating segments. IT spending also increased to support the resilience of LSEG's infrastructure and the adoption of transformative technology, including enhanced cyber security and increased use cloud-based services. LSEG also increased its spending in non-IT related expenditure, including teams supporting market operations and corporate functions. LSEG incurred an additional £15 million of costs in donations to Covid-19 relief charities, additional holiday carryover for employees and impairments to sublease income, but made savings on travel, marketing events and facilities costs.

LSEG's operating expenses before depreciation, amortisation and impairment for the year ended 31 December 2019 were £839 million, compared with £834 million for the year ended 31 December 2018, a slight increase of 0.6%. This increase was primarily driven by salary and IT costs as LSEG continued to invest in new products and resilient infrastructure.

***Income from equity investments***

LSEG's income from equity investments for the year ended 31 December 2020 was £nil, compared with £7 million for the year ended 31 December 2019. This was a result of Euroclear delaying the payment of its annual dividend due to regulator concerns over the effects of the Covid-19 pandemic. Euroclear's 2020 dividend is currently expected to be received in 2021.

LSEG's income from equity investments for the year ended 31 December 2019 was £7 million, compared with £nil for the year ended 31 December 2018, reflecting LSEG's £7 million dividend from its 4.92% share in Euroclear, which was acquired in January 2019.

***Share of loss after tax of associates***

LSEG's share of loss after tax of associates for the year ended 31 December 2020 was £4 million, compared with £7 million for the year ended 31 December 2019, a decrease of 42.8%. This reflected LSEG's 43.71% minority share of the operating loss of CurveGlobal of £4 million in the year ended 31 December 2020, which decreased from an operating loss of £6 million in the year ended 31 December 2019, reflecting the continuing increase in CurveGlobal volumes.

LSEG's share of loss after tax of associates for the year ended 31 December 2019 was £7 million, compared with £8 million for the year ended 31 December 2018, a decrease of 12.5%. This reflected LSEG's 44.05% minority share of the operating loss of CurveGlobal of £6 million in the year ended 31 December 2019, which had decreased from an operating loss of £7 million in the year ended 31 December 2018, reflecting an increase in CurveGlobal volumes.

***Earnings before interest, tax, depreciation, amortisation and impairment***

LSEG's earnings before interest, tax, depreciation, amortisation and impairment for the year ended 31 December 2020 were £1,329 million, compared with £1,265 million for the year ended 31 December 2019, an increase of 5.1%, due to the factors mentioned above.

LSEG's earnings before interest, tax, depreciation, amortisation and impairment for the year ended 31 December 2019 were £1,265 million, compared with £1,066 million for the year ended 31 December 2018, an increase of 18.7%, due to the factors mentioned above.

***Depreciation, amortisation and impairment***

LSEG's depreciation, amortisation and impairment for the year ended 31 December 2020 was £211 million, compared with £200 million for the year ended 31 December 2019, an increase of 5.5%. This increase was driven by continuing capital expenditure and investment.

LSEG's depreciation, amortisation and impairment for the year ended 31 December 2019 was £200 million, compared with £135 million for the year ended 31 December 2018, an increase of 48.1%. This increase was attributable to charge of £26 million due to the adoption of IFRS 16 "Leases" (see "*—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*) and increased capital expenditure.

***Operating profit***

LSEG's operating profit for the year ended 31 December 2020 was £1,118 million, compared with an operating profit of £1,065 million for the year ended 31 December 2019, an increase of 5.0%, due to the factors mentioned above.

LSEG's operating profit for the year ended 31 December 2019 was £1,065 million, compared with an operating profit of £931 million for the year ended 31 December 2018, an increase of 14.4%, due to the factors mentioned above.

***Finance income***

LSEG's finance income for the year ended 31 December 2020 was £7 million, compared with £14 million for the year ended 31 December 2019, a decrease of 50.0%. This decrease was primarily driven by lower interest rates available for investments.

LSEG's finance income for the year ended 31 December 2019 was £14 million, compared with £13 million for the year ended 31 December 2018, an increase of 7.7%. This increase was driven by an increase of £1 million in bank deposit and other interest income in the year ended 31 December 2019.

***Finance expense***

LSEG's finance expense for the year ended 31 December 2020 was £64 million, compared with £85 million for the year ended 31 December 2019, a decrease of 24.7%. This decrease was primarily driven by a reduction in interest rates as a result of re-financing and the redemption of the £250 million bonds in late 2019.

LSEG's finance expense for the year ended 31 December 2019 was £85 million, compared with £79 million for the year ended 31 December 2018, an increase of 7.6%. This increase was primarily driven by the recognition of lease interest payable of £4 million as a finance expense in the year ended 31 December 2019 due to the adoption of IFRS 16 "Leases" (see "*—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*).

***Net finance expense***

LSEG's net finance expense for the year ended 31 December 2020 was £57 million, compared with £71 million for the year ended 31 December 2019, a decrease of 19.7%, due to the factors mentioned above.

LSEG's net finance expense for the year ended 31 December 2019 was £71 million, compared with £66 million for the year ended 31 December 2018, an increase of 7.6%, due to the factors mentioned above.

***Profit before tax***

LSEG's profit before tax for the year ended 31 December 2020 was £1,061 million, compared with a profit before tax of £994 million for the year ended 31 December 2019, an increase of 6.7%, due to the factors mentioned above.

LSEG's profit before tax for the year ended 31 December 2019 was £994 million, compared with a profit before tax of £865 million for the year ended 31 December 2018, an increase of 14.9%, due to the factors mentioned above.

***Taxation***

LSEG's taxation expense for the year ended 31 December 2020 was £257 million, compared with £236 million for the year ended 31 December 2019, an increase of 8.8%. This increase was primarily driven by a one-off increase in the rate resulting from disputes with overseas tax authorities. LSEG's effective tax rate for the year ended 31 December 2020 for underlying operations and excluding the effect of prior year adjustments was 24.4%.

LSEG's taxation expense for the year ended 31 December 2019 was £236 million, compared with £187 million for the year ended 31 December 2018, an increase of 26.2%. This increase was primarily driven by an increase in UK corporation tax of £31 million, or 58.5%, and an increase in overseas tax of £27 million, or 25.2%. The underlying tax charge includes several one-off items, which increased the rate, such as the write-off of irrecoverable deferred tax assets, a pension asset being subjected to a temporary higher rate of tax, increased exposure to US state taxes and a one-off increase in U.S. federal tax arising from changes in the U.S. legislation. LSEG's effective tax rate for the year ended 31 December 2019 was 23.7%.

***Profit for the year***

LSEG's profit for the year ended 31 December 2020 was £804 million, compared with a profit of £758 million for the year ended 31 December 2019, an increase of 6.1%, due to the factors mentioned above.

LSEG's profit for the year ended 31 December 2019 was £758 million, compared with a profit of £678 million for the year ended 31 December 2018, an increase of 11.8%, due to the factors mentioned above.

**COMBINED RESULTS OF OPERATIONS OF REFINITIV**

The table below sets out combined results of operations of Refinitiv on an "underlying" basis only for the years indicated (see "*Presentation of Financial Information—Historical Financial Information—Presentation of Consolidated Income Statement Data*" and "*Selected Financial Information—Selected Combined Historical Financial Information of Refinitiv*"):

| | Year ended 31 December | | Twelve months ended 31 December |
|---|---|---|---|
| | **2020** | **2019** | **2018 (combined)**[(1)] |
| | | (US$ million) | |
| **Revenue** | 6,513 | 6,250 | 6,205 |
| Cost of sales | (978) | (956) | (870) |
| **Gross profit** | **5,535** | **5,294** | **5,335** |
| Operating expenses before depreciation, amortisation and impairment | (2,809) | (2,976) | (3,268) |
| Share of profit after tax of associates | - | 2 | 1 |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | **2,726** | **2,320** | **2,068** |
| Depreciation, amortisation and impairment | (769) | (659)[(2)] | (555) |
| **Operating income** | **1,957** | **1,661** | **1,513** |
| Finance income | 279 | 263 | 51 |
| Finance expense | (1,114) | (966)[(3)] | (238) |
| **Profit before tax** | **1,122** | **958** | **1,326** |
| Taxation | (491) | (243) | (363) |
| **Profit for the year** | **631** | **715** | **963** |

Notes:

(1) Represents a combination of (i) for the period from 1 January 2018 to 30 September 2018, the combined financial information of the Thomson Reuters Financial & Risk Business; and (ii) for the period from 30 September 2018 to 31 December 2018, the combined financial information of Refinitiv. See Note 1 in Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular. See also "*Presentation of Financial and Other Information—Historical Financial Information—Refinitiv*".

(2) Includes US$173 million related to the adoption of IFRS 16. See "*Operating and Financial Review—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*" and "*Presentation of Financial and Other Data—Adoption of IFRS 16*".

(3) Includes US$35 million related to the adoption of IFRS 16. See "*Operating and Financial Review—Key Factors Affecting the Comparability of Results Across Periods—Adoption of IFRS 16*" and "*Presentation of Financial and Other Data—Adoption of IFRS 16*".

## Comparison of combined results of operations of Refinitiv for the years ended 31 December 2020 and 2019 and the combined twelve-month period ended 2018

### On an "underlying" basis only

#### *Revenue*

Refinitiv's revenue for the year ended 31 December 2020 was US$6,513 million, compared with US$6,250 million for the year ended 31 December 2019, an increase of 4.2%. This increase was driven by 2.6% growth in Recurring revenues primarily due to price increases, 11.2% growth in Transactions revenues primarily due to increase in market volatility on year-over-year basis and 4.3% in Recoveries/Other revenues.

On a geographic basis, 38% of Refinitiv's revenue for the year ended 31 December 2020 was generated in the U.S., 39% in the Europe, Middle East and Africa region (including 15% in the UK), 19% in the Asia Pacific region and 4% in the other Americas region.

On a constant currency basis, revenue increased by 3.5% in the year ended 31 December 2020, driven primarily by Transaction revenue growth. Recurring revenues increased by 2.2%, Transaction revenues increased by 12.0% and Recoveries/Other revenues decreased 2.1%.

Refinitiv's revenue for the year ended 31 December 2019 was US$6,250 million, compared with US$6,205 million for the combined twelve-month period ended 31 December 2018, an increase of 0.7%. The increase was driven by growth of 0.5% in Recurring revenues primarily due to price increases partially offset by foreign currency impacts and 7.1% in Transaction revenues primarily due to increase in market volatility on year-over-year basis. These were partially offset by 10.3% decline in Recoveries/Other revenue.

On a constant currency basis, revenue increased by 2.7% in the year ended 31 December 2019, driven primarily by Recurring and Transaction revenue growth. Recurring revenues increased by 1.8%, Transaction revenues increased by 8.5%, and Recoveries / Other revenues increased by 0.2%.

***Cost of sales***

Refinitiv's cost of sales for the year ended 31 December 2020 was US$978 million, compared with US$956 million for the year ended 31 December 2019, an increase of 2.3%. This increase was driven by higher data costs for the year ended 31 December 2020.

Refinitiv's cost of sales for the year ended 31 December 2019 was US$956 million, compared with US$870 million for the combined twelve-month period ended 31 December 2018, an increase of 9.9%. This increase was driven by the impact of the reclassification to cost of sales from "Allocation of costs from Thomson Reuters and affiliates" of certain costs, such as news content costs, as well as the cost of client facing platforms, communication and networks and other information technology items.

***Gross profit***

Refinitiv's gross profit for the year ended 31 December 2020 was US$5,535 million, compared with US$5,294 million for the year ended 31 December 2019, an increase of 4.6%, due to the factors mentioned above.

Refinitiv's gross profit for the year ended 31 December 2019 was US$5,294 million, compared with US$5,335 million for the combined twelve-month period ended 31 December 2018, a decrease of 0.8%, due to the factors mentioned above.

***Operating expenses before depreciation, amortisation and impairment***

Refinitiv's operating expenses before depreciation, amortisation and impairment for the year ended 31 December 2020 were US$2,809 million, compared with US$2,976 million for the year ended 31 December 2019, a decrease of 5.6%. This decrease was driven primarily by a US$39 million decrease in outside services costs, a US$28 million decrease in marketing and promotion costs, a US$24 million decrease in maintenance and repair costs, a US$16 million decrease in people related costs, and by smaller decreases in other cost categories all resulting from Refinitiv's Cost Saving Programme.

Refinitiv's operating expenses before depreciation, amortisation and impairment for the year ended 31 December 2019 were US$2,976 million, compared with US$3,268 million for the combined twelve-month period ended 31 December 2018, a decrease of 8.9%. No costs from Thomson Reuters and affiliates were allocated for the year ended 31 December 2019 (as the 2018 Transaction was completed on 1 October 2018), whereas they were US$1,043 million for the combined twelve-month period ended 31 December 2018. Some of these costs continued to occur in 2019, such as the purchase of news content, but were included in cost of sales, while others were eliminated. In addition, the reduction of these costs was partially due to Refinitiv's Cost Saving Programme.

***Earnings before interest, tax, depreciation, amortisation and impairment***

Refinitiv's earnings before interest, tax, depreciation, amortisation and impairment for the year ended 31 December 2020 were US$2,726 million, compared with US$2,320 million for the year ended 31 December 2019, an increase of 17.5%, due to the factors mentioned above.

Refinitiv's earnings before interest, tax, depreciation, amortisation and impairment for the year ended 31 December 2019 were US$2,320 million, compared with US$2,068 million for the combined twelve-month period ended 31 December 2018, an increase of 12.2%, due to the factors mentioned above.

***Depreciation, amortisation and impairment***

Refinitiv's depreciation, amortisation and impairment for the year ended 31 December 2020 was US$769 million, compared with US$659 million for the year ended 31 December 2019, an increase of 16.7%. This increase was driven primarily by US$36 million increase in amortisation of computer software internally developed, US$35 million increase in depreciation of computer hardware, and US$13 million increase in amortisation of computer software purchased.

Refinitiv's depreciation, amortisation and impairment for the year ended 31 December 2019 was US$659 million, compared with US$555 million for the combined twelve-month period ended 31 December 2018, an increase of 18.7%. This increase was due primarily to a US$151 million increase in depreciation of building, building improvements and right-of-use assets, partially offset by a US$63 million decrease in amortisation of computer software internally developed.

***Operating income***

Refinitiv's income from operations for the year ended 31 December 2020 was US$1,957 million, compared with an income of US$1,661 million for the year ended 31 December 2019, an increase of 17.8%, due to the factors mentioned above.

Refinitiv's income from operations for the year ended 31 December 2019 was US$1,661 million, compared with an income from operations of US$1,513 million for the combined twelve-month period ended 31 December 2018, an increase of 9.8%, due to the factors mentioned above.

***Finance income***

Refinitiv's finance income for the year ended 31 December 2020 was US$279 million, compared with US$263 million for the year ended 31 December 2019, an increase of 6.1%. This increase was driven by gains due to changes in foreign currency impacting internal lending which has been partially offset by a reduction in income received on derivatives, due to a reduction in LIBOR rates.

Refinitiv's finance income for the year ended 31 December 2019 was US$263 million, compared with US$51 million for the combined twelve-month period ended 31 December 2018, an increase of 415.7%. This primarily due to a modification gain of US$128 million resulting from the repricing of the USD term loan facility under the Refinitiv Credit Agreement in the year ended 31 December 2019 and an increase of US$65 million of income in interest receivable on swaps.

***Finance expense***

Refinitiv's finance expense for the year ended 31 December 2020 was US$1,114 million, compared with US$966 million for the year ended 31 December 2019, an increase of 15.3%. This increase was driven by losses due to changes in foreign currency impacting external euro denominated debt, which has been partially offset by a modification gain resulting from the repricing of the Refinitiv Euro Loan Facility in January 2020 and reduction of interest expense due to the reduction of LIBOR rates.

Refinitiv's finance expense for the year ended 31 December 2019 were US$966 million, compared with US$238 million for the combined twelve-month period ended 31 December 2018, an increase of 305.9%. This was primarily due to interest expense on borrowings related to the 2018 Transaction.

***Profit before tax***

Refinitiv's profit before tax for the year ended 31 December 2020 was US$1,122 million, compared with a profit before tax of US$958 million for the year ended 31 December 2019, an increase of 17.1%, due to the factors mentioned above.

Refinitiv's profit before tax for the year ended 31 December 2019 was US$958 million, compared with a profit before tax of US$1,326 million for the combined twelve-month period ended 31 December 2018, a decrease of 27.8%, due to the factors mentioned above.

***Taxation***

Refinitiv recognised an income tax charge for the year ended 31 December 2020 of US$491 million, compared with an income tax charge of US$243 million for the year ended 31 December 2019, an increase of 102.1%. This change was primarily attributable to the change in valuation allowance whereby Refinitiv does not expect to benefit from its net operating losses in the United States and United Kingdom. Refinitiv's effective tax rate for the year ended 31 December 2020 was 43.8%.

Refinitiv recognised an income tax charge for the year ended 31 December 2019 of US$243 million, compared with an income tax charge of US$363 million for the combined twelve-month period ended 31 December 2018, a decrease of 33.1%. This change was primarily due to a significant reduction in pre-tax income for the year ended 31 December 2019 compared with the pre-tax income for the combined twelve months ended 31 December 2018. Refinitiv's effective tax rate for the year ended 31 December 2019 was 25.4%.

***Profit for the year***

Refinitiv's profit for the year ended 31 December 2020 was US$631 million, compared with a profit of US$715 million for the year ended 31 December 2019, a decrease of 11.7%, due to the factors mentioned above.

Refinitiv's profit for the year ended 31 December 2019 was US$715 million, compared with a profit of US$963 million for the combined twelve-month period ended 31 December 2018, a decrease of 25.8%, due to the factors mentioned above.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

The Group's priorities in its use of capital resources include: responding to customers' and partners' needs for seamless access across the financial markets value chain on a global scale; developing innovative data, analytics, indices and IP for customers, providing efficient access to support capital raising and trading across asset classes and delivering a technology and operating model focused on enabling simplified access for customers to the Group's products and services.

LSEG's historical sources of liquidity include its cash flows from operations, its cash balances and its existing facilities. LSEG's business continued to be strongly cash generative during the year ended 31 December 2020, with net cash inflow from operating activities of £972 million. LSEG's operations generated a net cash inflow of £837 million and £722 million in the years ended 31 December 2019 and 2018, respectively.

Refinitiv's historical sources of liquidity include its cash flows from operations, its cash balances and its existing facilities and external notes. In the twelve-month period ended 31 December 2018, prior to the Separation Transactions, Refinitiv's sources of liquidity also included investments from Refinitiv Holdings and Thomson Reuters. Refinitiv's business continued to be cash generative during the year ended 31 December 2020, with net cash inflow from operations of U.S.$1,436 million. Refinitiv's operations generated a net cash inflow of U.S.$896 million and $1,580 in the years ended 31 December 2019 and 2018, respectively.

### Cash flows – LSEG

The following table sets out the consolidated cash flow statement of LSEG for the years indicated:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | | (£ million) | |
| **Cash flow from operating activities** | | | |
| Cash generated from operations | 1,283 | 1,089 | 969 |
| Interest received | 4 | 6 | 3 |
| Interest paid | (78) | (103) | (76) |
| Royalties paid | (1) | (2) | (2) |
| Corporation tax paid | (232) | (153) | (173) |
| Withholding tax (paid)/received | (4) | — | 1 |
| **Net cash inflow from operating activities** | **972** | **837** | **722** |
| **Cash flow from investing activities** | | | |

| | Year ended 31 December | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (£ million) | | |
| Purchase of property, plant and equipment | (33) | (41) | (50) |
| Purchase of intangible assets | (189) | (154) | (144) |
| Proceeds from sale of businesses | 29 | 30 | 58 |
| Cash disposed as part of the sale of businesses | - | — | (2) |
| Acquisition of business, net of cash acquired | - | (14) | 3 |
| Investment in associates | - | (11) | (28) |
| Investments in financial assets classed as FVOCI | (2) | (247) | — |
| Investment in government bonds | - | (3) | — |
| Proceeds from divestment of government bonds | 2 | — | — |
| **Net cash outflow from investing activities** | **(193)** | **(440)** | **(163)** |
| **Cash flow from financing activities** | | | |
| Dividends paid to shareholders | (257) | (221) | (189) |
| Dividends paid to non-controlling interests | (21) | (40) | (42) |
| Purchase of non-controlling interests | - | (9) | (452) |
| Purchase of own shares by the employee benefit trust | (4) | (5) | (4) |
| Proceeds from exercise of employee share options | 10 | 5 | 7 |
| Investment in convertible debt | - | (4) | — |
| Loan to associate | - | (1) | — |
| Arrangement fees paid | (4) | — | (4) |
| Proceeds from the issue of bonds | - | — | 445 |
| Bond repayment | - | (250) | — |
| Net (repayments)/proceeds from the issue of commercial paper | (101) | — | 255 |
| Repayments made towards bank credit facilities | (127) | (35) | (489) |
| Additional drawdowns from bank credit facilities | 4 | 261 | — |
| Trade finance loans received | 1 | — | — |
| Principal element of lease payments (2018: Payments towards lease obligations) | (43) | (41) | (2) |
| **Net cash outflow from financing activities** | **(542)** | **(340)** | **(475)** |
| **Increase in cash and cash equivalents** | **237** | **57** | **84** |
| Cash and cash equivalents at beginning of year | 1,493 | 1,510 | 1,382 |
| Exchange (loss)/gain on cash and cash equivalents | 55 | (74) | 44 |
| **Cash and cash equivalents at end of year** | **1,785** | **1,493** | **1,510** |

***Net cash inflow from operating activities***

LSEG's net cash inflow from operating activities was £972 million for the year ended 31 December 2020, as compared with an inflow of £837 million for the year ended 31 December 2019, an increase of 16.1%. This increase was primarily due to an increase in cash generated from operations of £194 million and a decrease in net interest paid of £23 million. These were partially offset by an increase in corporation tax paid of £79 million.

LSEG's net cash inflow from operating activities was £837 million for the year ended 31 December 2019, as compared with an inflow of £722 million for the year ended 31 December 2018, an increase of 15.9%. This increase was primarily due to an increase in cash generated from operations of £120 million, or 12.4%, and a decrease in corporation tax paid of £20 million, or 11.6%. These were partially offset by an increase in interest paid of £27 million, or 35.5%.

***Net cash outflow from investing activities***

LSEG's net cash outflow from investing activities was £193 million for the year ended 31 December 2020, as compared with an outflow of £440 million for the year ended 31 December 2019, a decrease of 56.1%. This decrease was primarily due to there being no large investments in the year.

LSEG's net cash outflow from investing activities was £440 million for the year ended 31 December 2019, as compared with an outflow of £163 million for the year ended 31 December 2018, an increase of 169.9%. This increase was primarily due to LSEG's £244 million investment in Euroclear Holding SA/NV and its £7 million investment in Nivaura Limited.

*Net cash outflow from financing activities*

LSEG's net cash outflow from financing activities was £542 million for the year ended 31 December 2020, as compared with an outflow of £340 million for the year ended 31 December 2019, an increase of 59.4%. This increase was primarily due to debt repayments made in the year.

LSEG's net cash outflow from financing activities was £340 million for the year ended 31 December 2019, as compared with an outflow of £475 million for the year ended 31 December 2018, a decrease of 28.4%. This decrease was primarily due to a decrease in repayments toward bank credit facilities of £454 million, or 92.8%, as well as LSEG's £452 million purchase of non-controlling interests in the year ended 31 December 2018.

**Cash flows – Refinitiv**

The following table sets out the combined cash flow statement of Refinitiv for the periods indicated:

| | Year ended 31 December | | Twelve months ended 31 December |
|---|---|---|---|
| | **2020** | **2019** | **2018 (combined)**[1] |
| | | (US$ million) | |
| **Cash flow from operating activities** | | | |
| Cash generated from operations | 2,232 | 1,852 | 1,737 |
| Interest paid | (708) | (826) | (128) |
| Corporation tax paid | (88) | (130) | (23) |
| Withholding tax paid | — | — | (6) |
| **Net cash inflow from operating activities** | **1,436** | **896** | **1,580** |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | (125) | (194) | (160) |
| Purchase of intangible assets | (469) | (321) | (265) |
| Proceeds from sale of businesses | — | — | 6 |
| Proceeds from disposals of property and equipment | 10 | 2 | — |
| Acquisition of businesses | (805) | (70) | (16,626) |
| Other investing activities | 1 | 1 | — |
| **Net cash (outflow) from investing activities** | **(1,388)** | **(582)** | **(17,045)** |
| **Cash flow from financing activities** | | | |
| Dividends paid to non-controlling interests | (35) | (115) | (79) |
| Payroll taxes paid from share-based payment award exercises | (76) | (9) | — |
| Arrangement fee paid | (3) | (6) | — |
| Net transfers from Refinitiv Holdings/Thomson Reuters | — | — | 3,301 |
| Proceeds from the issuance of debt | 600 | 8 | 13,472 |
| Proceeds from exercise of awards | 101 | — | — |
| Principal element of lease payments | (146) | (139) | — |
| Repayment of term loans | (342) | (99) | — |
| Offering costs from follow-on offering | (3) | (15) | — |
| Debt issuance costs | — | — | (413) |
| **Net cash (outflow)/inflow from financing activities** | **96** | **(375)** | **16,281** |
| **Increase/(decrease) in cash and cash equivalents** | **144** | **(61)** | **816** |
| Cash and cash equivalents at beginning of year | 1,134 | 1,192 | 381 |
| Exchange (loss)/gain on cash and cash equivalents | (1) | 3 | (5) |
| **Cash and cash equivalents at end of year** | **1,277** | **1,134** | **1,192** |

Note:

(1) Represents a combination of (i) for the period from 1 January 2018 to 30 September 2018, the combined financial information of the Thomson Reuters Financial & Risk Business; and (ii) for the period from 30 September 2018 to 31 December 2018, the combined financial information of Refinitiv. See Note 1 in Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular. See also "*Presentation of Financial and Other Information—Historical Financial Information—Refinitiv*".

*Net cash inflow from operating activities*

Net cash inflow from operating activities was US$1,436 million for the year ended 31 December 2020, as compared with an inflow of US$896 million for the year ended 31 December 2019, an increase of 60.3%. This increase was primarily due to higher net earnings and working capital.

Refinitiv's net cash inflow from operating activities was US$896 million for the year ended 31 December 2019, as compared with an inflow of US$1,580 million for the twelve-month period ended 31 December 2018, a decrease of 43.3%. This decrease was primarily driven by lower net earnings and working capital, primarily from decreased payables, accruals and provisions, partially offset by an increase in depreciation and amortisation.

*Net cash outflow from investing activities*

Refinitiv's net cash outflow from investing activities was US$1,388 million for the year ended 31 December 2020, as compared with an outflow of US$582 million for the year ended 31 December 2019, an increase of 138.5%. This increase was primarily due to the acquisition of Giact Systems, LLC, and capital expenditures.

Refinitiv's net cash outflow from investing activities was US$582 million for the year ended 31 December 2019, as compared with an outflow of US$17,045 million for the twelve-month period ended 31 December 2018, a decrease of 96.6%. This decrease was due to the Separation Transactions in 2018.

*Net cash (outflow)/inflow from financing activities*

Refinitiv's net cash inflow from financing activities was US$96 million for the year ended 31 December 2020, as compared with an outflow of US$375 million for the year ended 31 December 2019, an increase of 125.6%. This increase was primarily due to US$350 million borrowings under the revolving credit facility of the Refinitiv Credit Agreement.

Refinitiv's net cash outflow from financing activities was US$375 million for the year ended 31 December 2019, as compared with an inflow of US$16,281 million for the twelve-month period ended 31 December 2018, a decrease of 102.3%. This decrease was due to the Separation Transactions in 2018.

**Capital expenditure – LSEG**

LSEG's capital expenditure for the periods under review focused on (i) investment for growth and efficiency, including investments in index and analytics, trading venue enhancements, a multi asset class clearing and risk platform, customer relationship management systems and property consolidation; and (ii) operational expenditures, including data centre consolidation, cloud migration and ongoing investment in technology updates and investment in systems, information security and resilience.

The table below sets out LSEG's capital expenditure for the years indicated:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | | (£ million) | |
| Capital expenditure | 222 | 195 | 194 |

LSEG's capital expenditures primarily comprised expenditures on internally generated Software and other intangibles, which amounted to £221 million for the year ended 31 December 2020; £206 million for the year ended 31 December 2019; and £187 million for the year ended 31 December 2018.

**Capital expenditure – Refinitiv**

Refinitiv's investment and expenditure programme seeks to enhance the business' customer offering in financial information and data. Refinitiv's capital expenditure, together with improvements in the business' operating expenditure programme, drove innovation, revenue growth and efficiency. Refinitiv's capital expenditure is a non-GAAP measure derived from the sum of purchase of property, plant and equipment and purchase of intangible assets of the combined cash flow statement for each of the periods presented.

The table below sets out Refinitiv's capital expenditure for the periods indicated:

| | Year ended 31 December | | Twelve months periods ended 31 December |
|---|---|---|---|
| | 2020 | 2019 | 2018 (combined)[(1)] |
| | | (US$ million) | |
| Capital expenditure | 594 | 515 | 425 |

Note:

(1) Represents a combination of (i) for the period from 1 January 2018 to 30 September 2018, the combined financial information of the Thomson Reuters Financial & Risk Business; and (ii) for the period from 30 September 2018 to 31 December 2018, the combined financial information of Refinitiv. See Note 1 in Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular. See also "*Presentation of Financial and Other Information—Historical Financial Information—Refinitiv*".

Refinitiv's capital expenditures primarily comprised expenditures on internally generated Software, which amounted to US$389 million for the year ended 31 December 2020; US$310 million for the year ended 31 December 2019; and US$300 million for the year ended 31 December 2018.

**Indebtedness and Contractual Obligations**

*Indebtedness of the Group*

In connection with the Refinitiv Acquisition, all Refinitiv's external indebtedness was refinanced. See "*Recent Developments—Refinancing of Refinitiv's indebtedness*".

For a discussion of the Group's current financing arrangements, see "*Description of Other Indebtedness*".

*Contractual obligations of LSEG*

The table below sets out maturities of LSEG's contract liabilities, by segment, as at the dates indicated:

| As at 31 December 2020 | Information Services | Post Trade | Capital Markets | Technology Services | Total |
|---|---|---|---|---|---|
| | | | (£ million) | | |
| Less than 1 year | 115 | 5 | 46 | 2 | 168 |
| More than 1 year, but less than 5 years | - | - | 87 | - | 87 |
| More than 5 years | - | - | 7 | - | 7 |
| **Total** | **115** | **5** | **140** | **2** | **262** |

| As at 31 December 2019 | Information Services | Post Trade Services—LCH | Post Trade Services—CC&G and Monte Titoli | Capital Markets | Technology Services | Total |
|---|---|---|---|---|---|---|
| | | | (£ million) | | | |
| Less than 1 year | 112 | 2 | — | 41 | 2 | 157 |
| More than 1 year, but less than 5 years | — | — | — | 75 | — | 75 |
| More than 5 years | — | — | — | 13 | — | 13 |
| **Total** | **112** | **2** | **—** | **129** | **2** | **245** |

| As at 31 December 2018 | Information Services | Post Trade Services—LCH | Post Trade Services—CC&G and Monte Titoli | Capital Markets | Technology Services | Total |
|---|---|---|---|---|---|---|
| | | | (£ million) | | | |
| Less than 1 year | 99 | 1 | 3 | 48 | 2 | 153 |
| More than 1 year, but less than 5 years | — | — | — | 78 | — | 78 |
| More than 5 years | — | — | — | 40 | — | 40 |
| **Total** | **99** | **1** | **3** | **166** | **2** | **271** |

*Contractual obligations of Refinitiv*

The table below sets out maturities of Refinitiv's contract liabilities, as at the dates indicated:

| | | **As at 31 December** | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | | US$ million | |
| Less than one year | 109 | 96 | 119 |
| More than one year but less than five years | 4 | 9 | 20 |
| More than five years | - | - | - |
| **Total** | **113** | **105** | **139** |

## Off-Balance Sheet Arrangements and Contingent Liabilities

LSEG does not have significant off-balance sheet arrangements and contingent liabilities.

Refinitiv does not have significant off-balance sheet arrangements and contingent liabilities.

## Provisions

The table below sets out LSEG's provisions as at the dates indicated:

| | | **Year ended 31 December** | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | | (£ million) | |
| Property | 14 | 14 | 10 |
| Other | 1 | 18 | 2 |
| **Total** | **15** | **32** | **12** |

The table below sets out Refinitiv's provisions as at the dates indicated:

| | | **Year ended 31 December** | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | | (US$ million) | |
| Employee related | 46 | 62 | 114 |
| Other | 88 | 86 | 90 |
| **Total** | **134** | **148** | **204** |

## QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK OF LSEG

## Market risk

*Clearing*

LSEG's CCPs assume the counterparty risk for all transactions that are cleared through their markets. In the event of default of their clearing members, therefore, credit risk will manifest itself as market risk. As this market risk is only present in the event of default this is referred to as 'latent market risk'. The latent market risk includes interest rate risk, foreign exchange risk, equity risk and commodity price risk as well as country risk, issuer risk and concentration risk. This risk is greater if market conditions are unfavourable at the time of the default.

*Non-Clearing*

The Group is exposed to foreign exchange risk as a result of its broadening geographical footprint. There are, however, also benefits of global diversification including reduced exposure to local events such as Brexit and geopolitical tensions.

The Group is exposed to interest rate risk through its borrowing activities (including to support M&A objectives) and treasury investments. Further changes in interest rates in 2021 may increase the Group's exposure to these risks.

Similar to credit risks, regulators are also considering the impacts of climate change on market (systemic) risks, and whilst the Group does not foresee any short-term material risks, the Group will also keep this under review.

**Interest rate risk**

LSEG's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates. LSEG may also face future interest rate exposure connected to committed M&A transactions where significant debt financing is involved.

LSEG's CCPs face interest rate exposure through the impact of changes in the reference rates used to calculate member liabilities versus the yields achieved through their predominantly secured investment activities.

**Currency risk**

LSEG operates primarily in the UK, Europe and North America, but also has growing and strategically important businesses in Asia, and other alliances and investments across the globe. Its principal currencies of operation are Sterling, Euro and U.S. dollars.

Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of LSEG's foreign currency earnings, assets and liabilities into its reporting currency, Sterling, and from occasional, high value intragroup transactions. Exceptions exist including at MillenniumIT (a Sri Lankan Rupee reporting entity) which invoices a material proportion of its revenues in U.S. dollars, and at certain operations of the LCH Group (a Euro reporting subsidiary), which generate material revenues in Sterling and U.S. dollars and incur material costs in Sterling.

Intragroup dividends and the currency debt interest obligations of LSEG may create short-term transactional foreign exchange exposures but play their part in controlling the level of translational foreign exchange exposures LSEG faces.

LSEG may be exposed from time to time to foreign exchange risk associated with strategic investments in, or divestments from, operations denominated in currencies other than Sterling.

**Credit and concentration risk**

LSEG's credit risk relates to its customers and counterparties being unable to meet their obligations to LSEG either in part or in full, including:

- customer receivables,
- repayment of invested cash and cash equivalents, and
- settlement of derivative financial instruments.

In their roles as CCP clearers to financial market participants, LSEG's CCPs guarantee final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. They manage substantial credit risks as part of their operations including unmatched risk positions that might arise from the default of a party to a cleared transaction.

Notwithstanding regulations that require CCPs to invest predominantly in secured instruments or structures (such as government bonds and reverse repos), CC&G and the LCH Group CCPs are able to maintain up to 5% of their total deposits at commercial banks on an unsecured basis. Through this potential for its CCPs to invest on an unsecured basis (as well as by certain other regulated and unregulated operations observing agreed investment policy limits), LSEG may continue to face some risk of direct loss from a deterioration or failure of one or more of its unsecured investment counterparties.

Concentration risk may arise through LSEG and its subsidiaries having large individual or connected exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. This is a particular focus of the investment approach at the Group's CCPs.

**Liquidity, settlement and custodial risk**

LSEG's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations.

In addition, LSEG's CCPs and certain other Group companies must maintain a level of liquidity (consistent with regulatory requirements) to ensure the smooth operation of their respective markets and to maintain operations in the event of a single or multiple market stress event or member failure. This includes the potential requirement to liquidate the position of a clearing member under a default scenario including covering the associated losses and the settlement obligations of the defaulting member.

LSEG is exposed to the risk that a payment or settlement bank could fail or that its systems encounter operational issues, creating liquidity pressures and the risk of possible defaults on payment or receivable obligations.

LSEG uses third-party custodians to hold securities and is therefore exposed to the custodian's insolvency, its negligence, a misuse of assets or poor administration.

**Capital risk**

LSEG is profitable and strongly cash generative and its capital base comprises equity and debt capital. However, LSEG recognises the risk that its entities may not maintain sufficient capital to meet their obligations or they may make investments that fail to generate a positive or value enhancing return.

LSEG comprises regulated and unregulated entities. It considers that:

- increases in the capital requirements of its regulated companies, or
- negative yields on its investments of cash, or
- a scarcity of debt or equity (driven by its own performance, its capital structure, or financial market conditions)

either separately or in combination are the principal specific risks to managing its capital.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK OF REFINITIV

Refinitiv is exposed to a variety of financial risks, including currency risk, interest rate risk and credit risk as its operations are global in nature. Refinitiv may, in the future, utilise derivative financial instruments among other methods to hedge some of these exposures. Refinitiv does not use derivative financial instruments for speculative or trading purposes.

**Currency risk**

The Refinitiv Historical Financial Information is expressed in U.S. dollars, but a significant portion of its business is conducted in other currencies. Changes in the exchange rates for such currencies into U.S. dollars can increase or decrease revenues, operating profit, net earnings and the carrying values of assets and liabilities. Additionally, Refinitiv may price customers' orders in one currency but allow customers to pay the equivalent price in another currency. In such cases, changes in exchange rates from order to billing create currency exposure. Another element of volatility occurs through embedded derivatives within sales contracts that arise as a result of U.S. dollar pricing of customer agreements by Refinitiv's subsidiaries outside of the United States whose functional currency is not the U.S. dollar.

**Interest rate risk**

Prior to the Separation Transactions, Refinitiv had limited exposure to fluctuations in interest rates with respect to cash and cash equivalents, the majority of which were comprised of non-interest-bearing assets as of 31 December 2020 and 2019.

Following the Separation Transactions, Refinitiv is subject to interest rate risk under its Senior Secured Credit Facilities which accrues interest at variable rates. From time to time Refinitiv may enter into hedging arrangements with respect to floating interest rate borrowings. While Refinitiv may enter into such agreements to limit exposure to variable interest rates, such agreements may not fully limit its exposure to higher interest rates.

**Credit risk**

Refinitiv's credit risk arises from cash and cash equivalents as well as credit exposure to customers, including outstanding receivables. Refinitiv attempts to minimise credit exposure as follows:

- Cash investments are placed with high-quality financial institutions with limited exposure to any one institution. At 31 December 2020, 95% or more of the cash and cash equivalents were held by institutions that were rated at "A-" or higher by at least one of the major credit rating agencies.

- Refinitiv assesses the creditworthiness of its customers. No allowance for credit losses on financial assets was required as at 31 December 2020, other than the allowance for doubtful accounts. Further, no financial or other assets have been pledged.

**Liquidity risk**

For the predecessor period, Thomson Reuters managed Refinitiv's cash and financed its operations from a centralised Treasury function. Cash was typically swept from operating businesses on a daily basis and cash operating and investing needs were funded as needed. This approach does not necessarily reflect the manner in which the Financial & Risk Business would have financed its operations had it been a stand-alone enterprise separate from Thomson Reuters during the predecessor period presented. Cash transferred to and received from Thomson Reuters is reflected in net parent investment in the combined financial statements for the predecessor period accompanying this OFR.

For periods prior to the consummation of the 2018 Transaction, Refinitiv's ability to obtain cash to adequately fund its needs depended on the results of operations and the availability of financing from Thomson Reuters. Liquidity was used for operating expenses, capital expenditures and acquisitions.

***Market price risk***

Refinitiv has no significant exposure to price risk from equity securities or commodities.

**CRITICAL ACCOUNTING POLICIES**

**Critical accounting policies of LSEG**

Critical accounting policies are those policies that require the application of LSEG plc's management's most challenging, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgements and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions.

**Estimates**

*Impairment of intangible assets, goodwill and investment in subsidiaries*

These assets form a significant part of the balance sheet and are key assets for the cash generating businesses in LSEG. 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.

*Defined benefit pension asset or liability*

These are determined based on the present value of future pension obligations using assumptions determined by LSEG with advice from an independent qualified actuary.

*Estimated service period for admission and listing services within the Primary Markets business*

LSEG determines the estimated period for admission services using historical analysis of listing durations in respect of the companies on the Group's markets. The estimated service period inherently incorporates an element of uncertainty in relation to the length of a customer listing which is subject to factors outside of LSEG's control. The estimated service periods are reassessed at each reporting date to ensure the period reflects LSEG's best estimates. LSEG estimates that a one year decrease in the deferral period would cause an estimated £22 million increase in revenue and a one year increase in the deferral period would cause an estimated £20 million decrease in revenue recognised in the year.

**Judgements**

*Clearing member trading assets and trading liabilities*

LSEG uses its judgement to carry out the offsetting within clearing member balances. The carrying values of the balances are offset at what LSEG considers an appropriate level to arrive at the net balances reported in the balance sheet. LSEG has an aligned approach for its CCP subsidiaries to ensure the principles applied are consistent across similar assets and liabilities. The approach is reviewed on a timely basis to ensure the approach used is the most appropriate.

*EU State Aid*

LSEG has used its judgement to assess any obligations arising in relation to EU State Aid investigations. Considering the appeals made by the UK PLCs (including LSEG), the UK government, and LSEG management's internal view, LSEG does not consider any provision is required in relation to this investigation.

*US Tax Position*

LSEG has used its judgement in assessing the financial reporting implications of its ongoing discussions with the IRS in relation to its funding structure of its U.S. subsidiaries. LSEG has used guidance under IFRIC 23 "Uncertainty over Income Tax Treatments" to determine the possible outcomes and to assign a probability to each of those outcomes.

**Critical accounting policies of Refinitiv**

*Business combinations, goodwill and intangible assets*

Refinitiv allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the purchase consideration over the fair value of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates include, but are not limited to, its weighted average cost of capital, long-term rate of growth, profitability, and changes in working capital. Its estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable, and as result, actual results may differ from estimates. Goodwill and intangible assets are recorded at their estimated fair values at the date of acquisition.

Goodwill and intangible assets are required to be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that the assets may be impaired. In conducting an annual impairment test, Refinitiv first reviews qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If factors indicate that is the case, Refinitiv performs the goodwill impairment test. Refinitiv compares the fair value of the reporting unit with its carrying amount. Refinitiv's significant estimates in the discounted cash flows model include its weighted average cost of capital, long-term rate of growth, profitability, and changes in working capital. If the carrying amount exceeds its fair value, goodwill is impaired to the extent that the carrying value exceeds the fair value of the reporting unit. Refinitiv performs its annual impairment tests in the fourth quarter of each fiscal year.

Refinitiv continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. These factors may include a significant deterioration of operating results, changes in business plans, or changes in anticipated cash flows. When factors indicate that an asset should be evaluated for possible impairment, a review of long-lived assets is done to assess recoverability from future operations using

undiscounted cash flows. If future undiscounted cash flows are less than the carrying value, an impairment is recognised in earnings to the extent that the carrying value exceeds fair value.

*Employee Future Benefits*

For defined benefit pension plans and other post-employment benefits, the net periodic pension expense is determined actuarially on an annual, or interim, basis using the projected unit credit method. The determination of benefit expense requires assumptions such as the discount rate and an expected return on plan assets, which are used to determine the net periodic benefit cost (income). Other significant assumptions include expected increases to future compensation and pension payments. Actual results will differ from results that are estimated based on assumptions.

**Critical judgements in applying accounting policies of Refinitiv**

*Revenue recognition*

Refinitiv's management exercises significant judgement when assessing whether multiple products and services in customer contracts are distinct performance obligations that should be accounted for separately, or whether they must be accounted for together. In making the determination, management considers, for example, whether Refinitiv regularly sells a good or service separately, or whether the goods or services are highly interrelated. Furthermore, Refinitiv has more than one standalone selling price ("**SSP**") for individual products and services due to the stratification of its offerings by customer. As a result, Refinitiv's management determines the SSP taking into consideration market conditions and other factors, including the value of its contracts, the product or service sold, customer's market, geographic location, and the number and types of users in each contract.

*Assessment of the probability of an exit event*

As the timing of expense recognition related to awards granted to employees under the MIP is affected by management's assessment as to the probability of an exit event (change of control or an IPO), Refinitiv's management exercises significant judgment when assessing whether an exit event may be probable. Such an assessment is based on the facts and circumstances and takes into account all available evidence as regards the likelihood of an exit event.

*Recognition of pension surplus*

For funded plans, surpluses are recognised only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which Refinitiv can unilaterally reduce future contributions to the plan or receive a refund in future. For Refinitiv's two UK plans, a legal opinion on the recoverability was obtained in October 2019. It was concluded that, based on the legal facts, for both plans an accounting policy choice can be made to either recognise the surplus or not. Having considered the legal opinion on the underlying facts and circumstances, management elected to recognise the pension surpluses for all periods presented in the combined historical financial information. While the Trustees (as defined in Note 15 of Annex 2 of this Offering Circular (the "*Refinitiv Historical Financial Information*")) have discretionary power to vary future benefits which could affect the amount of the surplus that is recoverable, management has chosen an accounting policy that will take account of the impact of any such variation of benefits, on the pension plan assets, only if and when it occurs. There is currently no expectation that Trustees will vary benefits.

*Recoverability of the pension asset*

The noted pension surpluses relate to entities residing in the United Kingdom and as such UK tax law applies in measuring the deferred tax relating to the pension. UK tax law applies different tax rates depending on how the surplus is expected to be recovered in the future. If pension surpluses are recovered via repayment, a 35% tax rate would be used to measure the deferred tax, rather than 19%. Management determined the pension surplus would be recovered through reduced future contributions and as such has measured the related deferred tax at the main UK corporate income tax rate expected to be applicable when the deferred tax reverses (i.e. 19%) for all periods presented in the combined historical financial information.

*Leases*

When assessing whether a contract is, or contains, a lease, Refinitiv reviews contracts to determine whether the language conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For identified leases, the discount rate used is Refinitiv's incremental borrowing rate, which is determined based on information available at lease commencement and reflects the rate of interest Refinitiv would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The discount rate used for lease liabilities between 1 January 2019 and 31 December 2020 ranged from 1.56% to 22.86%.

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

### Section A

### Unaudited pro forma financial information of the Group

The unaudited pro forma statement of net assets and pro forma income statement (together the "**Unaudited Pro Forma Financial Information**") of the Group set out below have been prepared in accordance with Annex 20 of Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129, as it forms part of retained European Union law in the United Kingdom as defined in the EUWA and on the basis of the notes set out below. The Unaudited Pro Forma Financial Information is presented in pounds sterling, the reporting currency of the Group. The Unaudited Pro Forma Financial Information has been prepared on the basis described in the notes to the unaudited pro forma financial information and such basis is consistent with the accounting policies adopted by LSEG plc in preparing the 31 December 2020 financial statements.

The unaudited pro forma income statement has been prepared to illustrate the effect on the results of operations of LSEG as if the Refinitiv Acquisition and the Borsa Italiana Divestment had taken place on 1 January 2020.

The unaudited pro forma statement of net assets has been prepared to illustrate the effect on the net assets of LSEG as if the Refinitiv Acquisition and the Borsa Italiana Divestment had taken place on 31 December 2020.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of Section 434 of the Companies Act. The Unaudited Pro Forma Financial Information does not purport to represent what the Group's financial position and results of operations actually would have been if the Refinitiv Acquisition or the Borsa Italiana Divestment had been completed on the date indicated, nor does it purport to represent the results of operations for any future period or the financial condition of LSEG, Refinitiv or the Group at any future date. Potential investors in the Notes should read the whole of this Offering Circular and not rely on the summarised financial information contained in this section. Ernst and Young's report on the Unaudited Pro Forma Financial Information is set out in Section B (*Accountant's Report on the Unaudited Pro Forma Financial Information of the Group*) of this section.

***Unaudited pro forma income statement of the Group for the year ended 31 December 2020***

| | | | Pro forma Adjustments related to | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Refinitiv acquisition | | Borsa Italiana divestment | | | |
| | **LSEG year ended 31 Dec 2020 (Note 1)** | **Refinitiv year ended 31 Dec 2020 (Note 2)** | **Transaction costs and refinancing adjustments (Note 6)** | **Tax benefits of transaction costs and refinancing adjustments (Note 8)** | **Exclude: Borsa Italiana Group year ended 31 Dec 2020 (Note 3)** | **Profit on disposal (Note 5)** | **Transaction costs (Note 6)** | **Pro forma Group year ended 31 Dec 2020 (Note 11)** |
| | | | | (£ million) | | | | |
| **Total income** ................................ | 2,444 | 5,073 | – | – | (414) | – | – | 7,103 |
| Cost of sales ................................ | (224) | (762) | – | – | 16 | – | – | (970) |
| **Gross profit** ................................ | **2,220** | **4,311** | **–** | **–** | **(398)** | **–** | **–** | **6,133** |
| **Expenses** | | | | | | | | – |
| Operating expenses before depreciation, amortisation impairments and non-underlying items ........................ | (887) | (2,188) | – | – | 138 | – | – | (2,937) |
| Income from equity investments | - | – | – | – | – | – | – | – |
| Share of loss/ profit after tax of associates ........................ | (4) | – | – | – | – | – | – | (4) |

| | | | Pro forma Adjustments related to | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Refinitiv acquisition | | Borsa Italiana divestment | | | |
| | **LSEG year ended 31 Dec 2020 (Note 1)** | **Refinitiv year ended 31 Dec 2020 (Note 2)** | **Transaction costs and refinancing adjustments (Note 6)** | **Tax benefits of transaction costs and refinancing adjustments (Note 8)** | **Exclude: Borsa Italiana Group year ended 31 Dec 2020 (Note 3)** | **Profit on disposal (Note 5)** | **Transaction costs (Note 6)** | **Pro forma Group year ended 31 Dec 2020 (Note 11)** |
| **Earnings before interest, tax, depreciation amortisation, impairment and non-underlying items** | **1,329** | **2,123** | **–** | **–** | **(260)** | **–** | **–** | **3,192** |
| Non-underlying operating expenses | (168) | (414) | (208) | – | – | – | (19) | (809) |
| **Earnings before interest, tax, depreciation amortisation and impairment** | **1,161** | **1,709** | **(208)** | **–** | **(260)** | **–** | **(19)** | **2,383** |
| Depreciation, amortisation and impairment | (406) | (1,742) | – | – | 66 | – | – | (2,082) |
| **Operating profit/(loss)** | **755** | **(33)** | **(208)** | **–** | **(194)** | **–** | **(19)** | **301** |
| Net interest expense | (70) | (651) | (534) | – | 1 | – | – | (1,254) |
| Profit on disposal | – | – | – | – | – | 2,459 | – | 2,459 |
| Income taxes | (198) | (45) | – | 108 | 60 | – | – | (75) |
| **Profit/(loss) from operations** | **487** | **(729)** | **(742)** | **108** | **(133)** | **2,459** | **(19)** | **1,431** |
| Profit/(loss) attributable to non-controlling interests | 66 | 68 | – | – | (10) | – | – | 124 |
| Profit/(loss) attributable to equity holders | 421 | (797) | (742) | 108 | (123) | 2,459 | (19) | 1,307 |
| **Profit/(loss) from operations** | **487** | **(729)** | **(742)** | **108** | **(133)** | **2,459** | **(19)** | **1,431** |
| **Operating profit/(loss)** | **755** | **(33)** | **(208)** | **–** | **(194)** | **–** | **(19)** | **301** |
| *Add back:* | | | | | | | | – |
| Amortisation and impairment of purchased intangibles and goodwill | 195 | 1,142 | – | – | (36) | – | – | 1,301 |
| Non-underlying operating expenses | 168 | 414 | 208 | – | – | – | 19 | 809 |
| **Underlying operating profit** | **1,118** | **1,523** | **–** | **–** | **(230)** | **–** | **–** | **2,411** |

## *Unaudited pro forma net assets statement of the Group as at 31 December 2020*

| | LSEG as at 31 Dec 2020 (Note 1) | Refinitiv as at 31 Dec 2020 (Note 2) | Pro forma Adjustments related to Refinitiv acquisition: Estimated excess of purchase consideration over net assets acquired (Note 4) | Acquisition related transactions and financing adjustments and refinancing (Notes 6 and 7) | Tax benefits of acquisition related transactions and financing adjustments (Note 8) | Pro forma Group as at 31 Dec 2020 | Exclude Borsa Italiana as at 30 December 2020 (Note 3) | Net proceeds (Note 5) | Transaction costs (Note 6) | Pro forma Group (exc. Borsa Italiana) as at 31 Dec 2020 (Note 11) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (£ million) | | | | |
| **Assets** | | | | | | | | | | |
| **Non-current assets** | | | | | | | | | | |
| Property, plant and equipment | 297 | 693 | – | – | – | 990 | (39) | – | – | 951 |
| Intangible assets | 4,324 | 13,852 | 11,989 | – | – | 30,165 | (1,204) | – | – | 28,961 |
| Investments in associates | 25 | 7 | – | – | – | 32 | (2) | – | – | 30 |
| Deferred tax assets | 51 | 495 | – | – | – | 546 | (4) | – | – | 542 |
| Derivative financial instruments | – | 2 | – | – | – | 2 | – | – | – | 2 |
| Investment in financial assets | 280 | 21 | – | – | – | 301 | (19) | – | – | 282 |
| Contract assets | – | – | – | – | – | – | – | – | – | – |
| Retirement benefit asset | 81 | 404 | – | – | – | 485 | – | – | – | 485 |
| Other non-current assets | 14 | 150 | – | – | – | 164 | – | – | – | 164 |
| | **5,072** | **15,624** | **11,989** | **–** | **–** | **32,685** | **(1,268)** | **–** | **–** | **31,417** |
| **Current assets** | | | | | | – | | | | – |
| Trade and other receivables | 594 | 511 | – | – | – | 1,105 | (57) | – | – | 1,048 |
| Contract assets | – | – | – | – | – | – | – | – | – | – |
| Clearing member financial assets | 758,510 | – | – | – | – | 758,510 | (107,838) | – | – | 650,672 |
| Clearing member cash and cash equivalents | 83,011 | – | – | – | – | 83,011 | (4,672) | – | – | 78,339 |
| Clearing member business assets | 841,521 | – | – | – | – | 841,521 | (112,510) | – | – | 729,011 |
| Investment in financial assets | 92 | 9 | – | – | – | 101 | (92) | – | – | 9 |
| Current tax | 77 | 45 | – | – | 108 | 230 | – | – | – | 230 |
| Cash and cash equivalents | 1,785 | 937 | – | (4) | – | 2,718 | (270) | 3,972 | – | 6,420 |
| | 844,069 | 1,502 | – | (4) | **108** | **845,675** | (112,929) | 3,972 | – | **736,718** |
| **Total assets** | **849,141** | **17,126** | **11,989** | **(4)** | **108** | **878,360** | **(114,197)** | **3,972** | **–** | **768,135** |
| **Liabilities** | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | |
| Trade and other payables | 613 | 974 | – | 496 | – | 2,083 | (65) | – | 19 | 2,037 |
| Clearing member business liabilities | 841,553 | – | – | – | – | 841,553 | (112,480) | – | – | 729,073 |

| | | | Pro forma Adjustments related to Refinitiv acquisition | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | LSEG as at 31 Dec 2020 (Note 1) | Refinitiv as at 31 Dec 2020 (Note 2) | Estimated excess of purchase consideration over net assets acquired (Note 4) | Acquisition related transactions and financing adjustments and refinancing (Notes 6 and 7) | Tax benefits of acquisition related transactions and financing adjustments (Note 8) | Pro forma Group as at 31 Dec 2020 | Exclude Borsa Italiana as at 30 December 2020 (Note 3) | Net proceeds (Note 5) | Transaction costs (Note 6) | Pro forma Group (exc. Borsa Italiana) as at 31 Dec 2020 (Note 11) |
| Derivative financial instruments ..................... | 6 | 116 | – | (66) | – | 56 | – | – | – | 56 |
| Current tax ..................... | 24 | 132 | – | – | – | 156 | (5) | – | – | 151 |
| Borrowings ..................... | 605 | 323 | – | 8,311 | – | 9,239 | – | – | – | 9,239 |
| Contract liabilities ..................... | 168 | 80 | – | – | – | 248 | (5) | – | – | 243 |
| Provisions ..................... | 1 | 41 | – | – | – | 42 | (1) | – | – | 41 |
| | **842,970** | **1,666** | **–** | **8,741** | **–** | **853,377** | **(112,556)** | **–** | **19** | **740,840** |
| **Non-current liabilities** | | | | | | | | | | |
| Borrowings ..................... | 1,346 | 9,484 | – | (7,569) | – | 3,261 | – | – | – | 3,261 |
| Derivative financial instruments ..................... | 11 | 4 | – | – | – | 15 | – | – | – | 15 |
| Contract liabilities ..................... | 94 | 3 | – | – | – | 97 | (9) | – | – | 88 |
| Deferred tax liabilities ..................... | 411 | 220 | – | – | – | 631 | (94) | – | – | 537 |
| Retirement benefit obligation ..................... | 18 | 101 | – | – | – | 119 | (8) | – | – | 111 |
| Other non-current liabilities ..................... | 152 | 609 | – | – | – | 761 | (17) | – | – | 744 |
| Provisions ..................... | 14 | 57 | – | – | – | 71 | – | – | – | 71 |
| | **2,046** | **10,478** | **–** | **(7,569)** | **–** | **4,955** | **(128)** | **–** | **–** | **4,827** |
| **Total liabilities** ............................. | **845,016** | **12,144** | **–** | **1,172** | **–** | **858,332** | **(112,684)** | **–** | **19** | **745,667** |
| **Net assets** ............................. | **4,125** | **4,982** | **11,989** | **(1,176)** | **108** | **20,028** | **(1,513)** | **3,972** | **(19)** | **22,468** |

## Notes:

### 1. LSEG financial information for the year ended 31 December 2020

The IFRS information for LSEG has been extracted without material adjustment from the audited consolidated financial statements of LSEG plc as of and for the year ended 31 December 2020, which have been prepared in accordance with IFRS, and are included in Annex 1 (*LSEG Financial Statements*) to this Offering Circular.

### 2. Refinitiv financial information for the year ended 31 December 2020

The IFRS information for Refinitiv has been extracted without material adjustment from Refinitiv Historical Financial Information as of and for the year ended 31 December 2020, which have been prepared in accordance with IFRS and LSEG accounting policies, and are included in Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular.

An average rate of exchange of US$1.28379 to £1, and a period end spot rate of US$1.36277 to £1, have been used to convert the financial information of Refinitiv into pounds sterling for the year ended 31 December 2020.

### 3. Borsa Italiana financial information for the year ended 31 December 2020

The IFRS information for the Borsa Italiana Group has been extracted without material adjustment from the underlying books and records of LSEG plc as of and for the year ended 31 December 2020. Such books and records are maintained on a basis consistent with the accounting policies of LSEG plc.

An average rate of exchange of €1.12501 to £1, and a period end spot rate of €1.1076 to £1, have been used to convert the financial information of the Borsa Italiana Group into pounds sterling for the financial year ended 31 December 2020.

### 4. Estimated excess of purchase consideration over net assets acquired

LSEG's acquisition of Refinitiv closed on 29 January 2021 and at the time of preparing this Pro Forma Financial Information LSEG has not yet completed its preliminary valuation analysis of the fair market value of Refinitiv's net assets or the purchase consideration. The following table summarises the estimated purchase consideration and related excess of purchase consideration over the book value of net assets acquired:

| | (£ million) |
|---|---|
| **Pro forma adjustments**[1] | |
| Estimated Purchase Consideration[2] | 16,971 |
| *Less*: Refinitiv Parent book value of net assets acquired | (4,982) |
| Excess of purchase consideration over book value of net assets acquired[3] | 11,989 |

Notes:

(1) The purchase price allocation once completed may require (i) the recognition of intangible assets such as trade names, technology and customer relationships, (ii) the recognition of deferred tax liabilities, and (iii) fair value adjustments to other assets and liabilities. Consequently, the completion of the purchase price allocation may result in changes to the amount of goodwill recognised in this pro forma balance sheet. Furthermore, as a consequence of recognising the excess of estimated purchase consideration over book value of net assets acquired as goodwill in the pro forma balance sheet, no pro forma adjustments have been recorded in the pro forma income statement, such as those relating to amortisation of intangible assets or the recognition of the fair value of the Ordinary Shares issued to certain employees of Refinitiv as compensation expense, which may have been necessary had the preliminary purchase price allocation been completed.

(2) The consideration is calculated as 204,225,968 LSEG Ordinary Shares at an opening price of £83.94 on 29 January 2021, adjusted to the extent the Ordinary Shares issued represent the consideration transferred. The consideration is provisional and will be finalised through the fair value accounting exercise.

(3) The gross difference of £11,989 million at 31 December 2020 between the book value of net assets acquired and the estimated consideration has been presented as a single value in goodwill. The preliminary purchase price allocation of the consideration has not yet taken place and the assets and liabilities of Refinitiv are subject to fair value restatement. The Group has one year from the date of acquisition to complete this allocation.

### 5. Profit on disposal of Borsa Italiana

In October 2020, LSEG's shareholders approved the Borsa Italiana Divestment, in order to facilitate regulatory approval of the Refinitiv acquisition. Closing is expected to occur in the first half of 2021. The estimated proceeds for the divestment and the associated profit on disposal are as follows:

| | (£ million) |
|---|---|
| **Pro forma adjustments** | |
| Estimated Disposal proceeds[1] | 3,972 |
| *Less*: Borsa Italiana book value of net assets disposed[2] | (1,513) |
| **Profit on disposal** | **2,459** |

Notes:

(1) Estimated disposal proceeds of €4,399 million translated at the spot rate on 31 December 2020 of €1.1076 to £1. The estimated disposal proceeds do not include any adjustment necessary to reflect Borsa Italiana Group's cash generation through to completion.

(2) Net assets of Borsa Italiana translated at the spot rate on 31 December 2020 of €1.1076 to £1.

### 6. Transaction costs and financing adjustments

The Group expects to incur a cumulative total £360 million of transaction related costs and £547 million of financing related costs in relation to the Refinitiv Acquisition that do not qualify to be capitalised as part of the estimated purchase consideration. The Group incurred £152 million of transaction related costs and £13 million of financing related costs in the year ended 31 December 2020. Therefore, a transaction cost adjustment of £208

million and a financing related cost adjustment of £534 million have been made to include these expenses incurred as the pro forma income statement has been prepared for the financial year ended 31 December 2020 as if the Refinitiv Acquisition had completed on 1 January 2020.

Finance costs also include adjustments relating to the pro forma debt restructuring, including drawdowns on the Bridge Facility, repayment of existing debt as if the Refinitiv Acquisition had completed on 1 January 2020, bond make whole payments, amortised deferred costs, swap settlement fees and accrued interest. These expenses are non-underlying in nature and are not expected to have a continuing impact on the consolidated results. £18 million of the finance costs recognised do qualify to be capitalised and these have been included in the pro forma balance sheet.

LSEG expects to incur a cumulative total £27 million of transaction related costs in relation to the Borsa Italiana Divestment. The Group has incurred £8 million of transaction related costs in the year ended 31 December 2020. Therefore, an adjustment of £19 million has been made to include these expenses incurred because the pro forma income statement has been prepared for the financial year ended 31 December 2020 as if the Borsa Italiana Divestment had completed on 1 January 2020. These expenses are non-underlying in nature and are not expected to have a continuing impact on the consolidated results.

Adjustments of £496 million in respect of the Refinitiv transaction, representing £534 million in accrued finance costs and the repayment of £38 million of accrued interest have been made to trade and other payables in the pro forma balance sheet as at 31 December 2020.

**7. Refinancing**

In connection with the Refinitiv Transaction, LSEG agreed to refinance Refinitiv's outstanding indebtedness on closing. On 29 January 2021 the Group refinanced the net debt of Refinitiv by drawing down £10,567 million from its Bridge Facility and Term Loans and utilised £4 million from cash reserves, which extinguished the existing debt of Refinitiv. The following table summarises the net increase to borrowings:

| | (£ million) |
|---|---|
| New debt drawn down | 10,567 |
| Refinitiv debt at 31 December 2020 extinguished | (9,807) |
| *Less*: Capitalised fees (note 6) | (18) |
| **Net adjustment to borrowings** | **742** |
| Current borrowings | 9,239 |
| Non-current borrowings | 3,261 |
| **Total pro forma borrowings** | **12,500** |

The debt drawn down was also used to settle £66 million in relation to USD swaps and £305 million was paid for fees.

**8. Estimated tax benefits of transaction costs and financing adjustments**

The estimated tax benefits of the above adjustments in relation to the Refinitiv Transaction are £108 million. The estimates reflect the 2020 corporation tax rates of LSEG plc and Refinitiv Parent in tax jurisdictions in which the pro forma adjustments were assumed to occur (in the UK, 19%, and in the U.S., 25%). Tax deductions relates to financing fees only, as the transaction costs are not tax deductible

The estimated tax benefits of the above adjustments in relation to the Borsa Italiana Divestment are nil. The estimates reflect the 2020 corporation tax rate of LSEG plc in tax jurisdictions in which the pro forma adjustments were assumed to occur (in the UK, 19%).

### 9. Non-underlying items

*LSEG*

Continuing non-underlying operating expenses (excluding depreciation, amortisation and impairment) of £168 million for the financial year ended 31 December 2020 have been extracted without material adjustment from the income statement from the audited consolidated financial statements of LSEG plc for the financial year ended 31 December 2020.

*Refinitiv*

Continuing non-underlying operating expenses (excluding depreciation, amortisation and impairment) of US$532 million (£414 million) for the financial year ended 31 December 2020 have been extracted without material adjustment from Note 8 to the historical financial information in relation to Refinitiv included in Annex 2 (*Combined Historical Financial Information of Refinitiv*) to this Offering Circular.

### 10. Amortisation and depreciation

*LSEG*

Continuing amortisation and depreciation of £211 million for the financial year ended 31 December 2020 has been extracted without material adjustment from the income statement from the audited consolidated financial statements of LSEG plc for the financial year ended 31 December 2020.

*Refinitiv*

Continuing amortisation and depreciation of US$769 million (£600 million) for the financial year ended 31 December 2020 has been extracted without material adjustment from Note 8 to the historical financial information in relation to Refinitiv included in Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular

### 11. Pro forma Group transactions

The pro forma financial information does not reflect the elimination of intercompany transactions between LSEG and Refinitiv. Based on a preliminary exercise LSEG has determined that the readily identifiable intercompany balances are not material.

### 12. Intended reporting segments breakdown

The following table is intended to provide information on the income performance of the Group by segment for the financial year ended 31 December 2020, as if the Refinitiv Acquisition and the Borsa Italiana Divestment had taken place on 1 January 2020 and as the Group may report on such segments in future. As integration progresses, the breakdown of any future segmental income disclosure may be subject to change.

| | **LSEG year ended 31 Dec 2020[(1)]** | **Refinitiv year ended 31 Dec 2020[(2)]** | **Pro forma Group year ended 31 Dec 2020** | **Pro forma Group Percentage of total income** | **Exclude: Borsa Italiana Group year ended 31 Dec 2020[(3)]** | **Pro forma Group year ended 31 Dec 2020** | **Pro forma Group Percentage of total income** |
|---|---|---|---|---|---|---|---|
| | (£ million) | (£ million) | (£ million) | (per cent.) | (£ million) | (£ million) | (per cent.) |
| **Data and Analytics** | | | | | | | |
| Trading | 17 | 1,582 | 1,599 | – | – | 1,599 | – |
| Enterprise Data | 680 | 436 | 1,116 | – | – | 1,116 | – |
| Investment Solutions | – | 500 | 500 | – | – | 500 | – |
| Wealth | 167 | 1,050 | 1,217 | – | (41) | 1,176 | – |
| Risk | – | 284 | 284 | – | – | 284 | – |
| **Total Data and Analytics income** | **864** | **3,852** | **4,716** | **63** | **(41)** | **4,675** | **66** |
| **Capital Markets** | | | | | | | |
| Primary Markets | 131 | – | 131 | – | (29) | 102 | – |

| | LSEG year ended 31 Dec 2020[1] | Refinitiv year ended 31 Dec 2020[2] | Pro forma Group year ended 31 Dec 2020 | Pro forma Group Percentage of total income | Exclude: Borsa Italiana Group year ended 31 Dec 2020[3] | Pro forma Group year ended 31 Dec 2020 | Pro forma Group Percentage of total income |
|---|---|---|---|---|---|---|---|
| Secondary Markets—Equities | 171 | – | 171 | – | (54) | 117 | – |
| Secondary Markets—FX | – | 233 | 233 | – | – | 233 | – |
| Secondary Markets - Fixed income, Derivatives and Other | 204 | 648 | 852 | – | (134) | 718 | – |
| **Total Capital Markets Income** | **506** | **881** | **1,387** | **18** | **(217)** | **1,170** | **16** |
| **Post Trade Services** | | | | | | | |
| Post Trade LCH | 591 | – | 591 | – | – | 591 | – |
| Post Trade Italy | 106 | – | 106 | – | (106) | – | – |
| UnaVista | 54 | – | 54 | – | – | 54 | – |
| Net Treasury Income - LCH | 270 | – | 270 | – | – | 270 | – |
| Net Teasury Income - Italy | 50 | – | 50 | – | (50) | – | – |
| **Total Post Trade Services Income** | **1,071** | **–** | **1,071** | **14** | **(156)** | **915** | **13** |
| Other income | 3 | – | 3 | – | – | 3 | – |
| **Total Income (excluding recoveries)** | **2,444** | **4,733** | **7,177** | **95** | **(414)** | **6,763** | **95** |
| Recoveries | – | 340 | 340 | 5 | – | 340 | 5 |
| **Total income (including recoveries)** | **2,444** | **5,073** | **7,517** | **100** | **(414)** | **7,103** | **100** |

| | LSEG year ended 31 Dec 2020 [1] | Refinitiv year ended 31 Dec 2020[2] | Pro forma Group year ended 31 Dec 2020 | Pro forma Group Percentage of total income | Exclude: Borsa Italiana Group year ended 31 Dec 2020[3] | Pro forma Group year ended 31 Dec 2020 | Pro forma Group Percentage of total income |
|---|---|---|---|---|---|---|---|
| | (£ million) | (£ million) | (£ million) | (per cent.) | (£ million) | (£ million) | (per cent.) |
| Recurring | 1,058 | 4,149 | 5,207 | 69 | (147) | 5,060 | 71 |
| Non-recurring | 1,386 | 924 | 2,310 | 31 | (267) | 2,043 | 29 |
| **Total income (including recoveries)** | **2,444** | **5,073** | **7,517** | **100** | **(414)** | **7,103** | **100** |

Notes:

(1) LSEG plc income figures were extracted without material change from the audited financial statements of LSEG plc for the year ended 31 December 2020. The numbers are unaudited but reconcile to the total audited income of LSEG plc.

(2) Figures for Refinitiv Parent have been extracted from additional segmental income information of Refinitiv. The numbers are unaudited but reconcile to the total audited income of Refinitiv Parent. An average rate of exchange of US$1.28379 to £1 has been used to convert this information into pounds sterling for the financial year ended 30 December 2020.

(3) Figures for the Borsa Italiana Group were extracted without material adjustment from the underlying books and records of LSEG plc for the year ended 31 December 2020. The numbers are unaudited but reconcile to the total audited income of the Borsa Italiana Group. An average rate of exchange of €1.12501 to £1 has been used to convert the financial information of the Borsa Italiana Group into pounds sterling for the financial year ended 31 December 2020.

**Accountant's Report on the Unaudited Pro Forma Financial Information of the Group**

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

Tel: +44 20 7951 2000
Fax: +44 20 7951 1345
ey.com

23 March 2021

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

Dear Sir / Madam

**London Stock Exchange Group plc (the "Company")**

We report on the pro forma financial information (the "Pro Forma Financial Information") set out in Section A of the Unaudited Pro Forma Financial Information of the Group of the Prospectus dated 23 March 2021 (the "Prospectus").

This report is required by Section 3 of Annex 20 of the UK version of Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that section and for no other purpose.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.5R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 7 to the UK version of Commission Delegated Regulation (EU) 2019/980, consenting to its inclusion in the Prospectus.

**Opinion**

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

**Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Sections 1 and 2 of Annex 20 of the UK version of Commission Delegated Regulation (EU) 2019/980.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of the UK version of Commission Delegated Regulation (EU) 2019/980, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you. In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue. No reports or opinions have been made by us on any financial information of Refinitiv used in the compilation of the Pro forma Financial Information. In providing this opinion we are not providing any assurance on any source financial information on which the Pro forma Financial Information is based beyond the above opinion.

The UK Firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office. Ernst & Young LLP is a multi-disciplinary practice and is authorised and regulated by the Institute of Chartered Accountants in England and Wales, the Solicitors Regulation Authority (authorisation number 614947), the Financial Conduct Authority (registration number 196203) and other regulators. Further details can be found at http:/www.ey.com/UK/en/Home/Legal

### Basis of Preparation

The Pro Forma Financial Information has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the acquisition of Refinitiv and the disposal of Borsa Italiana Group might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2020.

### Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### Declaration

For the purposes of Prospectus Regulation Rule 5.3.5R (2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 7 of the UK version of Commission Delegated Regulation (EU) 2019/980.

Yours faithfully

Ernst & Young LLP

Ernst & Young LLP

## CAPITALISATION

You should read the following tables together with sections entitled "*Presentation of Financial and Other Information*", "*Selected Financial Information*", "*Operating and Financial Review*" and "*Description of Other Indebtedness*", as well as the LSEG Financial Statements and the Refinitiv Historical Financial Information included in Annexes 1 and 2, respectively, to this Offering Circular.

The table below sets out the capitalisation of LSEG as at 31 December 2020, as extracted from the LSEG 2020 Financial Statements:

| | **As at 31 December 2020** |
|---|---|
| | (£ million) |
| **Cash and cash equivalents** | **1,785** |
| **Debt** | |
| **Current debt** | |
| Unguaranteed/unsecured | 605 |
| **Total current debt** | **605** |
| **Non-current debt (excluding current portions of non-current debt)** | |
| Unguaranteed/unsecured | 1,346 |
| **Total non-current debt** | **1,346** |
| **Total debt** | **1,951** |
| **Total net debt** | **183** |
| **Equity** | |
| Ordinary share capital | 24 |
| Share Premium | 971 |
| Retained earnings | 911 |
| Non-controlling interests | 414 |
| Other reserves | 1,805 |
| **Total equity** | **4,125** |
| **Total capitalisation** | **4,308** |

There has been no material change in LSEG's indebtedness since 31 December 2020 to the date of this document, other than in relation to the refinancing of Refinitiv indebtedness in the context of the Refinitiv Acquisition discussed in the section "*Operating and Financial Review—Recent Developments*".

The table below sets out the capitalisation of Refinitiv as at 31 December 2020, as extracted from the Refinitiv 2020 Financial Statements:

| | **As at 31 December 2020** |
|---|---|
| | (US$ million) |
| **Cash and cash equivalents[1]** | **1,078** |
| **Debt** | |
| **Current borrowings** | |
| Secured | 440 |
| **Total current borrowings** | **440** |
| **Non-current borrowings** | |
| Secured | 10,972 |
| Unguaranteed/unsecured | 1,952 |
| **Total non-current borrowings** | **12,924** |
| **Total Borrowings** | **13,364** |
| **Total Net Borrowings** | **12,286** |
| **Net Parent Investment and Other reserves** | |
| Net Parent Investment[2] | 4,184 |

| | As at 31 December 2020 |
|---|---|
| | (US$ million) |
| Other reserves(3) | 201 |
| **Total Net Parent Investment and Other reserves(4)** | **4,385** |
| **Total capitalisation(5)** | **16,671** |

**Notes:**

(1) Excludes restricted cash of US$199 million.
(2) Net Parent Investment includes the accumulated impact of retained earnings.
(3) Other reserves consist of pension-related accumulated other comprehensive gains, hedging reserve losses and foreign exchange translation reserves.
(4) Total Net Parent Investment and Other reserves excludes non-controlling interests on the basis that they are not attributable to the equity holders of Refinitiv.
(5) Total capitalisation is the sum of Total Net Borrowings and Total Net Parent Investment and Other reserves.

There has been no material change in Refinitiv's indebtedness since 31 December 2020 to the date of this document, except for the refinancing of Refinitiv indebtedness in the context of the Refinitiv Acquisition discussed in the section "*Operating and Financial Review—Recent Developments*".

## DESCRIPTION OF OTHER INDEBTEDNESS

*The following summary of certain provisions of the documents listed below governing certain of the Group's outstanding indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Unless otherwise defined in this Offering Circular or unless the context otherwise requires, terms defined in the agreements described below shall have the same meanings when used in this section.*

### The Bridge Facility

On 1 August 2019, LSEG plc and certain of its subsidiaries entered into a $9.325 billion and €3.580 billion term facilities agreement with Barclays Bank PLC as Agent (the "**Bridge Facility**"). The Bridge Facility will terminate and any amounts utilised and outstanding at such time will need to be repaid on the date falling 12 months after the earlier of: (i) the date falling 18 months after the date of the Bridge Facility; and (ii) the date of the Refinitiv Acquisition, subject to LSEG plc's right (at its option) to extend the termination date by six months. On 16 December 2020, the Bridge Facility was cancelled in an amount of $2 billion and €500 million (the equivalent amount of the dollar and euro term loans made available under the 2020 Revolving Credit and Term Facility, as set out below). The Bridge Facility was made available for the purposes of refinancing Refinitiv's existing debt and was fully drawn on 29 January 2021. The Bridge Facility has a floating rate of interest based on an initial interest rate margin of 0.3% per annum over LIBOR/EURIBOR which increases by 0.1% every three months from the earlier of the date falling 12 months after the date of the Bridge Facility and the date falling three months after the date of the Refinitiv Acquisition. The Bridge Facility is unsecured but is guaranteed by LSEG plc. LSEGH (Luxembourg) Limited and LSEGHI are additional borrowers under the Bridge Facility and there is a mechanism to introduce further additional borrowers. The Bridge Facility is documented on terms which are customary for companies with a public listing and an investment grade credit rating.

### The 2017 Revolving Credit Facility

On 11 December 2017, LSEG plc and certain of its subsidiaries entered into a £600 million revolving facility agreement with RBC Europe Limited as Agent, for a term of five years plus a series of two consecutive one year extensions available at the lenders' option upon LSEG plc's request (the "**2017 Revolving Credit Facility**"). Both of these extensions have been granted subsequent to entry into the 2017 Revolving Credit Facility. On 16 December 2020, LSEG plc and certain of its subsidiaries entered into an amendment and restatement of the 2017 Revolving Credit Facility, which increased the amount available under the 2017 Revolving Credit Facility to £1.425 billion. The 2017 Revolving Credit Facility is available for general corporate purposes. The 2017 Revolving Credit Facility also incorporates dollar and euro swingline facilities, up to the dollar and euro equivalent amount of £1.350 billion. The swingline facilities may only be used towards refinancing any note or other instrument maturing under a commercial paper programme of a member of LSEG or providing other standby liquidity financing for a member of LSEG. The 2017 Revolving Credit Facility is partially drawn and has a floating rate of interest which is calculated by reference to LSEG plc's credit ratings with an initial interest rate margin of 0.325% per annum over LIBOR/EURIBOR at signing. As a result of LIBOR being discontinued as of 31 December 2021, the 2017 Revolving Credit Facility includes a rate switch mechanic such that calculations of interest under the agreements will no longer refer to LIBOR after the rate switch date and will instead refer to an interest rate margin plus an overnight reference rate. The 2017 Revolving Credit Facility is unsecured but is guaranteed by LSEG plc. LSEGH (Luxembourg) Limited, LSEGHI and LSEG Netherlands B.V. are additional borrowers under the 2017 Revolving Credit Facility and there a mechanism to introduce further additional borrowers. The 2017 Revolving Credit Facility is documented on terms which are customary for companies with a public listing and an investment grade credit rating.

### The 2020 Revolving Credit and Term Facility

On 16 December 2020, LSEG plc and certain of its subsidiaries entered into a $2 billion and €500 million term and £1.075 billion revolving facility agreement with RBC Europe Limited as Agent (the "**2020 Revolving Credit and Term Facility**"). The term facilities are for a term of three years and the revolving facility is for a term of five years, plus a series of two consecutive one year extensions available at the lenders' option upon LSEG plc's request. The term facilities were made available for the purposes of refinancing Refinitiv's existing debt and have been fully drawn. The revolving facility is available for general corporate purposes and is partially drawn. The 2020 Revolving Credit and Term Facility has a floating rate of interest which is calculated by reference to LSEG plc's credit ratings. The term facilities have an initial interest rate margin of 0.725% and the revolving facility has an initial interest rate margin of 0.475% per annum over LIBOR/EURIBOR at signing. As a result of LIBOR being discontinued as of 31 December 2021, the 2020 Revolving Credit and Term Facility includes a rate switch

mechanic such that calculations of interest under the agreements will no longer refer to LIBOR after the rate switch date and will instead refer to an interest rate margin plus an overnight reference rate. The 2020 Revolving Credit and Term Facility is unsecured but is guaranteed by LSEG plc. LSEGH (Luxembourg) Limited, LSEGHI and LSEG Netherlands B.V. are additional borrowers under the 2020 Revolving Credit and Term Facility and there is a mechanism to introduce further additional borrowers. The 2020 Revolving Credit and Term Facility is documented on terms which are customary for companies with a public listing and an investment grade credit rating.

**The CC&G Credit Facility Agreements**

Certain credit facility agreements are provided by commercial banks specifically to CC&G as CCP to the Italian markets (the "**CC&G Credit Facility Agreements**"). The CC&G Credit Facility Agreements are to support CC&G's liquidity requirements and are also available to meet certain needs that may arise in the case of certain events, such as the management of participant insolvency or to meet CC&G obligations to CSDs and international CSDs.

The facilities provided under the CC&G Credit Facility Agreements are provided by Intesa San Paolo, BNL, Banca di Brescia – UBI S.p.A., Unicredit, Mediobanca, Cariparma, and Banca Popolare di Spoleto. The CC&G Credit Facility Agreements comprise an aggregate of approximately €420 million of bi-lateral commitments, with the majority requiring a pledge of government securities as eligible collateral to allow drawdown. The facilities provided under the CC&G Credit Facility Agreements are rarely called upon.

See "*Business of the Group—The Business—LSEG—The Borsa Italiana Group*" for further details in relation to the Borsa Italiana Divestment, of which CC&G is expected to form a part.

**The 2021 Notes**

On 2 November 2012, LSEG plc issued £300 million sterling denominated 4.75% notes due 2 November 2021 under its Euro Medium Term Note Programme (the "**2021 Notes**"). The 2021 Notes were issued on the following terms:

(i) interest on the 2021 Notes is payable semi-annually in arrear at the rate of 4.75% each year on the face value of the 2021 Notes for a period of nine years from their date of issue;

(ii) the 2021 Notes are admitted to trading on the London Stock Exchange's regulated market and through the London Stock Exchange's order book for retail bonds and listed on the Official List with effect from 2 November 2012;

(iii) unless previously repaid or purchased and cancelled by LSEG plc, the 2021 Notes will mature on 2 November 2021 and will be repayable by LSEG plc at their face value;

(iv) the 2021 Notes may also be repaid early in a number of circumstances and for a number of reasons, including (but not limited to):

    (A) if LSEG plc is obliged to pay additional amounts in respect of the 2021 Notes pursuant to their terms as a result of a change in, or in the application or official interpretation of, UK tax law, the 2021 Notes may be repaid early (in whole but not in part) at the option of LSEG plc at the face value of the 2021 Notes together with accrued interest;

    (B) in the event that LSEG plc defaults on its obligations under the 2021 Notes or in certain other circumstances described as 'events of default' in the terms and conditions of the 2021 Notes, the 2021 Notes may become due and repayable (in whole but not in part). The amount due will be the face value of the 2021 Notes together with accrued interest; and

    (C) if, during the life of the 2021 Notes, another company were to take over, or otherwise assume control of, LSEG plc or if London Stock Exchange were to be taken over or have control assumed by a company other than LSEG plc and either change of control had a negative impact on the credit ratings assigned to the 2021 Notes (for example, if such credit ratings were lowered to certain levels or withdrawn) or meant that LSEG plc could not obtain a rating for the 2021 Notes in a pre-defined period, then a holder

of 2021 Notes would have the option to require LSEG plc to repay early or to purchase the 2021 Notes of that holder at their face value together with accrued interest;

(v) the 2021 Notes are direct, unconditional, unsubordinated and (subject to the provisions therein) unsecured obligations of LSEG plc and rank and will rank *pari passu* without any preference among themselves and (save for certain obligations required to be preferred by law) equally in right of payment with LSEG plc's existing and future unsecured (save as mentioned above) and unsubordinated obligations but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights;

(vi) the net proceeds from the issue were available to be used by LSEG plc in order to refinance its indebtedness and for LSEG plc's general corporate purposes; and

(vii) the terms and conditions applicable to the 2021 Notes also contain, *inter alia*, a negative pledge.

The 2021 Notes are governed by English law.

**The 2024 Notes**

On 19 September 2017, LSEG plc issued €500 million Euro denominated 0.875% senior notes due 19 September 2024 under its Euro Medium Term Note Programme (the "**2024 Notes**"). The 2024 Notes were issued on the following terms:

(i) interest on the 2024 Notes is payable annually in arrear at the rate of 0.875% each year on the face value of the 2024 Notes for a period of seven years from their date of issue;

(ii) the 2024 Notes are admitted to trading on the London Stock Exchange's regulated market and listed on the Official List with effect from 19 September 2017;

(iii) unless previously repaid or purchased and cancelled by LSEG plc, the 2024 Notes will mature on 19 September 2024 and will be repayable by LSEG plc at their face value;

(iv) the 2024 Notes may also be repaid early in a number of circumstances and for a number of reasons, including (but not limited to):

(A) if LSEG plc is obliged to pay additional amounts in respect of the 2024 Notes pursuant to their terms as a result of a change in, or in the application or official interpretation of, UK tax law, the 2024 Notes may be repaid early (in whole but not in part) at the option of LSEG plc at the face value of the 2024 Notes together with accrued interest;

(B) in the event that LSEG plc defaults on its obligations under the 2024 Notes or in certain other circumstances described as 'events of default' in the terms and conditions of the 2024 Notes, the 2024 Notes may become due and repayable (in whole but not in part). The amount due will be the face value of the 2024 Notes together with accrued interest; and

(C) if, during the life of the 2024 Notes, another company were to take over, or otherwise assume control of, LSEG plc or if London Stock Exchange were to be taken over or have control assumed by a company other than LSEG plc and either change of control had a negative impact on the credit ratings assigned to the 2024 Notes (for example, if such credit ratings were lowered to certain levels or withdrawn) or meant that LSEG plc could not obtain a rating for the 2024 Notes in a pre-defined period, then a holder of 2024 Notes would have the option to require LSEG plc to repay early or to purchase the 2024 Notes of that holder at their face value together with accrued interest;

(v) the 2024 Notes are direct, unconditional, unsubordinated and (subject to the provisions therein) unsecured obligations of LSEG plc and rank and will rank pari passu without any preference among themselves and (save for certain obligations required to be preferred by law) equally in right of payment with LSEG plc's existing and future unsecured (save as mentioned above) and

unsubordinated obligations but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights;

(vi) the net proceeds from the issue were available to be used by LSEG plc in order to refinance its indebtedness and for LSEG plc's general corporate purposes; and

(vii) the terms and conditions applicable to the 2024 Notes also contain, inter alia, a negative pledge.

The 2024 Notes are governed by English law.

**The 2029 Notes**

On 19 September 2017, LSEG plc issued €500 million euro denominated 1.750% senior notes due 19 September 2029 under its Euro Medium Term Note Programme (the "**2029 Notes**"). The 2029 Notes were issued on the following terms:

(i) interest on the 2029 Notes is payable annually in arrear at the rate of 1.750% each year on the face value of the 2029 Notes for a period of 12 years from their date of issue;

(ii) the 2029 Notes are admitted to trading on the London Stock Exchange's regulated market and listed on the Official List of the FCA with effect from 19 September 2017;

(iii) unless previously repaid or purchased and cancelled by LSEG plc, the 2029 Notes will mature on 19 September 2029 and will be repayable by LSEG plc at their face value;

(iv) the 2029 Notes may also be repaid early in a number of circumstances and for a number of reasons, including (but not limited to):

(A) if LSEG plc is obliged to pay additional amounts in respect of the 2029 Notes pursuant to their terms as a result of a change in, or in the application or official interpretation of, UK tax law, the 2029 Notes may be repaid early (in whole but not in part) at the option of LSEG plc at the face value of the 2029 Notes together with accrued interest;

(B) in the event that LSEG plc defaults on its obligations under the 2029 Notes or in certain other circumstances described as 'events of default' in the terms and conditions of the 2029 Notes, the 2029 Notes may become due and repayable (in whole but not in part). The amount due will be the face value of the 2029 Notes together with accrued interest; and

(C) if, during the life of the 2029 Notes, another company were to take over, or otherwise assume control of, LSEG plc or if London Stock Exchange were to be taken over or have control assumed by a company other than LSEG plc and either change of control had a negative impact on the credit ratings assigned to the 2029 Notes (for example, if such credit ratings were lowered to certain levels or withdrawn) or meant that LSEG plc could not obtain a rating for the 2029 Notes in a pre-defined period, then a holder of 2029 Notes would have the option to require LSEG plc to repay early or to purchase the 2029 Notes of that holder at their face value together with accrued interest;

(v) the 2029 Notes are direct, unconditional, unsubordinated and (subject to the provisions therein) unsecured obligations of LSEG plc and rank and will rank pari passu without any preference among themselves and (save for certain obligations required to be preferred by law) equally in right of payment with LSEG plc's existing and future unsecured (save as mentioned above) and unsubordinated obligations but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights;

(vi) the net proceeds from the issue were available to be used by LSEG plc in order to refinance its indebtedness and for LSEG plc's general corporate purposes; and

(vii) the terms and conditions applicable to the 2029 Notes also contain, inter alia, a negative pledge.

The 2029 Notes are governed by English law.

**The 2027 Notes**

On 6 December 2018, LSEG plc issued €500 million Euro denominated 1.750% senior notes due 6 December 2027 under its Euro Medium Term Note Programme (the "**2027 Notes**"). The 2027 Notes were issued on the following terms:

(i) interest on the 2027 Notes is payable annually in arrear at the rate of 1.750% each year on the face value of the 2027 Notes for a period of nine years from their date of issue;

(ii) the 2027 Notes are admitted to trading on the London Stock Exchange's regulated market and listed on the Official List with effect from 6 December 2018;

(iii) unless previously repaid or purchased and cancelled by LSEG plc, the 2027 Notes will mature on 6 December 2027 and will be repayable by LSEG plc at their face value;

(iv) the 2027 Notes may also be repaid early in a number of circumstances and for a number of reasons, including (but not limited to):

(A) if LSEG plc is obliged to pay additional amounts in respect of the 2027 Notes pursuant to their terms as a result of a change in, or in the application or official interpretation of, UK tax law, the 2027 Notes may be repaid early (in whole but not in part) at the option of LSEG plc at the face value of the 2027 Notes together with accrued interest;

(B) in the event that LSEG plc defaults on its obligations under the 2027 Notes or in certain other circumstances described as 'events of default' in the terms and conditions of the 2027 Notes, the 2027 Notes may become due and repayable (in whole but not in part). The amount due will be the face value of the 2027 Notes together with accrued interest; and

(C) if, during the life of the 2027 Notes, another company were to take over, or otherwise assume control of, LSEG plc or if London Stock Exchange were to be taken over or have control assumed by a company other than LSEG plc and either change of control had a negative impact on the credit ratings assigned to the 2027 Notes (for example, if such credit ratings were lowered to certain levels or withdrawn) or meant that LSEG plc could not obtain a rating for the 2027 Notes in a pre-defined period, then a holder of 2027 Notes would have the option to require LSEG plc to repay early or to purchase the 2027 Notes of that holder at their face value together with accrued interest;

(v) the 2027 Notes are direct, unconditional, unsubordinated and (subject to the provisions therein) unsecured obligations of LSEG plc and rank and will rank pari passu without any preference among themselves and (save for certain obligations required to be preferred by law) equally in right of payment with LSEG plc's existing and future unsecured and unsubordinated obligations but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights;

(vi) the net proceeds from the issue were available to be used by LSEG plc in order to refinance its indebtedness and for LSEG plc's general corporate purposes; and

(vii) the terms and conditions applicable to the 2027 Notes also contain, inter alia, a negative pledge.

The 2027 Notes are governed by English law.

**Euro Commercial Paper Programme**

On 15 December 2017, LSEG plc established a £1 billion Euro Commercial Paper Programme (the "**ECP Programme**"). The ECP Programme permits the issuance by LSEG plc of commercial paper ("**ECP Notes**"), subject to the following terms:

(i) ECP Notes may be issued in Euros, Sterling, US$, Japanese Yen or any other currency customarily used in the commercial paper markets;

(ii) the maximum amount of time an ECP Note can be outstanding is 363 days;

(iii) the ECP Notes shall not be listed on any stock exchange;

(iv) the ECP Notes may be issued either at a discount (without interest), or may be interest bearing, such interest being either: (a) fixed; or (b) floating by reference to a reference rate; and

(v) the ECP Notes are direct, unconditional, unsubordinated and (subject to the provisions therein) unsecured obligations of LSEG plc and rank and will rank *pari passu* without any preference among themselves and (save for certain obligations required to be preferred by law) equally in right of payment with LSEG plc's existing and future unsecured (save as mentioned above) and unsubordinated obligations but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

As at 31 December 2020, LSEG plc had EUR188 million of ECP Notes outstanding under the ECP Programme.

## DESCRIPTION OF LSEGA

This Section sets out information about LSEGA.

**Information about LSEGA**

LSEGA was incorporated and registered under the laws of England and Wales, as a public limited company on 21 December 2020 under the name of LESGA Financing plc registered at Companies House with registration number 13091751. The principal legislation under which LSEGA operates is the Companies Act 2006.

LSEGA's registered office and principal place of business is 10 Paternoster Square, London, United Kingdom, EC4M 7LS. The total allotted, issued and fully paid share capital of LSEGA is £50,000. LSEG plc is the sole member of LSEGA.

**Principal activities**

LSEGA's objects and purposes are unrestricted. LSEGA is organised as a special purpose company. LSEGA was established for the purpose of raising debt and making such proceeds thereof available to other subsidiaries within the Group.

LSEGA's only material assets will be proceeds from raising debt which will be made available by LSEGA to other subsidiaries within the Group to be used for general corporate purposes. Therefore, LSEGA is dependent on other subsidiaries within the Group to satisfy its obligations in full and on a timely basis.

Since its incorporation, LSEGA has not engaged in material activities other than those incidental to its registration as a public limited company under the Companies Act 2006 and those related to the raising of debt and the loan of the proceeds of such debt to other members of the Group.

LSEGA has no employees.

**Officers**

The Officers of LSEGA are:

| Name | Position | Principal other activities outside LSEGA |
|---|---|---|
| Simon Atkinson | Director | Group Treasurer |
| Lisa Condron | Director | Group Company Secretary |
| Catherine Thomas (née Johnson) | Director | Group General Counsel |

The company secretary of LSEGA is Teresa Hogan.

The business address of each of the above persons is 10 Paternoster Square, London, United Kingdom, EC4M 7LS.

There are no potential conflicts of interest between the private interests or other duties to third parties of the directors of LSEGA and their duties to LSEGA.

**Financial Information**

The financial year of LSEGA ends on 31 December in each year. As at the date of this Offering Circular, LSEGA has not commenced operations and no financial statements have been prepared in respect of LSEGA. LSEGA intends to publish its first financial statements in respect of the period ending on 31 December 2021.

## DESCRIPTION OF LSEG NETHERLANDS

This Section sets out information about LSEG Netherlands.

**Information about the LSEG Netherlands**

LSEG Netherlands was incorporated and registered under the laws of The Netherlands, as a Dutch private limited company (*besloten vennootschap met beperkte aansprakelijkheid)* on 26 November 2020 under the name of LSEG Netherlands B.V. registered in the Dutch Trade Register (*handelsregister*) of the Chamber of Commerce (*Kamer van Koophandel*) with registration number 81019548. LSEG Netherlands has its corporate seat in Amsterdam, The Netherlands and is subject to Dutch company law.

LSEG Netherlands' registered office and principal place of business is Keizersgracht 679, 4th floor, 1017 DV Amsterdam, The Netherlands. The total allotted, issued and fully paid share capital of LSEG Netherlands is €1. LSEG plc is the sole shareholder of LSEG Netherlands.

**Principal activities**

LSEG Netherlands' objects and purposes to perform holding and financing activities, in the broadest meaning, and in relation thereto to acquire, to hold, to encumber and to alienate any type of asset (including registered property), liabilities and property rights for its own account, and for the benefit of group entities and third parties. The activities include borrowing, lending funds, issuing bonds, promissory notes and other letters of credit as well as rendering guarantees, providing security and otherwise binding itself for the obligations of others. LSEG Netherlands is organised as a holding company.

LSEG Netherlands' only material assets are proceeds from issuances of debt which will be or have been made available by LSEG Netherlands to other subsidiaries within the Group to be used for general corporate purposes. Therefore, LSEG Netherlands is dependent on other subsidiaries within the Group to satisfy its obligations in full and on a timely basis.

Since its incorporation, LSEG Netherlands has not engaged in material activities other than those incidental to its registration as a limited liability company under Dutch company law and those related to the raising of debt and the loan of the proceeds of such debt to other members of the Group.

LSEG Netherlands has no employees.

**Officers**

The Officers of LSEG Netherlands are:

| Name | Position | Principal other activities outside LSEG Netherlands |
|---|---|---|
| Simon Atkinson | Executive Director | Group Treasurer |
| Catherine Thomas (née Johnson) | Non-Executive Director | Group General Counsel |
| Lisa Condron | Non-Executive Director | Group Company Secretary |

The business address of each of the above persons is Keizersgracht 679, 4th floor 1017 DV Amsterdam, The Netherlands.

There are no potential conflicts of interest between the private interests or other duties to third parties of the directors of LSEG Netherlands and their duties to LSEG Netherlands.

**Financial Information**

The financial year of LSEG Netherlands ends on 31 December in each year. As at the date of this Offering Circular, LSEG Netherlands has not commenced operations and no financial statements have been prepared in respect of LSEG Netherlands. LSEG Netherlands intends to publish its first financial statements in respect of the period ending on 31 December 2021.

# FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

**[MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "**Distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**[UK MIFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the [European Union (Withdrawal) Act 2018][EUWA] ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "**Distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a Distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products "]/["capital markets products other than prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and ["Excluded Investment Products "]/["Specified Investment Products"] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

**Final Terms dated [•]**

**[London Stock Exchange Group plc**
Legal Entity Identifer ("**LEI**"): 213800QAUUUP6I445N30]
[**LSEGA Financing plc**
**LEI**: 2138009YFYTGEHZNNZ09]
[**LSEG Netherlands B.V.**
**LEI**: 213800JCR9B7CYW7U265]
(the "**Issuer**")
Issue [Aggregate nominal amount of Tranche] [Title of Notes]
under the

**£10,000,000,000 Global Medium Term Note Programme (the "Programme")**

**[unconditionally and irrevocably guaranteed**

**by London Stock Exchange Group plc** (**LEI**): **213800QAUUUP6I445N30]**

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Offering Circular dated 23 March 2021 which [, as modified by a supplement to the Offering Circular dated [ ],] constitutes a base prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**") (the "**Offering Circular**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 8 of the UK Prospectus Regulation and must be read in conjunction with the Offering Circular. Full information on the Issuer[, the Guarantor][1] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/news/market-news/rns/rns.htm.

| | | | |
|---|---|---|---|
| 1. | (i) | Issuer: | [London Stock Exchange Group plc]<br>[LSEGA Financing plc]<br>[LSEG Netherlands B.V.] |
| | (ii) | Guarantor: | [London Stock Exchange Group plc/ Not applicable.]<br>*(Not applicable should be selected for Notes issued by London Stock Exchange Group plc)* |
| 2. | (i) | Series Number: | [●] |
| | (ii) | Tranche: | [●] |
| | (iii) | Date on which Notes become fungible: | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [●/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below [which is expected to occur on or about [●]]].] |
| 3. | Specified Currency or Currencies: | | [●] |
| 4. | Aggregate Nominal Amount | | |

[1] Include in respect of Notes issued by LSEGA Financing plc or LSEG Netherlands B.V.

| | | |
|---|---|---|
| | (i) Series: | [●] |
| | (ii) Tranche: | [●] |
| 5. | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]] |
| 6. | (i) Specified Denominations: | [●] |
| | (ii) Calculation Amount: | [●] |
| 7. | (i) Issue Date: | [●] |
| | (ii) Interest Commencement Date: | [[●]/Issue Date/Not Applicable] |
| 8. | Maturity Date: | [●] |
| 9. | Interest Basis: | [[●] per cent. Fixed Rate]<br>[[●] +/– [●] per cent. Floating Rate]<br>[Zero Coupon] |
| 10. | Redemption/Payment Basis: | [Redemption at par]<br>[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.]<br>[●] |
| 11. | Change of Interest: | [Applicable/Not Applicable] |
| 12. | Put/Call Options: | [Investor Put]<br>[Change of Control Put pursuant to Condition 9(e)(ii)]<br>[Issuer Call]<br>[Issuer Maturity Par Call pursuant to Condition 9(j)] |
| 13. | [Date [Board] approval for issuance of Notes [and Guarantee respectively]] obtained: | [●][and[●], respectively] |

***PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE***

| | | |
|---|---|---|
| 14. | **Fixed Rate Note Provisions** | [Applicable/Not Applicable] |
| | (i) Rate[(s)] of Interest: | [●] per cent. per annum [payable in arrear on each Interest Payment Date] |
| | (ii) Interest Payment Date(s): | [●] [and [●] in each year[, commencing on [●], to and including the Maturity Date] |
| | (iii) Fixed Coupon Amount[(s)]: | [●] per Calculation Amount |
| | (iv) Broken Amount(s): | [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] |

| | | | |
|---|---|---|---|
| | (v) | Day Count Fraction: | [30/360 / Actual/Actual (ICMA) or specify any other option from the Conditions] |
| 15. | **Floating Rate Note Provisions** | | [Applicable/Not Applicable] |
| | (i) | Specified Period: | [[●] in each year, subject to adjustment in accordance with the Business Day Convention set out in (iv) below] |
| | (ii) | Specified Interest Payment Dates: | [[●] in each year, subject to adjustment in accordance with the Business Day Convention set out in (iv) below] |
| | (iii) | [First Interest Payment Date]: | [●] |
| | (iv) | Business Day Convention: | Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / No Adjustment] |
| | (v) | Additional Business Centre(s): | [Not Applicable/[•]] |
| | (vi) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination] |
| | (vii) | Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): | [●] shall be the Calculation Agent |
| | (viii) | Screen Rate Determination: | Applicable/Not Applicable] |
| | | Reference Rate: | [EURIBOR]/[●] |
| | | Relevant Financial Centre: | [●] |
| | | Interest Determination Date(s): | [●] |
| | | Relevant Screen Page: | [●] |
| | | Relevant Time: | [●] |
| | | Relevant Financial Centre: | [●] |
| | (ix) | ISDA Determination: | [Applicable/Not Applicable] |
| | | Floating Rate Option: | [●] |
| | | Designated Maturity: | [●] |
| | | Reset Date: | [●] |
| | | ISDA Definitions: | [2000/2006] |
| | (x) | Margin(s): | [+/-][●] per cent. per annum |
| | (xi) | Minimum Rate of Interest: | [[●] per cent. per annum / Not Applicable] |
| | (xii) | Maximum Rate of Interest: | [[●] per cent. per annum / Not Applicable] |
| | (xiii) | Day Count Fraction: | [●] |

| | | |
|---|---|---|
| 16. | **Zero Coupon Note Provisions** | [Applicable/Not Applicable] |
| | (i) [Amortisation/Accrual] Yield: | [●] per cent. per annum |
| | (ii) Reference Price: | [●] |
| | (iii) Day Count Fraction in relation to Early Redemption Amounts and late payment: | [30E/360] / [●] |

***PROVISIONS RELATING TO REDEMPTION***

| | | |
|---|---|---|
| 17. | **Call Option** | [Applicable/Not Applicable] |
| | (i) Optional Redemption Date(s): | [●] |
| | (ii) Optional Redemption Amount(s) of each Note: | [[●] per Calculation Amount/Make-Whole Redemption Amount/Spens Amount] |
| | [(a) Redemption Margin: | [●] |
| | [(b) Reference Bond: | [●] |
| | [(c) Quotation Time: | [●] |
| | [(d) Par Redemption Date: | [●] |
| | (iii) Redeemable in part: | [Applicable/Not Applicable] |
| | (a) Minimum Redemption Amount: | [[●] per Calculation Amount / Not Applicable] |
| | (b) Maximum Redemption Amount: | [[●] per Calculation Amount / Not Applicable] |
| | (iv) Notice period: | [●] |
| 18. | **Put Option** | [Applicable/Not Applicable] |
| | (i) Optional Redemption Date(s): | [●] |
| | (ii) Optional Redemption Amount(s) of each Note: | [●] per Calculation Amount |
| | (iii) Notice period: | [●] |
| 19. | **Change of Control Put:** | [Applicable/Not Applicable] |
| | (i) Change of Control Redemption Amount(s): | [●] per Calculation Amount |
| | (a) Minimum Change of Control Redemption Amount: | [[●] per Calculation Amount][Not Applicable] |
| | (b) Maximum Change of Control Redemption Amount: | [[●] per Calculation Amount][Not Applicable] |
| 20. | **Final Redemption Amount of each Note:** | [●] per Calculation Amount |
| 21. | **Early Redemption Amount (Tax):** | [●] per Calculation Amount |

| | | |
|---|---|---|
| | Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons: | |
| 22. | **Early Termination Amount:** | |
| | Early Termination Amount(s) per Calculation Amount payable on redemption following a default: | [●] per Calculation Amount |

***GENERAL PROVISIONS APPLICABLE TO THE NOTES***

| | | |
|---|---|---|
| 23. | **Form of Notes:** | **Bearer Notes:**<br><br>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note (TEFRA D Rules apply).]<br><br>[Temporary Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Temporary Global Note (TEFRA D Rules apply).]<br><br>[Temporary Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Temporary Global Note (neither TEFRA C Rules nor TEFRA D Rules apply).]<br><br>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note (TEFRA C Rules apply).]<br><br>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note (neither TEFRA C Rules nor TEFRA D Rules apply).]<br><br>**Registered Notes**:<br><br>[Regulation S Global Note Certificate registered in the name of a nominee for [a Common Depositary for Euroclear and Clearstream, Luxembourg/a Common Safekeeper for Euroclear and Clearstream, Luxembourg exchangeable for Regulation S Individual Note Certificates in the limited circumstances specified in the Regulation S Global Note Certificate]]<br><br>[Rule 144A Global Note Certificate registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg exchangeable for Rule 144A Individual Note Certificates in the limited circumstances specified in the Rule 144A Global Note Certificate]]<br><br>[Rule 144A Global Note Certificate deposited with a custodian for, and registered in the name of Cede |

| | | |
|---|---|---|
| | | & Co. as nominee for, The Depository Trust Company exchangeable for Rule 144A Individual Note Certificates in the limited circumstances specified in the Rule 144A Global Note Certificate]<br><br>[Regulation S Global Note Certificate deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company exchangeable for Regulation S Individual Note Certificates in the limited circumstances specified in the Regulation S Global Note Certificate]<br><br>[Regulation S Individual Note Certificates / Rule 144A Individual Note Certificates] |
| 24. | New Global Note: | [Yes]/[No] |
| 25. | Additional Financial Centre(s): | [Not Applicable/[●]] |
| 26. | Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): | [No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.] |

**THIRD PARTY INFORMATION**

[[●] has been extracted from [●]. The Issuer [and the Guarantor] confirm[s] that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

*[For issuances by London Stock Exchange Group plc]*

Signed on behalf of London Stock Exchange Group plc:

By:

Duly authorised

[*For issuances by LSEG Netherlands B.V. or LSEGA Financing plc]*

Signed on behalf of [*LSEG Netherlands B.V][LSEGA Financing plc]*:

*as Issuer*

By:

Duly authorised

[By:

Duly authorised]

Signed on behalf of London Stock Exchange Group plc:

*as Guarantor*

By:

Duly authorised]

## PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

| | |
|---|---|
| Listing and Admission to trading: | [Application [will be/has been] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and have been admitted to the official list of the Financial Conduct Authority with effect from [the Issue Date [•]].<br><br>*(Where documenting a fungible issue, indicate that original Notes are already admitted to trading.)* |

2. **RATINGS**

| | |
|---|---|
| Ratings: | [Not Applicable] [The Notes to be issued [[have been]/[are expected to be]] rated [●] by [●]]:<br><br>The rating agenc[y/ies] above [has/have] published the following high-level description[s] of such rating[s]:<br><br>[A rating of [●] by [●] is described by it as indicating [●].] [*repeat as necessary]* |

3. **REASONS FOR THE OFFER AND USE OF PROCEEDS**

| | |
|---|---|
| Reasons for the offer: | [To refinance indebtedness and for its general corporate purposes/[●]] |

4. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

[Save as discussed in "*Subscription and Sale*", so far as the Issuer [and the Guarantor are] [is] aware, no person involved in the offer of the Notes has an interest material to the offer."]

5. **TOTAL EXPENSES AND NET PROCEEDS**

| | |
|---|---|
| (i) Estimated Net Proceeds: | [●] |
| (ii) Estimated total expenses relating to admission to trading: | [●] |

6. **[*Fixed Rate Notes only* – YIELD**

| | |
|---|---|
| [Not Applicable / Indication of yield: | [●] [per cent. per annum. Yield is calculated on the basis of the Issue Price on the Issue Date. It is not an indication of future yield] |

7. **[*Floating Rate Notes only* – HISTORIC INTEREST RATES**

Details of historic rates can be obtained from [Reuters].]

8. **OPERATIONAL INFORMATION**

| | |
|---|---|
| [Regulation S] ISIN Code: | [●] |
| [Rule 144A ISIN Code:] | [●] |
| [Regulation S] Common Code: | [●] |

| | |
|---|---|
| [Rule 144A Common Code:] | [●] |
| CFI: | [See the website of the Association of National Numbering Agencies (ANNA) or alternatively source from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available] |
| FISN: | [See the website of the Association of National Numbering Agencies (ANNA) or alternatively source from the responsible National Numbering Agency that assigned the ISIN /Not Applicable / Not Available]<br><br>(*If the FISN and/or CFI code is not required or requested, it/they should be specified to be* "*Not Applicable"*) |
| CUSIP: | [[●]/Not Applicable] |
| Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A. and DTC and the relevant identification number(s): | [Not Applicable/[•]] |
| Delivery: | Delivery [against/free of] payment |
| Names and addresses of additional Paying Agent(s) (if any): | [●] |
| Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [*include this text for registered notes*]] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]<br><br>[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*]]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] |
| Relevant Benchmark[s]: | [[*specify benchmark*] is provided by [*administrator legal name*]]. As at the date hereof, [[*administrator legal name*][appears]/[does not appear]] in the register of administrators and benchmarks established and |

maintained by the FCA pursuant to Article 36 (Register of administrators and benchmarks) of the UK Benchmark Regulation]/[As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the UK Benchmark Regulation]/[Not Applicable.]

9. **DISTRIBUTION**

| | | |
|---|---|---|
| (i) | US Selling Restrictions: | [Reg. S Compliance Category [1/2]; TEFRA D Rules/TEFRA C Rules/TEFRA not applicable];[Rule 144A] |
| (ii) | If syndicated, names of Managers: | [Not Applicable/[●]]<br><br>[*Joint Global Coordinators / Joint Lead Managers*:] [●]<br><br>[*Co-Lead Managers*:][*Active Bookrunners:][Passive Bookrunners*:] [●] |
| (iii) | Stabilising Manager(s) (if any): | [Not Applicable/[●]] |
| (iv) | If non-syndicated, name and address of relevant Dealer: | [Not Applicable/[●]] |
| (v) | Additional selling restrictions: | [Not Applicable/[●]] |
| (vi) | Prohibition of Sales to UK Retail Investors: | [Applicable/Not Applicable] |
| (vii) | Prohibition of Sales to EEA Retail Investors: | [Applicable/Not Applicable] |
| (viii) | Prohibition of sales to Belgian Consumers: | [Applicable/Not Applicable] |

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Final Terms will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" elsewhere in the Offering Circular.*

1. **Introduction**

(a) *Programme*: London Stock Exchange Group plc ("**LSEG plc**"), LSEGA Financing plc ("**LSEGA**") and LSEG Netherlands B.V. ("**LSEG Netherlands**") (each, if so specified in the relevant Final Terms, the "**Issuer**") have established a Global Medium Term Note Programme (the "**Programme"**) for the issuance by the Issuers of up to £10,000,000,000 in aggregate nominal amount of notes (the "**Notes**") guaranteed, in respect of notes issued by LSEG Netherlands or LSEGA (as the case may be), by LSEG plc (in such capacity, the "**Guarantor**", and such Notes, the "**Guaranteed Notes**").

(b) *Final Terms*: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**) which supplements these terms and conditions (the "**Conditions**") **provided that**, in the case of a Tranche of Notes which is the subject of a separate prospectus specific to that Tranche of Notes (a "**Drawdown Offering Circular**"), each reference to Final Terms or to information being specified or identified in the relevant Final terms shall be read and construed as a reference to the Drawdown Offering Circular or to such information being specified or identified in the relevant Drawdown Offering Circular unless the context requires otherwise. The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms.

(c) *Trust Deed:* The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 23 March 2021 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuers, the Guarantor and HSBC Corporate Trustee Company (UK) Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

(d) *Agency Agreement*: The Notes are the subject of an issue and paying agency agreement dated 23 March 2021 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuers, the Guarantor, the Trustee, HSBC Bank plc as principal paying agent and transfer agent (the "**Principal Paying Agent**" and the "**Transfer Agent**", which expressions include any successor principal paying agent and transfer agents appointed from time to time in connection with the Notes), HSBC Bank plc as paying agent and non-U.S. registrar (the "**Paying Agent**" and the "**Non-U.S. Registrar**", which expressions include any successor paying agent and non-U.S. registrar appointed from time to time in connection with the Notes), HSBC Bank USA, National Association as U.S. paying agent and U.S. Registrar (the "**U.S. Paying Agent**" (and together with the other paying agents named therein and the Principal Paying Agent, the "**Paying Agents**") and the "**U.S. Registrar**" (and the U.S. Registrar together with the Non-U.S. Registrar, the "**Registrars**" and each a "**Registrar**"), which expressions include any successor or additional paying agents, U.S. registrars and U.S. paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrars, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

(e) *The Notes*: The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing and may be obtained from the Principal Paying Agent by emailing ctlondon.conventional@hsbc.com save that, if a Note is not admitted to trading on a regulated market in the United Kingdom nor offered in the United Kingdom in circumstances where a prospectus is required to be published under the UK Prospectus Regulation, the relevant Final Terms will only be available to a Noteholder holding one or more such Notes upon such Noteholder producing evidence as to identity satisfactory to the Principal Paying Agent. Copies of each Final Terms relating to Notes offered to the public in the United Kingdom (other than pursuant to one or more of the exemptions set out in Article 1.4 of the UK Prospectus Regulation) or admitted to trading on a regulated market in the United Kingdom will be available on the website of the

Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-newshome.html.

(f) *Summaries*: Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for viewing and may be obtained from the Principal Paying Agent by emailing ctlondon.conventional@hsbc.com.

2. **Interpretation**

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Business Day**" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day; and

(d) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Principal Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Calculation Amount**"" has the meaning given in the relevant Final Terms;

"**Coupon Sheet**"" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(b) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count fraction} = \frac{[360 \times (Y2 - Y1) + (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its nominal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note that is not a Zero Coupon Note, its nominal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms and, in respect of a Zero Coupon Note, unless otherwise specified in the relevant Final Terms, the amount calculated in accordance with Condition 8(b);

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**EUWA**" means the European Union (Withdrawal) Act 2018, as amended or superseded;

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Note, its nominal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Guarantee**" and "**Guarantee of the Notes**" each means the guarantee of the Notes given by the Guarantor in the Trust Deed;

"**Group**" means LSEG plc and its Subsidiaries from time to time;

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

"**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of borrowed money or any liability under or in respect of any acceptance or acceptance credit;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms as the same may be adjusted in accordance with the relevant Business Day Convention;

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Final Terms;

"**Liabilities**" means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis;

"**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets settle payments and are open for general business in London;

"**Margin**" has the meaning given to it in the relevant Final Terms;

"**Material Subsidiary**" means any Subsidiary of LSEG plc (other than LSEG Netherlands and LSEGA):

(a) whose profits before interest, taxation and exceptional or extraordinary items (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total net assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated profits before interest, taxation and exceptional or extraordinary items, or, as the case may be, the consolidated total net assets of LSEG plc and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of LSEG plc and its Subsidiaries; provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of LSEG plc and its Subsidiaries relate, the reference to the latest audited financial statements for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first mentioned financial statements as if such Subsidiary had been shown in such financial statements by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the auditors of LSEG plc after consultation with LSEG plc; or

(b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above.

A certificate by two of the directors of LSEG plc that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Noteholders;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its nominal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its nominal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)** has the meaning given in the relevant Final Terms;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

(i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that**:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Issuer and provided to the Calculation Agent in the market that the Issuer considers is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Final Terms;

"**Reference Rate**" means EURIBOR;

"**Regular Period**" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in

any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year (or, in the case of the first Interest Period, the Interest Commencement Date) to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Indebtedness**" means (i) any indebtedness for borrowed money having an original maturity of more than one year, which is evidenced by bonds, notes, debentures or other securities which, with the consent of the Issuer, are, or are intended to be, listed or traded on any stock exchange, over-the-counter or other securities market and (ii) any guarantee or indemnity in respect of any such indebtedness;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Reserved Matter**" has the meaning given in the Trust Deed;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)** " has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subsidiary**" means a subsidiary within the meaning of Section 1159 of the United Kingdom Companies Act 2006;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty establishing the European Union, as amended;

"**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA, as amended or superseded; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;

(vii) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

(a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.

(d) *Title to Registered Notes:* Each Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the relevant Registrar or the Transfer Agent, together with such evidence as the relevant Registrar or (as the

case may be) the Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the nominal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the nominal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the relevant Registrar will register the transfer in question and deliver a new Note Certificate of a like nominal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the relevant Registrar or (as the case may be) the Transfer Agent has its Specified Office.

(h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the relevant Registrar or the Transfer Agent but against such indemnity as the relevant Registrar or (as the case may be) the Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the relevant Registrar. A copy of the current regulations will be mailed (free of charge) by the relevant Registrar to any Noteholder who requests in writing a copy of such regulations.

## 4. Status and Guarantee of the Notes

(a) *Status:* The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured (subject as aforesaid) obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

(b) *Guarantee of the Notes*: The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the relevant Issuer in respect of the Guaranteed Notes. This Guarantee of the Guaranteed Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured (subject as aforesaid) obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

## 5. Negative Pledge

So long as any of the Notes remain outstanding (as defined in the Trust Deed) the Issuer and (in respect of Guaranteed Notes) the Guarantor shall not create or permit to be outstanding any mortgage, charge, lien (other than a lien arising by operation of law), pledge or other security interest (each a "**Security Interest**") upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital) to secure any Relevant Indebtedness (as defined above), unless the Issuer and (if applicable) the Guarantor, before or at the same time, takes any and all action necessary to ensure that:

(i) amounts payable by it under the Notes, the Guarantee, the Coupons and the Trust Deed are secured by a Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not

materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

6. **Fixed Rate Note Provisions**

(a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note Provisions**

(a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable:

(A) the Issuer will request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate to the Calculation Agent at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) the Calculation Agent will determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on EURIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) *Calculation of other amounts:* If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(h) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(i) *Notifications etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer and the Guarantor, as the case may be, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to the Issuer, or the Guarantor, as the case may be, the Paying Agents, the Noteholders and the Couponholders will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(j) *Benchmark Discontinuation:*

(i) If a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 7(j)(ii)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 7(j)(iii)) and any Benchmark Amendments (in accordance with Condition 7(j)(iv)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Principal Paying Agent, the Trustee or the Noteholders for any determination made by it pursuant to this Condition 7(j).

If (i) the Issuer is unable to appoint an Independent Adviser or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 7(j) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediate following Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Floating Rate Interest Period. For the avoidance of doubt, any adjustment pursuant to this final paragraph of Condition 7(j) shall apply to the immediately following Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 7(j).

(ii) If the Independent Adviser determines in its discretion that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7(j)(iii)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(j); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7(j)(iii)) subsequently be

used in place of the Reference Rate to determine the rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(j).

(iii) If the Independent Adviser determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).

(iv) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7(j) and the Independent Adviser determines in its discretion (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the person specified in the applicable Final Terms as the party responsible for calculating the rate of interest and the Interest Amount(s), subject to giving notice thereof in accordance with Condition 7(j)(v), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Principal Paying Agent shall, at the direction and, in accordance with Clause 11.1 (*Commissions and Expenses*) of the Agency Agreement, expense of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 7(j)). Notwithstanding any other provision of this Condition 7(j), none of the Agents is obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 7(j) to which, in the sole opinion of the relevant Agent, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the relevant Agent in the Agency Agreement and/or these Conditions.

In addition, but subject to receipt by the Trustee of a certificate signed by two Authorised Signatories of the Issuer pursuant to Condition 7(j)(vi), the Trustee shall (at the expense of the Issuer in accordance with Clause 12.1 (*Remuneration*) of the Trust Deed), without the requirement for the consent or approval of the Noteholders or Couponholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed) and the Trustee shall not be liable to any party for any consequences thereof, provided that the Trustee shall not be obliged so to concur if in the sole opinion of the Trustee doing so would have the effect of (A) imposing more onerous obligations upon it or exposing it to any additional duties, responsibilities or liabilities over and above those which it has in these Conditions or the Trust Deed (including, for the avoidance of doubt, any Supplemental Trust Deed) and against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (B) reducing or amending the rights and/or the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any Supplemental Trust Deed) in any way.

(v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 7(j) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent and the Paying Agents. In accordance with Condition 20, notice shall be provided to the Noteholders promptly thereafter. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(vi) No later than notifying the Principal Paying Agent and the Trustee of the same, the Issuer shall deliver to the Principal Paying Agent and the Trustee a certificate signed by two Authorised Signatories of the Issuer:

(A) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark

Amendments, in each case as determined in accordance with the provisions of this Condition 7(j); and

(B) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread.

The Trustee and the Agents shall be entitled to rely on such certificate (without inquiry and without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Principal Paying Agent, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders as of their effective date.

Notwithstanding any other provision of this Condition 7(j), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 7(j), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, willful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

(vii) Without prejudice to the obligations of the Issuer under Condition 7(j)(i), (ii), (iii) and (iv), the Reference Rate and the fallback provisions provided for in the definition of the term "Reference Rate" will continue to apply unless and until a Benchmark Event has occurred.

(viii) As used in these Conditions:

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(C) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate.

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 7(j)(ii) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the Specified Currency.

"**Authorised Signatories**" has the meaning given in the Trust Deed.

"**Benchmark Amendments**" has the meaning given to it in Condition 7(j)(iv).

"**Benchmark Event**" means:

(A) the Reference Rate ceasing to be published for a period of at least five (5) Business Days or ceasing to exist; or

(B) a public statement by the administrator of the Reference Rate that it will cease publishing the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Reference Rate); or

(C) a public statement by the supervisor of the administrator of the Reference Rate, that the Reference Rate has been or will permanently or indefinitely discontinued; or

(D) a public statement by the supervisor of the administrator of the Reference Rate as a consequence of which the Reference Rate will be prohibited from being used either generally, or in respect of the relevant Floating Rate Notes;

(E) a public statement by the supervisor of the administrator of the Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of any underlying market; or

(F) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or any other party to calculate any rate of interest using the Reference Rate.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense under Condition 7(j)(i).

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Reference Rate which is formally published, endorsed, approved, recommended or recognised by any Relevant Nominating Body.

## 8. Zero Coupon Note Provisions

(a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments - Bearer Notes*) and Condition 11 (*Payments - Registered Notes*).

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the relevant Issuer in whole, but not in part:

(i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice (or such other period as shall be specified in the relevant Final Terms) to the Trustee and the Principal Paying Agent and, in accordance with Condition 20 (Notices), to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the relevant Issuer satisfies the Trustee that:

(A) the Issuer or (in respect of payments under the Guarantee of the Notes for Guaranteed Notes) the Guarantor, as the case may be, has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation)* as a result of any change in, or amendment to, the laws or regulations of either the United Kingdom (in respect of LSEG plc and LSEGA) or the Netherlands (in respect of LSEG Netherlands) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and

(B) such obligation cannot be avoided by the relevant Issuer or the Guarantor, as the case may be, taking reasonable measures available to it,

**provided, however, that** no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the relevant Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the relevant Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the relevant Issuer or the Guarantor, as the case may be, shall deliver or procure that there is delivered to the Trustee (A) a certificate signed by two Authorised Signatories of such Issuer or the Guarantor, as the case may be, stating that such Issuer or the Guarantor, as the case may be, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of such Issuer or the Guarantor, as the case may be, so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that such Issuer or the Guarantor, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above (without liability to any person and without making any further enquiries), in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the relevant Issuer or the Guarantor, as the case may be, shall be bound to redeem the Notes in accordance with this Condition 9(b).

(c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the relevant Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer giving not less than 15 nor more than 30 days' notice (or such other period as shall be specified in the relevant Final Terms) to the Noteholders and not less than 15 days before the giving of the notice to the Noteholders notice to the Trustee and the Principal Paying Agent (which notices shall be irrevocable and shall oblige such Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date). If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified. The Optional Redemption Amount (Call) will be either, as specified in the applicable Final Terms, (i) if Make-Whole Redemption Amount is specified as being applicable in the applicable Final Terms, the relevant Make-Whole Redemption Amount or (ii) the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms.

The Make-Whole Redemption Amount will be an amount equal to the higher of:

(i) if "**Spens Amount**" is specified as being applicable in the applicable Final Terms, (i) 100 per cent. of the nominal amount outstanding of the Notes to be redeemed or (ii) the nominal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Determination Agent, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time on the Reference Date of the Reference Bond, plus the Redemption Margin; or

(ii) if "**Make-Whole Redemption Amount**" is specified as applicable in the applicable Final Terms, (i) 100 per cent. of the nominal amount outstanding of the Notes to be redeemed and (ii) the sum of the present values of the nominal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the date of redemption) and such present values shall be calculated by discounting such amounts to the date of redemption on an annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at the Reference Bond Rate, plus the Redemption Margin,

all as determined by the Determination Agent, *provided however that*, if the Optional Redemption Date occurs on or after the Par Redemption Date (if specified in the relevant Final Terms), the Make-Whole Redemption Amount will be the nominal amount of the Notes. "**Optional Redemption Date**" and "**Par Redemption Date**" will be specified in the relevant Final Terms.

In this Condition 9(c):

"**DA Selected Bond**" means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term of the Notes, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term of the Notes;

"**Determination Agent**" means an investment bank or financial institution of international standing appointed by the Issuer;

"**Gross Redemption Yield**" means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Determination Agent on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 4, Section One: Price/Yield Formulae "Conventional Gilts"; "Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised

yield and rounded up (if necessary) to four decimal places) or on such other basis as the Issuer may approve;

"**Quotation Time**" shall be as set out in the applicable Final Terms;

"**Redemption Margin**" shall be as set out in the applicable Final Terms;

"**Reference Bond**" shall be as set out in the applicable Final Terms or the DA Selected Bond;

"**Reference Bond Price**" means, with respect to any date of redemption, (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (b) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

"**Reference Bond Rate**" means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

"**Reference Date**" will be set out in the relevant notice of redemption;

"**Reference Government Bond Dealer**" means each of the two banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

"**Reference Government Bond Dealer Quotations**" means, with respect to each Reference Government Bond Dealer and any date of redemption, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer; and

"**Remaining Term Interest**" means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to this Condition 9.

(d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected (the date of such selection being, the "**Selection Date**") by the application of a pool factor or in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified. A list of the serial numbers of the notes to be redeemed will be published in accordance with Condition 20 not less than 15 days prior to the date fixed for redemption and such notice shall specify the serial numbers of the Notes so to be redeemed.

(e) *Redemption at the option of the Noteholders*

(i) Redemption (Put Option):

If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(e), the Holder of a Note must, not less than 15 nor more than 30 days before (or such other period as shall be specified in the relevant Final Terms) the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from

any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(e), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(ii) Redemption (Change of Control Put Event):

If Change of Control Put Event is specified as "applicable" in the applicable Final Terms, this Condition 7(e)(ii) shall apply.

(A) A **Change of Control Put Event** will be deemed to occur if:

(i) a Change of Control has occurred; and

(ii) on the date (the "**Relevant Announcement Date**") that is the earlier of (1) the date of the first public announcement made by, or on behalf of or with the agreement of LSEG plc of the relevant Change of Control and (2) the date of the earliest Relevant Potential Change of Control Announcement (if any):

(1) the Notes carry from any Rating Agency a credit rating of BBB-/Baa3 (or equivalent) (an "**investment grade rating**") or better, and such rating from any Rating Agency is within the Change of Control Period either downgraded to a credit rating of BB+/Ba1, (or equivalent) (a "**non-investment grade rating**"), or below, or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated, in either case, to an investment grade rating by such Rating Agency; or

(2) the Notes carry from any Rating Agency a non-investment grade rating, and such rating from any Rating Agency is within the Change of Control Period either downgraded by one or more notches (by way of example, Baa1 to Baa2 being one notch) or withdrawn and is not within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated, in either case, to its earlier credit rating or better by such Rating Agency; or

(3) the Notes do not carry a credit rating and a Negative Rating Event also occurs within the Change of Control Period,

provided that if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency, at least one of which is an investment grade rating, then subparagraph (1) will apply; and

(iii) in making the relevant decision(s) to downgrade or withdraw a credit rating pursuant to paragraphs (1) and (2) above or not to award a credit rating of at least an investment grade rating as described in paragraph (ii) of the definition of Negative Rating Event, the relevant Rating Agency announces publicly or confirms in writing to LSEG plc or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the fact of the potential Change of Control as described in the Relevant Potential Change of Control Announcement.

(B) If a Change of Control Put Event occurs, the holder of each Note will have the option (unless prior to the giving of the relevant Put Event Notice (as defined in paragraph (C) below)) the Issuer has given notice of redemption under Condition 9(b) or 9(c), 9(j) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the date which is seven days after the expiry of the Put Period (as defined below) (the Put Date) at the Change of Control Redemption Amount specified in the applicable Final Terms, together with, if appropriate, interest to (but excluding) the Put Date. Such option (the "**Put Option**") shall operate as set out below.

(C) Promptly upon LSEG plc becoming aware that a Change of Control Put Event has occurred, LSEG plc shall, and at any time following the occurrence of a Change of Control Put Event the Trustee shall, if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 20 specifying the nature of the Change of Control Put Event and the procedure for exercising the option contained in this Condition 9(e)(ii).

(D) To exercise the Put Option, if this Note is in definitive form and held outside DTC, Euroclear and Clearstream, Luxembourg, the holder of this Note must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Put Period**") of 30 days after a Put Event Notice is given, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Change of Control Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Change of Control Put Notice, be held to its order or under its control. If this Note is represented by a global note or is in definitive form and held through DTC and/or Euroclear and/or Clearstream, Luxembourg, to exercise the Put Option, the holder of this Note must, within the Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of DTC (where applicable) Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by DTC (where applicable) Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Principal Paying Agent by electronic means) in a form acceptable to DTC (where applicable), Euroclear and Clearstream, Luxembourg from time to time.

Any Change of Control Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the Put Date an Event of Default shall have occurred and the Trustee shall have declared the Notes due and repayable, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Change of Control Put Notice and instead treat its Notes as being forthwith due and repayable pursuant to Condition 13. The Issuer shall redeem or, as the case may be, purchase or procure the purchase of this Note on the Put Date unless previously redeemed or purchased and cancelled.

(E) If the rating designations employed by any of S&P, Moody's or Fitch are changed from those which are described in Condition 9(e)(ii)(A) above, or if a rating is procured from any other rating agency selected by LSEG plc from time to time with the prior written approval of the Trustee to assign a credit rating to the Notes (a "**Substitute Rating Agency**"), LSEG plc shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of S&P or Moody's or Fitch or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of S&P or Moody's or Fitch and Condition 9(e)(ii)(A) shall be read accordingly.

(F) The Trustee is under no obligation to ascertain or monitor whether a Change of Control Put Event or Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control Put Event or Change of Control has occurred and,

until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Put Event or Change of Control or other such event has occurred.

(G) In this Condition:

a **Change of Control** shall be deemed to occur if any of the following events occur:

(i) any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers in force on the Issue Date), or any persons acting on behalf of such persons (each a "**Relevant Person**"), is/are or becomes/become interested (within the meaning of Part 22 of the Companies Act 2006) in more than 50 per cent. of the issued or allotted ordinary share capital of LSEG plc or such number of shares in the capital of LSEG plc carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of LSEG plc; or

(ii) LSEG plc enters into a transaction pursuant to which LSEG plc issues shares in LSEG plc to the shareholders (or equivalent) of another entity in circumstances such that those persons who immediately prior to completion of such transaction held the entire issued or allotted ordinary share capital of LSEG plc or such number of shares in the capital of LSEG plc carrying all of the voting rights normally exercisable at a general meeting of LSEG plc, immediately following completion of such transaction, hold less than 50 per cent. of the issued or allotted ordinary share capital of LSEG plc or such number of shares in the capital of LSEG plc carrying less than 50 per cent. of the voting rights normally exercisable at a general meeting of LSEG plc; or

(iii) London Stock Exchange plc or any successor thereto ceases to be a direct or indirect Subsidiary of LSEG plc;

provided that a Change of Control shall be deemed not to have occurred if (i) all or substantially all of the shareholders of the Relevant Person immediately after the event which would otherwise have constituted a Change of Control were the shareholders of LSEG plc with the same (or substantially the same) pro rata economic interests in the share capital of the Relevant Person as such shareholders had in the share capital of LSEG plc immediately prior to such event provided that such event is not part of a pre-determined series of events which, taken together, will constitute a Change of Control or (ii) the event which would otherwise have constituted a Change of Control occurs or is carried out for the purposes of a reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders;

**Change of Control Period** means the period commencing on the Relevant Announcement Date and ending 120 days after the Change of Control (or such longer period for which the Notes are under consideration for rating review or, as the case may be, rating by a Rating Agency (such consideration having been announced publicly within the period ending 120 days after the Change of Control and such period not to exceed 60 days after the public announcement of such consideration));

**Fitch** means Fitch Ratings Ltd., or its successor;

**Moody's** means Moody's Investors Service Limited, or its successor;

a **Negative Rating Event** shall be deemed to have occurred if at such time as there is no rating assigned to the Notes by a Rating Agency (i) LSEG plc does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Notes, or any other unsecured and unsubordinated debt of LSEG plc or (ii) if LSEG plc does so seek and use such endeavours, it is unable to obtain such a rating of at least an investment grade rating by the end of the Change of Control Period;

**Rating Agency** means any one of Moody's, Fitch, S&P or any Substitute Rating Agency;

**Relevant Potential Change of Control Announcement** means any public announcement or statement by or on behalf of LSEG plc, relating to any potential Change of Control where within 120 days following the date of such announcement or statement, a Change of Control as described in such public announcement or statement occurs;

**S&P** means Standard and Poor's Rating Services, a division of McGraw-Hill International (UK) Limited, or its successor; and

**Substitute Rating Agency** means any other rating agency selected by LSEG plc from time to time with the prior written approval of the Trustee to assign a credit rating to the Notes.

(f) *No other redemption:* The relevant Issuer shall not be entitled to redeem the Notes other than as provided in paragraphs (a) to (e) above, and paragraph (j) below.

(g) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(g) or, if none is so specified, a Day Count Fraction of 30E/360.

(h) *Purchase:* LSEG Netherlands, LSEG plc, LSEGA or any of LSEG plc's Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

(i) *Cancellation:* All Notes so redeemed or purchased by LSEG Netherlands, LSEG, LSEGA or, any of LSEG plc's Subsidiaries, as the case may be, and any unmatured Coupons attached to or surrendered with them may be held, reissued, resold or, at the option of the relevant purchaser, surrendered for cancellation.

(j) *Redemption at the option of the Issuer (Issuer Maturity Par Call)*: If Issuer Maturity Par Call is specified as being applicable in the applicable Final Terms, the Issuer shall, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 20 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all the Notes, but not some of them, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at the Final Redemption Amount specified in the applicable Final Terms, together (if appropriate) with interest accrued but unpaid to (but excluding) the date fixed for redemption.

10. **Payments - Bearer Notes**

This Condition 10 is only applicable to Bearer Notes.

(a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).

(b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer or, as the case may be, failing whom the Guarantor has appointed Paying Agents outside the United States with the expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to Condition 12 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the United States' Internal Revenue Code of 1986, as amended (the "U.S. Internal Revenue Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 10(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(e) (*Redemption at the option of Noteholders (Investor Put)*), Condition 9(c) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 11. Payments - Registered Notes

This Condition 11 is only applicable to Registered Notes.

(a) *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest:* Payments of interest shall be made by SWIFT or CHAPS, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from

(A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 11 arriving after the due date for payment or being lost in the mail.

(e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the relevant Issuer or the Guarantor, as the case may be, shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date:* If this Note is in definitive form and held outside DTC, Euroclear and Clearstream, Luxembourg, each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the relevant Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").

12. **Taxation**

(a) *Gross-up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor, as the case may be, shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such Taxes is required by law. In the event that any withholding or deduction is required by law for or on account of any present or future Taxes imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon or the Guarantee:

(i) to, or to a third party on behalf of, a Noteholder or Couponholder which is liable to such Taxes in respect of such Note or Coupon by reason of its having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or

(ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon or Note Certificate would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days; or

(iii) in respect of Notes issued by LSEG Netherlands, where such withholding or deduction is required to be made pursuant to the Dutch Withholding Tax Act 2021 (*Wet Bronbelasting 2021*); or

(iv) in respect of any withholding or deduction imposed pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (or any regulations or agreements thereunder or official interpretations thereof) or any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement).

(b) In this Condition, "**Relevant Jurisdiction**" means: (i) in the case of payments by LSEG or LSEGA, the United Kingdom; and (ii) in the case of payments by LSEG Netherlands, the Netherlands, or in each case any political subdivision or any authority thereof or therein having power to tax.

13. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of the events described in sub-paragraphs (b) to (i) below (other than paragraph (f) as it relates to the Issuer and (if applicable) the Guarantor), only if the Trustee shall have certified in writing to the Issuer and Guarantor (as the case may be) that such event is, in its opinion, materially prejudicial to the interests of the

Noteholders) give notice to the Issuer and Guarantor (where applicable) that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Termination Amount (as defined in Condition 2, together with accrued but unpaid interest as provided in the Trust Deed, in any of the following events ("**Events of Default**"):

(a) default is made in the payment of (i) any principal or premium due in respect of the Notes, the Guarantee or any of them; or (ii) interest due in respect of the Notes, the Guarantee or any of them and the default continues for a period of 7 days; or

(b) the Issuer, or in the case of the Guaranteed Notes, the Guarantor, fails to perform any of its other obligations under the Conditions, Guarantee or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Trustee may permit); or

(c)

(i) any Indebtedness for Borrowed Money of (i) the Issuer, (ii) in the case of the Guaranteed Notes, the Guarantor, or (iii) any Material Subsidiary is accelerated by reason of an event of default (however described) and such acceleration has not been rescinded or annulled, except where the Issuer, Guarantor or Material Subsidiary (as the case may be) is contesting such default in good faith;

(ii) the Issuer, the Guarantor (in the case of Guaranteed Notes) or any Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or within any originally applicable grace period;

(iii) any security given by the Issuer, the Guarantor (in the case of Guaranteed Notes) or any Material Subsidiary for any Indebtedness for Borrowed Money becomes enforceable and the holder thereof shall have appointed a receiver, manager or similar officer to take steps to enforce the same; or

(iv) default is made by the Issuer, the Guarantor (in the case of Guaranteed Notes) or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, except where the Issuer, Guarantor or Material Subsidiary (as the case may be) is contesting its liability under such guarantee and/or indemnity in good faith,

provided that no Event of Default shall occur pursuant to this subparagraph 13(c) unless the aggregate amount of Indebtedness for Borrowed Money or other relative liability due and unpaid to which any of Sub-paragraphs (i) to (iv) above apply is at least £50,000,000 (or its equivalent in any other currency); or

(d) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, the Guarantor (in the case of Guaranteed Notes) or any Material Subsidiary, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or in the case of a Material Subsidiary, a solvent winding up of such Material Subsidiary; or

(e) the Issuer, the Guarantor (in the case of Guaranteed Notes) or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(f)

(i) proceedings are initiated against the Issuer, the Guarantor (in the case of Guaranteed Notes) or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar

official is appointed, in relation to the Issuer, the Guarantor (in the case of Guaranteed Notes) or any Material Subsidiary or, as the case may be, in relation to the whole or any substantial part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any substantial part of the undertaking or assets of any of them; and

(ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not discharged within 30 days; or

(g) the Issuer, the Guarantor (in the case of Guaranteed Notes) or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of its creditors generally (or any class of its creditors) save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(h) the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(i) any event occurs which, under the laws of any relevant jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in sub-paragraphs (d) to (g) (inclusive) above.

## 14. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

## 15. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the relevant Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer or the Guarantor as the case may be, may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

## 16. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer or the Guarantor, as the case may be, and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and the Guarantor, as the case may be and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and the Guarantor, as the case may be, reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor paying agent or registrar or Calculation Agent and additional or successor paying agents; **provided, however, that**:

(i) the Issuer and the Guarantor, as the case may be, shall at all times maintain a paying agent and a registrar; and

(ii) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor, as the case may be, shall at all times maintain a Calculation Agent; and

(iii) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantor, as the case may be, shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

## 17. Meetings of Noteholders; Modification and Waiver; Substitution

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer, or in the case of the Guaranteed Notes, the Guarantor or by the Trustee (subject to being indemnified and/or secured and/or prefunded to its satisfaction) and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than ten per cent. of the aggregate nominal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing not less than a clear majority of the aggregate nominal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the nominal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate nominal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of not less than 75 per cent. of Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Authorisation, modification and waiver:* The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. The Trustee may also determine that any Event of Default or Potential Event of Default shall not be treated as such for the purposes of the Conditions. The Trustee may not exercise any powers conferred upon it in contravention of any express direction by an Extraordinary Resolution or of a request in writing made by the holders of not less than one quarter in aggregate principal amount of the Notes then outstanding (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made) or so as to authorise or waive any such breach or proposed breach relating to any of the matters the subject of the Reserved Matters.

Any such authorisation, waiver or modification shall be notified to the Noteholders in accordance with Condition 20 (*Notices*) as soon as practicable thereafter.

(c) *Substitution:* The Trustee may, without the consent of the Noteholders, agree with the Issuer and Guarantor, to the substitution in place of the Issuer and/or the Guarantor (or of any previous substitute under this Condition 17 (*Meeting of Noteholders; Modification and Waiver; Substitution*)) as the principal debtor or Guarantor (as applicable) under the Notes, the Coupons and the Trust Deed of any other company being a Subsidiary, holding company or Subsidiary of such holding company of LSEG plc, subject to (a) (in the case of Guaranteed Notes), the Notes being unconditionally and irrevocably guaranteed by LSEG plc, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

## 18. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such steps, actions or proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(i) it has been so requested in writing by the Holders of at least one-quarter of the aggregate nominal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder may proceed directly against the Issuer or, in the case of the Guaranteed Notes, the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

## 19. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue (and, in the case of Guaranteed Notes, the Guarantor may guarantee) further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue (and, in the case of Guaranteed Notes, the Guarantor may guarantee) other series of notes having the benefit of the Trust Deed.

## 20. Notices

(a) *Bearer Notes:* Notices required to be given to the Holders of Bearer Notes pursuant to these Conditions shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes:* Notices required to be given to the Holders of Registered Notes pursuant to these Conditions shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

## 21. Currency Indemnity

The Issuer and in the case of the Guaranteed Notes, the Guarantor, shall indemnify the Trustee, the Agents, every Appointee, the Noteholders and the Couponholders and keep them indemnified against:

(a) any Liability incurred by any of them arising from the non-payment by the Issuer or, in the case of the Guaranteed Notes, the Guarantor, of any amount due to the Trustee, the Agents or the holders of the Notes and the relative Couponholders under the Trust Deed by reason of any variation in the rates of

exchange between those used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment by the Issuer or the Guarantor, as the case may be; and

(b) any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which the local currency equivalent of the amounts due or contingently due under the Trust Deed is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Issuer or the Guarantor, as the case may be, and (ii) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be reduced by any variation in rates of exchange occurring between the said final date and the date of any distribution of assets in connection with any such bankruptcy, insolvency or liquidation.

The above indemnities constitute separate and independent obligations of the Issuer and/or the Guarantor, as the case may be.

## 22. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## 23. Governing Law and Jurisdiction

(a) *Governing law:* The Notes, the Coupons, the Talons and the Trust Deed and all non-contractual obligations arising out of or in connection with the Notes, the Coupons, the Talons and the Trust Deed are governed by English law.

(b) *Jurisdiction:* The Issuer and, in the case of the Guaranteed Notes, the Guarantor has in the Trust Deed (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes or the Trust Deed (including a dispute relating to any non-contractual obligation arising out of or in connection with the Notes or the Trust Deed) and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or (in the limited circumstances permitted in Condition 18) any of the Noteholders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

(c) *Service of Process*: If the Issuer is LSEG Netherlands B.V., it appoints the Guarantor, of 10 Paternoster Square, London, EC4M 7LS, England as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Guarantor). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, LSEG Netherlands B.V., agrees to appoint a substitute process agent and shall notify Noteholders of such appointment in accordance with Condition 20. Nothing shall affect the right to serve process in any other manner permitted by law

## USE OF PROCEEDS

The net proceeds from each issue of Notes may be applied by the relevant Issuer to refinance its and/or the Group's indebtedness and for its and/or the Group's general corporate purposes, as determined by the relevant Issuer. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## FORMS OF THE NOTES

### Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system. and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the ECB announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled.

One criterion for notes is that they must be admitted to trading on an EEA regulated market or on a non-regulated market deemed acceptable to the ECB. The London Stock Exchange's ("**LSE**") Main Market no longer qualifies as an EEA regulated market, and it is not currently listed by the ECB as an accepted non-regulated market. The LSE has, however, announced an alternative solution to allow those notes that are currently listed on the LSE's Main Market (as well as future notes listed on the Main Market) to continue to satisfy the ECB 'acceptable markets' criterion, via automatic and free of charge on-boarding to MTS BondVision Europe MTF ("**BondVision**") (subject to the relevant notes meeting BondVision admission criteria and satisfying all the other ECB eligibility criteria, as to which, see below). BondVision is an EEA multilateral trading facility included in the list of 'acceptable markets' recognised by the ECB and operates in Italy under the oversight of the Italian securities regulator, CONSOB. The LSE has recently published a market communication indicating that its potential divestment of the Borsa Italiana Group (as described further in *Operating and Financial Review—Recent Developments—Borsa Italiana Divestment*) will not affect this collaboration agreement with BondVision.

An additional criterion relates to the currency of the relevant instrument. Assets denominated in pounds sterling, yen or U.S. dollars will not be ECB eligible where the issuer is established in the UK (as is the case for LSEGA and LSEG plc). Assets with guarantees governed by English law or where the guarantor is established in the UK (as is the case for Notes issued by LSEG Netherlands, which are guaranteed by LSEG plc) will also cease to be eligible (unless the relevant notes have their own credit rating and the guarantee is not needed to establish credit quality requirements for the relevant notes).

The ECB collateral eligibility criteria also restricts the range of issuance currencies available to non-EEA G10 issuers (which includes UK issuers, such as LSEGA and LSEG plc). This means that bonds issued by UK issuers (including LSEGA and LSEG plc) are only eligible as ECB collateral if denominated in euros.

At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

#### *Temporary Global Note exchangeable for Permanent Global Note*

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the

Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer and/or the Guarantor, as the case may be, shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the nominal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and

(ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

***Temporary Global Note exchangeable for Definitive Notes***

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Bearer Notes in definitive form ("**Definitive Notes**") not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer and/or the Guarantor, as the case may be, shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate nominal amount equal to the nominal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

***Permanent Global Note exchangeable for Definitive Notes***

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will only be exchangeable in whole, but not in part, for Definitive Notes:

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) if the relevant Final Terms "in the limited circumstances described in the Permanent Global Note", then only if one of the following events occurs:

    (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system permanently ceases its business without appointing a successor entity; or

    (b) the relevant Issuer requests an exchange following a change in tax law that would be adverse to such Issuer but for the issuance of Definitive Notes; or

    (c) any of the circumstances described in Condition 13 (*Events of Default*) occurs and is continuing.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer and/or the Guarantor, as the case may be, shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate nominal amount equal to the nominal amount of the Permanent Global Note to or to the order of the

bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 45 days of the bearer requesting such exchange.

***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

***Legend concerning United States persons***

In the case of any Tranche of Notes considered to be in bearer form for U.S. federal income tax purposes with a maturity of more than one year, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

**Registered Notes**

Each Tranche of Notes Registered Notes will be represented by either:

(i) individual Note Certificates in registered form ("**Individual Note Certificates**"), and each Individual Note Certificate shall be in the form of either: (i) a Regulation S Individual Note Certificate in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S ("**Regulation S Individual Note Certificates**") or (ii) a Rule 144A Individual Note Certificate in the case of Registered Notes sold to QIBs in reliance on Rule 144A of each Series ("**Rule 144A Individual Note Certificates**"); or

(ii) one or more global note certificates ("**Global Note Certificate(s)**") and each Global Note Certificate shall be in the form of either: (i) a Regulation S Global Note Certificate in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S ("**Regulation S Global Note Certificates**") or (ii) a Rule 144A Global Note Certificate in the case of Registered Notes sold to QIBs in reliance on Rule 144A of each Series ("**Rule 144A Global Note Certificates**"),

in each case as specified in the relevant Final Terms.

If the relevant Final Terms specifies the form of Notes as being "Regulation S Individual Note Certificates" or "Rule 144A Individual Note Certificates", then the Notes will at all times be represented by either Regulation S Individual Note Certificates or Rule 144A Individual Note Certificates (as specified in the relevant Final Terms) issued to each Noteholder in respect of their respective holdings.

Each Regulation S Global Note Certificate will be deposited on or about the Issue Date with either: (a) a Common Depositary for Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system, in the case of a Regulation S Global Note Certificate which will not be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), and registered in the name or a nominee of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; or (b) a Common Safekeeper for Euroclear and/or Clearstream Luxembourg, in the case of a Regulation S Global Note Certificate to be held under the New Safekeeping Structure, and registered in the name of a nominee of the Common Safekeeper.

Each Rule 144A Global Note Certificate will be deposited on or about the Issue Date with either: (a) a common depositary for Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system, in the case of a Rule 144A Global Note Certificate which will not be held under the NSS, and registered in the name or a nominee of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; (b) a common safekeeper for Euroclear and/or Clearstream, Luxembourg, in the case of a Rule 144A Global Note Certificate to be held under the NSS, and registered in the name of a nominee of the common safekeeper; or (c) the custodian for DTC (the "**DTC Custodian**") and registered in the name of Cede & Co. (or such other entity as is specified in the applicable Final Terms) as nominee for DTC.

Beneficial interests in a Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. Beneficial interests in a Rule 144A Global Note Certificate may only be held through DTC, Euroclear or Clearstream, Luxembourg at any time. See "*Book-Entry Clearance Procedure*".

Beneficial interests in Global Note Certificates will be subject to certain restrictions on transfer set out in this Offering Circular and in the Agency Agreement, and such Global Note Certificates will bear the applicable legends regarding such restrictions.

Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of certificated Notes.

**Exchange for Individual Note Certificates**

***Regulation S Global Note Certificate exchangeable for Regulation S Individual Note Certificates***

If the relevant Final Terms specifies the form of Notes as being "Regulation S Global Note Certificate exchangeable for Regulation S Individual Note Certificates", then the Notes will initially be represented by one or more Regulation S Global Note Certificates each of which will be exchangeable in whole, but not in part, for Regulation S Individual Note Certificates:

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) if the relevant Final Terms specifies "in the limited circumstances described in the Regulation S Global Note Certificate", then if any of the following events occurs:

(a) Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Trustee is available; or

(b) any of the circumstances described in Condition 13 (*Events of Default*) occurs; or

(c) in the case of any Regulation S Global Note Certificate that is held on behalf of DTC if the relevant Issuer has been notified that DTC or a successor depositary is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Regulation S Global Note Certificate or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility or cessation on the part of such depositary.

***Rule 144A Global Note Certificate exchangeable for Rule 144A Individual Note Certificates***

If the relevant Final Terms specifies the form of Notes as being "Rule 144A Global Note Certificate exchangeable for "Rule 144A Individual Note Certificates", then the Notes will initially be represented by one or more Rule 144A Global Note Certificates each of which will be exchangeable in whole, but not in part, for Rule 144A Individual Note Certificates:

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) if the relevant Final Terms specifies "in the limited circumstances described in the Rule 144A Global Note Certificate", then if any of the following events occurs:

(a) Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Trustee is available; or

(b) any of the circumstances described in Condition 13 (*Events of Default*) occurs; or

(c) in the case of any Rule 144A Global Note Certificate that is held on behalf of DTC if the relevant Issuer has been notified that DTC or a successor depositary is no longer willing or able to

discharge properly its responsibilities as depositary with respect to the Rule 144A Global Note Certificate or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility or cessation on the part of such depositary.

**Legends and Transfers**

The holder of an Individual Note Certificate may transfer the Notes represented thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the U.S. Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Individual Note Certificate or upon specific request for removal of the legend on a Rule 144A Individual Note Certificate, the relevant Issuer will deliver only Rule 144A Individual Note Certificate that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the relevant Issuer and the U.S. Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the relevant Issuer that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act.

**Global Note Certificate exchangeable for Individual Note Certificates**

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the relevant Registrar (through the relevant clearing system) with such information as the relevant Issuer and the relevant Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the nominal amount of each such person's holding).

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the relevant Issuer and/or the Guarantor, as the case may be, shall procure that Individual Note Certificates will be issued in an aggregate nominal amount equal to the nominal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the relevant Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the relevant Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the relevant Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note or Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

Additionally, any Registered Note that is issued with more than de minimis original issue discount; that is, issued with at least 0.25% discount from par for each full year to legal maturity, will bear a legend substantially to the following effect unless the relevant Issuer determines it is otherwise in compliance with applicable law:

"THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT (WITHIN THE MEANING OF SECTION 1272 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED). UPON WRITTEN REQUEST TO THE ISSUER AT [ISSUER'S ADDRESS, ATTN: [NAME OR TITLE OF CONTACT PERSON]], THE ISSUER WILL PROMPTLY MAKE AVAILABLE TO ANY HOLDER OF THIS NOTE THE FOLLOWING INFORMATION: (1) THE ISSUE PRICE AND DATE OF THE NOTE, (2) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ON THE NOTE AND (3) THE YIELD TO MATURITY OF THE NOTE."

**Summary of Provisions relating to the Notes while in Global Form**

***Clearing System Accountholders***

In relation to any Tranche of Notes represented by a Global Note, references in the Conditions to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary or, in the case of an NGN, a common safekeeper, for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary.

In relation to any Tranche of Notes represented by one or more Global Note Certificates, references in the Conditions to "Noteholder" are references to the person in whose name the relevant Global Note Certificate is for the time being registered in the Register which is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or DTC and/or any other relevant clearing system, will be that depositary or common depositary or a nominee for that depositary or common depositary.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an "**Accountholder**") must look solely to Euroclear, Clearstream, Luxembourg, DTC and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the relevant Issuer or the Guarantor, as the case may be, to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg, DTC and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the relevant Issuer or the Guarantor, as the case may be, in respect of payments due under the Notes and such obligations of the relevant Issuer or the Guarantor, as the case may be, will be discharged by payment to the holder of such Global Note or Global Note Certificate.

***Transfers of Interests in Global Notes and Global Note Certificates***

Transfers of interests in Global Notes and Global Note Certificates within Euroclear and Clearstream, Luxembourg, DTC or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuers, the Guarantor, as the case may be, the Trustee, the relevant Registrar, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of Euroclear and Clearstream, Luxembourg, DTC or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Note Certificate or for maintaining, supervising or reviewing any of the records of Euroclear and Clearstream, Luxembourg, DTC or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in Global Note Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "Transfer Restrictions", transfers Euroclear or Clearstream, Luxembourg or DTC accountholders will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the relevant Registrar and the Principal Paying Agent.

For a further description of restrictions on the transfer of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

While a Global Note Certificate is lodged with Euroclear, Clearstream, Luxembourg, DTC or any relevant clearing system, Individual Note Certificates for the relevant Series of Notes will not be eligible for clearing and settlement through such clearing systems.

***Conditions applicable to Global Notes and Global Note Certificates***

Each Global Note and Global Note Certificate will contain provisions which modify the Conditions as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note or Global Note Certificate which, according to the Conditions, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the relevant Issuer or the Guarantor, as the case may be, in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the relevant Issuer, or the Guarantor, as the case may be, shall procure that payment is noted in a schedule thereto or, in respect of an NGN, the payment is entered pro rata in the records of Euroclear, Clearstream, Luxembourg and DTC.

*Exercise of put option:* In order to exercise the option contained in Condition 9(e) (*Redemption at the option of Noteholders*) the bearer of a Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the nominal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 9(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Note Certificate may be redeemed in part in the nominal amount specified by the relevant Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg and/or DTC (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg and/or DTC as either a pool factor or a reduction in nominal amount, at their discretion).

No exchange of the relevant global note will be permitted during the period from (and including) the Selection Date (as defined in the Conditions) to (and including) the date fixed for redemption pursuant to Condition 9(c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 20 (as amended by the form of global note) at least five days prior to the Selection Date.

*Notices:* Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or DTC and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or any other relevant clearing system.

*Record Date:* Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

*Payment Business Day:* Notwithstanding the definition of "Payment Business Day" in Condition 2(a) (*Definitions*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or DTC and/or any other relevant clearing system, "**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

**Eurosystem Eligibility**

Where the Global Notes or the Global Note Certificates issued in respect of any Tranche are in NGN form, Euroclear and Clearstream, Luxembourg will be notified as to whether or not such Global Notes or Global Note Certificates are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes or Global Note Certificates are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

## TRANSFER RESTRICTIONS

*The following restrictions will apply to the Notes. Investors are advised to consult legal counsel prior to making any offer, sale, resale, pledge or transfer of the Notes.*

### Rule 144A Notes

The Dealers may only through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Rule 144A Notes within the United States only to QIBs pursuant to Rule 144A.

Each purchaser or transferee of Rule 144A Notes and the Guarantee, by accepting delivery of this Offering Circular and the Notes, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

(1) It is (a) a QIB within the meaning of Rule 144A, (b) acquiring such Notes and the Guarantee for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes and the Guarantee has been advised, that the sale or transfer of such Notes and the Guarantee to it may be made in reliance on Rule 144A.

(2) It will provide notice of these transfer restrictions to any subsequent transferees.

(3) It understands that such Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred prior to the date which is one year after the later of the last issue date for such Notes and the last date on which the relevant Issuer or an affiliate of the relevant Issuer was the owner of such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction to a person that is not a U.S. person (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to a registration statement that has become or been declared effective under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), or (e) pursuant to another available exemption from registration under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States.

(4) It understands that such Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend substantially to the following effect:

THIS NOTE AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION EXCEPT AS SET FORTH BELOW.

THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, (A) REPRESENTS THAT IT IS A **QUALIFIED INSTITUTIONAL BUYER** (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH NOTES, OTHER THAN (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME OR BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (5)

PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 OR ANY OTHER EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

(5) It understands that the Rule 144A Global Note Certificates will be represented by one or more Restricted Global Registered Notes. Before any interest in a Rule 144A Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note Certificate, it will be required to provide the U.S. Registrar with a written certification as to compliance with applicable securities laws.

(6) The relevant Issuer, the U.S. Registrar, the Guarantor, the Trustee, the Principal Paying Agent, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and the purchaser or transferee agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes is no longer accurate, it shall promptly notify the Issuer, the Guarantor, the Trustee, the Principal Paying Agent and the Dealers. If it is acquiring any Notes and the Guarantee for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make (and does make) the foregoing acknowledgments, representations and agreements on behalf of each such account.

The purchaser or transferee and any fiduciary causing it to acquire an interest in any of the Notes agrees to indemnify and hold harmless the Issuer, the Guarantor, the Trustee, the Principal Paying Agent and the Dealers and their affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

Prospective purchasers are hereby notified that sellers of the Notes and the Guarantee may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

**Regulation S Notes**

Each purchaser of Registered Notes and the Guarantee outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes and the Guarantee in resales prior to the expiration of the Distribution Compliance Period (as defined below), by accepting delivery of this Offering Circular and the Notes and the Guarantee, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

(1) It is, or at the time Notes and the Guarantee are purchased will be, the beneficial owner of such Notes and the Guarantee and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the relevant Issuer, the Guarantor or a person acting on behalf of such an affiliate.

(2) It understands that such Notes and the Guarantee have not been and will not be registered under the Securities Act and that, prior to the expiration of the Distribution Compliance Period, it will not offer, sell, pledge or otherwise transfer such Notes and the Guarantee except in an offshore transaction to a person that is not a U.S. person (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904, as applicable, of Regulation S. After the expiration of the Distribution Compliance Period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 904 of Regulation S, (b) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs, (c) pursuant to a registration statement that has become or been declared effective under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to another available exemption from registration under the Securities Act, and in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States.

(3) It understands that such Notes will bear a legend to the following:

THIS NOTE AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, AGREES THAT IT WILL: (A) PRIOR TO THE EXPIRATION OF THE 40-DAY PERIOD AFTER THE COMMENCEMENT OF THE OFFERING OF THE NOTES OR THE NOTE ISSUE DATE, WHICHEVER IS LATER (THE **DISTRIBUTION COMPLIANCE PERIOD**), NOT OFFER SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH RULE 903 OR RULE 904, AS APPLICABLE, OF REGULATION S UNDER THE SECURITIES ACT; AND (B) AFTER THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, NOT OFFER SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (1) IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS, (3) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME OR BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (5) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 OR ANY OTHER EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

(4) It understands that the Notes offered in reliance on Regulation S will be represented by one or more Regulation S Global Note Certificates. Prior to the expiration of the Distribution Compliance Period, before any interest in a Regulation S Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note Certificate, it will be required to provide the Transfer Agent or the relevant Registrar with a written certification as to compliance with applicable securities laws.

(5) The relevant Issuer, the relevant Registrar, the Guarantor, the Trustee, Principal Paying Agent, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and the purchaser or transferee agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes is no longer accurate, it shall promptly notify the relevant Issuer, the Guarantor, the Trustee, the Principal Paying Agent and the Dealers.

(6) The purchaser or transferee and any fiduciary causing it to acquire an interest in any of the Notes agrees to indemnify and hold harmless the relevant Issuer, the Guarantor, the Trustee, the Principal Paying Agent, the Dealers and their affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

## BOOK-ENTRY CLEARANCE PROCEDURE

*The information set out below has been obtained from DTC, Euroclear or Clearstream, Luxembourg (together, the "***Clearing Systems***"). The Issuers and Guarantor accept responsibility for the accurate reproduction of such information from information published by the Clearing Systems and so far as the Issuers and Guarantor are aware and is able to ascertain from the information published by the Clearing Systems, no facts have been omitted which would render the reproduced information inaccurate or misleading. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The information set out below is applicable to any Notes held by DTC, Euroclear and/or Clearstream, Luxembourg.*

### DTC, Euroclear and Clearstream, Luxembourg

Custodial and depositary links have been established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of each Series of Notes and cross-market transfers of the Notes associated with secondary market trading. DTC, Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to DTC, Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Investors may hold their interests in Global Notes or Global Note Certificates directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

### *Euroclear and Clearstream, Luxembourg*

Euroclear and Clearstream, Luxembourg, each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg, is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg, provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg, also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg, have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

### *DTC*

DTC has advised the Issuers and Guarantor as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates.

Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Note Certificate directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuers and Guarantor that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate nominal

amount of the Rule 144A Global Note Certificate as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Forms of the Notes—Exchange for Individual Note Certificates*", DTC will surrender the Rule 144A Global Note Certificate for exchange for Rule 144A Individual Note Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

**Book-entry ownership**

***Euroclear and Clearstream, Luxembourg***

Each Global Note will have an ISIN and a common code and will be deposited with a Common Depositary on behalf of Euroclear and Clearstream, Luxembourg or a Common Safekeeper on behalf of Euroclear and Clearstream, Luxembourg (as applicable). Each Regulation S Global Note Certificate, and each Rule 144A Global Note Certificate, will have an ISIN and a common code and will be registered in the name of a Common Depositary on behalf of Euroclear and Clearstream, Luxembourg or a Common Safekeeper on behalf of Euroclear and Clearstream, Luxembourg (as applicable).

***DTC***

Each Rule 144A Global Note Certificate clearing through DTC will have an ISIN, a common code and a CUSIP number and will be deposited with the DTC Custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The DTC Custodian and DTC will electronically record the nominal amount of the Notes held within the DTC System.

**Payments and relationship of participants with Clearing Systems**

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a Note represented by a Global Note or Global Note Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the relevant Issuer (or applicable Guarantor) to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under the Global Note or Global Note Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg. The Issuers and Guarantor expect that, upon receipt of any payment in respect of Notes represented by a Global Note or Global Note Certificate, the Common Depositary and/or DTC Custodian, as the case may be, by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Global Note or Global Note Certificate shown on the records of the relevant Clearing System or its nominee. The Issuers and Guarantor also expect that payments by Direct Participants in any Clearing System to owners of beneficial interests in any Global Note or Global Note Certificate held through such Direct Participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the relevant Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Note Certificate and the obligations of the relevant Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note or Global Note Certificate in respect of each amount so paid.

**Settlement and transfer of Notes**

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg, or the nominee of their common depositary is the registered holder of a Global Note or Global Note Certificate, DTC, Euroclear, Clearstream, Luxembourg, or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Note for all purposes under the Agency Agreement and the Notes. Payments of principal, premium (if any), interest and additional amounts (if any) in respect of Global Notes or Global Note Certificates will be made to DTC, Euroclear, Clearstream, Luxembourg, or such nominee, as the case may be, as the registered holder thereof. None of the Issuers and Guarantor, the Trustee, any Agent, the Dealers or any affiliate of any of them or any person by whom any of them is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Notes or Global Note Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal, premium (if any) and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or

Clearstream, Luxembourg, from the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg, customers in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC from the Principal Paying Agent, all distributions of principal, premium (if any) and interest with respect to book entry interests in the Notes from the Principal Paying Agent through DTC. Distribution in the United States will be subject to relevant United States tax laws and regulations.

Payments on the Notes will be paid to the holder shown on the Register on the close of business the business day before the due date for such payment so long as the Notes are represented by a Global Note Certificate, and on the close of business the Clearing System Business Day before the due date for such payment if the Notes are in the form of Definitive Notes (the **Record Date**).

Subject to the rules and procedures of each applicable Clearing System, purchases of Notes held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Notes or Global Note Certificates held within a clearing system are exchanged for Definitive Notes and Individual Note Certificates, respectively.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system, and its records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note or Global Note Certificate to such persons may be limited. Because DTC, Euroclear and Clearstream, Luxembourg, can only act on behalf of indirect participants, the ability of a person having an interest in a Global Note or Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes through DTC, Euroclear and Clearstream, Luxembourg, will be reflected in the book-entry accounts of each such institution. As necessary, the relevant Registrar will adjust the amounts of Notes on the Register for the accounts of (i) the nominee of the common depositary and (ii) Cede & Co. to reflect the amounts of Notes held through Euroclear, Clearstream, Luxembourg, and DTC, respectively. Beneficial ownership in the Notes will be held through financial institutions as direct and indirect participants in DTC, Euroclear and Clearstream, Luxembourg.

Beneficial interests in the Regulation S Global Note Certificate and the Rule 144A Global Note Certificate will be in uncertificated book-entry form.

***DTC actions with respect to the Notes***

The relevant Issuer will direct DTC to take the following steps in connection with any Rule 144A Global Note Certificate:

- to cause (i) each physical DTC delivery order ticket delivered by DTC to purchasers to contain the 20-character security descriptors and (ii) each DTC delivery order ticket delivered by DTC to purchasers in

electronic form to contain the "GRLS indicators" and the related user manual for Participants, which will contain a description of relevant restrictions;

- to send, on or prior to the closing date of each offering of Rule 144A Global Note Certificates, an "Important Notice" to all DTC participants in connection with any issue of the Notes. The relevant Issuer may instruct DTC from time to time (but not more frequently than every six months) to reissue the "Important Notice";
- to include in all "confirms" of trades of the Notes in DTC, CUSIP numbers with a "fixed field" attached to the CUSIP number that has the "GRLS markers"; and
- to deliver to the relevant Issuer from time to time a list of all DTC participants holding an interest in the Notes.

***Euroclear actions with respect to the Notes***

The relevant Issuer will instruct Euroclear Bank SA/NV to take the following steps in connection with any Rule 144A Global Note Certificates:

- to reference "144A" as part of the security name in the Euroclear securities database;
- in each daily securities balances report and daily transactions report to Euroclear participants holding positions in the Notes, to include "144A" in the securities name for the Notes; and
- to deliver to the relevant Issuer from time to time, upon its request, a list of all Euroclear participants holding an interest in the Notes.

***Clearstream, Luxembourg, actions with respect to the Notes***

The relevant Issuer will instruct Clearstream, Luxembourg, to take the following steps in connection with any Rule 144A Global Note Certificates:

- to reference "144A" as part of the security name in the Clearstream, Luxembourg, securities database;
- in each daily portfolio report and daily settlement report to Clearstream, Luxembourg, participants holding positions in the Notes, to include "144A" in the securities name for the Notes; and
- to deliver to the relevant Issuer from time to time, upon its request, a list of all Clearstream, Luxembourg, Participants holding an interest in the Notes.

***CUSIP***

Each "CUSIP" obtained for a Rule 144A Global Note Certificate will have an attached "fixed field" that contains "GRLS" and "144A" indicators.

***Trading between Euroclear and Clearstream, Luxembourg Accountholders***

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg, to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg, will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg, and will be settled using the procedures applicable to conventional EuroNotes.

***Trading between DTC Participants***

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to U.S. corporate debt obligations in DTC's Same Day Funds Settlement System.

***Trading between DTC Seller and Euroclear or Clearstream, Luxembourg Purchaser***

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Rule 144A Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note Certificate (subject to

such certification procedures as are provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the DTC Custodian will instruct the relevant Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by such Rule 144A Global Note Certificate and (ii) increase the amount of Notes registered in the name of a nominee of the common depositary and evidenced by such Regulation S Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the ease may be, for credit to the relevant accountholder on the first business day following the settlement date. See above concerning the Record Date for payments of interest.

***Trading between Euroclear or Clearstream, Luxembourg Seller and DTC Purchaser***

When book-entry interests in Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg, accountholder holding a beneficial interest in a Regulation S Global Note Certificate to the account of a DTC participant wishing to purchase a beneficial interest in a Rule 144A Global Note Certificate (subject to such certification procedures as are provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg, accountholder must send to Euroclear or Clearstream, Luxembourg, delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg, and the relevant Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg, accountholder, as the case may be. On the Settlement Date, the Common Depositary for Euroclear and Clearstream, Luxembourg, will (i) transmit appropriate instructions to the custodian who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (ii) instruct the relevant Registrar to (a) decrease the amount of Notes registered in the name of a nominee of the Common Depositary and evidenced by such Regulation S Global Note Certificate and (b) increase the amount of Notes registered in the name of the Cede & Co. and evidenced by such Rule 144A Global Note Certificate. See above concerning the Record Date for payments of interest.

Although the foregoing sets out the procedures of DTC, Euroclear and Clearstream, Luxembourg, in order to facilitate the transfers of interests in the Notes among the participants of DTC, Euroclear and Clearstream, Luxembourg, none of DTC, Euroclear or Clearstream, Luxembourg, is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuers and Guarantor, the Trustee, any Agent, the Dealers or any affiliate of any of them or any person by whom any of them is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg, or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

***Pre-issue Trades Settlement***

It is expected that delivery of any Series of Notes will be made against payment therefor on the Issue Date of such Series of Notes, which could be more than two business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade any Notes which do not settle within two business days in the United States may be required, by virtue of the fact Notes may initially will settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of the Notes may be affected by such local settlement practices, and purchasers of the Notes between the relevant date of pricing and the Issue Date should consult their own advisers.

# TAXATION

## United Kingdom Taxation

*The following, which applies only to persons who are beneficial owners of Notes, is a summary of the Issuers' understanding of current law and Her Majesty's Revenue and Customs practice in the United Kingdom as at the date of this Offering Circular relating to the withholding tax treatment of interest paid on the Notes and does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.*

## Interest on the Notes

The Notes will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 (the "***Act***") as long as they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Act. In the case of Notes to be traded on the London Stock Exchange, which is a recognised stock exchange, this condition will be satisfied if the Notes are included in the official list of the Financial Conduct Authority and admitted to trading on the London Stock Exchange. Accordingly, payments of interest on the Notes may be made without withholding on account of UK income tax provided the Notes remain so listed at the time of payment.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom income tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, where interest on the Notes has a UK source, an amount must generally be withheld on account of UK income tax at the basic rate (currently 20%), subject to any direction to the contrary by HM Revenue and Customs under an applicable double taxation treaty. The withholding obligation may also be disapplied in respect of payments to Noteholders which the Issuer reasonably believes are beneficially entitled to the interest and are either a UK resident company or a non-UK resident company carrying on a trade in the UK through a permanent establishment which brings into account the interest in computing its UK taxable profits, or fall within various categories enjoying a special tax status (including charities and pension funds), or are partnerships consisting of such persons (unless, in each case, HM Revenue and Customs direct otherwise).

Interest on the Notes will not be subject to any withholding or deduction on account of United Kingdom income tax if that interest does not have a UK source. It is possible that interest payments on Notes issued by LSEG Netherlands B.V. would not be considered to have a UK source for these purposes. However, the legal position in this regard is not clear cut, and HM Revenue and Customs could seek to argue that such interest did have a UK source. Interest on the Notes issued by London Stock Exchange plc and LSEGA Financing plc (and possibly, as described above, on the Notes issued by LSEG Netherlands B.V.) constitutes UK source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding. However, interest with a UK source received without deduction or withholding on account of UK tax will not be chargeable to UK tax in the hands of a Noteholder who is not resident for tax purposes in the UK unless that Noteholder carries on a trade, profession or vocation in the UK through a UK branch or agency or for holders who are companies, carries on a trade in the UK through a UK permanent establishment, in connection with which the interest is received or to which the Notes are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

The provisions relating to additional payments referred to in Condition 12 (*Taxation*) of the Notes would not apply if HM Revenue and Customs sought to assess the person entitled to the relevant interest or (where applicable) profit on any Note directly to UK income tax. However, exemption from or reduction of such UK tax liability might be available under an applicable double taxation treaty.

The reference to "interest" in this UK Taxation section means "interest" as understood in United Kingdom tax law, and in particular any premium element of the redemption amount of any Notes redeemable at a premium may constitute a payment of interest subject to the withholding tax provisions discussed above. In certain cases, the same could be true for amounts of discount where Notes are issued at a discount. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Conditions or any related documentation.

Depending on the correct legal analysis of payments made by the Guarantor as a matter of UK tax law, it is possible that payments by the Guarantor would be subject to withholding on account of UK tax, subject to any applicable exemptions or reliefs (and noting that not all of the exemptions and reliefs set out above would necessarily be applicable).

**The Netherlands Taxation**

*The following is a summary of Dutch withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on the laws and practice in force as of the date of this Offering Circular and is subject to any changes in law and the interpretation and application thereof, which changes could have retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to the Notes, and in particular, the comments do not deal with Netherlands tax aspects of acquiring, holding or disposing of Notes or Coupons, and do not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.*

*Where the summary refers to "the Netherlands" or "Dutch" it refers only to the European part of the Kingdom of the Netherlands.*

*Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Notes or Coupons.*

All payments of principal and interest by the Issuers under the Notes and all guarantee payments by the Guarantor under the Guarantee can be made without withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

However, Dutch withholding tax may apply on certain (deemed) interest payments and guarantee payments (with respect to payments by LSEG plc to the extent such payments are attributable to a permanent establishment of it in the Netherlands) made to an entity affiliated (*gelieerd*) to LSEG Netherlands or LSEG plc, as the case may be, if such entity (i) is considered to be resident (*gevestigd*) in a jurisdiction that is listed in the yearly updated Dutch Regulation on low-taxing states and non-cooperative jurisdictions for tax purposes (*Regeling laagbelastende staten en niet-coöperatieve rechtsgebieden voor belastingdoeleinden*); (ii) has a permanent establishment located in such jurisdiction to which the interest is attributable; (iii) is entitled to the interest payable for the main purpose or one of the main purposes to avoid taxation for another person; (iv) is not considered to be the recipient of the interest in its jurisdiction of residence because such jurisdiction treats another (lower-tier) entity as the recipient of the interest (a hybrid mismatch); or (v) is not treated as resident anywhere (also a hybrid mismatch), all within the meaning of the Withholding Tax Act 2021 (*Wet bronbelasting 2021*).

In case payments made by the relevant Issuer under the Notes or the Guarantor under the Guarantee are subject to this interest withholding tax, the relevant Issuer or Guarantor, as the case may be, will make the required withholding of such taxes for the account of the relevant Noteholder(s) without being obliged to pay any additional amounts to the relevant Noteholder(s) in respect of the interest withholding tax.

**The Proposed Financial Transaction Tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The Commission's Proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of Registered Notes. This discussion addresses only U.S. Holders (as defined below) who purchase Notes in the initial offering of a Series of Notes at the original "issue price" (as defined below under "Interest – Original Issue Discount") of such Series of Notes, hold Notes as capital assets and use the U.S. dollar as their functional currency. This discussion is not a complete description of all U.S. tax considerations relating to the purchase, ownership and disposition of Notes. It does not address the tax treatment of investors subject to special rules, such as banks and certain other financial institutions, dealers in securities or currencies, traders that elect to mark-to-market, insurance companies, regulated investment companies, real estate investment trusts, investors liable for the alternative minimum tax, investors required to take certain amounts into income no later than the time such amounts are reflected on their audited financial statements, U.S. expatriates, tax-exempt entities, pass-through entities, including partnerships and S-corporations, persons holding Notes as part of a hedge, straddle, conversion or other integrated financial transaction or holding Notes in connection with a permanent establishment or fixed base outside of the United States. It also does not address U.S. federal taxes other than income tax (e.g., estate and gift taxes or the Medicare surtax on net investment income), U.S. state and local, or non-U.S. tax considerations. This summary does not address the U.S. federal income tax consequences to prospective purchasers of Bearer Notes or Notes that have a Maturity Date more than 30 years from their date of issue, if any.

For the purposes of this discussion, a **U.S. Holder** is a beneficial owner that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) that acquires or holds Notes generally will depend upon the status of the partner and the activities of the partnership. Partners in a partnership that acquires or holds Notes should consult their own tax advisors regarding the specific tax consequences to them of the partnership acquiring, owning and disposing of Notes.

There may be further discussion of the U.S. federal income tax treatment in the Drawdown Offering Circular for each Series of Notes.

### Characterisation of the Notes

If a Series of Notes provides holders an option to cause Notes to be repurchased in the event of a Change of Control Put Event, the Notes may provide for contingent payments. The rules applicable to debt instruments with payment contingencies are unclear. In general, if the amount or timing of any payment on a debt instrument is contingent and the amount or the contingency is neither remote nor incidental, the debt instrument could be subject to special rules that apply to contingent payment debt instruments ("**CPDIs**"). The Issuer of a Series of Notes that provides holders with an option to cause Notes to be repurchased in the event of a Change of Control Put Event intends to take the position that the occurrence of such event is remote and that, therefore, the possibility of such payments does not result in the Notes being treated as CPDIs for U.S. federal income tax purposes. The Issuer's position is binding on a U.S. Holder unless such holder discloses that it is taking a contrary position on a statement attached to its tax return in the manner required by applicable U.S. Treasury regulations. The Issuer's position is not, however, binding on the U.S. Internal Revenue Service ("**IRS**"), and if the IRS were successfully to assert, and a court were to sustain, a contrary position, all stated interest received by U.S. Holders would generally be treated as original issue discount ("**OID**") with the result that a U.S. Holder may be required to accrue OID on the Notes prior to receipt of or in excess of stated interest, and gain on a sale or other taxable disposition of the Notes would be treated as ordinary income rather than as capital gain. The remainder of this discussion assumes that the Notes will not be treated as CPDIs. Prospective purchasers of the Notes should consult their own tax advisors regarding the treatment of the Notes as CPDIs.

**Interest**

*General*

Except as discussed below under "—*Original Issue Discount*", interest on Notes will be includible in the income of a U.S. Holder as ordinary income from sources outside the United States according to such U.S. Holder's regular method of accounting for tax purposes. Interest on Floating Rate Notes will generally accrue at a hypothetical fixed rate equal to the rate at which such Notes bore interest on their issue date. The amount of interest actually recognised for any accrual period will increase (or decrease) if the interest actually paid during the period is more (or less) than the amount accrued at the hypothetical rate. U.S. Holders of Floating Rate Notes, therefore, generally will recognise income for each period equal to the amount paid during that period.

A cash basis U.S. Holder receiving interest denominated in a currency other than U.S. dollars must include a U.S. dollar amount in income based on the spot exchange rate on the date of receipt whether or not the payment is converted to U.S. dollars. An accrual basis U.S. Holder (or a cash basis U.S. Holder in the case of interest, such as original issue discount, that must be accrued prior to receipt) receiving interest denominated in a currency other than U.S. dollars must include in income a U.S. dollar amount based on the average exchange rate during the accrual period (or, if an accrual period spans two taxable years, the partial period within the taxable year). Upon receipt of an interest payment in a currency other than U.S. dollars, U.S. Holders that have accrued interest will recognise exchange gain or loss equal to the difference, if any, between the U.S. dollar amount of interest previously accrued and the U.S. dollar value of the payment received determined at the spot exchange rate on the date of receipt. Such exchange gain or loss will be U.S. source ordinary income or loss and generally will not be considered additional interest income or expense.

An accrual basis U.S. Holder may elect to translate accrued interest into U.S. dollars at the spot exchange rate on the last day of the accrual period (or, if an accrual period spans two taxable years, at the exchange rate on the last day of the first taxable year for the interest accrued through that date). If accrued interest is actually received within five business days of the last day of the accrual period (or the taxable year, in the case of a partial accrual period), an electing accrual basis U.S. Holder instead may translate the accrued interest at the spot exchange rate on the date of actual receipt for purposes of translating accrued interest income into U.S. dollars (in which case no exchange gain or loss will be taken into account upon receipt). Any currency translation elections will apply to all debt instruments that the electing U.S. Holder holds or acquires as of the beginning of that taxable year. A U.S. Holder may not revoke this election without the consent of the IRS.

For purposes of this discussion, the **spot exchange rate** generally means a rate that reflects a fair market rate of exchange available to the public for currency under a "spot contract" in a free market and involving representative amounts. A **spot contract** is a contract to buy or sell a currency other than the U.S. dollar on or before two business days following the date of the execution of the contract. If such a spot exchange rate cannot be demonstrated, the IRS has the authority to determine the spot exchange rate. The **average rate** for an accrual period (or partial period) is the average of the spot exchange rates for each business day of such period or other average exchange rate for the period reasonably derived and consistently applied by a U.S. Holder.

*Original Issue Discount*

Some or all of the Notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. A Note will have OID to the extent that the Note's "stated redemption price at maturity" exceeds its "issue price". A Note generally will not have OID if such excess is less than 1/4 of 1% of the Note's stated redemption price at maturity multiplied by its weighted average maturity ("**de minimis OID**").

The issue price of a Series of Notes is the initial offering price at which a substantial amount of the Series of Notes are sold (excluding sales to underwriters, brokers or similar persons). The stated redemption price at maturity of a Note is the total of all payments on the Note other than payments of "qualified stated interest", where **qualified stated interest** means, in general, stated interest that is payable unconditionally in cash or in property at least annually at a single fixed rate (or at certain floating rates) that appropriately takes into account the length of the interval between stated interest payments.

A U.S. Holder of a Note issued with OID and having a maturity in excess of one year must include OID in income over the term of the Note. An initial U.S. Holder generally must include in gross income the sum of the daily portions of OID that accrue on the Note for each day during the taxable year in which such U.S. Holder held the Note. To determine the daily portion of OID, OID accruing during an accrual period (generally the period not exceeding one year between dates on which interest is paid) is divided by the number of days in the accrual period.

The amount of OID accruing during an accrual period is determined by using a constant yield to maturity method. For any accrual period, the OID allocable to the accrual period is the excess of (i) the product of the Note's adjusted issue price at the beginning of the accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted for the length of the accrual period) over (ii) the sum of any qualified stated interest payments allocable to the accrual period. A Note's adjusted issue price generally equals the issue price of the Note increased by the aggregate amount of OID accrued on a Note in all prior accrual periods (determined without regard to the amortisation of any bond premium as discussed below) and reduced by the amount of projected payments previously received (other than payments of qualified stated interest).

Floating Rate Notes are subject to special OID rules. In the case of a Floating Rate Note, both the yield to maturity and qualified stated interest will be determined as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable on the date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. In certain cases, Floating Rate Notes that bear stated interest and are issued at par may have OID, with the result that the inclusion of interest in income may vary from the actual cash payments of interest made on such Notes.

OID on a Note that is denominated in a single currency other than U.S. dollars will be determined for any accrual period in the applicable currency and then translated into U.S. dollars in the same manner as other interest income accrued by an accrual method U.S. Holder, as described above under "*Interest - General*". A U.S. Holder will recognise exchange gain or loss when OID is paid to the extent of the difference between the U.S. dollar value of the accrued OID and the U.S. dollar value of the currency received at the spot exchange rate on the date of receipt. For this purpose, all payments (other than qualified stated interest) on a Note will first be viewed as payments of previously accrued OID, with payments considered made for the earliest accrual periods first.

A U.S. Holder may elect to treat all interest on a Note as OID applying the constant yield method described above to accrue such interest, with the modifications described below. For purposes of this election, interest includes stated interest, OID, de minimis OID, acquisition discount, and unstated interest, as adjusted by any amortisable bond premium or acquisition premium. In applying the constant yield method to a Note with respect to which this election has been made, the issue price of a Note will equal the electing U.S. Holder's adjusted basis in the Note immediately after its acquisition, the issue date of the Note will be the date of its acquisition by the electing U.S. Holder, and no payments on the Note will be treated as payments of qualified stated interest. If a U.S. Holder makes this election, it will apply only to the Note with respect to which it is made and the U.S. Holder may not revoke it without the consent of the IRS. A U.S. Holder making this election with respect to a Note with bond premium will be deemed to have made the elections (discussed below in "*Bond Premium*") to amortise bond premium currently with respect to all debt instruments with bond premium held or acquired by such U.S. Holder as of the beginning of that taxable year.

*Short-Term Notes*

A U.S. Holder of a Note with a maturity of one year or less (a "**Short-Term Note**") will be subject to special rules. The OID rules do not treat interest payments on a Short-Term Note as qualified stated interest, but instead treat a Short-Term Note as having OID determined by including stated interest payments in a Short-Term Note's stated redemption price at maturity. Except as noted below, a cash-basis U.S. Holder of a Short-Term Note generally will not be required to accrue OID currently, but will be required to treat any gain realised on a sale or other disposition of a Short-Term Note as ordinary income to the extent such gain or loss does not exceed the OID accrued with respect to the Short-Term Note during the period the U.S. Holder held such Note. Accrual basis (and electing cash-basis) U.S. Holders will include OID on a Short-Term Note in income on a current basis.

A U.S. Holder will accrue OID on a Short-Term Note on a straight-line method unless it elects a constant yield method. If a U.S. Holder makes this election, it will apply only to the Short-Term Note with respect to which it is made, and the U.S. Holder may not revoke it without the consent of the IRS. Furthermore, unless a U.S. Holder elects to include OID into income on a current basis as described above, a U.S. Holder of a Short-Term Note having OID may be required to defer the deduction of all or a portion of the interest expense on any debt incurred or maintained to purchase or carry such Short-Term Note.

*Bond Premium*

A U.S. Holder that has a tax basis in a Note that is greater than its nominal amount may elect to treat the excess as amortisable bond premium. If a U.S. Holder makes this election, it will reduce the amount required to be included in income each year with respect to interest on the Note by the amount of amortisable bond premium

allocable to that year. If a U.S. Holder makes an election to amortise bond premium, it will apply to all the debt instruments of a U.S. Holder with bond premium that the electing U.S. Holder holds or acquires as of the beginning of that taxable year. A U.S. Holder may not revoke this election without the consent of the IRS.

In the case of a Note denominated in a currency other than U.S. dollars, bond premium is computed in units of the relevant foreign currency and amortisable bond premium reduces interest income in units of such foreign currency. At the time amortised bond premium offsets interest income, foreign currency exchange gain or loss (taxable as ordinary income or loss, but not generally as interest income or expense) is realised based on the difference between the spot exchange rates at that time and at the time of the acquisition of the Note.

With respect to a holder that does not elect to amortise bond premium, the amount of bond premium constitutes a capital loss when the Note matures. In the case of a Note denominated in a currency other than U.S. dollars, foreign currency exchange gain or loss with respect to the premium is realised based on the difference between the spot exchange rates on the sale or other disposition of the Note and at the time of the acquisition of the Note. In such case, the amount of capital loss relating to the premium may be offset or eliminated by exchange gain.

*Optional Redemption*

If the Issuer has an option to redeem a Note or a U.S. Holder has an option to cause a Note to be repurchased prior to the Note's stated maturity, the option will be presumed to be exercised if, utilising an early redemption or repurchase date and the amount payable on such date, the yield on the Note would (i) in the case of an option of the Issuer, be lower than its yield to stated maturity, or (ii) in the case of an option of the U.S. Holder, be higher than its yield to stated maturity. A determination of the payment schedule most likely to occur is binding upon all U.S. Holders of the Notes except for a U.S. Holder that explicitly discloses on its U.S. federal income tax return for the taxable year in which it acquired the Note that it has determined the yield and maturity of the Note on a different basis. If the option is not exercised when presumed to be exercised, for purposes of computing future accruals of OID, the Note would be treated as if it were repurchased or redeemed and a new Note were issued on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date.

**Sale, Redemption or other Disposition**

A U.S. Holder generally will recognise gain or loss on the sale, redemption or other disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realised (less any accrued but unpaid qualified stated interest, which will be taxable as ordinary interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Note, determined in U.S. dollars. The U.S. dollar amount realised will be the value of the foreign currency received at the spot exchange rate on the date of disposition (or, if the Notes are traded on an established securities exchange and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date). A U.S. Holder's adjusted tax basis in a Note generally will be the amount paid for the Note, increased by the U.S. dollar amount of OID included in the U.S. Holder's income with respect to the Note and less the U.S. dollar value of any OID payments (including stated interest in excess of qualified stated interest) and principal payments previously received by the holder. The amount paid for a Note denominated in a foreign currency will be the U.S. dollar value of the currency on the date of purchase (or, if the Notes are traded on an established securities exchange and the U.S. Holder is a cash basis or an electing accrual basis holder, the settlement date) determined at the spot exchange rate.

Gain or loss on the sale, redemption or other disposition of a Note generally will be U.S. source and will, except to the extent of any foreign currency exchange gain or loss, be capital gain or loss. A U.S. Holder generally will recognise foreign currency exchange gain or loss on the sale, redemption or other disposition of a Note equal to the difference between the U.S. dollar value of the nominal amount of the Note on the date of acquisition and the date of disposition. Foreign currency exchange gain or loss cannot exceed overall gain or loss realised on disposition of the Note. Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year. The long-term capital gains of non-corporate U.S. Holders may be taxed at lower rates. Deductions for capital losses are subject to limitations.

**Foreign Currency Exchange Gain or Loss**

The tax basis of currency other than U.S. dollars received by a U.S. Holder generally will equal the U.S. dollar equivalent of such foreign currency at the spot exchange rate on the date it is received. Upon the subsequent exchange of such foreign currency for U.S. dollars, another currency or property, a U.S. Holder generally will recognise exchange gain or loss equal to the difference between the U.S. Holder's tax basis in the foreign currency

and the U.S. dollars received or the U.S. dollar value of the other currency (at the spot exchange rate on the date of exchange) or property. Such gain or loss will be U.S. source ordinary gain or loss.

**Substitution of a Relevant Issuer**

The Conditions provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to the substitution of another company as principal debtor under any Notes in place of the relevant Issuer, in the circumstances described in Condition 17(c) of the Conditions. If a successor or affiliate is substituted as Issuer of a Series of Notes, the substitution will generally be treated as an exchange of the Notes for new notes deemed issued by the substituted successor or affiliate unless such successor or affiliate acquires substantially all of the Issuer's assets and there is no change in payment expectations as a result of the substitution. In such an event, unless a non-recognition provision applies, a U.S. holder generally will recognise any gain or loss realised in the deemed exchange in an amount equal to the difference, if any, between (i) the issue price of the new notes (which would be their fair market value assuming the Notes are trading on an established market) and (ii) the U.S. holder's adjusted tax basis in the Notes. If the stated nominal amount of the new notes received in the deemed exchange exceeds their issue price by as much as 0.25% multiplied by the number of complete years to maturity, a U.S. holder may be required to recognise OID as ordinary income on the new notes as a result of the substitution (as described above). The OID would be the amount by which the stated nominal amount of the new notes exceeds their issue price.

**Reportable Transactions**

U.S. Treasury regulations meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under these U.S. Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a debt instrument or foreign currency received in respect of a debt instrument to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of US$50,000, in the case of an individual holder and certain higher threshold amounts in the case of other holders. Prospective investors should consult their own tax advisors about the possibility of becoming subject to the reportable transactions rules.

**Information reporting and backup withholding**

Payments of interest (including accruals of OID) and proceeds from the sale, redemption or other disposition of a Note by a U.S. paying agent or other U.S. intermediary may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A U.S. Holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding and a refund of any excess. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain non-corporate U.S. Holders are required to report information with respect to their investment in Notes not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in Notes.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.**

**Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the United Kingdom and the Netherlands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from

payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasuary Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the relevant Issuer). However, if additional notes (as described under "Terms and Conditions—Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## SERVICE OF PROCESS AND ENFORCEABILITY OF JUDGMENTS

LSEG Netherlands is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid (B.V.)*) incorporated under the laws of the Netherlands. LSEG and LSEGA are each public limited liability companies incorporated under the laws of England and Wales.

It may not be possible for investors to effect service of process within the United States upon the relevant Issuer and the Guarantor or such persons or to enforce against any of them judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. It may also not be possible for investors to effect service of process within the Netherlands (in the case of LSEG Netherlands) or the United Kingdom (in the case of LSEG and LSEGA) or those persons under the Convention on Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters and the Dutch and English law implementing such convention if such service were deemed to infringe Dutch or English sovereignty, public policy and/or security. In the Netherlands and United Kingdom, services of process will be subject to Dutch and English rules of civil procedure, respectively.

If a judgment is obtained in a U.S. court against the Issuer or the Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Investors should consult with their own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

### Netherlands

With regard to recognition and enforcement of final relevant judgments rendered in England (**"English Judgment"**), the Treaty between the Kingdom of the Netherlands and the United Kingdom of Great Britain and Northern Ireland providing for the Reciprocal Recognition and Enforcement of Judgments in Civil Matters of 17 November 1967 (**"Dutch British Execution Treaty"**) may currently be applicable to the recognition and enforceability of English Judgments in the Netherlands. Subject to the limitations and formalities imposed by the Dutch British Execution Treaty, an English Judgment for the payment of money based on civil liability would be recognised and enforceable in the Netherlands. In the absence of the Dutch British Execution Treaty being applicable, the English Judgment for the payment of money based on civil liability would currently not automatically be recognised or enforceable in the Netherlands. According to Article 431 of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*), enforcement of an English Judgment in the Netherlands is only possible if an international or national rule so states. In order to obtain a judgment that is enforceable in the Netherlands, the claim must be relitigated before a competent Dutch court and the judgment rendered by the English court must be submitted in the course of such proceedings, in which case the Dutch court will have to decide whether and to what extent, given the circumstances of the case, it will recognise the English Judgment. The relevant Dutch court has discretion to attach such weight to an English Judgment as it deems appropriate. A Dutch court will, under current practice and based on case law, generally grant the same judgment without relitigation analysis on the merits if (i) the English Court rendering that judgment has jurisdiction over the matter on internationally acceptable grounds and has conducted the proceedings in accordance with the Dutch concept of due process, (ii) that English Judgment does not contravene public policy (*openbare orde*) of the Netherlands, (iii) the English Judgment is not irreconcilable with a decision rendered by a Dutch court between the same parties, or with an earlier judgment rendered by a non-Dutch court in proceedings involving the same cause of action and between the same parties, provided that the earlier decision can be recognised in the Netherlands, and (iv) the English Judgment is—according to the law of its country of origin—final and conclusive in such a way that all appeals have been exhausted and no other remedy could be obtained from a competent judicial body. Moreover, a Dutch court may reduce the amount of damages granted by an English Court and recognise damages only to the extent that they are necessary to compensate actual losses or damages. The enforcement and recognition of judgments of English Courts in the Netherlands are subject to the Dutch rules of civil procedure.

### England & Wales

The United States and the United Kingdom currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment of a U.S. federal or state court in relation to the obligations of the relevant Issuer under the Trust Deed and the Notes will not be automatically enforceable in England and Wales, but a final and conclusive judgment for a debt or definite sum of money may be enforced at common law in England and Wales *provided that* the party against whom the judgment was given properly submitted to the jurisdiction of the relevant courts (in accordance with English rules on the conflict of laws), and none of the following circumstances applies:

- the judgment was procured by fraud;
- judgment was given contrary to the English rules of natural justice, for example the defendant was deprived of notice of, or an adequate opportunity to take part in the proceedings, or substantial justice, in that the defendant did not have the opportunity to correct procedural irregularities under the laws of the court giving judgment;
- recognition of the judgment would be contrary to English public policy;
- recognition of the judgment would violate the Human Rights Act 1998;
- the judgment conflicts with an English judgment or a foreign judgment given earlier in time that is enforceable in an English court;
- the proceedings that resulted in the judgment were brought in breach of a binding arbitration agreement or a contractual choice of court agreement;
- enforcement of the judgment would involve the enforcement of a foreign penal (which involves payment to the State as distinct from an individual) or revenue or other public law;
- enforcement of the judgment would contravene the Protection of Trading Interests Act 1980, Section 5 of which precludes, among other things, the enforcement in the United Kingdom of any judgment given by a court of an overseas country which is a judgment for multiple damages which exceed the compensatory element of the judgment award; or
- recognition or enforcement of the judgment would be contrary to the terms of the Administration of Justice Act 1920 or the Foreign Judgments (Reciprocal Enforcement) Act 1933 or the Civil Jurisdiction and Judgments Act 1982.

Subject to the foregoing, investors may be able to enforce in England and Wales judgments in civil and commercial matters that have been obtained from U.S. federal or state courts.

In addition, an English court may decline to accept jurisdiction and impose civil liability if the original action was commenced in England and Wales, instead of the United States, and was predicated solely upon a law other than the law of England and Wales.

## SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement dated 23 March 2021 (as modified and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") agreed with the Issuers and Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Forms of the Notes*" and "*Terms and Conditions of the Notes*" above. In the Dealer Agreement, the Issuers and Guarantor have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme. The Issuers and the Guarantor have in the Dealer Agreement agreed to indemnify the Dealers against certain liabilities incurred in connection with any issuance of Notes.

### United States

The Notes and the Guarantee have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered (in the case of Bearer Notes) within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them in Regulation S.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes, and the Guarantee (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant tranche (the "**Distribution Compliance Period**") within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes and the Guarantee (other than a sale pursuant to Rule 144A) during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes comprising any tranche, any offer or sale of the Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made other than in accordance with Rule 144A.

Due to the restrictions set forth above, purchasers of the Notes are advised to consult legal counsel prior to making an offer to purchase or to re-sell, pledge or otherwise transfer the Notes.

The Dealer Agreement provides that any Dealer may only through its respective U.S. registered broker-dealer affiliates arrange for the resale of Registered Notes that are 144A Notes in the United States only to qualified institutional buyers pursuant to Rule 144A.

Intesa Sanpaolo S.p.A. is not a U.S. registered broker-dealer,and will not effect any offers or sales of any notes in the United States unless it is through one or more U.S. registered broker-dealers as permitted by the regulations of the Financial Industry Regulatory Authority, Inc.

Bank of China Limited, London Branch is not a broker-dealer registered with the SEC, and therefore may not make sales of any Notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Bank of China Limited, London Branch intends to sell the Notes in the United States, it will do so only through one or more U.S.-registered broker-dealers, or otherwise as permitted by applicable U.S. laws and regulations, including the rules of FINRA.

### Canada

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Canada other than to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in

National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any supplement or amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

If the Final Terms in respect of any Notes specifies Rule 144A under US Selling Restrictions for those Notes, pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (**NI 33-105**), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering of those Notes.

**Prohibition of Sales to EEA Retail Investors**

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any such Notes which are the subject of the offering contemplated by the Offering Circular as completed by the applicable Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision the expression **retail investor** means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

**Prohibition of Sales to UK Retail Investors**

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision the expression **retail investor** means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

***Other regulatory restrictions***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) in relation to any Notes having a maturity of less than one year from the date of their issue, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not, apply to the relevant Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

**The Netherlands**

***Zero Coupon Notes***

Zero Coupon Notes in definitive bearer form and other Notes in definitive bearer form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen* as defined in The Netherlands Savings Certificates Act or *Wet inzake spaarbewijzen*, the "**SCA**") may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either LSEG Netherlands B.V. or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such Notes if they are physically issued outside The Netherlands and are not immediately thereafter distributed in The Netherlands.

**Belgium**

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

**Republic of Italy**

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Offering Circular or any other document relating to the Notes in Italy except:

(a) to qualified investors (*investitori qualificati*), pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the "**Prospectus Regulation**"); or

(b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "**Consolidated Financial Services Act**"), Article 34-*ter* of CONSOB Regulation 11971/99, as amended from time to time.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

**Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Act (Act No. 228 of 1949, as amended)) or to others for re offering or re sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

**Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

**General**

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering

Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers, the Guarantor, the Trustee and any other Dealer shall have any responsibility therefor.

None of the Issuers,the Guarantor, the Trustee and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## INDEPENDENT AUDITORS AND REPORTING ACCOUNTANTS

The LSEG Financial Statements as at and for each of the years ended 31 December 2020, 2019 and 2018 have been audited without qualification by E&Y, independent auditors to LSEG, whose registered address is at 25 Churchill Place, Canary Wharf, London E14 5EY, United Kingdom. E&Y has no material interest in LSEG. E&Y is registered to carry out audit work by the Institute of Chartered Accountants of England and Wales.

The Refinitiv Historical Financial Information as at and for each of the years ended 31 December 2020, 2019 and 2018 has been audited without qualification by PwC, independent reporting accountants to Refinitiv, whose registered address is at 1 Embankment Place, London WC2N 6RH, United Kingdom. PwC has no material interest in Refinitiv. PwC is registered to carry out audit work by the Institute of Chartered Accountants of England and Wales. PwC have provided an accountant's report on the Refinitiv Historical Financial Information, which is set out in Annex 2 (*Refinitiv Historical Financial Information*) to this Offering Circular (the "**PwC Accountant's Report**") and have authorised the contents of the part of this Offering Circular which comprise the PwC Accountant's Report for the purpose of 5.3.5.R(2)(f) and Item 1.3 of Annex 7 of the UK version of Commission Delegated Regulation (EU) 2019/980.

E&Y, independent reporting accountants to the Group, have provided an accountant's report on the Unaudited Pro Forma Financial Information, which is set out in Section B (*Accountant's Report on the Unaudited Pro Forma Financial Information for the Group*) in the section of this Offering Circular entitled "*Unaudited Pro Forma Financial Information*" (the "**E&Y Accountant's Report**") and have authorised the contents of the part of this Offering Circular which comprise the E&Y Accountant's Report for the purpose of 5.3.5.R(2)(f) and Item 1.3 of Annex 7 of the UK version of Commission Delegated Regulation (EU) 2019/980.

## ADDITIONAL INFORMATION

### Authorisation

The establishment of the Programme was duly authorised by (i) resolution of the Board of LSEG plc passed on 2 March 2021 and a resolution of a committee of the Board of LSEG plc passed on 22 March 2021, (ii) resolutions by the Board of LSEGA on 22 March 2021 and (iii) by the Board of LSEG Netherlands on 22 March 2021. Each of LSEG plc, LSEGA and LSEG Netherlands has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and (where applicable, in the case of LSEG plc) its obligations under the Guarantee.

### Listing of Notes on the Official List

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a global Note initially representing the Notes of such Tranche. Application has been made to the Financial Conduct Authority for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. Such application is expected to be granted on or around 25 March 2021.

### Clearing Systems

The Notes have been accepted for clearance through Clearstream, Luxembourg, DTC and Euroclear (which are the entities in charge of keeping the records). The appropriate Common Code, ISIN and (where applicable) CUSIP for each Tranche of Notes allocated by Clearstream, Luxembourg, DTC and Euroclear will be specified in the applicable Final Terms. If the Notes are to be cleared through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041, United States of America.

### Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### Yield

The yield of each Tranche of Notes will be set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

### Significant or Material Change

- Save as disclosed in *Operating and Financial Review—Recent Developments- Refinitiv Acquisition and formation of the Group* on page 158 of this Offering Circular, there has been no significant change in the financial position or financial performance of LSEG plc or the Group since 31 December 2020.
- There has been no significant change in the financial position or financial performance of LSEG Netherlands and LSEGA since their respective dates of incorporation.
- There has been no material adverse change in the financial position or prospects of the Issuers, the Guarantor or the Group since 31 December 2020 (in the case of LSEG plc and the Group) and their respective dates of incorporation (in the case of LSEG Netherlands and LSEGA).

### Governmental, Legal and Arbitration Proceedings

Save as disclosed in "Business of the Group—Legal and Other Proceedings", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuers or

Guarantor are aware), in the twelve months prior to the date of this Offering Circular which may have or have had in such period a significant effect on the financial position or the profitability of the Issuers, the Guarantor and the Group.

**Trust Deed**

The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) and/or any other expert in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and the Auditors or such other expert in connection therewith contains any limit on the liability (monetary or otherwise) of the Auditors or such other expert.

**Documents Available**

So long as Notes are outstanding, starting on the date on which this Offering Circular is made available to the public as required by the UK Prospectus Regulation Rules, copies of the following documents may be inspected free of charge by emailing the Principal Paying Agent at ctlondon.conventional@hsbc.com or the U.S. Registrar at ctlanydealmanagement@us.hsbc.com during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and on the websites indicated:

(a) the Memorandum and Articles of Association of LSEG plc (as the same may be updated from time to time) (available at *http://www.lseg.com/investor-relations/reports-results-and-ma/lseg-2021-gmtn*);

(b) the Memorandum and Articles of Association of LSEGA (as the same may be updated from time to time) (available at *http://www.lseg.com/investor-relations/reports-results-and-ma/lseg-2021-gmtn*);

(c) the articles of association of LSEG Netherlands (as the same may be updated from time to time) (available at *http://www.lseg.com/investor-relations/reports-results-and-ma/lseg-2021-gmtn*);

(d) the Agency Agreement (available at *http://www.lseg.com/investor-relations/reports-results-and-ma/lseg-2021-gmtn*); and

(e) the Trust Deed (available at *http://www.lseg.com/investor-relations/reports-results-and-ma/lseg-2021-gmtn*).

For the avoidance of doubt, unless specifically incorporated by reference into this Offering Circular, information contained on the above websites does not form part of this Offering Circular and has not been scrutinised or approved by the FCA.

**Post-issuance Information**

Unless otherwise specified in the applicable Final Terms, the Issuers and Guarantor do not intend to provide any post-issuance information in relation to any issues of Notes.

**Dealers transacting with the Issuers and/or Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions, including, granting credit facilities with, and may perform services for the Issuers and Guarantor and their respective affiliates in the ordinary course of business. See "*Description of Other Indebtedness—The CC&G Credit Facility Agreements*" and "*Operating and Financial Review—Recent Developments—Refinancing of Refinitiv's indebtedness*".

Certain of the Dealers and their affiliates may appoint members in a corporate body of London Stock Exchange Group Holdings Italia S.p.A. and/or Borsa Italiana S.p.A. Moreover, certain of the Dealers may be involved in the Proposed Borsa Italiana Group Divestment (see "*Recent Developments*").

Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuers and Guarantor and their respective affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers and Guarantor or the Issuers' and/or Guarantor's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers and/or Guarantor routinely hedge their credit exposure to the Issuers and Guarantor (as applicable) consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. They have received, or may in the future receive, customary fees and commissions for these transactions.

**Legal entity identifier**

The legal entity identifier of LSEG plc is 213800QAUUUP6I445N30.

The legal entity identifier of LSEGA is 2138009YFYTGEHZNNZ09.

The legal entity identifier of LSEG Netherlands is 213800JCR9B7CYW7U265.

**Issuers' and Guarantor's website**

The Issuers' and Guarantor's website is www.lseg.com. Unless specifically incorporated by reference into this Offering Circular, information contained on the website does not form part of this Offering Circular.

**Reports**

PwC has given and not withdrawn its written consent to the inclusion in this document of its accountant's report on the audited, combined historical financial information relating to Refinitiv set out in Annex 2 (Refinitiv Historical Financial Information) in the form and context in which it is included and has authorised the contents of the part of this document which comprise its report for the purpose of 5.3.5R(2)(f) of the UK Prospectus Regulation Rules.

E&Y has given and not withdrawn its written consent to the inclusion in this document of its accountant's report on the unaudited pro forma financial information relating to the Group set out in "Unaudited pro Forma Financial Information of the Group", in the form and context in which it is included and has authorised the contents of the part of this document which comprise its report for the purpose of 5.3.5R(2)(f) of the UK Prospectus Regulation Rules.

**Validity of Offering Circular and Supplements**

For the avoidance of doubt, the Issuers and Guarantor shall have no obligation to supplement this Offering Circular after the end of its 12-month validity period.

## ANNEXES


| | Annex | Page |
|---|---|---|
| 1. | LSEG Financial Statements, including Ernst & Young's audit reports thereon | F-1 |
| 2. | Refinitiv Historical Financial Information, including PwC's accountant's report thereon | F-217 |

# ANNEX 1

## LSEG Financial Statements

# LSEG 2020 Financial Statements

# Independent Auditor's Report to the members of London Stock Exchange Group plc

### Opinion

In our opinion:

- London Stock Exchange Group plc's (the "Company", the "Group") consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of London Stock Exchange Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise:

| Group | Parent company |
|---|---|
| Consolidated income statement for the year then ended | Balance sheet as at 31 December 2020 |
| Consolidated statement of comprehensive income for the year then ended | Statement of changes in equity for the year then ended |
| Consolidated balance sheet as at 31 December 2020 | Cash flows statement for the year then ended |
| Consolidated statement of changes in equity for the year then ended | Related notes 1 to 35 to the financial statements including a summary of significant accounting policies |
| Consolidated cash flow statement for the year then ended | |
| Related notes 1 to 35 to the financial statements, including a summary of significant accounting policies | |
| Tables within the Directors' Remuneration Report identified as 'audited' on pages 98 to 119. | |

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- We have obtained an understanding of Management's basis for use of the going concern basis of accounting through reviewing the going concern assessment and underlying forecasts and assumptions, and through inquiries of Management and those charged with governance;
- Using our understanding the business, we assessed the appropriateness of key assumptions made by management in the Group's business plan by comparing them to historical performance and challenging the achievability of budgeted growth. In assessing the reasonableness of these key assumptions, we considered the impact of Covid-19, the trading environment, principal risks and appropriate mitigating factors. We performed back-testing by comparing the budget of prior periods to actual results to assess the historical accuracy of management's forecasting process;
- We tested the clerical accuracy of management's going concern model including the data used in stress testing;
- We evaluated the reasonableness of management's adverse forecasts by benchmarking the stress testing scenario assumptions against external data and evaluated the plausibility of management actions available to mitigate the impact of the reverse stress test by comparing them to our understanding of the Group including the ability to refinance debt, if required;
- We evaluated the level of liquidity of the Group to support ongoing requirements and tested compliance with external debt covenants for a period of 12 months from the date of signing the financial statements under each plausible stress testing scenario; and
- We assessed the appropriateness of the going concern disclosures by evaluating the consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

In relation to the Group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

### Overview of our audit approach

| | |
|---|---|
| **Audit scope** | • We performed an audit of the complete financial information of seven components and audit procedures on specific balances for a further eight components.<br>• The components where we performed full or specific audit procedures accounted for 91% of unadjusted pre-tax profit, 91% of adjusted pre-tax profit, 96% of revenue and 100% of total assets. |
| **Key audit matters** | • Risk that the impairment of goodwill and purchased intangible assets is inaccurate or incomplete<br>• Risk that expenses related to internally developed software are capitalised inappropriately, or that internally developed software is impaired<br>• Risk of fraud in recognition of revenue in secondary capital markets trading and Information Services revenue accruals within the FTSE Russell business |
| **Materiality** | • Overall Group materiality is £44m which represents 5% of adjusted pre-tax profit from continuing operations, calculated by including the impact of the amortisation of purchased intangible assets, but excluding other non-underlying items as disclosed in note 7 of the financial statements. |

### An overview of the scope of the parent company and Group audits

**Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the Group financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 108 reporting components of the Group, we selected 15 components covering entities within United Kingdom, United States of America, Italy, France and Sri Lanka, which represent the principal business units within the Group.

Of the 15 components selected, we performed an audit of the complete financial information of seven components ("full scope components") which were selected based on their size or risk characteristics. For the remaining eight components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

| Scope | Procedures performed by | Number of components |
|---|---|---|
| Full | Primary team | 4 |
| Full | Component teams | 3 |
| Specific | Primary team | 7 |
| Specific | Component team | 1 |
| **Total** | | **15** |

Details of the four components which were audited by component teams are set out below:

| Component | Headquartered location | Scope | Auditor |
|---|---|---|---|
| London Stock Exchange Group Holdings Italy S.p.A. | Italy | Full | EY |
| LSEG US Holdco Inc.* | United States of America | Full | EY |
| LCH S.A. | France | Full | EY and BDO |
| Millennium Information Technologies (Private) Limited | Sri Lanka | Specific | EY |

* Some specific accounts within LSEG US Holdco Inc. were audited by the EY primary audit team.

The reporting components where we performed audit procedures accounted for 91% (2019: 91%) of the Group's pre-tax profit, 91% (2019: 91%) of the Group's adjusted pre-tax profit measure used to calculate materiality (see page 132 below), 96% (2019: 97%) of the Group's Revenue and 100% (2019: 100%) of the Group's Total assets.

For the current year, the full scope components contributed 76% (2019: 71%) of the Group's pre-tax profit, 75% (2019: 70%) of the Group's adjusted pre-tax profit, 95% (2019: 95%) of the Group's Revenue and 100% (2019: 100%) of the Group's Total assets.

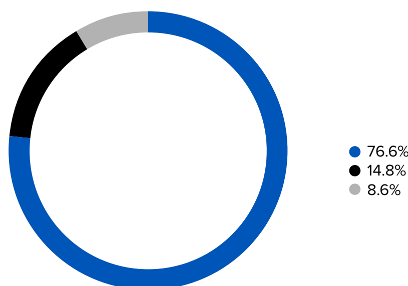
The specific scope components contributed 15% (2019: 20%) of the Group's pre-tax profit, 16% (2019: 21%) of the Group's adjusted pre-tax profit, 1% (2019: 2%) of the Group's Revenue and less than 1% (2019: less than 1%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

Of the remaining 93 components that together represent less than 9% of the Group's pre-tax profit, none are individually greater than 5% of the Group's adjusted pre-tax profit. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations, to respond to any potential risks of material misstatement to the Group financial statements.

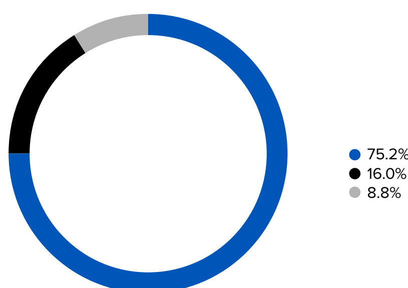
# Independent Auditor's Report to the members of London Stock Exchange Group plc continued

The charts below illustrate the coverage obtained from the work performed by our audit teams.

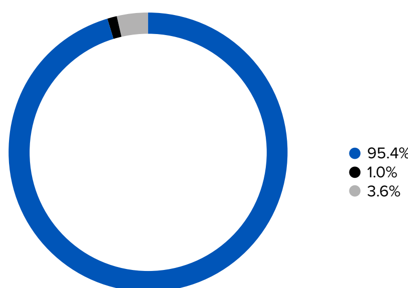
**Profit before Tax***



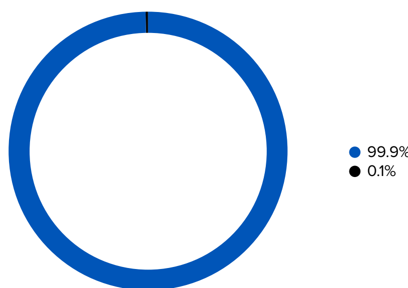

**Adjusted Profit before Tax***




**Revenue**




**Total assets**




● Full ● Specific ● Out of Scope

## Changes from the prior year

All full scope components remained consistent with the prior year, with the exception of LSEG US Holdco Inc which, in the current year, also includes LSEGH Inc. In the current year, we identified eight specific scope components (2019: 12).

The audit was largely conducted remotely using video calls, share-screen functionality, secure encrypted document exchanges and read-only access to LSEG systems to avoid any limitation on the audit evidence required.

## Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction.

Of the seven full scope components and eight specific scope components, audit procedures were performed on four of the full scope and seven of the specific scope components directly by the primary audit team. For the three full scope and one specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

In response to the Covid-19 pandemic, the Group audit team adapted the planned visits to the component teams such that the meetings were held via video call. These virtual meetings were designed to ensure that the Senior Statutory Auditor exercised appropriate oversight of the principal locations of the Group.

During the current year's audit cycle, virtual meetings were undertaken by the Senior Statutory Auditor and/or other senior members of the primary audit team with the following locations:

- New York;
- Milan;
- Paris; and
- Colombo.

These meetings involved discussing the audit approach with the component team and any issues arising from their work, as well as meeting with local management. In addition, we virtually participated in planning and closing meetings and reviewed selected key audit working papers through the use of share screen functionality. The primary team interacted regularly with the component teams where appropriate during various stages of the audit and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Risk that the impairment of goodwill and purchased intangible assets is inaccurate or incomplete**<br><br>*Balance of £3.8 billion, prior year comparative £3.9 billion*<br><br>*Impairment charge of £10 million, prior year comparative £15 million.*<br><br>The Group holds significant intangible assets on its balance sheet, including goodwill, customer relationships, brands, software licenses, and intellectual property.<br><br>We have determined the valuation of these intangible assets to be a key audit matter due to the size of the goodwill and purchased intangible assets as at 31 December 2020 and the use of judgement by management in their impairment assessment of the intangible assets.<br><br>On an annual basis, management are required to perform an impairment assessment for goodwill, and to assess for indicators of impairment in respect of purchased intangible assets. Where indicators of impairment of purchased intangible assets are identified, a full impairment assessment is performed. These assessments involve significant management judgement in applying assumptions to the valuation models.<br><br>Key judgements and estimates used in the valuation models include:<br>• Cash flow forecasts<br>• Long-term growth rates (LTGR)<br>• Discount rates<br>• Amortisation periods for purchased intangible assets<br>• Customer retention rates<br>• Royalty rates<br><br>Refer to the Report of the Audit Committee (page 91); Accounting policies (page 145); and Notes 3 and 13 of the Financial Statements (pages 155 and 164 to 166)<br><br>The risk has neither increased nor decreased in the current year. | We have confirmed our understanding of the impairment assessment process and assessed the design effectiveness of key controls, concluding that a substantive audit approach should be adopted.<br><br>The following procedures were performed in order to determine the acceptable range of the carrying value of goodwill and purchased intangible assets:<br><br>For material cash generating units (CGU), we examined the cash flow forecasts which support management's impairment assessment and tested compliance with the requirements of IAS 36 'Impairment of Assets'. We tested the accuracy of these forecasts by comparing them to the three-year business plans approved by the Board. We evaluated the reasonableness of the cash flow forecasts by analysing the budgeted growth rates and assessing their reasonableness based on our understanding of the CGU, its historical growth rates and other relevant market expectations and developments including changes in tax rates and the impact of Covid-19. We compared prior periods' cash flow forecasts to actual results to assess management's forecasting accuracy.<br><br>We tested the discount rates assigned to each of the CGUs, as well as the LTGRs (collectively "model inputs"), with involvement of EY valuation specialists; we evaluated these model inputs within each impairment model, by comparing them to a range of economic and industry forecasts and market data where appropriate, as well as to other similar companies.<br><br>We performed sensitivity analysis on the key assumptions (including the model inputs, cash flows forecasts, royalty rates and customer retention rates) to the impairment models, to understand the impact that reasonably possible changes to these key inputs would have on the overall carrying value of the goodwill and purchased intangible assets at the balance sheet date.<br><br>In respect of purchased intangible assets, we evaluated management's assessment of impairment indicators by considering the internal and external factors specific to each class of assets and our understanding of the business. This included performing back-testing of customer retention rates within specific business lines and the current returns made on intellectual property. We also assessed the appropriateness of the remaining amortisation period of purchased intangible assets by considering management's business plan and comparing management's forecasts against historic data.<br><br>We assessed the appropriateness of the relevant disclosures made in the financial statements.<br><br>We performed full scope audit procedures over this risk area in nine components, which covered 100% of the risk amount. | We are satisfied that the carrying values of goodwill and purchased intangible assets are not materially misstated and the related disclosures are compliant with IAS 36 and IAS 38. |

# Independent Auditor's Report to the members of London Stock Exchange Group plc continued

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Risk that expenses related to internally developed software are capitalised inappropriately, or that internally developed software is impaired**<br><br>*Balance of £0.5 billion, prior year comparative £0.5 billion*<br><br>*Impairment charge of £23 million, prior year comparative £9 million.*<br><br>The capitalisation of expenses to internally developed software involves management's judgement, when making their assessment of capitalisation against criteria set out in IAS 38.<br><br>The Group is required to review capitalised software assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, as well as at least annually review whether there is any change in their expected useful lives.<br><br>Where indicators of impairment are identified, a full impairment assessment is performed at the reporting date. These assessments involve significant management judgement in applying assumptions to the valuation models.<br><br>Key judgements and estimates used in the valuation models include:<br>• Discount rates<br>• Long-term growth rates (LTGR)<br>• Cash flow forecasts<br>• Amortisation periods for internally developed software<br><br>Refer to the Report of the Audit Committee (page 91); Accounting policies (page 145); and Note 13 of the Financial Statements (pages 164 to 166)<br><br>The risk has neither increased nor decreased in the current year. | We confirmed our understanding of both the capitalisation and impairment assessment processes and assessed the design and operating effectiveness of key controls, including those impacted by operational changes due to Covid-19. We concluded that the controls were designed, implemented and operating effectively, and therefore relied upon controls.<br><br>For a sample of additions, we have agreed amounts capitalised to supporting documentation to confirm that the costs were incurred, and meet the capitalisation criteria of IAS 38 'Intangible Assets'.<br><br>For a sample of assets not yet brought into use, including those where projects have been put on hold, we have tested and challenged management's assessment of indicators of impairment.<br><br>Where a full impairment assessment had been carried out, we tested the key assumptions used within the assessment, such as the discount rates, LTGR and cash flow forecasts with involvement of EY valuation specialists as needed<br><br>We also reviewed the sensitivity analysis performed by management as well as performing additional sensitivity analysis ourselves on the model inputs, to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the internally developed software at the balance sheet date.<br><br>We have tested the appropriateness of the amortisation period based on economic lives and management's best estimates of future performance, amortisation method and residual values.<br><br>We have, in addition, performed journal entry testing in order to identify and test the risk of misstatement arising from management override of controls.<br><br>We assessed the appropriateness of the relevant disclosures made in the financial statements.<br><br>We performed full and specific scope audit procedures over this risk area in nine components, which covered 94.5% of the risk amount. | We are satisfied that the carrying value of internally developed software is not materially misstated and the related disclosures are compliant with IAS 36 and IAS 38. |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Risk of fraud in recognition of revenue in secondary capital markets trading and Information Services revenue accruals within the FTSE Russell business**<br><br>*Secondary capital markets – Balance of £0.3 billion, prior year comparative £0.2 billion*<br><br>*Information Services revenue accruals – Balance of £0.1 billion, prior year comparative £0.1 billion*<br><br>Compensation tied to the performance of the entity may create an incentive for management to manipulate results.<br><br>We have determined this to be a key audit matter having identified two revenue streams with heightened risk of misstatement:<br>• Secondary capital markets revenue (for certain business lines) involves multiple pricing structures based on product types, customer activity and volumes, resulting an inherently higher level of complexity<br>• Information Services revenue accruals (presented within fees receivable) can require estimation, for instance based on prior billings or preliminary usage.<br><br>As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management.<br><br>*Refer to the Report of the Audit Committee (page 91); Accounting policies (page 143); and Note 4 of the Financial Statements (pages 155 to 158)*<br><br>In the prior year, our independent auditor's report included as part of this key audit matter an additional risk in relation to the revenue share for clearing arrangements. In 2019 the revenue share agreements for clearing arrangements were renegotiated resulting in a reduced level of complexity; as a result, the revenue share for clearing arrangements was no longer deemed to be a key audit matter for the 2020 audit. | We confirmed our understanding of the secondary capital markets trading and Information Services revenue accruals within the FTSE Russell business processes, and evaluated the design effectiveness of key controls.<br><br>We evaluated whether the revenue recognition policy is appropriate and in accordance with IFRS 15.<br><br>We also performed cut-off testing to gain assurance that revenue was recognised in the correct period.<br><br>**Secondary capital markets trading**<br>For the secondary capital markets trading process, we performed testing of the operating effectiveness of key controls in one full scope component. For this component, we concluded that the controls were designed, implemented and operating effectively, and therefore took a controls-based approach. We adopted a substantive audit approach for the other in-scope components.<br><br>We increased our standard sample size for transactional testing to respond to the risk of fraud; our procedures included agreeing the sample to supporting evidence and recalculating the fee charged and reconciling this back to the pricing policy and relevant tariff schedule.<br><br>Using general ledger information, we analysed the correlation between revenue, deferred revenue, trade receivables, and cash postings, investigating any unrelated ledger entries and assessing for the risk of misstatement of revenue. We tested controls operating over the cash receipt process to verify the accuracy of cash postings in the ledger.<br><br>We also performed substantive analytical procedures by comparing recorded revenue to expected revenue; determined based on trading volumes per the trading platform multiplied by the respective tariff per tariff schedule.<br><br>**Information Services revenue accruals within the FTSE Russell business**<br>We adopted a substantive audit approach in relation to the Information Services revenue accruals process.<br><br>We selected a sample of revenue accruals using a lower testing threshold when compared to our standard testing approach and obtained appropriate supporting evidence for the accrued amounts. We also performed corroborative testing to invoices raised post year end and cash collected where applicable.<br><br>For revenue based on assets under management (AUM), we tested a sample of calculations back to supporting agreements. We also validated the AUM used in the calculations to an independent third-party source or customer declaration.<br><br>For all revenue streams and revenue accruals listed above, we performed analytical procedures and journal entry testing in order to identify and test the risk of misstatement arising from management override of controls.<br><br>We performed full and specific scope audit procedures over this risk area in five components, which covered 98.3% of the risk amount. | Based on the procedures performed, we determined that revenue related to secondary capital markets trading and Information Services revenue accruals within the FTSE Russell business is not materially misstated. |

# Independent Auditor's Report to the members of London Stock Exchange Group plc continued

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

**Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £44 million (2019: £40.7 million), which is 5% (2019: 5%) of adjusted pre-tax profit from continuing operations, calculated by including the impact of amortisation of purchased intangible assets, but excluding other non-underlying items as disclosed in note 7 of the financial statements.

We consider the basis of our materiality to be one of the important considerations for shareholders of the Company in assessing the financial performance of the Group. It is linked to the key earnings measures discussed when the Group presents the financial results. In addition to non-underlying items, the Group also excludes amortisation of purchased intangibles to present adjusted operating profit; this amount is not excluded from our materiality calculation.

We determined materiality for the parent company to be £47.3 million (2019: £46.5 million), which is 1% of equity. We believe that equity is an appropriate basis to determine materiality given the nature of the parent company as the investment holding company of the Group. Any balances in the parent company financial statements that were relevant to our Group audit were audited using an allocated performance materiality. The allocated materiality is based on the relative scale and risk of the parent company to the Group as a whole, and our assessment of the risk of misstatement.

| | |
|---|---|
| **Starting basis** | • £684.9 million<br>• Profit before tax from continuing operations |
| **Adjustments** | • £212.4 million<br>• Exclude non-underlying items, mostly costs related to the acquisition of Refinitiv, the potential divestment of Borsa Italiana and impairment of goodwill and purchased intangible assets. |
| **Adjusted basis** | • £897.3 million<br>• Adjusted pre-tax profit from continuing operations but including amortisation of purchased intangible assets |
| **Materiality** | • Materiality of £44 million (5% of materiality basis) |

During the course of our audit, we reassessed initial materiality and made adjustments based on the final financial performance of the Group.

**Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our planning materiality, namely £22 million (2019: £20.4 million). We have set performance materiality at this percentage due to audit differences which were identified in the prior year audit. Our approach is designed to have a reasonable probability of ensuring that the total of uncorrected and undetected misstatements does not exceed our overall materiality of £44 million (2019: £40.7 million) for the Group financial statements as a whole. Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality.

The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component.

In the current year, the range of performance materiality allocated to components was between £5.5 million and £14.3 million.

**Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.2 million (2019: £2.0 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Other information

The other information comprises the information included in the annual report set out on pages 2 to 125 including the Strategic Report, Governance information and disclosures (including Board of Directors, Corporate governance, Complying with the provisions of the Code, Report of the Nomination Committee, Report of the Audit Committee, Report of Risk Committee, Directors' Remuneration Report, Directors' Report and Statement of Directors' responsibilities), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

### Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Code relating to the group and company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, as set out on page 125;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate, as set out on page 125;
- Directors' statement on fair, balanced and understandable, as set out on page 125;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, as set out on page 125;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, as set out on page 92; and;
- The section describing the work of the audit committee, as set out on page 91.

### Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities statement set out on page 125, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies to the European Union, the UK Companies Act 2006, UK Corporate Governance Code 2016, The Financial Conduct Authority's (FCA) Listing Rules, other relevant FCA rules and regulations, and tax legislation (governed by HM Revenue and Customs).
- We understood how the Group is complying with those frameworks by making enquiries of senior management, including the Chief Financial Officer, the Group General Counsel, the Chief Risk Officer, the Group Head of Compliance and the Group Head of Internal Audit. We also reviewed significant correspondence between the Group and regulatory bodies, reviewed minutes of the Board, Risk Committee, and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework and the Board's review of the Group's risk management framework and internal control processes.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the Group, or that otherwise seek to prevent, deter or detect fraud. This included assessing the impact of remote working due to Covid-19. We also considered performance and incentive plan targets and their potential to influence management to manage earnings or influence the perceptions of investors.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of senior management, legal counsel, the compliance officer and internal audit, review of significant correspondence with regulatory bodies, minutes of meetings of the Board and certain Board committees, the whistleblowing log, and focused testing, as referred to in the key audit matters section above.
- The Group operates in the exchange, benchmarks and CCP industries which are regulated environments. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of experts where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

**Other matters we are required to address**

- Following the recommendation from the Audit Committee, we were appointed as auditors of the company and signed an engagement letter on 12 June 2014, and were appointed by the company at the AGM on 16 July 2014, to audit the financial statements for the nine months period ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is seven years, covering the nine months period ended 31 December 2014 to the year ended 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

**Nicholas Dawes (Senior Statutory Auditor)**
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
5 March 2021

# Consolidated income statement

| Year ended 31 December 2020 | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | Notes | Underlying £m | Non-underlying £m | Total £m | Underlying £m | Non-underlying £m | Total £m |
| **Revenue** | 4 | **2,124** | **–** | **2,124** | 2,056 | – | 2,056 |
| **Net treasury income from CCP clearing business** | 4 | **319** | **–** | **319** | 255 | – | 255 |
| **Other income** | 4 | **1** | **–** | **1** | 3 | – | 3 |
| **Total income** | | **2,444** | **–** | **2,444** | 2,314 | – | 2,314 |
| Cost of sales | 4 | **(224)** | **–** | **(224)** | (210) | – | (210) |
| **Gross profit** | | **2,220** | **–** | **2,220** | 2,104 | – | 2,104 |
| **Expenses** | | | | | | | |
| Operating expenses before depreciation, amortisation and impairment | 5, 7 | **(887)** | **(168)** | **(1,055)** | (839) | (132) | (971) |
| Income from equity investments | 4, 18 | **–** | **–** | **–** | 7 | – | 7 |
| Share of loss after tax of associates | 4, 14 | **(4)** | **–** | **(4)** | (7) | – | (7) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | | **1,329** | **(168)** | **1,161** | 1,265 | (132) | 1,133 |
| Depreciation, amortisation and impairment | 7, 12, 13 | **(211)** | **(195)** | **(406)** | (200) | (195) | (395) |
| **Operating profit/(loss)** | | **1,118** | **(363)** | **755** | 1,065 | (327) | 738 |
| Finance income | | **7** | **–** | **7** | 14 | – | 14 |
| Finance expense | | **(64)** | **(13)** | **(77)** | (85) | (16) | (101) |
| Net finance expense | 7, 8 | **(57)** | **(13)** | **(70)** | (71) | (16) | (87) |
| **Profit/(loss) before tax** | | **1,061** | **(376)** | **685** | 994 | (343) | 651 |
| **Taxation** | 7, 9 | **(257)** | **59** | **(198)** | (236) | 50 | (186) |
| **Profit/(loss) for the year** | | **804** | **(317)** | **487** | 758 | (293) | 465 |
| **Profit/(loss) attributable to:** | | | | | | | |
| Equity holders | | **734** | **(313)** | **421** | 699 | (282) | 417 |
| Non-controlling interests | | **70** | **(4)** | **66** | 59 | (11) | 48 |
| **Profit/(loss) for the year** | | **804** | **(317)** | **487** | 758 | (293) | 465 |
| **Earnings per share attributable to equity holders** | | | | | | | |
| Basic earnings per share | 10 | | | **120.3p** | | | 119.5p |
| Diluted earnings per share | 10 | | | **118.9p** | | | 118.1p |
| Adjusted basic earnings per share | 10 | | | **209.7p** | | | 200.3p |
| Adjusted diluted earnings per share | 10 | | | **207.3p** | | | 198.0p |
| **Dividend per share in respect of the financial year** | | | | | | | |
| Dividend per share paid during the year | 11 | | | **23.3p** | | | 20.1p |
| Dividend per share declared for the year | 11 | | | **51.7p** | | | 49.9p |

The notes on pages 142 to 197 form an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

| Year ended 31 December 2020 | Notes | 2020 £m | 2019 £m |
|---|---|---|---|
| **Profit for the year** | | **487** | 465 |
| **Other comprehensive income:** | | | |
| **Items that will not be subsequently reclassified to profit or loss:** | | | |
| Defined benefit pension scheme remeasurement (loss)/ gain | 17 | **(1)** | 7 |
| Gain on equity instruments designated at fair value through other comprehensive income | 18 | **6** | – |
| Income tax relating to these items | 9 | **1** | – |
| | | **6** | 7 |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Net (losses)/gains on net investment hedges | 18 | **(64)** | 71 |
| Debt instruments at fair value through other comprehensive income: | | | |
| – Net gains from changes in fair value | 18 | **26** | 16 |
| – Net gains reclassified to the consolidated income statement on disposal | | **(4)** | (2) |
| Exchange gains/(losses) on translation of foreign operations | | **86** | (218) |
| Income tax relating to these items | 9 | **(5)** | (5) |
| | | **39** | (138) |
| **Other comprehensive income/ (loss) net of tax** | | **45** | (131) |
| **Total comprehensive income for the year** | | **532** | 334 |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Equity holders | | **449** | 298 |
| Non-controlling interests | | **83** | 36 |
| **Total comprehensive income for the year** | | **532** | 334 |

The notes on pages 142 to 197 form an integral part of these consolidated financial statements.

# Balance sheets

| At 31 December 2020 | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | **297** | 288 | **–** | – |
| Intangible assets | 13 | **4,324** | 4,421 | **–** | – |
| Investment in associates | 14 | **25** | 28 | **8** | 12 |
| Investment in subsidiary companies | 15 | **–** | – | **6,806** | 6,750 |
| Deferred tax assets | 16 | **51** | 49 | **–** | – |
| Investments in financial assets | 18 | **280** | 266 | **–** | – |
| Retirement benefit asset | 17 | **81** | 66 | **–** | – |
| Trade and other receivables | 18, 20 | **14** | 19 | **45** | 41 |
| | | **5,072** | 5,137 | **6,859** | 6,803 |
| **Current assets** | | | | | |
| Trade and other receivables | 18, 20 | **594** | 566 | **677** | 668 |
| Derivative financial instruments | 18 | **–** | 2 | **–** | 2 |
| Clearing member financial assets | | **758,510** | 729,094 | **–** | – |
| Clearing member cash and cash equivalents | | **83,011** | 67,118 | **–** | – |
| Clearing member assets | 18 | **841,521** | 796,212 | **–** | – |
| Current tax | | **77** | 160 | **–** | – |
| Investments in financial assets | 18 | **92** | 81 | **–** | – |
| Cash and cash equivalents | 21 | **1,785** | 1,493 | **1** | 2 |
| | | **844,069** | 798,514 | **678** | 672 |
| **Total assets** | | **849,141** | 803,651 | **7,537** | 7,475 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 18, 22 | **613** | 620 | **866** | 712 |
| Contract liabilities | 24 | **168** | 157 | **–** | – |
| Derivative financial instruments | 18 | **6** | 1 | **6** | 1 |
| Clearing member liabilities | 18 | **841,553** | 796,102 | **–** | – |
| Current tax | | **24** | 127 | **–** | – |
| Borrowings | 18, 25 | **605** | 512 | **599** | 504 |
| Provisions | 27 | **1** | 19 | **–** | – |
| | | **842,970** | 797,538 | **1,471** | 1,217 |
| **Non-current liabilities** | | | | | |
| Borrowings | 18, 25 | **1,346** | 1,573 | **1,345** | 1,573 |
| Derivative financial instruments | 18 | **11** | 39 | **11** | 39 |
| Contract liabilities | 24 | **94** | 88 | **–** | – |
| Deferred tax liabilities | 16 | **411** | 432 | **–** | – |
| Retirement benefit obligations | 17 | **18** | 17 | **–** | – |
| Other non-current payables | 18, 22 | **152** | 150 | **–** | – |
| Provisions | 27 | **14** | 13 | **–** | – |
| | | **2,046** | 2,312 | **1,356** | 1,612 |
| **Total liabilities** | | **845,016** | 799,850 | **2,827** | 2,829 |
| **Net assets** | | **4,125** | 3,801 | **4,710** | 4,646 |

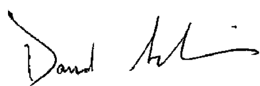
# Balance sheets continued

| At 31 December 2020 | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| **Equity** | | | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | | | |
| Ordinary share capital | 28 | **24** | 24 | **24** | 24 |
| Share premium | 28 | **971** | 967 | **971** | 967 |
| Retained earnings | | **911** | 668 | **1,896** | 1,836 |
| Other reserves | | **1,805** | 1,796 | **1,819** | 1,819 |
| **Total shareholders' funds** | | **3,711** | 3,455 | **4,710** | 4,646 |
| **Non-controlling interests** | | **414** | 346 | **–** | – |
| **Total equity** | | **4,125** | 3,801 | **4,710** | 4,646 |

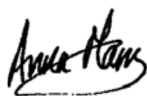
The Company recorded profit for the year of £261 million (2019: £301 million).

The notes on pages 142 to 197 form an integral part of these consolidated financial statements.

The financial statements on pages 135 to 197 were approved by the Board on 2 March 2021 and signed on its behalf by:



**David Schwimmer**
Chief Executive Officer



**Anna Manz**
Chief Financial Officer

5 March 2021
London Stock Exchange Group plc
Registered number 5369106

# Cash flow statements

| Year ended 31 December 2020 | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| **Cash flow from operating activities** | | | | | |
| Cash generated from/(used in) operations | 29 | **1,283** | 1,089 | **(150)** | (196) |
| Interest received | | **4** | 6 | **–** | 1 |
| Interest paid | | **(78)** | (103) | **(67)** | (91) |
| Royalties paid | | **(1)** | (2) | **–** | – |
| Corporation tax paid | | **(232)** | (153) | **–** | – |
| Withholding tax paid | | **(4)** | – | **–** | – |
| **Net cash inflow/(outflow) from operating activities** | | **972** | 837 | **(217)** | (286) |
| **Cash flow from investing activities** | | | | | |
| Purchase of property, plant and equipment | 12 | **(33)** | (41) | **–** | – |
| Purchase of intangible assets | 13 | **(189)** | (154) | **–** | – |
| Proceeds from sale of businesses[1] | | **29** | 30 | **–** | – |
| Acquisition of business, net of cash acquired[2] | 31 | **–** | (14) | **–** | – |
| Investment in subsidiaries | 15 | **–** | – | **–** | (244) |
| Investment in associates | 14 | **–** | (11) | **–** | (11) |
| Investments in financial assets classed as FVOCI[3] | 18 | **(2)** | (247) | **–** | – |
| Investment in government bonds | | **–** | (3) | **–** | – |
| Proceeds from divestment of government bonds | | **2** | – | **–** | – |
| Dividends received | | **–** | – | **193** | 464 |
| **Net cash (outflow)/inflow from investing activities** | | **(193)** | (440) | **193** | 209 |
| **Cash flow from financing activities** | | | | | |
| Capital additions into group entities | | **–** | – | **(56)** | – |
| Dividends paid to shareholders | 11 | **(257)** | (221) | **(257)** | (221) |
| Dividends paid to non-controlling interests | | **(21)** | (40) | **–** | – |
| Purchase of non-controlling interests[4] | | **–** | (9) | **–** | – |
| Loans to subsidiary companies | | **–** | – | **(54)** | (10) |
| Repayments received on loans to subsidiary companies | | **–** | – | **298** | 110 |
| Loans from subsidiary companies | | **–** | – | **312** | 447 |
| Repayment of loans to subsidiary companies | | **–** | – | **–** | (247) |
| Purchase of own shares by the employee benefit trust | | **(4)** | (5) | **–** | – |
| Proceeds from exercise of employee share options | | **10** | 5 | **10** | 5 |
| Funds gifted to the employee benefit trust | | **–** | – | **(4)** | – |
| Investment in convertible debt | | **–** | (4) | **–** | – |
| Loan to associate | | **–** | (1) | **–** | – |
| Arrangement fee paid | | **(4)** | – | **(4)** | – |
| Bond repayment | | **–** | (250) | **–** | (250) |
| Repayment towards commercial paper | | **(101)** | – | **(101)** | – |
| Repayments made towards bank credit facilities | | **(127)** | (35) | **(125)** | (26) |
| Additional drawdowns from bank credit facilities | | **4** | 261 | **4** | 261 |
| Trade finance loans | | **1** | – | **–** | – |
| Principal element of lease payments | | **(43)** | (41) | **–** | – |
| **Net cash (outflow)/inflow from financing activities** | | **(542)** | (340) | **23** | 69 |
| **Increase/(decrease) in cash and cash equivalents** | | **237** | 57 | **(1)** | (8) |
| Cash and cash equivalents at beginning of year | | **1,493** | 1,510 | **2** | 6 |
| Exchange gain/(loss) on cash and cash equivalents | | **55** | (74) | **–** | 4 |
| **Cash and cash equivalents at end of year** | | **1,785** | 1,493 | **1** | 2 |

1 Proceeds from sale of businesses represent deferred consideration of £29 million (2019: £30 million) received by the Group from its disposal of Russell Investment Management in 2016
2 Acquisition of business, net of cash acquired, in the prior year relates to the Group's acquisition of Beyond Ratings for £14 million
3 Investments in financial assets classed as FVOCI in the current year relate to the Group's minority investment of £2 million in PrimaryBid. In the prior year, the Group made equity investments in Nivaura Limited of £3 million and in Euroclear of £244 million
4 Purchase of non-controlling interests in the prior year relates to the Group's purchase of the remaining 30% interest in EuroTLX SIM S.p.A

The Group's net cash inflow from operating activities of £972 million (2019: £837 million) includes £95 million (2019: £98 million) of expenses related to non-underlying items. The Group's net cash outflow from investing activities of £193 million (2019: £440 million) includes cash payments towards non-underlying purchases of fixed assets of £1 million (2019: nil).

The Company's net cash outflow from operating activities of £217 million (2019: £286 million) includes £96 million (2019: £88 million) of expenses related to non-underlying items.

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of their clearing members for use in their operations as managers of the clearing and guarantee systems. These balances represent margins and default funds held for counterparties for short periods in connection with these operations.

The notes on pages 142 to 197 form an integral part of these consolidated financial statements.

# Statements of changes in equity

| Year ended 31 December 2020 | | Attributable to equity holders | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Group | Notes | Ordinary share capital £m | Share premium £m | Retained earnings £m | Other reserves £m | Total attributable to equity holders £m | Non-controlling interests £m | Total equity £m |
| 31 December 2018 | | 24 | 965 | 401 | 1,930 | 3,320 | 355 | 3,675 |
| Profit for the year | | – | – | 417 | – | 417 | 48 | 465 |
| Other comprehensive income for the year | | – | – | 15 | (134) | (119) | (12) | (131) |
| Issue of shares | 28 | – | 2 | – | – | 2 | – | 2 |
| Final dividend relating to the year ended 31 December 2018 | 11 | – | – | (151) | – | (151) | – | (151) |
| Interim dividend relating to the year ended 31 December 2019 | 11 | – | – | (70) | – | (70) | – | (70) |
| Dividend payments to non-controlling interests | | – | – | – | – | – | (44) | (44) |
| Employee share scheme expenses | | – | – | 37 | – | 37 | – | 37 |
| Tax in relation to employee share scheme expenses | | – | – | 17 | – | 17 | – | 17 |
| Purchase of non-controlling interest | | – | – | 2 | – | 2 | (1) | 1 |
| 31 December 2019 | | 24 | 967 | 668 | 1,796 | 3,455 | 346 | 3,801 |
| Profit for the year | | **–** | **–** | **421** | **–** | **421** | **66** | **487** |
| Other comprehensive income for the year | | **–** | **–** | **19** | **9** | **28** | **17** | **45** |
| Issue of shares | **28** | **–** | **4** | **–** | **–** | **4** | **–** | **4** |
| Final dividend for the year ended 31 December 2019 | **11** | **–** | **–** | **(175)** | **–** | **(175)** | **–** | **(175)** |
| Interim dividend for the year ended 31 December 2020 | **11** | **–** | **–** | **(82)** | **–** | **(82)** | **–** | **(82)** |
| Dividend payments to non-controlling interests | | **–** | **–** | **–** | **–** | **–** | **(16)** | **(16)** |
| Employee share scheme expenses | | **–** | **–** | **51** | **–** | **51** | **–** | **51** |
| Tax in relation to employee share scheme expenses | | **–** | **–** | **9** | **–** | **9** | **1** | **10** |
| **31 December 2020** | | **24** | **971** | **911** | **1,805** | **3,711** | **414** | **4,125** |

Other reserves comprise the following:

- Merger reserve of £1,305 million (2019: £1,305 million), a reserve that arose when the Company issued shares as part of the consideration to acquire subsidiary companies.
- Capital redemption reserve of £514 million (2019: £514 million), a reserve set up as a result of a court approved capital reduction.
- Reverse acquisition reserve of £(512) million (2019: £(512) million), a reserve arising on consolidation as a result of the capital reduction scheme.
- Foreign exchange translation reserve of £608 million (2019: £535 million), a reserve reflecting the impact of exchange rate movement on the retranslation of non-UK Sterling subsidiary companies. A net gain of £73 million was recorded in the year (2019: loss of £218 million) in the statement of other comprehensive income. The balance remains in equity until the subsidiary company is sold or disposed of by the Group.
- Hedging reserve of £(110) million (2019: £(46) million), a reserve representing the cumulative fair value adjustments recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles. The balance remains in equity until the hedging and underlying instrument are derecognised. Further detail on hedging is given in note 18.

Purchase of non-controlling interests in the prior year relates to the Group's acquisition of the remaining 30% of EuroTLX SIM S.p.A.

The number of shares held by the Employee Benefit Trust to settle exercises of employee share awards was 487,866 (2019: 517,563).

Employee share scheme expenses include costs related to the issue and purchase of own shares for employee share schemes of £(8) million (2019: £(5) million), subscriptions, net of sundry costs, received on the vesting of employee share schemes of £10 million (2019: £5 million) and equity-settled share scheme expenses for the year of £49 million (2019: £37 million).

The notes on pages 142 to 197 form an integral part of these consolidated financial statements.

**Year ended 31 December 2020**

| Company | Notes | Attributable to equity holders | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Other reserves | | |
| | | Ordinary share capital £m | Share premium £m | Retained earnings £m | Capital redemption reserve £m | Merger reserve £m | Total attributable to equity holders £m |
| 31 December 2018 | | 24 | 965 | 1,701 | 514 | 1,305 | 4,509 |
| Profit for the year | | – | – | 301 | – | – | 301 |
| Issue of shares | 28 | – | 2 | – | – | – | 2 |
| Final dividend for the year ended 31 December 2018 | 11 | – | – | (151) | – | – | (151) |
| Interim dividend for the year ended 31 December 2019 | 11 | – | – | (70) | – | – | (70) |
| Employee share scheme expenses | | – | – | 55 | – | – | 55 |
| 31 December 2019 | | 24 | 967 | 1,836 | 514 | 1,305 | 4,646 |
| Profit for the year | | – | – | **262** | – | – | **262** |
| Issue of shares | **28** | **–** | **4** | **–** | **–** | **–** | **4** |
| Final dividend for the year ended 31 December 2019 | **11** | **–** | **–** | **(175)** | **–** | **–** | **(175)** |
| Interim dividend for the year ended 31 December 2020 | **11** | **–** | **–** | **(82)** | **–** | **–** | **(82)** |
| Employee share scheme expenses | | **–** | **–** | **55** | **–** | **–** | **55** |
| **31 December 2020** | | **24** | **971** | **1,896** | **514** | **1,305** | **4,710** |

The merger reserve of £1,305 million (2019: £1,305 million) is a potentially distributable reserve that arose when the Company issued shares as part of the consideration to acquire subsidiary companies.

The capital redemption reserve of £514 million (2019: £514 million) is a non-distributable reserve set up as a result of a court approved capital reduction.

Employee share scheme expenses of the Company include movement in the fair value of loan balances with the Employee Benefit Trust of £3 million (2019: £15 million), costs relating to the issue of own shares for employee share schemes of £(3) million (2019: £(2) million), subscriptions received on the vesting of employee share schemes of £10 million (2019: £5 million), funds gifted to the employee benefit trust £(4) million (2019: nil ) and equity-settled share scheme expenses for the year of £49 million (2019: £37 million).

The notes on pages 142 to 197 form an integral part of these financial statements.

# Notes to the financial statements

## 1. Basis of preparation and accounting policies

### Basis of preparation

The Group's consolidated and the Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

From 1 January 2021, the Group will apply UK-adopted International Accounting Standards under the Companies Act 2006. No standards have been early adopted during the year.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This provides the reader with supplemental data relating to the financial condition and results of operations. The Group presents profit for the year before any non-underlying items as this highlights more clearly trends in the Group's business and gives an indication of the Group's ongoing sustainable performance. Items of income and expense that are material by their size and/or nature are not considered to be incurred in the normal course of business and are classified as non-underlying items on the face of the income statement within their relevant category.

Non-underlying items include:

- Amortisation and impairment of goodwill and other purchased intangible assets which are recognised as a result of acquisitions
- Incremental depreciation, amortisation and impairment of the fair value adjustments of tangible or intangible assets recognised as a result of acquisitions
- Other income or expenses not considered to drive the operating results of the Group.

This profit measure before non-underlying items is used to calculate adjusted earnings per share. Profit before non-underlying items is reconciled to profit before taxation on the face of the income statement. Non-underlying items are disclosed in note 7.

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.

As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements.

#### Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiary companies sold or acquired in the period are included in the income statement up to, or from, the date that control passes. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The acquisition of subsidiary companies is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Upon completion of the Group's fair value exercise, comparatives are revised up to 12 months after the acquisition date, for the final fair value adjustments. Further details are provided in Note 31. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

The Group applies a policy of treating transactions with non-controlling interests through the economic entity model. Transactions with non-controlling interests are recognised in equity.

Investments in subsidiary companies' shares, loans and other contributions are recognised at cost. These are reviewed for impairment when events indicate the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

### Critical accounting judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The Group has considered and exercised judgements in evaluating the ongoing impact of Covid-19 on preparation of these financial statements. In addition to sources of estimation uncertainty, a number of areas have been impacted by Covid-19 as explained in note 3.

### Going concern

In assessing whether the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group and Company can continue in operational existence for the foreseeable future.

The Group's business activities, together with the factors likely to affect its future development, performance and position and its objectives and policies in managing the financial risks to which it is exposed and its capital are set out in the Strategic Report on pages 2–71. The financial risk management objectives and policies of the Group and the exposure of the Group to capital, credit and concentration, country, liquidity, settlement and custodial, and market risk are discussed in note 2 to the financial statements.

Management's base case forecasts reflect the completed all-share acquisition of Refinitiv and draw down of the bridge financing facility to refinance Refinitiv's debt. The base case forecasts also reflect the impact of the disposal of the Borsa Italiana Group and the acquisition of GIACT Systems by Refinitiv, and the related transaction, separation, integration and financing/funding costs.

The Group's combined businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due.

Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions or stress events. The forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing of these financial statements.

To assess the Group's resilience to more adverse outcomes, its forecast performance was sensitised to reflect a reasonable worst-case downside scenario, causing a significant market dislocation and included the observed impact of the Covid-19 pandemic on the business.

The Directors consider there to be no material uncertainties that may cast significant doubt on the Group and Company's ability to continue to operate as a going concern. The Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing of these financial statements. Accordingly, they continue to adopt the going concern basis in the preparation of these financial statements.

### Recent accounting developments

The following amendments have been endorsed by the EU and adopted in these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3, 'Business Combinations'
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 & IFRS 7: Interest Rate Benchmark Reform
- Amendments to IFRS 16 'Leases' Covid-19-Related Rent Concessions

The impact of adopting these amendments on the Group's financial results did not have a material impact on the results of the Group.

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC, but have not been adopted because they are not yet mandatory and the Group has not chosen to early adopt. The Group plans to adopt these standards and interpretations when they become effective and as applicable. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review, but the following amendments and standards are not expected to have a material impact on the results of the Group.

| International accounting standards and interpretations | Effective date |
|---|---|
| Amendments to IAS 1 'Presentation of Financial Statements' classification of liabilities | 1 January 2023 |
| Amendments to IFRS 3, IAS 16 and IAS 37 and Annual Improvements 2018-2020 | 1 January 2022 |
| Amendments to IFRS 4 'Insurance Contracts' – deferral of IFRS 9 | 1 January 2021 |
| Amendments to IFRS 9, IAS 39 & IFRS 7: Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| IFRS 17, 'Insurance Contracts', including Amendments to IFRS 17 | 1 January 2023 |

### Accounting policies

#### Income Statement

#### Revenue

The main source of the Group's revenue is through fees for services provided. Revenue is measured based on the consideration specified in a contract with a customer. Amounts deducted from revenue relate to discounts, value added tax and other sales related taxes, revenue share arrangements whereby as part of an operating agreement amounts are due back to the customer and pass-through costs where the Group has arrangements to recover specific costs from its customers with no mark up.

The Group recognises revenue as services are performed and as it satisfies its obligations to provide a product or service to a customer. Further details of the Group's revenue accounting policy are set out below:

| | |
|---|---|
| **Information Services** | The Information Services segment generates revenues from the provision of information and data products including indexes, benchmarks, real-time pricing data and trade reporting and reconciliation services.<br>**Data subscription and index licence fees** are recognised over the licence or usage period as the Group meets its obligation to deliver data consistently throughout the licence period. Services are billed on a monthly, quarterly or annual basis.<br>**Other information services** include licences to the regulatory news service and reference data businesses. Revenue from licences that grant the right to access intellectual property are recognised over time, consistent with the pattern of the service provision and how the performance obligation is satisfied throughout the licence period. Revenues from other information services, including revenues from the sale of right to use licences, are recognised at the point the licence is granted or service is delivered. |
| **Post Trade** | Revenues in the Post Trade segment are generated from clearing, settlement, custody and other post trade services.<br>**Clearing, settlement and custody services** generate fees from trades or contracts cleared and settled, compression and custody services which are recognised as revenue at a point in time when the Group meets its obligations to complete the transaction or service. In cases where the Group's performance obligations are completed over time, revenue is recognised on a straight-line basis over that period, representing the continuous transfer of services during that time. In cases where there is a fixed annual fee for a service, the revenue is recognised and billed monthly in arrears.<br>**Other post trade services** include revenue from client connectivity services which is recognised as revenue on a straight-line basis over the service period as this reflects the continuous transfer of services. Post trade services relating to capital market services are recognised on a per transaction basis at the point the service is provided. |
| **Capital Markets** | Revenues in the Capital Markets segment are generated from Primary and Secondary market services.<br>**Primary market initial admission and the ongoing listing services** represent one performance obligation and the Group recognises revenue from initial admissions and further issues over the period the Group provides the listing services. All admission fees are billed to the customer at the time of admission to trading and become payable when invoiced.<br>**Primary market annual fees, secondary markets membership and subscription fees** are generally paid in advance on the first day of the membership or subscription period. The Group recognises revenue on a straight-line basis over the period to which the fee relates, as this reflects the extent of the Group's progress towards completion of the performance obligation under the contract.<br>Revenue from **secondary market trading and associated capital market services** is recognised as revenue on a per transaction basis at the point that the service is provided. |
| **Technology** | Technology revenue is generated from contracts to develop capital market technology solutions, software licences, network connections and hosting services.<br>**Capital markets software licence** contracts contain multiple deliverables for the provision of licences and software installation, and ongoing maintenance services. The transaction price for each contract is allocated to these performance obligations based upon the relative standalone selling price. Revenue is recognised based on the actual service provided during the reporting period, as a proportion of the total services to be provided. This is determined by measuring the inputs consumed in delivering the service (for example, material and actual labour) relative to the total expected input consumption over the contract. This best reflects the transfer of assets to the customer which generally occurs as the Group incurs costs on the contract.<br>**Network connection and hosting services** revenues are recognised on a straight-line basis over the period to which the fee relates as this reflects the continuous transfer of technology services and measures the extent of progress towards the completion of the performance obligation. |
| **Other** | Fees are generated from the provision of events and media services, and are typically recognised as revenue at the point the service is rendered and becomes payable when invoiced. |

Customer contracts across the Group that contain a single performance obligation at a fixed price do not require variable consideration to be constrained or allocated to multiple performance obligations. Certain businesses in the Group provide services to customers under a tiered and tariff pricing structure that generates a degree of variability in the revenue streams from the contract as a result of discounts given. Where the future revenue from a contract varies due to factors that are outside of the Group's control, the Group limits the total transaction price at contract inception and recognises the minimum expected revenue guaranteed by the terms of the contract over the contract period. Any variable element is subsequently recognised in the period in which the variable factor occurs. Rebates given to customers as part of an operating agreement are calculated on a pro rata basis on revenue earned and recognised as they fall due.

The Group does not have any contracts where the period between the transfer of services to a customer and when the customer is expected to pay for that service is in excess of one year. Consequently, no adjustments are made to transaction prices for any financing component.

### Other income

Other income typically relates to property service charges.

### Cost of sales

Cost of sales comprises data and licence fees, data feed costs, expenses incurred in respect of revenue share arrangements and costs incurred in the MillenniumIT business that are directly attributable to the construction and delivery of customers' goods or services, and any other costs linked and directly incurred to generate revenues and provide services to customers.

Revenue share expenses recognised as cost of sales relate to arrangements with customers where the revenue share payment is not limited to the amount of revenues receivable from the specific customer.

### Contract costs

Incremental costs of obtaining a customer contract, such as sales commissions paid to employees, are recognised as an intangible asset if the benefit of such costs is expected to be longer than one year. The associated asset is amortised over the period from which a customer benefits from existing software technology supporting the underlying product or service, which the Group has determined to be between three to five years and is presented as an intangible asset in the Group's consolidated balance sheet. The Group amortises the contract costs over the period from which a customer benefits from existing software technology supporting the underlying product or service.

The Group recognises the incremental cost of obtaining a contract as an expense when incurred, if the amortisation period is less than one year.

### Net treasury income

Income recognised in the CCP clearing businesses includes net treasury income earned on margin and default funds, held as part of the risk management process. Net treasury income is the result of interest earned on cash assets lodged with the clearing house, less interest paid to the members on their margin and default fund contributions. Net treasury income is shown separately from the Group's revenues on the face of the income statement to distinguish this income stream from revenues arising from other activities and provide a greater understanding of the operating activities of the Group. Where negative interest rates apply, the Group recognises interest paid on cash assets as a treasury expense and interest received on clearing members' margin as treasury income.

### Pension costs

The Group operates defined benefit and defined contribution pension schemes. For the defined benefit schemes the service cost, representing benefits accruing to employees, is included as an operating expense. The interest cost and expected return on plan assets is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of comprehensive income. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is recognised in profit or loss as incurred.

### Share-based compensation

The Group operates a number of equity settled share-based compensation plans for employees. The employment benefit expense recognised in profit or loss is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period.

### Foreign currencies

The consolidated financial statements are presented in Sterling, which is the Company's presentation and functional currency. Foreign currency transactions are converted into the functional currency of the reporting entity using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for differences arising on pension fund assets or liabilities which are recognised in other comprehensive income.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

a) assets and liabilities including goodwill, purchased intangible assets and fair value adjustments are converted at the closing balance sheet rate;
b) income and expenses are translated at the average rate for the period; and
c) all resulting exchange differences are recognised in other comprehensive income as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is disposed of, exchange differences that were recorded in other comprehensive income are recognised in profit or loss as part of the gain or loss on sale.

### Finance income and expense

Finance income and expense comprises interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial period and calculated using the effective interest rate method. In conditions where negative interest rates apply, the Group recognises interest paid on cash deposits as an expense and interest received on liabilities as income.

Recurring fees and charges levied on committed bank facilities, cash management transactions and the payment services provided by the Group's banks are charged to profit and loss as accrued in other finance expenses. Credit facility arrangement fees are capitalised and then amortised to profit or loss over the term of the facility subject to projected utilisation.

## Balance Sheet

### Property, plant and equipment (excluding right-of-use assets)

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

Land is not depreciated. Freehold buildings, plant and equipment are depreciated to residual value on a straight-line basis over their estimated useful economic lives as follows:

a) Freehold buildings – 30 to 50 years;
b) Plant and equipment – 3 to 20 years.

Leasehold improvements are recorded at cost and depreciated to residual value over the shorter of the period of the lease or the useful economic life of the asset.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

Assets generally do not generate cash inflows independently and so are included in the recoverable amount of a cash generating unit (CGU). When the carrying amount of the CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

### Leases – right-of-use assets

The Group recognises a right-of-use asset where the Group has control of an asset for a period of more than 12 months. Assets are recorded initially at cost and depreciated on a straight-line basis over the shorter of the lease term or the estimated useful economic life. Cost is defined as the lease liabilities recognised plus any initial costs and dilapidations provisions less any lease incentives received.

The lease term is the non-cancellable term plus any optional extensions or less any reductions due to break clauses that in the judgement of management are likely to be exercised.

The Group applies discount rates specific to the leaseholder company for all leases. The interest rate is based on the expected rate at which the entity could borrow the required funds. In some cases, these rates may be negative.

Where a lease is terminated early, this is recognised as a disposal and any difference in value between the asset and the liability is recognised as a profit or loss on disposal. Penalty fees payable are recognised directly in profit or loss as an operating expense.

### Lease liabilities

Lease liabilities are recognised at the net present value of the future payments to be made over the lease term at the commencement of a lease. Where a lease includes a break clause or extension option, management use their best estimate on the likely outcome on a lease by lease basis. Variable lease payments based on an index are estimated at the commencement date and revalued on an annual basis.

The net present value is determined using the incremental borrowing rate of the leasing entity, unless there is a rate implicit within the lease agreement.

Lease payments due within the next 12 months are classified as current liabilities; payments due after 12 months are classified as non-current payables.

### Short-term leases and leases of low value assets

Rental costs for leased assets that are for less than 12 months or are for assets with an individual value of less than £5,000 are recognised directly in profit or loss on a straight-line basis over the life of the lease.

### Group as lessor

Where the Group sub-lets a right-of-use asset for substantially all the useful life of that asset, this is recognised as a finance lease. The right-of-use asset is derecognised and a net investment in lease equivalent to the net present value of the future receipts is recognised.

Where the value of the receipts is lower than the amount payable on the head-lease, a loss on disposal of the right-of-use asset is recognised.

A right-of-use asset that is sub-let for less than its expected useful life is recognised as an operating lease and rental income is recognised as received.

### Investments in associates

An associate is a company over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the company, but is not control nor joint control over those policies. Significant influence is determined using considerations similar to those for determining control over subsidiaries.

The Group's investments in associates are accounted for using the equity method. The Company accounts for its investments in associates at cost, less any impairments recognised in profit or loss.

Investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition total comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

The Group's investments in associates are assessed for impairment at each balance sheet date. Where indicators of impairment are identified, a full impairment assessment is performed. Any difference between the recoverable amount of the associate and its carrying value is recognised as an impairment loss within the 'share of profit or loss of associates' in the Group consolidated income statement.

### Intangible assets

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the difference is recognised in profit or loss as a gain on purchase.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer and supplier relationships, software licences and intellectual property, all of which are recognised as intangible assets and recorded at cost less accumulated amortisation and accumulated impairment losses. These assets are amortised on a straight line basis over their useful economic lives which are as follows:

a) Customer and supplier relationships – 2 to 25 years (material assets are amortised over a life exceeding 15 years);
b) Brand names – 10 to 25 years (material assets are amortised over a life of 25 years); and
c) Software licences and intellectual property – 2 to 25 years (the majority of material assets are amortised over a life not exceeding 5 years).

The useful economic lives are based on management's best estimates such as attrition rates on customer relationships, product upgrade cycles for software and technology assets, market participant perspective for brands and pace of change of regulation for business.

Third-party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives of 3 to 5 years.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third-party expenses, and amortised over their useful economic lives of 3 to 7 years.

Intangible assets are assessed for any indicators of impairment at each balance sheet date. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset or CGU. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group recognises an intangible right-of-use asset where the Group has control of an asset for a period of more than 12 months. Assets are recorded initially at cost and depreciated on a straight-line basis over the lease term. Cost is defined as the lease liabilities recognised plus any initial costs.

**Current and non-current classification**

Current assets comprise assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised within one year from the reporting date, or intended for trade or consumption and realised in the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities comprise liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

**Current and deferred taxation**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantively enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

**Financial instruments**

Financial assets and financial liabilities are initially recognised on their settlement date. The Group classifies its financial instruments as fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) or amortised cost. The classification depends on the Group's business model for managing its financial instruments and whether the cash flows generated are 'solely payments of principal and interest' (SPPI).

**Initial recognition:**

- *Financial assets at amortised cost* are financial assets that are held in order to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. This includes cash and cash equivalents, trade and other receivables, clearing member trading balances relating to certain collateralised transactions, and other receivables from clearing members of the CCP businesses.
- *Financial assets at fair value through other comprehensive income (FVOCI)* are assets where the objective is achieved by collecting the contractual cash flows or selling the asset. The contractual cash flows received are solely payments of principal and interest. This includes quoted debt instruments (predominantly government bonds) held by the CCP businesses of the Group, which are used under the business model to both collect the contractual cash flows and on occasion, to sell.
  The Group has irrevocably elected to classify strategic investments in equity instruments which are held for the long-term but do not give the Group control or significant influence as FVOCI.
- *Financial assets at fair value through profit or loss (FVPL)* include all other financial assets not classified as amortised cost or FVOCI. This includes CCP businesses' clearing member trading balances comprising derivatives, equity and debt instruments that are marked to market on a daily basis.
- *Financial liabilities at fair value through profit or loss (FVPL)* are liabilities that are held at fair value. This includes the CCP businesses' clearing member trading balances, comprising derivatives, equity and debt instruments that are marked to market on a daily basis.
- *Financial liabilities at amortised cost* are all financial liabilities that are not classified as financial liabilities at FVPL. This includes trade and other payables, borrowings and other payables to clearing members.

**Subsequent measurement:**

- *Financial assets at amortised cost* are measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is disposed of or impaired.
- For debt instruments held at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.
  Gains and losses on equity instruments held at FVOCI are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established. Equity instruments designated at FVOCI are not subject to impairment assessment.
- *Financial instruments at FVPL* are carried on the balance sheet at fair value with net changes in fair value recognised in the statement of profit or loss.

**Impairment:**

The Group adopts a forward-looking approach to estimate impairment losses on financial assets. An expected credit loss (ECL) is calculated based on the difference between the contractual cash flows due and the expected cash flows. The difference is discounted at the asset's original effective interest rate and recognised as an allowance against the original value of the asset.

- *Financial assets at amortised cost* – the ECL for trade receivables, fees receivable, contract assets, and cash and cash equivalents is calculated using a lifetime ECL. The allowance is based on historic experience of collection rates, adjusted for forward looking factors specific to each counterparty and the economic environment at large, to create an expected loss matrix.
  The ECL on other financial assets held at amortised cost is measured using the general approach. An allowance is calculated based on the 12-month ECL at each reporting date unless there is a significant increase in the financial instrument's credit risk, at which point a loss allowance based on the lifetime ECL is calculated, as described for FVOCI assets.
- *Financial assets at FVOCI* – debt instruments held at FVOCI comprise high-quality government bonds that have a low credit risk and equity instruments. The Group's policy is to calculate a 12-month ECL on these assets. If there is a significant increase in credit risk, then a lifetime ECL will be calculated. A significant increase in credit risk is considered to have occurred when contractual payments are more than 30 days past due. Equity instruments are not impaired.
- *Financial assets at FVPL* – no ECL is calculated for assets held at FVPL as any expected loss is already recognised in the fair value.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

*Cash and cash equivalents* comprises cash at bank, short-term deposits, money market funds and other instruments and structures that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

*Clearing member cash and cash equivalents* represents amounts received from the clearing members to cover initial and variation margins and default fund contributions that are not invested in bonds. These amounts are deposited with banks, including central banks, or invested securely in short-term reverse repurchase contracts (reverse repos).

### Fair value measurement
All assets and liabilities for which fair value is measured are categorised using the fair value hierarchy which is described in detail in note 18.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at each balance sheet date.

### Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and the nature of the item being hedged.

The Group hedges a proportion of its net investment in its foreign subsidiaries by designating Euro and US dollar borrowings and derivative instruments as net investment hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income.

In order to qualify for hedge accounting, a transaction must meet strict criteria regarding documentation, effectiveness, probability of occurrence, and reliability of measurement. The Group documents the relationship between hedging instruments and hedged items at the inception of the transaction, as well as its risk management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. The ineffective portion is recognised in profit or loss as finance income or expense.

Amounts accumulated in other comprehensive income are recognised in profit or loss in the period when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in other comprehensive income and is recognised in profit or loss when the forecast transaction itself is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately recognised in profit or loss.

The profit or loss on derivatives not designated as hedging instruments is recognised directly in the income statement.

### Trade and other receivables
Trade receivables are initially recognised at the amount of the consideration that is unconditionally due and subsequently at amortised cost, less any expected credit loss. The Group's approach to calculating expected credit loss allowances is described in the financial instruments policy.

Other receivables are initially recognised at fair value and subsequently at amortised cost, less any loss allowance as described above.

Fees receivable are recognised when the Group has an unconditional right to consideration in exchange for goods or services transferred, but no fee invoice has been formally issued. Amounts are transferred to trade receivables when a formal invoice has been issued.

Where there is no longer any expectation of recovery of a receivable the full amount is written off. The Group will continue to seek recovery and any subsequent amounts recovered against amounts previously written off are recognised in profit or loss.

### Contract assets
Contract assets are recognised when the Group has the conditional right to consideration from a customer in exchange for goods or services transferred.

Contract assets are transferred to trade or fees receivables when the entitlement to payment becomes unconditional and only the passage of time is required before payment is due.

### Contract liabilities
Revenue relating to future periods is classified as a contract liability on the balance sheet to reflect the Group's obligation to transfer goods or services to a customer for which it has received consideration, or an amount of consideration is due, from the customer.

Contract liabilities are amortised and recognised as revenue over the period the services are rendered.

### Borrowings
Borrowings are initially recorded at the fair value of amounts received, net of direct issue costs and transaction costs (including upfront facility fees). Subsequently, these liabilities are carried at amortised cost, and interest is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Similarly, direct issue costs and transaction costs (including upfront facility fees) are recognised in profit or loss over the period of the borrowings using the effective interest rate method.

### Provisions
A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, i.e. the present value of the amount that the Group would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

Property provisions represent the present value of the Group's estimate of the cost of fulfilling lease obligations for dilapidations on its right-of-use assets.

All provisions are discounted where the time value of money is considered material. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

## Equity and related items
### Share capital
The share capital of the Company includes balances relating to the Company's ordinary equity shares, own shares held by the Employee Benefit Trust and any treasury shares held by the Company.

When the Company issues new shares to the Employee Benefit Trust at par, the share capital of the Company is increased by the par value of these own shares, and a corresponding deduction or debit is recorded to the employee share scheme reserve.

From time to time, the Company may also issue new shares to the Employee Benefit Trust to satisfy vesting of specific employee share schemes. These shares may be issued at a subscription price above par value, reflecting the option cost payable by the participant in the employee share scheme. In such instances, the share capital of the Company is increased by the par value of these own shares and the difference between the subscription price and the par value of the own share is recorded in share premium. A corresponding deduction or debit is recognised in the employee share scheme reserve.

Shares acquired by the Company from the open market as part of share buyback programmes are referred to as treasury shares and are held by the Company. The consideration payable is deducted from retained earnings.

The par value of the treasury shares is recorded as a transfer from the Company's ordinary equity shares to treasury shares within share capital.

No gain or loss is recognised by the Company in the income statement on the purchase, sale, issue or cancellation of the Company's own shares held by the Employee Benefit Trust and treasury shares.

#### Dividend distributions

Dividend distributions to the Company's equity holders are recognised as a liability in the Group financial statements in the period in which the dividends are approved by the Company's shareholders. The Group maintains a sustainable progressive dividend policy. The interim dividend will generally be payable each year in September and final dividend in May. The Group's dividend policy determines that the interim dividend is calculated as one-third of the prior full year dividend.

### 2. Financial risk management

The Group seeks to protect its financial performance and the value of its business from exposure to capital, credit, concentration, country, liquidity, settlement, custodial and market (including foreign exchange, cash flow and fair value interest rate) risks.

The Group's financial risk management approach is not speculative and adopts a '3 lines of defence' model. It is performed both at a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and, locally, where operating units manage their regulatory and operational risks. This includes clearing operations at the Group's CCPs (CC&G and LCH Group) that adhere to local regulation and operate under approved risk and investment policies.

The Group Chief Risk Officer's team provides assurance that the governance and operational controls are effective to manage risks within the Board-approved risk appetite, supporting a robust Enterprise-Wide Risk Management Framework. The Financial Risk Committee, a sub-committee of the Group Executive Committee and chaired by the Chief Financial Officer, meets at least quarterly to oversee the consolidated financial risks of the Group. In addition, the Treasury Committee, a sub-committee of the Financial Risk Committee (which is also chaired by the Chief Financial Officer), meets regularly to monitor the management of, and controls around, foreign exchange, interest rate, credit and concentration risks and the investment of excess liquidity, in addition to its oversight of the Group's funding arrangements and credit ratings. Both committees provide the Group's senior management with assurance that the treasury and risk operations are performed in accordance with Group Board approved policies and procedures. Regular updates, on a range of key criteria as well as new developments, are provided through the Enterprise-Wide Risk Management Framework to the Group Risk Committee. See 'Risk Management Oversight Supplement' for further detail on the Group's risk framework on our website at: **www.lseg.com/about-london-stock-exchange-group/risk-management-oversight.**

On 31 January 2020, the UK left the European Union and on 24 December 2020 the UK and EU agreed to the EU/UK Trade and Cooperation Agreement.

The Group had a structured Brexit programme which includes regulatory specialists engaging at appropriate levels and on financial market infrastructure considerations. Risks are actively monitored and managed and the Group has implemented its contingency plans to maintain continuity of service to customers and orderly functioning of its markets, including the launch of new operations in the EU27. Both the UK and the EU conducted assessments of regulatory equivalence of their respective regimes throughout 2020. Some of LSEG's cross-border activities benefit from equivalence. Not all aspects of the UK regulatory framework have been deemed equivalent by the EU at this stage. The affected companies have executed contingency plans as follows:

#### Post Trade

On 1 January 2021, LCH Ltd became a third-country CCP under the EU framework (EMIR). On 21 September 2020, the European Commission published an Implementing Decision determining that the UK framework is equivalent to the EU framework. This equivalence decision confirms LCH Ltd's ability to continue to offer all clearing services for all products and services to all EU members and clients until 30 June 2022. LCH Ltd continues to engage and cooperate with the relevant authorities in respect of the permanent recognition of LCH Ltd under EMIR.

In addition, LCH SA and CC&G SpA are allowed under the Bank of England Temporary Recognition Regime (TRR) to provide clearing services and activities in the UK for up to three years post 31 December 2020, which may be extended in increments of 12 months thereafter.

UnaVista TRADEcho BV, an entity within the EU, has been granted a licence to operate as a Trade Repository for both EMIR and Securities Financing Transaction Regulations. This entity provides access to the full range of UnaVista services for EU clients and customers.

#### Capital Markets

There is no EU equivalence currently for the purpose of the Share Trading Obligation which has affected the ability for some EU firms to trade certain shares on LSE plc. The absence of EU equivalence for the purpose of the Derivative Trading Obligation will limit the ability of some EU firms to trade some classes of derivatives in the UK. The Group's key objectives are to provide continuity of stable financial infrastructure services as part of our global remit. As the various regulatory initiatives progress, there will be greater certainty with regard to their likely final form. The Group continues to focus on remaining well positioned to respond to regulatory developments and further opportunities exist for the Group to deliver solutions to help the market address the changing regulatory environment, including those linked with the departure of the UK from the EU.

Turquoise Global Holdings Europe BV (Turquoise Europe), an entity within the EU, went live on 30 November 2020 and offers the full range of Turquoise services to EU members. Turquoise Europe is regulated by the Autoriteit Financiële Markten (AFM – the Dutch Financial Services and Markets Authority) and the Dutch National Bank and has a licence to operate as a multilateral trading facility within the EU.

Borsa Italiana SpA continues to operate as normal within the EU.

MTS operates throughout the EU through a number of subsidiary companies and continues to offer all services as normal.

#### Information Services

FTSE Russell operates around the world through a number of subsidiary companies and these continue to offer the full range of services to EU customers and clients.

### Capital risk

| Risk description | Risk management approach |
|---|---|

**Risk description**

The Group is profitable and strongly cash generative and its capital base comprises equity and debt capital.

However, the Group recognises the risk that its entities may not maintain sufficient capital to meet their obligations or they may make investments that fail to generate a positive or value enhancing return.

The Group comprises regulated and unregulated entities. It considers that:
- increases in the capital requirements of its regulated companies, or
- negative yields on its investments of cash, or
- a scarcity of debt or equity (driven by its own performance, its capital structure, or financial market conditions)

either separately or in combination are the principal specific risks to managing its capital.

**Risk management approach**

The Group focuses upon its overall cost of capital as it seeks, within the scope of its risk appetite, to provide superior returns to its shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining access to capital and flexibility to invest for growth is a key management consideration.

The Group can manage its capital structure and react to changes in economic conditions by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom. A high-level summary of the Group's capital structure is presented below:

| Book value of capital | 2020 £m | 2019 £m |
|---|---|---|
| Total shareholders' funds | **3,711** | 3,455 |
| Group consolidated debt | **1,951** | 2,085 |

Whilst the Company is unregulated, the regulated entities within the Group monitor compliance with the capital requirements set by their respective competent authorities and the terms of reference of the Financial Risk Committee includes oversight of the Group's Capital Management Policy. The Capital Management Policy seeks to ensure that capital is allocated optimally in order to maintain a prudent balance sheet and meet regulatory requirements, drive growth and offer suitable returns to shareholders. Regulated entities within the Group have to date predominantly issued equity and held cash to satisfy their local regulatory capital requirements.

We believe that capital held by Group companies is sufficient to comfortably support current regulatory frameworks. The total amount of cash and financial assets set aside for regulatory purposes increased during the year in response to Covid-19 market volatility. The aggregate of the Group's regulatory and operational capital is shown below:

| Regulatory and operational capital | 2020 £m | 2019 £m |
|---|---|---|
| Total regulatory and operational capital | **1,352** | 1,231 |
| Amount included in cash and cash equivalents | **1,242** | 1,125 |

To maintain the financial strength to access new capital at reasonable cost and sustain an investment grade credit rating, the Group monitors its net leverage ratio which is operating net debt (i.e. net debt after excluding cash and cash equivalents set aside for regulatory and operational purposes) to proforma adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation, foreign exchange gains or losses and non-underlying items, prorated for acquisitions or disposals undertaken in the period) against a target range of 1-2 times. The Group is also mindful of potential impacts on the key metrics employed by the credit rating agencies in considering increases to its borrowings. The Group seeks to maintain a strong investment grade credit rating over time and will therefore employ a credible plan to return to its target range in the event leverage rises temporarily due to a debt funded major investment.

As at 31 December 2020, net leverage was 1.1 times (2019: 1.4 times) and remains well within the Group's target range. The Group is comfortably in compliance with its bank facility ratio covenants (net leverage and interest cover) and these measures do not inhibit the Group's operations or its financing plans.

### Credit and concentration risk

| Risk description | Risk management approach |
|---|---|
| The Group's credit risk relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full, including:<br>• customer receivables,<br>• repayment of invested cash and cash equivalents, and<br>• settlement of derivative financial instruments.<br><br>In their roles as CCP clearers to financial market participants, the Group's CCPs guarantee final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. They manage substantial credit risks as part of their operations including unmatched risk positions that might arise from the default of a party to a cleared transaction. For more information see 'Principal Risks and Uncertainties', pages 24 to 39.<br><br>Notwithstanding regulations that require CCPs to invest predominantly in secured instruments or structures (such as government bonds and reverse repos), CC&G and the LCH Group CCPs are able to maintain up to 5% of their total deposits at commercial banks on an unsecured basis. Through this potential for its CCPs to invest on an unsecured basis (as well as by certain other regulated and unregulated operations observing agreed investment policy limits), the Group may continue to face some risk of direct loss from a deterioration or failure of one or more of its unsecured investment counterparties.<br><br>Concentration risk may arise through Group entities having large individual or connected exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. This is a particular focus of the investment approach at the Group's CCPs. | **Group**<br>Credit risk is governed through policies developed at a Group level. Limits and thresholds for credit and concentration risk are kept under review.<br><br>Group companies make a judgement on the credit quality of their customers based upon the customer's financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default. The Group is exposed to a large number of customers and so concentration risk on its receivables is deemed low by management. The Group's credit risk is equal to the total of its financial assets as shown in note 18. No estimated credit losses have been recognised on other financial instruments and there have been no significant increases in credit risk for these assets.<br><br>**Non-CCP entities**<br>Credit risk associated with cash and cash equivalents is managed by limiting exposure to counterparties with credit rating levels below policy minimum thresholds, potentially overlaid by a default probability assessment. Except where specific approval is arranged to increase this limit for certain counterparties, investment limits of between £25 million and £100 million apply for periods ranging between a week and 12 months, depending on counterparty credit rating and default probability risk. Derivative transactions and other treasury receivable structures are undertaken or agreed with well-capitalised counterparties and are authorised by policy to limit the credit risk underlying these transactions.<br><br>**CCPs**<br>To address market participant and latent market risk, the Group's CCPs have established financial safeguards against single or multiple defaults. Clearing membership selection is based upon supervisory capital, technical and organisational criteria. Each member must pay margins, computed and collected at least daily, to cover the exposures and theoretical costs which the CCP might incur in order to close out open positions in the event of the member's default. Margins are calculated using established and internationally acknowledged risk models and are debited from participants' accounts through central bank accounts and via commercial bank payment systems. Minimum levels of cash collateral are required. Non-cash collateral is revalued daily but the members retain title of the asset and the Group only has a claim on these assets in the event of a default by the member.<br><br>Clearing members also contribute to default funds managed by the CCPs to guarantee the integrity of the markets in the event of multiple defaults in extreme market circumstances. Amounts are determined on the basis of the results of periodic stress testing examined by the risk committees of the respective CCPs. Furthermore, each of the Group's CCPs reinforces its capital position to meet the most stringent relevant regulatory requirements applicable to it, including holding a minimum amount of dedicated own resources to further underpin the protective credit risk framework in the event of a significant market stress event or participant failure.<br><br>An analysis of the aggregate clearing member contributions of margin and default funds across the CCPs is shown below: |

| Total collateral held | | 2020 £bn | 2019 £bn |
|---|---|---|---|
| | Cash received | **113** | 93 |
| Collateral security | Non-cash pledged | **140** | 115 |
| | Guarantees pledged | **3** | 4 |
| **Total collateral as at 31 December** | | **255** | 212 |
| Maximum collateral held during the year | | **311** | 242 |

Investment counterparty risk for CCP margin and default funds is managed by investing the cash element in instruments or structures deemed 'secure' by the relevant regulatory bodies including through direct investments in highly rated, 'regulatory qualifying' sovereign bonds and supra-national debt, investments in tri-party and bilateral reverse repos (receiving high-quality government securities as collateral) and, in certain jurisdictions, deposits with the central bank. The small proportion of cash that is invested unsecured is placed for short durations with highly rated counterparties where strict limits are applied with respect to credit quality, concentration and tenor.

| | 2020 £bn | 2019 £bn |
|---|---|---|
| Total investment portfolio | **90** | 85 |
| Maximum portfolio size during the year | **150** | 122 |
| **Additional portfolio information:** | | |
| Amount invested securely | **99.98%** | 100.00% |
| Weighted average maturity (days) | **61** | 90 |

Associated liquidity risks are considered in the investment mix and discussed further below.

To address concentration risk, the Group maintains a diversified portfolio of high-quality, liquid investments and uses a broad range of custodians, payment and settlement banks and agents. The largest concentration of treasury exposures as at 31 December 2020 was 32% of the total investment portfolio to the French Government (2019: 17% to the French Government).

### Credit and concentration risk

**Risk description** | **Risk management approach**

**Trade and fees receivable**

An impairment analysis is performed monthly using a provision matrix to measure expected credit losses on trade and fees receivable. The calculation reflects current conditions and forecasts of future economic conditions. None of the Group's trade receivables are material by individual counterparty.

| 31 December 2020 | Fees receivable £m | <180 days £m | >180 days £m | Total £m |
|---|---|---|---|---|
| Expected credit loss rate | <1% | <1% | 64% | |
| Total receivables | 123 | 288 | 14 | 425 |
| Expected credit loss | – | (2) | (9) | (11) |
| | 123 | 286 | 5 | 414 |
| **31 December 2019** | £m | £m | £m | £m |
| Expected credit loss rate | <1% | <1% | 46% | |
| Total receivables | 141 | 310 | 16 | 467 |
| Expected credit loss | – | (2) | (7) | (9) |
| | 141 | 308 | 9 | 458 |

### Country risk

**Risk description**

Distress can result from the risk that certain governments may be unable or find it difficult to service their debts. This could have adverse effects, particularly on the Group's CCPs, potentially impacting cleared products, margin collateral, investments, the clearing membership and the financial industry as a whole.

**Risk management approach**

Specific risk frameworks manage country risk for both fixed income clearing and margin collateral and all clearing members' portfolios are monitored regularly against a suite of sovereign stress scenarios. Investment limits and counterparty and clearing membership monitoring are sensitive to changes in ratings and other financial market indicators, to ensure the Group's CCPs are able to measure, monitor and mitigate exposures to sovereign risk and respond quickly to anticipated changes. Risk Committees maintain an ongoing watch over these risks and the associated policy frameworks to protect the Group against potentially severe volatility in the sovereign debt markets.

The Group's sovereign exposures of £1 billion or more at the end of the financial reporting periods were:

**Group Aggregate Sovereign Treasury Exposures**

| Country | 2020 £bn | 2019 £bn |
|---|---|---|
| France | 29 | 18 |
| USA | 10 | 12 |
| Netherlands | 10 | – |
| UK | 10 | 6 |
| Italy | 9 | 11 |
| EU | 2 | 10 |
| Spain | 1 | 1 |
| Germany | 1 | – |

### Liquidity, settlement and custodial risk

| Risk description | Risk management approach |
|---|---|
| The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations.<br><br>In addition, the Group's CCPs and certain other Group companies must maintain a level of liquidity (consistent with regulatory requirements) to ensure the smooth operation of their respective markets and to maintain operations in the event of a single or multiple market stress event or member failure. This includes the potential requirement to liquidate the position of a clearing member under a default scenario including covering the associated losses and the settlement obligations of the defaulting member.<br><br>The Group is exposed to the risk that a payment or settlement bank could fail or that its systems encounter operational issues, creating liquidity pressures and the risk of possible defaults on payment or receivable obligations.<br><br>The Group uses third-party custodians to hold securities and is therefore exposed to the custodian's insolvency, its negligence, a misuse of assets or poor administration. | **Group**<br>The combined Group businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, make dividend payments, meet its pension commitments, appropriately support or fund acquisitions or repay borrowings. Subject to regulatory constraints impacting certain entities, funds can generally be lent across the Group and cash earnings remitted through regular dividend payments by local companies. This is an important component of the Group Treasury cash management policy and approach.<br><br>Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions or stress events. The Group will take the appropriate actions to satisfy working capital requirements when committing to large scale acquisitions, including comfortable liquidity headroom projected over a reasonable timeframe.<br><br>**Non-CCP entities**<br>Treasury policy requires that the Group maintains adequate credit facilities provided by a diversified lending group to cover its expected funding requirements and ensure a minimum level of headroom for at least the next 24 months. The financial strength of lenders to the Group is monitored regularly.<br><br>For full details on the Group's borrowings and the new facilities arranged during the year see note 25.<br><br>**CCPs**<br>The Group's CCPs maintain sufficient cash and cash equivalents and, in certain jurisdictions, have access to central bank refinancing or commercial bank liquidity support credit lines to meet the cash requirements of the clearing and settlement cycle. Revised regulations require CCPs to ensure that appropriate levels of back-up liquidity are in place to underpin the dynamics of a largely secured cash investment requirement, ensuring that the maximum potential outflow under extreme market conditions is covered (see credit and concentration risk section above). The Group's CCPs monitor their liquidity needs daily under normal and stressed market conditions.<br><br>Where possible, the Group employs guaranteed delivery versus payment settlement techniques and manages CCP margin and default fund flows through central bank or long-established, bespoke commercial bank settlement mechanisms. Monies due from clearing members remain the clearing members' liability if the payment agent is unable to effect the appropriate transfer. In addition, certain Group companies, including the CCPs, maintain operational facilities with commercial banks to manage intraday and overnight liquidity.<br><br>Custodians are subject to minimum eligibility requirements, ongoing credit assessment, robust contractual arrangements and are required to have appropriate back-up contingency arrangements in place.<br><br>**Financial liability maturity**<br>The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table reflect the contractual undiscounted cash flows. The borrowings line includes future interest on debt that is not accrued for in relation to bonds that are not yet due. |

| 31 December 2020 | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|
| Borrowings | 648 | 20 | 505 | 947 | 2,120 |
| Trade and other payables (excluding lease liabilities) | 554 | – | – | – | 554 |
| Lease liabilities | 42 | 36 | 82 | 82 | 242 |
| Clearing member business liabilities | 841,553 | – | – | – | 841,553 |
| Derivative financial instruments | 6 | – | 9 | 2 | 17 |
| Other non-current payables (excluding lease liabilities) | – | 5 | – | – | 5 |

| 31 December 2019 | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|
| Borrowings | 529 | 333 | 483 | 914 | 2,259 |
| Trade and other payables (excluding lease liabilities) | 560 | – | – | – | 560 |
| Lease liabilities | 39 | 41 | 90 | 36 | 206 |
| Clearing member business liabilities | 796,102 | – | – | – | 796,102 |
| Derivative financial instruments | 1 | – | 30 | 9 | 40 |
| Other non-current payables (excluding lease liabilities) | – | 4 | – | – | 4 |

### Market risk – foreign exchange risk

| Risk description | Risk management approach |
|---|---|

**Risk description**

The Group operates primarily in the UK, Europe and North America, but also has growing and strategically important businesses in Asia, and other alliances and investments across the globe. Its principal currencies of operation are Sterling, Euro and US dollars.

Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, Sterling, and from occasional, high value intragroup transactions. Exceptions exist including at MillenniumIT (a Sri Lankan Rupee reporting entity) which invoices a material proportion of its revenues in US dollars, and at certain operations of the LCH Group (a Euro reporting subsidiary), which generate material revenues in Sterling and US dollars and incur material costs in Sterling.

Intragroup dividends and the currency debt interest obligations of the Company may create short-term transactional FX exposures but play their part in controlling the level of translational FX exposures the Group faces.

The Group may be exposed from time to time to FX risk associated with strategic investments in, or divestments from, operations denominated in currencies other than Sterling.

**Risk management approach**

The Group seeks to match the currency of its debt liabilities to the currency of its earnings and cash flows which, to an extent, protects its key ratios (net leverage and interest coverage) and balances the currency of its assets with its liabilities. In order to mitigate the impact of unfavourable currency exchange rate movements on earnings and net assets, non-Sterling cash earnings are centralised and applied to matching currency debt and interest payments, and, where relevant, interest payments on Sterling debt re-denominated through the use of cross-currency swaps.

A material proportion of the Group's debt is held in or swapped into Euros and US dollars as noted below.

| Currency of debt | 2020 £m | 2019 £m |
|---|---|---|
| Euro denominated drawn debt | 1,530 | 1,557 |
| Euro denominated cross-currency interest rate swaps | (613) | (637) |
| US dollar denominated drawn debt | – | 107 |
| US dollar denominated cross-currency interest rate swaps | 613 | 637 |

The cross-currency interest rate swaps are directly linked to Euro fixed debt. The Euro and US dollar denominated debt, including the cross-currency swaps, provides a hedge against the Group's net investment in Euro and US dollar denominated entities.

As at 31 December 2020, the Group's designated hedges of its net investments were fully effective.

Whilst transactional foreign exchange exposure is limited, the Group hedges material transactions in accordance with Group Treasury policy (which requires cash flows of single transactions or a series of linked transactions of more than £5 million or equivalent per annum to be hedged) with appropriate derivative instruments or by settling currency payables or receivables within a short timeframe. Where appropriate, hedge accounting for derivatives is considered in order to mitigate material levels of income statement volatility.

In addition to projecting and analysing its earnings and debt profile by currency, the Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. The Group has considered movements in the Euro and the US dollar over the year ended 31 December 2020 and year ended 31 December 2019 and, based on actual market observations between its principal currency pairs, has concluded that a 10% movement in rates is a reasonable level to illustrate the risk to the Group. The impact on post tax profit and equity is set out in the table below:

| | | Post tax profit £m | 2020 equity £m | Post tax profit £m | 2019 equity £m |
|---|---|---|---|---|---|
| Euro | Sterling weaken | – | 40 | – | 5 |
| | Sterling strengthen | – | (36) | – | (5) |
| US dollar | Sterling weaken | 6 | (51) | (4) | (55) |
| | Sterling strengthen | (5) | 47 | 4 | 50 |

This reflects foreign exchange gains or losses on translation of Euro and US dollar denominated financial assets and financial liabilities, including Euro and US dollar denominated cash and borrowings.

The impact on the Group's operating profit for the year before amortisation of purchased intangible assets and non-underlying items, of a 10 Euro cent and 10 US dollar cent movement in the Sterling-Euro and Sterling-US dollar rates respectively, can be seen below:

| | | 2020 £m | 2019 £m |
|---|---|---|---|
| Euro | Sterling weaken | 42 | 32 |
| | Sterling strengthen | (35) | (27) |
| US dollar | Sterling weaken | 14 | 37 |
| | Sterling strengthen | (12) | (31) |

**Market risk – interest rate risk**

| Risk description | Risk management approach |
|---|---|
| The Group's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates. The Group may also face future interest rate exposure connected to committed M&A transactions where significant debt financing is involved.<br><br>The Group's CCPs face interest rate exposure through the impact of changes in the reference rates used to calculate member liabilities versus the yields achieved through their predominantly secured investment activities. | Group interest rate management policy focuses on protecting the Group's credit rating and maintaining compliance with bank covenant requirements. To support this objective, a minimum coverage of interest expense by EBITDA of 7 times, and a maximum floating rate component of 50% of total debt are targeted. This approach reflects:<br><br>i) a focus on the Group's cost of gross debt rather than its net debt given the material cash and cash equivalents set aside for regulatory purposes;<br>ii) the short duration allowed for investments of cash and cash equivalents held for regulatory purposes which, by their nature, generate low investment yields;<br>iii) a view currently maintained that already low market yields are unlikely to move materially lower; and<br>iv) the broad natural hedge of floating rate borrowings provided by the significant balances of cash and cash equivalents held effectively at floating rates of interest.<br><br>As at 31 December 2020, consolidated net interest expense cover by EBITDA was measured over the 12-month period at 18.8 times (2019: 14.4 times) and the floating rate component of total debt was 16% (2019: 25%).<br><br>Where the Group has committed to M&A transactions and is exposed to prospective interest rate risk on borrowings the Group Treasury function will consider the exposure and recommend hedging solutions that conform with policy and seek to limit future interest costs. The acquisition of Refinitiv will meaningfully increase the Group's debt and the interest rate risk exposure was evaluated during the financial period. As at 31 December 2020, no hedging had been arranged but the exposure remains under ongoing review.<br><br>In the Group's CCPs, interest bearing assets are generally invested in secured instruments or structures and for a longer term than interest bearing liabilities, whose interest rate is reset daily. This makes investment revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures (and the risk to CCP capital) are managed within defined risk appetite parameters against which sensitivities are monitored daily.<br><br>In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a 1 percentage point upward movement (with a limited prospect of material downward movement) reflects a reasonable level of risk to current rates. At 31 December 2020, at the Group level, if interest rates on cash and cash equivalents and borrowings had been 1 percentage point higher with all other variables held constant, post tax profit for the year would have been £10 million higher (2019: £8 million higher) mainly as a result of higher interest income on floating rate cash and cash equivalents partially offset by higher interest expense on floating rate borrowings.<br><br>At 31 December 2020, at the CCP level (in aggregate), if interest rates on the common interest bearing member liability benchmarks of Eonia, Fed Funds and Sonia, for Euro, US dollar and Sterling liabilities respectively, had been 1 percentage point higher, with all other variables held constant, the impact on post tax profit for the Group would have been £2 million lower (2019: £2 million lower). This deficit is expected to be recovered as investment yields increase as the portfolio matures and is reinvested. |

## 3. Significant judgements and estimates

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 are identified below.

**Estimates:**

For the year ended 31 December 2020, the following areas require the use of estimates:

**Impairment of intangible assets, goodwill and investment in subsidiaries** – these assets form a significant part of the balance sheet and are key assets for the Group's businesses. 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. Following this review there was no direct impact to any cash generating units for Covid-19. Details are provided in note 13.

**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. Sensitivity analysis is provided in note 17.

**Estimated service period for admission and listing services within the Primary Markets business** – the Group determines the estimated period for admission services using historical analysis of listing durations in respect of the companies on our markets. The estimated service period inherently incorporates an element of uncertainty in relation to the length of a customer listing which is subject to factors outside of the Group's control. The estimated service periods are reassessed at each reporting date to ensure the period reflects the Group's best estimates. The Group estimates that a one year decrease in the deferral period would cause an estimated £22 million increase in revenue and a one year increase in the deferral period would cause an estimated £20 million decrease in revenue recognised in the year.

**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.

**Judgements:**

In preparing the financial statements for the year ended 31 December 2020, the following judgement has been made:

**Clearing member trading assets and trading liabilities** – The Group uses its judgement to carry out the offsetting within clearing member balances. The carrying values of the balances are offset at what the Group considers an appropriate level to arrive at the net balances reported in the balance sheet. The Group has an aligned approach for its CCP subsidiaries to ensure the principles applied are consistent across similar assets and liabilities. The approach is reviewed on a timely basis to ensure the approach used is the most appropriate. Details of amounts offset are provided in note 19.

**Taxation**

**EU State Aid** – The Group has used its judgement to assess any obligations arising in relation to EU State Aid investigations, considering the appeals made by the UK PLCs (including the Group), UK Government, and management's internal view. Additional details are provided in note 9.

**US Tax Position** – The Group has used its judgement in assessing the financial reporting implications of its ongoing discussions with the IRS in relation to its funding structure of its US subsidiaries. The Group has used guidance under IFRIC 23 "Uncertainty over Income Tax Treatments" to determine the possible outcomes and to assign a probability to each of those outcomes. Additional details are provided in note 9.

**Lease terms** – The Group uses its judgement when assessing the lease term of property assets where options exist to either extend or curtail the lease term. The Group takes into account the location and likely use of the property when making its judgement (note 23).

**Italian group disposal** – the Group has judged that due to the uncertainty surrounding the potential disposal of Borsa Italiana and its associated businesses (Italian group) the sale was not highly probable at 31 December 2020, and has therefore not been treated as a disposal group. The sale was dependent on the completion of the Refinitiv transaction, which itself was uncertain at 31 December 2020 and thus the Group determined that the sale while likely, was not highly probable. The Italian group will be treated as a discontinued operation in 2021 from the date the sale becomes highly probable (further details provided in note 34).

**Pension assets** – under current accounting standards, the Group judges that it can expect any remaining pension surplus to be refunded in full to the Group on the winding up of the schemes. It therefore continues to recognise these assets on the balance sheet (further details provided in note 17).

## 4. Segmental information

The Group is organised into operating units based on its service lines and has five operating segments: Information Services, Post Trade Services, Capital Markets, Technology Services and Other. These segments generate revenue in the following areas:

- **Information Services** – Subscription and licence fees for data and index services provided;
- **Post Trade Services** – Fees based on CCP and clearing services provided, fees from settlement and custody service, non-cash collateral management and net interest earned on cash held for margin and default funds;
- **Capital Markets** – Admission fees from initial listing and further capital raises, annual fees charged for securities traded on the Group's markets, and fees from our secondary market services;
- **Technology Services** – Capital markets software licences and related IT infrastructure, network connection and server hosting services; and
- **Other** – Includes events and media services.

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.

The Executive Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Executive Committee primarily uses a measure of adjusted earnings before interest, tax, depreciation, and amortisation (EBITDA) to assess the performance of the operating segments.

Sales between segments are carried out at arm's length and are eliminated on consolidation.

Segmental disclosures for the year ended 31 December 2020 are as follows:

| | Information Services £m | Post Trade Services £m | Capital Markets £m | Technology Services £m | Other £m | Eliminations £m | Group £m |
|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | 882 | 751 | 427 | 61 | 3 | – | 2,124 |
| Inter-segmental revenue | – | – | – | 22 | – | (22) | – |
| **Revenue** | 882 | 751 | 427 | 83 | 3 | (22) | 2,124 |
| **Net treasury income from CCP clearing business** | – | 319 | – | – | – | – | 319 |
| **Other income** | – | – | – | – | 1 | – | 1 |
| **Total income** | 882 | 1,070 | 427 | 83 | 4 | (22) | 2,444 |
| Cost of sales | (68) | (144) | (4) | (7) | (1) | – | (224) |
| **Gross profit** | 814 | 926 | 423 | 76 | 3 | (22) | 2,220 |
| Share of loss after tax of associates | – | – | – | – | (4) | – | (4) |
| **Adjusted earnings before interest, tax, depreciation, amortisation and impairment** | 510 | 571 | 220 | 42 | 3 | (17) | 1,329 |
| Underlying depreciation, amortisation and impairment | (55) | (98) | (35) | (21) | (8) | 6 | (211) |
| **Adjusted operating profit/(loss) (before non-underlying items)** | 455 | 473 | 185 | 21 | (5) | (11) | 1,118 |
| Amortisation and impairment of goodwill and purchased intangible assets | | | | | | | (195) |
| Other non-underlying items affecting operating profit (note 7) | | | | | | | (168) |
| **Operating profit** | | | | | | | 755 |
| Net finance expense (including non–underlying items) | | | | | | | (70) |
| **Profit before tax** | | | | | | | 685 |

Revenue from external customers principally comprises fees for services rendered of £2,060 million (2019: £1,981 million) and Technology Services of £61 million (2019: £66 million).

Presented within revenue are net settlement expenses from the CCP clearing businesses of net £8 million (2019: nil) which comprise gross settlement income of £39 million (2019: £30 million) less gross settlement expense of £31 million (2019: £30 million).

**Net treasury income**

Net treasury income of £319 million (2019: £255 million) from the CCP clearing businesses comprises gross interest income of £766 million (2019: £1,337 million) less gross interest expense of £447 million (2019: £1,082 million), note 18.

The Group's revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the year ended 31 December 2020 is shown below:

| | Information Services £m | Post Trade Services £m | Capital Markets £m | Technology Services £m | Other £m | Group £m |
|---|---|---|---|---|---|---|
| **Revenue from external customers** | | | | | | |
| **Major product and service lines** | | | | | | |
| FTSE Russell Indexes – subscription | 443 | – | – | – | – | 443 |
| FTSE Russell Indexes – asset based | 225 | – | – | – | – | 225 |
| Real time data | 105 | – | – | – | – | 105 |
| Other information services | 109 | – | – | – | – | 109 |
| Clearing | – | 634 | – | – | – | 634 |
| Settlement, custody and other | – | 63 | – | – | – | 63 |
| UnaVista | – | 54 | – | – | – | 54 |
| Primary capital markets | – | – | 131 | – | – | 131 |
| Secondary capital markets – equities | – | – | 171 | – | – | 171 |
| Secondary capital markets – fixed income, derivatives and other | – | – | 125 | – | – | 125 |
| Capital markets software licences | – | – | – | 61 | – | 61 |
| Other | – | – | – | – | 3 | 3 |
| **Total revenue from contracts with customers** | 882 | 751 | 427 | 61 | 3 | 2,124 |
| **Timing of revenue recognition** | | | | | | |
| Services satisfied at a point in time | 7 | 721 | 278 | 4 | 3 | 1,013 |
| Services satisfied over time | 875 | 30 | 149 | 57 | – | 1,111 |
| **Total revenue from contracts with customers** | 882 | 751 | 427 | 61 | 3 | 2,124 |

Segmental disclosures for the year ended 31 December 2019 are as follows:

| | Information Services £m | Post Trade Services £m | Capital Markets £m | Technology Services £m | Other £m | Eliminations £m | Group £m |
|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | 855 | 700 | 426 | 66 | 9 | – | 2,056 |
| Inter-segmental revenue | – | – | – | 17 | – | (17) | – |
| **Revenue** | 855 | 700 | 426 | 83 | 9 | (17) | 2,056 |
| **Net treasury income from CCP clearing business** | – | 255 | – | – | – | – | 255 |
| **Other income** | – | – | – | – | 3 | – | 3 |
| **Total income** | 855 | 955 | 426 | 83 | 12 | (17) | 2,314 |
| Cost of sales | (72) | (122) | (5) | (7) | (4) | – | (210) |
| **Gross profit** | 783 | 833 | 421 | 76 | 8 | (17) | 2,104 |
| Income from equity investments | – | – | – | – | 7 | – | 7 |
| Share of loss after tax of associates | – | – | (1) | – | (6) | – | (7) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | 483 | 501 | 228 | 55 | 4 | (6) | 1,265 |
| Underlying depreciation, amortisation and impairment | (49) | (90) | (32) | (25) | (8) | 4 | (200) |
| **Adjusted operating profit/(loss) (before non-underlying items)** | 434 | 411 | 196 | 30 | (4) | (2) | 1,065 |
| Amortisation and impairment of goodwill and purchased intangible assets | | | | | | | (195) |
| Other non-underlying items affecting operating profit (note 7) | | | | | | | (132) |
| **Operating profit** | | | | | | | 738 |
| Net finance expense (including non–underlying items) | | | | | | | (87) |
| **Profit before tax** | | | | | | | 651 |

The Group's revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the year ended 31 December 2019 is shown below:

| | Information Services £m | Post Trade Services £m | Capital Markets £m | Technology Services £m | Other £m | Group £m |
|---|---|---|---|---|---|---|
| **Revenue from external customers** | | | | | | |
| **Major product and service lines** | | | | | | |
| FTSE Russell Indexes – subscription | 418 | – | – | – | – | 418 |
| FTSE Russell Indexes – asset based | 231 | – | – | – | – | 231 |
| Real time data | 97 | – | – | – | – | 97 |
| Other information services | 109 | – | – | – | – | 109 |
| Clearing | – | 593 | – | – | – | 593 |
| Settlement, custody and other | – | 60 | – | – | – | 60 |
| UnaVista | – | 47 | – | – | – | 47 |
| Primary capital markets | – | – | 151 | – | – | 151 |
| Secondary capital markets – equities | – | – | 151 | – | – | 151 |
| Secondary capital markets – fixed income, derivatives and other | – | – | 124 | – | – | 124 |
| Capital markets software licences | – | – | – | 66 | – | 66 |
| Other | – | – | – | – | 9 | 9 |
| **Total revenue from contracts with customers** | 855 | 700 | 426 | 66 | 9 | 2,056 |
| **Timing of revenue recognition** | | | | | | |
| Services satisfied at a point in time | 42 | 686 | 283 | 11 | – | 1,022 |
| Services satisfied over time | 813 | 14 | 143 | 55 | 9 | 1,034 |
| **Total revenue from contracts with customers** | 855 | 700 | 426 | 66 | 9 | 2,056 |

### Geographical disclosures

| | 2020 £m | 2019 £m |
|---|---|---|
| **Revenue from external customers by location of service provided** | | |
| UK | **1,160** | 1,149 |
| USA | **409** | 388 |
| Italy | **349** | 327 |
| France | **165** | 144 |
| Other | **41** | 48 |
| **Total** | **2,124** | 2,056 |

| | 2020 £m | 2019 £m |
|---|---|---|
| **Non-current operating assets** | | |
| UK | **1,567** | 1,492 |
| USA | **1,946** | 2,113 |
| Italy | **1,219** | 1,203 |
| France | **87** | 74 |
| Other | **89** | 96 |
| **Total** | **4,908** | 4,978 |

Non-current operating assets consist of property, plant and equipment, intangible assets, investment in associates and strategic long-term investments in equity instruments.

## 5. Expenses by nature

Expenses comprise the following:

| | Notes | 2020 £m | 2019 £m |
|---|---|---|---|
| Employee costs | 6 | **564** | 529 |
| IT costs | | **156** | 146 |
| Short-term lease costs | | **–** | 2 |
| Lease costs for low value items | | **1** | 2 |
| Other costs[1] | | **159** | 163 |
| Foreign exchange losses/(gains) | | **7** | (3) |
| **Adjusted operating expenses before depreciation, amortisation and impairment** | | **887** | 839 |
| **Non-underlying operating expenses before depreciation, amortisation and impairment** | 7 | **168** | 132 |
| **Operating expenses before depreciation, amortisation and impairment** | | **1,055** | 971 |

1 Other costs include £60 million in relation to professional fees (2019: £49 million)

## 6. Employee costs

Employee costs comprise the following:

| | Note | 2020 £m | 2019 £m |
|---|---|---|---|
| Salaries and other benefits | | **416** | 397 |
| Social security costs | | **72** | 71 |
| Pension costs | 17 | **31** | 26 |
| Share-based compensation | | **45** | 35 |
| **Total** | | **564** | 529 |

Employee costs include the costs of contract staff who are not on the payroll, but fulfil a similar role to employees.

The average number of employees in the Group from total operations was:

| | 2020 | 2019 |
|---|---|---|
| UK | **1,829** | 1,631 |
| USA | **683** | 664 |
| Italy | **652** | 643 |
| France | **200** | 185 |
| Sri Lanka | **1,236** | 1,082 |
| Other | **619** | 493 |
| **Total** | **5,219** | 4,698 |

Average staff numbers are calculated from the date of acquisition for subsidiary companies acquired in the year and up to the date of disposal for businesses disposed in the year.

The Company had no employees in the year (2019: nil).

## 7. Non-underlying items

| | Note | 2020 £m | 2019 £m |
|---|---|---|---|
| Transaction costs | | **173** | 96 |
| Restructuring costs | | **–** | 32 |
| Restructuring credit | | **(5)** | – |
| Integration costs | | **–** | 4 |
| **Non-underlying operating expenses before interest, tax, depreciation, amortisation and impairment** | | **168** | 132 |
| Amortisation of purchased intangible assets | 13 | **164** | 180 |
| Impairment of goodwill and purchased intangibles | | **10** | 15 |
| Impairment of software | | **21** | – |
| **Non-underlying operating expenses before interest and tax** | | **363** | 327 |
| Non-underlying finance expense | | **13** | 16 |
| **Total non-underlying expenses included in profit before tax** | | **376** | 343 |
| **Tax on non-underlying expenses:** | | | |
| Deferred tax on amortisation of purchased intangible assets | | **(21)** | (31) |
| Current tax on amortisation of purchased intangible assets | | **(15)** | (11) |
| Tax on other items | | **(23)** | (8) |
| | | **(59)** | (50) |
| **Total non-underlying charge to income statement** | | **317** | 293 |

Transaction costs comprise charges incurred for services relating to the Refinitiv transaction and proposed disposal of the Borsa Italiana group.

Restructuring credit relates to the release of accruals recognised in relation to the cost savings programme announced in March 2019.

Integration costs in 2019 related to the activities to integrate the Mergent and Yield Book businesses into the Group.

Non underlying amortisation of purchased intangible assets includes accelerated amortisation of £10 million (2019: £25 million) in relation to the Mergent CGU (note 13). The goodwill of the Mergent CGU was impaired by £10 million (2019: £6 million) (note 13). In 2019 the goodwill of the Turquoise CGU was impaired by £8 million and purchased intangible assets by £1 million (note 13).

The software impairment of £21 million relates to asset write downs resulting from ongoing transactions.

Financing costs relate to fees for establishing a Bridge Financing facility to refinance the Refinitiv notes and term loans in full following completion of the Group's Refinitiv transaction. Further details of the facility are provided in note 26.

The tax impact of the Group's non-underlying items and its adjustment to income statements of the individual entities of the Group to which the non-underlying items relate, is computed based on the tax rates applicable to the respective territories in which the entity operates. There is no tax impact arising on non-underlying items which are neither taxable nor tax-deductible.

Non-underlying deferred tax includes deferred tax in relation to the amortisation of purchased intangible assets and further details are provided in note 16.

## 8. Net finance expense

| | Notes | 2020 £m | 2019 £m |
|---|---|---|---|
| **Finance income** | | | |
| Expected return on defined benefit pension scheme assets | 17 | **1** | 1 |
| Bank deposit and other interest income | | **4** | 9 |
| Other finance income | | **2** | 4 |
| **Underlying finance income** | | **7** | 14 |
| **Finance expense** | | | |
| Interest payable on bank and other borrowings | | **(56)** | (73) |
| Lease interest payable | 23 | **(4)** | (4) |
| Other finance expenses | | **(4)** | (8) |
| **Underlying finance expense** | | **(64)** | (85) |
| **Underlying net finance expense** | | **(57)** | (71) |
| **Non-underlying finance expense** | | **(13)** | (16) |
| **Net finance expense** | | **(70)** | (87) |

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

Other finance income includes amounts relating to the unwind of discount on net investments in leases. These amounts are immaterial.

During the year the Group recognised a total of £58 million (2019: £72 million) of underlying net interest expense on financial assets and financial liabilities held at amortised cost, comprising £6 million (2019: £13 million) gross finance income and £64 million (2019: £85 million) gross finance expense. Presented within finance income and finance expense are amounts in relation to defined benefit pension schemes which are measured at fair value.

## 9. Taxation

The standard UK corporation tax rate for the year was 19% (2019: 19%).

| Taxation recognised in profit or loss | Note | 2020 £m | 2019 £m |
|---|---|---|---|
| **Current tax** | | | |
| UK corporation tax for the year | | **74** | 84 |
| Overseas tax for the year | | **145** | 134 |
| Adjustments in respect of previous years | | **4** | (3) |
| | | **223** | 215 |
| **Deferred tax** | 16 | | |
| Deferred tax for the year | | **2** | 2 |
| Adjustments in respect of previous years | | **(6)** | – |
| Deferred tax liability on amortisation and impairment of purchased intangible assets | | **(21)** | (31) |
| | | **(25)** | (29) |
| **Taxation** | | **198** | 186 |

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns agreed with relevant tax authorities.

| Taxation on items not recognised in profit or loss | 2020 £m | 2019 £m |
|---|---|---|
| **Current tax** | | |
| Tax allowance on share awards in excess of expense recognised | **12** | 7 |
| | **12** | 7 |
| **Deferred tax** | | |
| Tax allowance on defined benefit pension scheme remeasurements | **1** | (2) |
| Tax allowance on share options/awards in excess of expense recognised | **(3)** | 10 |
| Tax on movement in fair value of financial assets | **(5)** | (5) |
| Adjustments relating to change in defined benefit pension tax rate | **–** | 2 |
| | **5** | 12 |

### Factors affecting the tax charge for the year

The income statement tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%) as explained below:

| | 2020 £m | 2019 £m |
|---|---|---|
| Profit before tax | **685** | 651 |
| | | |
| Profit multiplied by standard rate of corporation tax in the UK | **130** | 124 |
| Expenses not deductible | **(5)** | 9 |
| Adjustment arising from change in tax rates | **(9)** | 7 |
| Overseas earnings taxed at higher rate | **70** | 38 |
| Adjustments in respect of previous years | **(2)** | (3) |
| Adjustment arising from changes in tax rates on amortisation of purchased intangible assets | **5** | 4 |
| Deferred tax provided for withholding tax on distributable reserves | **(1)** | 2 |
| Deferred tax not recognised | **10** | 5 |
| **Taxation** | **198** | 186 |

On 22 July 2020, the 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.

Following the UK budget on the 3 March and the announcement that the UK rate of corporation tax will increase from 19% to 25% effective 1 April 2023 with legal enactment of the new rate expected in 2021, the Group has assessed the impact on its deferred tax assets and liabilities unwinding post 1 April 2023. The Group expects that the higher rate would lead to additional deferred tax liabilities of £10 million should the change have been reflected in the balance sheet at 31 December 2020.

**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 PLCs, 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 31 December 2020, no further determinations had been received. Subsequent to the year-end however, the Group received additional determinations from HMRC of £8.1 million excluding compound interest.

Under new recovery powers granted to HMRC, the Group must settle the additional amounts by 28 March 2021. This is also the deadline for filing any appeal against HMRC's decisions for issuing the determination. The Group will meet both of these deadlines.

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.

The issuance and settlement of any such determinations does not however change the Group's view that in light of the appeals made by UK PLCs (including the Group), the UK Government's own appeal, and in consideration of management's own internal view, no 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 and also intends to recognise a receivable against the new HMRC determination described above.

As previously disclosed, the Group has made claims under the CFC regime and still 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.

**IRS Audit**

The Group is currently under audit in the US by the IRS in relation to the interest rate applied on certain cross border intercompany loans from the UK to the US. During the year the IRS issued a Notice of Proposed Adjustment (NOPA) which seeks to apply the safe haven rate under the US regulations to the interest charged on cross border loans.

The maximum exposure under the NOPA is $130 million, however this the upper bound of a range of nil to $130 million plus interest and penalties over the lifetime of the loans. The Group disagrees with the NOPA assessment and has sought legal advice to support its position that the safe haven rate is arbitrary and should not be sustained. The NOPA has been appealed by the Group and the audit is ongoing.

**Other**

The Group does not have any other uncertain tax positions as at 31 December 2020 (2019: nil).

# Notes to the financial statements continued

## 10. Earnings per share

Earnings per share is presented on four bases: basic earnings per share, diluted earnings per share, adjusted basic earnings per share, and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities. Diluted earnings per share takes into account the dilutive effects that would arise on conversion or vesting of all outstanding share options and share awards under the Group's share option and award schemes. Adjusted basic earnings per share and adjusted diluted earnings per share exclude non-underlying items to enable a better comparison of the underlying earnings of the business with prior periods.

| | 2020 | 2019 |
|---|---|---|
| **Basic earnings per share** | **120.3p** | 119.5p |
| **Diluted earnings per share** | **118.9p** | 118.1p |
| **Adjusted basic earnings per share** | **209.7p** | 200.3p |
| **Adjusted diluted earnings per share** | **207.3p** | 198.0p |

Profit and adjusted profit for the year attributable to the Company's equity holders:

| | Note | 2020<br>£m | 2019<br>£m |
|---|---|---|---|
| Profit for the financial year attributable to the Company's equity holders | | **421** | 417 |
| **Adjustments** | | | |
| Total non-underlying items net of tax | 7 | **317** | 293 |
| Non-underlying items attributable to non-controlling interests | | **(4)** | (11) |
| **Adjusted profit for the year attributable to the Company's equity holders** | | **734** | 699 |
| | | | |
| **Weighted average number of shares – millions** | | **350** | 349 |
| Effect of dilutive share options and awards – millions | | **4** | 4 |
| **Diluted weighted average number of shares – millions** | | **354** | 353 |

The weighted average number of shares for the current year excludes those held in the Employee Benefit Trust. The weighted average number of shares for the prior year excludes those held in the Employee Benefit Trust and treasury shares held by the Group.

## 11. Dividends

| | 2020<br>£m | 2019<br>£m |
|---|---|---|
| Final dividend for 31 December 2018 paid 29 May 2019: 43.2p per Ordinary share | **–** | 151 |
| Interim dividend for 31 December 2019 paid 17 September 2019: 20.1p per Ordinary share | **–** | 70 |
| Final dividend for 31 December 2019 paid 27 May 2020: 49.9p per Ordinary share | **175** | – |
| Interim dividend for 31 December 2020 paid 22 September 2020: 23.3p per Ordinary share | **82** | – |
| | **257** | 221 |

Dividends are only paid out of available distributable reserves of the Company.

The Board has proposed a final dividend in respect of the year ended 31 December 2020 of 51.7p per share, which is estimated to amount to an expected payment of £417 million in May 2021. This is not reflected in the financial statements.

## 12. Property, plant and equipment

| | Land & Buildings | | | | |
|---|---|---|---|---|---|
| **Cost** | **Freehold property £m** | **Property right-of-use assets £m** | **Leasehold improvements £m** | **Plant and equipment £m** | **Total £m** |
| 31 December 2018 | 55 | 170 | 55 | 253 | 533 |
| Additions | 4 | – | 3 | 41 | 48 |
| Acquisition of subsidiaries | – | 1 | – | – | 1 |
| Disposals | – | (5) | (5) | (15) | (25) |
| Transfers | (2) | – | 7 | (6) | (1) |
| Foreign exchange translation | – | (3) | (1) | (7) | (11) |
| 31 December 2019 | 57 | 163 | 59 | 266 | 545 |
| Additions | **6** | **36** | **–** | **37** | **79** |
| Adjustments due to lease modifications | **–** | **3** | **–** | **–** | **3** |
| Disposals | **–** | **(6)** | **(1)** | **(10)** | **(17)** |
| Foreign exchange translation | **(1)** | **1** | **1** | **4** | **5** |
| **31 December 2020** | **62** | **197** | **59** | **297** | **615** |
| **Accumulated depreciation and impairment** | | | | | |
| 31 December 2018 | 29 | – | 36 | 147 | 212 |
| Disposals | – | (3) | (3) | (13) | (19) |
| Charge for the year | – | 26 | 6 | 34 | 66 |
| Impairment | – | 2 | – | – | 2 |
| Foreign exchange translation | – | – | – | (4) | (4) |
| 31 December 2019 | 29 | 25 | 39 | 164 | 257 |
| Disposals | **–** | **(3)** | **(1)** | **(10)** | **(14)** |
| Charge for the year | **–** | **28** | **6** | **36** | **70** |
| Foreign exchange | **–** | **–** | **1** | **4** | **5** |
| **31 December 2020** | **29** | **50** | **45** | **194** | **318** |
| **Net book values** | | | | | |
| **31 December 2020** | **33** | **147** | **14** | **103** | **297** |
| 31 December 2019 | 28 | 138 | 20 | 102 | 288 |

The Group leases a number of properties in the countries in which it operates and these are represented above as property right-of-use assets.

Consideration for additions comprises £33 million in cash (2019: £41 million), £39 million (2019: £3 million) of leased assets and £7 million (2019: £4 million) in accruals.

Disposals of right-of-use assets represent office space that is no longer used by the Group and the lease has been terminated. No profit (2019: £2 million) was recognised on the derecognition of these assets.

Plant and equipment includes right-of-use assets with a cost of £5 million (2019: £2 million) and depreciation charges of £1 million (2019: £1 million).

The Company has no property, plant and equipment (2019: nil).

### 13. Intangible assets

| Year ended 31 December 2020 | | Purchased intangible assets | | | | |
|---|---|---|---|---|---|---|
| Cost | Goodwill £m | Customer and supplier relationships £m | Brands £m | Software, licences and intellectual property £m | Software and other £m | Total £m |
| 31 December 2018 | 2,447 | 1,892 | 1,005 | 582 | 872 | 6,798 |
| Acquisition of subsidiaries | 14 | – | – | – | – | 14 |
| Additions | – | – | – | – | 206 | 206 |
| Disposals and write-off | – | (2) | (1) | (2) | (16) | (21) |
| Foreign exchange translation | (104) | (64) | (24) | (12) | (39) | (243) |
| 31 December 2019 | 2,357 | 1,826 | 980 | 568 | 1,023 | 6,754 |
| Additions | **–** | **–** | **–** | **–** | **221** | **221** |
| Disposals and write-off | **–** | **–** | **–** | **–** | **(18)** | **(18)** |
| Foreign exchange translation | **45** | **21** | **(27)** | **1** | **34** | **74** |
| **31 December 2020** | **2,402** | **1,847** | **953** | **569** | **1,260** | **7,031** |
| **Accumulated amortisation and impairment:** | | | | | | |
| 31 December 2018 | 528 | 662 | 197 | 304 | 420 | 2,111 |
| Amortisation charge for the year | – | 117 | 41 | 22 | 123 | 303 |
| Impairment | 14 | 1 | – | – | 9 | 24 |
| Disposals and write-off | – | (2) | (1) | (2) | (14) | (19) |
| Foreign exchange translation | (27) | (26) | (5) | (6) | (22) | (86) |
| 31 December 2019 | 515 | 752 | 232 | 318 | 516 | 2,333 |
| Amortisation charge for the year | **–** | **101** | **40** | **23** | **139** | **303** |
| Impairment | **10** | **–** | **–** | **–** | **23** | **33** |
| Disposals and write-off | **–** | **–** | **–** | **–** | **(18)** | **(18)** |
| Foreign exchange translation | **21** | **15** | **(7)** | **4** | **23** | **56** |
| **31 December 2020** | **546** | **868** | **265** | **345** | **683** | **2,707** |
| **Net book values** | | | | | | |
| **31 December 2020** | **1,856** | **979** | **688** | **224** | **577** | **4,324** |
| 31 December 2019 | 1,842 | 1,074 | 748 | 250 | 507 | 4,421 |

**Goodwill**
There were no additions to goodwill in the current year.

In 2019, the Group acquired Beyond Ratings, which resulted in additions to goodwill of £14 million (note 31). Beyond Ratings was included in the FTSE Group CGU.

During the year, the fair value of the goodwill and purchased intangibles relating to the acquisition of Beyond Ratings were finalised, with no adjustment to the goodwill recognised required (note 31).

The goodwill arising on consolidation represents the growth potential and assembled workforces of the Italian Group, LCH Group, FTSE Group, MillenniumIT, the US Information Services Group and Turquoise.

The Company has no intangible assets (2019: nil).

**Impairment tests for goodwill**
Goodwill has been allocated for impairment testing purposes to 10 cash generating units (CGUs).

The recoverable amounts of these CGUs have been determined based on value in use calculations using discounted cash flow forecasts based on business plans prepared by management for a three year period ending 31 December 2023, and then projected for a further two years to 31 December 2025. Cash flows beyond this period are extrapolated using the estimated long-term growth rates and applying the pre-tax discount rates referred to below.

The amount of the net book value of goodwill allocated to each CGU is set out below.

| | Net book value of goodwill | | | | Pre-tax discount rate used in value in use calculations[1] | |
|---|---|---|---|---|---|---|
| | 31 December 2019 £m | Impairment £m | Foreign exchange translation £m | 31 December 2020 £m | 2020 | 2019 |
| **Italian Group:** | | | | | | |
| Capital Markets | 384 | – | 21 | 405 | 12.3% | 11.6% |
| Technology Services | 23 | – | 1 | 24 | 12.3% | 11.4% |
| Post Trade Services | 420 | – | 24 | 444 | 12.3% | 13.0% |
| **MillenniumIT** | 1 | – | – | 1 | 16.0% | 19.3% |
| **Turquoise** | 1 | – | – | 1 | 10.6% | 8.8% |
| **FTSE Group** | 204 | – | (1) | 203 | 11.6% | 10.5% |
| **LCH Group** | 122 | – | 7 | 129 | 10.8% | 9.9% |
| **US Information Services Group:** | | | | | | |
| Frank Russell Group | 415 | – | (19) | 396 | 11.5% | 10.4% |
| Yield Book | 209 | – | (7) | 202 | 11.7% | 11.1% |
| Mergent | 63 | (10) | (2) | 51 | 11.0% | 11.3% |
| | 1,842 | (10) | 24 | 1,856 | | |

1 Pre-tax discount rates are based on a number of factors including the risk-free rates in Italy, France, Sri Lanka, USA and UK as appropriate, the Group's estimated market risk premium, and a premium to reflect the inherent risks of each CGU.

Management has based its value in use calculations for each CGU on key assumptions about short- and medium-term revenue and cost growth, long-term economic growth rates (used to determine terminal values) and pre-tax discount rates.

The values assigned to short- and medium-term revenue and cost growth assumptions are based on the business plans prepared by management for a three year period ending 31 December 2023. The assumptions are derived from an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers, and management's experience. These factors are considered in conjunction with the Group's long-term strategic objectives to determine appropriate short- and medium-term growth assumptions.

Long-term growth rates represent management's internal forecasts based on external estimates of GDP and inflation analysis for the 10-year period 1 January 2015 to 31 December 2024, and do not exceed the long-term average growth rates for the countries in which the CGUs operate.

| | Long-term growth rates | |
|---|---|---|
| | 2020 | 2019 |
| Italian group | 1.4% | 1.8% |
| MilleniumIT | 8.0% | 8.6% |
| US Information Services group | 3.5% | 4.0% |
| All other | 3.0% | 3.4% |

Value in use calculations for each CGU are sensitive to changes in short- and medium-term revenue and cost growth assumptions, long term growth rates and pre-tax discount rates.

During the year an impairment of £10 million (2019: £6 million) of goodwill has been recognised in relation to Mergent due to lower forecast cash flows. At 31 December 2020, the value in use of the Mergent CGU is higher than the carrying value.

In 2019, an impairment of goodwill was recognised in relation to the Turquoise CGU due to uncertainties in the underlying future cash flows resulting in an impairment of £8 million.

Following management assessment the value in use of each CGU is significantly higher than the carrying value, and is unlikely to be materially impaired by reasonable adverse changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 December 2020. Revenue and cost sensitivities assume a 5% change in revenues or costs for each of the 5 years in the value in use calculations.

**Purchased intangible assets**
The Group's purchased intangible assets include:

**Customer and supplier relationships**
These assets have been recognised on acquisition of major subsidiary companies by the Group. The amortisation periods remaining on these assets are between 6 to 22 years.

Following a reassessment of useful economic lives £10 million accelerated amortisation has been recognised in Customer and Supplier relationships in relation to Mergent Inc. In the prior year following a reassessment of useful economic lives the Group recognised £25 million acceleration of amortisation in relation to Mergent Inc.

**Brands**
Brand name assets have been recognised on a number of major acquisitions, including FTSE, LCH, Frank Russell, and Yield Book. Included within brands are trade names relating to Frank Russell Group of £491 million (2019: £538 million). Other assets are not individually material and the remaining amortisation periods on these assets are between 2 and 22 years.

**Software, licences and intellectual property**
These assets have been recognised on acquisition of subsidiary companies and have a remaining amortisation period of 1 to 17 years.

There are no other individual purchased intangible assets with a carrying value that is considered material to each asset class.

**Internally developed software and other intangible assets**
As a part of the business operating model the Group develops technology solutions where software products are developed internally, for use within the Group or to sell externally. These assets have a useful economic life of up to 12 years.

During the year, consideration for additions comprises £189 million (2019: £154 million) in cash additions relating to internally generated software of £203 million (2019: £176 million).

The cost of self-developed software products includes £188 million (2019: £100 million) representing assets not yet brought into use. No amortisation has been charged on these assets and instead they are tested for impairment annually.

Other amounts represent capitalised contract costs and right-of-use assets. These assets have a useful economic life of up to 7 years.

During the year the Group recognised additions of £10 million (2019: £21 million) as right-of-use assets, with a corresponding amortisation charge of £7 million (2019: £7 million).

**Impairment tests for internally developed software and other intangible assets**
Following a review of software assets in the year the Group recognised £23 million (2019: £9 million) impairment in relation to assets with a recoverable amount less than its value in use.

During the year the Group recognised disposals and write-offs of assets no longer in use of £18 million with nil net book value (2019: £16 million).

## 14. Investment in associates

The Group has a number of equity-accounted investments, listed in note 35. The activities of these companies are complementary to the Group's businesses.

The investment in these companies is as follows:

| | Group £m | Company £m |
|---|---|---|
| 31 December 2018 | 25 | 7 |
| Acquisitions and investments | 11 | 11 |
| Share of loss after tax | (7) | – |
| Impairment | – | (6) |
| Foreign exchange translation | (1) | – |
| 31 December 2019 | 28 | 12 |
| Acquisitions and investments | **1** | **–** |
| Share of loss after tax | **(4)** | **–** |
| Impairment | **–** | **(4)** |
| **31 December 2020** | **25** | **8** |

The total comprehensive income of the associates is equivalent to the loss after tax shown above. None of the associates are material to the Group.

During the year, the Group made an additional investment of £1 million in The Hub Exchange Limited (2019: Curve Global for £11 million, increasing the Group's equity interest to 44.1%).

## 15. Investment in subsidiary companies

| Company | Shares £m | Other £m | Total £m |
|---|---|---|---|
| 31 December 2018 | 5,489 | 1,017 | 6,506 |
| Investment in London Stock Exchange (C) Limited | 244 | – | 244 |
| 31 December 2019 | 5,733 | 1,017 | 6,750 |
| Investment in London Stock Exchange Group Holdings Limited | **50** | **–** | **50** |
| Investment in London Stock Exchange Reg Holdings Limited | **6** | **–** | **6** |
| **31 December 2020** | **5,789** | **1,017** | **6,806** |

Other includes amounts invested in subsidiary companies by way of capital contributions and awards granted under the Group's share schemes.

| Principal operating subsidiaries | Principal activity | Country of incorporation and principal operations | % equity and votes held |
|---|---|---|---|
| **Held directly by the Company** | | | |
| London Stock Exchange plc | Recognised investment exchange | England and Wales | 100.00 |
| **Held indirectly by the Company** | | | |
| Banque Centrale De Compensation SA (LCH SA) | CCP clearing services | France | 73.45 |
| Borsa Italiana S.p.A. | Recognised investment exchange | Italy | 99.99 |
| Cassa di Compensazione e Garanzia S.p.A. | CCP clearing services | Italy | 99.99 |
| Elite S.p.A. | Business support programme | Italy | 74.99 |
| Frank Russell Company | Market indices provider | USA | 100.00 |
| FTSE International Limited | Market indices provider | England and Wales | 100.00 |
| LCH Limited | CCP clearing services | England and Wales | 82.61 |
| Mergent, Inc. | Business and financial information provider | USA | 100.00 |
| Millennium IT Software (Private) Limited | IT solutions provider | Sri Lanka | 100.00 |
| Monte Titoli S.p.A. | Pre–settlement, settlement and centralised custody | Italy | 98.87 |
| MTS S.p.A. | Wholesale fixed income bonds | Italy | 62.53 |
| The Yield Book Inc. | Fixed income indices and analytics | USA | 100.00 |
| Turquoise Global Holdings Ltd | Multilateral trading facility | England and Wales | 51.36 |

Under Regulation 7 of The Partnerships (Accounts) Regulations 2008, the Group elected not to prepare partnership accounts for its indirect partnership interest in London Stock Exchange Connectivity Solutions LP, as its results are contained in the consolidated group accounts.

A full list of subsidiaries is provided in note 35.

**Material non-controlling interests**

The LCH companies, LCH Ltd, based in the UK, and LCH SA, based in France, are the only subsidiaries that have material non-controlling interests within the Group.

The Group owns 82.61% of LCH Ltd and 73.4% of LCH SA.

**Summarised financial information attributable to material non-controlling interests**
Amounts include goodwill, purchased intangible assets and associated amortisation, impairments and deferred tax attributable to non-controlling interests.

| | 2020 £m | 2019 £m |
|---|---|---|
| Profit for the year attributable to non-controlling interests | **60** | 49 |
| Total comprehensive income for the year attributable to non-controlling interests | **76** | 38 |
| Dividends paid to non-controlling interests in the year | **(7)** | (35) |

**Summarised total financial information for companies with material non-controlling interests**
Amounts include goodwill, purchased intangible assets and associated amortisation, impairments and deferred tax.

| Summarised balance sheet | 2020 £m | 2019 £m |
|---|---|---|
| Non-current assets | **574** | 570 |
| Current assets | **732,669** | 654,402 |
| Current liabilities | **(731,578)** | (653,684) |
| Non-current liabilities | **(65)** | (64) |
| **Total equity** | **1,600** | 1,224 |
| **Attributable to:** | | |
| Equity holders of the company | **1,271** | 965 |
| Non-controlling interests | **329** | 259 |
| | **1,600** | 1,224 |

The summarised total comprehensive income of the LCH Group is provided below. This information is based on amounts excluding goodwill, purchased intangible assets and associated amortisation attributable to non-controlling interests.

| Summarised balance sheet | 2020 £m | 2019 £m |
|---|---|---|
| Total income for the year | **859** | 756 |
| Total profit for the year | **305** | 241 |
| Total comprehensive income for the year | **383** | 197 |
| Net increase/(decrease) in cash and cash equivalents | **185** | (3) |

## 16. Deferred tax

The movements in deferred tax assets and liabilities during the year are shown below:

| Group | Accelerated tax depreciation £m | Acquisition deferred tax and amortisation £m | Provisions and other temporary differences £m | Total £m |
|---|---|---|---|---|
| 31 December 2018 | 7 | (470) | 34 | (429) |
| Tax recognised in profit or loss | (2) | 31 | – | 29 |
| Tax recognised in other comprehensive income: | | | | |
| – movement in debt instruments at FVOCI | – | – | (5) | (5) |
| – foreign exchange translation | – | 15 | (3) | 12 |
| Tax recognised in equity – allowance on share awards | – | – | 10 | 10 |
| 31 December 2019 | 5 | (424) | 36 | (383) |
| Tax credited to the income statement | **–** | **23** | **2** | **25** |
| Tax recognised in other comprehensive income: | | | | |
| – defined benefit scheme remeasurement gain | **–** | **–** | **1** | **1** |
| – movement in debt instruments at FVOCI | **–** | **–** | **(5)** | **(5)** |
| Allowance on share options/ awards – to equity | **–** | **–** | **(3)** | **(3)** |
| Foreign exchange | **–** | **3** | **2** | **5** |
| **31 December 2020** | **5** | **(398)** | **33** | **(360)** |
| | | | | |
| **Assets at 31 December 2020** | **5** | **–** | **46** | **51** |
| **Liabilities at 31 December 2020** | **–** | **(398)** | **(13)** | **(411)** |
| **Net assets/(liabilities) at 31 December 2020** | **5** | **(398)** | **33** | **(360)** |
| | | | | |
| Assets at 31 December 2019 | 5 | – | 44 | 49 |
| Liabilities at 31 December 2019 | – | (424) | (8) | (432) |
| Net assets/(liabilities) at 31 December 2019 | 5 | (424) | 36 | (383) |

The deferred tax assets are recoverable against future taxable profits and are due after more than one year.

The net deferred tax asset of £33 million (2019: £36 million) in respect of provisions and other temporary differences relates to:

| | 2020 £m | 2019 £m |
|---|---|---|
| Share-based payments | **27** | 28 |
| Retirement benefits liabilities | **(28)** | (19) |
| Interest payable | **21** | 17 |
| Trading losses | **6** | 4 |
| Withholding tax on distributable reserves of subsidiaries | **(5)** | (6) |
| Impact of new accounting standards | **4** | 4 |
| Accrued bonuses | **6** | 2 |
| Yield Book closing costs | **–** | 2 |
| Other provisions and temporary differences | **2** | 4 |
| | **33** | 36 |

The purchased intangible assets of the acquired subsidiaries create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the purchased intangible assets. As at 2020 this liability was £398 million (2019: £424 million).

The Group has unrecognised deferred tax assets in respect of losses of £20 million (2019: £20 million) within certain Group subsidiaries. The assets will be recognised in the future only if suitable taxable income were to arise within the Group.

There was no deferred tax in the Company (2019: nil).

## 17. Retirement benefit obligations

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes are held separately from those of the Group.

All schemes are governed by the local regulatory framework and employment laws in the country in which they operate.

The Company has no retirement benefit obligations.

### Defined benefit schemes

#### United Kingdom

On 5 September 2016, the London Stock Exchange Retirement Plan (LSERP) and the LCH Pension Scheme in the UK (LCH UK) underwent a sectionalised merger into a new London Stock Exchange Group Pension Scheme (LSEGPS). The scheme maintains separate LCH and LSE Sections.

The LSEGPS is administered by trustees who are responsible for the scheme's governance. The scheme invests in a wide range of assets in the UK and overseas through investment managers, appointed by the scheme's trustees, who seek to balance risk and investment return. The assets are primarily managed by Ruffer LLP, Royal London Asset Management, Payden and Rygel Investment Management, Schroder Investment Management Limited and a 'buy-in' insurance asset with Pension Insurance Corporation.

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The LSE section of LSEGPS was a non-contributory defined benefit scheme that closed to new members in 1999. With effect from 31 March 2012, the LSERP also closed to accrual of future benefits for active members and it has been agreed that the benefits already accrued for affected members will remain linked to their salary with the Group.

The LCH section of LSEGPS was closed to new members from 30 September 2009. It was closed to further employee contributions and accrual of future benefits from 31 March 2013 with the defined contribution section remaining open until April 2017, when the Legal & General mastertrust was provided to all UK employees.

Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

#### Overseas

LCH Group operates retirement indemnity and long-service award schemes in Paris, for which the scheme obligations are calculated by an independent qualified actuary. They also operate an independent defined benefit scheme in Porto. Updated valuations of these funds are carried out by an independent qualified actuary.

The Trattamento di Fine Rapporto (TFR) operated by the Italian Group is a severance and leaving indemnity scheme, classified as an unfunded defined benefit scheme for funds accumulated prior to 1 July 2007. The service cost, representing deferred salaries accruing to employees, was included as an operating expense and was determined by law at 6.91% of salary payments subject to certain adjustments. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75% of 'national life price index +1.5%' by an independent qualified actuary. Since 1 July 2007, the Group retains no obligation, as contributions are made directly into Italian state funds in the manner of a defined contribution scheme.

The employee benefit and retirement plan operated by MillenniumIT is classified as an unfunded defined benefit plan. The net obligation in respect of this plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Once an employee is continuously employed for more than five years, he or she is entitled to a payment equivalent to half a month's gross salary multiplied by the number of years in service at MillenniumIT.

**Pension risks**

The principal risk to which the defined benefit schemes expose the Group arises from an increase in pension liabilities.

The pension liabilities could increase in the following circumstances:

- if increases in the plan liabilities are not accompanied by corresponding increases in the plan assets;
- if investment returns are lower than assumed in assessing the adequacy of plans;
- if inflation is higher than expected, increasing liabilities through indexing of pension payments; and
- the risk that members live longer than expected, increasing the length of time for which pensions have to be paid, potentially due to a medical breakthrough.

Such an increase in pension liabilities could lead to an increase in pension deficit. Defined benefit schemes are normally revalued by actuaries every three years. Where any material funding gap is identified by this process, the Trustees will agree a schedule of contributions with the sponsor company. Such contributions would result in financial impact to the Group.

In addition, with regard to the LSE Section of LSEGPS, the Group is exposed to the credit of the buy-in insurance provider. A failure of the buy-in insurance provider would reduce the pension assets and could thus also lead to a pension deficit or an increase in pension deficit and the need for contributions from the Group.

**Defined contribution schemes**

In the UK, the only pension scheme open to employees is a defined contribution scheme, provided by Legal & General. Following a pension consultation, from April 2017, all UK employees are eligible to participate in the same pension scheme. A core contribution of 8% of basic salary is paid by the Group, who will also match employee contributions up to 4% of basic salary.

Defined contribution schemes are operated by FTSE International and US entities.

**Amounts recognised in profit or loss are as follows:**

| | | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | LSERP £m | LCH UK £m | Other plans £m | Total £m | LSERP £m | LCH UK £m | Other plans £m | Total £m |
| Defined contribution schemes | | **(4)** | **(5)** | **(13)** | **(22)** | (4) | (4) | (11) | (19) |
| Defined benefit scheme – current/past service cost and expenses | | **(1)** | **(3)** | **(5)** | **(9)** | (1) | – | (6) | (7) |
| Pension expense recognised in employee costs | 6 | **(5)** | **(8)** | **(18)** | **(31)** | (5) | (4) | (17) | (26) |
| Net finance income | 8 | **–** | **1** | **–** | **1** | – | 1 | – | 1 |
| | | **(5)** | **(7)** | **(18)** | **(30)** | (5) | (3) | (17) | (25) |

**Defined benefit assets/(obligations) for pension schemes**

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| **Fair value of assets** | LSERP £m | LCH UK £m | Other plans £m | Total £m | LSERP £m | LCH UK £m | Other plans £m | Total £m |
| **Equities:** | | | | | | | | |
| – Quoted | **28** | **51** | **–** | **79** | 17 | 52 | – | 69 |
| – Not quoted | **1** | **–** | **–** | **1** | 1 | 3 | – | 4 |
| Bonds: | | | | | | | | |
| – Quoted | **78** | **106** | **–** | **184** | 71 | 95 | 1 | 167 |
| – Not quoted | **143** | **162** | **–** | **305** | 120 | 133 | – | 253 |
| Property | **4** | **–** | **–** | **4** | 5 | – | – | 5 |
| Cash | **(1)** | **4** | **–** | **3** | 1 | 4 | – | 5 |
| Pensioner buy-in policy | **197** | **–** | **–** | **197** | 187 | – | – | 187 |
| **Total fair value of assets** | **450** | **323** | **–** | **773** | 402 | 287 | 1 | 690 |
| **Present value of funded obligations** | **(432)** | **(260)** | **(18)** | **(710)** | (395) | (228) | (18) | (641) |
| **Surplus/(deficit)** | **18** | **63** | **(18)** | **63** | 7 | 59 | (17) | 49 |

As at 31 December 2020, the Group has recognised a net defined benefit asset of £18 million (2019: £7 million) in relation to the LSE section and £63 million (2019: £59 million) in relation to the LCH section, on the basis that the Group has access to the surplus in the event of a wind-up of the scheme and therefore no asset ceiling has been applied to the net surplus recognised. Further, no minimum funding commitments are associated with the plan.

**Changes in the present value of the defined benefit obligations during the year:**

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | LSERP £m | LCH UK £m | Other plans £m | Total £m | LSERP £m | LCH UK £m | Other plans £m | Total £m |
| **1 January** | 395 | 228 | 18 | 641 | 361 | 198 | 17 | 576 |
| **Pension expense recognised in profit or loss** | | | | | | | | |
| Past/current service cost | – | 2 | 5 | 7 | – | – | 6 | 6 |
| Interest cost | 8 | 5 | – | 13 | 10 | 6 | – | 16 |
| | 8 | 7 | 5 | 20 | 10 | 6 | 6 | 22 |
| **Remeasurements recognised in OCI** | | | | | | | | |
| Actuarial losses/(gains) – financial assumptions | 48 | 36 | – | 84 | 44 | 32 | 1 | 77 |
| Actuarial losses – demographic assumptions | 3 | 3 | – | 6 | (3) | (3) | – | (6) |
| Actuarial (gains)/losses – experience | (1) | (1) | – | (2) | (1) | – | – | (1) |
| | 50 | 38 | – | 88 | 40 | 29 | 1 | 70 |
| Benefits paid | (21) | (13) | (5) | (39) | (16) | (6) | (6) | (28) |
| Foreign exchange translation | – | – | – | – | – | 1 | – | 1 |
| **31 December** | 432 | 260 | 18 | 710 | 395 | 228 | 18 | 641 |

**Movement in fair value of scheme assets during the year:**

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | LSERP £m | LCH UK £m | Other plans £m | Total £m | LSERP £m | LCH UK £m | Other plans £m | Total £m |
| **1 January** | 402 | 287 | 1 | 690 | 355 | 244 | 1 | 600 |
| **Pension income recognised in profit or loss** | | | | | | | | |
| Interest income | 8 | 6 | – | 14 | 10 | 7 | – | 17 |
| | 8 | 6 | – | 14 | 10 | 7 | – | 17 |
| **Remeasurements recognised in OCI** | | | | | | | | |
| Return on plan assets, excluding interest income | 47 | 40 | – | 87 | 39 | 38 | – | 77 |
| | 47 | 40 | – | 87 | 39 | 38 | – | 77 |
| Employer contributions | 15 | 3 | – | 18 | 15 | 3 | – | 18 |
| Expenses | (1) | (1) | – | (2) | (1) | – | – | (1) |
| Benefits paid | (21) | (13) | (1) | (35) | (16) | (6) | – | (22) |
| Foreign exchange translation | – | 1 | – | 1 | – | – | – | – |
| **31 December** | 450 | 323 | – | 773 | 402 | 287 | 1 | 690 |

**UK pension plan actuarial assumptions are set out below:**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | LSERP | LCH UK | LSERP | LCH UK |
| Inflation rate – RPI | 2.9% | 2.8% | 2.9% | 2.9% |
| Inflation rate – CPI | 1.9% | 1.8% | 1.8% | 1.8% |
| Rate of increase in salaries | 2.9% | n/a | 2.9% | n/a |
| Rate of increase in pensions in payment | 3.5% | 1.8% | 3.5% | 1.8% |
| Discount rate: | | | | |
| – Non-insured | 1.4% | 1.4% | 2.1% | 2.1% |
| – Insured | 1.2% | n/a | 1.9% | n/a |
| Life expectancy from age 60 (years) | | | | |
| – Non-retired male member | 27.6 | 27.6 | 27.6 | 27.6 |
| – Non-retired female member | 30.2 | 30.1 | 30.1 | 30.0 |
| – Retired male member | 26.7 | 27.1 | 26.7 | 27.0 |
| – Retired female member | 29.0 | 28.9 | 28.9 | 28.8 |

The mortality assumptions are based on S2PA tables published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. An allowance for CMI 2019 projections has been used and applied 1.25% for the male and female long-term trend rate in respect of future mortality improvements.

### Sensitivities

The sensitivities regarding the principal assumptions used to measure the LSERP and LCH UK scheme obligations are:

| | | Impact on scheme obligations | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| | Change in assumption | LSERP £m | LCH UK £m | LSERP £m | LCH UK £m |
| Inflation rate (CPI) and salary increase | +0.5% | 3 | 7 | 3 | 6 |
| Rate of increase in pensions payment | +0.5% | 31 | 20 | 26 | 17 |
| Discount rate | +0.5% | (34) | (29) | (30) | (24) |
| Mortality rate | +1 year | 21 | 10 | 18 | 8 |

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The impact of the salary increase assumption as a standalone sensitivity has an immaterial impact on the scheme obligations.

The actual gain on plan assets was £101 million (2019: loss £94 million).

### Defined benefit actuarial gains and losses recognised

The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income.

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | LSERP £m | LCH UK £m | Other plans £m | LSERP £m | LCH UK £m | Other plans £m |
| 1 January | (29) | 39 | 1 | (28) | 30 | 2 |
| Net actuarial (losses)/gains recognised in the year | (3) | 2 | – | (1) | 9 | (1) |
| **31 December** | (32) | 41 | 1 | (29) | 39 | 1 |

The last actuarial valuations of the UK defined benefit scheme were carried out as at 31 December 2017 by an independent qualified actuary. According to the schedule of contributions of these valuations, LSE plc has funded its defined benefit scheme deficit by £14 million in 2019 and 2020 and is expected to pay £14 million per annum into the LSE Section in years 2021 and 2022. LCH Limited funded its defined benefit scheme deficit of £3 million in 2020 and is expected to pay £3 million per annum into the LCH Section in years 2021 and 2022.

The weighted average duration of the LSERP defined benefit obligation at the end of the reporting period is estimated to be 22 years and 12 years for non-insured and insured, respectively. The weighted average duration of the LCH UK defined benefit obligation at the end of the reporting period is estimated to be 24 years.

The Trustees invests the Scheme's assets in a portfolio of physical assets and liability matching assets. The physical assets have the objective of outperforming the liabilities by investing in a suitably diversified range of assets, consisting of risk premia strategies, corporate bonds and other credit alternatives and property which together are expected to reduce investment volatility.

The liability matching assets have the objective of using a liability driven investment strategy to hedge against the interest rate and inflation risks associated with liabilities predominantly in a range of gilts, both nominal and index linked. The LSERP scheme also includes a bulk annuity transaction insuring the benefits for a part of the scheme's pensioner liabilities.

This combination of physical assets and liability matching assets is expected to provide an appropriate risk and return profile, with suitable interest rate and inflation hedging characteristics, consistent with lower volatility and improved funding level.

## 18. Financial assets and financial liabilities

**Financial instruments by category**

The financial instruments of the Group and Company are categorised as follows:

**Financial assets**

| 31 December 2020 | Group | | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Amortised cost £m | Fair value through OCI £m | Fair value through profit or loss £m | Total £m | Amortised cost £m | Fair value through profit or loss £m | Total £m |
| Clearing business financial assets: | | | | | | | |
| – Clearing member trading assets | 98,736 | – | 632,699 | 731,435 | – | – | – |
| – Other receivables from clearing members | 2,484 | – | – | 2,484 | – | – | – |
| – Other financial assets | – | 24,591 | – | 24,591 | – | – | – |
| – Clearing member cash and cash equivalents | 83,011 | – | – | 83,011 | – | – | – |
| | 184,231 | 24,591 | 632,699 | 841,521 | – | – | – |
| Trade and other receivables | 544 | – | 5 | 549 | 701 | – | 701 |
| Cash and cash equivalents | 1,785 | – | – | 1,785 | 1 | – | 1 |
| Investments in financial assets – debt instruments | – | 111 | – | 111 | – | – | – |
| Investments in financial assets – equity instruments | – | 261 | – | 261 | – | – | – |
| **Total** | 186,560 | 24,963 | 632,704 | 844,227 | 702 | – | 702 |

There were no transfers between categories during the year.

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

The following table provides the fair value measurement hierarchy of the Group's financial assets:

**Financial assets measured at fair value**

| 31 December 2020 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total £m |
| **Clearing business financial assets:** | | | | |
| – Derivative instruments | 5,867 | 2,726 | – | **8,593** |
| – Non-derivative instruments | 6 | 624,100 | – | **624,106** |
| Other financial assets | 24,591 | – | – | **24,591** |
| | 30,464 | 626,826 | – | **657,290** |
| Investments in financial assets – debt | 111 | – | – | **111** |
| Investment in financial assets – equity | – | – | 261 | **261** |
| Derivatives not designated as hedges: | | | | |
| – Trade and other receivables – convertible loan notes | – | – | 5 | **5** |
| | 30,575 | 626,826 | 266 | **657,667** |

The Company has no derivative assets.

| **Movements in fair value of investments classified as level 3:** | £m |
|---|---|
| 1 January 2020 | 246 |
| **Additions** | **2** |
| **Revaluations recognised in other comprehensive income** | **6** |
| **Effect of foreign exchange on consolidation** | **12** |
| **31 December 2020** | **266** |

### Financial liabilities

| 31 December 2020 | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Amortised cost £m | Fair value through profit or loss £m | Total £m | Amortised cost £m | Fair value through profit or loss £m | Total £m |
| Clearing business financial liabilities: | | | | | | |
| – Clearing member trading liabilities | 98,736 | 632,699 | 731,435 | – | – | – |
| – Other payables to clearing members | 110,118 | – | 110,118 | – | – | – |
| | 208,854 | 632,699 | 841,553 | – | – | – |
| Trade and other payables | 747 | – | 747 | 866 | – | 866 |
| Borrowings | 1,951 | – | 1,951 | 1,944 | – | 1,944 |
| Derivative financial instruments | – | 17 | 17 | – | 17 | 17 |
| **Total** | 211,552 | 632,716 | 844,268 | 2,810 | 17 | 2,827 |

There were no transfers between categories during the year.

Social security and other tax liabilities within trade and other payables, and contract liabilities are not classified as financial instruments. Accruals reflect obligations for which the invoice has not been received and are included within financial liabilities.

The following table provides the fair value measurement hierarchy of the Group's financial liabilities:

| 31 December 2020 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total £m |
| Clearing business financial liabilities: | | | | |
| Derivative instruments | 5,867 | 2,726 | – | 8,593 |
| Non-derivative instruments | 6 | 624,100 | – | 624,106 |
| | 5,873 | 626,826 | – | 632,699 |
| Derivatives designated as hedges: | | | | |
| – Cross-currency interest rate swaps | – | 11 | – | 11 |
| Derivatives not designated as hedges: | | | | |
| – Foreign exchange forward contracts | – | 6 | – | 6 |
| | 5,873 | 626,843 | – | 632,716 |

The Company had derivative liabilities of £17 million. Derivative liabilities in the Company are the same as for the Group.

The financial instruments of the Group and Company for the prior year were as follows:

### Financial assets

| 31 December 2019 | Group | | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Amortised cost £m | Fair value through OCI £m | Fair value through profit or loss £m | Total £m | Amortised cost £m | Fair value through profit or loss £m | Total £m |
| Clearing business financial 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 | – | – | – |
| | 197,747 | 23,576 | 574,889 | 796,212 | – | – | – |
| Trade and other receivables | 521 | – | 5 | 526 | 706 | – | 706 |
| Cash and cash equivalents | 1,493 | – | – | 1,493 | 2 | – | 2 |
| Investments in financial assets – debt instruments | – | 106 | – | 106 | – | – | – |
| Investments in financial assets – equity instruments | – | 241 | – | 241 | – | – | |
| Derivative financial instruments | – | – | 2 | 2 | – | 2 | 2 |
| **Total** | 199,761 | 23,923 | 574,896 | 798,580 | 708 | 2 | 710 |

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

The following table provides the fair value measurement hierarchy of the Group's financial assets:

**Financial assets measured at fair value**

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

The Company's derivative assets of £2 million are the same as those shown for the Group.

| Movements in fair value of investments classified as level 3: | £m |
|---|---|
| 1 January 2019 | – |
| Additions – investments in equity | 247 |
| Additions – investment in convertible debt | 4 |
| Revaluations recognised in other comprehensive income | – |
| Revaluations recognised in profit or loss | 1 |
| Effect of foreign exchange on consolidation | (6) |
| 31 December 2019 | 246 |

**Financial liabilities**

| 31 December 2019 | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Amortised cost £m | Fair value through profit or loss £m | Total £m | Amortised cost £m | Fair value through profit or loss £m | Total £m |
| Clearing business financial liabilities: | | | | | | |
| – Clearing member trading liabilities | 122,299 | 574,889 | 697,188 | – | – | – |
| – Other payables to clearing members | 98,914 | – | 98,914 | – | – | – |
| | 221,213 | 574,889 | 796,102 | – | – | – |
| Trade and other payables | 747 | – | 747 | 712 | – | 712 |
| Borrowings | 2,085 | – | 2,085 | 2,077 | – | 2,077 |
| Derivative financial instruments | – | 40 | 40 | – | 40 | 40 |
| Total | 224,045 | 574,929 | 798,974 | 2,789 | 40 | 2,829 |

Social security and other tax liabilities within trade and other payables are not classified as financial instruments.

**Financial liabilities measured at fair value**

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

The Company's derivative liabilities of £40 million are the same as those shown for the Group.

### Fair value classification

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. These inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments.

There have been no transfers between levels during the current year. In 2019, the investment in Euroclear was reclassified 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 categorised as being at amortised cost approximate to their carrying values. The fair value of the Group's borrowings is disclosed in note 25.

The Group's financial assets and financial liabilities held at fair value consist largely of securities restricted in use for the operations of the Group's CCPs as managers of their respective clearing and guarantee systems. The nature and composition of the CCP clearing business assets and liabilities are explained in the accounting policies section in note 1.

As at 31 December 2020, there are no provisions for expected credit losses in relation to any of the CCP businesses' financial assets held at amortised cost or FVOCI (2019: nil). The Group closely monitors its CCP investment portfolio and invests only in government debt and other collateralised instruments where the risk of loss is minimal. There was no increase in credit risk in the year and none of the assets are past due (2019: nil).

### Net treasury income by classification

Net treasury income is earned from instruments held at amortised cost or fair value as follows:

- A net £261 million (2019: £29 million) was earned from financial assets and financial liabilities held at amortised cost (£614 million (2019: £1,028 million) income and £353 million (2019: £999 million) expense)
- A net £58 million (2019: £226 million) was earned from assets held at fair value (£152 million (2019: £309 million) income and £94 million (2019: £83 million) expense).

**Investment in financial assets – equity**

Investments in equity instruments are recognised at fair value through other comprehensive income (FVOCI), given the intended long-term nature of these investments. The equity investments in Euroclear and Nivaura are both classified as Level 3.

The investment in convertible loan notes issued by Nivaura is held within trade and other receivables and treated as fair value through profit or loss (FVPL) as the notes contain a derivative option. This investment is also 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 discounted cash flow forecasts using a terminal growth rate of 1%. A risk adjusted discount rate of 9% was used for Euroclear and 30% for Nivaura. These valuations are then be benchmarked against other available models such as the dividend discount model, regression analysis, and trading multiples. These valuation models generated a range of values of between £262 and £298 million by considering reasonable changes in the key unobservable inputs (including terminal growth rates and discount rates) and the investments are recognised at the lowest value in the range.

In November 2020, the Group committed to invest £10 million in PrimaryBid Limited (PrimaryBid), a UK private limited company that provides a technology platform that connects retail investors with listed companies raising capital. The Group agreed to acquire 13.2% of the issued share capital of PrimaryBid, which will equate to 9.2% on a fully diluted basis. The investment will be completed in stages. In November 2020, the Group paid £2 million for its initial allocation of shares. Additional shares will be acquired at a later date (for further details refer to note 34).

The Group has an existing commercial arrangement with PrimaryBid, and this will continue unchanged. The Group has the right to appoint one director to the board of PrimaryBid. The Group does not consider that it is able to wield significant influence on PrimaryBid and is therefore choosing to recognise this as an investment in equity at fair value through other comprehensive income, in line with its policy on other long-term strategic investments. The investment in PrimaryBid is classified as a Level 3 investment.

As at 2020, the Group estimates the fair value of its investment in Euroclear to be €285 million (£257 million) (2019: €278 million (£238 million)) and in Nivaura to be £3 million in equity and £5 million in the convertible loan notes (2019: £3 and £5 million). The fair value of PrimaryBid is estimated to be equivalent to the initial investment cost (£2 million).

The fair value shown in the Group's results for Euroclear also includes the effects of the retranslation of the euro investment into sterling. Movements in the fair value of the investments in the year are shown in the table above.

### Hedging activities and derivatives

#### Net investment hedges

The Group has designated some of its euro and US dollar borrowings as net investment hedges. In addition, a proportion of the euro borrowings has been swapped into US dollar debt via a cross-currency interest rate swaps and this is also designated as a net investment hedge. The hedge instruments are detailed below.

There is an economic relationship between the hedged items and the hedging instruments as the euro and US dollar borrowings match the Group's net investment in euro and US dollar investments. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying FX risk of the borrowings are identical to the investments. To test the hedge effectiveness, the Group ensures that the borrowings are always less than the value of the investments. Hedge ineffectiveness only arises if the value of the hedging instruments (borrowings) exceeds the value of the underlying net investments.

#### Cross-currency interest rate swaps

In 2017, the Group issued €1 billion of bonds in two €500 million tranches that mature in 2024 and 2029. €700 million of these bonds were swapped on a coordinated basis into US$836 million through a series of cross-currency interest rate swaps which mature on the same dates as the bonds. These instruments effectively exchange some of the obligations and coupons of the bonds from euros into US dollars in order to more closely match the Group's currency of borrowing to the currency of its net assets and earnings. These swaps have been designated as a hedge of the Group's net investments in its US dollar reporting subsidiaries and qualify for effective hedge accounting.

| €700 million cross-currency interest rate swap | 2020 | 2019 |
|---|---|---|
| Fair value of derivative on the balance sheet | **£(11)m** | £(39)m |
| Nominal value of hedging instrument | **$836m** | $836m |
| Hedge ratio | **1:1** | 1:1 |
| Hedge effectiveness | **100%** | 100% |
| Change in fair value of derivative | **£28m** | £(22)m |
| Change in value of net investment | **£(28)m** | £22m |
| Cumulative amount held in hedging reserve | **£(11)m** | £(39)m |

The 2009 £250 million bond was swapped from Sterling into euros. This resulted in a reduction in balance sheet translation exposure on euro denominated net assets and the protection of Sterling cash flows. These swaps were designated as a hedge of the Group's net investment in the Italian Group and qualified for effective hedge accounting until their maturity in October 2019.

| £242 million cross-currency interest rate swap | 2020 | 2019 |
|---|---|---|
| Fair value of derivative on the balance sheet | **–** | – |
| Nominal value of hedging instrument | **–** | – |
| Hedge ratio | **–** | – |
| Hedge effectiveness | **–** | – |
| Change in fair value of derivative | **–** | £12m |
| Change in value of net investment | **–** | £(12)m |
| Cumulative amount held in hedging reserve | **£(18)m** | £(18)m |

The £18 million loss remains in the hedging reserve as the Group continues to own the underlying investment.

#### Non-derivative hedges

€800 million of the €1,500 million bonds not swapped into US dollars qualify as hedges of the Group's net investments in Euro denominated subsidiaries and qualify for effective hedge accounting. The movement on the €700 million that has been swapped is included below and is netted against the fair value movement of the US dollar derivative in the hedging reserve.

| Euro denominated bonds | 2020 | 2019 |
|---|---|---|
| Carrying value of debt on the balance sheet | **£1,347m** | £1,274m |
| Nominal value of hedging instrument | **€1,500m** | €1,500m |
| Hedge ratio | **1:1** | 1:1 |
| Hedge effectiveness | **100%** | 100% |
| Change in carrying value of hedging instrument | **£(73)m** | £71m |
| Change in value of net investment | **£73m** | £(71)m |
| Cumulative amount held in hedging reserve | **£(23)m** | £50m |

Throughout the financial year the Group drew on its committed bank facilities in euros and US dollars and issued euro denominated commercial paper. These drawings and issuances were designated as hedges of the Group's net investments in euro and US dollar denominated subsidiaries.

| Revolving credit facility and commercial paper | 2020 | 2019 |
|---|---|---|
| Carrying value of debt on balance sheet | **£135m** | £378m |
| Nominal value of hedging instrument – Euros | **€191m** | €317m |
| Nominal value of hedging instrument – US dollars | **–** | US$141m |
| Hedge ratio | **1:1** | 1:1 |
| Hedge effectiveness | **100%** | 100% |
| Change in carrying value of hedging instruments | **£(19)m** | £10m |
| Change in value of net investments | **£19m** | £(10)m |
| Cumulative amount held in reserve | **£(18)m** | £1m |

| Hedging reserve | 2020 £m | 2019 £m |
|---|---|---|
| 1 January | **(46)** | (117) |
| Changes in fair value recognised in other comprehensive income | **(64)** | 71 |
| 31 December | **(110)** | (46) |

No amounts have been reclassified to the income statement during the year (2019: £nil). £40 million of losses remain in reserves as at 2020 that have not been recycled to the income statement, as the Group continues to hold the underlying investments (2019: £40 million losses).

The Group's hedging instruments are recognised on the balance sheet as derivative financial instruments or borrowings.

**Foreign currency forwards**

At 2020, net payables of €211 million and US$442 million were hedged forward into the next financial year. The fair value of the derivatives at the year end was an asset of nil (2019: £2 million) and a liability of £6 million (2019: £1 million).

Hedge accounting is not applied to these derivatives.

## 19. Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

The following tables show the impact of netting arrangements on all financial assets and financial liabilities that are reported net on the balance sheet:

| 31 December 2020 | Gross amounts £m | Amount offset £m | Net amount as reported £m |
|---|---|---|---|
| Other financial assets | **1,389,935** | **(1,381,326)** | **8,609** |
| Repurchase agreements | **841,309** | **(118,483)** | **722,826** |
| **Total assets** | **2,231,244** | **(1,499,809)** | **731,435** |
| | | | |
| Other financial liabilities | **(1,419,738)** | **1,411,129** | **(8,609)** |
| Reverse repurchase agreements | **(841,309)** | **118,483** | **(722,826)** |
| **Total liabilities** | **(2,261,047)** | **1,529,612** | **(731,435)** |

| 31 December 2019 | Gross amounts £m | Amount offset £m | Net amount as reported £m |
|---|---|---|---|
| Other financial assets | 1,087,976 | (1,073,415) | 14,561 |
| Repurchase agreements | 792,921 | (110,294) | 682,627 |
| **Total assets** | 1,880,897 | (1,183,709) | 697,188 |
| | | | |
| Other financial liabilities | (1,118,402) | 1,103,841 | (14,561) |
| Reverse repurchase agreements | (792,921) | 110,294 | (682,627) |
| **Total liabilities** | (1,911,323) | 1,214,135 | (697,188) |

All offset amounts are clearing member trading assets and trading liabilities within the Group's CCP businesses' financial instruments.

The Group's CCP companies sit in the middle of members' transactions and hold default funds and margin amounts as a contingency against the default of a member. As such, further amounts are available to offset in the event of a default reducing the asset and liability of £731,435 million (2019: £697,188 million) to nil.

## 20. Trade and other receivables

| | Notes | Group 2020 £m | Group 2019 £m | Company 2020 £m | Company 2019 £m |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Fees receivable | | 1 | 1 | – | – |
| Amounts due from Group companies | 33 | – | – | 45 | 41 |
| Amounts due from associates | 33 | – | 1 | – | – |
| Net investments in leases | 23 | 1 | 3 | – | – |
| Convertible loan notes | 18 | 5 | 5 | – | – |
| Other receivables | | 7 | 9 | – | – |
| | | 14 | 19 | 45 | 41 |
| **Current** | | | | | |
| Trade receivables | | 302 | 328 | – | – |
| Fees receivable | | 123 | 141 | – | – |
| Provision for ECL on trade receivables | | (11) | (9) | – | – |
| Net trade receivables | | 414 | 460 | – | – |
| Amounts due from Group companies | 33 | – | – | 569 | 513 |
| Amounts due from associates | 33 | 3 | 2 | – | – |
| Group relief receivable | | – | – | 45 | 101 |
| Deferred consideration | | – | 27 | – | – |
| Other receivables | | 118 | 18 | 58 | 51 |
| Prepayments | | 57 | 58 | 5 | 3 |
| Contract assets | | 2 | 1 | – | – |
| | | 594 | 566 | 677 | 668 |
| **Total** | | 608 | 585 | 722 | 709 |

The carrying amount of the Group's current trade and other receivables are denominated in the following currencies:

| | 2020 £m | 2019 £m |
|---|---|---|
| Sterling | 256 | 208 |
| Euro | 154 | 116 |
| US dollar | 175 | 227 |
| Other currencies | 9 | 15 |
| | 594 | 566 |

### Provision for expected credit losses:

| | 2020 £m | 2019 £m |
|---|---|---|
| 1 January | 9 | 11 |
| Provision for impairment | 5 | – |
| Receivables written off as uncollectible | (2) | – |
| Provisions no longer required | – | (2) |
| Amounts recovered | (1) | – |
| 31 December | 11 | 9 |

The creation and release of the provisions for impaired receivables are recognised as operating expenses in profit or loss. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

Other classes of trade and other receivables and other categories of financial assets do not contain impaired assets.

### Contract assets

Contract assets relate to the Group's rights to consideration for work completed but that remain conditional on something other than the passage of time.

Movements in the Group's contract assets were as follows:

| | 2020 £m | 2019 £m |
|---|---|---|
| 1 January | 1 | 4 |
| Amounts billed | (1) | (4) |
| Services provided | 2 | 1 |
| 31 December | 2 | 1 |

# Notes to the financial statements continued

### 21. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| Cash at bank | **644** | 607 | **1** | – |
| Cash equivalents | **1,141** | 886 | **–** | 2 |
| | **1,785** | 1,493 | **1** | 2 |

Cash and cash equivalents are held with authorised counterparties of a high credit standing. Cash is held in unsecured interest bearing current and call accounts. Cash equivalents comprise short-term deposits of £710 million (2019: £587 million) and AAA-rated money market funds of £413 million and US$25 million (2019: £282 million and US$22 million). Short-term deposits within the CCP businesses are in overnight or short-term secured investments (reverse repos). Management does not expect any losses from non-performance by counterparties holding cash and cash equivalents and there are no material differences between book and fair values. Cash and cash equivalents do not include amounts held by the CCPs on behalf of their clearing members.

At 31 December 2020, cash and cash equivalents shown above include £1,242 million (2019: £1,125 million) of amounts held by regulated entities for regulatory and operational purposes. Total amounts set aside for regulatory and operational purposes include current investments in financial assets of £92 million (2019: £81 million) and non-current investments in financial assets of £19 million (2019: £25 million). Amounts are subject to regular reviews with regulators in the UK, France and Italy.

### 22. Trade and other payables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| **Non-current** | | | | | |
| Other non-current payables | | **5** | 4 | **–** | – |
| Lease liabilities | 23 | **147** | 146 | **–** | – |
| | | **152** | 150 | **–** | – |
| **Current** | | | | | |
| Trade payables | | **54** | 57 | **3** | 1 |
| Amounts owed to Group companies | 33 | **–** | – | **764** | 663 |
| Amounts owed to associates | 33 | **1** | 1 | **–** | – |
| Social security and other taxes | | **18** | 23 | **–** | – |
| Other payables | | **69** | 164 | **18** | 19 |
| Lease liabilities | 23 | **42** | 37 | **–** | – |
| Accruals | | **429** | 338 | **81** | 29 |
| | | **613** | 620 | **866** | 712 |
| **Total** | | **765** | 770 | **866** | 712 |

### 23. Leases

Movements in lease liabilities were as follows:

| | 2020 £m | 2019 £m |
|---|---|---|
| 1 January | **183** | 206 |
| Acquisition of subsidiary | **–** | 1 |
| Leases terminated early | **(3)** | (1) |
| New lease contracts | **51** | 20 |
| Extensions to existing leases | **3** | – |
| Lease interest expense (note 8) | **4** | 4 |
| Lease payments | **(50)** | (45) |
| Foreign exchange translation | **1** | (2) |
| **31 December** | **189** | 183 |

The Group is both a lessee and lessor of assets.

#### Group as lessee

Right-of-use assets are disclosed within property, plant and equipment (note 12) and intangible assets (note 13).

The maturity of the Group's lease commitments is disclosed within the risk management note (note 2). Lease liabilities are included within trade and other payables (note 22).

The weighted average discount rate used by the Group for lease liabilities was 2.3% (2019: 2.4%).

A limited number of the Group's leases are subject to variable lease payments linked to publicly available indexes. Adjustments to the value of the lease liability and associated assets are made annually, but do not have a material impact on the Group's net assets.

The Group has not exercised any extension options during the year. Outstanding options to extend lease periods or early break clauses that have not been recognised could create an additional asset and liability of up to £47 million.

The total amount paid during the year for all leased assets was £50 million (2019: £49 million).

### Group as lessor

The Group sub-lets a number of its properties where there is surplus space or the office is no longer used by the business. The Group has both finance and operating leases, but all amounts are immaterial.

## 24. Contract liabilities

Contract liabilities relate to consideration received from customers for services that have not yet been rendered.

The Group has the following contract liabilities:

| Group | 2020 £m | 2019 £m |
|---|---|---|
| Non-current | **94** | 88 |
| Current | **168** | 157 |
| | **262** | 245 |

There were no contract liabilities in the Company (2019: nil).

Changes in the Group's contract liabilities balances during the year were as follows:

| | 2020 £m | 2019 £m |
|---|---|---|
| 1 January | **245** | 271 |
| Revenue recognised as a result of revised recognition period | **–** | (32) |
| Revenue recognised in profit or loss | **(153)** | (154) |
| Increases due to consideration received | **171** | 162 |
| Foreign exchange translation | **(1)** | (2) |
| **31 December** | **262** | 245 |

The Group's contract liabilities are expected to be recognised within the following periods after 31 December 2020:

| | Information Services £m | Post Trade Services £m | Capital Markets £m | Technology Services & other £m | Group £m |
|---|---|---|---|---|---|
| Less than 1 year | **115** | **5** | **46** | **2** | **168** |
| More than 1 year but less than 5 years | **–** | **–** | **87** | **–** | **87** |
| More than 5 years | **–** | **–** | **7** | **–** | **7** |
| **Contract liabilities as at end of year** | **115** | **5** | **140** | **2** | **262** |

## 25. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| **Current** | | | | |
| Bank borrowings | **135** | 256 | **129** | 248 |
| Commercial paper | **170** | 256 | **170** | 256 |
| Bonds | **300** | – | **300** | – |
| | **605** | 512 | **599** | 504 |
| **Non-current** | | | | |
| Bonds | **1,347** | 1,573 | **1,347** | 1,573 |
| Trade finance loans | **1** | – | **–** | – |
| Bank borrowings | **(2)** | – | **(2)** | – |
| | **1,346** | 1,573 | **1,345** | 1,573 |
| **Total** | **1,951** | 2,085 | **1,944** | 2,077 |

The Group's £300 million bond issued in 2012 is due for repayment in November 2021.

# Notes to the financial statements continued

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

| Type | Expiry date | Notes/facility £m | Carrying value at 31 December 2020 £m | Interest rate percentage at 31 December 2020 % |
|---|---|---|---|---|
| Dual-currency bridge facility | Jan 2022[1] | 8,156 | **(8)** | LIBOR + 0.3 |
| Multi-currency revolving credit facility | Nov 2022[2] | 600 / 0 | **6** | LIBOR + 0.45 |
| Multi-currency revolving credit facility | Dec 2024[3] | 600 / 1,425 | **138** | LIBOR + 0.30 |
| Multi-currency revolving credit facility | Dec 2025[4] | 0 / 1,075 | **(1)** | LIBOR + 0.475 |
| Committed bank facilities | | | **135** | |
| | | | | |
| Commercial paper[5] | Jan 2020 | 170 | **170** | (0.380) |
| | | | | |
| €500 million term loan | Dec 2023[6] | 451 | **–** | LIBOR + 0.725 |
| $2,000 million term loan | Dec 2023[6] | 1,468 | **(2)** | LIBOR + 0.725 |
| Committed term loans | | | **(2)** | |
| £300 million bond, issued November 2012 | Nov 2021 | 300 | **300** | 4.750 |
| €500 million bond, issued September 2017 | Sep 2024 | 451 | **450** | 0.875 |
| €500 million bond, issued December 2018 | Dec 2027 | 451 | **448** | 1.750 |
| €500 million bond, issued September 2017 | Sep 2029 | 451 | **449** | 1.750 |
| Bonds | | | **1,647** | |
| **Total committed facilities and unsecured notes** | | | **1,950** | |

1 Terminates January 2022, with an option to extend for a further 6 months
2 This facility is to be cancelled at the time of the Refinitiv acquisition and replaced with a new £1,075m 5 year facility
3 This facility will be amended to increase the facility limit to £1,425m at the time of the Refinitiv deal close
4 This facility will become effective when the Refinitiv acquisition closes and will replace the £600m facility maturing in November 2022
5 The Commercial paper interest rate reflected is the average interest rate achieved on the outstanding issuances
6 These term loan facilities will be effective at the time of the Refinitiv acquisition and partially replace and term out the bridge facilities

### Committed bank facilities

#### Revolving credit facilities

The Group retained its total committed revolving credit bank facilities of £1,200 million throughout the period. In December 2020, the Group arranged an additional £1,075 million syndicated committed facility agreement to replace the £600 million facility maturing in November 2022, and signed an Amendment and Restatement agreement which increases the £600 million Revolving Credit Facility agreement maturing in December 2024 to £1,425 million. These new facility arrangements will become effective at the time of the Refinitiv deal close. The revolving credit facilities were partially drawn at 31 December 2020 with a carrying value of £143 million (2019: £264 million).

#### Bridge facility

In December 2020 the Group resized its US$9.325 billion and €3.58 billion Bridge Facilities to US$7.325 billion and €3.08 billion (£8.156 billion), and partially replaced them with 3 year term loan facilities of US$2 billion and €500 million, which become effective at the time of the Refinitiv acquisition. The Bridge Facility remained undrawn, but has a carrying value of £(8) million (2019: £(8) million) which represents deferred arrangement fees.

### Commercial paper

The Group maintained its £1 billion Euro Commercial Paper Programme. Outstanding issuances at 31 December 2020 of €188 million (£170 million) (2019: €300 million (£256 million)) may be reissued upon maturity in line with the Group's liquidity requirements.

### Term loan facilities

In December 2020, the group arranged US$2 billion and €500 million 3 year term loan facilities which become effective at the time of the Refinitiv acquisition and mature in December 2023. The term loans are undrawn at the year end, but had a carrying value of £(2) million which represents deferred arrangement fees.

#### Bonds

In November 2012, the Company issued a £300 million bond under its Euro Medium-Term Notes Programme which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal.

In September 2017, the Company issued €1 billion of bonds in two €500 million (£451 million) tranches under its updated Euro Medium-Term Notes Programme. The bonds are unsecured and the tranches are due for repayment in September 2024 and September 2029 respectively. Interest is paid annually in arrears in September each year. The issue prices of the bonds were €99.602 per €100 nominal for the 2024 tranche and €99.507 per €100 nominal for the 2029 tranche.

In December 2018, the Company issued a €500 million (£451 million) bond under its updated Euro Medium-Term Notes Programme. The bond is unsecured and due for repayment in December 2027. Interest is paid annually in arrears in December each year. The issue price was €99.547 per €100 nominal.

#### Other

Cassa di Compensazione e Garanzia S.p.A. (CC&G) has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements in the event of a market stress or participant failure. In addition, it has arranged commercial bank back-up credit lines with a number of commercial banks, which total €420 million at 31 December 2020 (2019: €420 million), for overnight and longer durations to broaden its liquidity resources consistent with requirements under the European Markets Infrastructure Regulation (EMIR).

LCH SA has a French banking licence and is able to access refinancing at the European Central Bank to support its liquidity position. LCH Limited is deemed to have sufficient fungible liquid assets to maintain an appropriate liquidity position, and has direct access to certain central bank facilities to support its liquidity risk management in accordance with the requirements under the EMIR. In accordance with the Committee on Payments and Market Infrastructures (CPMI), International Organization of Securities Commissions (IOSCO) and Principles for Financial Market Infrastructures (PFMIs), many Central Banks now provide for CCPs to apply for access to certain Central Bank facilities.

During the year, the Group entered into a sale and leaseback arrangement which is classified as a trade finance loan. Under this arrangement, the Group borrowed £1 million, repayable over three years at an effective interest rate of 7.3%.

In addition, a number of Group entities have access to uncommitted operational, money market and overdraft facilities which support post trade activities and day-to-day liquidity requirements across its operations.

**Fair values**

The fair values of the Group's borrowings are as follows:

| Group | 2020 | | 2019 | |
|---|---|---|---|---|
| | Carrying value £m | Fair value £m | Carrying value £m | Fair value £m |
| Borrowings | | | | |
| – within 1 year | **605** | **616** | 512 | 512 |
| – after more than 1 year | **1,346** | **1,466** | 1,573 | 1,676 |
| | **1,951** | **2,082** | 2,085 | 2,188 |

The fair values of the Company's borrowings are as follows:

| Company | 2020 | | 2019 | |
|---|---|---|---|---|
| | Carrying value £m | Fair value £m | Carrying value £m | Fair value £m |
| Borrowings | | | | |
| – within 1 year | **599** | **610** | 504 | 504 |
| – after more than 1 year | **1,345** | **1,466** | 1,573 | 1,676 |
| | **1,944** | **2,076** | 2,077 | 2,180 |

Bonds are classified as Level 1 in the Group's hierarchy for determining and disclosing the fair value of financial instruments. Bond fair values are as quoted in the relevant fixed income markets.

Bank borrowings and commercial paper are classified as Level 2 in the Group's hierarchy for determining and disclosing the fair value of financial instruments. The fair values of these instruments are based on discounted cash flows using a rate based on borrowing cost. Bank borrowings bear interest at an appropriate inter-bank reference rate plus and agreed margin, and commercial paper attracts interest at a negotiated rate at the time of issuance.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| Currency | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Drawn £m | Swapped £m | Effective £m | Drawn £m | Swapped £m | Effective £m |
| Sterling | **421** | **–** | **421** | 420 | – | 420 |
| Euro | **1,530** | **(613)** | **917** | 1,557 | (637) | 920 |
| US dollar | **–** | **613** | **613** | 108 | 637 | 745 |
| **Total** | **1,951** | **–** | **1,951** | 2,085 | – | 2,085 |

The carrying amounts of the Company's borrowings are denominated in the following currencies:

| Currency | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Drawn £m | Swapped £m | Effective £m | Drawn £m | Swapped £m | Effective £m |
| Sterling | **420** | **–** | **420** | 420 | – | 420 |
| Euro | **1,524** | **(613)** | **911** | 1,549 | (637) | 912 |
| US dollar | **–** | **613** | **613** | 108 | 637 | 745 |
| **Total** | **1,944** | **–** | **1,944** | 2,077 | – | 2,077 |

### 26. Analysis of net debt

Group net debt comprises cash and cash equivalents less interest bearing loans and borrowings and derivative financial instruments.

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| **Due within 1 year:** | | | | |
| Cash and cash equivalents | **1,785** | 1,493 | **1** | 2 |
| Bank borrowings | **(135)** | (256) | **(129)** | (248) |
| Commercial paper | **(170)** | (256) | **(170)** | (256) |
| Bonds | **(300)** | – | **(300)** | – |
| Derivative financial assets | **–** | 2 | **–** | 2 |
| Derivative financial liabilities | **(6)** | (1) | **(6)** | (1) |
| | **1,174** | 982 | **(604)** | (501) |
| **Due after 1 year:** | | | | |
| Bank borrowings and trade finance loans | **1** | – | **2** | – |
| Bonds | **(1,347)** | (1,573) | **(1,347)** | (1,573) |
| Derivative financial liabilities | **(11)** | (39) | **(11)** | (39) |
| **Net debt** | **(183)** | (630) | **(1,960)** | (2,113) |

Reconciliation of net cash flow to movement in net debt

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| **Increase/(decrease) in cash and cash equivalents** | **237** | 57 | **(1)** | (8) |
| Net repayments made towards commercial paper | **101** | – | **101** | – |
| Additional drawdowns from bank credit facilities | **(4)** | (261) | **(4)** | (261) |
| Repayments made towards bank credit facilities | **127** | 35 | **125** | 26 |
| Trade finance loans received | **(1)** | – | **–** | – |
| Repayment of bonds | **–** | 250 | **–** | 250 |
| **Change in net debt resulting from cash flows** | **460** | 81 | **221** | 7 |
| Foreign exchange | **(36)** | 14 | **(91)** | 92 |
| Movement on derivative financial assets and liabilities | **21** | 9 | **21** | 9 |
| Bond valuation adjustment | **–** | (2) | **–** | (2) |
| Movement in bank credit facility arrangement fees | **2** | 8 | **2** | 8 |
| Net debt at 1 January | **(630)** | (740) | **(2,113)** | (2,227) |
| **Net debt at 31 December** | **(183)** | (630) | **(1,960)** | (2,113) |

### 27. Provisions

| Group | Property £m | Other £m | Total £m |
|---|---|---|---|
| 1 January 2020 | 14 | 18 | 32 |
| Utilised | **–** | **(13)** | **(13)** |
| Provisions no longer required | **–** | **(4)** | **(4)** |
| **31 December 2020** | **14** | **1** | **15** |
| | | | |
| Current | **–** | **1** | **1** |
| Non-current | **14** | **–** | **14** |
| **31 December 2020** | **14** | **1** | **15** |

The property provision represents the estimated net present value of future costs for dilapidation costs.

Other provisions primarily relate to the expected costs arising from restructuring.

The majority of the non-current provisions are expected to be due in 2024.

The Company has no provisions (2019: nil).

## 28. Share capital and share premium

### Ordinary shares issued and fully paid

| | Number of shares millions | Ordinary shares[1] £m | Share premium £m | Total £m |
|---|---|---|---|---|
| 1 January 2019 | 351 | 24 | 965 | 989 |
| Issue of shares to the Employee Benefit Trust | – | – | 2 | 2 |
| 31 December 2019 | 351 | 24 | 967 | 991 |
| Issue of shares to the Employee Benefit Trust | – | – | 4 | 4 |
| **31 December 2020** | **351** | **24** | **971** | **995** |

1 Ordinary shares of 6 $^{79}/_{86}$ pence

The Board approved the allotment and issue of 775,000 ordinary shares at par and a further 139,970 ordinary shares at a price of 3,111 pence to the Employee Benefit Trust (2019: 68,020 ordinary shares of par value 6 $^{79}/_{86}$ pence at 2,238 pence), to settle employee 'Save As You Earn' share plans. This generated a premium of £4 million (2019: £2 million).

As at the reporting date, the Company holds no treasury shares (2019: 1 million treasury shares). The Ordinary Share Capital of 351 million shares in the current and prior years do not include treasury shares.

## 29. Net cash flow generated from operations

| | Notes | Group 2020 £m | Group 2019 £m | Company 2020 £m | Company 2019 £m |
|---|---|---|---|---|---|
| **Profit before tax** | | **685** | 651 | **215** | 268 |
| **Adjustments for depreciation, amortisation and impairments:** | | | | | |
| Depreciation and amortisation | 12,13 | **372** | 369 | **–** | – |
| Impairment of software and intangible assets | 13 | **33** | 24 | **–** | – |
| Impairment of property, plant and equipment | 12 | **–** | 2 | **–** | – |
| **Adjustments for other non-cash items:** | | | | | |
| Loss on disposal of property, plant and equipment | | **1** | – | **–** | – |
| Loss on disposal of intangible assets | | **–** | 2 | **–** | – |
| Share of loss of associates | 14 | **4** | 7 | **–** | – |
| Impairment of investment in associate | 14 | **–** | – | **4** | 6 |
| Net finance expense[1] | 8 | **71** | 87 | **71** | 83 |
| Share scheme expenses | 6 | **49** | 35 | **–** | – |
| Royalties | | **1** | 1 | **–** | – |
| Movements in pensions and provisions | | **(32)** | (2) | **–** | – |
| Net foreign exchange differences | | **(6)** | (27) | **82** | (103) |
| Dividend income | 33 | **–** | – | **(583)** | (464) |
| Research and development tax credit | | **–** | (1) | **–** | – |
| Decrease/(Increase) in receivables and contract assets | | **(42)** | 203 | **(6)** | (18) |
| Increase/(decrease) in payables and contract liabilities | | **(45)** | 37 | **85** | 39 |
| **Movement in other assets and liabilities relating to operations:** | | | | | |
| Decrease/(increase) in clearing member financial assets | | **(3,635)** | 6,525 | **–** | – |
| (Decrease)/increase in clearing member financial liabilities | | **3,818** | (6,796) | **–** | – |
| Movements in derivative assets and liabilities | | **9** | (28) | **(18)** | (7) |
| **Cash generated from/(used in) operations** | | **1,283** | 1,089 | **(150)** | (196) |

1 excludes items related to pension and provisions

### Movement in financial liabilities arising from financing activities:

| | 31 December 2019 £m | Cash flows from financing activities £m | Acquisition activities £m | Foreign exchange £m | Other movements £m | 31 December 2020 £m |
|---|---|---|---|---|---|---|
| Bank borrowings | 256 | **(123)** | **(4)** | **3** | **1** | **133** |
| Trade finance loans | – | **1** | **–** | **–** | **–** | **1** |
| Bonds | 1,573 | **–** | **–** | **73** | **1** | **1,647** |
| Commercial paper | 256 | **(101)** | **–** | **15** | **–** | **170** |
| Lease liabilities | 183 | **(48)** | **–** | **1** | **53** | **189** |
| | 2,268 | **(271)** | **(4)** | **92** | **55** | **2,140** |

Other movements comprise non-cash movements relating to amortisation of arrangement fees of £2 million, new leases recognised of £49 million, interest accrued on leases of £4 million, lease modifications of £3 million and leases written of £(3) million during the year.

Acquisition activities include arrangement fees of £4 million paid on funding arrangements, which have been disclosed as arrangement fee paid within the Group's cash flows from financing activities.

# Notes to the financial statements continued

| | 31 December 2018 £m | Cash flows from financing activities £m | Acquisition activities £m | Foreign exchange £m | Other movements £m | 31 December 2019 £m |
|---|---|---|---|---|---|---|
| Bank borrowings | 41 | 226 | (19) | (4) | 12 | 256 |
| Bonds | 1,892 | (250) | – | (71) | 2 | 1,573 |
| Commercial paper | 270 | – | – | (14) | – | 256 |
| Lease liabilities | 206 | (41) | 1 | (2) | 19 | 183 |
| | 2,409 | (65) | (18) | (91) | 33 | 2,268 |

Other movements comprise non-cash movements relating to amortisation of arrangement fees of £14 million, new leases recognised of £20 million and leases terminated early of £(1) million during the year.

Acquisition activities include arrangement fees of £19 million paid on funding arrangements, which have been disclosed as part of interest paid within the Group's cash flows from operating activities.

**30. Commitments and contingencies**

As at 31 December 2020, the Group had commitments of £18 million for professional fees relating to the merger with Refinitiv. The amounts were payable on the successful completion of the merger (31 December 2019: nil).

The Group has commitments of £19 million for professional fees relating to the proposed divestment of Borsa Italiana. The amounts are payable on the successful completion of the divestment (31 December 2019: nil).

As at 31 December 2020, the Group had a commitment of £8 million in relation to its investment in PrimaryBid (see note 34).

In the normal course of business, the Group and the Company receive 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 or the Company, a provision is made representing the expected cost of settling such claims.

**31. Business combinations**

**Acquisitions in the year to 31 December 2020**

There were no acquisitions in the year.

**Acquisitions in the year to 31 December 2019**

On 31 May 2019, the Group acquired 100% of Beyond Ratings, a provider of financial analysis that includes Environmental, Social and Governance criteria based in France. The consideration of £14 million (€15 million) cash was paid in two instalments during 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.

**32. Share plans**

The Group operates various employee share-based compensation plans. These include a performance share plan, a restricted share plan, Sharesave and an international Share Incentive Plan.

The London Stock Exchange Group Long Term Incentive Plan 2014 (LTIP), approved at the 2014 AGM, is equity settled and includes an award of Performance Shares and an award of Matching Shares linked to investment by the employee of annual bonus in the Company's shares – the latter element is not applicable to executive directors. Vesting of these awards is dependent on both market and non-market performance conditions. The performance conditions include achievement of total shareholder return (TSR) and adjusted basic earnings per share (AEPS) targets. Grants during the current year, have replaced absolute TSR as a performance measure with relative TSR. Grants in prior years, continue to be measured with reference to absolute TSR. The performance weighting for TSR was reduced from 50% to 40% for the current year. The performance weighting of the AEPS was increased for the current year from 50% to 60%. Awards are granted at nil cost to employees. The Group has not granted any Matching Share awards during the year.

Awards are granted under the Restricted Share Award Plan 2018 (RSAP) at nil cost to employees. RSAP awards are not subject to any performance conditions, other than a service condition. In the current year, such grants were small in number and typically made for the purpose of staff recruitment and retention.

Deferred bonus plan share awards (DBP) are structured as nil-cost options subject to continued employment and malus and clawback provisions. Such awards usually vest in full on the normal vesting dates.

The SAYE Option Scheme and International Sharesave Plan 2018 (SAYE) provide for grants of options over the Company's shares to employees who enter into a three year savings contract. The options are granted at 20% below fair market value on the date of grant and become exercisable three years later.

The Group also operates the International Share Incentive Plan (SIP) under which employees can buy shares in the Company monthly via salary deduction. For every four shares purchased by the employee, the Group awards them one additional share which vests after completion of a three year plan cycle (SIP Matching Share).

The Group recognises share-based payment charges for LTIP awards including RSAP and DBP awards, SAYE options and SIP Matching Shares under IFRS 2.

Vesting periods under the Company's share plans vary by plan, but are typically three years and tranche vesting may apply.

Further details on the Group's share plans are provided in the Directors' Remuneration Report on pages 98 to 119.

The Group has an employee benefit trust (EBT) to administer the share plans and to acquire shares to meet commitments to Group employees. At 31 December 2020, 487,866 shares were held by the trust (2019: 517,563). The EBT is fully funded by the Company via loans, cash gifts and issues and transfers of shares.

The Company has no employees but, in accordance with IFRS 10 'Consolidated Financial Statements', has the obligation for the assets, liabilities, income and costs of the employee benefit trust and these have been consolidated in the Group's financial statements. The cost of the Group's shares held by the trust are deducted from retained earnings.

Movements in the number of share options and awards outstanding and their weighted average exercise prices are as follows:

| | Share options | | SAYE | | LTIP[1] | | SIP Matching Shares | |
|---|---|---|---|---|---|---|---|---|
| | Number | Weighted average exercise price £ | Number | Weighted average exercise price £ | Number | Weighted average exercise price £ | Number | Weighted average exercise price £ |
| 31 December 2018 | 1,676 | 8.94 | 792,987 | 29.87 | 4,794,922 | – | – | – |
| Granted | – | – | 207,202 | 38.46 | 1,135,926 | – | – | – |
| Exercised | – | – | (195,424) | 23.01 | (1,496,293) | – | – | – |
| Lapsed/forfeited | – | – | (69,556) | 32.33 | (495,157) | – | – | – |
| 31 December 2019 | 1,676 | 8.94 | 735,209 | 33.88 | 3,939,398 | – | – | – |
| Granted | – | – | 186,015 | 56.00 | 1,024,793 | – | 479 | – |
| Exercised | – | – | (309,198) | 31.17 | (1,602,880) | – | – | – |
| Lapsed/forfeited | – | – | (43,780) | 36.16 | (308,212) | – | (9) | – |
| **31 December 2020** | **1,676** | **8.94** | **568,246** | **42.42** | **3,053,099** | **–** | **470** | **–** |
| **Exercisable at:** | | | | | | | | |
| **31 December 2020** | **1,676** | **8.94** | **38,506** | **31.49** | **9,921** | **–** | **–** | **–** |
| 31 December 2019 | 1,676 | 8.94 | 11,057 | 32.59 | – | – | – | – |

1 The outstanding LTIP awards of 3,053,099 in the current year include 281,990 RSAP awards. The outstanding LTIP awards in the prior year of 3,939,398 included 255,015 RSAP awards.

The weighted average share price of London Stock Exchange Group plc shares during the year was £81.75 (2019: £58.75).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Number outstanding | Weighted average remaining contractual life Years | Number outstanding | Weighted average remaining contractual life Years |
| **Share options** | | | | |
| Between £8 and £9 | **1,676** | **–** | 1,676 | – |
| **SAYE** | | | | |
| Between £30 and £50 | **386,134** | **0.9** | 735,209 | 1.4 |
| More than £50 | **182,112** | **2.4** | – | – |
| **LTIP** | | | | |
| Nil | **3,053,099** | **1.2** | 3,939,398 | 1.2 |
| SIP Matching Shares | **470** | **2.2** | – | – |
| **Total** | **3,623,491** | **1.2** | 4,676,283 | 1.2 |

The fair value of share awards and share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

| | Performance Shares | | | Restricted Share Award | | | | Share Save Plan | Deferred Bonus Plan | SIP Matching Shares |
|---|---|---|---|---|---|---|---|---|---|---|
| | 22-Apr | 14-Sep | 24-Nov | 16-Mar | 22-Apr | 14-Sep | 24-Nov | 28-Apr | 16-Mar | Offer Period Jan to Dec 2020 |
| Grant date share price | £76.22 | £89.60 | £76.16 | £63.12 | £76.22 | £89.60 | £76.16 | £74.88 | £63.12 | £63.12 to £91.50 |
| Expected life | 3 years | 3 years | 3.4 years | 1 year to 3 years | 0.9 year to 4.9 years | 0.5 year to 3.5 years | 1.8 years to 3.8 years | 3.3 years | 2 years to 3 years | 2.21 years to 3.12 years |
| Exercise price | nil | nil | nil | nil | nil | nil | nil | £56.00 to £58.09 | nil | nil |
| Dividend yield | 1.1% | 0.9% | 1.0% | 1.1% | 1.1% | 0.9% | 1.0% | 1.2% | n.a. | 0.76% to 1.11% |
| Risk-free interest rate | 0.1% | -0.1% | 0.0% | 0.09% to 0.11% | 0.11% to 0.21% | -0.11% to 0.03% | -0.02% to 0% | 0.1% | 0.09% to 0.10% | n.a. |
| Volatility | 26% | 27% | 27% | 23.7% to 32.1% | 25.8% to 38.5% | 25.8% to 41.2% | 26.0% to 33.1% | 25% | 26.6% to 23.7% | n.a. |
| Fair value | n.a. | n.a. | n.a. | £61.05 to £62.42 | £72.15 to £75.46 | £86.76 to £89.19 | £0.96 to £0.97 | £20.18 to £21.45 | £63.12 | £78.33[1] |
| Fair value TSR | £65.64 | £76.80 | £29.64 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Fair value EPS | £73.71 | £87.16 | £74.01 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

1 Represents weighted average fair value (£) for the offer period

The approach adopted by the Group in determining the fair value for the Performance and Matching Shares granted during the year was based on a Total Shareholder Return pricing model which incorporates TSR and EPS performance conditions and references the vesting schedules of the awards.

For all other share awards, including the Share Save Plan, the Black-Scholes model was used.

The significant inputs into both models are the share price at grant date, expected volatility, dividend yields and annual risk-free interest rate. The volatility assumption is based on the historical 3-year volatility as at the date of grant. The risk-free interest rate represents the yield available on a UK zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the award. The expected life refers to the time from the date of grant to the date the awards vest. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

## 33. Transactions with related parties

### Key management personnel

Key management personnel comprises the Executive Directors, Group Chair and Executive Committee, who have authority for planning directing and controlling the activities of the Group.

Compensation for key management personnel was as follows:

| | 2020 £m | 2019 £m |
|---|---|---|
| Salaries and other benefits | 16 | 11 |
| Pensions | 1 | 1 |
| Share-based payments | 17 | 12 |
| **Total compensation** | **34** | 24 |

Key management compensation relates to the Executive Directors, Group Chair and Executive Committee, who have authority for planning directing and controlling the Group.

### Other directors' interests

One director of the Company has a 33.8% (2019: 40.5%) equity interest in Quantile Group Limited (QGL) which as a group is an approved compression service provider for the Group's LCH Limited and London Stock Exchange plc subsidiaries. The Group operated a commercial arrangement with Quantile Technologies Limited (a subsidiary of QGL) and all transactions were carried out on an arm's length basis. During the year the Group recognised income of £0.1 million as part of the agreement (2019: income £0.5 million; expenses £0.4 million).

**Inter-company transactions with subsidiary undertakings**

The Company has unsecured loans with subsidiary undertakings. Details of the loans outstanding as at 31 December 2020 are shown below:

| | Amount (owed to)/due from | | | | Interest (charge)/credit | |
|---|---|---|---|---|---|---|
| Loan counterparty | 2020 | 2019 | Term | Interest rate | 2020 | 2019 |
| London Stock Exchange plc | £(209)m | £(203)m | 25 years from May 2006 with five equal annual repayments commencing in May 2027. | LIBOR plus 2% per annum | £(6)m | £(6)m |
| London Stock Exchange Employee Benefit Trust | £45m | £41m | Repayable on demand. | Non-interest bearing | – | – |
| London Stock Exchange Group Holdings (Italy) Limited | €(202)m | €(206)m | Fifth anniversary of the initial utilisation date which was April 2018. | EURIBOR plus 1.5% per annum | €(2)m | €(2)m |
| London Stock Exchange Group Holdings Limited | £175m | £272m | Fifth anniversary of the initial utilisation date which was October 2019. | LIBOR plus 1.5% per annum | £4m | £9m |
| London Stock Exchange Reg Holdings Limited | £15m | £24m | Fifth anniversary of the initial utilisation date which was July 2018. | LIBOR plus 1.2% per annum | – | – |
| London Stock Exchange (C) Limited | – | €(40)m | Fifth anniversary of the initial utilisation date which was May 2017. | EURIBOR plus 1.5% per annum | – | – |
| London Stock Exchange Group Holdings (Luxembourg) Ltd | US$(418)m | US$(227)m | Fifth anniversary of the initial utilisation date which was November 2019. | LIBOR plus 1.5% per annum | US$(6)m | US$(2)m |
| LSEG Employment Services Limited | £71m | £34m | Fifth anniversary of the initial utilisation date which was April 2020. | LIBOR plus 1.2% per annum | £1m | £1m |
| London Stock Exchange Group (Services) Limited | £217m | £197m | Fifth anniversary of the initial utilisation date which was January 2016. | LIBOR plus 0.9% per annum | £2m | £3m |

During the year, the Company charged its subsidiaries the following amounts in respect of employee share scheme expenses:

| Subsidiary company or group | 2020 £m | 2019 £m |
|---|---|---|
| LSEG Employment Services Limited | 16 | 10 |
| LCH group | 9 | 6 |
| London Stock Exchange Group Holdings Italia SpA | 5 | 4 |
| FTSE group | 4 | 4 |
| London Stock Exchange Group Holdings Inc | 7 | 5 |
| London Stock Exchange plc | 6 | 4 |
| Other | 2 | 2 |

During the year the Company received the following dividends:

| Subsidiary company | 2020 £m | 2019 £m |
|---|---|---|
| LSEGH (Luxembourg) Ltd | 55 | 60 |
| London Stock Exchange Group Holdings (Italy) Ltd | 123 | 31 |
| London Stock Exchange Group Holdings Ltd | 45 | 155 |
| London Stock Exchange plc | 193 | 218 |
| London Stock Exchange (C) Ltd | 167 | – |

The Company recognised £11 million other income (2019: £7 million) and £58 million operating expenses (2019: £72 million) with subsidiary companies in corporate recharges during the year.

At 31 December 2020, the Company had £88 million (2019: £25 million) other receivables due from subsidiary companies and other payables of £68 million (2019: £78 million) owed to subsidiary companies.

**Transactions with associates**

In the year ended 31 December 2020, the Group recognised £3 million revenue (2019: £1 million) from its associates and as at 31 December 2020, the Group had £3 million receivable from its associates (2019: £1 million).

All transactions with subsidiaries and associates were carried out on an arm's length basis.

### 34. Events after the reporting period

Business combination after the reporting date

On the 29 January 2021, the Group completed the acquisition of Refinitiv Parent Limited (Refinitiv Parent), a company incorporated in the Cayman Islands and headquartered in London and New York. Refinitiv is a leading global provider of market and financial data and infrastructure, delivering data, insight and analytics tailored to strategic workflows.

Refinitiv Parent holds an approximate 52% economic interest in Tradeweb Markets Inc. and its subsidiaries. Tradeweb Markets Inc. (Tradeweb) is a Delaware company and the holding company of Tradeweb Markets LLC, which offers electronic marketplaces for trading fixed income, derivatives, money market and equity products. Tradeweb operates as a standalone, publicly listed entity.

Under the terms of the Stock Purchase Agreement, LSEG plc (directly and through certain wholly owned subsidiaries) acquired the entire issued share capital of Refinitiv Parent and, in exchange, LSEG plc issued 204,225,968 shares (comprising 136,870,442 listed LSEG ordinary shares; and 67,355,526 unlisted LSEG limited-voting ordinary shares). The limited-voting ordinary shares rank pari passu with the LSEG ordinary shares. Based on LSEG plc's issued share capital as at completion, the total shares amounted to an economic interest in LSEG plc of approximately 37%; and less than 30% of the total voting rights in LSEG plc.

Of the total number of shares issued, 179,610,123 shares were issued on 29 January 2021 and the remaining 24,615,845 shares were issued on 1 March 2021. Assuming an equivalent value for each listed LSEG ordinary share and each unlisted LSEG limited-voting ordinary share, upon issue, the total value of the shares was £17.5 billion[1].

On completion, the Group refinanced Refinitiv third-party debt by drawing down $9.936 billion and €3.629 billion under the Bridge Facility, term loan, and the new and amended multi-currency revolving credit facilities. Further details of the facilities are provided in note 25.

The acquisition of Refinitiv is a transformational transaction, strategically and financially, and positions the Group for long-term sustainable growth. Refinitiv brings highly complementary capabilities in data, analytics and capital markets.

The combination of LSEG and Refinitiv will deliver significant benefits for customers, and in particular to:

- transform LSEG's position and create a global financial markets infrastructure leader of the future;
- strengthen LSEG's global footprint and accelerate its successful growth strategy across multiple key financial centres and jurisdictions, including in North America (the world's largest financial market), Asia and fast-growing emerging markets;
- significantly enhance LSEG's customer proposition in data and analytics, utilising the Combined Business' intellectual property to offer innovative new services;
- complement LSEG's existing multi-asset class growth strategy to create a global multi-asset class capital markets business with the addition of high-growth foreign exchange and fixed income venues; and
- deepen and expand LSEG's and Refinitiv's shared core principles of open access and customer partnership.

The Group is currently completing the steps in applying the acquisition method in terms of IFRS 3 Business Combinations, to determine what is part of the business combination transaction, to recognise and measure the identified net assets acquired and non-controlling interests; and to determine the consideration transferred.

However, given the size of the transaction and the short period of time between the completion and the date when the Annual Report is authorised for issue, the Group is unable to reasonably estimate and determine the:

- fair value of the consideration transferred;
- fair value of the net assets acquired;
- non-controlling interests in Refinitiv; and
- resulting goodwill.

As part of the fair value exercise the Group will consider the recognition criteria in terms of IFRS 3 and may identify the following classes of purchased intangible assets:

- Customer contracts and relationships;
- Technology – acquired software;
- Technology – internally developed;
- Databases and content;
- Licences; and
- Trade names.

The Group has 12 months from the date of acquisition to complete the valuation exercise.

**Disposal after the reporting date**

As a result of the completion of the Refinitiv acquisition, the disposal of the Italian Group for €4.325 billion (£3.9 billion) is expected to complete in the first half of 2021. The Italian Group will represent a disposal group and a discontinued operation within the Group's Interim results.

**Other investments**

The Group invested a further £5 million in PrimaryBid on 3 February 2021 as part of its commitment to invest a total of £10 million in the company.

1 Calculated by reference to the opening share price of LSEG ordinary shares on 29 January 2021 (£83.94) and 1 March 2021 (£96.90)

### 35. Other statutory information

Auditors' remuneration payable to Ernst and Young LLP and its associates comprise the following:

| | 2020 £m | 2019 £m |
|---|---|---|
| Audit of parent and consolidated financial statements | **2** | 1 |
| Audit of subsidiary companies | **3** | 3 |
| Non-audit services | **–** | 1 |
| **Total** | **5** | 5 |

Ernst and Young LLP provided non-audit services of £0.4 million; 8% of total fees (2019: £0.4 million; 8% of total fees). This comprised of audit related assurance services of £0.3 million (2019: £0.3 million) and other non-audit services of £0.1 million (2019: £0.1 million).

During the year, one Director (2019: one) had retirement benefits accruing under a defined benefit scheme.

Further details of the services provided by Ernst and Young LLP are given in the Report of the Audit Committee on pages 91 to 95.

Full details of Directors' emoluments are included in the Remuneration Report on pages 98 to 119.

# Notes to the financial statements continued

**Related undertakings**

A list of the Group's subsidiaries as at 31 December 2020 is given below including the percentage of each class held and the Group's ownership percentages.

The share ownership percentage records the percentage of each subsidiary's share capital owned within the LSEG Group. Shares owned directly by LSEG plc are listed as being a 'direct' shareholding, shares owned by other LSEG Group companies are listed as an 'indirect' shareholding. Where more than one LSEG Group company owns shares in a subsidiary these interests have been added together. The ultimate economic interest percentage on the other hand does not show actual share ownership. It records LSEG plc's effective interest in the subsidiary, allowing for situations where subsidiaries are owned by partly owned intermediate subsidiaries.

All subsidiaries are consolidated in the Group's financial statements.

On 29 January 2021, the all share acquisition of Refinitiv was completed. A list of the Combined Group's subsidiaries will be provided in the 2021 Annual Report.

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| Banque Centrale de Compensation SA (LCH SA) | France | 18 Rue du Quatre-Septembre, 75002, Paris, France | Ordinary | Indirect | 88.91 | 73.45 |
| Beyond Ratings | France | 18 Rue du Quatre-Septembre, 75002, Paris, France | Ordinary | Indirect | 100.00 | 100.00 |
| BIt Market Services S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect | 99.99 | 99.99 |
| Bondclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| Borsa Italiana S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect | 99.99 | 99.99 |
| Cassa Di Compensazione e Garanzia S.p.A. (CC&G) | Italy | Via Tomacelli 146, 00186 Rome, Italy | Ordinary | Indirect | 100.00 | 99.99 |
| CommodityClear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| Elite Americas LLC | United States | c/o United Agent Group Inc., 3411 Silverside Road, Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect | 100.00 | 74.99 |
| Elite Club Deal Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 74.99 |
| Elite S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect | 75.00 | 74.99 |
| Elite SIM S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect | 100.00 | 74.99 |
| EquityClear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| EuroMTS Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 62.52 |
| ForexClear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| Frank Russell Company | United States | c/o United Agent Group Inc., West 505 Riverside Avenue #500, Spokane, Spokane County, WA, 99201, United States | Common | Indirect | 100.00 | 100.00 |
| FTSE (Australia) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE (Beijing) Consulting Limited | China | Room 02D-H, 6/F Dongwai Diplomatic Building, 23 Dongzhimenwai Dajie, Beijing, China | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE (Japan) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE Americas, Inc. | United States | c/o United Agent Group Inc., 15 North Mill Street, Nyack, Rockland County, NY, 10960, United States | Ordinary | Indirect | 100.00 | 100.00 |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| FTSE China Index Ltd | Hong Kong | Suite 1106-8<br>11/F Tai Yau Building<br>No.181 Johnston Road<br>Wanchai, Hong Kong | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE Fixed Income LLC | Unites States | c/o United Agent Group Inc.,<br>3411 Silverside Road Tatnall Building<br>#104, Wilmington, New Castle County,<br>DE, 19810, United States | Member Interest | Indirect | 100.00 | 100.00 |
| FTSE Global Debt Capital Markets Inc. | Canada | c/o Miller Thomson LLP,<br>40 King Street West, Suite 5800,<br>Toronto, ON, M5H 3S1, Canada | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE Global Debt Capital Markets Limited | England and Wales | 10 Paternoster Square,<br>London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International (France) Limited | England and Wales | 10 Paternoster Square,<br>London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International (Hong Kong) Limited | Hong Kong | Suite 1106-8<br>11/F Tai Yau Building<br>No.181 Johnston Road<br>Wanchai, Hong Kong | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International (Italy) Limited | England and Wales | 10 Paternoster Square,<br>London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International (MEA) Ltd | United Arab Emirates | Unit 15501, Level 15, Gate Building,<br>DIFC, PO Box 121208,<br>Dubai, United Arab Emirates | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International Brasil Representacoes LTDA | Brazil | Edificio Argentina, Praia de Botafogo<br>228, 16 andar, Sala1617,<br>Rio de Janeiro, Brazil | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International Limited | England and Wales | 10 Paternoster Square,<br>London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE International Taiwan Limited | Taiwan | 12F, No. 100, Song Jen Road,<br>Xinyl District, Taipei 110, Taiwan | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE Italy S.p.A. | Italy | Piazza degli Affari 6, 20123,<br>Milano, Lombardia, Italy | Ordinary | Indirect | 100.00 | 100.00 |
| FTSE Mexico Sociedad de Responsabilidad Limitada de Capital Variable | Mexico | Paseo de los Tamarindos 400ª,<br>5 piso, Col. Bosques de las Lomas,<br>Mexico City, C.P. 05120, Mexico | Ordinary | Indirect | 100.00 | 100.00 |
| Gatelab Limited | England and Wales | 10 Paternoster Square,<br>London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| Gatelab S.r.l. | Italy | Via dei Pentri, 161, 86170,<br>Isernia, Italy | Ordinary | Indirect | 100.00 | 100.00 |
| globeSettle S.a.r.l. | Luxembourg | 1 Boulevard de la Foire,<br>L-1528, Luxembourg | Ordinary | Indirect | 100.00 | 100.00 |
| International Commodities Clearing House Limited | England and Wales | Aldgate House,<br>33 Aldgate High Street,<br>London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| Intrinsic Research Systems Inc. | United States | c/o United Agent Group Inc.,<br>3411 Silverside Road Tatnall Building<br>#104, Wilmington, New Castle County,<br>DE, 19810, United States | Ordinary A | Indirect | 100.00 | 100.00 |
| | | | Ordinary B | Indirect | 100.00 | 100.00 |
| LCH Limited | England and Wales | Aldgate House,<br>33 Aldgate High Street,<br>London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| LCH Group Holdings Limited | England and Wales | Aldgate House,<br>33 Aldgate High Street,<br>London, England, EC3N 1EA | Ordinary (Voting) | Indirect | 82.61 | 82.61 |
| LCH.Clearnet LLC | United States | c/o United Agent Group Inc.,<br>3411 Silverside Road Tatnall Building<br>#104, Wilmington, New Castle County,<br>Delaware, 19810, United States | Member units | Indirect | 100.00 | 82.61 |
| LCH.Clearnet Group Limited | England and Wales | Aldgate House,<br>33 Aldgate High Street,<br>London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| LCH Pensions Limited | England and Wales | Aldgate House,<br>33 Aldgate High Street,<br>London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| London Stock Exchange (C) Limited | England and Wales | 10 Paternoster Square,<br>London, England, EC4M 7LS | £ Ordinary | Direct | 100.00 | 100.00 |
| | | | € Ordinary | Direct | 100.00 | |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| London Stock Exchange Connectivity Solutions LP | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Partnership | Indirect | 100.00 | 100.00 |
| London Stock Exchange Group (Services) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| London Stock Exchange Group Holdings (Italy) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| London Stock Exchange Group Holdings (R) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| London Stock Exchange Group Holdings Italia S.p.A | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect | 100.00 | 100.00 |
| London Stock Exchange Group Holdings Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| London Stock Exchange LEI Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| London Stock Exchange Plc | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| London Stock Exchange Reg Holdings Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| LSEG (F) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG F1 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 9.10 | 100.00 |
| | | | | Indirect | 90.90 | |
| LSEG F2 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG F3 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG HK Financing Limited | Hong Kong | Suite 1106-8 11/F Tai Yau Building No.181 Johnston Road Wanchai, Hong Kong | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG (M) Financing Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Business Services Colombo (Private) Limited | Sri Lanka | Trace Expert City, Maradana, Colombo 10, Sri Lanka | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Business Services Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG (ELT) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Business Services RM S.R.L | Romania | 6F Iuliu Maniu Blvd, Building 6.1, 3rd – 4th floor, District 6, Bucharest, Romania | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Employment Services Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Financing Corporation | United States | c/o United Agent Group Inc., 3411 Silverside Road, Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Financing LLC | United States | c/o United Agent Group Inc., 3411 Silverside Road, Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member interest | Indirect | 100.00 | 100.00 |
| LSEG Information Services (US), Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Ireland Limited | Ireland | 10 Earlsfort Terrace Dublin, D02 T380, Ireland | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Ireland 2 Limited | Ireland | 1 Stokes Place, St Stephen's Green, Dublin, D02 DE03, Ireland | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Ireland 3 Limited | Ireland | 1 Stokes Place, St Stephen's Green, Dublin, D02 DE03, Ireland | Ordinary | Indirect | 100.00 | 100.00 |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| LSEG LuxCo 1 S.a.r.l | Luxembourg | 1 Boulevard de la Foire, L-1528, Luxembourg | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG LuxCo 2 S.a.r.l | Luxembourg | 1 Boulevard de la Foire, L-1528, Luxembourg | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Malaysia Sdn. Bhd. | Malaysia | Level 19-1, Menara Milenium Jalan Damanlela, Pusat Bandar Damansara, W.P. Kuala Lumpur, 50490, Malaysia | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Pension Trustees Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG Technology Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| LSEG US Holdco, Inc | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Direct | 100.00 | 100.00 |
| LSEGA Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| LSEGA2 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| LSEGA Financing plc | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| LSEGA Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Direct | 100.00 | 100.00 |
| LSEGA Jersey Limited | Jersey | 47 Esplanade, St Helier, JE1 0BD, Jersey | Ordinary | Direct | 100.00 | 100.00 |
| LSEG Netherlands B.V. | Netherlands | Keizersgracht 679, Amsterdam, 1017DV, Netherlands | Ordinary | Direct | 100.00 | 100.00 |
| LSEGH (I) LLC | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 100.00 |
| LSEGH (Luxembourg) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100.00 | 100.00 |
| LSEGH Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 100.00 |
| LSEGH US PT, Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Direct | 100.00 | 100.00 |
| LUH Financing Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Limited by guarantee | Indirect | 100.00 | 100.00 |
| Marché de Titres France (MTS France) | France | 18 Rue du Quatre-Septembre, 75002, Paris, France | Ordinary | Indirect | 100.00 | 62.52 |
| Mergent Japan K.K. | Japan | Otemachi First Square East Tower 11F, 1-5-1 Otemachi, Chiyoda-ku, Tokyo, 100-0004 | Ordinary | Indirect | 100.00 | 100.00 |
| Mergent, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 100.00 |
| Millennium Information Technologies (India) (Private) Limited | India | 83-C, Mittal Tower, Nariman Point, Mumbai 400 021, India | Ordinary | Indirect | 100.00 | 100.00 |
| Millennium IT (USA) Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Indirect | 100.00 | 100.00 |
| Millennium IT Services (Private) Limited | Sri Lanka | 65/2, Sir Chittampalam A Gardiner Mawatha, Colombo 02, Sri Lanka | Ordinary | Indirect | 100.00 | 100.00 |
| Millennium IT Software (Canada) Inc. | Canada | Suite 2400, 333 Bay Street, Toronto, Ontario, Canada | Common | Indirect | 100.00 | 100.00 |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| Millennium IT Software (Private) Limited | Sri Lanka | No.01 Millennium Drive, Malabe, Sri Lanka | Ordinary | Indirect | 100.00 | 100.00 |
| Monte Titoli S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect | 98.89 | 98.88 |
| MTS S.p.A. | Italy | Via Tomacelli, 146, 00186, Rome, Italy | Ordinary | Indirect | 62.53 | 62.52 |
| MTS Markets International Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 62.52 |
| MTSNext Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| Repoclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| SSC Global Business Services Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| Stock Exchange (Holdings) Limited (The) | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| SwapAgent Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| Swapclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| The London Clearing House Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| The London Produce Clearing House Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect | 100.00 | 82.61 |
| The London Stock Exchange Retirement Plan Trustee Company Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| The Yield Book, Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Indirect | 100.00 | 100.00 |
| Turquoise Global Holdings Europe B.V. | Netherlands | Suite 108, Nieuwezijds Voorburgwal 162, Amsterdam, 1012 SJ, Netherlands | Ordinary | Indirect | 100.00 | 51.36 |
| Turquoise Global Holdings Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary A | Indirect | 100.00 | 51.36 |
| | | | Ordinary B | - | - | - |
| Turquoise Global Holdings US, Inc. | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect | 100.00 | 51.36 |
| UK LSEG Financing Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| UK LSEG Financing 1 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| Unavista Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect | 100.00 | 100.00 |
| UnaVista TRADEcho B.V. | Netherlands | Suite 108, Nieuwezijds Voorburgwal 162, Amsterdam, 1012 SJ, Netherlands | Ordinary | Indirect | 100.00 | 100.00 |
| Yield Book Software BRE LLC | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect | 100.00 | 100.00 |
| Yield Book Tangible Property BRE LLC | United States | c/o United Agent Group Inc., 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect | 100.00 | 100.00 |

The Group's associate undertakings are:

| Associate name | Country of incorporation | Registered office address | Identity of each class of share held in the associate undertaking | Direct or indirect holding | Share ownership % held by the investing company | Group ultimate economic interest % |
|---|---|---|---|---|---|---|
| AcadiaSoft, Inc. | United States | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, 19801 United States | Convertible Preferred | Indirect | 15.67 | 15.67 |
| Curve Global Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary A | Direct | 43.99 | 43.71 |
| | | | Ordinary B | Direct | 46.01 | |
| | | | Ordinary C | - | - | |
| MTS Associated Markets S.A. | Belgium | Rue des Comédiens 16-22, 1000 Brussels, Belgium | Ordinary | Indirect | 23.30 | 14.57 |
| The Hub Exchange Limited | England and Wales | 843 Finchley Road, London, England, NW11 8NA | Ordinary | Indirect | 30.03 | 22.52 |

The Group has significant influence over AcadiaSoft, Inc. due to its right to appoint three of the company's directors.

All associates have the same year end as the Group, with the exception of The Hub Exchange Limited which has a 31 January year end.

# LSEG 2019 Financial Statements

# Independent Auditor's Report to the members of London Stock Exchange Group plc

### Opinion

In our opinion:

– London Stock Exchange Group plc's (the "Company", the "Group") consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;

– the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU);

– the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006; and

– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of London Stock Exchange Group plc which comprise:

| Group | Parent company |
|---|---|
| Consolidated balance sheet as at 31 December 2019 | Balance sheet as at 31 December 2019 |
| Consolidated income statement for the year then ended | Statement of changes in equity for the year then ended |
| Consolidated statement of comprehensive income for the year then ended | Cash flows statements for the year then ended |
| Consolidated statement of changes in equity for the year then ended | Related notes 1 to 36 to the financial statements including a summary of significant accounting policies |
| Consolidated cash flows statements for the year then ended | |
| Related notes 1 to 36 to the financial statements, including a summary of significant accounting policies | |
| Tables within the Directors' Remuneration Report identified as 'audited' on pages 98 to 128. | |

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

– the disclosures in the Annual Report set out on pages 60–73 that describe the principal risks and explain how they are being managed or mitigated;

– the directors' confirmation set out on page 131 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;

– the directors' statement set out on page 133 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements

– whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

– the directors' explanation set out on page 132 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

### Overview of our audit approach

| | |
|---|---|
| **Key audit matters** | – Risk that goodwill and purchased intangible assets may be impaired<br>– Risk that expenses related to internally developed software are capitalised inappropriately, or that internally developed software is impaired<br>– Risk of fraud in recognition of revenue in secondary capital markets trading, revenue share for clearing arrangements, and information services revenue accruals within the FTSE Russell business |
| **Audit scope** | – We performed an audit of the complete financial information of seven components and audit procedures on specific balances for a further 12 components.<br>– The components where we performed full or specific audit procedures accounted for 91% of unadjusted pre-tax profit, 91% of adjusted pre-tax profit, 97% of revenue and 100% of total assets. |
| **Materiality** | – Overall Group materiality is £40.7 million which represents 5% of adjusted pre-tax profit from continuing operations, calculated by including the impact of the amortisation of purchased intangible assets, but excluding other non-underlying items as disclosed in note 8 of the financial statements. |

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Risk that goodwill and purchased intangible assets may be impaired**<br><br>*Balance of £3.9 billion, prior year comparative £4.2 billion*<br><br>*Impairment charge of £15 million, prior year comparative £Nil.*<br><br>The Group holds significant intangible assets on its balance sheet, including goodwill, customer relationships, brands, software licenses, and intellectual property.<br><br>We have determined the valuation of these intangible assets to be a key audit matter due to the size of the goodwill and purchased intangible assets as at 31 December 2019 and the involvement of significant judgement by management in determining the valuation of the intangible assets.<br><br>On an annual basis, management are required to perform an impairment assessment for goodwill, and to assess for indicators of impairment in respect of purchased intangible assets. Where indicators of impairment of purchased intangible assets are identified, a full impairment assessment is performed. These assessments involve significant management judgement in the application of valuation models and assumptions.<br><br>The following significant judgements and estimates used in the valuation models could be selected inappropriately:<br><br>– Weighted-average cost of capital (WACC)<br>– Long-term growth rates (LTGR)<br>– Cash flow forecasts<br>– Amortisation periods for purchased intangible assets<br>– Customer retention rates<br><br>As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management.<br><br>*Refer to the Report of the Audit Committee (page 90); Accounting policies (page 151); and Notes 4 and 14 of the Financial Statements (pages 164 and 173–175)*<br><br>The risk has neither increased nor decreased in the current year. | We have confirmed our understanding of the impairment assessment process and assessed the design effectiveness of key controls, concluding that a substantive audit approach should be adopted.<br><br>The following procedures were performed in order to determine the acceptable range of the carrying value of goodwill and purchased intangible assets:<br><br>For material cash generating units (CGU), we examined the cash flow forecasts which support management's impairment assessment and tested compliance with the requirements of IAS 36 'Impairment of Assets'. We tested the reasonableness of those forecasts and the evidence supporting the underlying assumptions, by comparing to Board-approved budgets which were challenged by considering prior periods' budget accuracy, comparing the expected growth rates to relevant market expectations, and considering recent market developments including changes in tax rates.<br><br>In respect of purchased intangible assets, we tested and challenged management's assessment as to whether indicators of impairment exist as at the balance sheet date, by reference to factors specific to each class of assets and our understanding of the business. Examples included back-testing customer retention rates within specific business lines and the current returns made on intellectual property.<br><br>We tested the WACC discount rates assigned to each of the CGUs, as well as the LTGR, with reference to our understanding of the business, comparisons to other similar companies and broader market considerations.<br><br>The WACC discount rates and LTGR applied within each impairment model were critically assessed by EY valuation specialists, including comparison to economic and industry forecasts where appropriate. We considered evidence available to support the WACC discount rates and LTGR used, and assessed consistency with findings from other areas of the audit. Using EY valuation specialists, we assessed specific inputs in the determination of the WACC discount rates, including the risk-free rate, equity beta and market/size premium, along with gearing and cost of debt. We benchmarked the inputs against observed risk rates in the markets where the Group operates.<br><br>We also obtained the sensitivity analysis prepared by management on the cash flow forecasts and other key inputs to the impairment model (including WACC discount rates, LTGR and customer retention rates), and further sensitised the analysis to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the goodwill and purchased intangible assets at the balance sheet date.<br><br>We also assessed the appropriateness of the remaining amortisation period by comparing management's forecasts against historic data.<br><br>In addition to the above procedures, we performed journal entry testing in order to identify and test the risk of misstatement arising from management override of controls.<br><br>We performed full scope audit procedures over this risk area in nine components, which covered 100% of the risk amount. | We concluded that the WACC discount rates, LTGR, customer retention rates and cash flow forecasts used by management in the impairment assessment are within a reasonable range as at 31 December 2019.<br><br>We identified that the goodwill allocated to the Turquoise Global Holdings Limited and Mergent Inc. CGUs was impaired by £8 million and £6 million, respectively. The value in use of the Mergent CGU is equal to the carrying value and as such, the remaining carrying value of goodwill is sensitive to changes in revenue from customers.<br><br>We did not identify any additional factors that would lead to a revision of the amortisation periods applied for purchased intangible assets.<br><br>We are satisfied that the carrying values of goodwill and purchased intangible assets are reasonable and the related disclosures are compliant with IFRS as adopted by the EU.<br><br>We have completed our procedures and have no material findings to report with the exception of Mergent as outlined above. |

# Independent Auditor's Report to the members of London Stock Exchange Group plc (continued)

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Risk that expenses related to internally developed software are capitalised inappropriately, or that internally developed software is impaired**<br><br>*Balance of £0.5 billion, prior year comparative £0.5 billion*<br><br>The capitalisation of expenses to internally developed software involves management's judgement, when making their assessment of capitalisation against criteria set out in IFRS as adopted by the EU.<br><br>The Group is required to review capitalised software assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives.<br><br>Where indicators of impairment are identified a full impairment assessment is performed at the reporting date. Such assessments involve management judgement in the application of valuation models and assumptions.<br><br>In addition, as internally generated assets move closer to the end of their useful life, the risk of impairment may increase.<br><br>The following significant judgements and estimates used in the valuation models could be selected inappropriately:<br><br>– Weighted-average cost of capital (WACC)<br>– Long-term growth rates (LTGR)<br>– Cash flow forecasts<br>– Amortisation periods for internally developed software<br><br>As a consequence, there is a greater risk of misstatement in this balance, either by fraud or error, including through the potential override of controls by management.<br><br>*Refer to the Report of the Audit Committee (page 90); Accounting policies (page 151); and Note 14 of the Financial Statements (pages 173–175)*<br><br>The risk has neither increased nor decreased in the current year. | We confirmed our understanding of the capitalisation and impairment assessment processes and assessed the design and operating effectiveness of key controls. We concluded that the controls were designed, implemented and operating effectively, and therefore took a controls-reliance approach.<br><br>For a sample of additions, we have agreed amounts capitalised to underlying documentation, including, as appropriate, timesheets, invoices and other evidence to confirm that the costs were incurred, and meet the capitalisation criteria of IAS 38 'Intangible Assets'.<br><br>For a sample of assets not yet brought into use we have tested and challenged management's assessment for indicators of impairment, and where a full impairment assessment had been carried out, we tested the key assumptions used within the assessment, such as the WACC discount rates, LTGR and cash flow forecasts. We have also gained an understanding of the status of related projects through enquiries of management and assessment of recent additions and reviewed project progress reports for potential indicators of impairment.<br><br>We also reviewed sensitivity analysis performed by management and performed higher degree sensitivity analysis on the cash flow forecasts and other key inputs to the impairment model (including WACC discount rates and LTGR), to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the internally developed software at the balance sheet date.<br><br>We have tested the appropriateness of the amortisation period based on economic lives and management's best estimates of future performance, amortisation method and residual values.<br><br>We have, in addition, performed journal entry testing in order to identify and test the risk of misstatement arising from management override of controls.<br><br>We performed full and specific scope audit procedures over this risk area in nine components, which covered 91.8% of the risk amount. | We concluded that the assessment performed by management met the capitalisation criteria set out in IFRS as adopted by the EU.<br><br>Where indicators of impairment had been identified and a full impairment assessment had been prepared, we concluded that the WACC discount rates, LTGR, and cash flow forecasts used by management in the impairment assessment are within a reasonable range as at 31 December 2019.<br><br>We did not identify any material indicators of impairment for internally developed software which had not already been impaired by management.<br><br>We did not identify any additional factors that would lead to a revision of the remaining useful lives applied for internally developed software.<br><br>Based on the procedures performed, we are satisfied that the carrying value of internally developed software have been adequately accounted for and disclosed in the financial statements. |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Risk of fraud in recognition of revenue in secondary capital markets trading, revenue share for clearing arrangements, and information services revenue accruals within the FTSE Russell business**<br><br>*Secondary capital markets – Balance of £0.2 billion, prior year comparative £0.2 billion*<br><br>*Revenue share for clearing arrangements – Balance of £(0.1) billion, prior year comparative £(0.1) billion*<br><br>*Information services revenue accruals – Balance of £0.1 billion, prior year comparative £0.1 billion*<br><br>Compensation tied to the performance of the entity may create an incentive for management to manipulate results.<br><br>We have determined this to be a key audit matter having identified three revenue streams with heightened risk of misstatement:<br>– Secondary capital markets revenue (for certain business lines) involves multiple pricing structures based on product types, customer activity and volumes. This complexity leads to a heightened risk that revenue may not be recognised appropriately, either as a result of fraud, or error.<br>– Contracts relating to revenue sharing in respect of clearing arrangements, between the Group's central counterparty (CCPs) and third party participants, in some cases, involve complex calculations to determine the appropriate level of revenue to recognise within the Group.<br>– Information services revenue accruals (presented within contract assets) can require estimation, for instance based on prior billings or preliminary usage.<br><br>As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management.<br><br>*Refer to the Report of the Audit Committee (page 90); Accounting policies (page 151); and Note 5 of the Financial Statements (pages 164–167)*<br><br>The risk on information services revenue accruals has been focussed on the accruals within the FTSE Russell business given the increased element of estimation compared to other revenue accruals within the information services division which are based on known amounts.<br><br>The risk on secondary capital markets trading and revenue share for clearing arrangements has neither increased nor decreased in the current year. | We confirmed our understanding of the secondary capital markets trading, revenue share clearing arrangements and FTSE Russell revenue accruals processes, and evaluated the design effectiveness of key controls.<br><br>We evaluated whether the revenue recognition policy is appropriate and in accordance with IFRS as adopted by the EU.<br><br>We also performed cut-off testing to gain assurance that revenue was recognised in the correct period.<br><br>**Secondary capital markets trading**<br>For the secondary capital markets trading process, we performed testing of the operating effectiveness of key controls in one full scope component. For this component, we concluded that the controls were designed, implemented and operating effectively, and therefore took a controls-based approach. We adopted a substantive audit approach in the other in-scope components.<br><br>We increased our standard sample size for transactional testing to respond to the risk of fraud. We agreed a random selection of transactions back to supporting audit evidence, such as invoices and cash receipts. We also recalculated the fee charged and checked back to the pricing policy and relevant tariff schedule.<br><br>We reconciled trading platform data to the general ledger and tested material manual journals.<br><br>We also used analytical tools to identify outliers in large volumes of transactional data for focused follow-up testing. This analysis included comparing the fee per transaction to volume (notional) traded and investigating any particularly high values which were highlighted as outliers to the overall population.<br><br>**Revenue share for clearing arrangements**<br>We confirmed our understanding of the revenue share clearing arrangement process and accordingly adopted a substantive audit approach for the material revenue share arrangements.<br><br>We tested revenue sharing calculations for the material business lines by agreeing key terms with the underlying contracts.<br><br>We also used analytical procedures in the analysis of the related revenue streams. This included analysing monthly trading volumes and their correlation with monthly revenue recognised; any anomalies identified were investigated.<br><br>**Information services revenue accruals within the FTSE Russell business**<br>We adopted a substantive audit approach in relation to the information services revenue accruals process.<br><br>We selected a sample of revenue accruals using a lower testing threshold when compared to our standard testing approach. For the selected samples, we obtained supporting evidence, including subsequent billing or payment evidence and customer consent, for accrued amounts.<br><br>For revenue based on assets under management ("AUM"), we tested the calculations on a statistical sample basis and checked back to the supporting agreements. We also validated the AUM used in the calculations to an independent third party source or customer declaration.<br><br>For Q4 accruals based on Q3 information, we tested the appropriateness of using Q3 information for purposes of the year end accruals. We also performed corroborative testing to invoices raised post year end and cash collected where applicable.<br><br>For all revenue streams and revenue accruals listed above, we performed analytical procedures and journal entry testing in order to identify and test the risk of misstatement arising from management override of controls.<br><br>We performed full and specific scope audit procedures over this risk area in seven components, which covered 99.2% of the risk amount. | Based on the procedures performed, we concluded that revenue related to secondary capital markets trading, revenue share for clearing arrangements, and information services revenue accruals within the FTSE Russell business has been recognised appropriately in accordance with IFRS as adopted by the EU. |

In the prior year, our auditor's report included a key audit matter in relation to **"Application of IFRS 15 to primary capital markets admission fees"**. As the application of IFRS 15 to primary capital markets admission fees had been fully implemented prior to the start of the current period, the audit team did not assess this to be a key audit matter for the 2019 audit.

# Independent Auditor's Report to the members of London Stock Exchange Group plc (continued)

**An overview of the scope of our audit**

**Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Group financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal Audit findings when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 96 reporting components of the Group, we selected 19 components covering entities headquartered within the United Kingdom, United States of America, Italy, France and Sri Lanka, which represent the principal business units within the Group.

Of the 19 components selected, we performed an audit of the complete financial information of seven components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 12 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the Group financial statements either because of the size of these accounts or their risk profile.

| Scope | Procedures performed by | Number of components |
|---|---|---|
| Full | Primary team | 4 |
| Full | Component teams | 3 |
| Specific | Primary team | 10 |
| Specific | Component team | 2 |
| **Total** | | **19** |

Details of the five components which were audited by component teams are set out below:

| Component | Headquartered location | Scope | Auditor |
|---|---|---|---|
| London Stock Exchange Group Holdings Italy S.p.A. | Italy | Full | EY |
| LSEG US Holdco Inc.[1] | United States of America | Full | EY |
| LCH S.A. | France | Full | EY and BDO |
| LSEGH Inc | United States of America | Specific | EY |
| Millennium Information Technologies (Private) Limited | Sri Lanka | Specific | EY |

1. Some specific accounts within LSEG US Holdco Inc. were audited by the EY primary audit team

The reporting components where we performed audit procedures accounted for 91% (2018: 95%) of the Group's pre-tax profit, 91% (2018: 95%) of the Group's adjusted pre-tax profit measure used to calculate materiality (see page 139 below), 97% (2018: 97%) of the Group's Revenue and 100% (2018: 100%) of the Group's Total assets.

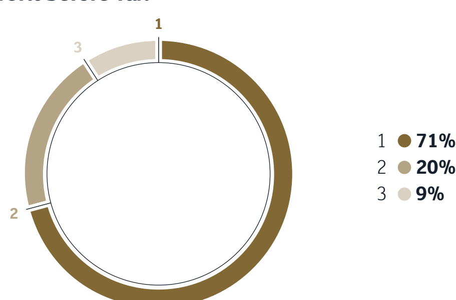
For the current year, the full scope components contributed 71% (2018: 75%) of the Group's pre-tax profit, 70% (2018: 77%) of the Group's adjusted pre-tax profit, 95% (2018: 95%) of the Group's Revenue and 100% (2018: 100%) of the Group's Total assets.

The specific scope component contributed 20% (2018: 20%) of the Group's pre-tax profit, 21% (2018: 18%) of the Group's adjusted pre-tax profit, 2% (2018: 2%) of the Group's Revenue and less than 1% (2018: less than 1%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

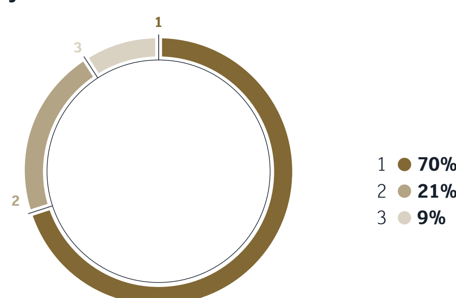
The remaining 77 components together represent less than 9% of the Group's pre-tax profit, adjusted pre-tax profit, revenue and total assets. For these components we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations, to respond to potential risks of material misstatement to the Group financial statements

The charts below illustrate the coverage obtained from the work performed by our audit teams.

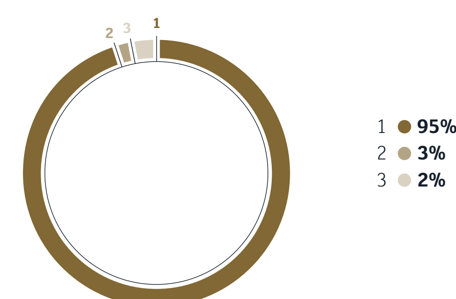
**Profit before Tax***



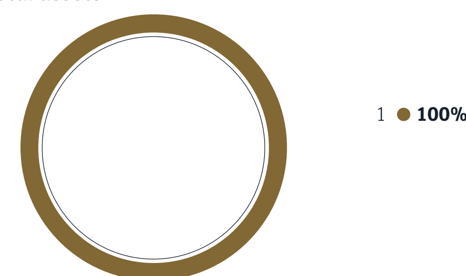

**Adjusted Profit before Tax***




**Revenue**




**Total assets**




1 Full 2 Specific 3 Out of Scope

* The percentages were calculated based on absolute values

### Changes from the prior year

All full scope components remained consistent. In the prior year, we identified 14 specific scope components. Specific scope components have been re-assessed as the contribution of these smaller parts of the business to the Group financial statements varies each year.

### Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms or other firms operating under our instruction.

Of the seven full scope components, audit procedures were performed on four of these directly by the primary audit team. For the three full scope and one specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits the principal locations of the Group.

During the current year's audit cycle, visits were undertaken by the Senior Statutory Auditor and/or other senior members of the primary audit team to the following locations:

| Component | Location | Scope | Number of visits |
|---|---|---|---|
| London Stock Exchange Group Holdings Italy S.p.A | Milan, Italy | Full | 2 |
| LSEG US Holdco Inc.<br>LSEGH Inc | New York,<br>United States of America | Full<br>Specific | 2 |
| LCH S.A | Paris, France | Full | 2 |
| Millennium Information Technologies Limited | Colombo, Sri Lanka | Specific | 1 |

These visits involved discussing the audit approach with the component team and any issues arising from their work, as well as meeting with local management. In addition, we participated in planning and closing meetings and reviewed selected key audit working papers. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

**Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined overall materiality for the Group to be £40.7 million (2018: £35.5 million), which is 5% (2018: 5%) of adjusted pre-tax profit from continuing operations, calculated by including the impact of amortisation of purchased intangible assets, but excluding other non-underlying items as disclosed in note 8 of the financial statements.

We consider the basis of our materiality to be one of the important considerations for shareholders of the Company in assessing the financial performance of the Group. It is linked to the key earnings measures discussed when the Group presents the financial results. In addition to non-underlying items, the Group also excludes amortisation of purchased intangibles to present adjusted operating profit; this amount is not excluded from our materiality calculation.

We determined materiality for the parent company to be £46.5 million (2018: £7.1 million), which is 1% of equity. We believe that equity is an appropriate basis to determine materiality given the nature of the parent company as the investment holding company of the Group. Any balances in the parent company financial statements that were relevant to our Group audit were audited using an allocated performance materiality. The allocated materiality is based on the relative scale and risk of the parent company to the Group as a whole, and our assessment of the risk of misstatement. The reason for the increase in the parent company materiality is due to a change in basis. In 2018, we determined materiality for the parent company based on the allocated performance materiality for purposes of the Group audit.

Our overall materiality threshold provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. Our evaluation of materiality requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition.

| | |
|---|---|
| **Starting basis** | – £650.7 million<br>– Profit before tax from continuing operations |
| **Adjustments** | – £163.6 million<br>– Exclude non-underlying items, mostly costs related to the proposed acquistion of Refinitiv and other potential M&A transactions, and costs related to the cost savings programme |
| **Adjusted basis** | – £814.3 million<br>– Adjusted pre-tax profit from continuing operations but including amortisation of purchased intangible assets |
| **Materiality** | – Materiality of £40.7 million (5% of materiality basis) |

During the course of our audit, we reassessed initial materiality and made adjustments based on the final financial performance of the Group.

# Independent Auditor's Report to the members of London Stock Exchange Group plc (continued)

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2018: 50%) of our planning materiality, namely £20.4 million (2018: £17.8 million). We have set performance materiality at this percentage (which is the lowest in the range) due to misstatements which were identified in the prior year audit. Our approach is designed to have a reasonable probability of ensuring that the total of uncorrected and undetected misstatements does not exceed our overall materiality of £40.7 million (2018: £35.5 million) for the Group financial statements as a whole.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component.

In the current year, the performance materiality allocated to components was as follows:

| Component | Allocated performance materiality £m |
|---|---|
| London Stock Exchange Group plc | 7.6 |
| London Stock Exchange plc | 13.2 |
| LCH Limited | 11.2 |
| LCH S.A. | 7.6 |
| London Stock Exchange Group Holdings Italy S.p.A. | 10.2 |
| LSEG US Holdco, Inc. | 13.2 |
| FTSE International Limited | 10.2 |
| All specific scope components | 4.1 |

### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.3 million (2018: £1.8 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Other information

The other information comprises the information included in the annual report set out on pages 2 to 133 including the Strategic Report (including Highlights, Chair's Statement, CEO's statement, What we do – our business model, Overview of Group activities, Market trends and our response, Strategy in action, Executive management team, Segmental review, Supporting sustainable growth, Board engagement with stakeholders, How the Board has complied with Section 172(1)of the Companies Act 2006, Financial review, and Principal risks and uncertainties), Governance information and disclosures (including Board of Directors, Corporate governance, Complying with the provisions of the Code, Report of the Nomination Committee, Report of the Audit Committee, Report of Risk Committee, Directors' Remuneration Report, Directors' Report and Statement of Directors' responsibilities), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

– **Fair, balanced and understandable set out on page 133** – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

– **Audit Committee reporting set out on pages 90–95** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the Audit Committee or is materially inconsistent with our knowledge obtained in the audit; or

– **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 78, 85–87, 129** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

– the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

– the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

– adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

– the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

– certain disclosures of directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 133, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company, or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

– We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the UK Companies Act 2006, UK Corporate Governance Code 2016, The Financial Conduct Authority's ("FCA") Listing Rules, other relevant FCA rules and regulations, and tax legislation (governed by HM Revenue and Customs).

– We understood how the Group is complying with those frameworks by making enquiries of senior management, including the Group General Counsel, the Chief Risk Officer, the Group Head of Compliance and the Group Head of Internal Audit. We also reviewed significant correspondence between the Group and regulatory bodies, reviewed minutes of the Board, Risk Committee, and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework and the Board's review of the Group's risk management framework and internal control processes.

– We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the Group, or that otherwise seek to prevent, deter or detect fraud. We also considered performance and incentive plan targets and their potential to influence management to manage earnings or influence the perceptions of investors.

– Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of senior management, legal counsel, the compliance officer and internal audit, review of significant correspondence with regulatory bodies and minutes of meetings of the Board and certain Board committees, and focused testing, as referred to in the key audit matters section above.

# Independent Auditor's Report to the members of London Stock Exchange Group plc (continued)

– The Group operates in the exchange and CCP industries which are regulated environments. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of experts where appropriate.

– The FCA has regulatory oversight over London Stock Exchange plc and certain other entities within the Group. The Bank of England ("BOE") supervises CCPs in the UK and therefore regulates LCH Limited. In addition, local regulatory bodies in France and Italy regulate other subsidiaries of the Group, including: LCH SA which is regulated by L'Autorité de Contrôle Prudentiel et de Résolution ("ACPR"), Banque de France ("BDF") and the Autorité des Marchés Financiers ("AMF"); and Borsa Italiana S.p.A., Cassa Di Compensazione e Garanzia S.p.A. ("CC&G"), EuroTLX SIM S.p.A., MTS Società per il Mercato dei Titoli di Stato S.p.A. ("MTS") Monte Titoli S.p.A. and Elite SIM S.p.A. which are all regulated by Commissione Nazionale per le Società e la Borsa and Banca d'Italia.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

### Other matters we are required to address

– We were appointed by the Company on 12 June 2014 to audit the financial statements for the nine months period ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is six years, covering the nine months period ended 31 December 2014 to the year ended 31 December 2019.

– The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

– The audit opinion is consistent with the additional report to the Audit Committee.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Maurice McCormick (Senior Statutory Auditor)**
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 February 2020

**Notes**

1. The maintenance and integrity of the London Stock Exchange Group plc web site 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 web site
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

# Consolidated income statement

| Year ended 31 December 2019 | | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Underlying £m | Non-underlying £m | Total £m | Underlying £m | Non-underlying £m | Total £m |
| **Continuing operations** | | | | | | | |
| **Revenue** | 5 | **2,056** | **–** | **2,056** | 1,911 | – | 1,911 |
| **Net treasury income from CCP clearing business** | 5 | **255** | **–** | **255** | 218 | – | 218 |
| **Other income** | 5 | **3** | **–** | **3** | 6 | – | 6 |
| **Total income** | | **2,314** | **–** | **2,314** | 2,135 | – | 2,135 |
| Cost of sales | 5 | **(210)** | **–** | **(210)** | (227) | – | (227) |
| **Gross profit** | | **2,104** | **–** | **2,104** | 1,908 | – | 1,908 |
| **Expenses** | | | | | | | |
| Operating expenses before depreciation, amortisation and impairment | 6, 8 | **(839)** | **(132)** | **(971)** | (834) | (21) | (855) |
| Income from equity investments | 5, 19 | **7** | **–** | **7** | – | – | – |
| Share of loss after tax of associates | 5, 15 | **(7)** | **–** | **(7)** | (8) | – | (8) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | | **1,265** | **(132)** | **1,133** | 1,066 | (21) | 1,045 |
| Depreciation, amortisation and impairment | 8, 13, 14 | **(200)** | **(195)** | **(395)** | (135) | (159) | (294) |
| **Operating profit/(loss)** | | **1,065** | **(327)** | **738** | 931 | (180) | 751 |
| Finance income | | **14** | **–** | **14** | 13 | – | 13 |
| Finance expense | | **(85)** | **(16)** | **(101)** | (79) | – | (79) |
| Net finance expense | 8, 9 | **(71)** | **(16)** | **(87)** | (66) | – | (66) |
| **Profit/(loss) before tax** | | **994** | **(343)** | **651** | 865 | (180) | 685 |
| **Taxation** | 8, 10 | **(236)** | **50** | **(186)** | (187) | 55 | (132) |
| **Profit/(loss) for the year** | | **758** | **(293)** | **465** | 678 | (125) | 553 |
| **Profit/(loss) attributable to:** | | | | | | | |
| Equity holders | | **699** | **(282)** | **417** | 603 | (123) | 480 |
| Non-controlling interests | | **59** | **(11)** | **48** | 75 | (2) | 73 |
| **Profit/(loss) for the year** | | **758** | **(293)** | **465** | 678 | (125) | 553 |
| **Earnings per share attributable to equity holders** | | | | | | | |
| Basic earnings per share | 11 | | | **119.5p** | | | 138.3p |
| Diluted earnings per share | 11 | | | **118.1p** | | | 136.0p |
| Adjusted basic earnings per share | 11 | | | **200.3p** | | | 173.8p |
| Adjusted diluted earnings per share | 11 | | | **198.0p** | | | 170.8p |
| **Dividend per share in respect of the financial year** | | | | | | | |
| Dividend per share paid during the year | 12 | | | **20.1p** | | | 17.2p |
| Dividend per share declared for the year | 12 | | | **49.9p** | | | 43.2p |

The notes on pages 150 to 203 form an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

| Year ended 31 December 2019 | Notes | 2019 £m | 2018 £m |
|---|---|---|---|
| **Profit for the financial year** | | **465** | 553 |
| **Other comprehensive income:** | | | |
| **Items that will not be subsequently reclassified to profit or loss** | | | |
| Defined benefit pension scheme remeasurement gain/(loss) | 18 | **7** | (12) |
| Income tax relating to these items | 10 | **–** | 5 |
| | | **7** | (7) |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Net gains/(losses) on net investment hedges | 19 | **71** | (55) |
| Debt instruments at fair value through other comprehensive income: | | | |
| – Net gains/(losses) from changes in fair value | | **16** | (21) |
| – Net (gains)/losses reclassified to the consolidated income statement on disposal | | **(2)** | 4 |
| Exchange (losses)/gains on translation of foreign operations | | **(218)** | 168 |
| Income tax relating to these items | 10 | **(5)** | 4 |
| | | **(138)** | 100 |
| **Other comprehensive income net of tax** | | **(131)** | 93 |
| **Total comprehensive income for the year** | | **334** | 646 |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Equity holders | | **298** | 572 |
| Non-controlling interests | | **36** | 74 |
| **Total comprehensive income for the year** | | **334** | 646 |

The notes on pages 150 to 203 form an integral part of these consolidated financial statements.

# Balance sheets

| At 31 December 2019 | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | **288** | 149 | **–** | – |
| Intangible assets | 14 | **4,421** | 4,687 | **–** | – |
| Investment in associates | 15 | **28** | 25 | **12** | 7 |
| Investment in subsidiary companies | 16 | **–** | – | **6,750** | 6,506 |
| Deferred tax assets | 17 | **49** | 42 | **–** | – |
| Investments in financial assets | 19 | **266** | 31 | **–** | – |
| Retirement benefit asset | 18 | **66** | 46 | **–** | – |
| Trade and other receivables | 19, 21 | **19** | 33 | **41** | 25 |
| | | **5,137** | 5,013 | **6,803** | 6,538 |
| **Current assets** | | | | | |
| Trade and other receivables | 19, 21 | **566** | 785 | **668** | 600 |
| Derivative financial instruments | 19 | **2** | – | **2** | – |
| Clearing member financial assets | | **729,094** | 764,411 | **–** | – |
| Clearing member cash and cash equivalents | | **67,118** | 70,927 | **–** | – |
| Clearing member assets | 19 | **796,212** | 835,338 | **–** | – |
| Current tax | | **160** | 147 | **–** | – |
| Investments in financial assets | 19 | **81** | 53 | **–** | – |
| Cash and cash equivalents | 22 | **1,493** | 1,510 | **2** | 6 |
| | | **798,514** | 837,833 | **672** | 606 |
| **Total assets** | | **803,651** | 842,846 | **7,475** | 7,144 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 19, 23 | **620** | 538 | **712** | 402 |
| Contract liabilities | 25 | **157** | 153 | **–** | – |
| Derivative financial instruments | 19 | **1** | 30 | **1** | 30 |
| Clearing member liabilities | 19 | **796,102** | 835,508 | **–** | – |
| Current tax | | **127** | 61 | **–** | – |
| Borrowings | 19, 26 | **512** | 561 | **504** | 544 |
| Provisions | 28 | **19** | 2 | **–** | – |
| | | **797,538** | 836,853 | **1,217** | 976 |
| **Non-current liabilities** | | | | | |
| Borrowings | 19, 26 | **1,573** | 1,642 | **1,573** | 1,642 |
| Derivative financial instruments | 19 | **39** | 17 | **39** | 17 |
| Contract liabilities | 25 | **88** | 118 | **–** | – |
| Deferred tax liabilities | 17 | **432** | 475 | **–** | – |
| Retirement benefit obligations | 18 | **17** | 22 | **–** | – |
| Other non-current payables | 19, 23 | **150** | 11 | **–** | – |
| Provisions | 28 | **13** | 10 | **–** | – |
| | | **2,312** | 2,295 | **1,612** | 1,659 |
| **Total liabilities** | | **799,850** | 839,148 | **2,829** | 2,635 |
| **Net assets** | | **3,801** | 3,698 | **4,646** | 4,509 |

# Balance sheets (continued)

| At 31 December 2019 | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| **Equity** | | | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | | | |
| Ordinary share capital | 29 | **24** | 24 | **24** | 24 |
| Share premium | 29 | **967** | 965 | **967** | 965 |
| Retained earnings | | **668** | 424 | **1,836** | 1,701 |
| Other reserves | | **1,796** | 1,930 | **1,819** | 1,819 |
| **Total shareholders' funds** | | **3,455** | 3,343 | **4,646** | 4,509 |
| **Non-controlling interests** | | **346** | 355 | **–** | – |
| **Total equity** | | **3,801** | 3,698 | **4,646** | 4,509 |

The Company recorded profit for the year of £301 million (2018: £141 million).

The notes on pages 150 to 203 form an integral part of these consolidated financial statements.

The financial statements on pages 143 to 203 were approved by the Board on 27 February 2020 and signed on its behalf by:

**David Schwimmer**
Chief Executive Officer

**David Warren**
Chief Financial Officer

28 February 2020
London Stock Exchange Group plc
Registered number 5369106

# Cash flow statements

| Year ended 31 December 2019 | Notes | Group 2019 £m | Group 2018 £m | Company 2019 £m | Company 2018 £m |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Cash generated from/(used in) operations | 30 | **1,089** | 969 | **(196)** | 39 |
| Interest received | | **6** | 3 | **1** | 1 |
| Interest paid | | **(103)** | (76) | **(91)** | (67) |
| Royalties paid | | **(2)** | (2) | **–** | – |
| Corporation tax paid | | **(153)** | (173) | **–** | – |
| Withholding tax received | | **–** | 1 | **–** | – |
| **Net cash inflow/(outflow) from operating activities** | | **837** | 722 | **(286)** | (27) |
| **Cash flow from investing activities** | | | | | |
| Purchase of property, plant and equipment | 13 | **(41)** | (50) | **–** | – |
| Purchase of intangible assets | 14 | **(154)** | (144) | **–** | – |
| Proceeds from sale of businesses[1] | | **30** | 58 | **–** | – |
| Cash disposed as part of the sale of businesses | | **–** | (2) | **–** | – |
| Acquisition of business, net of cash acquired[2] | 32 | **(14)** | 3 | **–** | – |
| Investment in subsidiaries | 16 | **–** | – | **(244)** | (408) |
| Investment in associates | 15 | **(11)** | (28) | **(11)** | (12) |
| Investments in financial assets classed as FVOCI | 19 | **(247)** | – | **–** | – |
| Investment in government bonds | | **(3)** | – | **–** | – |
| Dividends received | | **–** | – | **464** | – |
| **Net cash (outflow)/inflow from investing activities** | | **(440)** | (163) | **209** | (420) |
| **Cash flow from financing activities** | | | | | |
| Dividends paid to shareholders | 12 | **(221)** | (189) | **(221)** | (189) |
| Dividends paid to non-controlling interests | | **(40)** | (42) | **–** | – |
| Purchase of non-controlling interests[3] | | **(9)** | (452) | **–** | – |
| Loans to subsidiary companies | | **–** | – | **(10)** | – |
| Repayments received on loans to subsidiary companies | | **–** | – | **110** | 335 |
| Loans from subsidiary companies | | **–** | – | **447** | 74 |
| Repayment of loans to subsidiary companies | | **–** | – | **(247)** | – |
| Purchase of own shares by the employee benefit trust | | **(5)** | (4) | **–** | – |
| Proceeds from exercise of employee share options | | **5** | 7 | **5** | 6 |
| Issue of convertible debt to external party | | **(4)** | – | **–** | – |
| Loan to associate | | **(1)** | – | **–** | – |
| Arrangement fee paid | | **–** | (4) | **–** | (4) |
| Proceeds from the issue of bonds | | **–** | 445 | **–** | 445 |
| Bond repayment | | **(250)** | – | **(250)** | – |
| Proceeds from the issue of commercial paper | | **–** | 255 | **–** | 255 |
| Repayments made towards bank credit facilities | | **(35)** | (489) | **(26)** | (474) |
| Additional drawdowns from bank credit facilities | | **261** | – | **261** | – |
| Principal element of lease payments (2018: Payments towards lease obligations) | | **(41)** | (2) | **–** | – |
| **Net cash (outflow)/inflow from financing activities** | | **(340)** | (475) | **69** | 448 |
| **Increase/(decrease) in cash and cash equivalents** | | **57** | 84 | **(8)** | 1 |
| Cash and cash equivalents at beginning of year | | **1,510** | 1,382 | **6** | 4 |
| Exchange (loss)/gain on cash and cash equivalents | | **(74)** | 44 | **4** | 1 |
| **Cash and cash equivalents at end of year** | | **1,493** | 1,510 | **2** | 6 |

The notes on pages 150 to 203 form an integral part of these consolidated financial statements.

The Group's net cash inflow from operating activities of £837 million includes £98 million of expenses related to non-underlying items.

The Company's net cash outflow from operating activities of £286 million includes £88 million of expenses related to non-underlying items.

1 Proceeds from sale of businesses include deferred consideration of £29 million received by the Group from its disposal of the Russell Investment Management in 2016 and a further £1 million received in the current year for the disposal of Exactpro Systems Limited and its subsidiaries in the prior year. Proceeds from sale of businesses in the prior year relates to £58 million deferred consideration received by the Group from its disposal of Russell Investment Management.

2 Acquisition of business, net of cash acquired, in the current year relates to the Group's acquisition of 100% of Beyond Ratings for £14 million. In the prior year, the Group received £3 million from the vendors of the Yield Book business on finalisation of the purchase price.

3 Purchase of non-controlling interests relates to the Group's purchase of the remaining 30% interest in EuroTLX SIM S.p.A. from non-controlling equity holders for £9 million (€10.2 million). During the prior year, the Group completed the purchase of shareholdings from non-controlling equity holders in LCH Group Holdings Limited and FTSE Global Debt Capital Markets Limited for cash consideration of £413 million and £39 million respectively.

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of their clearing members for use in their operations as managers of the clearing and guarantee systems. These balances represent margins and default funds held for counterparties for short periods in connection with these operations.

# Statements of changes in equity

**Year ended 31 December 2019**

| Group | Notes | Ordinary share capital £m | Share premium £m | Retained earnings £m | Other reserves £m | Total attributable to equity holders £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to equity holders | | | | | | |
| 31 December 2017 | | 24 | 964 | 324 | 1,820 | 3,132 | 525 | 3,657 |
| Profit for the year | | – | – | 480 | – | 480 | 73 | 553 |
| Other comprehensive income for the year | | – | – | (18) | 110 | 92 | 1 | 93 |
| Issue of shares | 29 | – | 1 | – | – | 1 | – | 1 |
| Final dividend relating to the year ended 31 December 2017 | 12 | – | – | (129) | – | (129) | – | (129) |
| Interim dividend relating to the year ended 31 December 2018 | 12 | – | – | (60) | – | (60) | – | (60) |
| Dividend payments to non-controlling interests | | – | – | – | – | – | (42) | (42) |
| Employee share scheme expenses | | – | – | 38 | – | 38 | – | 38 |
| Tax in relation to employee share scheme expenses | | – | – | 7 | – | 7 | – | 7 |
| Purchase of non-controlling interest within acquired subsidiary | | – | – | (218) | – | (218) | (202) | (420) |
| 31 December 2018 | | 24 | 965 | 424 | 1,930 | 3,343 | 355 | 3,698 |
| Impact of adoption of IFRS 16 | 2 | – | – | (23) | – | (23) | – | (23) |
| 1 January 2019 (restated) | | **24** | **965** | **401** | **1,930** | **3,320** | **355** | **3,675** |
| Profit for the year | | **–** | **–** | **417** | **–** | **417** | **48** | **465** |
| Other comprehensive income for the year | | **–** | **–** | **15** | **(134)** | **(119)** | **(12)** | **(131)** |
| Issue of shares | 29 | **–** | **2** | **–** | **–** | **2** | **–** | **2** |
| Final dividend relating to the year ended 31 December 2018 | 12 | **–** | **–** | **(151)** | **–** | **(151)** | **–** | **(151)** |
| Interim dividend relating to the year ended 31 December 2019 | 12 | **–** | **–** | **(70)** | **–** | **(70)** | **–** | **(70)** |
| Dividend payments to non-controlling interests | | **–** | **–** | **–** | **–** | **–** | **(44)** | **(44)** |
| Employee share scheme expenses | | **–** | **–** | **37** | **–** | **37** | **–** | **37** |
| Tax in relation to employee share scheme expenses | | **–** | **–** | **17** | **–** | **17** | **–** | **17** |
| Purchase of non-controlling interest within acquired subsidiary | | **–** | **–** | **2** | **–** | **2** | **(1)** | **1** |
| **31 December 2019** | | **24** | **967** | **668** | **1,796** | **3,455** | **346** | **3,801** |

The notes on pages 150 to 203 form an integral part of these consolidated financial statements.

Shares held in the Employee Benefit Trust to settle exercises of employee share awards were 517,563 (2018: 573,672).

Employee share scheme expenses include costs related to the issue and purchase of own shares for employee share schemes of £(5) million (2018: £(4) million), subscriptions, net of sundry costs, received on the vesting of employee share schemes of £5 million (2018: £6 million) and equity-settled share scheme expenses for the year of £37 million (2018: £36 million).

Purchase of non-controlling interests in the year relates to the Group's acquisition of the remaining 30% of interest in EuroTLX SIM S.p.A. In the prior year, the Group acquired an additional 16.68% interest in LCH Group Holdings Limited and the remaining 27.26% interest in FTSE Global Debt Capital Markets Limited.

**Other reserves comprise the following:**
Merger reserve of £1,305 million (2018: £1,305 million), a reserve that arose when the Company issued shares as part of the consideration to acquire subsidiary companies.

Capital redemption reserve of £514 million (2018: £514 million), a reserve set up as a result of a court approved capital reduction.

Reverse acquisition reserve of £(512) million (2018: £(512) million), a reserve arising on consolidation as a result of the capital reduction scheme.

Foreign exchange translation reserve of £535 million (2018: £740 million), a reserve reflecting the impact of foreign currency changes on the translation of foreign operations.

Hedging reserve of £(46) million (2018: £(117) million), a reserve representing the cumulative fair value adjustments recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles (note 19).

**Year ended 31 December 2019**

| Company | Notes | Attributable to equity holders | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Other reserves | | |
| | | Ordinary share capital £m | Share premium £m | Retained earnings £m | Capital redemption reserve £m | Merger reserve £m | Total attributable to equity holders £m |
| 31 December 2017 | | 24 | 964 | 1,724 | 514 | 1,305 | 4,531 |
| Profit for the year | | – | – | 141 | – | – | 141 |
| Issue of shares | 29 | – | 1 | – | – | – | 1 |
| Final dividend relating to the year ended 31 December 2017 | 12 | – | – | (129) | – | – | (129) |
| Interim dividend relating to the year ended 31 December 2018 | 12 | – | – | (60) | – | – | (60) |
| Employee share scheme expenses | | – | – | 25 | – | – | 25 |
| 31 December 2018 | | 24 | 965 | 1,701 | 514 | 1,305 | 4,509 |
| Profit for the year | | **–** | **–** | **301** | **–** | **–** | **301** |
| Issue of shares | 29 | **–** | **2** | **–** | **–** | **–** | **2** |
| Final dividend relating to the year ended 31 December 2018 | 12 | **–** | **–** | **(151)** | **–** | **–** | **(151)** |
| Interim dividend relating to the year ended 31 December 2019 | 12 | **–** | **–** | **(70)** | **–** | **–** | **(70)** |
| Employee share scheme expenses | | **–** | **–** | **55** | **–** | **–** | **55** |
| **31 December 2019** | | **24** | **967** | **1,836** | **514** | **1,305** | **4,646** |

The notes on pages 150 to 203 form an integral part of these financial statements.

Employee share scheme expenses of the Company include movement in the fair value of loan balances with the Employee Benefit Trust of £15 million (2018: £(15) million), costs relating to the issue of own shares for employee share schemes of £(2) million (2018: £(2) million), subscriptions received on the vesting of employee share schemes of £5 million (2018: £6 million) and equity-settled share scheme expenses for the year of £37 million (2018: £36 million).

The merger reserve of £1,305 million (2018: £1,305 million) is a potentially distributable reserve that arose when the Company issued shares as part of the consideration to acquire subsidiary companies.

The capital redemption reserve of £514 million (2018: £514 million) is a non-distributable reserve set up as a result of a court approved capital reduction.

# Notes to the financial statements

**1. Basis of preparation and accounting policies**

The Group's consolidated and the Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This enables the Group to aid the reader's understanding of its results by presenting profit for the year before any non-underlying items. Non-underlying items include amortisation of purchased intangible assets and other income or expenses not considered to drive the operating results of the Group. This is the profit measure used to calculate adjusted earnings per share. Profit before non-underlying items is reconciled to profit before taxation on the face of the income statement.

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.

As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements.

**Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiary companies sold or acquired in the period are included in the income statement up to, or from, the date that control passes. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The acquisition of subsidiary companies is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Upon completion of the Group's fair value exercise, comparatives are revised up to 12 months after the acquisition date, for the final fair value adjustments. Further details are provided in Note 32. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

The Group applies a policy of treating transactions with non-controlling interests through the economic entity model. Transactions with non-controlling interests are recognised in equity. Where the non-controlling interest has an option to dispose of their holding to the Group, then the amounts potentially due are recognised at their fair value at the balance sheet date.

Investments in subsidiary companies' shares, loans and other contributions are recognised at cost. These are reviewed for impairment when events indicate the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

**Recent accounting developments**

The following standards and amendments have been endorsed by the EU and adopted in these financial statements:

- IFRS 16, 'Leases'
- IFRIC 23, 'Uncertainty over Income Tax Treatments'
- Amendments to IAS 28, 'Long-term interest in Associates and Joint Ventures'
- Amendments to IAS 19, 'Plan amendment, curtailment or settlement'
- Amendments to IFRS 9, 'Prepayment features with negative compensation'
- Annual improvements to IFRS standards 2015-2017

The impact of adopting IFRS 16 on the Group's financial results is described in detail in note 2. The adoption of the other amendments did not have a material impact on the results of the Group.

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC, but have not been adopted because they are not yet mandatory and the Group has not chosen to early adopt. The Group plans to adopt these standards and interpretations when they become effective. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review, and where appropriate, a description of the impact of certain standards and amendments is provided below:

| International accounting standards and interpretations | Effective date |
|---|---|
| Amendments to References to the Conceptual Framework in IFRS Standards | 1 January 2020 |
| Amendments to IFRS 3, 'Business Combinations' | 1 January 2020 |
| Amendments to IAS 1 and IAS 8: Definition of Material | 1 January 2020 |
| Amendments to IFRS 9, IAS 39 & IFRS 7: Interest Rate Benchmark Reform | 1 January 2020 |
| IFRS 17, 'Insurance Contracts' | 1 January 2021 |

The above amendments and standards are not expected to have a material impact on the results of the Group.

**Accounting policies**

Income Statement

Revenue

The main source of the Group's revenue is through fees for services provided. Revenue is measured based on the consideration specified in a contract with a customer. Amounts deducted from revenue relate to discounts, value added tax and other sales related taxes, revenue share arrangements whereby as part of an operating agreement amounts are due back to the customer and pass-through costs where the Group has arrangements to recover specific costs from its customers with no mark up.

The Group recognises revenue as services are performed and as it satisfies its obligations to provide a product or service to a customer. Further details of the Group's revenue accounting policy are set out below:

| | |
|---|---|
| **Information Services** | The Information Services segment generates revenues from the provision of information and data products including indexes, benchmarks, real-time pricing data and trade reporting and reconciliation services.<br><br>**Data subscription and index licence fees** are recognised over the licence or usage period as the Group meets its obligation to deliver data consistently throughout the licence period. Services are billed on a monthly, quarterly or annual basis.<br><br>**Other information services** include licences to the regulatory news service and reference data businesses. Revenue from licences that grant the right to access intellectual property are recognised over time, consistent with the pattern of the service provision and how the performance obligation is satisfied throughout the licence period. Revenues from other information services, including revenues from the sale of right to use licences, are recognised at the point the licence is granted or service is delivered. |
| **Post Trade – LCH, CC&G and Monte Titoli** | Revenues in the Post Trade segments are generated from clearing, settlement, custody and other post trade services.<br><br>**Clearing, settlement and custody services** generate fees from trades or contracts cleared and settled, compression and custody services which are recognised as revenue at the point when the service is rendered on a per transaction basis, or in cases where there is a fixed annual fee – monthly in arrears.<br><br>**Other post trade services** include revenue from client connectivity services which is recognised as revenue on a straight-line basis over the service period as this reflects the continuous transfer of services. |
| **Capital Markets** | Revenues in the Capital Markets segment are generated from Primary and Secondary market services.<br><br>**Primary market initial admission and the ongoing listing services** represent one performance obligation and the Group recognises revenue from initial admissions and further issues over the period the Group provides the listing services. All admission fees are billed to the customer at the time of admission to trading and become payable when invoiced.<br><br>**Primary market annual fees, secondary markets membership and subscription fees** are generally paid in advance on the first day of the membership or subscription period. The Group recognises revenue on a straight-line basis over the period to which the fee relates, as this reflects the extent of the Group's progress towards completion of the performance obligation under the contract.<br><br>Revenue from **secondary market trading and associated capital market services** is recognised as revenue on a per transaction basis at the point that the service is provided. |

# Notes to the financial statements (continued)

| | |
|---|---|
| **Technology** | Technology revenue is generated from contracts to develop capital market technology solutions, software licences, network connections and hosting services.<br><br>**Capital markets software licence** contracts contain multiple deliverables for the provision of licences and software installation, and ongoing maintenance services. The transaction price for each contract is allocated to these performance obligations based upon the relative standalone selling price. Revenue is recognised based on the actual service provided during the reporting period, as a proportion of the total services to be provided. This is determined by measuring the inputs consumed in delivering the service (for example, material and actual labour) relative to the total expected input consumption over the contract. This best reflects the transfer of assets to the customer which generally occurs as the Group incurs costs on the contract.<br><br>**Network connection and hosting services** revenues are recognised on a straight-line basis over the period to which the fee relates as this reflects the continuous transfer of technology services and measures the extent of progress towards the completion of the performance obligation. |
| **Other** | Fees are generated from the provision of events and media services, and are typically recognised as revenue at the point the service is rendered and becomes payable when invoiced. |

Customer contracts across the Group that contain a single performance obligation at a fixed price do not require variable consideration to be constrained or allocated to multiple performance obligations. However certain businesses in the Group provide services to customers under a tiered and tariff pricing structure that generates a degree of variability in the revenue streams from the contract. Where the future revenue from a contract varies due to factors that are outside of the Group's control, the Group limits the total transaction price at contract inception and recognises the minimum expected revenue guaranteed by the terms of the contract over the contract period. Any variable element is subsequently recognised in the period in which the variable factor occurs.

The Group does not have any contracts where the period between the transfer of services to a customer and when the customer is expected to pay for that service to be in excess of one year. Consequently, no adjustments are made to transaction prices for any financing component.

### Other income
Other income typically relates to property service charges.

### Cost of sales
Cost of sales comprises data and licence fees, data feed costs, expenses incurred in respect of revenue share arrangements and costs incurred in the MillenniumIT business that are directly attributable to the construction and delivery of customers' goods or services, and any other costs linked and directly incurred to generate revenues and provide services to customers.

Revenue share expenses presented within cost of sales relate to arrangements with customers where the revenue share payment is not limited to the amount of revenues receivable from the specific customer.

### Contract costs
Incremental costs of obtaining a customer contract, such as sales commissions paid to employees, are recognised as an intangible asset if the benefit of such costs is expected to be longer than one year. The associated asset is amortised over the period from which a customer benefits from existing software technology supporting the underlying product or service, which the Group has determined to be between 3 to 5 years and is presented as an intangible asset in the Group's consolidated balance sheet. The Group amortises the contract costs over the period from which a customer benefits from existing software technology supporting the underlying product or service.

The Group recognises the incremental cost of obtaining a contract as an expense when incurred, if the amortisation period is less than one year.

### Net treasury income
Income recognised in the CCP clearing businesses includes net treasury income earned on margin and default funds, held as part of the risk management process. Net treasury income is the result of interest earned on cash assets lodged with the clearing house, less interest paid to the members on their margin and default fund contributions. Net treasury income is shown separately from the Group's revenues on the face of the income statement to distinguish this income stream from revenues arising from other activities and provide a greater understanding of the operating activities of the Group. Where negative interest rates apply, the Group recognises interest paid on cash assets as a treasury expense and interest received on clearing members' margin as treasury income.

### Non-underlying items
Items of income and expense that are material by size and/or nature and are not considered to be incurred in the normal course of business are classified as non-underlying items on the face of the income statement within their relevant category. The separate reporting of these items together with amortisation of purchased intangible assets helps give an indication of the Group's sustainable performance. Non-underlying items are disclosed in note 8.

### Pension costs
The Group operates defined benefit and defined contribution pension schemes. For the defined benefit schemes the service cost, representing benefits accruing to employees, is included as an operating expense. The interest cost and expected return on plan assets is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of comprehensive income. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is charged to the income statement as incurred.

### Share-based compensation
The Group operates a number of equity settled share-based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period.

### Foreign currencies
The consolidated financial statements are presented in Sterling, which is the Company's presentation and functional currency. Foreign currency transactions are converted into the functional currency of the reporting entity using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for differences arising on pension fund assets or liabilities which are recognised in other comprehensive income.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

a) assets and liabilities including goodwill, purchased intangible assets and fair value adjustments are converted at the closing balance sheet rate;

b) income and expenses are translated and recorded in the income statement at the average rate for the period; and

c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

### Finance income and expense
Finance income and expense comprises interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial period and calculated using the effective interest rate method. In conditions where negative interest rates apply, the Group recognises interest paid on cash deposits as an expense and interest received on liabilities as income.

Recurring fees and charges levied on committed bank facilities, cash management transactions and the payment services provided by the Group's banks are charged to the income statement as accrued. Credit facility arrangement fees are capitalised and then amortised back to the income statement over the term of the facility subject to projected utilisation. Fees and charges are included within other finance costs.

Fair value gains and losses on financial instruments include the movement in the market valuations of derivative instruments held as fair value hedges.

**Balance Sheet**

### Property, plant and equipment

Property, plant and equipment are included in the financial statements at cost less accumulated depreciation and any provision for impairment.

Land is not depreciated. Freehold buildings, fixed plant and plant and equipment are depreciated to residual value on a straight-line basis over their estimated useful economic lives as follows:

a) Freehold buildings – 30 to 50 years;

b) Fixed plant – 3 to 20 years; and

c) Plant and equipment – 3 to 15 years.

Leasehold improvements are included at cost and depreciated to residual value over the shorter of the period of the lease or the useful economic life of the asset.

### Leases – right-of-use assets

The Group recognises a right-of-use asset where the Group has control of an asset for a period of more than 12 months. Assets are recorded initially at cost and depreciated on a straight-line basis over shorter of the lease term or the estimated useful life. Cost is defined as the lease liabilities recognised plus any initial costs and dilapidations provisions less any lease incentives received.

The lease term is the non-cancellable term plus any optional extensions or less any reductions due to break clauses that in the judgement of management are likely to be exercised.

### Lease liabilities

Lease liabilities are recognised at the net present value of the future payments to be made over the lease term at the commencement of a lease. Where a lease includes a break clause or extension option, management use their best estimate on the likely outcome on a lease by lease basis. Variable lease payments based on an index are estimated at the commencement date and revalued on an annual basis.

The net present value is determined using the incremental borrowing rate of the leasing entity.

Lease payments due within the next 12 months are recognised within current liabilities; payments due after 12 months are recognised within non-current payables.

### Short-term leases and leases of low value assets

Rental costs for leased assets that are for less than 12 months or are for assets with an individual value of less than £5,000 are recognised directly in the income statement on a straight-line basis over the life of the lease.

### Group as lessor

Where the Group sub-lets a right-of-use asset for substantially all the useful life of that asset, this is recognised as a finance lease. The asset is derecognised and a net investment in lease is recognised, equivalent to the net present value of the future receipts.

Where the value of the receipts is lower than the amount payable on the head-lease, a loss on disposal of the right-of-use asset is recognised.

A right-of-use asset that is sub-let for less than its expected useful life is recognised as an operating lease and rental income is recognised as received.

### Investments in associates

An associate is a company over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the company, but is not control nor joint control over those policies.

The Group's investments in associates are accounted for using the equity method. The Company accounts for its investments in associates at cost, less any impairments recognised through the income statement.

Under the equity method, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and, if applicable, the Group's share of movements in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

The Group's investments in associates are assessed for impairment at each balance sheet date. Where indicators of impairment are identified a full impairment assessment is performed. Any difference between the recoverable amount of the associate and its carrying value is recognised as an impairment loss within 'Share of profit or loss of associates' in the Group consolidated income statement.

### Intangible assets

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the difference is recognised in profit or loss as a gain on purchase.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer and supplier relationships, software licences and intellectual property, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight line basis over their useful economic lives which are as follows:

a) Customer and supplier relationships – 2 to 25 years (material assets are amortised over a life exceeding 15 years);

b) Brand names – 10 to 25 years (material assets are amortised over a life of 25 years); and

c) Software licences and intellectual property – 2 to 25 years (the majority of material assets are amortised over a life not exceeding 5 years).

The useful economic lives are based on management's best estimates such as attrition rates on customer relationships, product upgrade cycles for software and technology assets, market participant perspective for brands and pace of change of regulation for business.

Third-party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives of 3 to 5 years.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third-party expenses, and amortised over their useful economic lives of 3 to 7 years.

Intangible assets are assessed for any indicators of impairment at each balance sheet date. Where indicators of impairment for a particular intangible asset are identified, a full impairment assessment is performed, with any diminution in value recognised in the income statement. For assets with an indefinite useful life a full impairment assessment is performed annually. When performing any impairment assessment, in addition to considering matters particular to the relevant Group business area, management evaluates the overall value of the asset from the perspective of a market participant. Accordingly, any reduction in value is recorded to ensure the intangible asset is held at fair value.

The Group recognises an intangible right-of-use asset where the Group has control of an asset for a period of more than 12 months. Assets are recorded initially at cost and depreciated on a straight-line basis over the life of the lease term. Cost is defined as the lease liabilities recognised plus any initial costs.

### Current and non-current classification

Current assets comprise assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised within one year from the reporting date, or intended for trade or consumption and realised in the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities comprise liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

### Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantively enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

### Financial instruments

Financial assets and liabilities are initially recognised on their settlement date. The Group classifies its financial instruments as fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) or amortised cost. The classification depends on the Group's business model for managing its financial instruments and whether the cash flows generated are 'solely payments of principal and interest' (SPPI).

### Initial recognition:

– Financial assets at amortised cost are financial assets that are held in order to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. The Group's cash and cash equivalents and trade and other receivables fall within this category. Clearing member trading balances relating to sale and buy back transactions and other receivables from clearing members of the CCP businesses also fall within this category.

– Financial assets at fair value through other comprehensive income (FVOCI) are assets where the objective is achieved by both collecting the contractual cash flows or selling the asset. The contractual cash flows received are solely payments of principal and interest. This category includes investments in equity instruments and quoted debt instruments (predominantly government bonds) held by the CCP businesses of the Group, which are used under the business model to both collect the contractual cash flows and also to sell. Any profit or loss recognised in other comprehensive income on debt instruments is recycled to the income statement if the asset is sold. Any profit or loss on an equity instrument remains in retained earnings and is not recycled through the income statement.

– Financial assets at fair value through profit or loss (FVPL) include all other financial assets not classified as amortised cost or FVOCI. This category includes CCP businesses' clearing member trading balances comprising derivatives, equity and debt instruments that are marked to market on a daily basis.

– Financial liabilities at fair value through profit or loss (FVPL) are liabilities that must be held at fair value. This includes all the CCP businesses' clearing member trading balances, comprising derivatives, equity and debt instruments, which are marked to market on a daily basis.

– Financial liabilities at amortised cost are all financial liabilities that are not included within financial liabilities at FVPL. This comprises the Group's trade and other payables balances, borrowings and other payables to clearing members.

### Subsequent measurement:

The Group adopts a forward-looking approach to estimate impairment losses on financial assets. An expected credit loss (ECL) is calculated based on the difference between the contractual cash flows due and the expected cash flows. The difference is discounted at the asset's original effective interest rate and recognised as an allowance against the original value of the asset.

– Financial assets at amortised cost – the ECL for trade receivables, contract assets and cash and cash equivalents is calculated using IFRS 9's simplified approach using lifetime ECL. The allowance is based on the Group's historic experience of collection rates, adjusted for forward looking factors specific to each counterparty and the economic environment at large to create an expected loss matrix.

  The ECL on other financial assets held at amortised cost is measured using the general approach. The Group calculates an allowance based on the 12-month ECL at each reporting date until there is a significant increase in the financial instrument's credit risk, at which point the Group will calculate a loss allowance based on the lifetime ECL, as described above for FVOCI assets.

– Financial assets at fair value through other comprehensive income (FVOCI) – the Group's financial assets held at FVOCI consist of high-quality government bonds that have a low credit risk. The Group's policy is to calculate a 12-month ECL on these assets. If there is a significant increase in credit risk, then a lifetime ECL will be calculated. A significant increase in credit risk is considered to have occurred when contractual payments are more than 30 days past due. Equity instruments are revalued on a regular basis and impaired if necessary.

– Financial assets at fair value through profit or loss (FVPL) – no ECL is calculated for assets held at FVPL as any expected loss is already recognised in the fair value.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### Investments in equity instruments

Investments in equity instruments that do not give the Group control or significant influence of an entity, but are held for long-term benefit are classified as FVOCI. Dividend income received is recognised directly in the income statement within operating profit.

Cash and cash equivalents comprises cash at bank, short-term deposits and investments in money market funds, and other instruments and structures that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Clearing member cash and cash equivalents represents amounts received from the clearing members to cover initial and variation margins and default fund contributions that are not invested in bonds. These amounts are deposited with banks, including central banks, or invested securely in short-term reverse repurchase contracts (reverse repos).

### Fair value measurement

All assets and liabilities for which fair value is measured are categorised within the fair value hierarchy which is described in detail in note 19.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at each balance sheet date.

### Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and the nature of the item being hedged.

The Group applies fair value hedge accounting for hedging interest rate risk on borrowings. Any gain or loss is on the hedging instrument is recognised in the income statement within finance expense.

The Group designates as cash flow hedges both foreign currency derivatives and hedges of interest rate movements associated with highly probable forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income.

The Group hedges a proportion of its net investment in its foreign subsidiaries by designating Euro and US dollar borrowings and derivative instruments as net investment hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income.

In order to qualify for hedge accounting, a transaction must meet strict criteria regarding documentation, effectiveness, probability of occurrence, and reliability of measurement. The Group documents the relationship between hedging instruments and hedged items at the inception of the transaction, as well as its risk management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. The ineffective portion is recognised in the income statement within finance expense.

Amounts accumulated in other comprehensive income are recycled to the income statement in the period when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in other comprehensive income and is recycled to the income statement when the forecast transaction itself is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently at amortised cost, less any loss allowance. The Group's approach to calculating credit loss allowances is described above within the financial instruments policy.

Recoveries of amounts previously written off are credited in the income statement.

Other receivables are initially recognised at fair value and subsequently at amortised cost, less any loss allowance as described above.

### Fees receivable

Fees receivable are recognised when the Group has an unconditional right to consideration in exchange for goods or services transferred, but no fee invoice has been formally issued. Amounts are transferred to trade receivables when a formal invoice has been issued.

### Contract assets

Contract assets are recognised when the Group has the conditional right to consideration from a customer in exchange for goods or services transferred.

Contract assets are transferred to trade or fees receivables when the entitlement to payment becomes unconditional and only the passage of time is required before payment is due.

### Contract liabilities

Revenue relating to future periods is classified as a contract liability on the balance sheet to reflect the Group's obligation to transfer goods or services to a customer for which it has received consideration, or an amount of consideration is due, from the customer.

Contract liabilities are amortised and recognised as revenue in the income statement over the period the services are rendered.

### Borrowings

Borrowings are initially recorded at the fair value of amounts received, net of direct issue costs and transaction costs (including upfront facility fees). Subsequently, these liabilities are carried at amortised cost, and interest is charged to the income statement over the period of the borrowings using the effective interest rate method. Similarly, direct issue costs and transaction costs (including upfront facility fees) are charged to the income statement over the period of the borrowings using the effective interest rate method.

### Provisions

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, i.e. the present value of the amount that the Group would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

Property provisions represent the present value of the Group's estimate of the cost of fulfilling lease obligations for dilapidations on its right-of-use assets.

All provisions are discounted where the time value of money is considered material. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

### Commitments to purchase non-controlling interests

Where the Group has granted put options to non-controlling interest shareholders, these are treated as liabilities as the Group has no control over whether these options are exercised or not. The amounts due are recognised at fair value and are revalued on each balance sheet date. When the liability is recognised initially, the redemption amount is reclassified from non-controlling interests. The changes in the fair value of the liability are recognised in the income statement. Changes in the measurement of the liability that do not change the relative interests in the subsidiary company that are held by the parent and the non-controlling interest shareholder are not equity transactions.

## Equity and related items

### Share capital

The share capital of the Company includes balances relating to the Company's ordinary equity shares, own shares held by the Employee Benefit Trust and treasury shares held by the Company.

When the Company issues new shares to the Employee Benefit Trust at par, the share capital of the Company is increased by the par value of these own shares, and a corresponding deduction or debit is recorded to the employee share scheme reserves within retained earnings.

From time to time, the Company may also issue new shares to the Employee Benefit Trust to satisfy vesting of specific employee share schemes. These shares may be issued at a subscription price above par value, reflecting the option cost payable by the participant in the employee share scheme. In such instances, the share capital of the Company is increased by the par value of these own shares and the difference between the subscription price and the par value of the own share is recorded in share premium. A corresponding deduction or debit is recognised in the employee share scheme reserves within retained earnings.

Shares reacquired by the Company from the open market as part of share buyback programmes are referred to as treasury shares and are held by the Company. The consideration payable is deducted from retained earnings.

The par value of the treasury shares is then recorded as a transfer from the Company's ordinary equity shares to treasury shares within share capital.

No gain or loss is recognised by the Company in the income statement on the purchase, sale, issue or cancellation of the Company's own shares held by the Employee Benefit Trust and treasury shares.

### Dividend distributions

Dividend distributions to the Company's equity holders are recognised as a liability in the Group financial statements in the period in which the dividends are approved by the Company's shareholders. The Group maintains a sustainable progressive dividend policy. The interim dividend will generally be payable each year in September and final dividend in May. The Group's dividend policy determines that the interim dividend is calculated as one-third of the prior full year dividend.

## 2. Adoption of new accounting standards and interpretations

On 1 January 2019, the Group adopted IFRS 16 'Leases'. The impact of adopting the new standard has been reflected through transition adjustments to the Group's opening retained earnings at the start of the current year, as presented in the consolidated statement of changes in equity. The table below provides a summary of the impact at the date of transition:

| | Notes | As reported 31 December 2018 £m | Impact of adoption £m | After adoption 1 January 2019 £m |
|---|---|---|---|---|
| Property, plant and equipment | 13 | 149 | 172 | 321 |
| Investment in leases | 24 | – | 3 | 3 |
| **Assets** | | **149** | **175** | **324** |
| Lease liabilities – current | 24 | 4 | 39 | 43 |
| Lease liabilities – non-current | 24 | 1 | 162 | 163 |
| Trade and other payables – accruals | 23 | 355 | (3) | 352 |
| Deferred tax liabilities | 17 | 475 | (4) | 471 |
| Provisions | 28 | 12 | 4 | 16 |
| **Liabilities** | | **847** | **198** | **1,045** |
| **Retained earnings** | | **424** | **(23)** | **401** |
| **Equity** | | **424** | **(23)** | **401** |

The Group adopted IFRS 16 on 1 January 2019 using the modified retrospective transitional arrangements and consequently the comparative amounts have not been restated.

The standard requires the Group to recognise a 'right-of-use' asset where the Group has a long-term arrangement to benefit from an asset which it controls in return for regular consideration (a lease). This definition includes the majority of the Group's offices around the world, and these form the largest group of assets recognised on 1 January 2019. Other assets include motor vehicles.

The Group has recognised right-of-use assets and corresponding liabilities for all leased assets, except for those with only short-term commitment (less than 12 months) or for individual assets of a value less than £5,000. In such cases, the Group recognises the associated lease payments as an expense on a straight-line basis over the lease term.

Right-of-use assets for property or equipment are included within property, plant and equipment on the face of the balance sheet. Assets relating to the right-of-use of an intangible are included within intangible assets on the face of the balance sheet.

The cost of right-of-use assets was calculated as if the Group had always applied the new standard but using an incremental borrowing rate calculated as at 31 December 2018. The value recognised for lease liabilities is the present value of the remaining lease payments, discounted to 1 January 2019 using the same rate.

The following practical expedients have been applied by the Group:

– The use of hindsight to determine the lease term, if the contract included extensions or break clauses

– Application of the short-term lease exemption to leases that expired before 31 December 2019

– Excluding initial direct costs from the measurement of the cost of the asset

– Applying a single discount rate to groups of leases with similar characteristics, e.g. similar period and location

A reconciliation of the new liabilities recognised to the amounts disclosed at 31 December 2018 as lease commitments is given below:

| | £m |
|---|---|
| **Lease commitments at 31 December 2018** | 226 |
| | |
| Discounted lease commitments at 1 January 2019 | 198 |
| Less: | |
| Lease liabilities recognised as short-term leases | (2) |
| Add: | |
| Leases not previously recognised | 5 |
| Adjustments in respect of change in treatment of extension options | 5 |
| **Lease liabilities as at 1 January 2019** | **206** |
| **Weighted average incremental borrowing rate as at 1 January 2019** | **2.4%** |

**3. Financial risk management**

The Group seeks to protect its financial performance and the value of its business from exposure to capital, credit, concentration, country, liquidity, settlement, custodial and market (including foreign exchange, cash flow and fair value interest rate) risks.

The Group's financial risk management approach is not speculative and adopts a '3 lines of defence' model. It is performed both at a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and locally, where operating units manage their regulatory and operational risks. This includes clearing operations at the Group's CCPs (CC&G and LCH Group) that adhere to local regulation and operate under approved risk and investment policies.

The Group Chief Risk Officer's team provides assurance that the governance and operational controls are effective to manage risks within the Board-approved risk appetite, supporting a robust Group risk management framework. The Financial Risk Committee, a sub-committee of the Group Executive Committee and chaired by the Chief Financial Officer, meets at least quarterly to oversee the consolidated financial risks of the Group. In addition, the Treasury Committee, a sub-committee of the Financial Risk Committee (which is also chaired by the Chief Financial Officer), meets regularly to monitor the management of, and controls around foreign exchange, interest rate, credit and concentration risks and the investment of excess liquidity in addition to its oversight of the Group's funding arrangements and credit ratings. Both committees provide the Group's senior management with assurance that the treasury and risk operations are performed in accordance with Group Board approved policies and procedures. Regular updates, on a range of key criteria as well as new developments, are provided through the Enterprise-Wide Risk Management Framework to the Group Risk Committee. See 'Risk Management Oversight Supplement' for further detail on the Group's risk framework on our website at: **www.lseg.com/about-london-stock-exchange-group/risk-management-oversight**.

The UK's exit from the EU leaves significant uncertainty concerning the political and regulatory environment, the UK's future relationship with the EU, and the overall impact on the UK and EU economies both in the short and medium term. The UK companies within the Group, as members of the EU or European Economic Area (EEA), rely on a number of rights that are available to them to conduct business with other EU or EEA members. This includes, without limitation, the right for UK CCPs to offer clearing services to EU regulated firms under EMIR, and the right for UK trading venues to offer services to members in the EU or EEA. The Group companies have analysed the potential impacts and considered contingency plans that they may choose to execute should these rights not be replaced by rights that persist outside EU membership. The European Commission published in the Official Journal on 23 December 2019 an extension of temporary equivalence for UK CCPs for another twelve months, confirming LCH Ltd's ability to continue to offer all clearing services for all products and services to all members and clients after 31 January 2020 even under a no-deal Brexit scenario.

**Capital risk**

**Risk description**

The Group is profitable and strongly cash generative and its capital base comprises equity and debt capital.

However, the Group recognises the risk that its entities may not maintain sufficient capital to meet their obligations or they may make investments that fail to generate a positive or value enhancing return.

The Group comprises regulated and unregulated entities. It considers that:

- increases in the capital requirements of its regulated companies, or
- negative yields on its investments of cash, or
- a scarcity of debt or equity (driven by its own performance, its capital structure, or financial market conditions)

either separately or in combination are the principal specific risks to managing its capital.

**Risk management approach**

The Group focuses upon its overall cost of capital as it seeks, within the scope of its risk appetite, to provide superior returns to its shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining access to capital and flexibility to invest for growth is a key management consideration.

The Group can manage its capital structure and react to changes in economic conditions by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom. A high-level summary of the Group's capital structure is presented below:

| Book value of capital | 2019 £m | 2018 £m |
|---|---|---|
| Total shareholders' funds | **3,455** | 3,343 |
| Group consolidated debt | **2,085** | 2,203 |

Whilst the Company is unregulated, the regulated entities within the Group monitor compliance with the capital requirements set by their respective competent authorities and the terms of reference of the Financial Risk Committee includes oversight of the Group's Capital Management Policy. The Capital Management Policy seeks to ensure that capital is allocated optimally in order to maintain a prudent balance sheet and meet regulatory requirements, drive growth and offer suitable returns to shareholders. Regulated entities within the Group have to date predominantly issued equity and held cash to satisfy their local regulatory capital requirements.

We believe that capital held by Group companies is sufficient to comfortably support current regulatory frameworks. Whilst the level of amounts set aside for these purposes remains subject to ongoing review with regulators, particularly in Europe, total capital amounts are broadly in line year on year reflecting a relatively settled regulatory backdrop for the Group in 2019. The aggregate of the Group's regulatory and operational capital is shown below:

| Regulatory and operational capital | 2019 £m | 2018 £m |
|---|---|---|
| Total regulatory and operational capital | **1,231** | 1,203 |
| Amount included in cash and cash equivalents | **1,125** | 1,120 |

To maintain the financial strength to access new capital at reasonable cost and sustain an investment grade credit rating, the Group monitors its net leverage ratio which is operating net debt (i.e. net debt after excluding cash and cash equivalents set aside for regulatory and operational purposes) to proforma adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation, foreign exchange gains or losses and non-underlying items, prorated for acquisitions or disposals undertaken in the period) against a target range of 1–2 times. The Group is also mindful of potential impacts on the key metrics employed by the credit rating agencies in considering increases to its borrowings. The Group seeks to maintain a strong investment grade credit rating over time and will therefore employ a credible plan to return to its target range in the event leverage rises temporarily due to a debt funded major investment.

As at 31 December 2019, net leverage was 1.4 times (2018: 1.8 times) and remains well within the Group's target range. The Group is comfortably in compliance with its bank facility ratio covenants (net leverage and interest cover) and these measures do not inhibit the Group's operations or its financing plans.

### Credit and concentration risk

**Risk description**

The Group's credit risk relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full, including:

- customer receivables,
- repayment of invested cash and cash equivalents, and
- settlement of derivative financial instruments.

In their roles as CCP clearers to financial market participants, the Group's CCPs guarantee final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. They manage substantial credit risks as part of their operations including unmatched risk positions that might arise from the default of a party to a cleared transaction. For more information see 'Principal Risks and Uncertainties', pages 60 to 73.

Not withstanding regulations that require CCPs to invest predominantly in secured instruments or structures (such as government bonds and reverse repos), CC&G and the LCH Group CCPs are able to maintain up to 5% of their total deposits at commercial banks on an unsecured basis. Through this potential for its CCPs to invest on an unsecured basis (as well as by certain other regulated and unregulated operations observing agreed investment policy limits), the Group may continue to face some risk of direct loss from a deterioration or failure of one or more of its unsecured investment counterparties.

Concentration risk may arise through Group entities having large individual or connected exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. This is a particular focus of the investment approach at the Group's CCPs.

**Risk management approach**

**Group**
Credit risk is governed through policies developed at a Group level. Limits and thresholds for credit and concentration risk are kept under review.

Group companies make a judgement on the credit quality of their customers based upon the customer's financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default. The Group is exposed to a large number of customers and so concentration risk on its receivables is deemed low by management. The Group's credit risk is equal to the total of its financial assets as shown in note 19. No estimated credit losses have been recognised on other financial instruments and there have been no significant increases in credit risk for these assets.

**Non-CCP entities**
Credit risk associated with cash and cash equivalents is managed by limiting exposure to counterparties with credit rating levels below policy minimum thresholds, potentially overlaid by a default probability assessment. Except where specific approval is arranged to increase this limit for certain counterparties, investment limits of between £25 million and £100 million apply for periods ranging between a week and 12 months, depending on counterparty credit rating and default probability risk. Derivative transactions and other treasury receivable structures are undertaken or agreed with well-capitalised counterparties and are authorised by policy to limit the credit risk underlying these transactions.

**CCPs**
To address market participant and latent market risk, the Group's CCPs have established financial safeguards against single or multiple defaults. Clearing membership selection is based upon supervisory capital, technical and organisational criteria. Each member must pay margins, computed and collected at least daily, to cover the exposures and theoretical costs which the CCP might incur in order to close out open positions in the event of the member's default. Margins are calculated using established and internationally acknowledged risk models and are debited from participants' accounts through central bank accounts and via commercial bank payment systems. Minimum levels of cash collateral are required. Non-cash collateral is revalued daily.

Clearing members also contribute to default funds managed by the CCPs to guarantee the integrity of the markets in the event of multiple defaults in extreme market circumstances. Amounts are determined on the basis of the results of periodic stress testing examined by the risk committees of the respective CCPs. Furthermore, each of the Group's CCPs reinforces its capital position to meet the most stringent relevant regulatory requirements applicable to it, including holding a minimum amount of dedicated own resources to further underpin the protective credit risk framework in the event of a significant market stress event or participant failure.

An analysis of the aggregate clearing member contributions of margin and default funds across the CCPs is shown below:

| **Total collateral held** | | **2019 £bn** | **2018 £bn** |
|---|---|---|---|
| Collateral security | Cash received | **93** | 81 |
| | Non-cash pledged | **115** | 92 |
| | Guarantees pledged | **4** | 2 |
| **Total collateral as at 31 December 2019** | | **212** | 175 |
| Maximum collateral held during the year | | **242** | 181 |

Investment counterparty risk for CCP margin and default funds is managed by investing the cash element in instruments or structures deemed 'secure' by the relevant regulatory bodies including through direct investments in highly rated, 'regulatory qualifying' sovereign bonds and supra-national debt, investments in tri-party and bilateral reverse repos (receiving high-quality government securities as collateral) and, in certain jurisdictions, deposits with the central bank. The small proportion of cash that is invested unsecured is placed for short durations with highly rated counterparties where strict limits are applied with respect to credit quality, concentration and tenor.

| | **2019 £bn** | **2018 £bn** |
|---|---|---|
| Total investment portfolio | **85** | 94 |
| Maximum portfolio size during the year | **122** | 103 |
| Additional portfolio information: | | |
| Amount invested securely | **100%** | 98% |
| Weighted average maturity (days) | **90** | 49 |

Associated liquidity risks are considered in the investment mix and discussed further below.

To address concentration risk, the Group maintains a diversified portfolio of high-quality, liquid investments and uses a broad range of custodians, payment and settlement banks and agents. The largest concentration of treasury exposures as at 31 December 2019 was 17% of the total investment portfolio to the French Government (2018: 17% to the French Government).

### Credit and concentration risk

| Risk description | Risk management approach |
|---|---|

**Trade and fees receivable**

An impairment analysis is performed monthly using a provision matrix to measure expected credit losses on trade and fees receivable. The calculation reflects current conditions and forecasts of future economic conditions. None of the Group's trade receivables are material by individual counterparty.

| At 31 December 2019 | Fees receivable £m | <180 days £m | >180 days £m | Total £m |
|---|---|---|---|---|
| Expected credit loss rate | **<1%** | **<1%** | **46%** | |
| Total receivables | **141** | **310** | **16** | **467** |
| Expected credit loss | **–** | **(2)** | **(7)** | **(9)** |
| | **141** | **308** | **9** | **458** |

| At 31 December 2018 | Fees receivable £m | <180 days £m | >180 days £m | Total £m |
|---|---|---|---|---|
| Expected credit loss rate | <1% | <1% | 19% | |
| Total receivables | 139 | 380 | 52 | 571 |
| Expected credit loss | – | (1) | (10) | (11) |
| | 139 | 379 | 42 | 560 |

### Country risk

**Risk description**

Distress can result from the risk that certain governments may be unable or find it difficult to service their debts. This could have adverse effects, particularly on the Group's CCPs, potentially impacting cleared products, margin collateral, investments, the clearing membership and the financial industry as a whole.

**Risk management approach**

Specific risk frameworks manage country risk for both fixed income clearing and margin collateral and all clearing members' portfolios are monitored regularly against a suite of sovereign stress scenarios. Investment limits and counterparty and clearing membership monitoring are sensitive to changes in ratings and other financial market indicators, to ensure the Group's CCPs are able to measure, monitor and mitigate exposures to sovereign risk and respond quickly to anticipated changes. Risk Committees maintain an ongoing watch over these risks and the associated policy frameworks to protect the Group against potentially severe volatility in the sovereign debt markets.

The Group's sovereign exposures of £1 billion or more at the end of either of the financial reporting periods shown below were:

**Group Aggregate Sovereign Treasury Exposures**

| Country | 2019 £bn | 2018 £bn |
|---|---|---|
| France | **18** | 16 |
| USA | **12** | 9 |
| Italy | **11** | 2 |
| EU | **10** | 3 |
| UK | **6** | 4 |
| Spain | **1** | – |
| Netherlands | **–** | 7 |
| Switzerland | **–** | 3 |
| Germany | **–** | 1 |

### Liquidity, settlement and custodial risk

| Risk description | Risk management approach |
|---|---|
| The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations.<br><br>In addition, the Group's CCPs and certain other Group companies must maintain a level of liquidity (consistent with regulatory requirements) to ensure the smooth operation of their respective markets and to maintain operations in the event of a single or multiple market stress event or member failure. This includes the potential requirement to liquidate the position of a clearing member under a default scenario including covering the associated losses and the settlement obligations of the defaulting member.<br><br>The Group is exposed to the risk that a payment or settlement bank could fail or that its systems encounter operational issues, creating liquidity pressures and the risk of possible defaults on payment or receivable obligations.<br><br>The Group uses third-party custodians to hold securities and is therefore exposed to the custodian's insolvency, its negligence, a misuse of assets or poor administration. | **Group**<br>The combined Group businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, make dividend payments, meet its pension commitments, appropriately support or fund acquisitions or repay borrowings. Subject to regulatory constraints impacting certain entities, funds can generally be lent across the Group and cash earnings remitted through regular dividend payments by local companies. This is an important component of the Group Treasury cash management policy and approach.<br><br>Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions or stress events. The Group will take the appropriate actions to satisfy working capital requirements when committing to large scale acquisitions, including comfortable liquidity headroom projected over a reasonable timeframe.<br><br>**Non-CCP entities**<br>Treasury policy requires that the Group maintains adequate credit facilities provided by a diversified lending group to cover its expected funding requirements and ensure a minimum level of headroom for at least the next 24 months. The financial strength of lenders to the Group is monitored regularly.<br><br>During the year ended 31 December 2019, to improve its debt maturity profile, the Group approached its lenders to further extend the maturity of its 2017 arranged, five year, £600 million committed revolving credit facility by another year to 2024. To diversify and maintain its liquidity sources the Group continued to issue Euro commercial paper under its £1 billion programme, with €300 million in issuance at the end of the financial period (2018: €300 million). At 31 December 2019, £934 million (2018: £1,159 million) of the Group's bank facilities were unutilised, with circa £250 million having been drawn to repay the Group's 2009 issued Bond which matured in the year. Facilities also provide swingline backstop coverage for the €300 million Euro commercial paper in issuance.<br><br>During the year, LSEG also arranged a Bridge Facility to facilitate a potential refinancing as it completes the acquisition of Refinitiv, announced on 1 August 2019. The facility is committed and structured with a US$9,325 million tranche and a €3,580 million tranche to provide funding capacity to precisely match the debt the Group will take on when the acquisition completes.<br><br>**CCPs**<br>The Group's CCPs maintain sufficient cash and cash equivalents and, in certain jurisdictions, have access to central bank refinancing or commercial bank liquidity support credit lines to meet the cash requirements of the clearing and settlement cycle. Revised regulations require CCPs to ensure that appropriate levels of back-up liquidity are in place to underpin the dynamics of a largely secured cash investment requirement, ensuring that the maximum potential outflow under extreme market conditions is covered (see credit and concentration risk section above). The Group's CCPs monitor their liquidity needs daily under normal and stressed market conditions.<br><br>Where possible, the Group employs guaranteed delivery versus payment settlement techniques and manages CCP margin and default fund flows through central bank or long-established, bespoke commercial bank settlement mechanisms. Monies due from clearing members remain the clearing members' liability if the payment agent is unable to effect the appropriate transfer. In addition, certain Group companies, including the CCPs, maintain operational facilities with commercial banks to manage intraday and overnight liquidity.<br><br>Custodians are subject to minimum eligibility requirements, ongoing credit assessment, robust contractual arrangements and are required to have appropriate back-up contingency arrangements in place.<br><br>The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table reflect the contractual undiscounted cash flows. The borrowings line includes future interest on debt that is not accrued for in relation to bonds that are not yet due. |

| **At 31 December 2019** | **Less than 1 year £m** | **Between 1 and 2 years £m** | **Between 2 and 5 years £m** | **Over 5 years £m** | **Total £m** |
|---|---|---|---|---|---|
| Borrowings | **529** | **333** | **483** | **914** | **2,259** |
| Trade and other payables (excluding lease liabilities) | **560** | **–** | **–** | **–** | **560** |
| Lease liabilities | **39** | **41** | **90** | **36** | **206** |
| Clearing member business liabilities | **796,102** | **–** | **–** | **–** | **796,102** |
| Derivative financial instruments | **1** | **–** | **30** | **9** | **40** |
| Other non-current payables (excluding lease liabilities) | **–** | **4** | **–** | **–** | **4** |
| | **797,231** | **378** | **603** | **959** | **799,171** |

| At 31 December 2018 | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|
| Borrowings | 601 | 34 | 373 | 1,435 | 2,443 |
| Trade and other payables | 509 | – | – | – | 509 |
| Clearing member business liabilities | 835,508 | – | – | – | 835,508 |
| Derivative financial instruments | 30 | – | – | 17 | 47 |
| Other non-current payables | – | 7 | 3 | 1 | 11 |
| | 836,648 | 41 | 376 | 1,453 | 838,518 |

### Market risk – Foreign Exchange risk

**Risk description**

The Group operates primarily in the UK, Europe and North America, but also has growing and strategically important businesses in Asia, and other alliances and investments across the globe. Its principal currencies of operation are Sterling, Euro and US dollars.

Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, Sterling, and from occasional, high value intragroup transactions. Exceptions exist including at MillenniumIT (a Sri Lankan Rupee reporting entity) which invoices a material proportion of its revenues in US dollars, and at certain operations of the LCH Group (a Euro reporting subsidiary), which generate material revenues in Sterling and US dollars and incur material costs in Sterling.

Intragroup dividends and the currency debt interest obligations of the Company may create short-term transactional FX exposures but play their part in controlling the level of translational FX exposures the Group faces.

The Group may be exposed from time to time to FX risk associated with strategic investments in, or divestments from, operations denominated in currencies other than Sterling.

**Risk management approach**

The Group seeks to match the currency of its debt liabilities to the currency of its earnings and cash flows which, to an extent, protects its key ratios (net leverage and interest coverage) and balances the currency of its assets with its liabilities. In order to mitigate the impact of unfavourable currency exchange rate movements on earnings and net assets, non-Sterling cash earnings are centralised and applied to matching currency debt and interest payments, and, where relevant, interest payments on Sterling debt re-denominated through the use of cross-currency swaps.

A material proportion of the Group's debt is held in or swapped into Euros and US dollars as noted below.

| Currency of debt | 2019 £m | 2018 £m |
|---|---|---|
| Euro denominated drawn debt | **1,557** | 1,631 |
| Euro denominated cross-currency interest rate swaps | **(637)** | (361) |
| US dollar denominated drawn debt | **107** | – |
| US dollar denominated cross-currency interest rate swaps | **637** | 631 |

During the year, the Group settled maturing Euro-denominated cross-currency interest rate swaps linked to the maturity of its 2009 issued £250 million bond. Therefore, at the end of the year, the remaining cross-currency interest rate swaps are directly linked to Euro fixed debt. The Euro and US dollar denominated debt, including the cross-currency swaps, provides a hedge against the Group's net investment in Euro and US dollar denominated entities.

As at 31 December 2019, the Group's designated hedges of its net investments were fully effective.

Whilst transactional foreign exchange exposure is limited, the Group hedges material transactions in accordance with Group Treasury policy (which requires cash flows of single transactions or a series of linked transactions of more than £5 million or equivalent per annum to be hedged) with appropriate derivative instruments or by settling currency payables or receivables within a short timeframe. Where appropriate, hedge accounting for derivatives is considered in order to mitigate material levels of income statement volatility.

In addition to projecting and analysing its earnings and debt profile by currency, the Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. The Group has considered movements in the Euro and the US dollar over the year ended 31 December 2019 and year ended 31 December 2018 and, based on actual market observations between its principal currency pairs, has concluded that a 10% movement in rates is a reasonable level to illustrate the risk to the Group. The impact on post tax profit and equity for the years ended 31 December is set out in the table below:

| | | 2019 Post tax profit £m | 2019 Equity £m | 2018 Post tax profit £m | 2018 Equity £m |
|---|---|---|---|---|---|
| Euro | Sterling weaken | **–** | **5** | (2) | (16) |
| | Sterling strengthen | **–** | **(5)** | 2 | 15 |
| US Dollar | Sterling weaken | **(4)** | **(55)** | 7 | (45) |
| | Sterling strengthen | **4** | **50** | (7) | 41 |

This reflects foreign exchange gains or losses on translation of Euro and US dollar denominated financial assets and financial liabilities, including Euro and US dollar denominated cash and borrowings.

The impact on the Group's operating profit for the year before amortisation of purchased intangible assets and non-underlying items, of a 10 Euro cent and 10 US dollar cent movement in the Sterling-Euro and Sterling-US dollar rates respectively, can be seen below:

| | | 2019 £m | 2018 £m |
|---|---|---|---|
| Euro | Sterling weaken | **32** | 27 |
| | Sterling strengthen | **(27)** | (23) |
| US Dollar | Sterling weaken | **37** | 31 |
| | Sterling strengthen | **(31)** | (27) |

**Market risk – interest rate risk**

| Risk description | Risk management approach |
|---|---|
| The Group's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates. The Group may also face future interest rate exposure connected to committed M&A transactions where significant debt financing is involved.<br><br>The Group's CCPs face interest rate exposure through the impact of changes in the reference rates used to calculate member liabilities versus the yields achieved through their predominantly secured investment activities. | Group interest rate management policy focuses on protecting the Group's credit rating and maintaining compliance with bank covenant requirements. To support this objective, a minimum coverage of interest expense by EBITDA of 7 times, and a maximum floating rate component of 50% of total debt are targeted. This approach reflects:<br><br>(i) a focus on the Group's cost of gross debt rather than its net debt given the material cash and cash equivalents set aside for regulatory purposes;<br><br>(ii) the short duration allowed for investments of cash and cash equivalents held for regulatory purposes which, by their nature, generate low investment yields;<br><br>(iii) a view currently maintained that already low market yields are unlikely to move materially lower; and<br><br>(iv) the broad natural hedge of floating rate borrowings provided by the significant balances of cash and cash equivalents held effectively at floating rates of interest.<br><br>As at 31 December 2019, consolidated net interest expense cover by EBITDA was measured over the 12-month period at 14.4 times (2018: 16.1 times) and the floating rate component of total debt was 25% (2018: 14%).<br><br>Where the Group has committed to M&A transactions and is exposed to prospective interest rate risk on borrowings the Group Treasury function will consider the exposure and recommend hedging solutions that conform with policy and seek to limit future interest costs. The acquisition of Refinitiv will meaningfully increase the Group's debt and the interest rate risk exposure was evaluated during the financial period. As at 31 December 2019, no hedging had been arranged but the exposure remains under ongoing review.<br><br>In the Group's CCPs, interest bearing assets are generally invested in secured instruments or structures and for a longer term than interest bearing liabilities, whose interest rate is reset daily. This makes investment revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures (and the risk to CCP capital) are managed within defined risk appetite parameters against which sensitivities are monitored daily.<br><br>In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a 1 percentage point upward movement (with a limited prospect of material downward movement) reflects a reasonable level of risk to current rates. At 31 December 2019, at the Group level, if interest rates on cash and cash equivalents and borrowings had been 1 percentage point higher with all other variables held constant, post tax profit for the year would have been £8 million higher (2018: £8 million higher) mainly as a result of higher interest income on floating rate cash and cash equivalents partially offset by higher interest expense on floating rate borrowings.<br><br>At 31 December 2019, at the CCP level (in aggregate), if interest rates on the common interest bearing member liability benchmarks of Eonia, Fed Funds and Sonia, for Euro, US dollar and Sterling liabilities respectively, had been 1 percentage point higher, with all other variables held constant, the daily impact on post tax profit for the Group would have been £2 million lower (2018: £2 million lower). This deficit is expected to be recovered as investment yields increase as the portfolio matures and is reinvested. |

### 4. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events.

**Estimates**

For the year ended 31 December 2019, the following areas require the use of estimates:

- **Impairment of intangible assets, goodwill and investment in subsidiaries** – 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. Details are provided in note 14;
- **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. Sensitivity analysis is provided in note 18; and
- **Estimated service period for admission and listing services within the Primary Markets business** – the Group determines the estimated period for admission services using historical analysis of listing durations in respect of the companies on our markets. The estimated service period inherently incorporates an element of uncertainty in relation to the length of a customer listing which is subject to factors outside of the Group's control. The estimated service periods are reassessed at each reporting date to ensure the period reflects the Group's best estimates. The Group estimates that a one year decrease in the deferral period would cause an estimated £19 million increase in revenue and a one year increase in the deferral period would cause an estimated £17 million decrease in revenue recognised in the year.

**Judgements:**

In preparing the financial statements for the year ended 31 December 2019, the following judgement has been made:

- **Clearing member trading assets and trading liabilities** – The Group uses its judgement to carry out the offsetting within clearing member balances. The carrying values of the balances are offset at what the Group considers an appropriate level to arrive at the net balances reported in the balance sheet. The Group has an aligned approach for its CCP subsidiaries to ensure the principles applied are consistent across similar assets and liabilities. The approach is reviewed on a timely basis to ensure the approach used is the most appropriate. Details of amounts offset are provided in note 20.
- **EU State Aid** – The Group has used its judgement to assess any obligations arising in relation to EU State Aid investigations. Considering the appeals made by the UK PLCs (including the Group), UK Government, and management's internal view, the Group does not consider any provision is required in relation to this investigation. Additional details are provided in note 10.

### 5. Segmental information

The Group is organised into operating units based on its service lines and has six reportable segments: Information Services, Post Trade Services – LCH, Post Trade Services – CC&G and Monte Titoli, Capital Markets, Technology Services and Other. These segments generate revenue in the following areas:

- **Information Services** – Subscription and licence fees for data and index services provided;
- **Post Trade Services** – LCH – Fees based on CCP and clearing services provided, non-cash collateral management and net interest earned on cash held for margin and default funds;
- **Post Trade Services – CC&G and Monte Titoli** – Clearing fees based on trades and contracts cleared, net interest earned on cash, securities held for margin and default funds, and fees from settlement and custody services;
- **Capital Markets** – Admission fees from initial listing and further capital raises, annual fees charged for securities traded on the Group's markets, and fees from our secondary market services;
- **Technology Services** – Capital markets software licences and related IT infrastructure, network connection and server hosting services; and
- **Other** – Includes events and media services.

The Executive Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Executive Committee primarily uses a measure of adjusted earnings before interest, tax, depreciation, and amortisation (EBITDA) to assess the performance of the operating segments.

Sales between segments are carried out at arm's length and are eliminated on consolidation.

Segmental disclosures for the year ended 31 December 2019 are as follows:

| | Information Services £m | Post Trade Services – LCH £m | Post Trade Services – CC&G and Monte Titoli £m | Capital Markets £m | Technology Services £m | Other £m | Eliminations £m | Group £m |
|---|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | 902 | 550 | 103 | 426 | 66 | 9 | – | 2,056 |
| Inter-segmental revenue | – | – | – | – | 17 | – | (17) | – |
| **Revenue** | 902 | 550 | 103 | 426 | 83 | 9 | (17) | 2,056 |
| **Net treasury income from CCP clearing business** | – | 206 | 49 | – | – | – | – | 255 |
| **Other income** | – | – | – | – | – | 3 | – | 3 |
| **Total income** | 902 | 756 | 152 | 426 | 83 | 12 | (17) | 2,314 |
| Cost of sales | (74) | (114) | (7) | (5) | (7) | (3) | – | (210) |
| **Gross profit** | 828 | 642 | 145 | 421 | 76 | 9 | (17) | 2,104 |
| Income from equity investments | – | 7 | – | – | – | – | – | 7 |
| Share of loss after tax of associates | – | – | – | (1) | – | (6) | – | (7) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | 505 | 415 | 101 | 228 | 56 | (34) | (6) | 1,265 |
| Underlying depreciation, amortisation and impairment | (56) | (76) | (9) | (32) | (25) | (6) | 4 | (200) |
| **Operating profit/(loss) before non-underlying items** | 449 | 339 | 92 | 196 | 31 | (40) | (2) | 1,065 |
| Amortisation and impairment of goodwill and purchased intangible assets | | | | | | | | (195) |
| Other non-underlying items | | | | | | | | (132) |
| **Operating profit** | | | | | | | | 738 |
| Net finance expense including non-underlying items | | | | | | | | (87) |
| **Profit before tax** | | | | | | | | 651 |

Revenue from external customers principally comprises fees for services rendered of £1,981 million (2018: £1,837 million) and Technology Services of £66 million (2018: £65 million).

Net treasury income from CCP clearing businesses of £255 million (2018: £218 million) comprises gross interest income of £1,337 million (2018: £1,025 million) less gross interest expense of £1,082 million (2018: £807 million).

During the year the Group recognised a total of £29 million (2018: £106 million) of net treasury income on financial assets and liabilities held at amortised cost comprising £1,028 million (2018: £732 million) gross treasury income and £999 million (2018: £626 million) gross treasury expense.

£226 million net income (2018: £112 million net gain) on assets held at fair value was recognised, comprising £309 million (2018: £293 million) income and £83 million (2018: £181 million) expense.

Presented within revenue are net settlement expenses from the CCP clearing businesses of net nil (2018: £2 million) which comprise gross settlement income of £30 million (2018: £24 million) less gross settlement expense of £30 million (2018: £26 million).

The Group's revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the year ended 31 December 2019 is shown below:

| | Information Services £m | Post Trade Services – LCH £m | Post Trade Services – CC&G and Monte Titoli £m | Capital Markets £m | Technology Services £m | Other £m | Group £m |
|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | | | | | | | |
| **Major product & service lines** | | | | | | | |
| FTSE Russell Indexes – subscription | 418 | – | – | – | – | – | 418 |
| FTSE Russell Indexes – asset based | 231 | – | – | – | – | – | 231 |
| Real time data | 97 | – | – | – | – | – | 97 |
| Other information services | 156 | – | – | – | – | – | 156 |
| Clearing | – | 550 | 43 | – | – | – | 593 |
| Settlement, custody and other | – | – | 60 | – | – | – | 60 |
| Primary capital markets | – | – | – | 151 | – | – | 151 |
| Secondary capital markets – equities | – | – | – | 151 | – | – | 151 |
| Secondary capital markets – fixed income, derivatives and other | – | – | – | 124 | – | – | 124 |
| Capital markets software licences | – | – | – | – | 66 | – | 66 |
| Other | – | – | – | – | – | 9 | 9 |
| **Total revenue from contracts with customers** | 902 | 550 | 103 | 426 | 66 | 9 | 2,056 |
| **Timing of revenue recognition** | | | | | | | |
| Services satisfied at a point in time | 42 | 544 | 95 | 283 | 4 | 7 | 975 |
| Services satisfied over time | 860 | 6 | 8 | 143 | 62 | 2 | 1,081 |
| **Total revenue from contracts with customers** | 902 | 550 | 103 | 426 | 66 | 9 | 2,056 |

# Notes to the financial statements (continued)

Segmental disclosures for the year ended 31 December 2018 are as follows:

| | Information Services £m | Post Trade Services – LCH £m | Post Trade Services – CC&G and Monte Titoli £m | Capital Markets £m | Technology Services £m | Other £m | Eliminations £m | Group £m |
|---|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | 841 | 487 | 102 | 407 | 65 | 9 | – | 1,911 |
| Inter-segmental revenue | – | – | 1 | – | 21 | – | (22) | – |
| **Revenue** | 841 | 487 | 103 | 407 | 86 | 9 | (22) | 1,911 |
| **Net treasury income from CCP clearing business** | – | 175 | 43 | – | – | – | – | 218 |
| **Other income** | – | – | – | – | – | 6 | – | 6 |
| **Total income** | 841 | 662 | 146 | 407 | 86 | 15 | (22) | 2,135 |
| Cost of sales | (70) | (123) | (7) | (16) | (9) | (2) | – | (227) |
| **Gross profit** | 771 | 539 | 139 | 391 | 77 | 13 | (22) | 1,908 |
| Share of loss after tax of associates | – | – | – | (1) | – | (7) | – | (8) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | 469 | 304 | 92 | 201 | 18 | (5) | (13) | 1,066 |
| Underlying depreciation, amortisation and impairment | (29) | (62) | (9) | (17) | (20) | (2) | 4 | (135) |
| **Operating profit/(loss) before non-underlying items** | 440 | 242 | 83 | 184 | (2) | (7) | (9) | 931 |
| Amortisation and impairment of goodwill and purchased intangible assets | | | | | | | | (159) |
| Other non-underlying items | | | | | | | | (21) |
| **Operating profit** | | | | | | | | 751 |
| Net finance expense | | | | | | | | (66) |
| **Profit before tax** | | | | | | | | 685 |

The Group's revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the year ended 31 December 2018 is shown below:

| | Information Services £m | Post Trade Services – LCH £m | Post Trade Services – CC&G and Monte Titoli £m | Capital Markets £m | Technology Services £m | Other £m | Group £m |
|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | | | | | | | |
| **Major product & service lines** | | | | | | | |
| FTSE Russell Indexes – subscription | 373 | – | – | – | – | – | 373 |
| FTSE Russell Indexes – asset based | 219 | – | – | – | – | – | 219 |
| Real time data | 94 | – | – | – | – | – | 94 |
| Other information services | 155 | – | – | – | – | – | 155 |
| Clearing | – | 487 | 41 | – | – | – | 528 |
| Settlement, custody and other | – | – | 61 | – | – | – | 61 |
| Primary capital markets | – | – | – | 113 | – | – | 113 |
| Secondary capital markets – equities | – | – | – | 169 | – | – | 169 |
| Secondary capital markets – fixed income, derivatives and other | – | – | – | 125 | – | – | 125 |
| Capital markets software licences | – | – | – | – | 65 | – | 65 |
| Other | – | – | – | – | – | 9 | 9 |
| **Total revenue from contracts with customers** | 841 | 487 | 102 | 407 | 65 | 9 | 1,911 |
| **Timing of revenue recognition** | | | | | | | |
| Services satisfied at a point in time | 45 | 479 | 93 | 237 | 2 | 8 | 864 |
| Services satisfied over time | 796 | 8 | 9 | 170 | 63 | 1 | 1,047 |
| **Total revenue from contracts with customers** | 841 | 487 | 102 | 407 | 65 | 9 | 1,911 |

31 December 2018 comparatives have been re-presented inline with current year classification.

**Geographical disclosures**

| | 2019 £m | 2018 £m |
|---|---|---|
| **Revenue from external customers** | | |
| UK | **1,149** | 1,092 |
| USA | **388** | 348 |
| Italy | **327** | 316 |
| France | **144** | 109 |
| Other | **48** | 46 |
| **Total** | **2,056** | 1,911 |
| **Non-current operating assets** | | |
| UK | **1,492** | 1,149 |
| USA | **2,113** | 2,226 |
| Italy | **1,203** | 1,271 |
| France | **74** | 61 |
| Other | **96** | 154 |
| **Total** | **4,978** | 4,861 |

Non-current operating assets consist of property, plant and equipment, intangible assets, investment in associates and strategic long-term investments in equity instruments.

## 6. Expenses by nature

Expenses comprise the following:

| | Notes | 2019 £m | 2018 £m |
|---|---|---|---|
| Employee costs | 7 | **529** | 510 |
| IT costs | | **146** | 136 |
| Short-term lease costs | | **2** | – |
| Lease costs for low value items | | **2** | – |
| Other costs | | **163** | 193 |
| Foreign exchange gains | | **(3)** | (5) |
| **Underlying operating expenses before depreciation, amortisation and impairment** | | **839** | 834 |
| **Non-underlying operating expenses before depreciation, amortisation and impairment** | 8 | **132** | 21 |
| **Operating expenses before depreciation, amortisation and impairment** | | **971** | 855 |

Other costs include £49 million in relation to professional fees (2018: £60 million). Previously property costs included within other costs are now recognised as depreciation under IFRS 16 (note 2).

## 7. Employee costs

Employee costs comprise the following:

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| Salaries and other benefits | | **397** | 387 |
| Social security costs | | **71** | 62 |
| Pension costs | 18 | **26** | 25 |
| Share-based compensation | | **35** | 36 |
| **Total** | | **529** | 510 |

Staff costs include the costs of contract staff who are not on the payroll, but fulfil a similar role to employees.

The average number of employees in the Group from total operations was:

| | 2019 | 2018 |
|---|---|---|
| UK | **1,631** | 1,628 |
| USA | **664** | 659 |
| Italy | **643** | 612 |
| France | **185** | 166 |
| Sri Lanka | **1,082** | 1,025 |
| Other | **493** | 315 |
| **Total** | **4,698** | 4,405 |

Average staff numbers are calculated from the date of acquisition for subsidiary companies acquired in the year and up to the date of disposal for businesses disposed in the year.

The Company had no employees in the year (2018: nil).

# Notes to the financial statements (continued)

## 8. Non-underlying items

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| Amortisation and impairment of intangible assets | 14 | **195** | 159 |
| Transaction costs | | **96** | 9 |
| Restructuring costs | | **32** | – |
| Integration costs | | **4** | 12 |
| Operating expenses before depreciation, amortisation and impairment | | **132** | 21 |
| **Total affecting operating profit** | | **327** | 180 |
| Non-underlying finance expense | | **16** | – |
| **Total affecting profit before tax** | | **343** | 180 |
| **Tax effect on items affecting profit before tax** | | | |
| Deferred tax on amortisation of purchased intangible assets | | **(31)** | (33) |
| Current tax on amortisation of purchased intangible assets | | **(11)** | (11) |
| Tax effect on other items | | **(8)** | (11) |
| **Total tax effect on items affecting profit before tax** | | **(50)** | (55) |
| **Total non-underlying charge to income statement** | | **293** | 125 |

During the year the Group incurred a £180 million (2018: £154 million) amortisation charge in relation to purchased intangible assets, which includes £25 million accelerated amortisation in relation to Mergent Inc. In the prior year £5 million expense was recognised in relation to written-off work in progress assets no longer required for development.

The Group impaired goodwill of £8 million and purchased intangible assets of £1 million in relation to Turquoise Global Holdings Ltd and the Group impaired goodwill of £6 million in relation to Mergent Inc (note 14).

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

Restructuring costs comprise one-off implementation costs arising from the cost savings programme announced in March 2019.

Integration costs in the current and prior year relate to the activities to integrate the Mergent and Yield Book businesses into the Group.

Financing costs relate to fees for establishing a Bridge Financing to refinance the Refinitiv notes and term loans in full following completion of its proposed acquisition. Further details of the facility are provided in note 26.

Further details on the recognition of deferred tax in relation to the amortisation of purchased intangible assets are provided in note 17.

## 9. Net finance expense

| | Notes | 2019 £m | 2018 £m |
|---|---|---|---|
| **Finance income** | | | |
| Expected return on defined benefit pension scheme assets | 18 | **1** | 1 |
| Bank deposit and other interest income | | **9** | 8 |
| Other finance income | | **4** | 4 |
| Underlying finance income | | **14** | 13 |
| **Finance expense** | | | |
| Interest payable on bank and other borrowings | | **(73)** | (72) |
| Defined benefit pension scheme interest cost | 18 | **–** | (1) |
| Lease interest payable | 24 | **(4)** | – |
| Other finance expenses | | **(8)** | (6) |
| **Underlying finance expense** | | **(85)** | (79) |
| **Non-underlying** | | **(16)** | – |
| **Net finance expense** | | **(87)** | (66) |

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

Other finance income includes amounts relating to the unwind of discount on net investments in leases. These amounts are immaterial.

During the year the Group recognised a total of £72 million (2018: £66 million) of net interest expense on financial assets and financial liabilities held at amortised cost, comprising £13 million (2018: £12 million) gross finance income and £85 million (2018: £78 million) gross finance expense. Presented within finance income and finance expense are amounts in relation to defined benefit pension schemes which are measured at fair value.

## 10. Taxation

The standard UK corporation tax rate for the year was 19% (2018: 19%).

| Taxation charged to the income statement | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| **Current tax** | | | |
| UK corporation tax for the year | | **84** | 53 |
| Overseas tax for the year | | **134** | 107 |
| Adjustments in respect of previous years | | **(3)** | (12) |
| | | **215** | 148 |
| **Deferred tax:** | 17 | | |
| Deferred tax for the year | | **2** | 15 |
| Adjustments in respect of previous years | | **–** | 2 |
| Deferred tax on amortisation of purchased intangible assets | | **(31)** | (33) |
| | | **(29)** | (16) |
| **Total taxation charge** | | **186** | 132 |

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns submitted to relevant tax authorities.

| Taxation on items not recognised in the income statement | 2019 £m | 2018 £m |
|---|---|---|
| **Current tax credit:** | | |
| Tax allowance on share awards in excess of expense recognised | **7** | 5 |
| | **7** | 5 |
| **Deferred tax (charge)/credit:** | | |
| Tax on defined benefit pension scheme remeasurement | **(2)** | 5 |
| Adjustments relating to change in defined benefit pension tax rate | **2** | – |
| Tax allowance on share options/awards in excess of expense recognised | **10** | 2 |
| Tax on movement in value of investments in financial assets | **(5)** | 4 |
| | **12** | 16 |

### Factors affecting the tax charge for the year

The income statement tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2018: 19%) as explained below:

| | 2019 £m | 2018 £m |
|---|---|---|
| Profit before tax | **651** | 685 |
| Profit multiplied by standard rate of corporation tax in the UK | **124** | 130 |
| Expenses not deductible/(income not taxable) | **9** | (7) |
| Adjustment arising from change in tax rates | **7** | – |
| Overseas earnings taxed at higher rate | **38** | 25 |
| Adjustments in respect of previous years | **(3)** | (10) |
| Adjustment arising from changes in tax rates on amortisation of purchased intangible assets | **4** | (2) |
| Deferred tax provided for withholding tax on distributable reserves | **2** | – |
| Derecognition of deferred tax | **5** | (4) |
| **Taxation** | **186** | 132 |

The UK Finance Bill 2016 was enacted in September 2016, reducing the standard rate of corporation tax to 17% effective from 1 April 2020. Accordingly, the UK deferred tax balances at December 2019 have been stated at the rate dependent on when the temporary differences are expected to reverse. The deferred tax balances in other countries are recognised at the substantively enacted rates at the balance sheet date.

**Uncertain tax positions**

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 legislation up until December 2018 does partially represent State Aid.

Both the Group and the UK Government, among a number of other UK PLCs, have since submitted appeals to the EU general court to annul the EU Commission's findings.

The UK Government are required to commence the process of recovering the State Aid while the decision is under appeal, issuing their first round of determinations in December 2019 focusing on the financial year 2015 due to the expiry of certain time limits.

The Group received a determination in respect of one of its two affected subsidiaries for £1 million, which was both paid by the Group and appealed against separately to HMRC in January 2020. The appeal against the determination to HMRC is likely to stay until the conclusion of the appeals to the EU general court to annul the original EU Commission's decision.

Considering the appeals made by the UK PLCs (including the Group), UK Government, and management's internal view, the Group does not consider any provision is required in relation to this investigation. Additionally, in accordance with the provisions of IFRIC 23 'Uncertainty over Income Tax Treatments' and IAS 12 'Income Taxes', the Group will recognise a receivable for the determination paid in January 2020.

As previously disclosed, the Group has made claims under the CFC legislation and considers that the potential amount of tax payable, excluding compound interest, remains between nil and £65 million.

Other

The Group does not have any other uncertain tax positions as at 31 December 2019 (2018: nil).

## 11. Earnings per share

Earnings per share is presented on four bases: basic earnings per share, diluted earnings per share, adjusted basic earnings per share, and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities. Diluted earnings per share takes into account the dilutive effects that would arise on conversion or vesting of all outstanding share options and share awards under the Group's share option and award schemes. Adjusted basic earnings per share and adjusted diluted earnings per share exclude amortisation of purchased intangible assets and non-underlying items to enable a better comparison of the underlying earnings of the business with prior periods.

| | 2019 | 2018 |
|---|---|---|
| Basic earnings per share | **119.5p** | 138.3p |
| Diluted earnings per share | **118.1p** | 136.0p |
| Adjusted basic earnings per share | **200.3p** | 173.8p |
| Adjusted diluted earnings per share | **198.0p** | 170.8p |

Profit and adjusted profit for the year attributable to the Company's equity holders:

| | 2019 £m | 2018 £m |
|---|---|---|
| Profit/(loss) for the financial year attributable to the Company's equity holders | **417** | 480 |
| **Adjustments** | | |
| Total non-underlying items (note 8) | **293** | 125 |
| Amortisation of purchased intangible assets, non-underlying items and taxation attributable to non-controlling interests | **(11)** | (2) |
| **Adjusted profit for the year attributable to the Company's equity holders** | **699** | 603 |

| | 2019 | 2018 |
|---|---|---|
| Weighted average number of shares – millions | **349** | 347 |
| Effect of dilutive share options and awards – millions | **4** | 6 |
| **Diluted weighted average number of shares – millions** | **353** | 353 |

The weighted average number of shares excludes those held in the Employee Benefit Trust and treasury shares held by the Group.

## 12. Dividends

| | 2019 £m | 2018 £m |
|---|---|---|
| Final dividend for 31 December 2017 paid 30 May 2018: 37.2p per Ordinary share | **–** | 129 |
| Interim dividend for 31 December 2018 paid 18 September 2018: 17.2p per Ordinary share | **–** | 60 |
| Final dividend for 31 December 2018 paid 29 May 2019: 43.2p per Ordinary share | **151** | – |
| Interim dividend for 31 December 2019 paid 17 September 2019: 20.1p per Ordinary share | **70** | – |
| | **221** | 189 |

Dividends are only paid out of available distributable reserves of the Company.

The Board has proposed a final dividend in respect of the year ended 31 December 2019 of 49.9p per share, which is estimated to amount to an expected payment of £174 million in May 2020. This is not reflected in the financial statements.

## 13. Property, plant and equipment

| | Land & Buildings | | | | |
|---|---|---|---|---|---|
| **Cost** | **Freehold property £m** | **Property right-of-use assets £m** | **Leasehold improvements £m** | **Plant and equipment £m** | **Total £m** |
| 31 December 2017 | 51 | – | 52 | 216 | 319 |
| Additions | 5 | – | 8 | 44 | 57 |
| Disposals | – | – | (5) | (4) | (9) |
| Write off | – | – | – | (2) | (2) |
| Transfers | – | – | – | (3) | (3) |
| Foreign exchange | (1) | – | – | – | (1) |
| 31 December 2018 | 55 | – | 55 | 251 | 361 |
| Impact of adoption of IFRS 16 (note 2) | – | 170 | – | 2 | 172 |
| 1 January 2019 (restated) | 55 | 170 | 55 | 253 | 533 |
| Additions | **4** | **–** | **3** | **41** | **48** |
| Acquisition of subsidiaries | **–** | **1** | **–** | **–** | **1** |
| Disposals and write-offs | **–** | **(5)** | **(5)** | **(15)** | **(25)** |
| Transfers | **(2)** | **–** | **7** | **(6)** | **(1)** |
| Foreign exchange | **–** | **(3)** | **(1)** | **(7)** | **(11)** |
| **31 December 2019** | **57** | **163** | **59** | **266** | **545** |
| **Accumulated depreciation and impairment** | | | | | |
| 31 December 2017 | 29 | – | 37 | 124 | 190 |
| Disposals | – | – | (5) | (4) | (9) |
| Charge for the year | – | – | 4 | 27 | 31 |
| 31 December 2018 | 29 | – | 36 | 147 | 212 |
| Disposals | **–** | **(3)** | **(3)** | **(13)** | **(19)** |
| Charge for the year | **–** | **26** | **6** | **34** | **66** |
| Impairment | **–** | **2** | **–** | **–** | **2** |
| Foreign exchange | **–** | **–** | **–** | **(4)** | **(4)** |
| **31 December 2019** | **29** | **25** | **39** | **164** | **257** |
| **Net book values** | | | | | |
| **31 December 2019** | **28** | **138** | **20** | **102** | **288** |
| 31 December 2018 | 26 | – | 19 | 104 | 149 |

The Group leases a number of properties in the countries in which it operates and these are represented above as property right-of-use assets.

Disposals of right-of-use assets represent office space that is no longer used by the Group. A loss of £2 million was recognised on the derecognition of these assets.

Plant and equipment includes right-of-use assets with a cost of £2 million and depreciation charges of £1 million.

Transfers relate to reclassification of property, plant and equipment to other asset classes and reallocations of work in progress assets between property, plant and equipment types.

During the prior year the Group incurred a £2 million asset write-off expense presented as a non-underlying item in the Group's consolidated income statement in relation to IT hardware work in progress which is no longer required for development as a result of the integration of Yield Book into the Group. There are no similar expenses in the current year.

The Company has no property, plant and equipment (2018: nil).

### 14. Intangible assets

| Cost | Goodwill £m | Purchased intangible assets: Customer and supplier relationships £m | Purchased intangible assets: Brands £m | Purchased intangible assets: Software, licences and intellectual property £m | Software and other £m | Total £m |
|---|---|---|---|---|---|---|
| 31 December 2017 | 2,377 | 1,848 | 960 | 584 | 678 | 6,447 |
| Additions | – | – | – | – | 187 | 187 |
| Disposals | – | (6) | – | (14) | (4) | (24) |
| Transfer of asset | – | – | – | – | 3 | 3 |
| Write-off | – | – | – | – | (5) | (5) |
| Foreign exchange | 70 | 50 | 45 | 12 | 13 | 190 |
| 31 December 2018 | 2,447 | 1,892 | 1,005 | 582 | 872 | 6,798 |
| Acquisition of subsidiaries | **14** | **–** | **–** | **–** | **–** | **14** |
| Additions | **–** | **–** | **–** | **–** | **206** | **206** |
| Disposals and write-off | **–** | **(2)** | **(1)** | **(2)** | **(16)** | **(21)** |
| Foreign exchange | **(104)** | **(64)** | **(24)** | **(12)** | **(39)** | **(243)** |
| **31 December 2019** | **2,357** | **1,826** | **980** | **568** | **1,023** | **6,754** |
| **Accumulated amortisation and impairment** | | | | | | |
| 31 December 2017 | 521 | 566 | 151 | 291 | 317 | 1,846 |
| Amortisation charge for the year | – | 91 | 39 | 24 | 102 | 256 |
| Impairment | – | – | – | – | 1 | 1 |
| Disposals | – | (6) | – | (14) | (4) | (24) |
| Write-off | – | – | – | – | (1) | (1) |
| Foreign exchange | 7 | 11 | 7 | 3 | 5 | 33 |
| 31 December 2018 | 528 | 662 | 197 | 304 | 420 | 2,111 |
| Amortisation charge for the year | **–** | **117** | **41** | **22** | **123** | **303** |
| Impairment | **14** | **1** | **–** | **–** | **9** | **24** |
| Disposals and write-off | **–** | **(2)** | **(1)** | **(2)** | **(14)** | **(19)** |
| Foreign exchange | **(27)** | **(26)** | **(5)** | **(6)** | **(22)** | **(86)** |
| 31 December 2019 | **515** | **752** | **232** | **318** | **516** | **2,333** |
| **Net book values** | | | | | | |
| **31 December 2019** | **1,842** | **1,074** | **748** | **250** | **507** | **4,421** |
| 31 December 2018 | 1,919 | 1,230 | 808 | 278 | 452 | 4,687 |

**Goodwill**

On 31 May 2019, the Group acquired Beyond Ratings, which resulted in additions to goodwill of £14 million (note 32).

The goodwill arising on consolidation represents the growth potential and assembled workforces of the Italian Group, LCH Group, FTSE Group, MillenniumIT, the US Information Services Group and Turquoise. The Company has no intangible assets (2018: none).

#### Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to 10 cash generating units (CGUs).

The recoverable amounts of these CGUs have been determined based on value in use calculations using discounted cash flow forecasts based on business plans prepared by management for a three year period ending 31 December 2022, and then projected for a further two years to 31 December 2024. Cash flows beyond this period are extrapolated using the estimated long-term growth rates and applying the pre-tax discount rates referred to below.

During the year an impairment has been recognised in relation to Turquoise Global Holdings Ltd due to uncertainties in the underlying future cash flows resulting in an impairment of £8 million in goodwill.

An impairment has been recognised in relation to Mergent due to lower forecast cash flows, driven by revenue performance below expectations set at the time of acquisition. This has resulted in an impairment of £6 million in goodwill.

The amount of the net book value of goodwill allocated to each CGU is set out below:

| | Net book value of goodwill | | | | | Pre-tax discount rate used in value in use calculations | |
|---|---|---|---|---|---|---|---|
| | 31 December 2018 £m | Acquisition of subsidiaries £m | Impairment in year £m | Foreign exchange £m | 31 December 2019 £m | 2019 | 2018 |
| **Italian Group** | | | | | | | |
| Capital Markets | 405 | – | – | **(21)** | **384** | **11.6%** | 12.3% |
| Technology Services | 24 | – | – | **(1)** | **23** | **11.4%** | 10.5% |
| Post Trade Services | 443 | – | – | **(23)** | **420** | **13.0%** | 13.2% |
| **MillenniumIT** | 1 | – | – | – | **1** | **19.3%** | 20.0% |
| **Turquoise** | 9 | – | **(8)** | – | **1** | **8.8%** | 9.7% |
| **FTSE Group** | 191 | **14** | – | **(1)** | **204** | **10.5%** | 9.6% |
| **LCH Group** | 128 | – | – | **(6)** | **122** | **9.9%** | 10.4% |
| **US Information Services Group** | | | | | | | |
| Frank Russell Group | 429 | – | – | **(14)** | **415** | **10.4%** | 10.5% |
| Yield Book | 217 | – | – | **(8)** | **209** | **11.1%** | 10.5% |
| Mergent | 72 | – | **(6)** | **(3)** | **63** | **11.3%** | 10.0% |
| | 1,919 | **14** | **(14)** | **(77)** | **1,842** | | |

Management has based its value in use calculations for each CGU on key assumptions about short- and medium-term revenue and cost growth, long-term economic growth rates (used to determine terminal values) and pre-tax discount rates.

The values assigned to short- and medium-term revenue and cost growth assumptions are based on the business plans prepared by management for a three year period ending 31 December 2022. The assumptions are derived from an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers, and management's experience. These factors are considered in conjunction with the Group's long-term strategic objectives to determine appropriate short- and medium-term growth assumptions.

Long-term growth rates are assumed to be 1.8% for each of the Italian CGUs (2018: 1.9%), 8.6% for MillenniumIT (2018: 9.0%), 4.0% for each of the US Information Services CGUs (2018: 3.9%), 3.4% for the other CGUs (2018: 3.5%) and represent management's internal forecasts based on external estimates of GDP and inflation analysis for the 10-year period 1 January 2015 to 31 December 2024, and do not exceed the long-term average growth rates for the countries in which the CGUs operate.

Pre-tax discount rates are based on a number of factors including the risk-free rates in Italy, France, Sri Lanka, USA and the UK as appropriate, the Group's estimated market risk premium and a premium to reflect the inherent risks of each of the CGUs.

Value in use calculations for each CGU are sensitive to changes in short- and medium-term revenue and cost growth assumptions, long term growth rates and pre-tax discount rates.

Management believes the value in use of each CGU, with the exception of Mergent, is significantly higher than the carrying value, and is unlikely to be materially impaired by reasonable adverse changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 December 2019. Revenue and cost sensitivities assume a 5% change in revenues or costs for each of the 5 years in the value in use calculations.

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:

| Cash generating unit | 5% reduction in revenues £m | 5% increase in costs £m | 0.5% reduction in long-term growth rate £m | 0.5% increase in pre-tax discount rate £m |
|---|---|---|---|---|
| **Mergent** | (24) | (19) | (8) | (8) |

**Purchased intangible assets**
The fair values of the purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The Group's purchased intangible assets include:

### Customer and supplier relationships
These assets have been recognised on acquisition of major subsidiary companies by the Group. The amortisation periods remaining on these assets are between 7 to 23 years. Following a reassessment of useful economic lives the Group has recognised a £25 million acceleration of amortisation charge in the year.

### Brands
Brands have been recognised in a number of major acquisitions, including FTSE, LCH, Russell and Yield Book. Included within brands are trade names relating to the acquisition of Frank Russell Group of £538 million (2018: £583 million). The remaining amortisation period on these assets are between 3 to 23 years.

### Software, licences and intellectual property
These assets have been recognised on acquisition of subsidiary companies and have a remaining amortisation period of 2 to 18 years.

There are no other individual purchased intangible assets with a carrying value that is considered material to each asset class.

Following a review of purchased intangible assets no longer in use, the Group disposed of assets with costs of £2 million of customer relationships, £1 million of brands and £2 million of software licences, all with a nil net book value.

### Impairment tests for purchased intangible assets
**Turquoise**
An impairment of £1 million has been recognised in relation to Customer and Supplier Relationships which represents the recurring source of income from customers' existing at the time of acquisition. The impaired asset belongs to the Capital Markets reportable segment.

The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets and forecasts approved by senior management covering a three year period. The pre tax discount rate applied to cash flow projections is 8.8% (2018: 9.7%) and cash flows beyond the three-year period are extrapolated using a 3.4% growth rate (2018: 3.5%). The projected cash flows have been impacted by weaker demand in the 'lit' trading book, coupled with increased costs of additional investment in information technology to support the business. This has resulted in the carrying value exceeding the value in use and the Group has recognised an impairment of £1 million in the current year taking the carrying value to nil.

**Software and other**
As a part of the business operating model the Group develops technology solutions where software products are developed internally, for use within the Group or to sell externally. The cost of self-developed software products in the year includes £100 million (2018: £133 million) representing assets not yet brought into use. No amortisation has been charged on these assets and instead they are tested for impairment annually.

During the year, additions relating to internally generated software amounted to £176 million (2018: £175 million). Research expenditure of £16 million (2018: £4 million) has been recognised in the income statement in the year.

Other amounts represent the internally built and developed trading systems within the various business lines, licences, capitalised contract costs and right-of-use assets. In general, these assets have a useful economic life of up to 7 years.

During the year, the Group capitalised £9 million (2018: £10 million) of incremental contract costs in respect of revenue generating contracts with customers and recognised a £7 million (2018: £6 million) amortisation charge relating to contract cost assets. No impairment was recognised in the year (2018: nil) in relation to contract cost assets.

Previously, the Group recognised licences held under finance leases with a carrying value of £6 million at 2018. On 1 January 2019, the Group adopted IFRS 16 (note 2) and these assets are now included with other right-of-use assets within 'software and other'. During the year the Group recognised additions of £21 million of right-of-use assets, with a corresponding amortisation charge of £7 million.

Following a review of software assets in the year the Group recognised £9 million impairment in relation to assets no longer in use.

During the year the Group recognised disposals and write-offs of assets no longer in use with a cost of £16 million, comprising £14 million nil net book value assets and £2 million of assets not yet brought into use.

## 15. Investment in associates

The Group has a number of associated companies that are accounted for using the equity method. The activities of these companies are complementary to the Group's businesses. The associate companies are listed in note 36.

The investment in these companies is as follows:

| | Group £m | Company £m |
|---|---|---|
| 31 December 2017 | 5 | 3 |
| Acquisitions and investments | 28 | 12 |
| Share of loss after tax | (8) | – |
| Impairment | – | (8) |
| 31 December 2018 | 25 | 7 |
| Acquisitions and investments | **11** | **11** |
| Share of loss after tax | **(7)** | **–** |
| Impairment | **–** | **(6)** |
| Foreign exchange | **(1)** | **–** |
| **31 December 2019** | **28** | **12** |

The total comprehensive income of the associates is equivalent to the loss after tax shown above. None of the associates are material to the Group.

During the year, the Group made additional investments in Curve Global for £11 million cash consideration, increasing the Group's equity interest to 44.05%.

During the prior year, the Group acquired a 15.67% equity interest in AcadiaSoft, Inc., a provider of margin automation solutions, for US$22 million (£16 million) cash consideration and made additional investments in Curve Global of £12 million cash consideration, which maintained the Group's equity interest at 43.38%.

## 16. Investment in subsidiary companies

| Company | Shares £m | Other £m | Total £m |
|---|---|---|---|
| 31 December 2017 | 5,081 | 1,017 | 6,098 |
| Investment in London Stock Exchange (C) Limited | 382 | – | 382 |
| Investment in London Stock Exchange Reg Holdings Limited | 10 | – | 10 |
| Investment in LSEGH US PT, Inc. | 16 | – | 16 |
| 31 December 2018 | 5,489 | 1,017 | 6,506 |
| Investment in London Stock Exchange (C) Limited | **244** | **–** | **244** |
| **31 December 2019** | **5,733** | **1,017** | **6,750** |

Other includes amounts invested in subsidiary companies by way of capital contributions and awards granted under the Group's share schemes.

| Principal operating subsidiaries | Principal activity | Country of incorporation and principal operations | % equity and votes held |
|---|---|---|---|
| **Held directly by the Company** | | | |
| London Stock Exchange plc | Recognised investment exchange | England and Wales | 100.00 |
| **Held indirectly by the Company** | | | |
| Banque Centrale De Compensation SA (LCH SA) | CCP clearing services | France | 73.45 |
| Borsa Italiana S.p.A. | Recognised investment exchange | Italy | 99.99 |
| Cassa di Compensazione e Garanzia S.p.A. | CCP clearing services | Italy | 99.99 |
| Elite S.p.A. | Business support programme | Italy | 74.99 |
| Frank Russell Company | Market indices provider | USA | 100.00 |
| FTSE International Limited | Market indices provider | England and Wales | 100.00 |
| LCH Limited | CCP clearing services | England and Wales | 82.61 |
| Mergent, Inc. | Business and financial information provider | USA | 100.00 |
| Millennium IT Software (Private) Limited | IT solutions provider | Sri Lanka | 100.00 |
| Monte Titoli S.p.A. | Pre-settlement, settlement and centralised custody | Italy | 98.87 |
| MTS S.p.A. | Wholesale fixed income bonds | Italy | 62.53 |
| The Yield Book, Inc. | Fixed income indices and analytics | USA | 100.00 |
| Turquoise Global Holdings Limited | Multilateral trading facility | England and Wales | 51.36 |

Under Regulation 7 of The Partnerships (Accounts) Regulations 2008, the Group elected not to prepare partnership accounts for its indirect partnership interest in London Stock Exchange Connectivity Solutions LP, as its results are contained in the consolidated group accounts.

A full list of subsidiaries is provided in note 36.

# Notes to the financial statements (continued)

**Material non-controlling interests**

The LCH companies, LCH Ltd, based in the UK, and LCH SA, based in France, are the only subsidiaries that have material non-controlling interests within the Group.

In 2018, the Group acquired further shares in the LCH Group and owned 82.61% of the equity throughout 2019.

**Summarised financial information attributable to material non-controlling interests**

Amounts include goodwill, purchased intangible assets and associated amortisation, impairments and deferred tax attributable to non-controlling interests.

| | 2019 £m | 2018 £m |
|---|---|---|
| Profit for the year attributable to non-controlling interests | **49** | 63 |
| Total comprehensive income for the year attributable to non-controlling interests | **38** | 65 |
| Dividends paid to non-controlling interests in the year | **(35)** | (37) |

**Summarised total financial information for companies with material non-controlling interests**

Amounts include goodwill, purchased intangible assets and associated amortisation, impairments and deferred tax.

| Summarised balance sheet | 2019 £m | 2018 £m |
|---|---|---|
| Non-current assets | **570** | 548 |
| Current assets | **654,402** | 684,787 |
| Current liabilities | **(653,684)** | (684,071) |
| Non-current liabilities | **(64)** | (41) |
| **Total equity** | **1,224** | 1,223 |
| **Attributable to:** | | |
| Equity holders of the company | **965** | 967 |
| Non-controlling interests | **259** | 256 |
| | **1,224** | 1,223 |

| Summarised total comprehensive income and cash flows | 2019 £m | 2018 £m |
|---|---|---|
| Total income for the year | **756** | 662 |
| Total profit for the year | **241** | 188 |
| Total comprehensive income for the year | **197** | 189 |
| Net decrease in cash and cash equivalents | **(3)** | (87) |

**Subsidiaries exempt from audit**

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2019.

| Company name | Registration number |
|---|---|
| London Stock Exchange Group Holdings Limited | 6795362 |
| London Stock Exchange Reg Holdings Limited | 7378551 |
| London Stock Exchange (C) Limited | 7943990 |
| London Stock Exchange Group (Services) Limited | 9313935 |

## 17. Deferred tax

The movements in deferred tax assets and liabilities during the year are shown below.

| Group | Accelerated tax depreciation £m | Acquisition deferred tax and amortisation £m | Provisions and other temporary differences £m | Total £m |
|---|---|---|---|---|
| 31 December 2017 | 9 | (484) | 34 | (441) |
| Tax (charged)/credited to the income statement | (2) | 33 | (15) | 16 |
| Tax credited/(charged) to other comprehensive income: | | | | |
| – Defined benefit scheme remeasurement gain | – | – | 5 | 5 |
| – Movement in debt instruments at FVOCI | – | – | 4 | 4 |
| – Foreign exchange | – | (19) | – | (19) |
| Allowance on share options/awards – to equity | – | – | 2 | 2 |
| 31 December 2018 | 7 | (470) | 30 | (433) |
| Impact of adoption of IFRS 16 (note 2) | – | – | 4 | 4 |
| 31 December 2018 | 7 | (470) | 34 | (429) |
| Tax (charged)/credited to the income statement | **(2)** | **31** | **–** | **29** |
| Tax (charged)/credited to other comprehensive income: | | | | |
| – Movement in debt instruments at FVOCI | **–** | **–** | **(5)** | **(5)** |
| – Foreign exchange | **–** | **15** | **(3)** | **12** |
| Allowance on share options/awards – to equity | **–** | **–** | **10** | **10** |
| **31 December 2019** | **5** | **(424)** | **36** | **(383)** |
| | | | | |
| **Assets at 31 December 2019** | **5** | **–** | **44** | **49** |
| **Liabilities at 31 December 2019** | **–** | **(424)** | **(8)** | **(432)** |
| **Net assets/(liabilities) at 31 December 2019** | **5** | **(424)** | **36** | **(383)** |
| | | | | |
| Assets at 31 December 2018 | 7 | – | 35 | 42 |
| Liabilities at 31 December 2018 | – | (470) | (5) | (475) |
| Net assets/(liabilities) at 31 December 2018 | 7 | (470) | 30 | (433) |

The deferred tax assets are recoverable against future taxable profits and are due after more than one year.

The net deferred tax asset of £36 million (2018: £30 million) in respect of provisions and other temporary differences relates to share based payments of £28 million (2018: £15 million), retirement benefits liability of £(19) million (2018: £(10) million), interest payable of £17 million (2018: £15 million), trading losses of £4 million (2018: £8 million), withholding tax on distributable reserves of subsidiary companies of £(6) million (2018: £(4) million), the impact of the adoption of new accounting standards of £4 million (2018: £3 million), accrued bonus of £2 million (2018: nil), Yield Book closing costs of £2 million (2018: nil), and other provisions and temporary differences of £4 million (2018: £3 million).

The purchased intangible assets of the acquired subsidiaries create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the purchased intangible assets.

The Group has unrecognised deferred tax assets in respect of losses of £20 million (2018: £17 million) within certain Group subsidiaries. The assets will be recognised in the future only if suitable taxable income were to arise within the Group.

There was no deferred tax in the Company (2018: nil).

### 18. Retirement benefit obligations

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes are held separately from those of the Group.

All schemes are governed by the local regulatory framework and employment laws in the country in which they operate.

The Company has no retirement benefit obligations.

**Defined benefit schemes**

United Kingdom

On 5 September 2016, the London Stock Exchange Retirement Plan (LSERP) and the LCH Pension Scheme in the UK (LCH UK) underwent a sectionalised merger into a new London Stock Exchange Group Pension Scheme (LSEGPS). The scheme maintains separate LCH and LSE Sections.

The LSEGPS is administered by trustees who are responsible for the scheme's governance. The scheme invests in a wide range of assets in the UK and overseas through investment managers, appointed by the scheme's trustees, who seek to balance risk and investment return. The assets are primarily managed by Ruffer LLP, Royal London Asset Management, Payden and Rygel Investment Management, Schroder Investment Management Limited and a 'buy-in' insurance asset with Pension Insurance Corporation.

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The LSE section of LSEGPS was a non-contributory defined benefit scheme that closed to new members in 1999. With effect from 31 March 2012, the LSERP also closed to accrual of future benefits for active members and it has been agreed that the benefits already accrued for affected members will remain linked to their salary with the Group.

The LCH section of LSEGPS was closed to new members from 30 September 2009. It was closed to further employee contributions and accrual of future benefits from 31 March 2013 with the defined contribution section remaining open until April 2017, when the Legal & General mastertrust was provided to all UK employees.

Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

Overseas

LCH Group operates retirement indemnity and long-service award schemes in Paris, for which the scheme obligations are calculated by an independent qualified actuary. They also operate an independent defined benefit scheme in Porto. Updated valuations of these funds are carried out by an independent qualified actuary.

The Trattamento di Fine Rapporto (TFR) operated by the Italian Group is a severance and leaving indemnity scheme, classified as an unfunded defined benefit scheme for funds accumulated prior to 1 July 2007. The service cost, representing deferred salaries accruing to employees, was included as an operating expense and was determined by law at 6.91% of salary payments subject to certain adjustments. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75% of 'national life price index +1.5%' by an independent qualified actuary. Since 1 July 2007, the Group retains no obligation, as contributions are made directly into Italian state funds in the manner of a defined contribution scheme.

The employee benefit and retirement plan operated by MillenniumIT is classified as an unfunded defined benefit plan. The net obligation in respect of this plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Once an employee is continuously employed for more than five years, he or she is entitled to a payment equivalent to half a month's gross salary multiplied by the number of years in service at MillenniumIT.

Pension risks

The principal risk to which the defined benefit schemes expose the Group arises from an increase in pension liabilities.

The pension liabilities could increase in the following circumstances:

– if increases in the plan liabilities are not accompanied by corresponding increases in the plan assets;

– if investment returns are lower than assumed in assessing the adequacy of plans;

– if inflation is higher than expected, increasing liabilities through indexing of pension payments; and

– the risk that members live longer than expected, increasing the length of time for which pensions have to be paid, potentially due to a medical breakthrough.

Such an increase in pension liabilities could lead to an increase in pension deficit. Defined benefit schemes are normally revalued by actuaries every three years. Where any material funding gap is identified by this process, the Trustees will agree a schedule of contributions with the sponsor company. Such contributions would result in financial impact to the Group.

In addition, with regard to the LSE Section of LSEGPS, the Group is exposed to the credit of the buy-in insurance provider. A failure of the buy-in insurance provider would reduce the pension assets and could thus also lead to a pension deficit or an increase in pension deficit and the need for contributions from the Group.

**Defined contribution schemes**

In the UK, the only pension scheme open to employees is a defined contribution scheme, provided by Legal & General. Following a pension consultation, from April 2017, all UK employees are eligible to participate in the same pension scheme. A core contribution of 8% of basic salary is paid by the Group, who will also match employee contributions up to 4% of basic salary.

Defined contribution schemes are operated by FTSE International and US entities.

Amounts recognised in the income statement from continuing operations are as follows:

| | | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | LSERP £m | LCH UK £m | Other plans £m | Total £m | LSERP £m | LCH UK £m | Other plans £m | Total £m |
| Defined contribution schemes | | **(4)** | **(4)** | **(11)** | **(19)** | (4) | (4) | (10) | (18) |
| Defined benefit scheme – current/past service cost and expenses | | **(1)** | **–** | **(6)** | **(7)** | (1) | – | (6) | (7) |
| Total pension charge included in employee costs | 7 | **(5)** | **(4)** | **(17)** | **(26)** | (5) | (4) | (16) | (25) |
| Net finance income / (expense) | 9 | **–** | **1** | **–** | **1** | (1) | 1 | – | – |
| **Total recognised in the income statement** | | **(5)** | **(3)** | **(17)** | **(25)** | (6) | (3) | (16) | (25) |

## Defined benefit assets/(obligations) for pension schemes

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | LSERP £m | LCH UK £m | Other plans £m | Total £m | LSERP £m | LCH UK £m | Other plans £m | Total £m |
| **Fair value of assets** | | | | | | | | |
| Equities: | | | | | | | | |
| – Quoted | **17** | **52** | **–** | **69** | – | 62 | – | 62 |
| – Not quoted | **1** | **3** | **–** | **4** | – | 42 | – | 42 |
| Bonds: | | | | | | | | |
| – Quoted | **71** | **95** | **1** | **167** | 14 | 17 | 1 | 32 |
| – Not quoted | **120** | **133** | **–** | **253** | 140 | 121 | – | 261 |
| Property | **5** | **–** | **–** | **5** | 6 | – | – | 6 |
| Cash | **1** | **4** | **–** | **5** | 15 | 2 | – | 17 |
| Pensioner buy-in policy | **187** | **–** | **–** | **187** | 180 | – | – | 180 |
| **Total fair value of assets** | **402** | **287** | **1** | **690** | 355 | 244 | 1 | 600 |
| **Present value of funded obligations** | **(395)** | **(228)** | **(18)** | **(641)** | (361) | (198) | (17) | (576) |
| **Surplus/(deficit)** | **7** | **59** | **(17)** | **49** | (6) | 46 | (16) | 24 |

As at 31 December 2019, the Group has recognised a net defined benefit asset of £7 million (2018: £(6) million) in relation to the LSE section and £59 million (2018: £46 million) in relation to the LCH section, on the basis that the Group has access to the surplus in the event of a wind-up of the scheme and therefore no asset ceiling has been applied to the net surplus recognised. Further, no minimum funding commitments are associated with the plan.

UK pension plan actuarial assumptions are set out below:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | LSERP | LCH UK | LSERP | LCH UK |
| Inflation rate – RPI | **2.9%** | **2.9%** | 3.2% | 3.2% |
| Inflation rate – CPI | **1.8%** | **1.8%** | 2.0% | 2.0% |
| Rate of increase in salaries | **2.9%** | **n/a** | 3.2% | n/a |
| Rate of increase in pensions in payment | **3.5%** | **2.1%** | 3.6% | 2.2% |
| Discount rate: | | | | |
| – Non-insured | **2.1%** | **2.1%** | 3.0% | 3.0% |
| – Insured | **1.9%** | **n/a** | 2.7% | n/a |
| Life expectancy from age 60 (years) | | | | |
| – Non-retired male member | **27.6** | **27.6** | 28.1 | 28.1 |
| – Non-retired female member | **30.1** | **30.0** | 30.6 | 30.5 |
| – Retired male member | **26.7** | **27.0** | 27.2 | 27.5 |
| – Retired female member | **28.9** | **28.8** | 29.4 | 29.2 |

The mortality assumptions are based on S2PA tables published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. We have used an allowance for CMI 2017 projections and applied a 1.25% for the male and female long-term trend rate in respect of future mortality improvements.

**Sensitivities**

The sensitivities regarding the principal assumptions used to measure the LSERP and LCH UK scheme obligations are:

| Assumption | Change in assumption | 2019 Impact on scheme obligations LSERP | 2019 Impact on scheme obligations LCH UK | 2018 Impact on scheme obligations LSERP | 2018 Impact on scheme obligations LCH UK |
|---|---|---|---|---|---|
| Inflation rate (CPI) and salary increase | Increase by 0.5% | **Increase by £3m** | **Increase by £6m** | Increase by £3m | Increase by £6m |
| Rate of increase in pensions payment | Increase by 0.5% | **Increase by £26m** | **Increase by £17m** | Increase by £21m | Increase by £11m |
| Discount rate | Increase by 0.5% | **Reduce by £30m** | **Reduce by £24m** | Reduce by £24m | Reduce by £19m |
| Mortality rate | Increase by 1 year | **Increase by £18m** | **Increase by £8m** | Increase by £14m | Increase by £6m |

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The impact of the salary increase assumption as a standalone sensitivity has an immaterial impact on the scheme obligations.

**Changes in the present value of the defined benefit obligations during the year**

| | 2019 LSERP £m | 2019 LCH UK £m | 2019 Other plans £m | 2019 Total £m | 2018 LSERP £m | 2018 LCH UK £m | 2018 Other plans £m | 2018 Total £m |
|---|---|---|---|---|---|---|---|---|
| Benefit obligation as at beginning of year | **361** | **198** | **17** | **576** | 376 | 208 | 17 | 601 |
| Pension expense: | | | | | | | | |
| – Past/current service cost | **–** | **–** | **6** | **6** | 1 | – | 6 | 7 |
| – Interest cost | **10** | **6** | **–** | **16** | 10 | 6 | – | 16 |
| **Subtotal included in the income statement** | **10** | **6** | **6** | **22** | 11 | 6 | 6 | 23 |
| Remeasurement losses/(gains): | | | | | | | | |
| – Actuarial losses/(gains) – financial assumptions | **44** | **32** | **1** | **77** | (10) | (8) | (1) | (19) |
| – Actuarial losses – demographic assumptions | **(3)** | **(3)** | **–** | **(6)** | (3) | – | – | (3) |
| – Actuarial (gains)/losses – experience | **(1)** | **–** | **–** | **(1)** | 3 | 1 | – | 4 |
| **Subtotal included in total comprehensive income** | **40** | **29** | **1** | **70** | (10) | (7) | (1) | (18) |
| Benefits paid | **(16)** | **(6)** | **(6)** | **(28)** | (16) | (9) | (5) | (30) |
| Foreign exchange | **–** | **1** | **–** | **1** | – | – | – | – |
| **Benefit obligation as at end of year** | **395** | **228** | **18** | **641** | 361 | 198 | 17 | 576 |

**Movement in fair value of scheme assets during the year**

| | 2019 LSERP £m | 2019 LCH UK £m | 2019 Other plans £m | 2019 Total £m | 2018 LSERP £m | 2018 LCH UK £m | 2018 Other plans £m | 2018 Total £m |
|---|---|---|---|---|---|---|---|---|
| Fair value of scheme assets as at beginning of year | **355** | **244** | **1** | **600** | 356 | 264 | 1 | 621 |
| Pension income: | | | | | | | | |
| Interest income | **10** | **7** | **–** | **17** | 9 | 7 | – | 16 |
| **Subtotal included in the income statement** | **10** | **7** | **–** | **17** | 9 | 7 | – | 16 |
| Remeasurement gains/(losses): | | | | | | | | |
| Return/(loss) on plan assets, excluding interest income | **39** | **38** | **–** | **77** | (9) | (21) | – | (30) |
| **Subtotal included in total comprehensive income** | **39** | **38** | **–** | **77** | (9) | (21) | – | (30) |
| Contributions by employer | **15** | **3** | **–** | **18** | 15 | 3 | – | 18 |
| Expenses | **(1)** | **–** | **–** | **(1)** | – | – | – | – |
| Benefits paid | **(16)** | **(6)** | **–** | **(22)** | (16) | (9) | – | (25) |
| Foreign exchange | **–** | **1** | **–** | **1** | – | – | – | – |
| **Fair value of scheme assets as at end of year** | **402** | **287** | **1** | **690** | 355 | 244 | 1 | 600 |

The actual gain on plan assets was £94 million (2018: loss £14 million).

**Defined benefit actuarial gains and losses recognised**

The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income.

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | LSERP £m | LCH UK £m | Other plans £m | LSERP £m | LCH UK £m | Other plans £m |
| Recognised up to beginning year | **(28)** | **30** | **2** | (29) | 44 | 1 |
| Net actuarial (losses)/gains recognised in the year | **(1)** | **9** | **(1)** | 1 | (14) | 1 |
| **Cumulative amount recognised at end of year** | **(29)** | **39** | **1** | (28) | 30 | 2 |

The last actuarial valuations of the UK defined benefit scheme were carried out as at 31 December 2017 by an independent qualified actuary. According to the schedule of contributions of these valuations, LSE plc has funded its defined benefit scheme deficit £14 million in 2018 and 2019 and is expected to pay £14 million per annum into the LSE Section in years 2020 to 2022. LCH Limited funded its defined benefit scheme deficit £3 million in 2019 and is expected to pay £3 million per annum into the LCH Section in years 2020 to 2022.

The weighted average duration of the LSERP defined benefit obligation at the end of the reporting period is estimated to be 21 years and 12 years for non-insured and insured, respectively. The weighted average duration of the LCH UK defined benefit obligation at the end of the reporting period is estimated to be 23 years.

The Trustees invests the Scheme's assets in a portfolio of physical assets and liability matching assets. The physical assets have the objective of outperforming the liabilities by investing in a suitably diversified range of assets, consisting of risk premia strategies, corporate bonds and other credit alternatives and property which together are expected to reduce investment volatility.

The liability matching assets have the objective of using a liability driven investment strategy to hedge against the interest rate and inflation risks associated with liabilities predominantly in a range of gilts, both nominal and index linked. The LSERP scheme also includes a bulk annuity transaction insuring the benefits for a part of the scheme's pensioner liabilities.

This combination of physical assets and liability matching assets is expected to provide an appropriate risk and return profile, with suitable interest rate and inflation hedging characteristics, consistent with lower volatility and improved funding level.

## 19. Financial assets and financial liabilities

**Financial instruments by category**

The financial instruments of the Group and Company are categorised as follows:

### Financial assets

| 31 December 2019 | Group | | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Financial assets at amortised cost £m | Financial assets at fair value through OCI £m | Financial assets at fair value through profit or loss £m | Total £m | Financial assets at amortised cost £m | Financial assets at fair value through profit or loss £m | Total £m |
| Clearing member financial 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** | – | – | **–** |
| Clearing member business assets | 197,747 | 23,576 | 574,889 | **796,212** | – | – | **–** |
| Trade and other receivables | 521 | – | 5 | **526** | 706 | – | **706** |
| Cash and cash equivalents | 1,493 | – | – | **1,493** | 2 | – | **2** |
| Investments in financial assets – debt instruments | – | 106 | – | **106** | – | – | **–** |
| Investments in financial assets – equity instruments | – | 241 | – | **241** | – | – | **–** |
| Derivative financial instruments | – | – | 2 | **2** | – | 2 | **2** |
| **Total** | **199,761** | **23,923** | **574,896** | **798,580** | **708** | **2** | **710** |

There were no transfers between categories during the year.

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

The Group no longer recognises bonds with less than three months maturity as cash and cash equivalents. They remain within investments in financial assets – debt.

### Financial liabilities

| 31 December 2019 | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Financial liabilities at amortised cost £m | Financial liabilities at fair value through profit or loss £m | Total £m | Financial liabilities at amortised cost £m | Financial liabilities at fair value through profit or loss £m | Total £m |
| Clearing member financial assets: | | | | | | |
| – Clearing member trading liabilities | 122,299 | 574,889 | **697,188** | – | – | **–** |
| – Other payables to clearing members | 98,914 | – | **98,914** | – | – | **–** |
| Clearing member business liabilities | 221,213 | 574,889 | **796,102** | – | – | **–** |
| Trade and other payables | 747 | – | **747** | 712 | – | **712** |
| Borrowings | 2,085 | – | **2,085** | 2,077 | | **2,077** |
| Derivative financial instruments | – | 40 | **40** | – | 40 | **40** |
| **Total** | **224,045** | **574,929** | **798,974** | **2,789** | **40** | **2,829** |

There were no transfers between categories during the year.

Social security and other tax liabilities within trade and other payables, and contract liabilities are not classified as financial instruments.

The financial instruments of the Group and Company at the previous year's balance sheet date were as follows:

### Financial assets

| 31 December 2018 | Group | | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Financial assets at amortised cost £m | Financial assets at fair value through OCI £m | Financial assets at fair value through profit or loss £m | Total £m | Financial assets at amortised cost £m | Financial assets at fair value through profit or loss £m | Total £m |
| Clearing member financial assets: | | | | | | | |
| – Clearing member trading assets | 138,153 | – | 604,303 | 742,456 | – | – | – |
| – Other receivables from clearing members | 2,261 | – | – | 2,261 | – | – | – |
| – Other financial assets | – | 19,694 | – | 19,694 | – | – | – |
| – Clearing member cash and cash equivalents | 70,927 | – | – | 70,927 | – | – | – |
| Clearing member business assets | 211,341 | 19,694 | 604,303 | 835,338 | – | – | – |
| Trade and other receivables | 761 | – | – | 761 | 622 | – | 622 |
| Cash and cash equivalents | 1,510 | – | – | 1,510 | 6 | – | 6 |
| Investments in financial assets – debt instruments | – | 84 | – | 84 | – | – | – |
| **Total** | 213,612 | 19,778 | 604,303 | 837,693 | 628 | – | 628 |

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

Contract assets that have been reclassified as fees receivable are included within trade and other receivables (note 21).

### Financial liabilities

| 31 December 2018 | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Financial liabilities at amortised cost £m | Financial liabilities at fair value through profit or loss £m | Total £m | Financial liabilities at amortised cost £m | Financial liabilities at fair value through profit or loss £m | Total £m |
| Clearing member financial liabilities: | | | | | | |
| – Clearing member trading liabilities | 138,153 | 604,303 | 742,456 | – | – | – |
| – Other payables to clearing members | 93,052 | – | 93,052 | – | – | – |
| Clearing member business liabilities | 231,205 | 604,303 | 835,508 | – | – | – |
| Trade and other payables | 510 | 10 | 520 | 402 | – | 402 |
| Borrowings | 2,203 | – | 2,203 | 2,186 | – | 2,186 |
| Derivative financial instruments | – | 47 | 47 | – | 47 | 47 |
| **Total** | 233,918 | 604,360 | 838,278 | 2,588 | 47 | 2,635 |

Social security and other tax liabilities within trade and other payables are not classified as financial instruments.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2019:

### Financial assets measured at fair value

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

The Company had derivative assets of £2 million (2018: nil). All derivatives assets in the Company are the same as for the Group.

### Financial liabilities measured at fair value

| 31 December 2019 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total fair value £m |
| Clearing member trading 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 used for hedging: | | | | |
| – Cross-currency interest rate swaps | – | 39 | – | **39** |
| Derivatives not designated as hedges: | | | | |
| – Foreign exchange forward contracts | – | 1 | – | **1** |
| | **11,495** | **563,434** | **–** | **574,929** |

The Company had derivative liabilities of £40 million (2018: £47 million). All derivative liabilities in the Company are the same as for the Group.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2018:

**Financial assets measured at fair value**

| 31 December 2018 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total fair value £m |
| Clearing member trading assets: | | | | |
| – Derivative instruments | 4,958 | 8 | – | 4,966 |
| – Non-derivative instruments | 5 | 599,332 | | 599,337 |
| – Other financial assets | 19,694 | – | – | 19,694 |
| Fair value of clearing member business assets | 24,657 | 599,340 | – | 623,997 |
| Investment in financial assets – debt | 84 | – | – | 84 |
| | 24,741 | 599,340 | – | 624,081 |

**Financial liabilities measured at fair value**

| 31 December 2018 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total fair value £m |
| Clearing member trading liabilities: | | | | |
| – Derivative instruments | 4,958 | 8 | – | 4,966 |
| – Non-derivative instruments | 5 | 599,332 | – | 599,337 |
| Fair value of clearing member business liabilities | 4,963 | 599,340 | – | 604,303 |
| Deferred consideration | – | – | 10 | 10 |
| Derivatives designated as hedges: | | | | |
| – Cross-currency interest rate swaps | – | 47 | – | 47 |
| | 4,963 | 599,387 | 10 | 604,360 |

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.

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

When observable market data is not available, the Group uses one or more valuation techniques (e.g. the market approach or the income approach) for which sufficient and reliable data is available. These inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments.

There are no deferred consideration liabilities outstanding in relation to put options over non-controlling interests of subsidiaries as at 31 December 2019 (2018: £10 million). The deferred consideration was paid during the year.

With the exception of Group borrowings, management has assessed that the fair value of financial assets and financial liabilities categorised as being at amortised cost approximate to their carrying values. The fair value of the Group's borrowings is disclosed in note 26.

The Group's financial assets and financial liabilities held at fair value consist largely of securities restricted in use for the operations of the Group's CCPs as managers of their respective clearing and guarantee systems. The nature and composition of the CCP clearing business assets and liabilities are explained in the accounting policies section in note 1.

As at 31 December 2019, there are no provisions for expected credit losses in relation to any of the CCP businesses' financial assets held at amortised cost or FVOCI (2018: nil). The Group closely monitors its CCP investment portfolio and invests only in government debt and other collateralised instruments where the risk of loss is minimal. There was no increase in credit risk in the year and none of the assets are past due (2018: nil).

**Investments in financial assets – equity**
On 30 January 2019, the Group acquired a 4.92% equity interest in Euroclear Holding SA/NV (Euroclear) for €278 million (£244 million) and considers its interest a long-term strategic investment. As at 31 December 2019, the carrying value of the investment is £238 million (€278 million). The investment is classified as Level 3, but was classified as Level 2 on acquisition. The fair value can be derived from external observable inputs, which include transactions in equity. No such transactions have occurred since the acquisition of the Group's interest. The Group regularly reviews Euroclear's financial information, which is available publicly or received as a shareholder and considers the current value to be a reasonable approximation of fair value. A dividend of £7 million was received during the year and recognised directly in the income statement within operating profit.

On 25 February 2019, the Group acquired a 7.3% equity interest in Nivaura Limited (Nivaura) for £3 million. A further investment of £4 million in the form of a convertible loan was also made. The loan is convertible to equity under certain conditions and attracts a discount on the available share price. The fair value of the loan as at 31 December 2019 is £5 million and is calculated using expected values based on the probability of each possible outcome. A fair value gain of £1 million has been recognised during the year in the income statement. Interest is charged on the loan at 6% per annum for the first two years and 15% for any years thereafter. Finance income has been recognised in the year, but is immaterial.

The fair value of the Nivaura investment is classified as Level 3. The fair value can be derived from external observable inputs, which include transactions in equity. No such transactions have occurred since the acquisition of the Group's interest. The Group regularly reviews financial information for Nivaura and considers the current value as a reasonable approximation of its fair value.

The Group has opted to value the equity investments at FVOCI, given the long-term strategic nature of these interests. The convertible loan is held at fair value through profit or loss, as it contains a derivative option.

**Hedging activities and derivatives**
Net investment hedges
Cross-currency interest rate swaps
In 2017, the Group issued €1 billion of bonds in two €500 million tranches that mature in 2024 and 2029. €700 million of these bonds were swapped on a coordinated basis into US$836 million through a series of cross-currency interest rate swaps which mature on the same dates as the bonds. These instruments effectively exchange some of the obligations and coupons of the bonds from Euros into US dollars in order to more closely match the Group's currency of borrowing to the currency of its net assets and earnings. These swaps have been designated as a hedge of the Group's net investments in its US dollar reporting subsidiaries and qualify for effective hedge accounting.

| €700 million cross-currency interest rate swap | 2019 | 2018 |
|---|---|---|
| Fair value of derivative on the balance sheet | **£(39)m** | £(17)m |
| Nominal value of hedging instrument | **$836m** | $836m |
| Hedge ratio | **1:1** | 1:1 |
| Hedge effectiveness | **100%** | 100% |
| Change in fair value of derivative | **£(22)m** | £(21)m |
| Change in value of net investment | **£22m** | £21m |
| Cumulative amount held in hedging reserve | **£(39)m** | £(17)m |

The 2009 £250 million bond was swapped from Sterling into Euros. This also resulted in a reduction in balance sheet translation exposure on Euro denominated net assets and the protection of Sterling cash flows. These swaps were designated as a hedge of the Group's net investment in the Italian Group and qualified for effective hedge accounting until their maturity in October 2019.

| £242 million cross-currency interest rate swap | 2019 | 2018 |
|---|---|---|
| Fair value of derivative on the balance sheet | – | £(30)m |
| Nominal value of hedging instrument | – | €300m |
| Hedge ratio | – | 1:1 |
| Hedge effectiveness | – | 100% |
| Change in fair value of derivative | **£12m** | £(1)m |
| Change in value of net investment | **£(12)m** | £1m |
| Cumulative amount held in hedging reserve | **£(18)m** | £(30)m |

The £18 million loss remains in the hedging reserve as the Group continues to own the underlying investment.

# Notes to the financial statements (continued)

### Non-derivative hedges

€800 million of the €1,500 million bonds not swapped into US dollars qualify as hedges of the Group's net investments in Euro denominated subsidiaries and qualify for effective hedge accounting. The movement on the €700 million that has been swapped is included below and is netted against the fair value movement of the US dollar derivative in the hedging reserve.

| Euro denominated bonds | 2019 | 2018 |
|---|---|---|
| Carrying value of debt on the balance sheet | **£1,274m** | £1,342m |
| Nominal value of hedging instrument | **€1,500m** | €1,500m |
| Hedge ratio | **1:1** | 1:1 |
| Hedge effectiveness | **100%** | 100% |
| Change in carrying value of hedging instrument | **£71m** | £(17)m |
| Change in value of net investment | **£(71)m** | £17m |
| Cumulative amount held in hedging reserve | **£50m** | £(21)m |

Throughout the financial year the Group drew on its committed bank facilities in Euro and US dollars and issued Euro denominated Commercial Paper. These drawings and issuances were designated as hedges of the Group's net investments in Euro and US dollar denominated subsidiaries.

| Revolving credit facility and commercial paper | 2019 | 2018 |
|---|---|---|
| Carrying value of debt on balance sheet | **£378m** | £270m |
| Nominal value of hedging instrument – Euros | **€317m** | €300m |
| Nominal value of hedging instrument – US dollars | **US$141m** | nil |
| Hedge ratio | **1:1** | 1:1 |
| Hedge effectiveness | **100%** | 100% |
| Change in carrying value of hedging instruments | **£10m** | £(16)m |
| Change in value of net investments | **£(10)m** | £16m |
| Cumulative amount held in reserve | **£1m** | £(6)m |

| Hedging reserve | 2019 £m | 2018 £m |
|---|---|---|
| 1 January | **(117)** | (62) |
| Changes in fair value recognised in other comprehensive income | **71** | (55) |
| **31 December** | **(46)** | (117) |

No amounts have been reclassified to the income statement during the year (2018: £nil). £40 million of losses remain in reserves as at 31 December 2019 that have not been recycled to the income statement, as the Group continues to hold the underlying investments (2018: £43 million losses).

The Group's hedging instruments are recognised on the balance sheet within derivative financial instruments or borrowings.

### Foreign currency forwards

At 31 December 2019, payables of €261 million and US$239 million were hedged forward into the next financial year. The fair value of the derivatives at the year end was an asset of £2 million (2018: nil) and a liability of £1 million (2018: nil).

Hedge accounting is not applied to these derivatives.

## 20. Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

The following table shows the impact of netting arrangements on all financial assets and financial liabilities that are reported net on the balance sheet as at 31 December 2019:

| 31 December 2019 | Gross amounts £m | Amount offset £m | Net amount as reported £m |
|---|---|---|---|
| Other financial assets | **1,087,976** | **(1,073,415)** | **14,561** |
| Repurchase agreements | **792,921** | **(110,294)** | **682,627** |
| **Total assets** | **1,880,897** | **(1,183,709)** | **697,188** |
| Other financial liabilities | **(1,118,402)** | **1,103,841** | **(14,561)** |
| Reverse repurchase agreements | **(792,921)** | **110,294** | **(682,627)** |
| **Total liabilities** | **(1,911,323)** | **1,214,135** | **(697,188)** |

The impact of netting arrangements on all financial assets and financial liabilities that are reported net on the balance sheet as at 31 December 2018 is as follows:

| 31 December 2018 | Gross amounts £m | Amount offset £m | Net amount as reported £m |
|---|---|---|---|
| Other financial assets | 867,201 | (859,535) | 7,666 |
| Repurchase agreements | 823,180 | (88,390) | 734,790 |
| **Total assets** | 1,690,381 | (947,925) | 742,456 |
| Other financial liabilities | (892,461) | 884,795 | (7,666) |
| Reverse repurchase agreements | (823,180) | 88,390 | (734,790) |
| **Total liabilities** | (1,715,641) | 973,185 | (742,456) |

All offset amounts are held in Clearing member trading assets and Clearing member trading liabilities within the Group's financial instruments.

As CCPs, the Group's operating companies sit in the middle of members' transactions and hold default funds and margin amounts as a contingency against the default of a member. As such, further amounts are available to offset in the event of a default reducing the asset and liability of £697,188 million (2018: £742,456 million) to nil.

### 21. Trade and other receivables

| | Notes | Group 2019 £m | Group 2018 £m | Company 2019 £m | Company 2018 £m |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Deferred consideration | | – | 28 | – | – |
| Fees receivable[1] | | 1 | 1 | – | – |
| Amounts due from Group companies | 34 | – | – | 41 | 25 |
| Amounts due from associates | 34 | 1 | – | – | – |
| Net investments in leases | 24 | 3 | – | – | – |
| Convertible loan notes | 19 | 5 | – | – | – |
| Other receivables | | 9 | 2 | – | – |
| Contract assets | | – | 2 | – | – |
| | | 19 | 33 | 41 | 25 |
| **Current** | | | | | |
| Trade receivables | | 328 | 432 | – | – |
| Fees receivable[1] | | 141 | 139 | – | – |
| Less: provision for expected credit losses on trade receivables | | (9) | (11) | – | – |
| Trade receivables – net | | 460 | 560 | – | – |
| Amounts due from Group companies | 34 | – | – | 513 | 525 |
| Amounts due from associates | 34 | 2 | 1 | – | – |
| Group relief receivable | | – | – | 101 | 68 |
| Deferred consideration | | 27 | 28 | – | – |
| Other receivables | | 18 | 141 | 51 | 4 |
| Prepayments | | 58 | 53 | 3 | 3 |
| Contract assets | | 1 | 2 | – | – |
| | | 566 | 785 | 668 | 600 |
| **Total** | | 585 | 818 | 709 | 625 |

1. The 31 December 2018 comparatives have been re-presented for the change in classification of the majority of contract assets as fees receivable.

The carrying amount of the Group's current trade and other receivables are denominated in the following currencies:

| | 2019 £m | 2018 £m |
|---|---|---|
| Sterling | 208 | 361 |
| Euro | 116 | 117 |
| US Dollar | 227 | 288 |
| Other currencies | 15 | 19 |
| | 566 | 785 |

Movements in the Group's provision for expected credit losses on trade receivables are as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| 1 January | 11 | 11 |
| Provision for impairment of receivables | – | 2 |
| Receivables written off during the year as uncollectible | – | (1) |
| Provisions no longer required | (2) | – |
| Amounts recovered in the year | – | (1) |
| **31 December** | 9 | 11 |

The creation and release of the provisions for impaired receivables have been included in operating expenses in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables and the other categories of financial assets do not contain impaired assets.

**Fees receivable and contract assets**
In 2018, the Group considered contract assets as amounts primarily related to the right to consideration for work completed but not invoiced at the reporting date. These amounts are not conditional on something other than the passage of time, and therefore these amounts are now included within trade and other receivables as fees receivable.

Where assets exist that are conditional on something other than the passage of time, these continue to be recognised as contract assets and are also included in trade and other receivables.

There is no change in the total of assets recognised.

During the year, the Group recognised no impairment losses in relation to contract assets.

Movements in the Group's contract assets during the year were as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| 1 January | **4** | – |
| Amounts billed in the year | **(4)** | – |
| Services provided in the year | **1** | 4 |
| **31 December** | **1** | 4 |

The contract assets table has been re-presented to reflect the fact that there has been a change in recognition of assets as fees receivable as follows:

| | As at 31 December 2018 £m | Reclassification £m | 1 January 2019 £m |
|---|---|---|---|
| Contract assets | 144 | (140) | 4 |
| Fees receivable | – | 140 | 140 |
| | 144 | – | 144 |

## 22. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Cash at bank | **607** | 701 | **–** | 1 |
| Short-term deposits | **886** | 809 | **2** | 5 |
| | **1,493** | 1,510 | **2** | 6 |

Cash and cash equivalents are held with authorised counterparties of a high credit standing; in secured investments by LCH Group companies and CC&G, and unsecured interest bearing current and call accounts, short-term deposits and AAA-rated money market funds elsewhere in the Group. Management does not expect any losses from non-performance by counterparties holding cash and cash equivalents, and there are no material differences between book and fair values. Cash and cash equivalents do not include amounts held by the CCPs on behalf of their clearing members.

At 31 December 2019, cash and cash equivalents shown above include £1,125 million (2018: £1,120 million) of amounts held by regulated entities for regulatory and operational purposes. Total amounts set aside for regulatory and operational purposes include current investments in financial assets of £81 million (2018: £53 million) and non-current investments in financial assets of £25 million (2018: £31 million).

All amounts are subject to regular reviews with regulators in the UK, France and Italy.

## 23. Trade and other payables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| **Non-current** | | | | | |
| Other non-current payables | | **4** | 10 | **–** | – |
| Lease liabilities | 24 | **146** | 1 | **–** | – |
| | | **150** | 11 | **–** | – |
| **Current** | | | | | |
| Trade payables | | **57** | 52 | **1** | 1 |
| Amounts owed to Group companies | 34 | **–** | – | **663** | 366 |
| Amounts owed to associates | 34 | **1** | – | **–** | – |
| Social security and other taxes | | **23** | 29 | **–** | – |
| Other payables | | **164** | 98 | **19** | 22 |
| Lease liabilities | 24 | **37** | 4 | **–** | – |
| Accruals | | **338** | 355 | **29** | 13 |
| | | **620** | 538 | **712** | 402 |
| **Total** | | **770** | 549 | **712** | 402 |

Prior to the adoption of IFRS 16, at 31 December 2018 lease liabilities totalling £5 million were reported within other payables. There is no change to total trade and other payables.

Other payables includes margin payable on reverse repurchase contracts within the CCP businesses.

# Notes to the financial statements (continued)

**24. Leases**

Movements in the lease liabilities during the year were as follows:

| | 2019 £m |
|---|---|
| 31 December 2018 | 5 |
| Impact of adoption of IFRS 16 (note 2) | 201 |
| 1 January 2019 (restated) | 206 |
| Acquisition of subsidiary (note 32) | 1 |
| Leases terminated early | (1) |
| New lease contracts | 20 |
| Lease interest expense (note 9) | 4 |
| Lease payments | (45) |
| Foreign exchange | (2) |
| **31 December 2019** | **183** |

Movements in lease liabilities are a new disclosure requirement as a result of the adoption of IFRS 16 on 1 January 2019. The Group has used the modified retrospective approach to transition to IFRS 16 and therefore no comparative disclosures are presented.

The Group is both a lessee and lessor of assets.

**Group as lessee**

Right-of-use assets are disclosed within property, plant and equipment (note 13) and intangible assets (note 14).

A number of leases, which although originally for longer than 12 months at inception, ended within 12 months of the date of adoption: these leases have been treated as short-term leases under IFRS 16 and the expense incurred in the year is shown within expenses by nature (note 6).

The Group has applied discount rates specific to the country and entity for all leases of property and other assets. The maturity of the Group's lease commitments is disclosed within the risk management note (note 3). Lease liabilities are included within trade and other payables (note 23).

The weighted average incremental borrowing rate used by the Group for the calculation of the lease liabilities recognised on adoption was 2.4%.

Variable lease payments are linked to a publicly available index and adjustments to the value of assets are made accordingly. There are no outstanding options to extend lease periods or early break clauses that have not been accounted for that would create material additional liabilities.

The total amount paid during the year for all leased assets was £49 million.

**Group as lessor**

The Group sub-lets a number of its property right-of-use assets where there is surplus space, or the office is no longer used by the business. The right-of-use asset is derecognised, and a net investment in lease equal to the present value of future rental income is recognised instead. Any difference in value is recognised as a profit or loss on disposal in the income statement. A loss on disposal of £2 million relating to property right-of-use assets was recognised in the year.

The value of net investment in leases is disclosed within trade and other receivables (note 21). Finance income earned on the sub-leases is included within finance income (note 9), but is immaterial.

The Group carries out stringent checks on potential lessees before granting a lease to ensure the Group's asset (the building) is protected. In addition, certain "make good" clauses are included in any lease, with penalties for non-completion. A security deposit is also retained to cover any additional costs incurred.

The value of future payments receivable is as follows:

| | Less than 1 year £m | More than 1 year, less than 5 years £m | More than 5 years £m | Total £m |
|---|---|---|---|---|
| Rent amounts due | 1 | 2 | – | 3 |

## 25. Contract liabilities

| Group | 2019 £m | 2018 £m |
|---|---|---|
| Non-current | **88** | 118 |
| Current | **157** | 153 |
| **Total** | **245** | 271 |

There were no contract liabilities in the Company (2018: nil).

Contract liabilities primarily relate to the consideration received from customers for which services have not yet been rendered.

Changes in the Group's contract liabilities balances during the year were as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| 1 January | **271** | 244 |
| Revenue recognised as a result of revised recognition period | **(32)** | – |
| Revenue recognised in the income statement | **(154)** | (134) |
| Increases due to consideration received (excluding amounts recognised as revenue during the year) | **162** | 160 |
| Foreign exchange | **(2)** | 1 |
| **31 December** | **245** | 271 |

During the year, the Group revised the recognition period within the Capital Markets segment. This resulted in £32 million being released from contract liabilities and recognised as revenue.

The Group's contract liabilities are expected to be recognised in the following periods after 31 December 2019:

| | Information Services £m | Post Trade Services – LCH £m | Post Trade Services – CC&G and Monte Titoli £m | Capital Markets £m | Technology Services £m | Group £m |
|---|---|---|---|---|---|---|
| Less than 1 year | **112** | **2** | **–** | **41** | **2** | **157** |
| More than 1 year but less than 5 years | **–** | **–** | **–** | **75** | **–** | **75** |
| More than 5 years | **–** | **–** | **–** | **13** | **–** | **13** |
| **Contract liabilities as at end of year** | **112** | **2** | **–** | **129** | **2** | **245** |

## 26. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| **Current** | | | | |
| Bank borrowings | **256** | 41 | **248** | 24 |
| Commercial paper | **256** | 270 | **256** | 270 |
| Bonds | **–** | 250 | **–** | 250 |
| | **512** | 561 | **504** | 544 |
| **Non-current** | | | | |
| Bonds | **1,573** | 1,642 | **1,573** | 1,642 |
| | **1,573** | 1,642 | **1,573** | 1,642 |
| **Total** | **2,085** | 2,203 | **2,077** | 2,186 |

# Notes to the financial statements (continued)

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

| Type | Expiry Date | Notes/Facility £m | Carrying value at 31 December 2019 £m | Interest rate percentage at 31 December 2019 % |
|---|---|---|---|---|
| **Drawn value of Facilities** | | | | |
| Dual-currency bridge credit facility | Jan 2022[1] | 10,167 | **(8)** | LIBOR + 0.3 |
| Multi-currency revolving credit facility | Nov 2022 | 600 | **115** | LIBOR + 0.45 |
| Multi-currency revolving credit facility | Dec 2024 | 600 | **149** | LIBOR + 0.3 |
| Total committed bank facilities | | | **256** | |
| | | | | |
| Commercial paper | Jan 2020 | 256 | **256** | (0.330)[2] |
| | | | | |
| £300 million bond, issued November 2012 | Nov 2021 | 300 | **299** | 4.750 |
| €500 million bond, issued September 2017 | Sep 2024 | 427 | **426** | 0.875 |
| €500 million bond, issued December 2018 | Dec 2027 | 427 | **424** | 1.750 |
| €500 million bond, issued September 2017 | Sep 2029 | 427 | **424** | 1.750 |
| Total bonds | | | **1,573** | |
| **Total committed facilities and unsecured notes** | | | **2,085** | |

1. Terminates 12 months after the earlier of Refinitiv business acquisition or the end of January 2022.
2. The Commercial paper interest rate reflected is the average interest rate achieved on the outstanding issuances.

**Current borrowings**

The Group retained total committed revolving credit bank facilities of £1,200 million during the financial year. The final one year extension option on the five year £600 million facility arranged in December 2017 was taken up to push the final maturity out to December 2024. In August 2019 the Group arranged a Bridge Facility comprising tranches of US$9.325 billion and €3.58 billion. The revolving credit facilities were partially drawn at 31 December 2019 and the Bridge Facility remained undrawn, with total facilities carrying value of £256 million (2018: £41 million) which includes £10 million of deferred arrangement fees (2018: £2 million). Further details of the Bridge Facility arrangement fees amortised to the income statements are provided in note 8.

The Group maintained its £1 billion Euro Commercial Paper Programme. Outstanding issuances at 31 December 2019 of €300 million (£256 million) (2018: of €300 million (£270 million)) may be reissued upon maturity in line with the Group's liquidity requirements.

In October 2019, the Company redeemed the 2009 £250 million unsecured bond using funding drawn from its bank credit facilities. The issue price of the bond was £99.548 per £100 nominal. The coupon on the bond was dependent on the Company's credit ratings with Moody's and Standard & Poor's, which were unchanged at A3 and A- respectively. The bond coupon remained at 9.125% per annum for the period outstanding.

Cassa di Compensazione e Garanzia S.p.A. (CC&G) has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements in the event of a market stress or participant failure. In addition, it has arranged commercial bank back-up credit lines with a number of commercial banks, which total €420 million at 31 December 2019 (2018: €420 million), for overnight and longer durations to broaden its liquidity resources consistent with requirements under the European Markets Infrastructure Regulation (EMIR).

LCH SA has a French banking licence and is able to access refinancing at the European Central Bank to support its liquidity position. LCH Limited is deemed to have sufficient fungible liquid assets to maintain an appropriate liquidity position, and has direct access to certain central bank facilities to support its liquidity risk management in accordance with the requirements under the EMIR. In accordance with the Committee on Payments and Market Infrastructures (CPMI), International Organization of Securities Commissions (IOSCO) and Principles for Financial Market Infrastructures (PFMIs), many Central Banks now provide for CCPs to apply for access to certain Central Bank facilities.

In addition, a number of Group entities have access to uncommitted operational, money market and overdraft facilities which support post trade activities and day-to-day liquidity requirements across its operations.

**Non-current borrowings**

In November 2012, the Company issued a £300 million bond under its Euro Medium Term Notes Programme (launched at the same time) which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal. The coupon on the bond is fixed at 4.75% per annum.

In September 2017, the Company issued €1 billion of bonds in two €500 million (£427 million) tranches under its updated Euro Medium Term Notes Programme. The bonds are unsecured and the tranches are due for repayment in September 2024 and September 2029 respectively. Interest is paid annually in arrears in September each year. The issue prices of the bonds were €99.602 per €100 nominal for the 2024 tranche and €99.507 per €100 nominal for the 2029 tranche. The coupon on the respective tranches is fixed at 0.875% per annum and 1.75% per annum respectively.

In December 2018, the Company issued a €500 million (£427 million) bond under its updated Euro Medium Term Notes Programme. The bond is unsecured and due for repayment in December 2027. Interest is paid annually in arrears in December each year. The issue price was €99.547 per €100 nominal. The coupon on the bond is fixed at 1.75% per annum.

**Fair values**

The fair values of the Group's borrowings are as follows:

| Group | 2019 Carrying value £m | 2019 Fair value £m | 2018 Carrying value £m | 2018 Fair value £m |
|---|---|---|---|---|
| Borrowings | | | | |
| – within 1 year | **512** | **512** | 561 | 561 |
| – after more than 1 year | **1,573** | **1,676** | 1,642 | 1,914 |
| | **2,085** | **2,188** | 2,203 | 2,475 |

The fair values of the Company's borrowings are as follows:

| Company | 2019 Carrying value £m | 2019 Fair value £m | 2018 Carrying value £m | 2018 Fair value £m |
|---|---|---|---|---|
| Borrowings | | | | |
| – within 1 year | **504** | **504** | 544 | 544 |
| – after more than 1 year | **1,573** | **1,676** | 1,642 | 1,914 |
| | **2,077** | **2,180** | 2,186 | 2,458 |

Bonds are classified as Level 1 in the Group's hierarchy for determining and disclosing the fair value of financial instruments. Bond fair values are as quoted in the relevant fixed income markets.

Bank borrowings and commercial paper are classified as Level 2 in the Group's hierarchy for determining and disclosing the fair value of financial instruments. The fair values of these instruments are based on discounted cash flows using a rate based on borrowing cost. Bank borrowings bear interest at an appropriate inter-bank reference rate plus and agreed margin, and commercial paper attracts interest at a negotiated rate at the time of issuance.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| Currency | 2019 Drawn £m | 2019 Swapped £m | 2019 Effective £m | 2018 Drawn £m | 2018 Swapped £m | 2018 Effective £m |
|---|---|---|---|---|---|---|
| Sterling | **420** | **–** | **420** | 572 | (270) | 302 |
| Euro | **1,557** | **(637)** | **920** | 1,631 | (361) | 1,270 |
| US Dollar | **108** | **637** | **745** | – | 631 | 631 |
| **Total** | **2,085** | **–** | **2,085** | 2,203 | – | 2,203 |

The carrying amounts of the Company's borrowings are denominated in the following currencies:

| Currency | 2019 Drawn £m | 2019 Swapped £m | 2019 Effective £m | 2018 Drawn £m | 2018 Swapped £m | 2018 Effective £m |
|---|---|---|---|---|---|---|
| Sterling | **420** | **–** | **420** | 572 | (270) | 302 |
| Euro | **1,549** | **(637)** | **912** | 1,614 | (361) | 1,253 |
| US Dollar | **108** | **637** | **745** | – | 631 | 631 |
| **Total** | **2,077** | **–** | **2,077** | 2,186 | – | 2,186 |

### 27. Analysis of net debt

Group net debt includes interest bearing loans and borrowings and derivative financial instruments less cash and cash equivalents.

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| **Due within 1 year** | | | | |
| Cash and cash equivalents | **1,493** | 1,510 | **2** | 6 |
| Bank borrowings | **(256)** | (41) | **(248)** | (24) |
| Commercial paper | **(256)** | (270) | **(256)** | (270) |
| Bonds | **–** | (250) | **–** | (250) |
| Derivative financial assets | **2** | – | **2** | – |
| Derivative financial liabilities | **(1)** | (30) | **(1)** | (30) |
| | **982** | 919 | **(501)** | (568) |
| **Due after 1 year** | | | | |
| Bonds | **(1,573)** | (1,642) | **(1,573)** | (1,642) |
| Derivative financial liabilities | **(39)** | (17) | **(39)** | (17) |
| **Total net debt** | **(630)** | (740) | **(2,113)** | (2,227) |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| **Increase/(decrease) in cash in the year** | **57** | 84 | **(8)** | 1 |
| Bond issue proceeds | **–** | (445) | **–** | (445) |
| Commercial paper issuance | **–** | (255) | **–** | (255) |
| Additional drawdowns from bank credit facilities | **(261)** | – | **(261)** | – |
| Net repayments made towards bank credit facilities | **35** | 489 | **26** | 474 |
| Repayment of bonds | **250** | – | **250** | – |
| **Change in net debt resulting from cash flows** | **81** | (127) | **7** | (225) |
| Foreign exchange | **14** | 4 | **92** | (40) |
| Movement on derivative financial assets and liabilities | **9** | (22) | **9** | (22) |
| Bond valuation adjustment | **(2)** | 3 | **(2)** | 3 |
| Movement in bank credit facility arrangement fees | **8** | (1) | **8** | (1) |
| Net debt at the start of the year | **(740)** | (597) | **(2,227)** | (1,942) |
| **Net debt at the end of the year** | **(630)** | (740) | **(2,113)** | (2,227) |

### 28. Provisions

| **Group** | Property £m | Other £m | Total £m |
|---|---|---|---|
| 31 December 2018 | **10** | **2** | **12** |
| Impact of adoption of IFRS 16 (note 2) | **4** | **–** | **4** |
| 1 January 2019 (restated) | **14** | **2** | **16** |
| Utilised during the year | **–** | **(2)** | **(2)** |
| Provisions no longer required | **–** | **(2)** | **(2)** |
| Provided in the year | **–** | **20** | **20** |
| **31 December 2019** | **14** | **18** | **32** |
| Current | **1** | **18** | **19** |
| Non-current | **13** | **–** | **13** |
| **31 December 2019** | **14** | **18** | **32** |

The property provision represents the estimated net present value of future costs for dilapidation costs. On adoption of IFRS 16 on 1 January 2019, additional provisions were recognised (note 2).

The majority of the non-current provisions are expected to be due in 2024.

Other provisions primarily relate to the expected costs arising from restructuring during the year.

The Company has no provisions (2018: nil).

## 29. Share capital and share premium

### Ordinary shares issued and fully paid

| | Number of shares millions | Ordinary shares[1] £m | Share premium £m | Total £m |
|---|---|---|---|---|
| 1 January 2018 | 350 | 24 | 964 | 988 |
| Issue of shares to the Employee Benefit Trust | 1 | – | 1 | 1 |
| 31 December 2018 | 351 | 24 | 965 | 989 |
| Issue of shares to the Employee Benefit Trust | **–** | **–** | **2** | **2** |
| **31 December 2019** | **351** | **24** | **967** | **991** |

1. Ordinary Shares of 6 79/86 pence

The Board approved the allotment and issue of 68,020 ordinary shares of par value 6 79/86 pence at a weighted average exercise price of 2,238 pence to the Employee Benefit Trust (2018: 72,763 ordinary shares of par value 6 79/86 pence at 2,042 pence), to settle employee 'Save As You Earn' share plans. This generated a premium of £2 million (2018: £1 million).

The Ordinary Share Capital of 351 million shares is shown net of 1 million treasury shares, recorded at par.

## 30. Net cash flow generated from operations

| | Notes | Group 2019 £m | Group 2018 £m | Company 2019 £m | Company 2018 £m |
|---|---|---|---|---|---|
| **Profit before tax** | | **651** | 685 | **268** | 112 |
| **Adjustments for depreciation, amortisation and impairments:** | | | | | |
| Depreciation and amortisation | 13, 14 | **369** | 287 | **–** | – |
| Impairment of software and intangible assets | 14 | **24** | 5 | **–** | – |
| Impairment of property, plant and equipment | 13 | **2** | 2 | **–** | – |
| **Adjustments for other non-cash items:** | | | | | |
| Loss on disposal of intangible assets | | **2** | – | **–** | – |
| Share of loss of associates | 15 | **7** | 8 | **–** | – |
| Impairment of investment in associate | 15 | **–** | – | **6** | 8 |
| Net finance expense | 9 | **87** | 66 | **83** | 61 |
| Share scheme expense | 7 | **35** | 36 | **–** | – |
| Royalties | | **1** | 3 | **–** | – |
| Movement in pensions and provisions | | **(2)** | (19) | **–** | – |
| Net foreign exchange differences | | **(27)** | 30 | **(103)** | 52 |
| Dividend income | 34 | **–** | – | **(464)** | (320) |
| Research and development tax credit | | **(1)** | – | **–** | – |
| Decrease/(increase) in receivables and contract assets | | **203** | (107) | **(18)** | 38 |
| Increase in payables and contract liabilities | | **37** | 3 | **39** | 66 |
| **Movement in other assets and liabilities relating to operations:** | | | | | |
| Decrease/(increase) in clearing member financial assets | | **6,525** | (101,678) | **–** | – |
| (Decrease)/increase in clearing member financial liabilities | | **(6,796)** | 101,646 | **–** | – |
| Movement in derivative assets and liabilities[1] | | **(28)** | 2 | **(7)** | 22 |
| **Cash generated from/(used in) operations** | | **1,089** | 969 | **(196)** | 39 |

1. Movement in derivative assets and liabilities includes £10 million relating to the Group's exercise of its option to purchase the remaining interest in EuroTLX SIM S.p.A, a subsidiary of the Group and £1 million from the revaluation of the derivative option attached to the convertible loan to Nivaura Limited.

Movement in financial liabilities arising from financing activities:

| | 31 December 2018 £m | Impact of adoption of IFRS 16 (note 2) £m | 1 January 2019 (restated) £m | Cash flows from financing activities £m | Acquisition activities £m | Foreign exchange £m | Other movements £m | 31 December 2019 £m |
|---|---|---|---|---|---|---|---|---|
| Bank borrowings | 41 | – | 41 | **226** | **(19)** | **(4)** | **12** | **256** |
| Bonds | 1,892 | – | 1,892 | **(250)** | **–** | **(71)** | **2** | **1,573** |
| Commercial paper | 270 | – | 270 | **–** | **–** | **(14)** | **–** | **256** |
| Finance lease liabilities | 5 | 201 | 206 | **(41)** | **1** | **(2)** | **19** | **183** |
| | 2,208 | 201 | 2,409 | **(65)** | **(18)** | **(91)** | **33** | **2,268** |

Other movements comprise non-cash movements relating to amortisation of arrangement fees of £14 million, new leases recognised of £20 million and leases terminated early of £(1) million during the year.

Acquisition activities include arrangement fees of £19 million paid on funding arrangements, which have been disclosed as part of interest paid within the Group's cash flows from operating activities.

# Notes to the financial statements (continued)

| | 31 December 2017 £m | Cash flows from financing activities £m | Foreign exchange £m | Other movements £m | 31 December 2018 £m |
|---|---|---|---|---|---|
| Bank borrowings | 522 | (489) | 7 | 1 | 41 |
| Bonds | 1,431 | 445 | 18 | (2) | 1,892 |
| Commercial paper | – | 255 | 15 | – | 270 |
| Finance lease liabilities | 7 | (2) | – | – | 5 |
| | 1,960 | 209 | 40 | (1) | 2,208 |

The comparative table has been re-presented to be in line with current year disclosure.

**31. Commitments and contingencies**
The Group and Company have no contracted capital commitments or any other commitments not provided for in the financial statements as at 31 December 2019 (2018: nil).

In the normal course of business, the Group and the Company receive 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 or the Company, a provision is made representing the expected cost of settling such claims.

**32. Business combinations**
**Acquisitions in the year to 31 December 2019**
On 31 May 2019, the Group acquired 100% of Beyond Ratings, a provider of financial analysis that includes Environmental, Social and Governance criteria, based in France. The consideration of £14 million (€15 million) cash was paid in two instalments during the year.

The provisional fair value of the net assets acquired was nil, including fixed assets of £1 million, current assets of £1 million and liabilities of £2 million. The fair value of assets acquired will be finalised within 12 months of acquisition. There were no purchased intangible assets. The Group provisionally recognised £14 million in goodwill which represents the potential growth of future income streams expected as the Beyond Ratings business is highly complementary to the Group's analytics tools and the index and data products.

The post-acquisition revenues and operating profit from the continuing operations of Beyond Ratings were not material to the Group. If the acquisition had taken place at the beginning of the year there would have been no material effect on the Group.

Acquisition related costs incurred have been recognised in the income statement during the year, but were immaterial.

**Acquisitions in the year to 31 December 2018**
There were no acquisitions in the year ended 31 December 2018.

**33. Share schemes**
The London Stock Exchange Group Long Term Incentive Plan (LTIP), approved at the 2014 AGM, has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the Company's shares – the latter element is not applicable to executive directors. Vesting of these awards is dependent upon the Company's total shareholder return performance and adjusted basic earnings per share. Further details are provided in the Directors' Remuneration Report on pages 98 to 128. Awards are granted at nil cost to employees.

The SAYE Option Scheme and International Sharesave Plan (SAYE Scheme) provide for grants of options to employees who enter into a SAYE savings contract and options were granted at 20% below fair market value during the year.

The Group has an employee benefit discretionary trust to administer the share plans and to acquire the shares to meet commitments to Group employees. At the year end, 517,563 (2018: 573,672) shares were held by the trust, funded in part by an interest free loan from the Group and in part by the issue of 68,020 (2018: 72,763) shares and transfer of 1,505,267 (2018: 1,359,900) shares held in treasury.

The Company has no employees but, in accordance with IFRS 10 'Consolidated Financial Statements', has the obligation for the assets, liabilities, income and costs of the employee benefit trust and these have been consolidated in the Group's financial statements. The cost of the Group's shares held by the trust are deducted from retained earnings.

Movements in the number of share options and awards outstanding and their weighted average exercise prices are as follows:

| | Share options | | SAYE Scheme | | LTIP | |
|---|---|---|---|---|---|---|
| | Number | Weighted average exercise price £ | Number | Weighted average exercise price £ | Number | Weighted average exercise price £ |
| 31 December 2017 | 1,676 | 8.94 | 867,873 | 26.40 | 5,438,872 | – |
| Granted | – | – | 208,598 | 34.37 | 1,335,947 | – |
| Exercised | – | – | (206,738) | 20.59 | (1,659,249) | – |
| Lapsed/forfeited | – | – | (76,746) | 27.88 | (320,648) | – |
| 31 December 2018 | 1,676 | 8.94 | 792,987 | 29.87 | 4,794,922 | – |
| Granted | **–** | **–** | **207,202** | **38.46** | **1,135,926** | **–** |
| Exercised | **–** | **–** | **(195,424)** | **23.01** | **(1,496,293)** | **–** |
| Lapsed/forfeited | **–** | **–** | **(69,556)** | **32.33** | **(495,157)** | **–** |
| **31 December 2019** | **1,676** | **8.94** | **735,209** | **33.88** | **3,939,398** | **–** |
| | | | | | | |
| **Exercisable at:** | | | | | | |
| **31 December 2019** | **1,676** | **8.94** | **11,057** | **32.59** | **–** | **–** |
| 31 December 2018 | 1,676 | 8.94 | 9,940 | 28.05 | – | – |

The weighted average share price of London Stock Exchange Group plc shares during the year was £58.75 (2018: £42.62).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Number outstanding | Weighted average remaining contractual life Years | Number outstanding | Weighted average remaining contractual life Years |
| **Share options** | | | | |
| Between £8 and £9 | **1,676** | **–** | 1,676 | – |
| | | | | |
| **SAYE** | | | | |
| Between £20 and £30 | **–** | **–** | 188,218 | 0.1 |
| More than £30 | **735,209** | **1.4** | 604,769 | 1.6 |
| | | | | |
| **LTIP** | | | | |
| Nil | **3,939,398** | **1.2** | 4,794,922 | 1.2 |
| **Total** | **4,676,283** | **1.2** | 5,589,585 | 1.3 |

The fair value of share awards and share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

| | Performance Shares | | | Matching Shares | Restricted Share Award | | | Share Save Plan |
|---|---|---|---|---|---|---|---|---|
| | 22-Mar-19 | 29-Aug-19 | 28-Nov-19 | 22-Mar-19 | 22-Mar-19 | 29-Aug-19 | 28-Nov-19 | 01-May-19 |
| Grant date share price | **£45.94** | **£69.70** | **£68.98** | **£45.94** | **£45.94** | **£69.70** | **£68.98** | **£51.86** |
| Expected life | **3 years** | **3 years** | **3 years** | **3 years** | **0.95 year to 2.95 years** | **2 years to 3 years** | **0.33 year to 4.33 years** | **3.3 years** |
| Exercise price | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **£38.46 to £39.37** |
| Dividend yield | **1.5%** | **1.1%** | **0.9%** | **1.5%** | **1.5%** | **1.1%** | **0.9%** | **1.3%** |
| Risk-free interest rate | **0.7%** | **0.3%** | **0.5%** | **0.7%** | **0.65% to 0.72%** | **0.33% to 0.43%** | **0.49% to 0.74%** | **0.8%** |
| Volatility | **20%** | **20%** | **21%** | **20%** | **18.2% to 20.3%** | **20% to 21.4%** | **21% to 39.1%** | **23%** |
| Fair value | **–** | **–** | **–** | **–** | **£44 to £45.31** | **£67.40 to £68.16** | **£66.28 to £68.77** | **£14.41 to £15.00** |
| Fair value TSR | **£13.69** | **£27.09** | **£20.00** | **£13.69** | **n.a.** | **n.a.** | **n.a.** | **n.a.** |
| Fair value EPS | **£43.97** | **£67.40** | **£66.90 to £67.10** | **£43.97** | **n.a.** | **n.a.** | **n.a.** | **n.a.** |

The approach adopted by the Group in determining the fair value for the Performance and Matching Shares granted during the year was based on a Total Shareholder Return pricing model which incorporates TSR and EPS performance conditions and references the vesting schedules of the awards.

For all other share awards, including the Share Save Plan, the Black-Scholes model was used.

The significant inputs into both models are the share price at grant date, expected volatility, dividend yields and annual risk-free interest rate. The volatility assumption is based on the historical 3-year volatility as at the date of grant. The risk-free interest rate represents the yield available on a UK zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the award. The expected life refers to the time from the date of grant to the date the awards vest. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

## 34. Transactions with related parties

### Key management compensation

Compensation for Directors of the Company and key personnel who have authority for planning, directing and controlling the Group:

| | 2019 £m | 2018 £m |
|---|---|---|
| Salaries and other short-term benefits | **11** | 11 |
| Pensions | **1** | 1 |
| Share-based payments | **12** | 14 |
| | **24** | 26 |

Key management compensation relates to the Executive Directors, Group Chair and Executive Committee, who have authority for planning, directing and controlling the Group.

### Other directors' interests

One director has a 40.5% (2018: 40.5%) equity interest in Quantile Technologies Limited who are an approved compression service provider for the Group's LCH Limited subsidiary. The Group operated a commercial arrangement with Quantile Technologies Limited and all transactions were carried out on an arm's length basis. During the year the Group recognised income of £0.5 million and expenses of £0.4 million as part of the agreement (2018: nil).

### Inter-company transactions with subsidiary undertakings

The Company has loans with some subsidiary undertakings. Details as at 31 December 2019 are shown in the table below:

| | Amount (owed to)/ due from as at | | | | Interest (charge)/credit | |
|---|---|---|---|---|---|---|
| Loan counterparty | 2019 | 2018 | Term | Interest rate as at 31 December 2019 | 2019 | 2018 |
| London Stock Exchange plc | **£(203)m** | £(198)m | 25 years from May 2006 with five equal annual repayments commencing in May 2027. | LIBOR plus 2% per annum | **£(6)m** | £(5)m |
| London Stock Exchange Employee Benefit Trust | **£41m** | £25m | Repayable on demand. | Non-interest bearing | **–** | – |
| London Stock Exchange Group Holdings (Italy) Limited | **€(206)m** | €(11)m | Fifth anniversary of the initial utilisation date which was April 2018. | EURIBOR plus 1.5% per annum | **€(2)m** | €(1)m |
| London Stock Exchange Group Holdings Limited | **£272m** | £226m | Fifth anniversary of the initial utilisation date which was October 2019. | LIBOR plus 1.5% per annum | **£9m** | £12m |
| London Stock Exchange Reg Holdings Limited | **£24m** | £20m | Fifth anniversary of the initial utilisation date which was July 2018. | LIBOR plus 1.2% per annum | **–** | – |
| London Stock Exchange (C) Limited | **€(40)m** | – | Fifth anniversary of the initial utilisation date which was May 2017. | EURIBOR plus 1.5% per annum | **–** | – |
| London Stock Exchange Group Holdings (Luxembourg) Ltd | **US$(227)m** | US$(24)m | Fifth anniversary of the initial utilisation date which was November 2019. | LIBOR plus 1.5% per annum | **US$(2)m** | US$(3)m |
| LSEG Employment Services Limited | **£34m** | £137m | Fifth anniversary of the initial utilisation date which was January 2015. | LIBOR plus 1.2% per annum | **£1m** | £2m |
| London Stock Exchange Group (Services) Limited | **£197m** | £71m | Fifth anniversary of the initial utilisation date which was January 2016. | LIBOR plus 0.9% per annum | **£3m** | £2m |

During the year, the Company charged in respect of employee share schemes £10 million (2018: £9 million) to LSEG Employment Services Limited, £6 million (2018: £5 million) to LCH Group, £4 million (2018: £5 million) to the London Stock Exchange Group Holdings Italia S.p.A. group of companies, £4 million (2018: £3 million) to the FTSE Group, £5 million (2018: £7 million) to London Stock Exchange Group Holdings Inc, £4 million (2018: £5 million) to London Stock Exchange plc and £2 million (2018: £1 million) to other subsidiaries of the Group.

During the year the Company received dividends of £218 million from LSE plc, £155 million from LSE Group Holdings Ltd, £31 million from LSE Group Holdings (Italy) Ltd and £60 million from LSEGH (Luxembourg) Ltd. The Company recognised £7 million income (2018: £7 million) and £72 million expenses (2018: £61 million) with Group undertakings in relation to corporate recharges. At 31 December 2019, the Company had £25 million (2018: £67 million) other receivables due from Group companies and other payables of £78 million (2018: £144 million) owed to Group undertakings.

**Transactions with associates**
In the year ended 31 December 2019, the Group recognised £1 million revenue (2018: £1 million) from its associates and as at 31 December 2019, the Group had £1 million receivable from its associates (2018: £1 million).

All transactions with subsidiaries and associates were carried out on an arm's length basis.

## 35. Events after the reporting period

In January 2020 the Group created a Post Trade Division. The division will include LCH Group and the post trade businesses in Italy, Monte Titoli and CC&G, which are currently reported separately as part of our financial results. The Post Trade division will also include UnaVista, the trade reporting business that currently sits in the Information Services Division.

The Group will disclose segmental information for the Post Trade Division in future financial reporting.

## 36. Other statutory information

Auditors' remuneration payable to Ernst and Young LLP and its associates comprise the following:

| | 2019 £m | 2018 £m |
|---|---|---|
| Audit of parent and consolidated financial statements | **1** | 1 |
| Audit of subsidiary companies | **3** | 2 |
| Non-audit services | **1** | 1 |
| **Total** | **5** | 4 |

Ernst and Young LLP provided non-audit services of £0.4 million; 8% of total fees (2018: £0.6 million; 15% of total fees). This comprised of audit related assurance services of £0.3 million (2018: £0.5 million) and other non-audit services of £0.1 million (2018: £0.1 million).

Further details of the services provided by Ernst and Young LLP are given in the Report of the Audit Committee on pages 90 to 95.

**Directors' emoluments comprise the following:**

| | 2019 £m | 2018 £m |
|---|---|---|
| Salary and fees | **3** | 3 |
| Performance bonus | **3** | 2 |
| Gains made on share awards | **6** | 3 |
| Benefits | **1** | 1 |
| | **13** | 9 |

During the year, one Director (2018: one) had retirement benefits accruing under a defined benefit scheme.

Further details of Directors' emoluments are included in the Directors' Remuneration Report on pages 98 to 128.

# Notes to the financial statements (continued)

**Related undertakings**

A list of the Group's subsidiaries as at 31 December 2019 is given below including the percentage of each class held and the Group's ownership percentages.

The share ownership percentage records the percentage of each subsidiary's share capital owned within the LSEG Group. Shares owned directly by LSEG plc are listed as being a 'direct' shareholding, shares owned by other LSEG Group companies are listed as an 'indirect (group interest)' shareholding. Where more than 1 LSEG Group company owns shares in a subsidiary these interests have been added together. The ultimate economic interest percentage on the other hand does not show actual share ownership. It records LSEG plc's effective interest in the subsidiary, allowing for situations where subsidiaries are owned by partly owned intermediate subsidiaries.

All subsidiaries are consolidated in the Group's financial statements.

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| Banque Centrale de Compensation SA (LCH SA) | France | 18 Rue du Quatre-Septembre, 75002, Paris, France | Ordinary | Indirect (group interest) | 88.91 | 73.45 |
| Beyond Ratings | France | 58 Rue des Meuniers, 93100, Montreuil, France | Ordinary | Indirect (group interest) | 100 | 100 |
| BIt Market Services S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect (group interest) | 99.99 | 99.99 |
| Bondclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| Borsa Italiana S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia Italy | Ordinary | Indirect (group interest) | 99.99 | 99.99 |
| Cassa Di Compensazione e Garanzia S.p.A. (CC&G) | Italy | Via Tomacelli, 146, 00186 Rome, Italy | Ordinary | Indirect (group interest) | 100 | 99.99 |
| CommodityClear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| Elite Americas LLC | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect (group interest) | 100 | 74.99 |
| Elite Club Deal Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 74.99 |
| Elite S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect (group interest) | 75.00 | 74.99 |
| Elite SIM S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect (group interest) | 100 | 74.99 |
| Equityclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| EuroMTS Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 62.53 |
| EuroTLX SIM S.p.A | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect (group interest) | 100 | 99.99 |
| ForexClear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| Frank Russell Company | United States | c/o United Agent Group Inc. West 505 Riverside Avenue #500, Spokane, Spokane County, WA, 99201, United States | Common | Indirect (group interest) | 100 | 100 |
| FTSE (Australia) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE (Beijing) Consulting Limited | China | Room 02D-H, 6/F Dongwai Diplomatic Building, 23 Dongzhimenwai Dajie, Beijing, China | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE (Japan) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE Americas, Inc. | United States | c/o United Agent Group Inc. 15 North Mill Street, Nyack, Rockland County, NY, 10960, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE China Index Ltd | Hong Kong | Suite 1106-8, 11/F, Tai Yau Building, No.181 Johnston Road, Wanchai, Hong Kong | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE Fixed Income LLC | Unites States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect (group interest) | 100 | 100 |
| FTSE Global Debt Capital Markets Inc. | Canada | 40 King Street West, Suite 5800, Toronto, Ontario, M5H 3S1 | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE Global Debt Capital Markets Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE International (France) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE International (Hong Kong) Limited | Hong Kong | Suite 1106-8, 11/F, Tai Yau Building, No.181 Johnston Road, Wanchai, Hong Kong | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE International (Italy) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE International (MEA) Ltd | United Arab Emirates | Unit 15501, Level 15, Gate Building, DIFC, PO Box 121208, Dubai, United Arab Emirates | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE International Brasil Representacoes LTDA | Brazil | Edificio Argentina, Praia de Botafogo 228, 16 andar, Sala1617, Rio de Janeiro, Brazil | Ordinary | Indirect (group interest) | 100 | 100 |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| FTSE International Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE International Taiwan Limited | Taiwan | 26F.-1, No. 100, Song Ren Road, Xinyi Dist., Taipei City | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE Italy S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia. Italy | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE Mexico Sociedad de Responsabilidad Limitada de Capital Variable | Mexico | Privada Paseo de los Tamarindos 120, Torre 3, Dep. 1103, Col. Bosques de las Lomas, Mexico City, C.P. 05120, Mexico | Ordinary | Indirect (group interest) | 100 | 100 |
| Gatelab Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| Gatelab S.r.l. | Italy | Via dei Pentri, 161, 86170, Isernia, Italy | Ordinary | Indirect (group interest) | 100 | 100 |
| globeSettle s.a.r.l. | Luxembourg | 19 Rue De Bitbourg, L-1273, Luxembourg | Ordinary | Indirect (group interest) | 100 | 100 |
| International Commodities Clearing House Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| Intrinsic Research Systems Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary A | Indirect (group interest) | 100 | 100 |
| | | | Ordinary B | Indirect (group interest) | 100 | 100 |
| LCH Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| LCH Group Holdings Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary (Voting) | | 82.61 | 82.61 |
| | | | Ordinary (Non-Voting) | | 100 | – |
| LCH.Clearnet LLC | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Units | Indirect (group interest) | 100 | 82.61 |
| LCH.Clearnet Group Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| LCH Pensions Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| London Stock Exchange (C) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | £ Ordinary | Direct | 100 | 100 |
| | | | € Ordinary | Direct | 100 | – |
| London Stock Exchange Connectivity Solutions LP | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Partnership | Indirect (group interest) | 100 | 100 |
| London Stock Exchange Group (Services) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| London Stock Exchange Group Holdings (Italy) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| London Stock Exchange Group Holdings (R) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| London Stock Exchange Group Holdings Italia S.p.A | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect (group interest) | 100 | 100 |
| London Stock Exchange Group Holdings Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| London Stock Exchange LEI Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| London Stock Exchange Plc | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| London Stock Exchange Reg Holdings Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| LSEG (F) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG F1 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| LSEG F2 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG HK Financing Limited | Hong Kong | Suite 1106-8, 11/F, Tai Yau Building, No.181 Johnston Road, Wanchai, Hong Kong | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG (M) Financing Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Business Services Colombo (Private) Limited | Sri Lanka | Trace Expert City, Maradana, Colombo 10, Sri Lanka | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Business Services Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| LSEG (ELT) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Business Services RM S.R.L | Romania | 6F Iuliu Maniu Blvd, Building 6.1, 3rd – 4th floor, District 6, Bucharest, Romania | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Employment Services Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Information Services (US), Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Ireland Limited | Ireland | 10 Earlsfort Terrace, Dublin, D02 T380, Ireland | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Ireland 2 Limited | Ireland | 1 Stokes Place, St Stephen's Green, Dublin 2, D02 DE03, Ireland | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Ireland 3 Limited | Ireland | 1 Stokes Place, St Stephen's Green, Dublin 2, D02 DE03, Ireland | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG LuxCo 1 S.a.r.l | Luxembourg | 19 Rue De Bitbourg, L-1273, Luxembourg | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG LuxCo 2 S.a.r.l | Luxembourg | 19 Rue De Bitbourg, L-1273, Luxembourg | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Malaysia Sdn. Bhd. | Malaysia | Level 19-1, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, W.P. Kuala Lumpur, 50490, Malaysia | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Pension Trustees Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Technology Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG US Holdco, Inc | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Direct | 100 | 100 |
| LSEGA Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Direct | 100 | 100 |
| LSEGA Jersey Limited | Jersey | 47 Esplanade, St Helier, JE1 0BD, Jersey | Ordinary | Direct | 100 | 100 |
| LSEGA Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| LSEGA2 Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| LSEGH (I) LLC | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEGH (Luxembourg) Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| LSEGH Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEGH US PT, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Direct | 100 | 100 |
| Marché de Titres France (MTS France) | France | 18 Rue du Quatre-Septembre, 75002, Paris, France | Ordinary | Indirect (group interest) | 100 | 62.53 |
| M-CCP Holdings, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| M-CCP Parent, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| Mergent Japan K.K. | Japan | 1-5-1, Otemachi First Square East Tower 11F, Otemachi, Chiyoda-ku, Tokyo, 1-5-1 | Ordinary | Indirect (group interest) | 100 | 100 |
| Mergent, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| Millennium Information Technologies (India) (Private) Limited | India | 83 - C, Mittal Towers, Nariman Point, Mumbai - 400 021, India | Ordinary | Indirect (group interest) | 100 | 100 |
| Millennium IT (USA) Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Indirect (group interest) | 100 | 100 |
| Millennium IT Services (Private) Limited | Sri Lanka | 65/2, Sir Chittampalam A Gardiner Mawatha, Colombo 02, Sri Lanka | Ordinary | Indirect (group interest) | 100 | 100 |
| Millennium IT Software (Canada) Inc. | Canada | Suite 2400, 333 Bay Street, Toronto, Ontario, Canada | Common | Indirect (group interest) | 100 | 100 |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| Millennium IT Software (Private) Limited | Sri Lanka | No.01 Millennium Drive, Malabe, Sri Lanka | Ordinary | Indirect (group interest) | 100 | 100 |
| Monte Titoli S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect (group interest) | 98.88 | 98.87 |
| MTS S.p.A. | Italy | Via Tomacelli, 146, 00186 Rome, Italy | Ordinary | Indirect (group interest) | 62.53 | 62.53 |
| MTS Markets International Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 62.53 |
| MTSNext Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| Repoclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| SSC Global Business Services Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| Stock Exchange (Holdings) Limited (The) | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| SwapAgent Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| Swapclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| The London Clearing House Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| London Produce Clearing House Limited (The) | England and Wales | Aldgate House, 33 Aldgate High Street, London, England, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| The London Stock Exchange Retirement Plan Trustee Company Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| The Yield Book, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Indirect (group interest) | 100 | 100 |
| Turquoise Global Holdings Europe B.V. | Netherlands | Suite 108, Nieuwezijds Voorburgwal 162, Amsterdam, 1012 SJ, Netherlands | Ordinary | Indirect (group interest) | 100 | 51.36 |
| Turquoise Global Holdings Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary A | Indirect (group interest) | 100 | 51.36 |
| | | | Ordinary B | – | – | – |
| Turquoise Global Holdings US, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 51.36 |
| Unavista Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| UnaVista TRADEcho B.V. | Netherlands | Suite 108, Nieuwezijds Voorburgwal 162, Amsterdam, 1012 SJ, Netherlands | Ordinary | Indirect (group interest) | 100 | 100 |
| Yield Book Software BRE LLC | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect (group interest) | 100 | 100 |
| Yield Book Tangible Property BRE LLC | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect (group interest) | 100 | 100 |

The Group's associate undertakings were:

| Associate name | Country of incorporation | | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % held by the Parent Company | Group ultimate economic interest % |
|---|---|---|---|---|---|---|
| AcadiaSoft, Inc. | United States | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, 19801 United States | Convertible Preferred | Indirect (group interest) | 15.67 | 15.67 |
| Curve Global Limited | England and Wales | 10 Paternoster Square, London, England, EC4M 7LS | Ordinary A | Direct | 43.99 | 44.05 |
| | | | Ordinary B | Direct | 46.01 | – |
| | | | Ordinary C | – | – | – |
| MTS Associated Markets S.A. | Belgium | Rue des Comédiens, 16-22, 1000 Brussels, Belgium | Ordinary | Indirect (group interest) | 23.3 | 14.57 |
| The Hub Exchange Limited | England and Wales | 843 Finchley Road, London, England, NW11 8NA | Ordinary | Indirect (group interest) | 30.03 | 22.52 |

All associates have the same year end as The Group, with the exception of the Hub Exchange Limited which has a 31 January year end.

# LSEG 2018 Financial Statements

# Independent Auditor's Report to the members of London Stock Exchange Group plc

**Opinion**

In our opinion:

- London Stock Exchange Group plc's (the "Company", the "Group") consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU);
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of London Stock Exchange Group plc which comprise:

| Group | Parent company |
|---|---|
| Consolidated balance sheet as at 31 December 2018 | Balance sheet as at 31 December 2018 |
| Consolidated income statement for the year then ended | Statement of changes in equity for the year then ended |
| Consolidated statement of comprehensive income for the year then ended | Statement of cash flows for the year then ended |
| Consolidated statement of changes in equity for the year then ended | Related Notes 1 to 38 to the financial statements including a summary of significant accounting policies |
| Consolidated statement of cash flows for the year then ended | |
| Related Notes 1 to 38 to the financial statements, including a summary of significant accounting policies | |
| Tables within the Directors' Remuneration Report identified as 'audited' on pages 86–100 | |

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to principal risks, going concern and viability statement**

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 48–57 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 104 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 105 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 104 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

**Overview of our audit approach**

| | |
|---|---|
| **Key audit matters** | – Risk that goodwill and purchased intangible assets may be impaired<br>– Risk that expenses related to internally developed software are capitalised inappropriately, or that internally developed software is impaired<br>– Risk of fraud in recognition of revenue in secondary capital markets trading, revenue share for clearing arrangements, and information services revenue accruals<br>– Application of IFRS 15 to primary capital markets admission fees |
| **Audit scope** | – We performed an audit of the complete financial information of 7 components and audit procedures on specific balances for a further 14 components<br>– The components where we performed full or specific audit procedures accounted for 95% of unadjusted pre-tax profit, 95% of adjusted pre-tax profit, 97% of revenue and 100% of total assets |
| **Materiality** | – Overall Group materiality is £35.5m which represents 5% of adjusted pre-tax profit from continuing operations, calculated by including the impact of the amortisation of purchased intangible assets, but excluding other non-underlying items as disclosed in Note 8 of the financial statements |

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Risk that goodwill and purchased intangible assets may be impaired**<br><br>*Balance of £4.2 billion, prior year comparative £4.2 billion*<br><br>The Group holds significant intangible assets on its balance sheet, including goodwill, customer relationships, brands, software licenses, and intellectual property.<br><br>We have determined the valuation of these intangible assets to be a key audit matter due to the size of the goodwill and purchased intangible assets as at 31 December 2018 and the involvement of significant judgement by management in determining the valuation of the intangible assets.<br><br>On an annual basis, management are required to perform an impairment assessment for goodwill, and to assess for indicators of impairment in respect of purchased intangible assets. Where indicators of impairment of purchased intangible assets are identified, a full impairment assessment is performed. These assessments involve significant management judgement in the application of valuation models and assumptions.<br><br>As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management.<br><br>*Refer to the Report of the Audit Committee (page 78); Accounting policies (page 126); and Notes 4 and 15 of the Financial Statements (pages 138 and 146–148)*<br><br>The risk has neither increased nor decreased in the current year. | We have confirmed our understanding of the impairment assessment process and assessed the design effectiveness of key controls, concluding that a substantive audit approach should be adopted. For material cash generating units (CGU), we examined the cash flow forecasts which support management's impairment assessment and tested compliance with the requirements of IAS 36 'Impairment of Assets'. We assessed the reasonableness of those forecasts and the evidence supporting the underlying assumptions, by comparing to Board-approved budgets, considering prior periods' budget accuracy, comparing the expected growth rates to relevant market expectations, and considering recent market developments including changes in tax rates.<br><br>In respect of purchased intangible assets, we tested management's assessment as to whether indicators of impairment exist as at the balance sheet date, by reference to factors specific to each class of assets. Examples included customer retention rates within specific business lines and the current returns made on intellectual property. We tested the weighted-average cost of capital (WACC) discount rates assigned to each of the CGUs, as well as the long-term growth rates (LTGR), with reference to our understanding of the business, comparisons to other similar companies and broader market considerations.<br><br>The WACC discount rates and LTGR applied within each impairment model were critically assessed by EY valuation specialists, including comparison to economic and industry forecasts where appropriate. We considered evidence available to support the WACC discount rates and LTGR used, and assessed consistency with findings from other areas of the audit. Using EY valuation specialists, we assessed specific inputs in the determination of the WACC discount rates, including the risk-free rate, equity beta and market/size premium, along with gearing and cost of debt. We benchmarked the inputs against observed risk rates in the markets where the Group operates. We also performed sensitivity analysis on the cash flow forecasts and other key inputs to the impairment model (including WACC discount rates, LTGR and customer retention rates), to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the goodwill and purchased intangible assets at the balance sheet date.<br><br>We performed recalculations of the amortisation of purchased intangible assets, and assessed that the amortisation policy had been appropriately applied. We also assessed the appropriateness of the remaining amortisation period by comparing management's forecasts against historic data.<br><br>In addition to the above procedures, we performed overall analytical procedures and journal entry testing in order to identify and test the risk of misstatement arising from management override of controls.<br><br>We performed full and specific scope audit procedures over this risk area in 8 components, which covered 99.8% of the risk amount. | We concluded that the WACC discount rates, LTGR, customer retention rates and cash flow forecasts used by management in the impairment assessment are within a reasonable range as at 31 December 2018.<br><br>We did not identify any additional factors that would lead to a revision of the amortisation periods applied for purchased intangible assets. We concluded that the carrying value of goodwill and purchased intangible assets is fairly stated as at 31 December 2018. |

# Independent Auditor's Report to the members of London Stock Exchange Group plc (continued)

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Risk that expenses related to internally developed software are capitalised inappropriately, or that internally developed software is impaired**<br><br>*Balance of £0.5 billion, prior year comparative £0.3 billion*<br><br>The capitalisation of expenses to internally developed software involves management's judgement, when making their assessment of capitalisation against criteria set out in IFRS as adopted by the EU.<br><br>The Group is required to review capitalised software assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives.<br><br>Where indicators of impairment are identified or where an asset has not been brought into use, a full impairment assessment is performed at the reporting date. Such assessments involve management judgement in the application of valuation models and assumptions.<br><br>In addition, as internally generated assets move closer to the end of their useful life, the risk of impairment may increase.<br><br>As a consequence, there is a greater risk of misstatement in this balance, either by fraud or error, including through the potential override of controls by management.<br><br>*Refer to the Report of the Audit Committee (page 78); Accounting policies (page 126); and Note 15 of the Financial Statements (pages 146–148)*<br><br>The risk has increased in the current year as the activity of the Group in relation to Internally developed software has expanded significantly. | We confirmed our understanding of the capitalisation and impairment assessment processes and assessed the design and operating effectiveness of key controls. We concluded that the controls were designed, implemented and operating effectively, and therefore took a controls-reliance approach.<br><br>For a sample of additions we have agreed amounts capitalised to underlying documentation, including, as appropriate, timesheets, invoices and other evidence to confirm that the costs were incurred, and meet the capitalisation criteria of IAS 38 'Intangible Assets'.<br><br>For a sample of assets not yet brought into use we have inspected management's impairment assessment and tested the key assumptions used within the assessment, such as the WACC discount rates, LTGR and cash flow forecasts where applicable. We have also gained an understanding of the status of related projects and reviewed project progress reports for potential indicators of impairment.<br><br>We also performed sensitivity analysis on the cash flow forecasts and other key inputs to the impairment model (including WACC discount rates and LTGR), to understand the impact that reasonably possible changes to key assumptions would have on the overall carrying value of the internally generated software at the balance sheet date.<br><br>We have assessed the appropriateness of the amortisation period based on economic lives and management's best estimates of future performance, amortisation method and residual values.<br><br>We have, in addition, performed overall analytical procedures and journal entry testing in order to identify and test the risk of misstatement arising from management override of controls.<br><br>We performed full and specific scope audit procedures over this risk area in 9 components, which covered 94.2% of the risk amount. | We concluded that the assessment performed by management met the capitalisation criteria set out in IFRS as adopted by the EU.<br><br>We concluded that the WACC discount rates, LTGR, and cash flow forecasts used by management in the impairment assessment are within a reasonable range as at 31 December 2018, where applicable.<br><br>We did not identify indicators of impairment for internally developed software which had not already been impaired by management.<br><br>We did not identify any additional factors that would lead to a revision of the remaining useful lives applied for internally developed software. We concluded that the carrying value of internally developed software is fairly stated as at 31 December 2018. |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Risk of fraud in recognition of revenue in secondary capital markets trading, revenue share for clearing arrangements, and information services revenue accruals**<br><br>*Secondary capital markets – Balance of £0.2 billion, prior year comparative £0.2 billion*<br><br>*Revenue share for clearing arrangements – Balance of £(0.1) billion, prior year comparative £(0.1) billion*<br><br>*Information services revenue accruals – Balance of £0.1 billion, prior year comparative £0.1 billion*<br><br>Compensation tied to the performance of the entity may create an incentive for management to manipulate results.<br><br>We have determined this to be a key audit matter having identified 3 revenue streams with heightened risk of misstatement:<br>– Secondary capital markets revenue (for certain business lines) involves multiple pricing structures based on product types, customer activity and volumes. This complexity leads to a heightened risk that revenue may not be recognised appropriately, either as a result of fraud, or error.<br>– Contracts relating to revenue sharing in respect of clearing arrangements, between the Group's central counterparty (CCPs) and third party participants, in some cases, involve complex calculations to determine the appropriate level of revenue to recognise within the Group.<br>– Information services revenue accruals (presented within contract assets) can require estimation, for instance based on prior billings or preliminary usage.<br><br>As a consequence, there is a greater risk of misstatement in these balances, either by fraud or error, including through the potential override of controls by management.<br><br>*Refer to the Report of the Audit Committee (page 78); Accounting policies (page 124); and Note 5 of the Financial Statements (pages 138–140)*<br><br>The risk has neither increased nor decreased in the current year. | We confirmed our understanding of the secondary capital markets trading, revenue share clearing arrangements and information services revenue accruals processes, and evaluated the design effectiveness of key controls.<br><br>We evaluated whether the revenue recognition policy is appropriate and in accordance with IFRS as adopted by the EU.<br>We also performed cut-off testing to gain assurance that revenue was recognised in the correct period.<br><br>**Secondary capital markets trading**<br>For the secondary capital markets trading process, we performed testing of the operating effectiveness of key controls in 1 full scope component. For this component, we concluded that the controls were designed, implemented and operating effectively, and therefore took a controls-based approach. We adopted a substantive audit approach in the other in-scope components.<br><br>We increased our standard sample size for transactional testing to respond to the risk of fraud. We agreed a random selection of transactions back to supporting audit evidence, such as invoices and cash receipts. Where appropriate, we also recalculated the fee charged and checked back to the pricing policy and relevant tariff schedule.<br><br>We reconciled trading platform data to the general ledger and tested material topside adjustments.<br><br>We also used analytical tools to identify outliers in large volumes of transactional data for focused follow-up testing. This analysis included comparing the fee per transaction to volume (notional) traded and investigating any particularly high values which were outliers to the overall population.<br><br>**Revenue share for clearing arrangements**<br>We tested the operating effectiveness of key controls over the revenue share clearing arrangement process, where relevant and we concluded that the controls were designed, implemented and operated effectively. We adopted a substantive audit approach for the remaining revenue share arrangements.<br><br>We tested revenue sharing calculations for all material business lines by checking for consistency with the underlying contracts.<br>We also used analytical procedures in the analysis of the related revenue streams. This included analysing monthly trading volumes and their correlation with monthly revenue recognised; any anomalies identified were investigated.<br><br>**Information services revenue accruals**<br>We adopted a substantive audit approach in relation to the information services revenue accruals process.<br><br>We selected a sample of revenue accruals using a lower testing threshold when compared to our standard testing approach. For the selected samples, we obtained supporting evidence, including customer consent, for accrued amounts.<br><br>For revenue based on assets under management ("AUM"), we tested the calculations on a sample basis and checked back to the supporting agreements. We also validated the AUM used in the calculations to an independent third party source.<br><br>For Q4 accruals based on Q3 information, we tested the appropriateness of using Q3 information for purposes of the year end accruals. We also performed corroborative testing to invoices raised post year end and cash collected where applicable.<br><br>We performed full and specific scope audit procedures over this risk area in 7 components, which covered 98.3% of the risk amount. | We concluded that the revenue recognised related to secondary capital markets trading, revenue share for clearing arrangements, and information services revenue accruals for the year ended 31 December 2018 is fairly stated. |

# Independent Auditor's Report to the members of London Stock Exchange Group plc (continued)

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Application of IFRS 15 to primary capital markets admission fees**<br><br>IFRS 15 'Revenue from contracts with customers', came into effect from 1 January 2018.<br><br>Previously, the Group recognised admission fees relating to the listing of equity instruments on the date that listing occurred.<br><br>The Group evaluated the application of IFRS 15 to admission fees and had regard to the IFRIC decision issued on 12 September 2018. Consequently the Group evaluated services of initial admission and ongoing access to the market as one performance obligation, and changed the accounting policy to recognise revenue over the listing period.<br><br>This change led to the Group recording a £112 million adjustment to opening retained earnings and contract liabilities, as well as the recognition of a £27 million deferred tax asset.<br><br>Our audit procedures focused on the impact of the application of the new standard to primary market admission fee revenue as it requires estimation techniques to derive the period over which admission fee revenue is deferred and subsequently amortised.<br><br>*Refer to the Report of the Audit Committee (page 78); Accounting policies (page 124); and Notes 2 and 4 of the Financial Statements (pages 129–132 and 138)*<br><br>This has been identified as a new key audit matter for the current year due to the implementation of IFRS 15 from 1 January 2018. | We assessed the revised accounting policy for revenue recognition for compliance with the new accounting standard and the IFRIC decision.<br><br>We understood and tested the model used to calculate the period over which revenue is deferred and subsequently amortised including the various inputs to the model such as the average life of a customer admitted to the exchange, historical revenue data and associated impact on deferred tax. We adopted a fully substantive approach.<br><br>We assessed the disclosures within the Annual Report and Accounts for compliance with the requirements of IFRS 15.<br><br>We performed audit procedures in 2 full scope components that were impacted by the implementation of IFRS 15. | We concluded that the opening adjustments made as at 1 January 2018 and subsequent revenue recognised related to primary capital markets admission fees, associated contract liability and disclosures for the year ended 31 December 2018 are fairly stated. |

In the prior year, our auditor's report included a key audit matter in relation to "Risk that the implementation of the Oracle finance system could lead to errors in data integrity, accounting or financial reporting". As the implementation had been completed for all entities prior to the start of the current period (except for LCH SA), the audit team did not assess this to be a key audit matter for the 2018 audit.

In addition to this, the prior year audit report included the key audit matter "Risk that the acquisition of businesses was accounted for incorrectly" which predominantly related to the acquisitions of Mergent Inc and The Yield Book Inc occurring in 2017. During 2018, there have been no significant business combinations and so this was no longer identified as a key audit matter.

**An overview of the scope of our audit**

**Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Group financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal Audit findings when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 132 reporting components of the Group, we selected 21 components covering entities headquartered within the United Kingdom, United States of America, Italy, France and Sri Lanka, which represent the principal business units within the Group.

Of the 21 components selected, we performed an audit of the complete financial information of 7 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 14 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the Group financial statements either because of the size of these accounts or their risk profile.

| Scope | Procedures performed by | Number of components |
|---|---|---|
| Full | Primary team | 4 |
| Full | Component teams | 3 |
| Specific | Primary team | 13 |
| Specific | Component team | 1 |
| **Total** | | **21** |

Details of the 4 components which were audited by component teams are set out below:

| Component | Headquartered location | Scope | Auditor |
|---|---|---|---|
| London Stock Exchange Group Holdings Italy S.p.A. | Italy | Full | EY |
| LSEG US Holdco Inc.[1] | United States of America | Full | EY |
| LCH S.A. | France | Full | EY and BDO |
| Millennium Information Technologies (Private) Limited | Sri Lanka | Specific | EY |

1. Some specific accounts within LSEG US Holdco Inc. were audited by the EY primary audit team

The reporting components where we performed audit procedures accounted for 95% (2017: 94%) of the Group's pre-tax profit, 95% (2017: 97%) of the Group's adjusted pre-tax profit measure used to calculate materiality (see page 112), 97% (2017: 99%) of the Group's Revenue and 100% (2017: 100%) of the Group's Total assets.

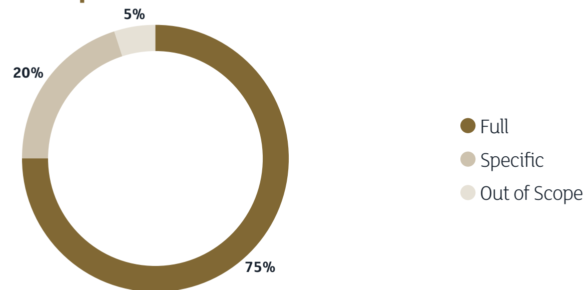
For the current year, the full scope components contributed 75% (2017: 70%) of the Group's pre-tax profit, 77% (2017: 72%) of the Group's adjusted pre-tax profit, 95% (2017: 93%) of the Group's Revenue and 100% (2017: 100%) of the Group's Total assets.

The specific scope component contributed 20% (2017: 27%) of the Group's pre-tax profit, 18% (2017: 22%) of the Group's adjusted pre-tax profit, 2% (2017: 6%) of the Group's Revenue and less than 1% (2017: 1%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

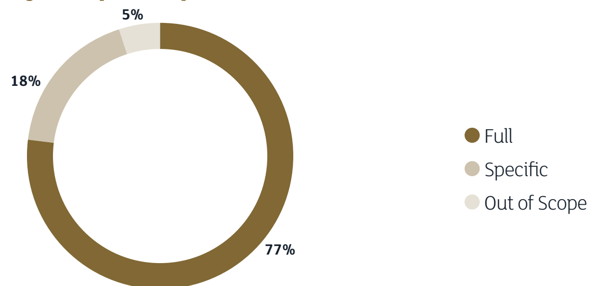
The remaining 72 components together represent less than 5% of the Group's pre-tax profit, adjusted pre-tax profit, revenue and total assets. For these components we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations, to respond to potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

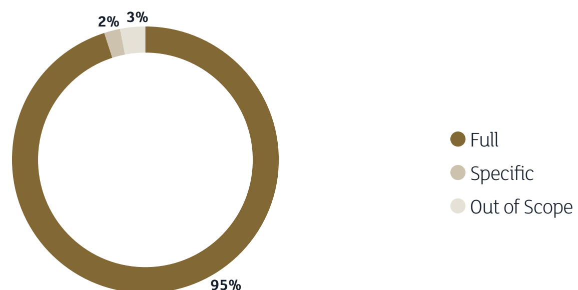
**Pre-tax profit****



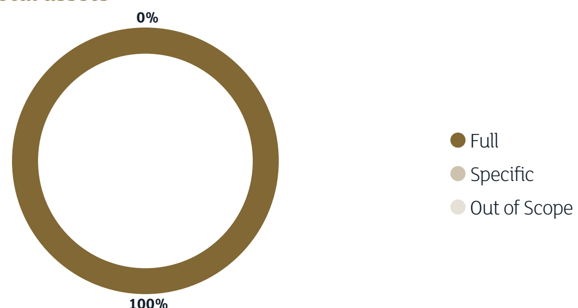

**Adjusted pre-tax profit****




**Revenue**




**Total assets**




** The percentages were calculated based on absolute values

# Independent Auditor's Report to the members of London Stock Exchange Group plc (continued)

### Changes from the prior year

All full scope components remain consistent. In the prior year, we identified 18 specific scope components. Specific scope components have been re-assessed as the contribution of these smaller parts of the business to the Group financial statements varies each year.

### Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms or other firms operating under our instruction.

Of the 7 full scope components, audit procedures were performed on 4 of these directly by the primary audit team. For the 3 full scope and 1 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits the principal locations of the Group.

During the current year's audit cycle, visits were undertaken by the Senior Statutory Auditor and/or other senior members of the primary audit team to the following locations:

| Component | Location | Scope | Number of visits |
|---|---|---|---|
| London Stock Exchange Group Holdings Italy S.p.A. | Milan, Italy | Full | 2 |
| LSEG US Holdco Inc. | New York, United States of America | Full | 2 |
| LCH S.A. | Paris, France | Full | 2 |

These visits involved discussing the audit approach with the component team and any issues arising from their work, as well as meeting with local management. In addition, we participated in planning and closing meetings and reviewed selected key audit working papers. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined overall materiality for the Group to be £35.5 million (2017: £30.0 million), which is 5% (2017: 5%) of adjusted pre-tax profit from continuing operations, calculated by including the impact of amortisation of purchased intangible assets, but excluding other non-underlying items as disclosed in Note 8 of the financial statements.

We determined materiality for the Parent Company to be £7.1 million (2017: £5.6 million), which is based on the allocated performance materiality for purposes of the Group audit. This allocated materiality is based on the relative scale and risk of the Parent Company to the Group as a whole, and our assessment of the risk of misstatement at the Parent Company.

We consider the basis of our materiality to be one of the important considerations for shareholders of the Company in assessing the financial performance of the Group. It is linked to the key earnings measures discussed when the Group presents the financial results. In addition to non-underlying items, the Group also excludes amortisation of purchased intangibles to present adjusted operating profit; this amount is not excluded from our materiality calculation.

Our overall materiality threshold provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. Our evaluation of materiality requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition.

| | |
|---|---|
| **Starting basis** | – £684.9 million<br>– Profit before tax from continuing operations |
| **Adjustments** | – £25.6 million<br>– Exclude non-underlying items, mostly costs related to the ongoing restructuring of LCH, integration of the acquired businesses Mergent Inc. and The Yield Book and Citi Fixed Income Indices and costs for potential M&A transactions |
| **Adjusted basis** | – £710.6 million<br>– Adjusted pre-tax profit from continuing operations but including amortisation of purchased intangible assets |
| **Materiality** | – Materiality of £35.5 million (5% of materiality basis) |

During the course of our audit, we reassessed initial materiality and made adjustments based on the final financial performance of the Group.

**Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2017: 50%) of our planning materiality, namely £17.8 million (2017: £15.0 million). We have set performance materiality at this percentage (which is the lowest in the range) due to misstatements which were identified in the prior year audit. Our approach is designed to have a reasonable probability of ensuring that the total of uncorrected and undetected misstatements does not exceed our overall materiality of £35.5 million (2017: £30.0 million) for the Group financial statements as a whole.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component.

In the current year, the performance materiality allocated to components was as follows:

| Component | Allocated performance materiality £m |
|---|---|
| London Stock Exchange Group plc | 3.6 |
| London Stock Exchange plc | 11.5 |
| LCH Limited | 9.8 |
| LCH S.A. | 3.6 |
| London Stock Exchange Group Holdings Italy S.p.A. | 8.9 |
| LSEG US Holdco, Inc. | 9.8 |
| FTSE International Limited | 8.9 |
| All specific scope components | 3.6 |

**Reporting threshold**

*An amount below which identified misstatements are considered to be clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.8 million (2017: £1.0 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

**Other information**

The other information comprises the information included in the annual report set out on pages 2–105 including the Strategic Report (including Highlights, Chairman's Statement, CEO's statement, What we do – our business model, Overview of Group activities, Market trends and our response, Strategy in action, Executive management team, Segmental review, Our Wider Responsibility, Financial review, and Principal risks and uncertainties), Governance information and disclosures (including Board of Directors, Corporate governance, Complying with the provisions of the Code, Report of the Nomination Committee, Report of the Audit Committee, Report of Risk Committee, Directors' Remuneration Report, Directors' Report and Statement of Directors' responsibilities), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 105 – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on page 74–79 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on pages 62, 69–71 and 101 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

**Matters on which we are required to report by exception**

- In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
- We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

# Independent Auditor's Report to the members of London Stock Exchange Group plc (continued)

– certain disclosures of directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**
As explained more fully in the directors' responsibilities statement set out on page 105, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company, or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**
The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

– We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the UK Companies Act 2006, UK Corporate Governance Code 2016, The Financial Conduct Authority's ("FCA") Listing Rules, other relevant FCA rules and regulations, and tax legislation (governed by HM Revenue and Customs)

– We understood how the Group is complying with those frameworks by making enquiries of senior management, including the Global General Counsel, the Chief Risk Officer, the Head of Compliance and the Group Head of Internal Audit. We also reviewed significant correspondence between the Group and regulatory bodies, reviewed minutes of the Board, Risk Committee, and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework and the Board's review of the Group's risk management framework and internal control processes

– We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the Group, or that otherwise seek to prevent, deter or detect fraud. We also considered performance and incentive plan targets and their potential to influence management to manage earnings or influence the perceptions of investors

– Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of senior management, legal counsel, the compliance officer and internal audit, review of significant correspondence with regulatory bodies and minutes of meetings of the Board and certain Board committees, and focused testing, as referred to in the Key Audit Matters section above

– The Group operates in the exchange and CCP industries which are regulated environments. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of experts where appropriate

– The FCA has regulatory oversight over London Stock Exchange plc and certain other entities within the Group. The Bank of England ("BOE") supervises CCPs in the UK and therefore regulates LCH Limited. In addition, local regulatory bodies in France and Italy regulate other subsidiaries of the Group, including: LCH SA which is regulated by L'Autorité de Contrôle Prudentiel et de Résolution ("ACPR"), Banque de France ("BDF") and the Autorité des Marchés Financiers ("AMF"); and Borsa Italiana S.p.A., Cassa Di Compensazione e Garanzia S.p.A. ("CC&G"), EuroTLX SIM S.p.A., MTS Società per il Mercato dei Titoli di Stato S.p.A. ("MTS") and Monte Titoli S.p.A. which are all regulated by Commissione Nazionale per la Società e la Borsa and Banca d'Italia

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at **https://www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

**Other matters we are required to address**
– We were appointed by the Company on 12 June 2014 to audit the financial statements for the 9 months period ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the 9 months period ended 31 December 2014 to the year ended 31 December 2018

– The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit

– The audit opinion is consistent with the additional report to the Audit Committee

**Use of our report**
– This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

**Maurice McCormick (Senior Statutory Auditor)**
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
1 March 2019

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

# Consolidated income statement

| Year ended 31 December 2018 | | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Underlying £m | Non-underlying £m | Total £m | Underlying £m | Non-underlying £m | Total £m |
| **Continuing operations** | | | | | | | |
| **Revenue** | 5 | **1,911** | **–** | **1,911** | 1,768 | – | 1,768 |
| **Net treasury income through CCP business** | 5 | **218** | **–** | **218** | 162 | – | 162 |
| **Other income** | 5 | **6** | **–** | **6** | 25 | – | 25 |
| **Total income** | | **2,135** | **–** | **2,135** | 1,955 | – | 1,955 |
| Cost of sales | 5 | **(227)** | **–** | **(227)** | (215) | – | (215) |
| **Gross profit** | | **1,908** | **–** | **1,908** | 1,740 | – | 1,740 |
| **Expenses** | | | | | | | |
| Operating expenses before depreciation, amortisation and impairment | 6, 8 | **(834)** | **(21)** | **(855)** | (816) | (40) | (856) |
| Profit on disposal of businesses | 8 | **–** | **–** | **–** | – | 7 | 7 |
| Share of loss after tax of associates | 5, 16 | **(8)** | **–** | **(8)** | (9) | – | (9) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | | **1,066** | **(21)** | **1,045** | 915 | (33) | 882 |
| Depreciation, amortisation and impairment | 6, 8 | **(135)** | **(159)** | **(294)** | (103) | (153) | (256) |
| **Operating profit/(loss)** | | **931** | **(180)** | **751** | 812 | (186) | 626 |
| Finance income | | **13** | **–** | **13** | 8 | – | 8 |
| Finance expense | | **(79)** | **–** | **(79)** | (70) | – | (70) |
| Net finance expense | 9 | **(66)** | **–** | **(66)** | (62) | – | (62) |
| **Profit/(loss) before tax from continuing operations** | | **865** | **(180)** | **685** | 750 | (186) | 564 |
| **Taxation** | 10 | **(187)** | **55** | **(132)** | (168) | 190 | 22 |
| **Profit/(loss) for the year from continuing operations** | | **678** | **(125)** | **553** | 582 | 4 | 586 |
| **Discontinued operations** | | | | | | | |
| Loss after tax for the year from discontinued operations | 11 | **–** | **–** | **–** | – | (25) | (25) |
| **Profit/(loss) for the year** | | **678** | **(125)** | **553** | 582 | (21) | 561 |
| **Equity holders** | | | | | | | |
| Profit/(loss) for the year from continuing operations | | **603** | **(123)** | **480** | 513 | 17 | 530 |
| Loss for the year from discontinued operations | 11 | **–** | **–** | **–** | – | (25) | (25) |
| Profit/(loss) for the year attributable to equity holders | | **603** | **(123)** | **480** | 513 | (8) | 505 |
| **Non-controlling interests** | | | | | | | |
| Profit/(loss) for the year attributable to non-controlling interests from continuing operations | | **75** | **(2)** | **73** | 69 | (13) | 56 |
| Profit/(loss) for the year attributable to non-controlling interests | | **75** | **(2)** | **73** | 69 | (13) | 56 |
| | | **678** | **(125)** | **553** | 582 | (21) | 561 |
| **Earnings per share attributable to equity holders** | | | | | | | |
| Basic earnings per share | 12 | | | **138.3p** | | | 146.4p |
| Diluted earnings per share | 12 | | | **136.0p** | | | 143.0p |
| Adjusted basic earnings per share | 12 | | | **173.8p** | | | 148.7p |
| Adjusted diluted earnings per share | 12 | | | **170.8p** | | | 145.3p |
| **Earnings per share for continuing operations attributable to equity holders** | | | | | | | |
| Basic earnings per share | 12 | | | **138.3p** | | | 153.6p |
| Diluted earnings per share | 12 | | | **136.0p** | | | 150.1p |
| Adjusted basic earnings per share | 12 | | | **173.8p** | | | 148.7p |
| Adjusted diluted earnings per share | 12 | | | **170.8p** | | | 145.3p |
| **Dividend per share in respect of the financial year** | | | | | | | |
| Dividend per share paid during the year | 13 | | | **17.2p** | | | 14.4p |
| Dividend per share declared for the year | 13 | | | **43.2p** | | | 37.2p |

The notes on pages 122 to 175 form an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

| Year ended 31 December 2018 | Notes | 2018 £m | 2017 £m |
|---|---|---|---|
| **Profit for the financial year** | | **553** | 561 |
| **Other comprehensive income/(loss):** | | | |
| **Items that will not be subsequently reclassified to profit or loss** | | | |
| Defined benefit pension scheme remeasurement (loss)/gain | 19 | **(12)** | 93 |
| Income tax relating to these items | 10 | **5** | (25) |
| | | **(7)** | 68 |
| **Items that may be subsequently reclassified to profit or loss** | | | |
| Net investment hedges | | **(55)** | 3 |
| Debt instruments at fair value through other comprehensive income: | | | |
| – Net loss from changes in fair value | | **(21)** | – |
| – Net gains reclassified to the consolidated income statement on disposal | | **4** | – |
| Investments in equity instruments under IAS 39: | | | |
| – Net gain from changes in fair value | | **–** | 1 |
| – Net gains reclassified to the consolidated income statement on disposal | | **–** | (8) |
| Exchange gain/(loss) on translation of foreign operations | | **168** | (64) |
| Income tax relating to these items | 10 | **4** | 2 |
| | | **100** | (66) |
| **Other comprehensive gains net of tax** | | **93** | 2 |
| **Total comprehensive income for the financial year** | | **646** | 563 |
| | | | |
| Attributable to non-controlling interests | | **74** | 81 |
| Attributable to equity holders | | **572** | 482 |
| **Total comprehensive income for the financial year** | | **646** | 563 |

The notes on pages 122 to 175 form an integral part of these consolidated financial statements.

# Balance sheets

| At 31 December 2018 | Notes | Group 2018 £m | Group 2017 £m (revised)[1] | Company 2018 £m | Company 2017 £m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | **149** | 129 | **–** | – |
| Intangible assets | 15 | **4,687** | 4,589 | **–** | – |
| Investment in associates | 16 | **25** | 5 | **7** | 3 |
| Investment in subsidiary companies | 17 | **–** | – | **6,506** | 6,098 |
| Deferred tax assets | 18 | **42** | 38 | **–** | – |
| Derivative financial instruments | 20 | **–** | 4 | **–** | 4 |
| Investments in financial assets | 20 | **31** | 86 | **–** | – |
| Retirement benefit asset | 19 | **46** | 56 | **–** | – |
| Other non-current receivables | 20, 22 | **30** | 55 | **25** | 37 |
| Contract assets | 20, 23 | **3** | – | **–** | – |
| | | **5,013** | 4,962 | **6,538** | 6,142 |
| **Current assets** | | | | | |
| Trade and other receivables | 20, 22 | **644** | 689 | **600** | 610 |
| Contract assets | 23 | **141** | – | **–** | – |
| Clearing member financial assets | | **764,411** | 673,354 | **–** | – |
| Clearing member cash and cash equivalents | | **70,927** | 61,443 | **–** | – |
| Clearing member business assets | 20 | **835,338** | 734,797 | **–** | – |
| Current tax | | **147** | 126 | **–** | – |
| Investments in financial assets | 20 | **53** | 19 | **–** | – |
| Cash and cash equivalents | 24 | **1,510** | 1,381 | **6** | 4 |
| | | **837,833** | 737,012 | **606** | 614 |
| Assets held for sale | 11 | **–** | 6 | **–** | – |
| **Total assets** | | **842,846** | 741,980 | **7,144** | 6,756 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 20, 25 | **538** | 598 | **402** | 275 |
| Contract liabilities | 26 | **153** | – | **–** | – |
| Derivative financial instruments | 20 | **30** | – | **30** | – |
| Clearing member business liabilities | 20 | **835,508** | 734,981 | **–** | – |
| Current tax | | **61** | 70 | **–** | – |
| Borrowings | 20, 27 | **561** | 522 | **544** | 490 |
| Provisions | 29 | **2** | 1 | **–** | – |
| | | **836,853** | 736,172 | **976** | 765 |
| **Non–current liabilities** | | | | | |
| Borrowings | 20, 27 | **1,642** | 1,431 | **1,642** | 1,431 |
| Derivative financial instruments | 20 | **17** | 29 | **17** | 29 |
| Contract liabilities | 26 | **118** | – | **–** | – |
| Deferred tax liabilities | 18 | **475** | 502 | **–** | – |
| Retirement benefit obligations | 19 | **22** | 36 | **–** | – |
| Other non-current payables | 20, 25 | **11** | 49 | **–** | – |
| Provisions | 29 | **10** | 9 | **–** | – |
| | | **2,295** | 2,056 | **1,659** | 1,460 |
| **Total liabilities** | | **839,148** | 738,228 | **2,635** | 2,225 |
| **Net assets** | | **3,698** | 3,752 | **4,509** | 4,531 |

# Balance sheets (continued)

| At 31 December 2018 | Notes | Group 2018 £m | Group 2017 £m (revised)[1] | Company 2018 £m | Company 2017 £m |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | | | |
| Ordinary share capital | 30 | **24** | 24 | **24** | 24 |
| Share premium | 30 | **965** | 964 | **965** | 964 |
| Retained earnings | | **424** | 419 | **1,701** | 1,724 |
| Other reserves | | **1,930** | 1,820 | **1,819** | 1,819 |
| **Total shareholders' funds** | | **3,343** | 3,227 | **4,509** | 4,531 |
| **Non-controlling interests** | | **355** | 525 | **–** | – |
| **Total equity** | | **3,698** | 3,752 | **4,509** | 4,531 |

1. The 31 December 2017 comparatives have been revised for IFRS 3 fair value adjustments on the acquisition of the Yield Book business. Refer to Note 33 for further details

The Company recorded profit for the year of £141 million (2017: £36 million).

The notes on pages 122 to 175 form an integral part of these consolidated financial statements.

The financial statements on pages 115 to 175 were approved by the Board on 28 February 2019 and signed on its behalf by:

**David Schwimmer**
Chief Executive Officer

**David Warren**
Chief Financial Officer

London Stock Exchange Group plc
Registered number 5369106

1 March 2019

# Cash flow statements

| Year ended 31 December 2018 | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| **Cash flow from operating activities** | | | | | |
| Cash generated from operations | 31 | **969** | 852 | **39** | 17 |
| Interest received | | **3** | 6 | **1** | 13 |
| Interest paid | | **(76)** | (66) | **(67)** | (49) |
| Royalties paid | | **(2)** | – | **–** | – |
| Corporation tax paid | | **(173)** | (130) | **–** | – |
| Withholding tax received/(paid) | | **1** | (3) | **–** | – |
| **Net cash inflow/(outflow) from operating activities** | | **722** | 659 | **(27)** | (19) |
| **Cash flow from investing activities** | | | | | |
| Purchase of property, plant and equipment | 14 | **(50)** | (47) | **–** | – |
| Purchase of intangible assets | 15 | **(144)** | (143) | **–** | – |
| Proceeds from sale of businesses | 8,11 | **58** | 14 | **–** | – |
| Cash disposed as part of the sale of businesses | | **(2)** | (5) | **–** | – |
| Acquisition of businesses | 33 | **3** | (644) | **–** | – |
| Cash inflow from acquisition of businesses | 33 | **–** | 4 | **–** | – |
| Investment in subsidiaries | 17 | **–** | – | **(408)** | (719) |
| Investment in associates | 16 | **(28)** | (2) | **(12)** | – |
| Proceeds from the disposal of financial assets | | **–** | 7 | **–** | – |
| Investment in financial assets | | **–** | (5) | **–** | – |
| **Net cash outflow from investing activities** | | **(163)** | (821) | **(420)** | (719) |
| **Cash flow from financing activities** | | | | | |
| Dividends paid to shareholders | 13 | **(189)** | (159) | **(189)** | (159) |
| Dividends paid to non-controlling interests | | **(42)** | (19) | **–** | – |
| Purchase of treasury shares relating to share buyback | | **–** | (201) | **–** | (201) |
| Redemption of preferred securities | | **–** | (157) | **–** | – |
| Acquisition of non-controlling interests | | **(452)** | (111) | **–** | – |
| Proceeds from investment by non-controlling interest | | **–** | 12 | **–** | – |
| Loans to subsidiary companies | | **–** | – | **–** | (26) |
| Repayments received on loans to subsidiary companies | | **–** | – | **335** | – |
| Loans from subsidiary companies | | **–** | – | **74** | 25 |
| Purchase of own shares by the employee benefit trust | | **(4)** | (26) | **–** | – |
| Proceeds from exercise of employee share options | | **7** | 2 | **6** | 2 |
| Funds gifted to the employee benefit trust | | **–** | – | **–** | (1) |
| Proceeds from the issue of bonds | | **445** | 885 | **445** | 885 |
| Arrangement fee paid | | **(4)** | (3) | **(4)** | (3) |
| Proceeds from the issue of commercial paper | | **255** | – | **255** | – |
| Repayments made towards bank credit facilities | | **(489)** | (87) | **(474)** | (2) |
| Additional drawdowns from bank credit facilities | | **–** | 242 | **–** | 215 |
| Repayments of finance lease | | **(2)** | – | **–** | – |
| **Net cash (outflow)/inflow from financing activities** | | **(475)** | 378 | **448** | 735 |
| **Increase/(decrease) in cash and cash equivalents** | | **84** | 216 | **1** | (3) |
| Cash and cash equivalents at beginning of year | | **1,382** | 1,151 | **4** | 1 |
| Exchange gain on cash and cash equivalents | | **44** | 15 | **1** | 6 |
| **Cash and cash equivalents at end of year** | | **1,510** | 1,382 | **6** | 4 |
| Cash and cash equivalents at end of year from continuing operations | 24 | **1,510** | 1,381 | **6** | 4 |
| Cash and cash equivalents classified as held for sale | | **–** | 1 | **–** | – |
| **Cash and cash equivalents at end of year** | | **1,510** | 1,382 | **6** | 4 |

The notes on pages 122 to 175 form an integral part of these consolidated financial statements.

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default funds held for counterparties for short periods in connection with this operation.

# Statements of changes in equity

| Year ended 31 December 2018 | | Attributable to equity holders | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Group** | **Notes** | **Ordinary share capital £m** | **Share premium £m** | **Retained earnings £m** | **Other reserves £m** | **Total attributable to equity holders £m** | **Non-controlling interests £m** | **Total equity £m** |
| 31 December 2016 | | 24 | 961 | 259 | 1,862 | 3,106 | 508 | 3,614 |
| Profit for the year | | – | – | 505 | – | 505 | 56 | 561 |
| Other comprehensive income/(loss) for the year | | – | – | 49 | (72) | (23) | 25 | 2 |
| Issue of shares | 30 | – | 3 | – | – | 3 | – | 3 |
| Final dividend relating to the year ended 31 December 2016 | 13 | – | – | (109) | – | (109) | – | (109) |
| Interim dividend relating to the year ended 31 December 2017 | 13 | – | – | (50) | – | (50) | – | (50) |
| Dividend payments to non-controlling interests | | – | – | – | – | – | (19) | (19) |
| Employee share scheme expenses | | – | – | 11 | – | 11 | – | 11 |
| Tax in relation to employee share scheme expenses | | – | – | 12 | – | 12 | – | 12 |
| Purchase of non-controlling interest within acquired subsidiary | | – | – | (21) | – | (21) | (89) | (110) |
| Purchase by non-controlling interest | | – | – | (36) | – | (36) | 44 | 8 |
| Share buyback | | – | – | (201) | – | (201) | – | (201) |
| Disposal of business | | – | – | – | 30 | 30 | – | 30 |
| 31 December 2017 (as previously presented) | | 24 | 964 | 419 | 1,820 | 3,227 | 525 | 3,752 |
| Impact of adopting new accounting standards | 2 | – | – | (95) | – | (95) | – | (95) |
| 1 January 2018 (restated) | | 24 | 964 | 324 | 1,820 | 3,132 | 525 | 3,657 |
| Profit for the year | | **–** | **–** | **480** | **–** | **480** | **73** | **553** |
| Other comprehensive (loss)/income for the year | | **–** | **–** | **(18)** | **110** | **92** | **1** | **93** |
| Issue of shares | 30 | **–** | **1** | **–** | **–** | **1** | **–** | **1** |
| Final dividend relating to the year ended 31 December 2017 | 13 | **–** | **–** | **(129)** | **–** | **(129)** | **–** | **(129)** |
| Interim dividend relating to the year ended 31 December 2018 | 13 | **–** | **–** | **(60)** | **–** | **(60)** | **–** | **(60)** |
| Dividend payments to non-controlling interests | | **–** | **–** | **–** | **–** | **–** | **(42)** | **(42)** |
| Employee share scheme expenses | | **–** | **–** | **38** | **–** | **38** | **–** | **38** |
| Tax in relation to employee share scheme expenses | | **–** | **–** | **7** | **–** | **7** | **–** | **7** |
| Purchase of non-controlling interest within acquired subsidiary | | **–** | **–** | **(218)** | **–** | **(218)** | **(202)** | **(420)** |
| **31 December 2018** | | **24** | **965** | **424** | **1,930** | **3,343** | **355** | **3,698** |

The notes on pages 122 to 175 form an integral part of these consolidated financial statements.

Shares held in the Employee Benefit Trust to settle exercises on employee share awards were 573,672 (2017: 944,495).

Employee share scheme expenses include costs related to the issue and purchase of own shares for employee share schemes of £(4) million (2017: £(29) million), subscriptions, net of sundry costs, received on the vesting of employee share schemes of £6 million (2017: £2 million) and equity-settled share scheme expenses for the year of £36 million (2017: £38 million).

Purchase of non-controlling interests in the year relates to the acquisition of shareholdings in LCH Group and FTSE TMX Global Debt Capital Markets Limited. The consideration transferred in relation to the LCH Group transaction was £413 million cash and resulted in the Group recognising an additional £195 million interest attributable to its equity holders. The consideration transferred in relation to FTSE TMX Global Debt Capital Markets Limited was £39 million cash and resulted in the Group recognising an additional £39 million interest attributable to its equity holders.

During the prior year the Group completed the purchase of shareholdings from non-controlling equity holders in a number of the Group's subsidiaries, notably the LCH Group, MTS S.p.A. and Gatelab S.r.l..

Other reserves comprise the following:

– Merger reserve of £1,305 million (2017: £1,305 million), a reserve arising on consolidation when the Company issued shares as part of the consideration to acquire subsidiary companies

– Capital redemption reserve of £514 million (2017: £514 million), a reserve set up as a result of a court approved capital reduction

– Reverse acquisition reserve of £(512) million (2017: £(512) million), a reserve arising on consolidation as a result of the capital reduction scheme

– Foreign exchange translation reserve of £740 million (2017: £575 million), a reserve reflecting the impact of foreign currency changes on the translation of foreign operations

– Hedging reserve of £(117) million (2017: £(62) million), a reserve representing the cumulative fair value adjustment recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles

**Year ended 31 December 2018**

| | | Attributable to equity holders | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Other reserves | | |
| **Company** | Notes | Ordinary share capital £m | Share premium £m | Retained earnings £m | Capital redemption reserve £m | Merger reserve £m | Total attributable to equity holders £m |
| 31 December 2016 | | 24 | 961 | 2,012 | 514 | 1,305 | 4,816 |
| Profit for the year | | – | – | 36 | – | – | 36 |
| Issue of shares | 30 | – | 3 | – | – | – | 3 |
| Final dividend relating to the year ended 31 December 2016 | 13 | – | – | (109) | – | – | (109) |
| Interim dividend relating to the year ended 31 December 2017 | 13 | – | – | (50) | – | – | (50) |
| Employee share scheme expenses | | – | – | 36 | – | – | 36 |
| Share buyback | | – | – | (201) | – | – | (201) |
| 31 December 2017 | | 24 | 964 | 1,724 | 514 | 1,305 | 4,531 |
| Profit for the year | | **–** | **–** | **141** | **–** | **–** | **141** |
| Issue of shares | 30 | **–** | **1** | **–** | **–** | **–** | **1** |
| Final dividend relating to the year ended 31 December 2017 | 13 | **–** | **–** | **(129)** | **–** | **–** | **(129)** |
| Interim dividend relating to the year ended 31 December 2018 | 13 | **–** | **–** | **(60)** | **–** | **–** | **(60)** |
| Employee share scheme expenses | | **–** | **–** | **25** | **–** | **–** | **25** |
| **31 December 2018** | | **24** | **965** | **1,701** | **514** | **1,305** | **4,509** |

Employee share scheme expenses of the Company include movement in the fair value of loan balances with the Employee Benefit Trust of £(15) million (2017: £(1) million), costs relating to the issue of own shares for employee share schemes of £(2) million (2017: £(3) million), subscriptions received on the vesting of employee share schemes of £6 million (2017: £2 million) and equity-settled share scheme expenses for the year of £36 million (2017: £38 million).

The merger reserve of £1,305 million (2017: £1,305 million) is a potentially distributable reserve arising on consolidation when the Company issued shares as part of the consideration to acquire subsidiary companies.

The capital redemption reserve of £514 million (2017: £514 million) is a non-distributable reserve set up as a result of a court approved capital reduction.

The notes on pages 122 to 175 form an integral part of these financial statements.

# Notes to the financial statements

**1. Basis of preparation and accounting policies**
The Group's consolidated and the Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This enables the Group to aid the reader's understanding of its results by presenting profit for the year before any non-underlying items. Non-underlying items include amortisation of purchased intangible assets and other income or expenses not considered to drive the operating results of the Group. This is the profit measure used to calculate adjusted earnings per share. Profit before non-underlying items is reconciled to profit before taxation on the face of the income statement.

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.

As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements.

**Consolidation**
The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiary companies sold or acquired in the period are included in the income statement up to, or from, the date that control passes. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The acquisition of subsidiary companies is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Upon completion of the Group's fair value exercise, comparatives are revised up to 12 months after the acquisition date, for the final fair value adjustments. Further details are provided in Note 33. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

The Group applies a policy of treating transactions with non-controlling interests through the economic entity model. Transactions with non-controlling interests are recognised in equity. Where the non-controlling interest has an option to dispose of their holding to the Group, then the amounts potentially due are recognised at their fair value at the balance sheet date.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale and:

a) represents a separate major line of business or geographical area of operations;

b) is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or

c) is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. Comparatives are also re-presented to reclassify disposed businesses or held for sale businesses which meet the criteria for discontinued operations.

Investments in subsidiary companies' shares, loans and other contributions are recognised at cost. These are reviewed for impairment when events indicate the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

**Recent accounting developments**
The following standards and amendments were endorsed by the EU and have been adopted in these financial statements:

- IFRS 9, 'Financial instruments' on classification and measurement and amendments regarding general hedge accounting
- IFRS 15, 'Revenue from contracts with customers'
- Amendment to IFRS 2, 'Share-based payment' on classification and measurement of share-based payment transactions
- IFRIC 22, 'Foreign currency transactions and advance consideration'

The impact of adopting IFRS 9 and IFRS 15 on the Group's financial results is described in detail in Note 2. The adoption of the other standards did not have a material impact on the results of the Group.

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC, but have not been adopted either because they were not endorsed by the EU at 31 December 2018 or they are not yet mandatory and the Group has not chosen to early adopt. The Group plans to adopt these standards and interpretations when they become effective. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review, and where appropriate, a description of the impact of certain standards and amendments is provided below:

| International accounting standards and interpretations | Effective date |
|---|---|
| IFRS 16, 'Leases' | 1 January 2019 |
| IFRIC 23, 'Uncertainty over Income Tax Treatments' | 1 January 2019 |
| Amendments to IAS 28, 'Long-term interest in Associates and Joint Ventures' | 1 January 2019 |
| Amendments to IAS 19, 'Plan amendment, Curtailment or Settlement' | 1 January 2019 |
| Amendments to IFRS 9, 'Prepayment features with negative compensation' | 1 January 2019 |
| IFRS 17, 'Insurance Contracts' | 1 January 2021 |

With the exception of IFRS 16, the changes in the other standards are not expected to have a material effect on the Group.

**IFRS 16 Leases**
IFRS 16 Leases is effective for the year ending 31 December 2019 and will require all lease amounts to be recognised on the balance sheet. Currently, IAS 17 Leases only requires lease amounts categorised as finance leases to be recognised on the balance sheet, with leases categorised as operating leases not recognised. The Group expects to recognise right of use assets of £145 million, and investment in lease assets of £3 million and a corresponding lease liabilities of £190 million on 1 January 2019 in relation to property leases. Differences of £42 million between the leased assets and liabilities will be recognised in opening reserves on transition to the new standard.

Amounts previously recognised in operating expenses in relation to lease expenses will be recognised as a combination of depreciation and lease interest expense. This will affect earnings before interest, tax, depreciation and amortisation and impairment (EBITDA) and profit before tax on adoption. The expected impact is as follows:

| **Estimated effect on the income statement** | **Increase/ (decrease) £m** | **Description** |
|---|---|---|
| Operating expenses before depreciation, amortisation and impairment | **(31)** | Amounts formerly recognised as rent |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | **31** | |
| Depreciation | **26** | Depreciation of the right of use asset |
| Finance expense | **4** | Finance expense on lease liabilities |
| Finance income | **–** | Finance income on investment in lease |
| **Depreciation and net finance expense** | **30** | |
| **Profit before tax** | **1** | Net effect on profit |
| **Estimated effect on the balance sheet** | | |
| Right of use asset | **145** | Net book value of right of use assets |
| Investment in lease | **3** | Present value of future rent receipts |
| **Total assets** | **148** | |
| Lease liabilities | **190** | Present value of future lease obligations |
| **Total liabilities** | **190** | |
| **Net assets** | **(42)** | Net effect on net assets |
| Retained earnings | **(42)** | |
| **Total equity** | **(42)** | Opening balance adjustment on adoption |
| Basic and adjusted earnings per share | **0.3p** | |

Costs relating to items that do not qualify as leased assets under the new standard because they are short-term arrangements or low value items will continue to be recognised in operating expenses.

# Notes to the financial statements (continued)

**Accounting policies**

**Income Statement**

**Revenue**

The Group adopted IFRS 15 'Revenue from contracts with customers' with effect 1 January 2018. The impact of adopting the standard is detailed in Note 2.

The main source of the Group's revenue is through fees for services provided. Revenue is measured based on the consideration specified in a contract with a customer. Amounts deducted from revenue relate to discounts, value added tax and other sales related taxes, revenue share arrangements whereby as part of an operating agreement amounts are due back to the customer and pass-through costs where the Group has arrangements to recover specific costs from its customers with no mark up.

The Group recognises revenue as services are performed and as it satisfies its obligations to provide a product or service to a customer. Further details of the Group's revenue accounting policy are set out below:

| | |
|---|---|
| **Information Services** | The Information Services segment generates revenues from the provision of information and data products including indexes, benchmarks, real time pricing data and trade reporting and reconciliation services.<br><br>**Data subscription and index licence fees** are recognised over the licence or usage period as the Group meets its obligation to deliver data consistently throughout the licence period. Services are billed on a monthly, quarterly and annual basis.<br><br>**Other information services** include licences to the regulatory news service and reference data business. Revenue from licences that grant the right to access intellectual property are recognised over time, consistent with the pattern of the service provision and how our performance obligation is satisfied throughout the licence period. Revenues from other information services, including revenues from the sale of right to use licences, are recognised at the point the licence is granted or service is delivered. |
| **Post Trade – LCH, CC&G and Monte Titoli** | Revenue in the Post Trade segments are generated from clearing, settlement, custody and other post trade services.<br><br>**Clearing, settlement and custody services** generate fees from trades or contracts cleared and settled, compression and custody services which are recognised as revenue at the point when the service is rendered on a per transaction basis. Services are billed on a monthly basis.<br><br>**Other post trade services** include revenue from client connectivity services which is recognised as revenue on a straight-line basis over the service period as this reflects the continuous transfer of services. |
| **Capital Markets** | Revenues in the Capital Markets segment are generated from Primary and Secondary market services.<br><br>**Primary market initial admission and the ongoing listing services** represent one performance obligation and the Group recognises revenue from initial admissions and further issues over a period the Group provides the listing services. All admission fees are billed to the customer at the time of admission to trading and become payable when invoiced.<br><br>**Primary markets annual fees, secondary markets membership and subscription fees** are generally paid in advance on the first day of the membership or subscription period. The Group recognises revenue on a straight-line basis over the period to which the fee relates, as this reflects the extent of the Group's progress towards completion of the performance obligation under the contract.<br><br>Revenue from **secondary market trading and associated capital market services** is recognised as revenue on a per transaction basis at the point that the service is provided. |
| **Technology** | Technology revenue is generated from contracts to develop capital market technology solutions, software licences, network connections and hosting services.<br><br>**Capital markets software licences** contracts contain multiple deliverables for the provision of licences and software installation, and ongoing maintenance services. The transaction price for each contract is allocated to these performance obligations based upon the relative standalone selling price. Revenue is recognised based on the actual service provided during the reporting period, as a proportion of the total services to be provided. This is determined by measuring the inputs consumed in delivering the service (for example, material and actual labour) relative to the total expected input consumption over the contract. This best reflects the transfer of assets to the customer which generally occurs as the Group incurs costs on the contract.<br><br>**Network connections and service hosting** revenues are recognised on a straight-line basis over the period to which the fee relates as this reflects the continuous transfer of technology services and measures the extent of progress towards the completion of the performance obligation. |
| **Other** | Fees are generated from the provision of events and media services, and are typically recognised as revenue at the point the service is rendered and becomes payable when invoiced. |

Customer contracts across the Group that contain a single performance obligation at a fixed price do not require variable consideration to be constrained or allocated to multiple performance obligations. However, certain businesses in the Group provide services to customers under a tiered and tariff pricing structure that generates a degree of variability in the revenue streams from the contract. Where the future revenue from a contract varies due to factors that are outside of the Group's control, the Group limits the total transaction price at contract inception and recognises the minimum expected revenue guaranteed by the terms of the contract over the contract period. Any variable element is subsequently recognised in the period in which the variable factor occurs.

As permitted by the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of significant financing components in contracts where the Group expects at contract inception, the period between the transfer of a promised good or service to a customer and when the customer pays for that service to be 1 year or less.

**Other income**
Other income typically relates to property rental income and property service charges.

**Cost of sales**
Cost of sales comprises data and licence fees, data feed costs, expenses incurred in respect of revenue share arrangements and costs incurred in the MillenniumIT business that are directly attributable to the construction and delivery of customers' goods or services, and any other costs linked and directly incurred to generate revenues and provide services to customers.

Revenue share expenses presented within cost of sales relate to arrangements with customers where the revenue share payment is not limited to the amount of revenues receivable from the specific customer.

**Contract costs**
Incremental costs of obtaining a customer contract, such as sales commissions paid to employees, are recognised as an intangible asset if the benefit of such costs is expected to be longer than 1 year. The associated asset is amortised over the period from which a customer benefits from existing software technology supporting the underlying product or service, which the Group has determined to be between 3 to 5 years and is presented as an intangible asset in the Group's consolidated balance sheet. The Group amortises the contract costs over the period from which a customer benefits from existing software technology supporting the underlying product or service.

The Group also applies the practical expedient in IFRS 15 to recognise the incremental cost of obtaining a contract as an expense when incurred, if the amortisation period is 1 year or less.

**Net treasury income**
Income recognised through the CCP clearing business includes net treasury income earned on margin and default funds, held as part of the risk management process. Net treasury income is the result of interest earned on cash assets lodged with the clearing house, less interest paid to the members on their initial margin and default fund contributions. Net treasury income is shown separately from the Group revenues on the face of the income statement to distinguish this income stream from revenues arising from the Group's other activities and provides the reader with a greater understanding of the operating activities of the Group. Where negative interest rates apply, the Group recognises interest paid on cash assets as a treasury expense and interest received on clearing member's margin as treasury income.

**Non-underlying items**
Items of income and expense that are material by size and/or nature and are not considered to be incurred in the normal course of business are classified as non-underlying items on the face of the income statement within their relevant category. The separate reporting of these items together with amortisation of purchased intangible assets helps give an indication of the Group's sustainable performance. Non-underlying items are disclosed in Note 8.

**Pension costs**
The Group operates defined benefit and defined contribution pension schemes. For the defined benefit schemes the service cost, representing benefits accruing to employees, is included as an operating expense. The interest cost and expected return on plan assets is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of comprehensive income. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is charged to the income statement as incurred.

**Share-based compensation**
The Group operates a number of equity settled share-based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period.

**Foreign currencies**
The consolidated financial statements are presented in Sterling, which is the Company's presentation and functional currency. Foreign currency transactions are converted into the functional currency of the reporting entity using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for differences arising on pension fund assets or liabilities which are recognised in other comprehensive income.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

a) assets and liabilities including goodwill, purchased intangible assets and fair value adjustments are converted at the closing balance sheet rate;

b) income and expenses are translated and recorded in the income statement at the average rate for the period; and

c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

**Finance income and expense**
Finance income and expense comprise interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial period, and calculated using the effective interest rate method. In conditions where negative interest rates apply, the Group recognises interest paid on cash deposits as an expense and interest received on liabilities as income.

Recurring fees and charges levied on committed bank facilities, cash management transactions and the payment services provided by the Group's banks, are charged to the income statement as accrued. Credit facility arrangement fees are capitalised and then amortised back to the income statement over the term of the facility subject to projected utilisation. Fees and charges are included within other finance costs.

Fair value gains and losses on financial instruments include the movement in the market valuations of derivative instruments held as fair value hedges.

### Balance Sheet

**Property, plant and equipment**
Property, plant and equipment are included in the financial statements at cost less accumulated depreciation and any provision for impairment.

Land is not depreciated. Freehold buildings, fixed plant and plant and equipment are depreciated to residual value on a straight-line basis over the estimated useful economic lives of the assets which are as follows:

a) Freehold buildings – 30 to 50 years;

b) Fixed plant – 3 to 20 years; and

c) Plant and equipment – 3 to 15 years.

Leasehold properties and improvements are included at cost and depreciated to residual value over the shorter of the period of the lease or the useful economic life of the asset.

**Investment in associates**
An associate is a company over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the company, but is not control nor joint control over those policies.

The Group's investments in associates are accounted for using the equity method. The Company accounts for its investments in associates at cost, less any impairments recognised through the income statement.

Under the equity method, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses, and if applicable, the Group's share of movements in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

The Group and Company's investments in associates are assessed for impairment at each balance sheet date. Where indicators of impairment are identified a full impairment assessment is performed. Any difference between the recoverable amount of the associate and its carrying value is recognised as an impairment loss within 'Share of profit or loss of associates' in the Group consolidated income statement.

**Leases**
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis. Lease incentives are spread over the term of the lease.

The Group leases certain plant and equipment and licences where the Group has substantially all the risks and rewards of ownership. These are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the liability so as to achieve a constant interest rate on the finance balance outstanding. Plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

**Intangible assets**
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the difference is recognised in profit or loss as a gain on purchase.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer and supplier relationships, software licences and intellectual property, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight-line basis over their useful economic lives which are as follows:

a) Customer and supplier relationships – 2 to 25 years (material assets are amortised over a life exceeding 15 years);

b) Brand names – 10 to 25 years (material assets are amortised over a life of 25 years); and

c) Software licences and intellectual property – 2 to 25 years (the majority of material assets are amortised over a life not exceeding 5 years).

The useful economic lives are based on management's best estimates such as attrition rates on customer relationships, product upgrade cycles for software and technology assets, market participant perspective for brands and pace of change of regulation for business.

Third party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives of 3 to 5 years.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third party expenses, and amortised over their useful economic lives of 3 to 7 years.

Intangible assets are assessed for any indicators of impairment at each balance sheet date. Where indicators of impairment for a particular intangible asset are identified, a full impairment assessment is performed, with any diminution in value recognised in the income statement. For assets with an indefinite useful life a full impairment assessment is performed annually. When performing any impairment assessment, in addition to considering matters particular to the relevant Group business area, management evaluates the overall value of the asset from the perspective of a market participant. Accordingly, any reduction in value is recorded to ensure the intangible asset is held at fair value.

**Current and non-current classification**
Current assets comprise assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised within 1 year from the reporting date, or intended for trade or consumption and realised in the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities comprise liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within 1 year from the reporting date. All other liabilities are classified as non-current liabilities.

**Current and deferred taxation**
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantively enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

### Financial instruments

On 1 January 2018, the Group adopted IFRS 9 'Financial instruments'. The impact of adopting the new standard is detailed in Note 2.

The Group classifies its financial instruments as fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) or amortised cost. The classification depends on the Group's business model for managing its financial instruments and whether the cash flows generated are 'solely payments of principal and interest' (SPPI).

**Initial recognition:**

- *Financial assets at amortised cost* are financial assets that are held in order to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest. The Group's cash and cash equivalents and trade and other receivables fall within this category. Clearing member trading balances relating to sale and buy back transactions and other receivables from clearing members of the CCP businesses also fall within this category
- *Financial assets at fair value through other comprehensive income (FVOCI)* are assets where the objective is achieved by both collecting the contractual cash flows or selling the asset. The contractual cash flows received are solely payments of principal and interest. This category includes investments in financial assets and quoted debt instruments (predominantly government bonds) held by the CCP businesses of the Group, which are used under the business model to both collect the contractual cash flows and also to sell. Any profit or loss recognised in other comprehensive income on debt instruments is recycled to the income statement if the asset is sold. Any profit or loss on an equity investment remains in retained earnings and is not recycled through the income statement
- *Financial assets at fair value through profit or loss (FVPL)* include all other financial assets not classified as amortised cost or FVOCI. This category includes CCP businesses' clearing member trading balances comprising derivatives, equity and debt instruments that are marked to market on a daily basis. There is no change to the previous treatment for these instruments
- *Financial liabilities at fair value through profit or loss (FVPL)* are liabilities that must be held at fair value. This includes all the CCP businesses' clearing member trading balances, comprising derivatives, equity and debt instruments, which are marked to market on a daily basis
- *Financial liabilities at amortised cost* are all financial liabilities that are not included within financial liabilities at FVPL. This comprises the Group's trade and other payables balances, borrowings and other payables to clearing members

**Subsequent measurement:**

The Group adopts a forward-looking approach to estimate impairment losses on financial assets. An expected credit loss (ECL) is calculated based on the difference between the contractual cash flows due and the expected cash flows. The difference is discounted at the asset's original effective interest rate and recognised as an allowance against the original value of the asset.

- *Financial assets at amortised cost* – the ECL for trade receivables, contract assets and cash and cash equivalents is calculated using IFRS 9's simplified approach using lifetime ECL. The allowance is based on the Group's historic experience of collection rates, adjusted for forward-looking factors specific to each counterparty and the economic environment at large to create an expected loss matrix.

  The ECL on other financial assets held at amortised cost is measured using the general approach. The Group calculates an allowance based on the 12-month ECL at each reporting date until there is a significant increase in the financial instrument's credit risk, at which point the Group will calculate a loss allowance based on the lifetime ECL, as described above for FVOCI assets
- *Financial assets at fair value through other comprehensive income (FVOCI)* – the Group's financial assets held at FVOCI consist of high-quality government bonds that have a low credit risk. The Group's policy is to calculate a 12-month ECL on these assets. If there is a significant increase in credit risk, then a lifetime ECL will be calculated. A significant increase in credit risk is considered to have occurred when contractual payments are more than 30 days past due
- *Financial assets at fair value through profit or loss (FVPL)* – no ECL is calculated for assets held at FVPL as any expected loss is already recognised in the fair value

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Cash and cash equivalents comprises cash at bank, short-term deposits and investments in money market funds, and other instruments and structures that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Clearing member cash and cash equivalents represents amounts received from the clearing members to cover initial and variation margins and default fund contributions that are not invested in bonds. These amounts are deposited with banks, including central banks, or invested securely in overnight reverse repurchase contracts (reverse repos).

**Fair value measurement**

All assets and liabilities for which fair value is measured are categorised within the fair value hierarchy which is described in detail in Note 20.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at each balance sheet date.

**Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

The Group applies fair value hedge accounting for hedging interest rate risk on borrowings. Any gain or loss is recognised in the income statement within finance expense.

The Group designates as cash flow hedges both foreign currency derivatives and hedges of interest rate movements associated with highly probable forecast transactions. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity.

The Group hedges a proportion of its net investment in its foreign subsidiaries by designating Euro and US Dollar borrowings and derivative instruments as net investment hedges.

In order to qualify for hedge accounting, a transaction must meet strict criteria as regards documentation, effectiveness, probability of occurrence and reliability of measurement. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. The ineffective portion is recognised in the income statement within finance costs.

Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

# Notes to the financial statements (continued)

**Trade and other receivables**
Trade receivables are initially recognised at fair value and subsequently at amortised cost, less any loss allowance. The Group's approach to calculating credit loss allowances is described above within the financial instruments policy.

Recoveries of amounts previously written off are credited in the income statement.

Other receivables are initially recognised at fair value and subsequently at amortised cost, less any loss allowance as described above.

**Contract assets**
Contract assets are recognised when the Group has the conditional right to consideration from a customer in exchange for goods or services transferred.

Contract assets are transferred to and presented as trade receivables when the entitlement to payment becomes unconditional and only the passage of time is required before payment is due.

**Assets and liabilities held for sale**
Assets and liabilities are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

**Contract liabilities**
Revenue relating to future periods is classified as a contract liability on the balance sheet to reflect the Group's obligation to transfer goods or services to a customer for which it has received consideration, or an amount of consideration is due, from the customer.

Contract liabilities are amortised and recognised as revenue in the income statement over the period the services are rendered.

**Borrowings**
Borrowings are initially recorded at the fair value of amounts received, net of direct issue costs and transaction costs (including upfront facility fees). Subsequently, these liabilities are carried at amortised cost, and interest is charged to the income statement over the period of the borrowings using the effective interest rate method. Similarly, direct issue costs and transaction costs (including upfront facility fees) are charged to the income statement over the period of the borrowings using the effective interest rate method.

**Preference shares**
Preference shares or components of preference shares are classified on initial recognition as a financial liability or equity based on the terms of the contract. They are classified as a financial liability if the terms impose a contractual obligation to deliver cash.

**Provisions**
A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, i.e. the present value of the amount that the Group would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

Property provisions are made in the financial statements at the lower of the cost of fulfilling lease commitments for property space surplus to business requirements after taking into account income from sub-letting, and any compensation or penalties arising from failure to fulfil the lease commitments.

All provisions are discounted where the time value of money is considered material. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

**Commitments to purchase non-controlling interests**
Where the Group has granted put options to non-controlling interest shareholders, these are treated as liabilities as the Group has no control over whether these options are exercised or not. The amounts due are recognised at fair value and are revalued on each balance sheet date. When the liability is recognised initially, the redemption amount is reclassified from non-controlling interests. The changes in the fair value of the liability are recognised in the income statement. Changes in the measurement of the liability that do not change the relative interests in the subsidiary company that are held by the parent and the non-controlling interest shareholder are not equity transactions.

**Equity and related items**

**Share capital**
The share capital of the Company includes balances relating to the Company's ordinary equity shares, own shares held by the Employee Benefit Trust and treasury shares held by the Company.

When the Company issues new shares to the Employee Benefit Trust at par, the share capital of the Company is increased by the par value of these own shares, and a corresponding deduction or debit is recorded to the employee share scheme reserves within retained earnings.

From time to time, the Company may also issue new shares to the Employee Benefit Trust to satisfy vesting of specific employee share schemes. These shares may be issued at a subscription price above par value, reflecting the option cost payable by the participant in the employee share scheme. In such instances, the share capital of the Company is increased by the par value of these own shares and the difference between the subscription price and the par value of the own share is recorded in share premium. A corresponding deduction or debit is recognised in the employee share scheme reserves within retained earnings.

Shares reacquired by the Company from the open market as part of share buyback programmes are referred to as treasury shares and are held by the Company. The consideration payable is deducted from retained earnings.

The par value of the treasury shares is then recorded as a transfer from the Company's ordinary equity shares to treasury shares within share capital.

No gain or loss is recognised by the Company in the income statement on the purchase, sale, issue or cancellation of the Company's own shares held by the Employee Benefit Trust and treasury shares.

**Dividend distributions**
Dividend distributions to the Company's equity holders are recognised as a liability in the Group financial statements in the period in which the dividends are approved by the Company's shareholders. The Group maintains a sustainable progressive dividend policy. The interim dividend will generally be payable each year in September and final dividend in May. The Group's dividend policy determines that the interim dividend is calculated as one-third of the prior full year dividend.

## 2. Adoption of new accounting standards and interpretations

On 1 January 2018, the Group adopted IFRS 15 'Revenue from contracts with customers' (IFRS 15) and IFRS 9 'Financial instruments' (IFRS 9). The impact of adopting the new standards has been reflected through transition adjustments to the Group's opening retained earnings at the start of the current year, as presented in the consolidated statement of changes in equity. The table below provides a summary of the impact at the date of transition:

| | | | Transition adjustments | | | | |
|---|---|---|---|---|---|---|---|
| | Notes | As previously reported 31 December 2017 £m | IFRS 15 Capital Markets – Revenue £m | IFRS 15 Contract costs £m | IFRS 15 Other[1] £m | IFRS 9 £m | After adoption 1 January 2018 £m |
| Intangible assets (revised)[2] | 15 | 4,589 | – | 12 | – | – | 4,601 |
| Trade and other receivables (revised)[2] | 22 | 689 | – | – | – | 10 | 699 |
| Deferred tax assets | 18 | 38 | 27 | – | – | – | 65 |
| Accrued income | 22 | 156 | – | – | (156) | – | – |
| Contract assets | 23 | – | – | – | 156 | – | 156 |
| Other assets | | 736,508 | – | – | – | – | 736,508 |
| **Total assets** | | **741,980** | **27** | **12** | **–** | **10** | **742,029** |
| Deferred income | 25 | 104 | – | – | (104) | – | – |
| Contract liabilities | 26 | – | 139 | – | 104 | 1 | 244 |
| Deferred tax liabilities | 18 | 502 | – | 2 | – | 2 | 506 |
| Other liabilities | | 737,622 | – | – | – | – | 737,622 |
| **Total liabilities** | | **738,228** | **139** | **2** | **–** | **3** | **738,372** |
| Share capital, share premium and other reserves | | 2,808 | – | – | – | – | 2,808 |
| Retained earnings | | 419 | (112) | 10 | – | 7 | 324 |
| Non-controlling interests | | 525 | – | – | – | – | 525 |
| **Total equity** | | **3,752** | **(112)** | **10** | **–** | **7** | **3,657** |

1. Under IFRS 15, accrued income and deferred income are now referred to as 'contract assets' and 'contract liabilities' respectively, and are presented as separate line items on the face of the Group's consolidated balance sheet
2. The 31 December 2017 comparatives have been revised for IFRS 3 fair value adjustments on the acquisition of the Yield Book business. Refer to Note 33 for further details

Further details on the impact of each of the new accounting standards is provided below.

### IFRS 15 Revenue from contracts with customers – impact of adoption

The Group adopted IFRS 15 with effect from 1 January 2018. This new accounting standard requires the Group to recognise revenue when the Group transfers promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The new guidance requires more detailed revenue disclosures and policies to identify the Group's performance obligations to customers.

The Group has adopted IFRS 15 prospectively from 1 January 2018 under the modified retrospective approach, and consequently the comparative amounts in the Group's consolidated financial statements remain unchanged and are reported under IAS 18 'Revenue' (IAS 18). As permitted by IFRS 15, the Group applied the new standard to contracts that were not completed as at the 1 January 2018 transition date.

IFRS 15 has impacted the Group's consolidated financial statements from 1 January 2018 in the following ways:

#### Capital Markets – Revenue

In the period since issuing its Interim Report on 2 August 2018, the Group received clarification guidance from the IFRIC regarding the impact of adopting IFRS 15 on admission and listing services provided by the Group's Primary Markets businesses, within the Capital Markets segment. Under IAS 18, initial admission fees were recognised at the time of admission to trading. On conversion to IFRS 15, with the effect back-dated to 1 January 2018, the Group treats the initial admission and the ongoing listing service as one performance obligation and recognises revenue from initial admissions and further issues over the period the Group provides the listing service. This is estimated to be between 12 and 4 years dependent on the nature of the listing and the service provided. As a result the Group recorded a £112 million adjustment to opening retained earnings as at 1 January 2018, as presented in the consolidated statement of changes in equity comprising a £139 million increase in the total contract liabilities, representing admission fee revenues previously recognised as revenue prior to transition which are now deferred, and a consequential £27 million increase in deferred tax assets.

Revenues deferred as at 1 January 2018 result in a recovery of tax paid at the prevailing rate on adoption of IFRS 15 by means of a reduction in the corporation tax payable due to the relevant tax authorities. The Group will subsequently incur corporation tax charge as the deferred revenues from initial admission and further issue fees are recognised in the income statement.

All new and further listing fees will continue to be billed and the cash collected upfront. In the first year of adoption of IFRS 15, the Group's cash and cash equivalent position will incrementally benefit from a reduction in corporation tax payable to the relevant tax authorities than what would have otherwise been payable had the new accounting standard not been adopted.

# Notes to the financial statements (continued)

**Contract costs**

The adoption of the new standard required the Group's incremental sales commission costs that were previously expensed when incurred, to be capitalised when they are expected to be recovered. The capitalised contract costs are amortised over the period from which a customer benefits from existing software technology supporting the underlying product or service, which the Group has determined to be between 3 to 5 years. As a result the Group recorded a £10 million adjustment to opening retained earnings as at 1 January 2018, as presented in the consolidated statement of changes in equity comprising a £12 million increase in the intangible assets from capitalising sales commissions previously expensed prior to transition, and a consequential £2 million increase in deferred tax liabilities.

The table below shows the amounts by which the Group's financial statements are affected as at and for the year ended 31 December 2018 as a result of adopting IFRS 15.

| Year ended 31 December 2018<br>Effect on the income statement | IFRS 15 reported £m | Capital Markets Revenue £m | Contract costs £m | IAS 18 £m |
|---|---|---|---|---|
| Total income | 2,135 | 13 | – | 2,148 |
| Cost of sales | (227) | – | – | (227) |
| **Gross profit** | **1,908** | **13** | **–** | **1,921** |
| Operating expenses before depreciation, non-acquisition software amortisation, and impairment | (855) | – | (10) | (865) |
| Depreciation, non-acquisition software amortisation and impairment | (294) | – | 6 | (288) |
| **Operating profit/(loss)** | **751** | **13** | **(4)** | **760** |
| Net finance expense | (66) | – | – | (66) |
| **Profit/(loss) before tax** | **685** | **13** | **(4)** | **694** |
| Taxation | (132) | (2) | 1 | (133) |
| **Profit/(loss) for the year** | **553** | **11** | **(3)** | **561** |

| At 31 December 2018<br>Effect on the balance sheet | IFRS 15 reported £m | Capital Markets Revenue £m | Contract costs £m | IAS 18 £m |
|---|---|---|---|---|
| Intangible asset | 4,687 | – | (16) | 4,671 |
| Current tax | 147 | (29) | 2 | 120 |
| Other assets | 838,012 | – | – | 838,012 |
| **Total assets** | **842,846** | **(29)** | **(14)** | **842,803** |
| Contract liabilities | 271 | (152) | – | 119 |
| Deferred tax liabilities | 475 | – | (1) | 474 |
| Other liabilities | 838,402 | – | – | 838,402 |
| **Total liabilities** | **839,148** | **(152)** | **(1)** | **838,995** |
| Share capital, share premium and other reserves | 2,919 | – | – | 2,919 |
| Retained earnings | 424 | 123 | (13) | 534 |
| Non-controlling interests | 355 | – | – | 355 |
| **Total equity** | **3,698** | **123** | **(13)** | **3,808** |

| Year ended 31 December 2018<br>Effect on the earnings per share attributable to equity holders | IFRS 15 reported | Capital Markets Revenue | Contract costs | IAS 18 |
|---|---|---|---|---|
| Basic earnings per share | **138.3p** | **3.2p** | **(0.9p)** | **140.6p** |
| Diluted earnings per share | **136.0p** | **3.1p** | **(0.8p)** | **138.3p** |
| Adjusted basic earnings per share | **173.8p** | **3.2p** | **(0.9p)** | **176.1p** |
| Adjusted diluted earnings per share | **170.8p** | **3.1p** | **(0.8p)** | **173.1p** |

**IFRS 9 Financial instruments – impact of adoption**

On 1 January 2018 the Group adopted IFRS 9 'Financial instruments' and applied the standard retrospectively. The Group has elected to continue to apply hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement'.

The Group has not restated comparative amounts in the financial statements, as this would require the use of hindsight in factors influencing measurement such as fair values and expected credit loss calculations and therefore is prohibited by the standard. Instead the Group has recognised any differences between the carrying amounts measured in accordance with IFRS 9 at the date of transition with previously reported carrying amounts in the opening retained earnings of the current period. This has resulted in a £7 million adjustment to opening retained earnings as at 1 January 2018, as presented in the consolidated statement of changes in equity. This comprises a £10 million reduction in the provision for impairment of trade receivables and a £1 million reversal of contract liabilities (prior to the adoption of IFRS 15 referred to as 'deferred income') previously provided for as the Group modified its previous impairment model to an expected credit loss approach which takes into account historic collection rates as well as forward-looking information, and a consequential £2 million increase in deferred tax liability.

Amounts presented in the Group's consolidated financial statements as at 31 December 2017 have been updated to adopt the new terminology under IFRS 9. The previously reported 'loans and receivables' and 'available for sale at fair value through other comprehensive income' categories are now referred to as 'financial assets at amortised cost' and 'financial assets at fair value through other comprehensive income' ('FVOCI') respectively in Note 20.

The new standard requires financial instruments to be classified as fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) or amortised cost, each of which are explained further below. The classification depends on the Group's business model for managing its financial instruments and whether the cash flows generated are 'solely payments of principal and interest' (SPPI).

- *Financial assets at amortised cost* are assets that are held to collect the contractual cash flows (solely payments of principal and interest); this includes the Group's cash and cash equivalents and trade and other receivables. Clearing member trading balances relating to sale and buy-back transactions and other receivables from clearing members within the Central Counterparty (CCP) businesses also fall within this category. At the date of transition, £164,906 million previously reported as loans and receivables are now referred to as financial assets at amortised cost
- *Financial assets at fair value through other comprehensive income (FVOCI)* are assets used by the business mainly to collect the contractual cash flows, but also to be sold from time to time. This category includes investments in financial assets and quoted debt instruments (predominantly government bonds) held by the CCP businesses. Previously these assets were classified as either 'available for sale at FVOCI' or 'FVPL'. At the date of transition, £3,652 million of other financial assets of the CCP clearing businesses previously designated as FVPL were reclassified as FVOCI with no change in valuation, and £18,541 million of assets previously designated as available for sale at FVOCI are now referred to as FVOCI with no change in valuation. Any profit or loss recognised in other comprehensive income on debt instruments is recycled to the income statement if the asset is sold. Any profit or loss on an equity investment remains in other comprehensive income and is not recycled
- *Financial assets at fair value through profit or loss (FVPL)* are either assets that are designated as FVPL on recognition, or that are traded on a regular basis. This category includes derivative instruments held by the Group and CCP clearing member trading balances comprising derivatives, equity and debt instruments that are marked to market on a daily basis. There is no change to the previous treatment for these instruments. At the date of transition £549,891 million of assets remained as FVPL
- *Financial liabilities at amortised cost* are all financial liabilities that are not included within financial liabilities at FVPL. This comprises the Group's trade and other payables balances and borrowings as well as clearing member trading balances related to sale and buy-back transactions and other payables to clearing members. There was no change on the previous treatment for these instruments
- *Financial liabilities at fair value through profit or loss (FVPL)* includes all the CCP clearing member trading balances, comprising derivatives, equity and debt instruments, which are marked to market on a daily basis, along with any derivative instruments held by the Group. There was no change to the previous treatment for these instruments

IFRS 9 adopts a new approach to calculating impairment losses on financial instruments, with the Group required to adopt a forward-looking approach to estimate expected credit losses (ECLs). ECLs are based on the difference between the contractual cash flows due and the expected cash flows, the difference is then discounted at the asset's original effective interest rate. The impact of the new approach on the Group's financial statements is as follows:

- *Financial assets at amortised cost* – the ECL for trade receivables, contract assets and cash and cash equivalents is calculated using IFRS 9's simplified approach using lifetime ECL. The new provision is calculated using an expected loss matrix which has been developed using the Group's historic experience of collection rates, adjusted for forward-looking factors specific to each counterparty and the economic environment at large. Applying this approach to the trade receivables as at 31 December 2017 created a lower provision than previously recognised: accordingly a £7 million net of tax credit to the opening reserves has been recognised in the consolidated statement of changes in equity. There is no expected loss on cash and cash equivalents on transition to the new standard
- *Financial assets held at FVOCI* – the Group's financial assets held at FVOCI are largely held by the CCP businesses and consist of high-quality government bonds that have a low credit risk. The Group's policy is to calculate a 12-month ECL on these assets. If there is a significant increase in credit risk, then a lifetime ECL will be calculated. A significant increase in credit risk is considered to have occurred when contractual payments are more than 30 days past due. As at the date of adoption, the Group has determined that the 12-month ECL on these assets is nil, and there have been no significant increases in credit risk, and therefore no lifetime ECL has been calculated for these assets.

  Expected credit losses on the remaining financial assets are measured using the general approach. The Group calculates an allowance based on the 12-month ECL at each reporting date until there is a significant increase in the financial instrument's credit risk, at which point the Group will calculate a loss allowance based on the lifetime ECL, as described above for FVOCI assets. The expected loss in the year was nil
- *Financial assets at fair value through profit or loss (FVPL)* – in accordance with IFRS 9, no ECLs are required for assets held at FVPL

# Notes to the financial statements (continued)

The table below illustrates the changes to the classification of the Group's financial assets under IFRS 9 and IAS 39 at the date of initial application of IFRS 9:

| Instrument | Description | IAS 39 | IFRS 9 |
|---|---|---|---|
| **Assets** | | | |
| Clearing member financial assets: | | | |
| – Clearing member trading assets | Sale and buyback transactions | Amortised cost | **Amortised cost** |
| – Clearing member trading assets | All other clearing member trading assets | FVPL | **FVPL** |
| – Other receivables from clearing members | Interest and margin receipts due | Amortised cost | **Amortised cost** |
| – Other financial assets | Investments relating to cash collateral held | FVPL or Available for sale | **FVOCI** |
| Cash and cash equivalents | Cash and cash of clearing members | Amortised cost | **Amortised cost** |
| Trade and other receivables including non-current receivables | Trade receivables and other receivables | Amortised cost | **Amortised cost** |
| Contract assets | From contracts with customers | Amortised cost | **Amortised cost** |
| Investments in financial assets | Typically comprise investments in government debt | Available for sale | **FVOCI** |
| Derivative financial instruments | Both assets and liabilities | FVPL | **FVPL** |
| **Liabilities** | | | |
| Clearing member financial liabilities: | | | |
| – Clearing member trading liabilities | Sale and buyback transactions | Amortised cost | **Amortised cost** |
| – Clearing member trading liabilities | All other clearing member trading liabilities | FVPL | **FVPL** |
| – Other payables to clearing members | Interest and margin payments due | Amortised cost | **Amortised cost** |
| Trade and other payables, including other non-current payables | Trade payables, accruals and deferred consideration | Amortised cost | **Amortised cost** |
| Borrowings | Bank borrowings and other forms of financing | Amortised cost | **Amortised cost** |

### 3. Financial risk management

The Group seeks to protect its financial performance and the value of its business from exposure to capital, credit, concentration, country, liquidity, settlement, custodial and market (including foreign exchange, cash flow and fair value interest rate) risks.

The Group's financial risk management approach is not speculative and adopts a '3 lines of defence' model. It is performed both at a Group level, where the treasury function identifies, evaluates and hedges financial risks from a Group perspective and also locally, where operating units manage their regulatory and operational risks. This includes clearing operations at the Group's CCPs (at LCH Group and CC&G) that adhere to local regulation and operate under approved risk and investment policies.

The Group Chief Risk Officer's team provides assurance that the governance and operational controls are effective to manage risks within the Board-approved risk appetite, supporting a robust Group risk management framework. The Financial Risk Committee, a sub-committee of the Group Executive Committee and chaired by the Chief Financial Officer, meets monthly to oversee the consolidated financial risks of the Group. In addition, the Treasury Committee, a sub-committee of the Financial Risk Committee (which is also chaired by the Chief Financial Officer), meets regularly to monitor the management of, and controls around foreign exchange, interest rate, credit and concentration risks and the investment of excess liquidity in addition to its oversight of the Group's funding arrangements. Both committees provide the Group's senior management with assurance that the treasury and risk operations are performed in accordance with Group Board-approved policies and procedures. Regular updates on a range of key criteria, as well as new developments, are provided through the Enterprise Wide Risk Management Framework to the Group Risk Committee. See 'Risk Management Oversight Supplement' for further detail on the Group's risk framework on our website at: **www.lseg.com/about-london-stock-exchange-group/risk-management-oversight**.

On 23 June 2016 the UK voted to exit the EU. The UK companies within the Group, as members of the EU or European Economic Area (EEA), rely on a number of rights that are available to them to conduct business with other EU or EEA members. This includes, without limitation, the right for UK CCPs to offer clearing services to EU regulated firms under EMIR, and the right for UK trading venues to offer services to members in the EU or EEA. The Group companies have analysed the potential impacts and considered contingency plans that they may choose to execute should these rights not be replaced by rights that persist outside EU membership.

#### Capital risk

**Risk description**

The Group is profitable and strongly cash generative and its capital base comprises equity and debt capital.

However, the Group recognises the risk that its entities may not maintain sufficient capital to meet their obligations or they may make investments that fail to generate a positive or value enhancing return.

The Group comprises regulated and unregulated entities. It considers that:

- increases in the capital requirements of its regulated companies, or
- negative yields on its investments of cash, or
- a scarcity of debt or equity (driven by its own performance or financial market conditions)

either separately or in combination are the principal risks to managing its capital.

**Risk management approach**

The Group focuses upon its overall cost of capital as it seeks, within the scope of its risk appetite, to provide superior returns to its shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining access to capital and flexibility to invest for growth is a key management consideration.

The Group can manage its capital structure and react to changes in economic conditions by varying returns to shareholders, issuing new shares or increasing or reducing borrowings. The Board reviews dividend policy and funding capacity on a regular basis and the Group maintains comfortable levels of debt facility headroom. A summary of the Group's capital structure is presented below:

| Book value of capital | 31 December 2018 £m | 31 December 2017 £m |
|---|---|---|
| Total shareholders' funds | **3,343** | 3,227 |
| Group consolidated debt | **2,203** | 1,953 |

Whilst the Company is unregulated, the regulated entities within the Group monitor compliance with the capital requirements set by their respective competent authorities and the terms of reference of the Financial Risk Committee includes oversight of the Group's Capital Management Policy. The Capital Management Policy seeks to ensure that compliance with local regulations is maintained and that there is a robust evaluation, undertaken by the Group's Investment Committee, of the impact of new investments across the Group on its capital position. Regulated entities within the Group have to date predominantly issued equity and held cash to satisfy their local regulatory capital requirements.

We believe that capital held by Group companies is sufficient to comfortably support current regulatory frameworks. The level of amounts set aside for these purposes remains subject to ongoing review with regulators, particularly in Europe. The aggregate of the Group's regulatory and operational capital is shown below:

| Regulatory and operational capital | 31 December 2018 £m | 31 December 2017 £m |
|---|---|---|
| Total regulatory and operational capital | **1,203** | 1,147 |
| Amount included in cash and cash equivalents | **1,120** | 1,042 |

The total capital amounts have increased year on year reflecting strong cash generation at regulated entities and to meet the requirements of MiFID II regulation and IFRS 15 accounting changes.

To maintain the financial strength to access new capital at a reasonable cost and sustain an investment grade credit rating, the Group monitors its net leverage ratio which is operating net debt (i.e. net debt after excluding cash and cash equivalents set aside for regulatory and operational purposes) to proforma adjusted EBITDA (Group consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation, foreign exchange gains or losses and non-underlying items, prorated for acquisitions or disposals undertaken in the period) against a target range of 1-2 times. The Group is also mindful of potential impacts on the key metrics employed by the credit rating agencies in considering increases to its borrowings.

As at 31 December 2018, net leverage was 1.8 times (2017: 1.7 times) and remains well within the Group's target range. The Group is comfortably in compliance with its bank facility ratio covenants (net leverage and interest cover) and these measures do not inhibit the Group's operations or its financing plans.

# Notes to the financial statements (continued)

### Credit and concentration risk

**Risk description**

The Group's credit risk relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full, including:

- customer receivables,
- repayment of invested cash and cash equivalents, and
- settlement of derivative financial instruments

In their roles as CCP clearers to financial market participants, the Group's CCPs guarantee final settlement of transactions acting as buyer towards each seller and as seller towards each buyer. They manage substantial credit risks as part of their operations including unmatched risk positions that might arise from the default of a party to a cleared transaction. For more information see 'Principal Risks and Uncertainties', pages 48 to 57.

Notwithstanding regulations that require CCPs to invest predominantly in secured instruments or structures (such as government bonds and reverse repos), CC&G and the LCH Group CCPs continue to be able to maintain up to 5% of their total deposits at commercial banks on an unsecured basis. Through this potential for its CCPs to invest on an unsecured basis (as well as by certain other regulated and unregulated operations observing agreed investment policy limits), the Group may continue to face some risk of direct loss from a deterioration or failure of one or more of its unsecured investment counterparties.

Concentration risk may arise through Group entities having large individual or connected exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. This is a particular focus of the investment approach at the Group's CCPs.

**Risk management approach**

**Group**

Credit risk is governed through policies developed at a Group level. Limits and thresholds for credit and concentration risk are kept under review.

Group companies make a judgement on the credit quality of their customers based upon the customers' financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default. Furthermore, the Group is exposed to a large number of customers and so concentration risk on its receivables is deemed by management as low.

**Non-CCP entities**

Credit risk associated with cash and cash equivalents is managed by limiting exposure to counterparties with credit rating levels below policy minimum thresholds, potentially overlaid by a default probability assessment. Except where specific approval is arranged to increase this limit for certain counterparties, investment limits of between £100 million and £25 million apply for periods between 12 months and 1 week depending on counterparty credit rating and default probability risk. Derivative transactions and other treasury receivable structures are undertaken or agreed with well capitalised counterparties and are authorised by policy to limit the credit risk underlying these transactions.

**CCPs**

To address market participant and latent market risk, the Group's CCPs have established financial safeguards against single or multiple defaults. Clearing membership selection is based upon supervisory capital, technical and organisational criteria. Each member must pay margins, computed and collected at least daily, to cover the exposures and theoretical costs which the CCP might incur in order to close out open positions in the event of a member's default. Margins are calculated using established and internationally acknowledged risk models and are debited from participants' accounts through central bank accounts and via commercial bank payment systems. Minimum levels of cash collateral are required and non-cash collateral is revalued daily.

| | | 31 December 2018 £bn | 31 December 2017 £bn |
|---|---|---|---|
| Clearing members' margin liability | | **(175)** | (151) |
| Collateral security | Cash | **81** | 73 |
| | Non-cash | **94** | 78 |
| Maximum aggregate margin liability for the year | | **(181)** | (161) |

Clearing members also contribute to default funds managed by the CCPs to guarantee the integrity of the markets in the event of multiple defaults in extreme market circumstances. Amounts are determined on the basis of the results of periodic stress testing examined by the risk committees of the respective CCPs. Furthermore, each of the Group's CCPs reinforces its capital position to meet the most stringent relevant regulatory requirements applicable to it, including holding a minimum amount of dedicated own resources to further underpin the protective credit risk framework in the event of a significant market stress event or participant failure. An analysis of the aggregate clearing member contributions to default funds across the CCPs is shown below:

| Clearing member contributions to default funds | 31 December 2018 £bn | 31 December 2017 £bn |
|---|---|---|
| Aggregate at year end | **17** | 16 |
| Maximum during the year | **19** | 18 |

Investment counterparty risk for CCP margin and default funds is managed by investing the cash element in instruments or structures deemed 'secure' by the relevant regulatory bodies including through direct investments in highly rated, 'regulatory qualifying' sovereign bonds and supra-national debt, investments in tri-party and bilateral reverse repos (receiving high quality government securities as collateral) and, in certain jurisdictions, deposits with the central bank. The small proportion of cash that is invested unsecured is placed for short durations with highly rated counterparties where strict limits are applied with respect to credit quality, concentration and tenor.

| | 31 December 2018 £bn | 31 December 2017 £bn |
|---|---|---|
| Total investment portfolio | **94** | 87 |
| Maximum portfolio size during the year | **103** | 95 |
| Additional portfolio information: | | |
| Weighted average invested securely | **98%** | 99% |
| Weighted average maturity days | **49** | 74 |

Associated liquidity risks are considered in the investment mix and discussed further below.

To address concentration risk, the Group maintains a diversified portfolio of high quality, liquid investments and uses a broad range of custodians, payment and settlement banks and agents. The largest concentration of treasury exposures as at 31 December 2018 was 17% of the total investment portfolio to the French Government (2017: 24% to the French Government).

## Country risk

| Risk description | Risk management approach |
|---|---|
| Distress can result from the risk that certain governments may be unable or find it difficult to service their debts. This could have adverse effects, particularly on the Group's CCPs, potentially impacting cleared products, margin collateral, investments, the clearing membership and the financial industry as a whole. | Specific risk frameworks manage country risk for both fixed income clearing and margin collateral, and all clearing members are monitored regularly against a suite of sovereign stress scenarios. Investment limits and counterparty and clearing membership monitoring are sensitive to changes in ratings and other financial market indicators, to ensure the Group's CCPs are able to measure, monitor and mitigate exposures to sovereign risk and respond quickly to anticipated changes. Risk Committees maintain an ongoing watch over these risks and the associated policy frameworks to protect the Group against potentially severe volatility in the sovereign debt markets.<br><br>The Group's sovereign exposures of £1 billion or more at the end of either of the financial reporting periods shown below are: |

| Group Aggregate Sovereign Treasury Exposures | 2018 | 2017 |
|---|---|---|
| Country | £bn | £bn |
| France | **16** | 21 |
| USA | **9** | 12 |
| Netherlands | **7** | 7 |
| UK | **4** | 6 |
| Switzerland | **3** | 1 |
| EU | **3** | – |
| Italy | **2** | 3 |
| Germany | **1** | – |

## Liquidity, settlement and custodial risk

**Risk description**

The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations.

In addition, the Group's CCPs and certain other Group companies must maintain a level of liquidity (consistent with regulatory requirements) to ensure the smooth operation of their respective markets and to maintain operations in the event of a single or multiple market stress event or member failure. This includes the potential requirement to liquidate the position of a clearing member under a default scenario including covering the associated losses and the settlement obligations of the defaulting member.

The Group is exposed to the risk that a payment or settlement bank could fail or that its systems encounter operational issues, creating liquidity pressures and the risk of possible defaults on payment or receivable obligations.

The Group uses third-party custodians to hold securities and is therefore exposed to the custodian's insolvency, its negligence, a misuse of assets or poor administration.

**Risk management approach**

**Group**

The combined Group businesses are profitable, generate strong free cash flow and operations are not significantly impacted by seasonal variations. The Group maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, make dividend payments, meet its pension commitments, support acquisitions or repay borrowings. With the exception of regulatory constraints impacting certain entities, funds can generally be lent across the Group and cash earnings remitted through dividend payments. This is an important component of the Group Treasury cash management policy and approach.

Management monitors forecasts of the Group's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions or stress events.

**Non-CCP entities**

Treasury policy requires that the Group maintains adequate credit facilities provided by a diversified lending group to cover its expected funding requirements and ensure a minimum level of headroom for at least the next 24 months. The financial strength of lenders to the Group is monitored regularly.

During the year ended 31 December 2018, the Group extended the maturity of its 2017 arranged, 5-year, £600 million committed revolving credit facility by another year to 2023 and issued a €500 million bond due in 2027, further extending its debt maturity profile. It also issued Euro commercial paper under its newly established £1 billion programme, further diversifying its sources of liquidity, with €300 million in issuance at the end of the financial year. At 31 December 2018, £1,159 million (2017: £675 million) of the Group's bank facilities were unutilised, providing swingline backstop coverage for the €300 million Euro commercial paper in issuance and financing flexibility more broadly for the Group.

**CCPs**

The Group's CCPs maintain sufficient cash and cash equivalents and, in certain jurisdictions, have access to central bank refinancing or commercial bank liquidity support credit lines to meet the cash requirements of the clearing and settlement cycle. Revised regulations require CCPs to ensure that appropriate levels of back-up liquidity are in place to underpin the dynamics of a largely secured cash investment requirement, ensuring that the maximum potential outflow under extreme market conditions is covered (see Credit and concentration risk section above). The Group's CCPs monitor their liquidity needs daily under normal and stressed market conditions.

Where possible, the Group employs guaranteed delivery versus payment settlement techniques and manages CCP margin and default fund flows through central bank or long-established, bespoke commercial bank settlement mechanisms. Monies due from clearing members remain the clearing members' liability if the payment agent is unable to effect the appropriate transfer. In addition, certain Group companies, including the CCPs, maintain operational facilities with commercial banks to manage intraday and overnight liquidity.

Custodians are subject to minimum eligibility requirements, ongoing credit assessment, robust contractual arrangements and are required to have appropriate back-up contingency arrangements in place.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table reflect the contractual undiscounted cash flows. The borrowings line includes future interest on debt that is not accrued for in relation to bonds that are not yet due.

| At 31 December 2018 | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|
| Borrowings | **601** | **34** | **373** | **1,435** | **2,443** |
| Trade and other payables | **509** | **–** | **–** | **–** | **509** |
| Clearing member business liabilities | **835,508** | **–** | **–** | **–** | **835,508** |
| Derivative financial instruments | **30** | **–** | **–** | **17** | **47** |
| Other non-current liabilities | **–** | **7** | **3** | **1** | **11** |
| | **836,648** | **41** | **376** | **1,453** | **838,518** |

# Notes to the financial statements (continued)

**Liquidity, settlement and custodial risk** Continued

| Risk description | Risk management approach |
|---|---|

| At 31 December 2017 | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|
| Borrowings | 556 | 299 | 364 | 951 | 2,170 |
| Trade and other payables | 471 | – | – | – | 471 |
| Clearing member business liabilities | 734,981 | – | – | – | 734,981 |
| Derivative financial instruments | – | 29 | – | – | 29 |
| Other non-current liabilities | – | 34 | 12 | 3 | 49 |
| | 736,008 | 362 | 376 | 954 | 737,700 |

**Market risk – Foreign Exchange**

**Risk description**

The Group operates primarily in the UK, Europe and North America, but also has growing and strategically important businesses in Asia, and other alliances and investments across the globe. Its principal currencies of operation are Sterling, Euro and US Dollars.

Group companies generally invoice revenues, incur expenses and purchase assets in their respective local currencies. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, Sterling, and from occasional, high-value intragroup transactions. Exceptions exist including at MillenniumIT (a Sri Lankan Rupee reporting entity) which invoices a material proportion of its revenues in US Dollars, and at certain operations of the LCH Group (a Euro reporting subsidiary), which generate material revenues in Sterling and US Dollars and incur material costs in Sterling.

Intragroup dividends and the currency debt interest obligations of the Company may create short-term transactional FX exposures but play their part in controlling the level of translational FX exposures the Group faces.

The Group may be exposed from time to time to FX risk associated with strategic investments in, or divestments from, operations denominated in currencies other than Sterling.

**Risk management approach**

The Group seeks to match the currency of its debt liabilities to the currency of its earnings and cash flows which, to an extent, protects its key ratios (net leverage and interest coverage) and balances the currency of its assets with its liabilities. In order to mitigate the impact of unfavourable currency exchange rate movements on earnings and net assets, non-Sterling cash earnings are centralised and applied to matching currency debt and interest payments, and, where relevant, interest payments on Sterling debt re-denominated through the use of cross-currency swaps.

A material proportion of the Group's debt is held in or swapped into Euros and US Dollars as noted below.

| Currency of debt | 31 December 2018 £m | 31 December 2017 £m |
|---|---|---|
| Euro-denominated drawn debt | **1,631** | 921 |
| Euro-denominated cross-currency interest rate swaps | **(361)** | (355) |
| US Dollar-denominated drawn debt | **–** | – |
| US Dollar denominated cross-currency interest rate swaps | **631** | 622 |

The cross-currency interest rate swaps are directly linked to Sterling and Euro fixed debt. The Euro and US Dollar denominated debt, including the cross-currency swaps, provides a hedge against the Group's net investment in Euro and US Dollar denominated entities.

As at 31 December 2018, the Group's designated hedges of its net investments were fully effective.

Whilst transactional foreign exchange exposure is limited, the Group hedges material transactions in accordance with Group Treasury policy (which requires cash flows of more than £5 million or equivalent per annum to be hedged) with appropriate derivative instruments or by settling currency payables or receivables within a short timeframe. Where appropriate, hedge accounting for derivatives is considered in order to mitigate material levels of income statement volatility.

In addition to projecting and analysing its earnings and debt profile by currency, the Group reviews sensitivities to movements in exchange rates which are appropriate to market conditions. The Group has considered movements in the Euro and the US Dollar over the year ended 31 December 2018 and year ended 31 December 2017 and, based on actual market observations between its principal currency pairs, has concluded that a 10% movement in rates is a reasonable level to illustrate the risk to the Group. The impact on post tax profit and equity for the years ended 31 December is set out in the table below:

| | | 2018 | | 2017 | |
|---|---|---|---|---|---|
| | | Post-tax profit £m | Equity £m | Post-tax profit £m | Equity £m |
| Euro | Sterling weaken | **(2)** | **(16)** | 4 | 21 |
| | Sterling strengthen | **2** | **15** | (3) | (19) |
| US Dollar | Sterling weaken | **7** | **(45)** | 6 | (39) |
| | Sterling strengthen | **(7)** | **41** | (5) | 35 |

This reflects foreign exchange gains or losses on translation of Euro and US Dollar denominated financial assets and financial liabilities, including Euro and US Dollar denominated cash and borrowings.

The impact on the Group's operating profit for the year before amortisation of purchased intangible assets and non-underlying items, of a 10 Euro cent and 10 US Dollar cent movement in the Sterling-Euro and Sterling-US dollar rates respectively, can be seen below:

| | | 2018 £m | 2017 £m |
|---|---|---|---|
| Euro | Sterling weaken | **27** | 25 |
| | Sterling strengthen | **(23)** | (21) |
| US Dollar | Sterling weaken | **31** | 26 |
| | Sterling strengthen | **(27)** | (22) |

### Market risk – Cash Flow and Fair Value Interest Rate Risk

| Risk description | Risk management approach |
|---|---|
| The Group's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, investments in financial assets and borrowings held at floating rates.<br><br>The Group's CCPs face interest rate exposure through the impact of changes in the reference rates used to calculate member liabilities versus the yields achieved through their predominantly secured investment activities. | Group interest rate management policy focuses on protecting the Group's credit rating and maintaining compliance with bank covenant requirements. To support this objective, a minimum coverage of interest expense by EBITDA of 7 times, and a maximum floating rate component of 50% of total debt are targeted. This approach reflects:<br><br>i. a focus on the Group's cost of gross debt rather than its net debt given the material cash and cash equivalents set aside for regulatory purposes;<br>ii. the short duration allowed for investments of cash and cash equivalents held for regulatory purposes which, by their nature, generate low investment yields;<br>iii. a view currently maintained that already low market yields are unlikely to move materially lower; and<br>iv. the broad natural hedge of floating rate borrowings provided by the significant balances of cash and cash equivalents held effectively at floating rates of interest.<br><br>As at 31 December 2018, consolidated net interest expense cover by EBITDA was measured over the 12-month period at 16.1 times (2017: 15.5 times) and the floating rate component of total debt was 14% (2017: 27%).<br><br>In the Group's CCPs, interest bearing assets are generally invested in secured instruments or structures and for a longer term than interest bearing liabilities, whose interest rate is reset daily. This makes net investment revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures (and the risk to CCP capital) are managed within defined risk appetite parameters against which sensitivities are monitored daily.<br><br>In its review of the sensitivities to potential movements in interest rates, the Group has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a 1 percentage point upward movement (with a limited prospect of material downward movement) reflects a reasonable level of risk to current rates. At 31 December 2018, at the Group level, if interest rates on cash and cash equivalents and borrowings had been 1 percentage point higher with all other variables held constant, post tax profit for the year would have been £8 million higher (2017: £5 million higher) mainly as a result of higher interest income on floating rate cash and cash equivalents partially offset by higher interest expense on floating rate borrowings.<br><br>At 31 December 2018, at the CCP level (in aggregate), if interest rates on the common interest bearing member liability benchmarks of Eonia, Fed Funds and Sonia, for Euro, US Dollar and Sterling liabilities respectively, had been 1 percentage point higher, with all other variables held constant, the daily impact on post tax profit for the Group would have been £2 million lower (2017: £2 million lower). This deficit is expected to be recovered as investment yields increase as the portfolio matures and is reinvested. |

# Notes to the financial statements (continued)

**4. Significant judgements and estimates**
Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events.

**Estimates:**
For the year ended 31 December 2018, the following areas require the use of estimates:

**Impairment of purchased intangible assets, goodwill and investment in subsidiaries** – 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. Details are provided in Note 15;

**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. Sensitivity analysis is provided in Note 19; and

**Estimated service period for admission and listing services within the Primary Markets business** – the Group determines the estimated period for admission services using historical analysis of listing durations in respect of the companies on our markets. The estimated service period inherently incorporates an element of uncertainty in relation to the length of a customer listing which is subject to factors outside of the Group's control. The estimated service periods are provided in Note 2 and are reassessed at each reporting date to ensure the period reflects the Group's best estimates. The Group estimates that a 1-year decrease in the deferral period would cause an estimated £5 million increase in revenue and a 1-year increase in the deferral period would cause an estimated £4 million decrease in revenue recognised in the year.

**Judgements:**
In preparing the financial statements for the year ended 31 December 2018, the following judgement has been made:

**Clearing member trading assets and trading liabilities** – The Group uses its judgement to carry out the offsetting within clearing member balances. The carrying values of the balances are offset at what the Group considers an appropriate level to arrive at the net balances reported in the balance sheet. The Group has an aligned approach for its CCP subsidiaries to ensure the principles applied are consistent across similar assets and liabilities. The approach is reviewed on a timely basis to ensure the approach used is the most appropriate. Details of amounts offset are provided in Note 21.

**5. Segmental information**
The Group is organised into operating units based on its service lines and has 6 reportable segments: Information Services, Post Trade Services – LCH, Post Trade Services – CC&G and Monte Titoli, Capital Markets, Technology Services and Other. These segments generate revenue in the following areas:

– **Information Services** – Subscription and licence fees for data and index services provided;

– **Post Trade Services – LCH** – Fees based on CCP and clearing services provided, non-cash collateral management and net interest earned on cash held for margin and default funds;

– **Post Trade Services – CC&G and Monte Titoli** – Clearing fees based on trades and contracts cleared, net interest earned on cash, securities held for margin and default funds, and fees from settlement and custody services;

– **Capital Markets** – Admission fees from initial listing and further capital raises, annual fees charged for securities traded on the Group's markets, and fees from our secondary market services;

– **Technology Services** – Capital markets software licences and related IT infrastructure, network connection and server hosting services; and

– **Other** – Includes events and media services.

The Executive Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Sales between segments are carried out at arm's length and are eliminated on consolidation.

Segmental disclosures for the year ended 31 December 2018 are as follows:

| | Information Services £m | Post Trade Services – LCH £m | Post Trade Services – CC&G and Monte Titoli £m | Capital Markets £m | Technology Services £m | Other £m | Eliminations £m | Group £m |
|---|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | 841 | 487 | 102 | 407 | 65 | 9 | – | 1,911 |
| Inter-segmental revenue | – | – | 1 | – | 21 | – | (22) | – |
| **Revenue** | 841 | 487 | 103 | 407 | 86 | 9 | (22) | 1,911 |
| **Net treasury income through CCP business** | – | 175 | 43 | – | – | – | – | 218 |
| **Other income** | – | – | – | – | – | 6 | – | 6 |
| **Total income** | 841 | 662 | 146 | 407 | 86 | 15 | (22) | 2,135 |
| Cost of sales | (70) | (123) | (7) | (16) | (9) | (2) | – | (227) |
| **Gross profit** | 771 | 539 | 139 | 391 | 77 | 13 | (22) | 1,908 |
| Share of loss after tax of associate | – | – | – | (1) | – | (7) | – | (8) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | 469 | 304 | 92 | 201 | 18 | (5) | (13) | 1,066 |
| Underlying depreciation, amortisation and impairment | (29) | (62) | (9) | (17) | (20) | (2) | 4 | (135) |
| **Operating profit/(loss) before non-underlying items** | 440 | 242 | 83 | 184 | (2) | (7) | (9) | 931 |
| Amortisation of purchased intangible assets | | | | | | | | (159) |
| Other non-underlying items | | | | | | | | (21) |
| **Operating profit** | | | | | | | | 751 |
| Net finance expense | | | | | | | | (66) |
| **Profit before tax from continuing operations** | | | | | | | | 685 |

Revenue from external customers principally comprises fees for services rendered of £1,837 million (2017: £1,668 million) and Technology Services of £65 million (2017: £91 million).

Net treasury income through CCP businesses of £218 million (2017: £162 million) comprises gross interest income of £1,025 million (2017: £813 million) less gross interest expense of £807 million (2017: £651 million). During the year the Group recognised a total of £106 million (2017: £74 million) of net treasury income on financial assets and liabilities held at amortised cost comprising £732 million (2017: £559 million) gross treasury income and £626 million (2017: £485 million) gross treasury expense, and £112 million net gain (2017: £88 million net loss) on assets held at fair value comprising £293 million (2017: £254 million) fair value gain and £181 million (2017: £166 million) fair value loss.

Presented within revenue are net settlement expenses from the CCP business of £2 million (2017: £1 million expense) which comprise gross settlement income of £24 million (2017: £22 million) less gross settlement expense of £26 million (2017: £23 million).

The Group's revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the year ended 31 December 2018 is shown below:

| | Information Services £m | Post Trade Services – LCH £m | Post Trade Services – CC&G and Monte Titoli £m | Capital Markets £m | Technology Services £m | Other £m | Group £m |
|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | | | | | | | |
| **Major product & service lines** | | | | | | | |
| FTSE Russell Indexes | 631 | – | – | – | – | – | 631 |
| Real time data | 94 | – | – | – | – | – | 94 |
| Other information services | 116 | – | – | – | – | – | 116 |
| Clearing | – | 487 | 41 | – | – | – | 528 |
| Settlement, custody and other | – | – | 61 | – | – | – | 61 |
| Primary capital markets | – | – | – | 113 | – | – | 113 |
| Secondary capital markets – Equities | – | – | – | 169 | – | – | 169 |
| Secondary capital markets – Fixed income, derivatives and other | – | – | – | 125 | – | – | 125 |
| Capital markets software licences | – | – | – | – | 65 | – | 65 |
| Other | – | – | – | – | – | 9 | 9 |
| **Total revenue from contracts with customers** | 841 | 487 | 102 | 407 | 65 | 9 | 1,911 |
| **Timing of revenue recognition** | | | | | | | |
| Services satisfied at a point in time | 45 | 479 | 93 | 237 | 2 | 8 | 864 |
| Services satisfied over time | 796 | 8 | 9 | 170 | 63 | 1 | 1,047 |
| **Total revenue from contracts with customers** | 841 | 487 | 102 | 407 | 65 | 9 | 1,911 |

The disaggregated revenue table presented above for the year ended 31 December 2018 is a new requirement as a result of the Group adopting IFRS 15 on 1 January 2018. The Group has used the modified retrospective approach to transition to IFRS 15 and therefore no comparative disclosures are presented.

# Notes to the financial statements (continued)

Segmental disclosures for the year ended 31 December 2017 are as follows:

| | Information Services £m | Post Trade Services – LCH £m | Post Trade Services – CC&G and Monte Titoli £m | Capital Markets £m | Technology Services £m | Other £m | Eliminations £m | Group £m |
|---|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | 736 | 432 | 109 | 391 | 91 | 9 | – | 1,768 |
| Inter-segmental revenue | – | – | 1 | – | 20 | – | (21) | – |
| **Revenue** | 736 | 432 | 110 | 391 | 111 | 9 | (21) | 1,768 |
| **Net treasury income through CCP business** | – | 120 | 42 | – | – | – | – | 162 |
| **Other income** | – | 10 | – | – | – | 15 | – | 25 |
| **Total income** | 736 | 562 | 152 | 391 | 111 | 24 | (21) | 1,955 |
| Cost of sales | (62) | (88) | (17) | (16) | (29) | (3) | – | (215) |
| **Gross profit** | 674 | 474 | 135 | 375 | 82 | 21 | (21) | 1,740 |
| Share of loss after tax of associates | – | – | – | – | – | (9) | – | (9) |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | 400 | 245 | 82 | 194 | 5 | 1 | (12) | 915 |
| Underlying depreciation, amortisation and impairment | (17) | (51) | (11) | (14) | (7) | (6) | 3 | (103) |
| **Operating profit/(loss) before non-underlying items** | 383 | 194 | 71 | 180 | (2) | (5) | (9) | 812 |
| Amortisation of purchased intangible assets | | | | | | | | (153) |
| Other non-underlying items | | | | | | | | (33) |
| **Operating profit** | | | | | | | | 626 |
| Net finance expense | | | | | | | | (62) |
| **Profit before taxation from continuing operations** | | | | | | | | 564 |

### Geographical disclosures

| | 2018 £m | 2017 £m |
|---|---|---|
| **Revenue from external customers** | | |
| UK | **1,092** | 999 |
| USA | **348** | 276 |
| Italy | **316** | 316 |
| France | **109** | 106 |
| Other | **46** | 71 |
| **Total** | **1,911** | 1,768 |

| | 2018 £m | 2017 (revised)[1] £m |
|---|---|---|
| **Non-current operating assets** | | |
| UK | **1,149** | 1,107 |
| USA | **2,226** | 2,119 |
| Italy | **1,271** | 1,284 |
| France | **61** | 58 |
| Other | **154** | 155 |
| **Total** | **4,861** | 4,723 |

1. The 31 December 2017 comparatives have been revised for IFRS 3 fair value adjustments on the acquisition of the Yield Book business. Refer to Note 33 for further details

Non-current operating assets consist of property, plant and equipment, intangible assets and investment in associates.

## 6. Expenses by nature

Expenses comprise the following:

| | Notes | 2018 £m | 2017 £m |
|---|---|---|---|
| **Underlying items** | | | |
| Employee costs | 7 | **510** | 497 |
| IT costs | | **136** | 120 |
| Other costs | | **188** | 199 |
| **Operating expenses before depreciation, amortisation and impairment** | | **834** | 816 |
| Underlying depreciation, amortisation and impairment | 14, 15 | **135** | 103 |
| **Total operating expenses** | | **969** | 919 |

Other costs include foreign exchange gains of £5 million (2017: £17 million loss).

## 7. Employee costs

Employee costs comprise the following:

| | Note | 2018 £m | 2017 £m |
|---|---|---|---|
| Salaries and other benefits | | **387** | 368 |
| Social security costs | | **62** | 64 |
| Pension costs | 19 | **25** | 27 |
| Share-based compensation | | **36** | 38 |
| **Total** | | **510** | 497 |

Staff costs include the costs of contract staff who are not on the payroll, but fulfil a similar role to employees.

The average number of employees in the Group from total operations was:

| | 2018 | 2017 |
|---|---|---|
| UK | **1,628** | 1,532 |
| USA | **659** | 626 |
| Italy | **612** | 573 |
| France | **166** | 165 |
| Sri Lanka | **1,025** | 1,094 |
| Other | **315** | 751 |
| **Total** | **4,405** | 4,741 |

Average staff numbers are calculated from the date of acquisition for subsidiary companies acquired in the year and up to the date of disposal for businesses disposed in the year.

The Company had no employees in the year (2017: nil).

## 8. Non-underlying items

| | Notes | 2018 £m | 2017 £m |
|---|---|---|---|
| Amortisation and impairment of intangible assets | 14, 15 | **159** | 153 |
| Transaction costs | | **9** | 25 |
| Restructuring costs | | **–** | 7 |
| Integration costs | | **12** | 8 |
| Profit on disposal of businesses | | **–** | (7) |
| **Total affecting operating profit** | | **180** | 186 |
| **Tax effect on items affecting profit before tax** | | | |
| Deferred tax on amortisation of purchased intangible assets | | **(33)** | (184) |
| Current tax on amortisation of purchased intangible assets | | **(11)** | (2) |
| Tax effect on other items | | **(11)** | (4) |
| **Total tax effect on items affecting profit before tax** | | **(55)** | (190) |
| **Total charge/(credit) to continuing operations income statement** | | **125** | (4) |
| Loss after tax from discontinued operations | 11 | **–** | 25 |
| **Total charge to income statement** | | **125** | 21 |

During the year the Group incurred a £154 million (2017: £153 million) amortisation charge in relation to purchased intangible assets and £5 million (2017: nil) asset write-off expense comprising £3 million software (see Note 15) and £2 million IT hardware (see Note 14) work in progress assets which are no longer required for development as a result of the integration of Yield Book into the Group.

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

Integration costs in the current and prior year relate to the activities to integrate the Mergent and Yield Book businesses into the Group.

In the prior year, the Group incurred restructuring costs in relation to the LCH Group.

In the prior year, the Group disposed of Information Services Professional Solutions (ISPS) a business line of BIt Market Services S.p.A, for a cash consideration of €10 million (£9 million). The profit on disposal was £5 million, and the net assets disposed contained brands, intellectual property and work-in-progress assets, used for carrying out the ISPS business along with identified agreements with suppliers and clients and employment relationships. The remaining £2 million profit on disposal in the prior year related to the sale of the Millennium Enterprise Systems Integration business, a business that formed part of the Technology Services segment and the MillenniumIT cash generating unit, for cash consideration of £5 million.

The loss after tax on discontinued operations in the prior year relates to the disposal of the Russell Investment Management business. See Note 11 for further details.

Further details on the recognition of deferred tax in relation to the amortisation of purchased intangible assets are provided in Note 18.

## 9. Net finance expense

| | Notes | 2018 £m | 2017 £m |
|---|---|---|---|
| **Finance income** | | | |
| Expected return on defined benefit pension scheme assets | 19 | **1** | – |
| Bank deposit and other interest income | | **8** | 3 |
| Other finance income | | **4** | 5 |
| | | **13** | 8 |
| **Finance expense** | | | |
| Interest payable on bank and other borrowings | | **(72)** | (63) |
| Defined benefit pension scheme interest cost | 19 | **(1)** | (2) |
| Other finance expenses | | **(6)** | (5) |
| | | **(79)** | (70) |
| **Net finance expense** | | **(66)** | (62) |

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.

During the year the Group recognised a total of £66 million (2017: £60 million) of net interest expense on financial assets and liabilities held at amortised cost, comprising £12 million (2017: £8 million) gross finance income and £78 million (2017: £68 million) gross finance expense. Presented within finance income and finance expense are amounts in relation to defined benefit pension schemes which are measured at fair value.

**10. Taxation**

The standard UK corporation tax rate was 19% (19.25% for the year ended 31 December 2017).

| **Taxation charged to the income statement** | Note | 2018 £m | 2017 £m |
|---|---|---|---|
| Current tax: | | | |
| UK corporation tax for the year | | **53** | 76 |
| Overseas tax for the year | | **107** | 95 |
| Adjustments in respect of previous years | | **(12)** | (10) |
| | | **148** | 161 |
| Deferred tax: | 18 | | |
| Deferred tax for the year | | **15** | (9) |
| Adjustments in respect of previous years | | **2** | 10 |
| Deferred tax liability on amortisation of purchased intangible assets | | **(33)** | (184) |
| **Taxation charge/(credit)** | | **132** | (22) |

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns submitted to relevant tax authorities.

| **Taxation on items not credited/(charged) to income statement** | 2018 £m | 2017 £m |
|---|---|---|
| Current tax credit: | | |
| Tax allowance on share options/awards in excess of expense recognised | **5** | 8 |
| | **5** | 8 |
| Deferred tax credit/(charge): | | |
| Tax on defined benefit pension scheme remeasurement | **5** | (25) |
| Tax allowance on share options/awards in excess of expense recognised | **2** | 4 |
| Tax on movement in value of investments in financial assets | **4** | 2 |
| | **16** | (11) |

### Factors affecting the tax charge for the year

The income statement tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2017: 19.25%) as explained below:

| | 2018 £m | 2017 £m |
|---|---|---|
| Profit before taxation from continuing operations | **685** | 564 |
| Loss before taxation from discontinued operations | **–** | (23) |
| | **685** | 541 |
| | | |
| Profit multiplied by standard rate of corporation tax in the UK | **130** | 104 |
| (Income not taxable)/expenses not deductible | **(7)** | 9 |
| Adjustment arising from change in tax rates | **–** | 2 |
| Overseas earnings taxed at higher rate | **25** | 10 |
| Adjustments in respect of previous years | **(10)** | – |
| Adjustment arising from changes in tax rates on amortisation of purchased intangible assets | **(2)** | (147) |
| Deferred tax previously not recognised | **(4)** | 2 |
| | **132** | (20) |
| **Income tax from continuing operations** | **132** | (22) |
| **Income tax attributable to discontinued operations** | **–** | 2 |

The UK Finance Bill 2016 was enacted in September 2016, reducing the standard rate of corporation tax further to 17% effective from 1 April 2020. Accordingly, the UK deferred tax balances at December 2018 have been stated at 19% or 17% dependent on when the temporary differences are expected to reverse. The deferred tax balances in other countries are recognised at the substantively enacted rates at the balance sheet date.

### Uncertain tax positions

The Group does not have any uncertain tax positions as at 31 December 2018. In the prior year an amount of £2 million was provided for in respect of uncertain tax positions in relation to an uncertainty arising from the introduction of UK Diverted Profits Tax. The Group no longer considers this amount to be uncertain.

### EU State Aid

The Group is monitoring developments in relation to the EU's ongoing State Aid investigation into the UK's Controlled Foreign Company (CFC) regime and whether the rules constitute unlawful State Aid.

The Group has made claims under the CFC legislation for practical reasons, however given that the Group's financing activities are properly established and operated in accordance with EU and local law as well as the OECD's transfer pricing guidelines, we do not anticipate any significant impact should a finding of unlawful State Aid be ultimately upheld.

Therefore, the Group does not currently consider that any provision is required in relation to EU State Aid.

The Group will continue to monitor the position as the review develops.

### 11. Discontinued operations and assets held for sale

On 17 January 2018, the Group completed the sale of Exactpro Systems Limited and its subsidiaries (Exactpro) for an aggregate consideration of £6 million, comprising a purchase price of £3 million and an unconditional waiver on £3 million of deferred consideration payable to the Exactpro purchasers recognised on the acquisition of Exactpro by the Group.

A total of £6 million of Exactpro assets were disposed and comprised goodwill, property, plant and equipment, trade receivables, cash and accumulated foreign exchange translation reserve.

The Exactpro business was part of the Technology Services segment and was contained within a standalone CGU.

Exactpro was classified as a disposal group held for sale in the Group's 31 December 2017 balance sheet.

#### Discontinued operations

As previously reported, on 31 May 2016 the Group completed the sale of the Russell Investment Management business to TA Associates and Reverence Capital Partners for US$1,150 million (£794 million) total consideration, of which US$150 million consideration was deferred and payable in cash instalments until 31 December 2022. In the prior year, the Group incurred a non-underlying loss before tax of US$29 million (£23 million) (loss after tax of US$31 million (£25 million)) relating to the disposal of the Russell Investment Management business comprising a US$21 million (£17 million) adjustment to the disposal balance sheet relating to tax balances at the disposal date and an US$8 million (£6 million) reduction to the net proceeds received on disposal as a result of the finalisation of the completion statement, which resulted in a US$2 million (£2 million) cash payment by the Group. During the prior year, the Group also recognised US$18 million (£13 million) current tax and other receivables in relation to the disposed business. The disposal accounting and final tax position will be finalised on completion of the relevant tax returns.

There were no cash flows generated or incurred by discontinued operations from operating, investing or financing activities in the year ended 31 December 2018 (2017: nil).

### 12. Earnings per share

Earnings per share is presented on 4 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 all outstanding share options and share awards under the Employee Share Ownership Plan (ESOP). Adjusted basic earnings per share and adjusted diluted earnings per share exclude amortisation of purchased intangible assets and non-underlying items to enable a better comparison of the underlying earnings of the business with prior periods.

| | 2018 | 2017 | | |
|---|---|---|---|---|
| | Total | Continuing | Discontinued | Total |
| **Basic earnings per share** | **138.3p** | 153.6p | (7.2p) | 146.4p |
| **Diluted earnings per share** | **136.0p** | 150.1p | (7.1p) | 143.0p |
| **Adjusted basic earnings per share** | **173.8p** | 148.7p | – | 148.7p |
| **Adjusted diluted earnings per share** | **170.8p** | 145.3p | – | 145.3p |

Profit and adjusted profit for the financial year attributable to the Company's equity holders:

| | 2018 | 2017 | | |
|---|---|---|---|---|
| | Total £m | Continuing £m | Discontinued £m | Total £m |
| Profit/(loss) for the financial year attributable to the Company's equity holders | **480** | 530 | (25) | 505 |
| **Adjustments:** | | | | |
| **Non-underlying items:** | | | | |
| Amortisation and impairment of intangible assets | **159** | 153 | – | 153 |
| Transaction costs | **9** | 25 | – | 25 |
| Restructuring costs | **–** | 7 | – | 7 |
| Integration costs | **12** | 8 | – | 8 |
| Profit on disposal of businesses | **–** | (7) | 23 | 16 |
| **Other adjusting items:** | | | | |
| Tax effect of amortisation of purchased intangible assets and non-underlying items | **(55)** | (190) | 2 | (188) |
| Amortisation of purchased intangible assets, non-underlying items and taxation attributable to non-controlling interests | **(2)** | (13) | – | (13) |
| **Adjusted profit for the financial year attributable to the Company's equity holders** | **603** | 513 | – | 513 |
| **Weighted average number of shares – million** | **347** | | | 345 |
| Effect of dilutive share options and awards – million | **6** | | | 8 |
| **Diluted weighted average number of shares – million** | **353** | | | 353 |

The weighted average number of shares excludes those held in the Employee Benefit Trust and treasury shares held by the Group.

## 13. Dividends

| | 2018 £m | 2017 £m |
|---|---|---|
| Final dividend for 31 December 2016 paid 31 May 2017: 31.2p per Ordinary share | – | 109 |
| Interim dividend for 31 December 2017 paid 19 September 2017: 14.4p per Ordinary share | – | 50 |
| Final dividend for 31 December 2017 paid 30 May 2018: 37.2p per Ordinary share | **129** | – |
| Interim dividend for 31 December 2018 paid 18 September 2018: 17.2p per Ordinary share | **60** | – |
| | **189** | 159 |

Dividends are only paid out of available distributable reserves.

The Board has proposed a final dividend in respect of the year ended 31 December 2018 of 43.2p per share, which is estimated to amount to £150 million, to be paid in May 2019. This is not reflected in the financial statements.

## 14. Property, plant and equipment

| | Land & Buildings | | Fixed plant, other plant and equipment | |
|---|---|---|---|---|
| **Cost:** | Freehold £m | Leasehold £m | £m | Total £m |
| 31 December 2016 | 51 | 50 | 172 | 273 |
| Additions | – | – | 47 | 47 |
| Acquisition of subsidiaries | – | – | 2 | 2 |
| Disposals | (1) | – | – | (1) |
| Disposal of business | – | – | (3) | (3) |
| Reclassification to assets held for sale | – | – | (1) | (1) |
| Transfers | 2 | 2 | (3) | 1 |
| Foreign exchange | (1) | – | 2 | 1 |
| 31 December 2017 | 51 | 52 | 216 | 319 |
| Additions | **5** | **8** | **44** | **57** |
| Disposals | **–** | **(5)** | **(4)** | **(9)** |
| Write-off | **–** | **–** | **(2)** | **(2)** |
| Transfers | **–** | **–** | **(3)** | **(3)** |
| Foreign exchange | **(1)** | **–** | **–** | **(1)** |
| **31 December 2018** | **55** | **55** | **251** | **361** |
| | | | | |
| **Accumulated depreciation and impairment:** | | | | |
| 31 December 2016 | 28 | 34 | 103 | 165 |
| Charge for the year | – | 3 | 23 | 26 |
| Impairment | 1 | – | – | 1 |
| Disposal of business | – | – | (2) | (2) |
| 31 December 2017 | 29 | 37 | 124 | 190 |
| Disposals | **–** | **(5)** | **(4)** | **(9)** |
| Charge for the year | **–** | **4** | **27** | **31** |
| **31 December 2018** | **29** | **36** | **147** | **212** |
| | | | | |
| **Net book values:** | | | | |
| **31 December 2018** | **26** | **19** | **104** | **149** |
| 31 December 2017 | 22 | 15 | 92 | 129 |

As at 31 December 2018, the Group held no items of equipment under finance leases (2017: nil).

Transfers relate to reclassification of property, plant and equipment to other asset classes and reallocations of work in progress assets between property, plant and equipment types.

During the year the Group incurred a £2 million (2017: nil) asset write-off expense presented as a non-underling item in the Group's consolidated income statement in relation to IT hardware work in progress which is no longer required for development as a result of the integration of Yield Book into the Group.

The Company has no property, plant and equipment (2017: nil).

# Notes to the financial statements (continued)

**15. Intangible assets**

| | | Purchased intangible assets | | | | |
|---|---|---|---|---|---|---|
| **Cost:** | Goodwill £m | Customer relationships £m | Brands £m | Software, licences and intellectual property £m | Software and other £m | Total £m |
| 31 December 2016 | 2,097 | 1,732 | 971 | 434 | 502 | 5,736 |
| Acquisition of subsidiaries (revised) | 288 | 151 | 57 | 168 | 11 | 675 |
| Additions | – | – | – | – | 143 | 143 |
| Disposal of business | (1) | – | – | – | (8) | (9) |
| Disposals | – | (15) | (3) | (12) | (9) | (39) |
| Reclassification to assets held for sale | (3) | – | – | – | – | (3) |
| Transfer of asset | – | – | – | – | (1) | (1) |
| Foreign exchange | (4) | (20) | (65) | (6) | 14 | (81) |
| 31 December 2017 (revised) | 2,377 | 1,848 | 960 | 584 | 652 | 6,421 |
| Impact of adopting new accounting standard (Note 2) | – | – | – | – | 26 | 26 |
| 1 January 2018 (restated) | 2,377 | 1,848 | 960 | 584 | 678 | 6,447 |
| Additions | **–** | **–** | **–** | **–** | **187** | **187** |
| Disposals | **–** | **(6)** | **–** | **(14)** | **(4)** | **(24)** |
| Transfer of asset | **–** | **–** | **–** | **–** | **3** | **3** |
| Write-off | **–** | **–** | **–** | **–** | **(5)** | **(5)** |
| Foreign exchange | **70** | **50** | **45** | **12** | **13** | **190** |
| **31 December 2018** | **2,447** | **1,892** | **1,005** | **582** | **872** | **6,798** |
| | | | | | | |
| **Accumulated amortisation and impairment:** | | | | | | |
| 31 December 2016 | 500 | 482 | 122 | 277 | 231 | 1,612 |
| Amortisation charge for the year | – | 90 | 38 | 25 | 76 | 229 |
| Disposal of business | – | – | – | – | (6) | (6) |
| Disposals | – | (15) | (3) | (12) | (9) | (39) |
| Foreign exchange | 21 | 9 | (6) | 1 | 11 | 36 |
| 31 December 2017 (as previously presented) | 521 | 566 | 151 | 291 | 303 | 1,832 |
| Impact of adopting new accounting standard (Note 2) | – | – | – | – | 14 | 14 |
| 1 January 2018 (restated) | 521 | 566 | 151 | 291 | 317 | 1,846 |
| Amortisation charge for the year | **–** | **91** | **39** | **24** | **102** | **256** |
| Impairment | **–** | **–** | **–** | **–** | **1** | **1** |
| Disposals | **–** | **(6)** | **–** | **(14)** | **(4)** | **(24)** |
| Write-off | **–** | **–** | **–** | **–** | **(1)** | **(1)** |
| Foreign exchange | **7** | **11** | **7** | **3** | **5** | **33** |
| **31 December 2018** | **528** | **662** | **197** | **304** | **420** | **2,111** |
| **Net book values:** | | | | | | |
| **31 December 2018** | **1,919** | **1,230** | **808** | **278** | **452** | **4,687** |
| 31 December 2017 (revised) | 1,856 | 1,282 | 809 | 293 | 349 | 4,589 |

## Goodwill

During the current year, the Group completed the exercise of attributing fair value adjustments to the assets and liabilities acquired in the Yield Book business combination. As a result, final fair value adjustments have been made to the previously presented provisional fair values for Yield Book at 31 December 2017 arising from a reduction in the value of purchase consideration of £1 million and an increase in other receivables of £1 million. The impact of these final fair value adjustments resulted in a decrease in goodwill of £1m to amounts previously disclosed in our 31 December 2017 Annual Report, reducing the total goodwill on acquisition of the Yield Book business from £215 million to £214 million. The impact of these final fair value adjustments have been incorporated with effect from the acquisition date of the Yield Book business and the comparative 31 December 2017 balance sheet and related notes have been revised. Further details are provided in Note 33. The revised total goodwill arising on acquisition of the Mergent and Yield Book businesses is £289 million.

In the prior year, the Group disposed of the Millennium Enterprise Systems Integration business, which resulted in a reduction of £1 million in goodwill.

In the prior year, the Group classified Exactpro as a disposal group held for sale which resulted in £3 million of goodwill being reclassified as an asset held for sale. Further details are provided in Note 11.

The goodwill arising on consolidation represents the growth potential and assembled workforces of the Italian Group, LCH Group, FTSE Group, MillenniumIT, the US Information Services Group and Turquoise. The Company has no intangible assets (2017: none).

### Purchased intangible assets

The fair values of the purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The Group's purchased intangible assets include:

**Customer relationships**
These assets have been recognised on acquisition of major subsidiary companies by the Group. The amortisation period remaining on these assets are between 8 to 24 years.

**Brands**
Brands have been recognised in a number of major acquisitions, including FTSE, LCH, Russell and Yield Book. Included within brands are trade names relating to the acquisition of Frank Russell Group of £583 million (2017: £574 million). The remaining amortisation period on these assets are between 4 to 24 years.

**Software, licences and intellectual property**
These assets have been recognised on acquisition of subsidiary companies and have a remaining amortisation period of 3 to 19 years.

There are no other individual purchased intangible assets with a carrying value that is considered material to each asset class.

### Software and other

As a part of the business operating model the Group develops technology solutions where software products are developed internally, for use within the Group or to sell externally. The cost of self-developed software products in the year includes £133 million (2017: £94 million) representing assets not yet brought into use. No amortisation has been charged on these assets and instead they are tested for impairment annually.

During the year, additions relating to internally generated software amounted to £175 million (2017: £143 million).

Following a review of software assets, the Group has recognised net write-offs of £4 million in relation to assets not yet brought into use and £1 million impairment. The £5 million income statement charge comprises £3 million non-underlying asset write-off expense, £1 million underlying write-off expense and £1 million underlying impairment charge (2017: nil).

Other amounts represent the internally built and developed trading systems within the various business lines, licences and capitalised contract costs. In general these assets have a useful economic life of up to 5 years.

The carrying value of licences held under finance leases at 31 December 2018 was £6 million (2017: £7 million).

During the year, the Group capitalised £10 million of incremental contract costs in respect of revenue generating contracts with customers and recognised a £6 million amortisation charge relating to contract cost assets. No impairment was recognised in the year in relation to contract cost assets.

Transfers in the year relate to £3 million reclassification of property, plant and equipment to software intangible assets.

### Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to 10 cash generating units (CGUs).

The recoverable amounts of these CGUs have been determined based on value in use calculations using discounted cash flow forecasts based on business plans prepared by management for a 3-year period ending 31 December 2021, and then projected for a further 2 years to 31 December 2023. Cash flows beyond this period are extrapolated using the estimated long-term growth rates and applying the pre-tax discount rates referred to below.

The amount of the net book value of goodwill allocated to each CGU is set out below.

| | Net book value of goodwill | | | | Pre-tax discount rate used in value in use calculations | |
|---|---|---|---|---|---|---|
| | 31 December 2017 £m | Reallocation £m | Foreign exchange £m | 31 December 2018 £m | 2018 | 2017 |
| **Italian Group:** | | | | | | |
| Capital Markets | 257 | **142** | **6** | **405** | **12.3%** | 12.6% |
| Information Services | 142 | **(142)** | **–** | **–** | **–** | 12.7% |
| Technology Services | 23 | **–** | **1** | **24** | **10.5%** | 11.4% |
| Post Trade Services | 437 | **–** | **6** | **443** | **13.2%** | 13.4% |
| **MillenniumIT** | 1 | **–** | **–** | **1** | **20.0%** | 20.7% |
| **Turquoise** | 9 | **–** | **–** | **9** | **9.7%** | 9.7% |
| **FTSE Group** | 191 | **–** | **–** | **191** | **9.6%** | 10.1% |
| **LCH Group** | 126 | **–** | **2** | **128** | **10.4%** | 10.4% |
| **US Information Services Group:** | | | | | | |
| Frank Russell Group | 399 | **–** | **30** | **429** | **10.5%** | 11.9% |
| Yield Book (revised) | 204 | **–** | **13** | **217** | **10.5%** | 9.5% |
| Mergent | 67 | **–** | **5** | **72** | **10.0%** | 14.0% |
| | **1,856** | **–** | **63** | **1,919** | | |

During the year the Group reassessed the Italian Group's cash generating units and concluded that the previously reported Information Services Italian CGU was no longer operating on a standalone basis and generating independent cash inflows. This resulted in the transfer of £142 million into the Italian Capital Markets CGU.

Management has based its value in use calculations for each CGU on key assumptions about short and medium term revenue and cost growth, long-term economic growth rates (used to determine terminal values) and pre-tax discount rates.

The values assigned to short and medium term revenue and cost growth assumptions are based on the business plans prepared by management for a 3-year period ending 31 December 2021. The assumptions are derived from an assessment of current trends, anticipated market and regulatory developments, discussions with customers and suppliers, and management's experience. These factors are considered in conjunction with the Group's long-term strategic objectives to determine appropriate short and medium growth assumptions.

Long-term growth rates assumed to be 1.9% for each of the Italian CGUs (2017: 1.6%), 9.0% for MillenniumIT (2017: 9.4%), 3.9% for each of the US Information Services CGUs (2017: 3.8%) and 3.5% for the other CGUs (2017: 3.7%) represent management's internal forecasts based on external estimates of GDP and inflation analysis for the 10-year period 1 January 2014 to 31 December 2023, and do not exceed the long-term average growth rates for the countries in which the CGUs operate.

Pre-tax discount rates are based on a number of factors including the risk-free rates in Italy, France, Sri Lanka, USA and the UK as appropriate, the Group's estimated market risk premium and a premium to reflect the inherent risks of each of the CGUs.

Based on the results of the impairment tests performed, management believes there is no impairment of the carrying value of the goodwill in any CGU.

Value in use calculations for each CGU are sensitive to changes in short and medium term revenue and cost growth assumptions, long-term growth rates and pre-tax discount rates.

Management believes goodwill allocated to each CGU is unlikely to be materially impaired under reasonable changes to key assumptions. The excess of value in use over carrying value is determined by reference to the net book value as at 31 December 2018. Revenue and cost sensitivities assume a 5% change in revenues or costs for each of the 5 years in the value in use calculations.

### 16. Investment in associates

| | Group £m | Company £m |
|---|---|---|
| 31 December 2016 | 3 | 8 |
| Acquisitions and investments | 11 | 9 |
| Share of loss after tax | (9) | – |
| Impairment | – | (14) |
| 31 December 2017 | 5 | 3 |
| Acquisitions and investments | **28** | **12** |
| Share of loss after tax | **(8)** | **–** |
| Impairment | **–** | **(8)** |
| **31 December 2018** | **25** | **7** |

During 2018, the Group acquired a 15.9% equity interest in AcadiaSoft, Inc., a provider of margin automation solutions, for US$22 million (£16 million) cash consideration. The Group also made additional investments in Curve Global for £12 million cash consideration, which maintained the Group's equity interest at 43.38%.

During the prior year, the Group increased its equity interest in Curve Global to 43.38% through a non-cash contribution of £9 million and acquired a 27.35% equity interest in The Hub Exchange Limited, a provider of enterprise-grade platforms for investment networks, for £2 million cash consideration.

### 17. Investment in subsidiary companies

| **Company** | Shares £m | Other £m | Total £m |
|---|---|---|---|
| 31 December 2016 | 4,362 | 1,003 | 5,365 |
| Investment in LSE Group Holdings (Italy) Limited | 94 | – | 94 |
| Investment in LSEG US Holdco Inc | 297 | – | 297 |
| Investment in LSEGH (Luxembourg) Ltd | 328 | – | 328 |
| Other movements | – | 14 | 14 |
| **31 December 2017** | 5,081 | 1,017 | 6,098 |
| Investment in London Stock Exchange (C) Limited | **382** | **–** | **382** |
| Investment in London Stock Exchange Reg Holdings Limited | **10** | **–** | **10** |
| Investment in LSEGH US PT, Inc. | **16** | **–** | **16** |
| **31 December 2018** | **5,489** | **1,017** | **6,506** |

Other includes amounts invested in subsidiary companies by way of capital contributions and awards granted under the Group's share schemes.

| **Principal subsidiaries:** | **Principal activity** | Country of incorporation | Country of principal operations | % equity and votes held |
|---|---|---|---|---|
| **Held directly by the Company:** | | | | |
| London Stock Exchange plc | Recognised investment exchange | England and Wales | England and Wales | 100 |
| **Held indirectly by the Company:** | | | | |
| Banque Centrale De Compensation (LCH SA) | CCP clearing services | France | France | 73.45 |
| Borsa Italiana S.p.A. | Recognised investment exchange | Italy | Italy | 99.99 |
| Cassa di Compensazione e Garanzia S.p.A. | CCP clearing services | Italy | Italy | 99.99 |
| Elite S.p.A. | Business support programme | Italy | Italy | 74.99 |
| Frank Russell Company | Market indices provider | USA | USA | 100 |
| FTSE International Ltd | Market indices provider | England and Wales | England and Wales | 100 |
| LCH Limited | CCP clearing services | England and Wales | England and Wales | 82.61 |
| Mergent, Inc. | Business and financial information provider | USA | USA | 100 |
| Monte Titoli S.p.A. | Pre-settlement, settlement and centralised custody | Italy | Italy | 98.87 |
| Millennium IT Software (Private) Limited | IT solutions provider | Sri Lanka | Sri Lanka | 100 |
| MTS S.p.A. | Wholesale fixed income bonds | Italy | Italy | 62.53 |
| The Yield Book, Inc. | Fixed income indices and analytics | USA | USA | 100 |
| Turquoise Global Holdings Ltd | Multilateral trading facility | England and Wales | England and Wales | 51.36 |

Under Regulation 7 of The Partnerships (Accounts) Regulations 2008, the Group elected not to prepare partnership accounts for its indirect partnership interest in London Stock Exchange Connectivity Solutions LP, as its results are contained in the consolidated group accounts.

A full list of subsidiaries is provided in Note 38.

# Notes to the financial statements (continued)

**Material non-controlling interests**

The LCH Group is the only subsidiary that has material non-controlling interests within the Group.

On 23 February 2018 the Group acquired an additional 2.04% interest of LCH Group Holdings Limited from non-controlling interests for cash consideration of €35 million (£31 million). This increased the Group's holding to 67.97%. On 17 December 2018, the Group acquired a further 14.64% for cash consideration of €425 million (£382 million), increasing the Group's holding in LCH Group Holdings Limited to 82.61%. Both amounts have been recognised as movements within non-controlling interests in the statement of changes in equity.

| Summarised financial information for material non-controlling interests | 2018 £m | 2017 £m |
|---|---|---|
| Profit for the year attributable to non-controlling interests | **63** | 49 |
| Total comprehensive income attributable to non-controlling interests | **65** | 77 |
| Dividend paid to non-controlling interests in the year | **(37)** | (11) |

| Summarised balance sheet | 2018 £m | 2017 £m |
|---|---|---|
| Non-current assets | **548** | 542 |
| Current assets | **684,787** | 621,814 |
| Current liabilities | **(684,071)** | (621,125) |
| Non-current liabilities | **(41)** | (89) |
| **Total equity** | **1,223** | 1,142 |
| | | |
| **Attributable to:** | | |
| Equity holders of the company | **967** | 721 |
| Non-controlling interests | **256** | 421 |
| | **1,223** | 1,142 |

The balances above include goodwill, purchased intangible assets and associated amortisation, impairments and deferred tax attributable to non-controlling interests.

| | 2018 | 2017 |
|---|---|---|
| **Net (decrease)/increase in cash and cash equivalents** | **(87)** | 62 |

The summarised total comprehensive income of the LCH Group is provided below. This information is based on amounts excluding goodwill, purchased intangible assets and associated amortisation and impairments attributable to non-controlling interests.

| Summarised statement of total comprehensive income | 2018 £m | 2017 £m |
|---|---|---|
| **Total income** | **662** | 561 |
| | | |
| Profit for the year | **188** | 139 |
| Other comprehensive (loss)/income excluding exchange on translation of foreign operations | **(15)** | 38 |
| Total comprehensive income excluding exchange translation of foreign operations | **173** | 177 |
| Gains on translation of foreign operations | **16** | 35 |
| **Total comprehensive income** | **189** | 212 |
| | | |
| **Attributable to:** | | |
| Equity holders of the company | **124** | 127 |
| Non-controlling interests | **65** | 85 |
| | **189** | 212 |

**Subsidiaries exempt from audit**

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2018.

| Company Name | Registration number |
|---|---|
| London Stock Exchange Group Holdings Limited | 6795362 |
| London Stock Exchange Reg Holdings Limited | 7378551 |
| London Stock Exchange (C) Limited | 7943990 |
| London Stock Exchange Group (Services) Limited | 9313935 |
| LSEG (M) Financing Limited | 10532155 |
| FTSE (Australia) Limited | 6182374 |
| FTSE International (France) Limited | 3793705 |
| FTSE International (Italy) Limited | 6858736 |
| FTSE (Japan) Limited | 4511214 |
| LSEG Employment Services Limited | 9100833 |
| SSC Global Business Services Limited | 7584392 |
| LSEG Technology Limited | 7484865 |
| Gatelab Limited | 6606847 |

## 18. Deferred tax

The movements in deferred tax assets and liabilities during the year are shown below.

| Group | Accelerated tax depreciation £m | Acquisition deferred tax and amortisation £m | Provisions and other temporary differences £m | Total £m |
|---|---|---|---|---|
| 31 December 2016 | 8 | (671) | 26 | (637) |
| Transfer between categories | (4) | – | 4 | – |
| Deferred tax recognised on acquisition of businesses | (1) | (23) | 4 | (20) |
| Tax credited/(charged) to the income statement | 3 | 184 | (4) | 183 |
| Tax (charged)/credited to other comprehensive income: | | | | |
| – defined benefit scheme remeasurement gain | – | – | (25) | (25) |
| – investments in equity instruments under IAS 39 | – | – | 2 | 2 |
| – foreign exchange | 1 | 26 | – | 27 |
| Allowance on share options/awards – to equity | – | – | 4 | 4 |
| Disposal of business | 2 | – | – | 2 |
| 31 December 2017 | 9 | (484) | 11 | (464) |
| Impact of adopting new accounting standards (Note 2) | – | – | 23 | 23 |
| 1 January 2018 (restated) | **9** | **(484)** | **34** | **(441)** |
| Tax credited/(charged) to the income statement | **(2)** | **33** | **(15)** | **16** |
| Tax (charged)/credited to other comprehensive income: | | | | |
| – defined benefit scheme remeasurement gain | **–** | **–** | **5** | **5** |
| – movements in debt instruments at fair value through other comprehensive income | **–** | **–** | **4** | **4** |
| – foreign exchange | **–** | **(19)** | **–** | **(19)** |
| Allowance on share options/awards – to equity | **–** | **–** | **2** | **2** |
| **31 December 2018** | **7** | **(470)** | **30** | **(433)** |
| | | | | |
| **Assets at 31 December 2018** | **7** | **–** | **35** | **42** |
| **Liabilities at 31 December 2018** | **–** | **(470)** | **(5)** | **(475)** |
| **Net assets/(liabilities) at 31 December 2018** | **7** | **(470)** | **30** | **(433)** |
| | | | | |
| Assets at 31 December 2017 | 9 | – | 29 | 38 |
| Liabilities at 31 December 2017 | – | (484) | (18) | (502) |
| Net assets/(liabilities) at 31 December 2017 | 9 | (484) | 11 | (464) |

The deferred tax assets are recoverable against future taxable profits and are due after more than 1 year.

The net deferred tax asset of £30 million (2017: £11 million) in respect of provisions and other temporary differences relates to assets on share-based payments of £15 million (2017: £14 million), retirement benefits liabilities of £10 million (2017: £15 million), interest payable of £15 million (2017: nil), assets on trading losses of £8 million (2017: £5 million), withholding tax liabilities on distributable reserves of subsidiary companies of £4 million (2017: £5 million) and assets on other provisions and temporary differences of £6 million (2017: £12 million).

The purchased intangible assets of the acquired subsidiaries create a deferred tax liability due to the difference between their accounting and tax treatment. This liability is amortised at the same rate as the purchased intangible assets.

The Group has unrecognised deferred tax assets in respect of losses of £17 million (2017: £18 million) within certain Group subsidiaries. The assets would be recognised in the future only if suitable taxable income were to arise within the Group.

There was no deferred tax in the Company (2017: nil).

### 19. Retirement benefit obligations

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes are held separately from those of the Group.

In the UK, the defined benefit scheme is administered by trustees with the assets primarily being managed by Legal & General Investment Management Limited, PIMCO Europe Limited, Ruffer LLP, Schroder Investment Management Limited, and a 'buy-in' insurance asset with Pension Insurance Corporation.

On 5 September 2016, the London Stock Exchange Retirement Plan (LSERP) and the LCH Pension Scheme in the UK (LCH UK) underwent a sectionalised merger into a new London Stock Exchange Group Pension Scheme (LSEGPS). The scheme maintains separate LCH and LSE Sections.

The assets of the LSEGPS are held by the trustees who are responsible for the scheme's governance. The schemes are invested in a wide range of assets in the UK and overseas, which seek to balance risk and investment return, through investment managers appointed by the scheme's trustees. The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The 'Other plans' relate to the severance and leaving indemnity scheme Trattamento di Fine Rapporto (TFR) operated by the Italian Group in accordance with Italian law, the employee benefit and retirement plan operated by MillenniumIT and other pension commitments of the LCH Group outside of the UK.

The only schemes operated by FTSE International and US entities are defined contribution schemes recorded in Other plans.

All schemes are governed by the local regulatory framework and employment laws in the country in which they operate.

The Company has no retirement benefit obligations.

#### Defined benefit schemes

**United Kingdom**

The LSE section of LSEGPS was a non-contributory defined benefit scheme that closed to new members in 1999. With effect from 31 March 2012, the LSERP also closed to accrual of future benefits for active members and it has been agreed that the benefits already accrued for affected members will remain linked to their salary with the Group.

The LCH section of LSEGPS was closed to new members from 30 September 2009. It was closed to further employee contributions and accrual of future benefits from 31 March 2013 with the defined contribution section remaining open until April 2017, when the Legal & General mastertrust was provided to all UK employees.

Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

**Overseas**

LCH Group also operates retirement indemnity and long-service award schemes in Paris, for which the scheme obligations are calculated by an independent qualified actuary. They also operate an independent defined benefit scheme in Porto, assumed in 2006. Updated valuations of these funds are carried out by an independent qualified actuary.

The TFR operated by the Italian Group is classified as an unfunded defined benefit scheme for funds accumulated prior to 1 July 2007. The service cost, representing deferred salaries accruing to employees, was included as an operating expense and was determined by law at 6.91% of salary payments subject to certain adjustments. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75% of 'national life price index +1.5%' by an independent qualified actuary. Since 1 July 2007, the Group retains no obligation, as contributions are made directly into Italian state funds in the manner of a defined contribution scheme.

The employee benefit and retirement plan operated by MillenniumIT is classified as an unfunded defined benefit plan. The net obligation in respect of this plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Once an employee is continuously employed for more than 5 years, he or she is entitled to a payment equivalent to half a month's gross salary multiplied by the number of years in service at MillenniumIT.

The principal risks to which the defined benefit schemes expose the Group arises from an increase in pension liability.

The pension liabilities could increase in the following circumstances:

– if increases in the plan liabilities are not accompanied by corresponding increases in the plan assets;

– if investment returns are lower than assumed in assessing the adequacy of plans;

– if inflation is higher than expected, increasing liabilities through indexing of pension payments; and

– the risk that members live longer than expected, increasing the length of time for which pensions have to be paid, potentially due to a medical breakthrough.

Such an increase in pension liabilities could lead to an increase in pension deficit. Defined benefit schemes are normally revalued by actuaries every 3 years. Where any material funding gap is identified by this process, the Trustees will agree a schedule of contributions with the sponsor company. Such contributions would result in financial impact to the Group.

In addition, with regard to the LSE Section of LSEGPS, the Group is exposed to the credit of the buy-in insurance provider. A failure of the buy-in insurance provider would reduce the pension assets and could thus also lead to a pension deficit or an increase in pension deficit and the need for contributions from the Group.

### Defined contribution schemes

In the UK, the only pension scheme open to employees is a defined contribution scheme, provided by Legal & General. Following a pension consultation, from April 2017, all UK employees are eligible to participate in the same pension scheme. A core contribution of 8% of basic salary is paid by the Group, who will also match employee contributions up to 4% of basic salary.

**Amounts recognised in the income statement from continuing operations are as follows:**

| | Notes | 2018 LSERP £m | 2018 LCH UK £m | 2018 Other plans £m | 2018 Total £m | 2017 LSERP £m | 2017 LCH UK £m | 2017 Other plans £m | 2017 Total £m |
|---|---|---|---|---|---|---|---|---|---|
| Defined contribution schemes | | **(4)** | **(4)** | **(10)** | **(18)** | (5) | (4) | (9) | (18) |
| Defined benefit scheme – current/past service cost and expenses | | **(1)** | **–** | **(6)** | **(7)** | (1) | (1) | (7) | (9) |
| Total pension charge included in employee costs | 7 | **(5)** | **(4)** | **(16)** | **(25)** | (6) | (5) | (16) | (27) |
| Net finance (expense)/income | 9 | **(1)** | **1** | **–** | **–** | (2) | – | – | (2) |
| **Total recognised in the income statement** | | **(6)** | **(3)** | **(16)** | **(25)** | (8) | (5) | (16) | (29) |

**Defined benefit assets/(obligations) for pension schemes**

| | 2018 LSERP £m | 2018 LCH UK £m | 2018 Other plans £m | 2018 Total £m | 2017 LSERP £m | 2017 LCH UK £m | 2017 Other plans £m | 2017 Total £m |
|---|---|---|---|---|---|---|---|---|
| Fair value of assets: | | | | | | | | |
| Equities | | | | | | | | |
| – Quoted | **–** | **62** | **–** | **62** | – | 66 | – | 66 |
| – Not quoted | **–** | **42** | **–** | **42** | – | 48 | – | 48 |
| Bonds | | | | | | | | |
| – Quoted | **14** | **17** | **1** | **32** | 15 | 17 | 1 | 33 |
| – Not quoted | **140** | **121** | **–** | **261** | 148 | 131 | – | 279 |
| Property | **6** | **–** | **–** | **6** | 5 | – | – | 5 |
| Cash | **15** | **2** | **–** | **17** | 4 | 2 | – | 6 |
| Pensioner buy-in policy | **180** | **–** | **–** | **180** | 184 | – | – | 184 |
| **Total fair value of assets** | **355** | **244** | **1** | **600** | 356 | 264 | 1 | 621 |
| **Present value of funded obligations** | **(361)** | **(198)** | **(17)** | **(576)** | (376) | (208) | (17) | (601) |
| **(Deficit)/surplus** | **(6)** | **46** | **(16)** | **24** | (20) | 56 | (16) | 20 |

As at 31 December 2018, the Group has recognised a net defined benefit asset of £46 million (2017: £56 million asset) in relation to the LCH UK scheme on the basis that the Group has access to the surplus in the event of wind-up of the scheme and therefore no asset ceiling has been applied to the net surplus recognised. Further, no minimum funding commitments are associated with the plan.

**UK pension plan actuarial assumptions are set out below:**

| | 2018 LSERP | 2018 LCH UK | 2017 LSERP | 2017 LCH UK |
|---|---|---|---|---|
| Inflation rate – RPI | **3.2%** | **3.2%** | 3.1% | 3.2% |
| Inflation rate – CPI | **2.0%** | **2.0%** | 1.9% | 2.0% |
| Rate of increase in salaries | **3.2%** | **n/a** | 3.1% | n/a |
| Rate of increase in pensions in payment | **3.6%** | **2.2%** | 3.6% | 2.2% |
| Discount rate: | | | | |
| – Non-insured | **3.0%** | **3.0%** | 2.7% | 2.8% |
| – Insured | **2.7%** | **n/a** | 2.7% | n/a |
| Life expectancy from age 60 (years) | | | | |
| – Non-retired male member | **28.1** | **28.1** | 28.3 | 28.2 |
| – Non-retired female member | **30.6** | **30.5** | 30.6 | 30.5 |
| – Retired male member | **27.2** | **27.5** | 27.3 | 27.6 |
| – Retired female member | **29.4** | **29.2** | 29.4 | 29.3 |

The mortality assumptions are based on S2PA tables published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. We have used an allowance for CMI 2017 projections and applied a 1.25% for the male and female long-term trend rate in respect of future mortality improvements.

### Sensitivities

The sensitivities regarding the principal assumptions used to measure the LSERP and LCH UK scheme obligations are:

| Assumption | Change in assumption | 2018 Impact on scheme obligations LSERP | 2018 Impact on scheme obligations LCH UK | 2017 Impact on scheme obligations LSERP | 2017 Impact on scheme obligations LCH UK |
|---|---|---|---|---|---|
| Inflation rate (CPI) and salary increase | Increase by 0.5% | **Increase by £3m** | **Increase by £6m** | Increase by £7m | Increase by £6m |
| Rate of increase in pensions payment | Increase by 0.5% | **Increase by £21m** | **Increase by £11m** | Increase by £24m | Increase by £13m |
| Discount rate | Increase by 0.5% | **Reduce by £24m** | **Reduce by £19m** | Reduce by £29m | Reduce by £22m |
| Mortality rate | Increase by 1 year | **Increase by £14m** | **Increase by £6m** | Increase by £14m | Increase by £6m |

# Notes to the financial statements (continued)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The impact of the salary increase assumption as a standalone sensitivity has an immaterial impact on the scheme obligations.

**Changes in the present value of the defined benefit obligations during the year**

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | LSERP £m | LCH UK £m | Other plans £m | Total £m | LSERP £m | LCH UK £m | Other plans £m | Total £m |
| **Benefit obligation as at beginning of year** | **376** | **208** | **17** | **601** | 410 | 253 | 16 | 679 |
| Pension expense: | | | | | | | | |
| Past/current service cost | **1** | **–** | **6** | **7** | – | – | 7 | 7 |
| Interest cost | **10** | **6** | **–** | **16** | 11 | 7 | – | 18 |
| **Subtotal included in the income statement** | **11** | **6** | **6** | **23** | 11 | 7 | 7 | 25 |
| Remeasurement (gains)/losses: | | | | | | | | |
| Actuarial gains – financial assumptions | **(10)** | **(8)** | **(1)** | **(19)** | (9) | (11) | (1) | (21) |
| Actuarial gains – demographic assumptions | **(3)** | **–** | **–** | **(3)** | (13) | (11) | – | (24) |
| Actuarial losses/(gains) – experience | **3** | **1** | **–** | **4** | (6) | (22) | – | (28) |
| **Subtotal included in total comprehensive income** | **(10)** | **(7)** | **(1)** | **(18)** | (28) | (44) | (1) | (73) |
| Benefits paid | **(16)** | **(9)** | **(5)** | **(30)** | (17) | (7) | (5) | (29) |
| Foreign exchange | **–** | **–** | **–** | **–** | – | (1) | – | (1) |
| **Benefit obligation as at end of year** | **361** | **198** | **17** | **576** | 376 | 208 | 17 | 601 |

**Movement in fair value of scheme assets during the year**

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | LSERP £m | LCH UK £m | Other plans £m | Total £m | LSERP £m | LCH UK £m | Other plans £m | Total £m |
| **Fair value of scheme assets as at beginning of year** | **356** | **264** | **1** | **621** | 350 | 255 | 1 | 606 |
| Pension income: | | | | | | | | |
| Interest income | **9** | **7** | **–** | **16** | 9 | 7 | – | 16 |
| **Subtotal included in the income statement** | **9** | **7** | **–** | **16** | 9 | 7 | – | 16 |
| Remeasurement (loss)/gains: | | | | | | | | |
| (Loss)/return on plan assets, excluding interest income | **(9)** | **(21)** | **–** | **(30)** | 11 | 9 | – | 20 |
| **Subtotal included in total comprehensive income** | **(9)** | **(21)** | **–** | **(30)** | 11 | 9 | – | 20 |
| Contributions by employer | **15** | **3** | **–** | **18** | 4 | – | – | 4 |
| Expenses | **–** | **–** | **–** | **–** | (1) | – | – | (1) |
| Benefits paid | **(16)** | **(9)** | **–** | **(25)** | (17) | (7) | – | (24) |
| **Fair value of scheme assets as at end of year** | **355** | **244** | **1** | **600** | 356 | 264 | 1 | 621 |

The actual loss on plan assets was £14 million (2017: gain £36 million).

### Defined benefit actuarial gains and losses recognised

The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income.

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | LSERP £m | LCH UK £m | Other plans £m | LSERP £m | LCH UK £m | Other plans £m |
| Recognised up to beginning year | **(29)** | **44** | **1** | (68) | (9) | – |
| Net actuarial gain/(loss) recognised in the year | **1** | **(14)** | **1** | 39 | 53 | 1 |
| Cumulative amount recognised at end of year | **(28)** | **30** | **2** | (29) | 44 | 1 |

The last actuarial valuations of the UK defined benefit scheme were carried out as at 31 December 2017 by an independent qualified actuary. According to the schedule of contributions of these valuations, LSE plc has funded its defined benefit scheme deficit £14 million in 2018 and is expected to pay £14 million per annum into the LSE Section in years 2019 to 2022, and LCH Limited is expected to pay £3 million per annum into the LCH Section in years 2019 to 2022.

The weighted average duration of the LSERP defined benefit obligation at the end of the reporting period is estimated to be 21 years and 11.5 years for non-insured and insured, respectively. The weighted average duration of the LCH UK defined benefit obligation at the end of the reporting period is estimated to be 24 years.

## 20. Financial assets and financial liabilities

### Financial instruments by category

The financial instruments of the Group and Company are categorised as follows:

| 31 December 2018 | Group | | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Financial assets at amortised cost £m | Financial assets at fair value through OCI £m | Financial assets at fair value through profit or loss £m | Total £m | Financial assets at amortised cost £m | Financial assets at fair value through profit or loss £m | Total £m |
| **Financial assets** | | | | | | | |
| **Clearing member financial assets:** | | | | | | | |
| – Clearing member trading assets | 138,153 | – | 604,303 | **742,456** | – | – | **–** |
| – Other receivables from clearing members | 2,261 | – | – | **2,261** | – | – | **–** |
| – Other financial assets | – | 19,694 | – | **19,694** | – | – | **–** |
| – Clearing member cash and cash equivalents | 70,927 | – | – | **70,927** | – | – | **–** |
| Clearing member business assets | 211,341 | 19,694 | 604,303 | **835,338** | – | – | **–** |
| Trade and other receivables | 621 | – | – | **621** | 622 | – | **622** |
| Cash and cash equivalents | 1,510 | – | – | **1,510** | 6 | – | **6** |
| Investments in financial assets | – | 84 | – | **84** | – | – | **–** |
| Contract assets | 144 | – | – | **144** | – | – | **–** |
| **Total** | **213,616** | **19,778** | **604,303** | **837,697** | **628** | **–** | **628** |

There were no transfers between categories during the year.

Prepayments within trade and other receivables are not classified as financial instruments.

| 31 December 2018 | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Financial liabilities at amortised cost £m | Financial liabilities at fair value through profit or loss £m | Total £m | Financial liabilities at amortised cost £m | Financial liabilities at fair value through profit or loss £m | Total £m |
| **Financial liabilities** | | | | | | |
| **Clearing member financial liabilities:** | | | | | | |
| – Clearing member trading liabilities | 138,153 | 604,303 | **742,456** | – | – | **–** |
| – Other payables to clearing members | 93,052 | – | **93,052** | – | – | **–** |
| Clearing member business liabilities | 231,205 | 604,303 | **835,508** | – | – | **–** |
| Trade and other payables | 510 | 10 | **520** | 402 | – | **402** |
| Borrowings | 2,203 | – | **2,203** | 2,186 | – | **2,186** |
| Derivative financial instruments | – | 47 | **47** | – | 47 | **47** |
| **Total** | **233,918** | **604,360** | **838,278** | **2,588** | **47** | **2,635** |

There were no transfers between categories during the year.

Social security and other tax liabilities within trade and other payables, and contract liabilities are not classified as financial instruments.

The financial instruments of the Group and Company at the previous year's balance sheet date were as follows:

| 31 December 2017 | Group | | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Financial assets at amortised cost £m | Financial assets at fair value through OCI £m | Financial assets at fair value through profit or loss £m | Total £m | Financial assets at amortised cost £m | Financial assets at fair value through profit or loss £m | Total £m |
| **Financial assets** | | | | | | | |
| **Clearing member financial assets:** | | | | | | | |
| – Clearing member trading assets | 98,076 | – | 549,874 | 647,950 | – | – | – |
| – Other receivables from clearing members | 3,303 | – | – | 3,303 | – | – | – |
| – Other financial assets | – | 18,436 | 3,665 | 22,101 | – | – | – |
| – Clearing member cash and cash equivalents | 61,443 | – | – | 61,443 | – | – | – |
| Clearing member business assets | 162,822 | 18,436 | 553,539 | 734,797 | – | – | – |
| Trade and other receivables (revised)[1] | 703 | – | – | 703 | 646 | – | 646 |
| Cash and cash equivalents | 1,381 | – | – | 1,381 | 4 | – | 4 |
| Investments in financial assets | – | 105 | – | 105 | – | – | – |
| Derivative financial instruments | – | – | 4 | 4 | – | 4 | 4 |
| **Total** | 164,906 | 18,541 | 553,543 | 736,990 | 650 | 4 | 654 |

1. The 31 December 2017 comparatives have been revised for IFRS 3 fair value adjustments on the acquisition of the Yield Book business

There were no transfers between categories during the prior year.

Prepayments within trade and other receivables are not classified as financial instruments.

| 31 December 2017 | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Financial liabilities at amortised cost £m | Financial liabilities at fair value through profit or loss £m | Total £m | Financial liabilities at amortised cost £m | Financial liabilities at fair value through profit or loss £m | Total £m |
| **Financial liabilities** | | | | | | |
| **Clearing member financial liabilities:** | | | | | | |
| – Clearing member trading liabilities | 98,076 | 549,874 | 647,950 | – | – | – |
| – Other payables to clearing members | 87,031 | – | 87,031 | – | – | – |
| Clearing member business liabilities | 185,107 | 549,874 | 734,981 | – | – | – |
| Trade and other payables | 502 | 18 | 520 | 275 | – | 275 |
| Borrowings | 1,953 | – | 1,953 | 1,921 | – | 1,921 |
| Derivative financial instruments | – | 29 | 29 | – | 29 | 29 |
| **Total** | 187,562 | 549,921 | 737,483 | 2,196 | 29 | 2,225 |

Deferred income, social security and other tax liabilities within trade and other payables are not classified as financial instruments.

Financial liabilities as at 31 December 2017 have been re-presented to exclude provisions, which are no longer classified as a financial liability.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2018:

| 31 December 2018 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total fair value £m |
| **Financial assets measured at fair value:** | | | | |
| **Clearing member trading assets:** | | | | |
| Derivative instruments | 4,958 | 8 | – | **4,966** |
| Non-derivative instruments | 5 | 599,332 | – | **599,337** |
| Other financial assets | 19,694 | – | – | **19,694** |
| **Fair value of clearing member business assets** | 24,657 | 599,340 | – | **623,997** |
| Investments in financial assets | 84 | – | – | **84** |

The Company had derivative assets of nil (2017: £4 million). All derivatives assets in the Company were cross-currency swaps and were classified as Level 2 in the fair value hierarchy.

| 31 December 2018 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total fair value £m |
| **Financial liabilities measured at fair value:** | | | | |
| **Clearing member trading liabilities:** | | | | |
| Derivative instruments | 4,958 | 8 | – | **4,966** |
| Non-derivative instruments | 5 | 599,332 | – | **599,337** |
| **Fair value of clearing member business liabilities** | 4,963 | 599,340 | – | **604,303** |
| Deferred consideration | – | – | 10 | **10** |
| **Derivatives used for hedging:** | | | | |
| – Cross-currency interest rate swaps | – | 47 | – | **47** |

The Company had derivative liabilities of £47 million (2017: £29 million). All derivative liabilities in the Company are the same as for the Group.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities as at 31 December 2017:

| 31 December 2017 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total fair value £m |
| **Financial assets measured at fair value:** | | | | |
| **Clearing member trading assets:** | | | | |
| Derivative instruments | 5,834 | 1,557 | – | 7,391 |
| Non-derivative instruments | 14 | 542,469 | | 542,483 |
| Other financial assets | 22,101 | – | – | 22,101 |
| **Fair value of clearing member business assets** | 27,949 | 544,026 | – | 571,975 |
| Investment in financial assets – debt | 105 | – | – | 105 |
| **Derivatives designated as hedges:** | | | | |
| – Cross-currency interest rate swaps | – | 4 | – | 4 |

| 31 December 2017 | Group | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) £m | Significant observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) £m | Total fair value £m |
| **Financial liabilities measured at fair value:** | | | | |
| **Clearing member trading liabilities:** | | | | |
| Derivative instruments | 5,834 | 1,557 | – | 7,391 |
| Non-derivative instruments | 14 | 542,469 | – | 542,483 |
| **Fair value of clearing member business liabilities** | 5,848 | 544,026 | – | 549,874 |
| Deferred consideration | – | – | 18 | 18 |
| **Derivatives used for hedging:** | | | | |
| – Cross-currency interest rate swaps | – | 29 | – | 29 |

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

– Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

– Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

– Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

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

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

When observable market data is not available, the Group uses one or more valuation techniques (e.g. the market approach or the income approach) for which sufficient and reliable data is available. These inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments.

The Group has classified deferred consideration in relation to put options over the non-controlling interests of subsidiaries as Level 3 in the hierarchy for determining the fair value, due to the significant inputs used in the valuation that are not based on observable data. The valuation of the deferred consideration is set out in the terms of the option agreement, where the cash flow forecasts of the underlying business over the deferred consideration payment period are discounted at the Group's pre-tax cost of debt. The key inputs into the valuation of the deferred consideration are cash flow forecasts over a 5-year period from the date of acquisition and the discount rate.

During the year, the Group made a fair value gain of £8 million on deferred consideration liabilities classified as Level 3 in the fair value hierarchy, as a result of the revaluation of the amounts due. For the remaining deferred consideration liabilities classified as Level 3 as at 31 December 2018, a 10% increase or decrease in the total cash flows or a 1% change in the discount rate applied would not have a material effect on the valuation of the amounts payable.

The Group does not consider there to be any alternative assumptions that will be used in the valuation of the liability.

With the exception of Group borrowings, management has assessed that the fair value of financial assets and financial liabilities categorised as 'Financial assets at amortised cost' and 'Financial liabilities at amortised cost' approximate their carrying values. The fair value of the Group's borrowings is disclosed in Note 27.

The Group's financial assets and liabilities held at fair value consist largely of securities restricted in use for the operations of the Group's CCPs as managers of their respective clearing and guarantee systems. The nature and composition of the clearing member assets and liabilities are explained in the accounting policies section in Note 1.

As at 31 December 2018, there were no provisions for impairment in relation to any of the clearing member's financial assets (2017: nil) and none of these assets were past due (2017: nil).

# Notes to the financial statements (continued)

### Hedging activities and derivatives

In September 2017, the Group issued €1 billion of bonds in two €500 million tranches maturing in 2024 and 2029. At the same time €700 million worth of these bonds was swapped on a coordinated basis into US$836 million through a series of 9 cross-currency interest rate swaps. These instruments effectively exchange some of the principal and coupon amounts of the 2024 and 2029 €500 million bonds from Euros into US Dollars in order to more closely match the Group's currency of borrowings to the currency of its net assets and earnings. These swaps have been designated as a hedge of the Group's net investment in its US Dollar reporting subsidiaries and qualify for effective hedge accounting. These swaps have been recognised at fair value as non-current financial liabilities of £17 million (2017: £4 million asset) at 31 December 2018. The remaining €300 million of bonds outstanding provide a hedge of the Group's net investments in Euro denominated subsidiaries and qualify for effective hedge accounting.

Current derivative financial liabilities of £30 million (2017: £29 million) represent the fair value of the cross-currency interest rate swaps comprising 6 contracts totalling €300 million notional (2017: €300 million). These instruments effectively exchange the obligations and coupons of the 2019 £250 million bond from Sterling into Euros in order to more closely match the currency of borrowings to the Group's currency of net assets and earnings. This also results in a reduction in balance sheet translation exposure on Euro denominated net assets and the protection of Sterling cash flows. These swaps have been designated as a hedge of the Group's net investment in the Italian Group and qualify for effective hedge accounting.

For the year ended 31 December 2018, the Group recognised a net £22 million loss on mark to market of these derivatives in reserves (2017: £5 million loss).

Through the financial year the Company drew on its committed bank facilities in Euro and US Dollars and issued Euro denominated Commercial Paper. These drawings and issuances were designated as hedges of the Group's net investment in Euro and US Dollar denominated subsidiaries.

For the year ended 31 December 2018, the Group recognised a net £33 million revaluation loss on Euro and US Dollar borrowings in the Company in reserves (2017: £8 million gain).

Foreign exchange forward contracts were arranged during the year to hedge the fair value of Euro and US Dollar denominated exposures. These contracts forward buy and sell payables and receivables denominated in Euros and US Dollars, with the mark to market adjustments offsetting the revaluation of the underlying hedged item in the income statement. They also offer more predictable cash flows to the Group at maturity. At 31 December 2018, payables of €34 million (2017: €19 million) and US$43 million (2017: US$10 million), and receivables of US$69 million (2017: nil) were hedged forward into the next financial year. The market value of the derivatives was nil (2017: nil) in aggregate.

### 21. Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

The following table shows the impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet as at 31 December 2018:

| 31 December 2018 | Gross amounts £m | Amount offset £m | Net amount as reported £m |
|---|---|---|---|
| Other financial assets | 867,201 | (859,535) | 7,666 |
| Repurchase agreements | 823,180 | (88,390) | 734,790 |
| **Total assets** | **1,690,381** | **(947,925)** | **742,456** |
| | | | |
| Other financial liabilities | (892,461) | 884,795 | (7,666) |
| Reverse repurchase agreements | (823,180) | 88,390 | (734,790) |
| **Total liabilities** | **(1,715,641)** | **973,185** | **(742,456)** |

The impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet as at 31 December 2017 is as follows:

| 31 December 2017 | Gross amounts £m | Amount offset £m | Net amount as reported £m |
|---|---|---|---|
| Other financial assets | 980,465 | (973,067) | 7,398 |
| Repurchase agreements | 729,833 | (89,281) | 640,552 |
| **Total assets** | 1,710,298 | (1,062,348) | 647,950 |
| | | | |
| Other financial liabilities | (1,000,100) | 992,702 | (7,398) |
| Reverse repurchase agreements | (729,833) | 89,281 | (640,552) |
| **Total liabilities** | (1,729,933) | 1,081,983 | (647,950) |

All offset amounts are held in Clearing member trading assets and Clearing member trading liabilities within the Group's financial instruments.

As CCPs, the Group's operating companies sit in the middle of members' transactions and hold default funds and margin amounts as a contingency against the default of a member. As such, further amounts are available to offset in the event of a default reducing the asset and liability of £742,456 million (2017: £647,950 million) to nil.

## 22. Trade and other receivables

| | Notes | Group 2018 £m | Group 2017 £m (revised)[1] | Company 2018 £m | Company 2017 £m |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Deferred consideration | | **28** | 52 | **–** | – |
| Amounts due from Group companies | 36 | **–** | – | **25** | 37 |
| Other receivables | | **2** | 3 | **–** | – |
| | | **30** | 55 | **25** | 37 |
| **Current** | | | | | |
| Trade receivables | | **432** | 326 | **–** | – |
| Less: provision for impairment of receivables | | **(11)** | (21) | **–** | – |
| Trade receivables – net | | **421** | 305 | **–** | – |
| Amounts due from Group companies | 36 | **–** | – | **525** | 566 |
| Amounts due from associates | 36 | **1** | – | **–** | – |
| Group relief receivable | | **–** | – | **68** | 41 |
| Deferred consideration | | **28** | 51 | **–** | – |
| Other receivables | | **141** | 136 | **4** | 2 |
| Prepayments | | **53** | 41 | **3** | 1 |
| Accrued income[2] | | **–** | 156 | **–** | – |
| | | **644** | 689 | **600** | 610 |
| **Total** | | **674** | 744 | **625** | 647 |

The carrying amount of the Group's current trade and other receivables, including £141 million (2017: nil) of the Group's current contract assets presented in Note 23, are denominated in the following currencies:

| | 2018 £m | 2017 £m (revised)[1] |
|---|---|---|
| Sterling | **361** | 217 |
| Euro | **117** | 157 |
| US Dollar | **288** | 297 |
| Other currencies | **19** | 18 |
| | **785** | 689 |

1. The 31 December 2017 comparatives have been revised for IFRS 3 fair value adjustments on the acquisition of the Yield Book business. Refer to Note 33 for further details.
2. On adoption of IFRS 15 on 1 January 2018, accrued income is now referred to as 'contract assets' which are presented in Note 23.

Movements in the Group's provision for expected credit losses on trade receivables are as follows:

| | Note | 2018 £m | 2017 £m |
|---|---|---|---|
| 31 December (as previously reported) | | **21** | 13 |
| Adoption of new accounting standard | 2 | **(10)** | – |
| 1 January (restated) | | **11** | 13 |
| Provision for impairment of receivables | | **2** | 10 |
| Receivables written off during the year as uncollectible | | **(1)** | (2) |
| Amounts recovered in the year | | **(1)** | – |
| 31 December | | **11** | 21 |

The creation and release of the provision for impaired receivables have been included in operating expenses in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables and the other categories of financial assets do not contain impaired assets.

# Notes to the financial statements (continued)

### 23. Contract assets

| | 2018 £m |
|---|---|
| **Non-current** | **3** |
| Contract assets[1] | **3** |
| | |
| **Current** | **141** |
| Contract assets[1] | **141** |
| | |
| Total | **144** |

1. Prior to the adoption of IFRS 15 on 1 January 2018, contract assets were previously referred to as 'accrued income' and presented in Note 22.

Contract assets primarily relate to the Group's rights to consideration for work completed but not invoiced at the reporting date.

During the year, the Group recognised no impairment losses in relation to contracts assets.

Changes to the Group's contract assets during the year were as follows:

| | Note | 2018 £m |
|---|---|---|
| 1 January | 2 | **156** |
| Amounts billed in the period | | **(153)** |
| Services provided in the period | | **138** |
| Foreign exchange | | **3** |
| 31 December | | **144** |

The contract asset tables presented above for the year ended 31 December 2018 are a new requirement as a result of the Group adopting IFRS 15 on 1 January 2018. The Group has used the modified retrospective approach to transition to IFRS 15 and therefore no comparative disclosures are presented.

### 24. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| Cash at bank | **701** | 578 | **1** | 4 |
| Short-term deposits | **809** | 803 | **5** | – |
| | **1,510** | 1,381 | **6** | 4 |

Cash and cash equivalents are held with authorised counterparties of a high credit standing, in secured investments at LCH Group companies and at CC&G and unsecured interest bearing current and call accounts, short-term deposits and AAA-rated money market funds elsewhere in the Group. Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values. Cash and cash equivalents do not include amounts held by the CCPs on behalf of their clearing members.

At 31 December 2018, cash and cash equivalents shown above include £1,120 million (2017: £1,042 million) of amounts held by regulated entities for regulatory and operational purposes. Total amounts set aside for regulatory and operational purposes include current investments in financial assets of £53 million (2017: £19 million) and non-current investments in financial assets of £31 million (2017: £86 million).

All amounts are subject to regular reviews with regulators in the UK, France and Italy.

### 25. Trade and other payables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| **Non-current** | | | | | |
| Deferred consideration | | **–** | 38 | **–** | – |
| Other non-current payables | | **11** | 11 | **–** | – |
| | | **11** | 49 | **–** | – |
| | | | | | |
| **Current** | | | | | |
| Trade payables | | **52** | 50 | **1** | – |
| Amounts owed to Group companies | 36 | **–** | – | **366** | 251 |
| Social security and other taxes | | **29** | 23 | **–** | – |
| Other payables | | **102** | 128 | **22** | 16 |
| Accruals | | **355** | 293 | **13** | 8 |
| Deferred income[1] | | **–** | 104 | **–** | – |
| | | **538** | 598 | **402** | 275 |
| | | | | | |
| **Total** | | **549** | 647 | **402** | 275 |

1. On adoption of IFRS 15 on 1 January 2018, deferred income is now referred to as 'contract liabilities' and are presented in Note 26

### 26. Contract liabilities

| | 2018 £m |
|---|---|
| **Non-current** | |
| Contract liabilities[1] | **118** |
| | **118** |
| **Current** | |
| Contract liabilities[1] | **153** |
| | **153** |
| **Total** | **271** |

1. Prior to the adoption of IFRS 15 on 1 January 2018, contract liabilities were previously referred to as 'deferred income' and presented in Note 25

Contract liabilities primarily relate to the consideration received from customers for which services have not yet been rendered.

Changes in the Group's contract liabilities balances during the year were as follows:

| | Notes | 2018 £m |
|---|---|---|
| 31 December 2017 (as previously presented) | 25 | **104** |
| Adoption of new accounting standards | 2 | **140** |
| 1 January 2018 (restated) | 2 | **244** |
| Revenue recognised in the income statement | | **(134)** |
| Increases due to consideration received (excluding amounts recognised as revenue during the year) | | **160** |
| Foreign exchange | | **1** |
| 31 December 2018 | | **271** |

We estimate that the Group's contract liabilities will be recognised in the following periods after 31 December 2018:

| | Information Services £m | Post Trade Services – LCH £m | Post Trade Services – CC&G and Monte Titoli £m | Capital Markets £m | Technology Services £m | Group £m |
|---|---|---|---|---|---|---|
| Less than 1 year | **99** | **1** | **3** | **48** | **2** | **153** |
| More than 1 year but less than 5 years | **–** | **–** | **–** | **78** | **–** | **78** |
| More than 5 years | **–** | **–** | **–** | **40** | **–** | **40** |
| **Contract liabilities as at end of year** | **99** | **1** | **3** | **166** | **2** | **271** |

The contract liability tables presented above for the year ended 31 December 2018 are a new requirement as a result of the Group adopting IFRS 15 on 1 January 2018. The Group has used the modified retrospective approach to transition to IFRS 15 and therefore no comparative disclosures are presented.

### 27. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| **Current** | | | | |
| Bank borrowings | **41** | 522 | **24** | 490 |
| Commercial paper | **270** | – | **270** | – |
| Bonds | **250** | – | **250** | – |
| | **561** | 522 | **544** | 490 |
| **Non-current** | | | | |
| Bonds | **1,642** | 1,431 | **1,642** | 1,431 |
| | **1,642** | 1,431 | **1,642** | 1,431 |
| **Total** | **2,203** | 1,953 | **2,186** | 1,921 |

# Notes to the financial statements (continued)

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

| Type | Expiry Date | Notes/Facility £m | Carrying value at 31 December 2018 £m | Interest rate percentage at 31 December 2018 % |
|---|---|---|---|---|
| **Drawn value of Facilities** | | | | |
| Multi-currency revolving credit facility | Nov 2022 | 600 | **42** | LIBOR + 0.45 |
| Multi-currency revolving credit facility | Dec 2023 | 600 | **(1)** | LIBOR + 0.3 |
| Total Committed Bank Facilities | | | **41** | |
| Commercial paper | Jan 2019 | 270 | **270** | (0.260)[1] |
| Bond due October 2019 | Oct 2019 | 250 | **250** | 9.125 |
| Bond due November 2021 | Nov 2021 | 300 | **300** | 4.750 |
| Bond due September 2024 | Sep 2024 | 451 | **449** | 0.875 |
| Bond due December 2027 | Dec 2027 | 451 | **446** | 1.750 |
| Bond due September 2029 | Sep 2029 | 451 | **447** | 1.750 |
| Total Bonds | | | **1,892** | |
| Total Committed Facilities and Unsecured Notes | | | **2,203** | |

1. The Commercial paper interest rate reflected is the average interest rate achieved on the outstanding borrowings

The carrying values of drawn bank facilities, commercial paper and bonds at 31 December 2018 were £41 million (2017: £522 million), £270 million (2017: nil) and £1,892 million (2017: £1,431 million), respectively.

**Current borrowings**

The Group retained total committed bank facilities of £1,200 million during the financial year. The 5-year £600 million facility arranged in December 2017 was extended for a year to December 2023, with a further 1-year extension option available to the Group, subject to lender approval. These facilities were partially drawn at 31 December 2018 with carrying value of £41 million (2017: £522 million) which includes £2 million of deferred arrangement fees (2017: £3 million).

In February 2018, the Group commenced issuance under its newly arranged £1 billion Euro Commercial Paper Programme. Outstanding issuances at 31 December 2018 of €300 million (£270 million) (2017: nil) may be reissued upon maturity in line with the Group's liquidity requirements.

In June 2009, the Company issued a £250 million bond which is unsecured and is due for repayment in October 2019. Interest is paid semi-annually in arrears in April and October each year. The issue price of the bond was £99.548 per £100 nominal. The coupon on the bond is dependent on the Company's credit ratings with Moody's and Standard & Poor's, which were unchanged at A3 and A- respectively. The bond coupon remained at 9.125% per annum throughout the financial year.

Cassa di Compensazione e Garanzia S.p.A. (CC&G) has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements in the event of a market stress or participant failure. In addition, it has arranged commercial bank back-up credit lines with a number of commercial banks, which totaled €420 million at 31 December 2018 (2017: €420 million), for overnight and longer durations to broaden its liquidity resources consistent with requirements under the European Markets Infrastructure Regulation (EMIR).

LCH SA has a French banking licence and is able to access refinancing at the European Central Bank to support its liquidity position. LCH Limited is deemed to have sufficient fungible liquid assets to maintain an appropriate liquidity position, and has direct access to certain central bank facilities to support its liquidity risk management in accordance with the requirements under the EMIR. In accordance with the Committee on Payments and Market Infrastructures (CPMI), International Organization of Securities Commissions (IOSCO) and Principles for Financial Market Infrastructures (PFMIs), many Central Banks now provide for CCPs to apply for access to certain Central Bank facilities.

In addition, a number of Group entities have access to uncommitted operational, money market and overdraft facilities which support post trade activities and day-to-day liquidity requirements across its operations.

**Non-current borrowings**

In November 2012, the Company issued a £300 million bond under its Euro Medium Term Notes Programme (launched at the same time) which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal. The coupon on the bond is fixed at 4.75% per annum.

In September 2017, the Company issued €1 billion of bonds in two €500 million (£451 million) tranches under its updated Euro Medium Term Notes Programme. The bonds are unsecured and the tranches are due for repayment in September 2024 and September 2029 respectively. Interest is paid annually in arrears in September each year. The issue prices of the bonds were €99.602 per €100 nominal for the 2024 tranche and €99.507 per €100 nominal for the 2029 tranche. The coupon on the respective tranches is fixed at 0.875% per annum and 1.75% per annum respectively.

In December 2018, the Company issued a €500 million (£451 million) bond under its updated Euro Medium Term Notes Programme. The bond is unsecured and due for repayment in December 2027. Interest is paid annually in arrears in December each year. The issue price was €99.547 per €100 nominal. The coupon on the bond is fixed at 1.75% per annum.

### Fair values

The fair values of the Group's borrowings are as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **Group** | Carrying value £m | Fair value £m | Carrying value £m | Fair value £m |
| Borrowings | | | | |
| – within 1 year | **561** | **561** | 522 | 522 |
| – after more than 1 year | **1,642** | **1,914** | 1,431 | 1,520 |
| | **2,203** | **2,475** | 1,953 | 2,042 |

The fair values of the Company's borrowings are as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **Company** | Carrying value £m | Fair value £m | Carrying value £m | Fair value £m |
| Borrowings | | | | |
| – within 1 year | **544** | **544** | 490 | 490 |
| – after more than 1 year | **1,642** | **1,914** | 1,431 | 1,520 |
| | **2,186** | **2,458** | 1,921 | 2,010 |

Borrowings are classified as Level 2 in the Group's hierarchy for determining and disclosing the fair value of financial instruments. The fair values of borrowings are based on discounted cash flows using a rate based on borrowing cost. Floating rate borrowings bear interest at an agreed margin over the appropriate inter-bank reference rate.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| **Currency** | Drawn £m | Swapped £m | Effective £m | Drawn £m | Swapped £m | Effective £m |
| Sterling | **572** | **(270)** | **302** | 1,032 | (267) | 765 |
| Euro | **1,631** | **(361)** | **1,270** | 921 | (355) | 566 |
| US Dollar | **–** | **631** | **631** | – | 622 | 622 |
| **Total** | **2,203** | **–** | **2,203** | 1,953 | – | 1,953 |

The carrying amounts of the Company's borrowings are denominated in the following currencies:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| **Currency** | Drawn £m | Swapped £m | Effective £m | Drawn £m | Swapped £m | Effective £m |
| Sterling | **572** | **(270)** | **302** | 1,032 | (267) | 765 |
| Euro | **1,614** | **(361)** | **1,253** | 889 | (355) | 534 |
| US Dollar | **–** | **631** | **631** | – | 622 | 622 |
| **Total** | **2,186** | **–** | **2,186** | 1,921 | – | 1,921 |

### 28. Analysis of net debt

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| **Due within 1 year** | | | | |
| Cash and cash equivalents | **1,510** | 1,381 | **6** | 4 |
| Bank borrowings | **(41)** | (522) | **(24)** | (490) |
| Commercial paper | **(270)** | – | **(270)** | – |
| Bonds | **(250)** | – | **(250)** | – |
| Derivative financial liabilities | **(30)** | – | **(30)** | – |
| | **919** | 859 | **(568)** | (486) |
| **Due after 1 year** | | | | |
| Bonds | **(1,642)** | (1,431) | **(1,642)** | (1,431) |
| Derivative financial assets | **–** | 4 | **–** | 4 |
| Derivative financial liabilities | **(17)** | (29) | **(17)** | (29) |
| **Total net debt** | **(740)** | (597) | **(2,227)** | (1,942) |

# Notes to the financial statements (continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 £m | 2017 £m | 2018 £m | 2017 £m |
| **Increase/(decrease) in cash in the year** | **84** | 216 | **1** | (3) |
| Bond issue proceeds | **(445)** | (885) | **(445)** | (885) |
| Redemption of preferred securities | **–** | 157 | **–** | – |
| Commercial paper issuance | **(255)** | – | **(255)** | – |
| Additional drawdowns from bank credit facilities | **–** | (242) | **–** | (215) |
| Repayments made towards bank credit facilities | **489** | 87 | **474** | 2 |
| Utilisation of drawn funds for financing activities | **–** | 103 | **–** | – |
| **Change in net debt resulting from cash flows** | **(127)** | (564) | **(225)** | (1,101) |
| | | | | |
| Foreign exchange movements | **4** | 2 | **(40)** | (2) |
| Movement on derivative financial assets and liabilities | **(22)** | (6) | **(22)** | (6) |
| Bond valuation adjustment | **3** | 5 | **3** | 5 |
| Movement in bank credit facility arrangement fees | **(1)** | 1 | **(1)** | 1 |
| Reclassification of cash to assets held for sale | **–** | (1) | **–** | – |
| Net debt at the start of the year | **(597)** | (34) | **(1,942)** | (839) |
| **Net debt at the end of the year** | **(740)** | (597) | **(2,227)** | (1,942) |

## 29. Provisions

| Group | Property £m | Other £m | Total £m |
|---|---|---|---|
| 1 January 2018 | **10** | **–** | **10** |
| Utilised during the year | **(1)** | **–** | **(1)** |
| Unwinding of discount on provision | **1** | **–** | **1** |
| Provisions no longer required | **(1)** | **–** | **(1)** |
| Additional charge in the year | **1** | **2** | **3** |
| **31 December 2018** | **10** | **2** | **12** |
| | | | |
| Current | **1** | **1** | **2** |
| Non-current | **9** | **1** | **10** |
| **31 December 2018** | **10** | **2** | **12** |

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between 1 and 10 years to expiry.

Other provisions primarily relate to the expected costs arising on the restructuring and integration of the Mergent and Yield Book businesses into the Group.

The Company has no provisions (2017: nil).

## 30. Share capital and share premium

**Ordinary shares issued and fully paid**

| | Number of shares millions | Ordinary shares[1] £m | Share premium £m | Total £m |
|---|---|---|---|---|
| 1 January 2017 | 350 | 24 | 961 | 985 |
| Issue of shares to the Employee Benefit Trust | – | – | 3 | 3 |
| 31 December 2017 | 350 | 24 | 964 | 988 |
| Issue of shares to the Employee Benefit Trust | **1** | **–** | **1** | **1** |
| **31 December 2018** | **351** | **24** | **965** | **989** |

1. Ordinary Shares of $6^{79/86}$ pence

The Board approved the allotment and issue of 72,763 ordinary shares of par value $6^{79/86}$ pence at a weighted average exercise price of 2,042 pence to the Employee Benefit Trust (2017: 224,965 ordinary shares of par value $6^{79/86}$ pence at 1,251 pence), to settle employee 'Save As You Earn' share plans. This generated a premium of £1 million (2017: £3 million).

Included within the current year Ordinary Share Capital of 351 million shares are 2 million treasury shares, recorded at par.

### 31. Net cash flow generated from operations

| | Notes | Group 2018 £m | Group 2017 £m | Company 2018 £m | Company 2017 £m |
|---|---|---|---|---|---|
| Profit before tax from continuing operations | | **685** | 564 | **112** | 18 |
| Loss before tax from discontinued operations | 11 | **–** | (23) | **–** | – |
| **Profit before tax** | | **685** | 541 | **112** | 18 |
| **Adjustments for depreciation, amortisation and impairments:** | | | | | |
| Depreciation and amortisation | 14,15 | **287** | 255 | **–** | – |
| Impairment of software | 15 | **5** | – | **–** | – |
| Impairment of property, plant and equipment | 14 | **2** | 1 | **–** | – |
| **Adjustments for other non-cash items:** | | | | | |
| Profit on disposal of businesses | 8 | **–** | (7) | **–** | – |
| Loss on disposal of investment in subsidiary | 11 | **–** | 23 | **–** | – |
| Gain on disposal of financial assets | | **–** | (7) | **–** | – |
| Other gains on disposal of assets | | **–** | (2) | **–** | – |
| Share of loss of associates | 16 | **8** | 9 | **–** | – |
| Impairment of investment in associate | 16 | **–** | – | **8** | 14 |
| Net finance expense | 9 | **66** | 62 | **61** | 45 |
| Share scheme expense | 7 | **36** | 38 | **–** | – |
| Royalties | | **3** | – | **–** | – |
| Movement in pensions and provisions | | **(19)** | 31 | **–** | – |
| Net foreign exchange differences | | **30** | (103) | **52** | (1) |
| Dividend income | 36 | **–** | – | **(320)** | (142) |
| **Movements in working capital:** | | | | | |
| Decrease in inventories | | **–** | 1 | **–** | – |
| (Increase)/decrease in trade and other receivables and contract assets | | **(107)** | (36) | **38** | 30 |
| Increase/(decrease) in trade and other payables and contract liabilities | | **3** | (47) | **66** | 47 |
| **Movement in other assets and liabilities relating to operations:** | | | | | |
| Increase in clearing member financial assets | | **(101,678)** | (162,005) | **–** | – |
| Increase in clearing member financial liabilities | | **101,646** | 162,095 | **–** | – |
| Movement in derivative assets and liabilities | | **2** | 6 | **22** | 6 |
| Unrealised gain on the revaluation of financial assets | | **–** | (3) | **–** | – |
| **Cash generated from operations** | | **969** | 852 | **39** | 17 |
| Comprising: | | | | | |
| Ongoing operating activities | | **978** | 1,130 | **46** | 30 |
| Non-underlying items | | **(9)** | (278) | **(7)** | (13) |
| | | **969** | 852 | **39** | 17 |

Movement in financial liabilities arising from financing activities:

| | As at 1 January 2018 £m | Cash flows £m | Foreign exchange £m | Other £m | 31 December 2018 £m |
|---|---|---|---|---|---|
| Bank borrowings | **522** | **(489)** | **7** | **1** | **41** |
| Bonds | **1,431** | **445** | **18** | **(2)** | **1,892** |
| Commercial paper | **–** | **255** | **15** | **–** | **270** |
| Finance lease liabilities | **7** | **(2)** | **–** | **–** | **5** |
| Derivative financial instruments | **25** | **–** | **–** | **22** | **47** |
| | **1,985** | **209** | **40** | **21** | **2,255** |

### 32. Commitments and contingencies

The Group and Company have no contracted capital commitments or any other commitments not provided for in the financial statements as at 31 December 2018 (2017: nil).

In the normal course of business, the Group and the Company receive 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 or the Company, a provision is made representing the expected cost of settling such claims.

### 33. Business combinations

#### Acquisitions in the year to 31 December 2018

There were no business combinations during the year ended 31 December 2018.

#### Acquisitions in the year to 31 December 2017

The Group made 2 acquisitions in the year ended 31 December 2017.

**Mergent**

On 3 January 2017, the Group acquired the entire share capital of Mergent, a leading global provider of business and financial information on public and private companies, for total cash consideration of US$147 million (£119 million). The acquisition will support the growth of FTSE Russell's core index offering, supplying underlying data and analytics for the creation of a wide range of indexes.

On completion of the fair value exercise in the prior year, the Group recognised £74 million of goodwill and £69 million of purchased intangible assets arising on the acquisition of Mergent.

**Yield Book**

On 31 August 2017, the Group acquired the entire share capital of the Yield Book business, a leading global provider of fixed income indexes and analytics. The cash consideration paid by the Group at completion was US$679 million (£525 million). The acquisition enhances and complements LSEG's Information Services data and analytics offering, building on FTSE Russell's US market presence and fixed income client base globally.

In the prior year, the Group recognised £215 million in provisional goodwill and the provisional fair value of net assets identified was £310 million, including £307 million of other intangible assets.

Subsequent to the year ended 31 December 2017, the purchase price exercise was finalised whereby the Group received £3 million (US$4 million) cash consideration from the vendor and resulted in a £1 million reduction in the total purchase consideration paid by the Group on acquisition of the Yield Book business. The £3 million (US$4 million) cash consideration received in the year ended 31 December 2018 was offset against a £2 million other receivable already recognised within the provisional fair values reported on the Group's balance sheet at 31 December 2017. A final fair value adjustment for an additional £1 million other receivable was recognised in the acquisition balance sheet compared to the provisional fair value amounts previously presented in our 31 December 2017 Annual Report. Consequently, the Group recognised a £1 million decrease in goodwill from amounts previously disclosed at 31 December 2017, bringing the total goodwill on acquisition of the Yield Book business to be £214 million.

The impact of these final fair value adjustments have been incorporated with effect from the acquisition date of the Yield Book business and the comparative 31 December 2017 balance sheet and related notes have been revised.

### 34. Leases

**Operating lease commitments – Group as lessee**

The Group leases various office properties under non-cancellable operating leases. The total future minimum lease payments under non-cancellable operating leases are due as follows:

| | Property | |
|---|---|---|
| **Leases expiring in:** | **2018 £m** | **2017 £m** |
| Less than 1 year | **35** | 33 |
| More than 1 year but less than 5 years | **126** | 111 |
| More than 5 years | **60** | 54 |
| | **221** | 198 |

Operating lease payments of £33 million (2017: £32 million) were charged to the income statement in the year in relation to property.

**Operating lease commitments – Group as lessor**

The total future minimum lease payments expected to be received under non-cancellable operating leases for property where the Group is lessor are due as follows:

| | Property | |
|---|---|---|
| **Leases expiring in:** | **2018 £m** | **2017 £m** |
| Less than 1 year | **4** | 5 |
| More than 1 year but less than 5 years | **11** | 13 |
| More than 5 years | **2** | 3 |
| | **17** | 21 |

**Finance lease commitments – Group as lessee**

The Group has finance lease contracts for certain distribution licences. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **Leases expiring in:** | **Minimum payments £m** | **Present value of payments £m** | **Minimum payments £m** | **Present value of payments £m** |
| Less than 1 year | **(4)** | **(4)** | (3) | (3) |
| More than 1 year but less than 5 years | **(1)** | **(1)** | (4) | (4) |
| Total minimum lease payments | **(5)** | **(5)** | (7) | (7) |
| Less amounts representing finance charges | **–** | **–** | – | – |
| **Present value of minimum lease payments** | **(5)** | **(5)** | (7) | (7) |

The Company has no lease commitments (2017: none).

**Finance lease commitments – Group as lessor**

The Group and Company has no finance lease contracts as a lessor (2017: none).

### 35. Share schemes

The London Stock Exchange Group Long Term Incentive Plan (LTIP), approved at the 2014 AGM, has 2 elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the Company's shares – the latter element is not applicable to executive directors. Vesting of these awards is dependent upon the Company's total shareholder return performance and adjusted basic earnings per share. Further details are provided in the Remuneration Report on pages 82 to 100. Awards are granted at nil cost to employees.

The SAYE Option Scheme and International Sharesave Plan (SAYE Scheme) provide for grants of options to employees who enter into a SAYE savings contract and options were granted at 20 per cent below fair market value during the year.

The Group has an employee benefit discretionary trust to administer the share plans and to acquire the shares to meet commitments to Group employees. At the year end, 573,672 (2017: 944,495) shares were held by the trust, funded in part by an interest-free loan from the Group and in part by the issue of 72,763 (2017: 224,965) shares and transfer of 1,359,900 (2017: 1,757,774) shares held in treasury.

The Company has no employees but, in accordance with IFRS 10 'Consolidated financial statements', has the obligation for the assets, liabilities, income and costs of the employee benefit trust and these have been consolidated in the Group's financial statements. The cost of the Group's shares held by the trust are deducted from retained earnings.

Movements in the number of share options and awards outstanding and their weighted average exercise prices are as follows:

| | Share options | | SAYE Scheme | | LTIP | |
|---|---|---|---|---|---|---|
| | Number | Weighted average exercise price £ | Number | Weighted average exercise price £ | Number | Weighted average exercise price £ |
| 31 December 2016 | 3,447 | 8.88 | 892,842 | 17.96 | 5,557,663 | 0.17 |
| Granted | – | – | 453,437 | 31.11 | 2,087,838 | – |
| Exercised | (1,771) | 8.83 | (425,784) | 14.41 | (1,681,434) | – |
| Lapsed/forfeited | – | – | (52,622) | 20.82 | (525,195) | – |
| 31 December 2017 | 1,676 | 8.94 | 867,873 | 26.40 | 5,438,872 | – |
| Granted | **–** | **–** | **208,598** | **34.37** | **1,335,947** | **–** |
| Exercised | **–** | **–** | **(206,738)** | **20.59** | **(1,659,249)** | **–** |
| Lapsed/forfeited | **–** | **–** | **(76,746)** | **27.88** | **(320,648)** | **–** |
| **31 December 2018** | **1,676** | **8.94** | **792,987** | **29.87** | **4,794,922** | **–** |
| | | | | | | |
| Exercisable at: | | | | | | |
| **31 December 2018** | **1,676** | **8.94** | **9,940** | **28.05** | **–** | **–** |
| 31 December 2017 | 1,676 | 8.94 | 9,964 | 18.27 | – | – |

The weighted average share price of London Stock Exchange Group plc shares during the year was £42.62 (2017: £35.32).

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | Number outstanding | Weighted average remaining contractual life Years | Number outstanding | Weighted average remaining contractual life Years |
| **Share options** | | | | |
| Between £8 and £9 | **1,676** | **–** | 1,676 | – |
| **SAYE** | | | | |
| Between £10 and £20 | **–** | **–** | 4,788 | – |
| Between £20 and £30 | **188,218** | **0.1** | 414,144 | 0.5 |
| More than £30 | **604,769** | **1.6** | 448,941 | 1.5 |
| **LTIP** | | | | |
| Nil | **4,794,922** | **1.2** | 5,438,872 | 1.3 |
| **Total** | **5,589,585** | **1.3** | 6,308,421 | 1.4 |

The fair value of share awards and share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

| | Performance Shares | | | Matching Shares | Restricted Share Award | | Share Save Plan |
|---|---|---|---|---|---|---|---|
| | 26-Apr-18 | 08-Aug-18 | 02-Oct-18 | 10-Apr-17 | 26-Apr-18 | 02-Oct-18 | 17-May-18 |
| Grant date share price | **£42.97** | **£45.10** | **£45.19** | **£42.97** | **£42.97** | **£45.19** | **£44.98** |
| Expected life | **3 years** | **3 years** | **3 years** | **3 years** | **0.8 years to 2.8 years** | **1.0 year to 1.7 years** | **3.3 years** |
| Exercise price | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **n.a.** | **£34.37 to £34.67** |
| Dividend yield | **1.6%** | **1.5%** | **1.5%** | **1.6%** | **1.6%** | **1.5%** | **1.2%** |
| Risk-free interest rate | **0.9%** | **0.8%** | **0.9%** | **0.9%** | **0.73% to 0.92%** | **0.75% to 0.80%** | **1.0%** |
| Volatility | **25%** | **25%** | **24%** | **25%** | **16.6% to 25.4%** | **16.3% to 17%** | **25%** |
| Fair value | **–** | **–** | **–** | **–** | **£41.05 to £42.39** | **£44.02 to £44.50** | **£12.81 to £12.99** |
| Fair value TSR | **£17.37** | **£16.18** | **£14.95** | **£17.37** | **n.a.** | **n.a.** | **n.a.** |
| Fair value EPS | **£40.96** | **£43.08** | **£43.15** | **£40.96** | **n.a.** | **n.a.** | **n.a.** |

The approach adopted by the Group in determining the fair value for the Performance and Matching Shares granted during the year was based on a Total Shareholder Return pricing model which incorporates TSR and EPS performance conditions and references the vesting schedules of the awards.

For all other share awards, including the Share Save Plan, the Black–Scholes model was used.

The significant inputs into both models are the share price at grant date, expected volatility, dividend yields and annual risk-free interest rate. The volatility assumption is based on the historical 3-year volatility as at the date of grant. The risk-free interest rate represents the yield available on a UK zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the award. The expected life refers to the time from the date of grant to the date the awards vest. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

# Notes to the financial statements (continued)

### 36. Transactions with related parties

#### Key management compensation

Compensation for Directors of the Company and key personnel who have authority for planning, directing and controlling the Group:

| | 2018 £m | 2017 £m |
|---|---|---|
| Salaries and other short-term benefits | **11** | 13 |
| Pensions | **1** | 1 |
| Share-based payments | **14** | 21 |
| | **26** | 35 |

#### Other directors' interests

One director has a 40.5% (2017: 45%) equity interest in Quantile Technologies Limited who are an approved compression service provider for the Group's LCH Limited subsidiary. The Group operated a commercial arrangement with Quantile Technologies Limited and all transactions were carried out on an arm's length basis. During the year there was no income or expenses recognised as part of the agreement (2017: nil).

#### Inter-company transactions with subsidiary undertakings

The Company has loans with some subsidiary undertakings. Details as at 31 December 2018 are shown in the table below:

| | Amount (owed to)/ due from as at | | | Interest | Interest (charge)/credit | |
|---|---|---|---|---|---|---|
| Loan counterparty | 2018 | 2017 | Term | rate as at 31 December 2018 | 2018 | 2017 |
| London Stock Exchange plc | **£(198)m** | £(130)m | 25 years from May 2006 with five equal annual repayments commencing in May 2027. | LIBOR plus 2% per annum | **£(5)m** | £(3)m |
| London Stock Exchange Employee Benefit Trust | **£25m** | £37m | Repayable on demand. | Non-interest bearing | **–** | – |
| London Stock Exchange Group Holdings (Italy) Limited | **€(11)m** | – | Fifth anniversary of the initial utilisation date which was April 2018. | EURIBOR plus 1.5% per annum | **€(1)m** | – |
| London Stock Exchange Group Holdings Limited | **£226m** | £240m | Tenth anniversary of the initial utilisation date which was October 2009. | LIBOR plus 4.0% per annum | **£12m** | £10m |
| London Stock Exchange Group Holdings Limited | **–** | – | Tenth anniversary of the initial utilisation date which was October 2009. | LIBOR plus 4.0% per annum | **–** | US$(1)m |
| London Stock Exchange Group Holdings Limited | **–** | €(1)m | Tenth anniversary of the initial utilisation date which was October 2009. | EURIBOR plus 4.0% per annum | **–** | – |
| London Stock Exchange Reg Holdings Limited | **–** | €1m | Fifth anniversary of the initial utilisation date which was July 2018. | EURIBOR plus 1.2% per annum | **–** | – |
| London Stock Exchange Reg Holdings Limited | **£20m** | £20m | Fifth anniversary of the initial utilisation date which was July 2018. | LIBOR plus 1.2% per annum | **–** | – |
| London Stock Exchange (C) Limited | **–** | €19m | Fifth anniversary of the initial utilisation date which was May 2017. | EURIBOR plus 1.5% per annum | **–** | – |
| London Stock Exchange Group Holdings (Luxembourg) Ltd | **US$(24)m** | US$(4)m | Fifth anniversary of the initial utilisation date which was December 2014. | LIBOR plus 1.5% per annum | **US$(3)m** | – |
| LSEG Employment Services Limited | **£137m** | £111m | Fifth anniversary of the initial utilisation date which was January 2015. | LIBOR plus 1.2% per annum | **£2m** | £1m |
| London Stock Exchange Group (Services) Limited | **£71m** | £67m | Fifth anniversary of the initial utilisation date which was January 2016. | LIBOR plus 0.9% per annum | **£2m** | – |

During the year, the Company charged in respect of employee share schemes £9 million (2017: £10 million) to LSEG Employment Services Limited, £5 million (2017: £6 million) to LCH Group, £5 million (2017: £6 million) to the London Stock Exchange Group Holdings Italia S.p.A. group of companies, £3 million (2017: £2 million) to the FTSE Group, £7 million (2017: £5 million) to London Stock Exchange Group Holdings, Inc. £5 million (2017: £8 million) to London Stock Exchange plc, £1 million (2017: £1 million) to Millennium Group and £1 million (2017: £nil million) to other subsidiaries of the Group.

During the year the Company received dividends of £163 million from LSE Group Holdings (Italy) Ltd and £157 million from LSEGH (Luxembourg) Ltd. The Company recognised £7 million income (2017: £32 million) and £61 million expenses (2017: £49 million) with Group undertakings in relation to corporate recharges. At 31 December 2018, the Company had £67 million (2017: £106 million) other receivables due from Group companies and other payables of £144 million (2017: £116 million) owed to Group undertakings.

#### Transactions with associates

In the year ended 31 December 2018, the Group recognised £1 million revenue (2017: £4 million) from its associates and as at 31 December 2018, the Group had £1 million receivable from its associates (2017: nil).

All transactions with subsidiaries and associates were carried out on an arm's length basis.

**37. Events after the reporting period**

On 30 January 2019 the Group acquired a 4.92% equity interest in Euroclear Holding SA/NV share capital for £242 million. The transaction was funded from existing cash and debt facilities.

On 25 February 2019 the Group acquired a 7.3% equity interest in Nivaura Limited for £2 million, a UK-based fintech specialising in developing end-to-end automation and distributed ledger technology solutions for capital raising and administration.

**38. Other statutory information**

Auditors' remuneration payable to Ernst and Young LLP and its associates comprises the following:

| | 2018 £m | 2017 £m |
|---|---|---|
| Audit of parent and consolidated financial statements | **1** | 1 |
| Audit of subsidiary companies | **2** | 2 |
| Non-audit services | **1** | 1 |
| **Total** | **4** | 4 |

Ernst and Young LLP provided non-audit services of £0.6 million; 15% of total fees (2017: £0.6 million; 15% of total fees). This comprised of audit related assurance services of £0.5 million (2017: £0.5 million) and other non-audit services of £0.1 million (2017: £0.1 million).

Further details of the services provided by Ernst and Young LLP are given in the Report of the Audit Committee on pages 74–79.

**Directors' emoluments comprise the following:**

| | 2018 £m | 2017 £m |
|---|---|---|
| Salary and fees | **3** | 3 |
| Performance bonus | **2** | 3 |
| Gains made on share awards | **3** | 7 |
| Benefits | **1** | 1 |
| | **9** | 14 |
| Contributions to defined contribution schemes | **–** | 1 |
| | **9** | 15 |

During the year, no Directors (2017: 1) had retirement benefits accruing under defined contribution schemes and 1 Director (2017: 1) had retirement benefits accruing under a defined benefit scheme.

Further details of Directors' emoluments are included in the Remuneration Report on pages 82 to 100.

### Related undertakings

A list of the Group's subsidiaries as at 31 December 2018 is given below including the percentage of each class held and the Group's ownership percentages.

The share ownership percentage records the percentage of each subsidiary's share capital owned within the LSEG Group. Shares owned directly by LSEG plc are listed as being a 'direct' shareholding, shares owned by other LSEG Group companies are listed as an 'indirect (group interest)' shareholding. Where more than 1 LSEG Group company owns shares in a subsidiary these interests have been added together. The ultimate economic interest percentage on the other hand does not show actual share ownership. It records LSEG plc's effective interest in the subsidiary, allowing for situations where subsidiaries are owned by partly owned intermediate subsidiaries.

All subsidiaries are consolidated in the Group's financial statements.

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| BANQUE CENTRALE DE COMPENSATION (LCH SA) | France | 18 Rue du Quatre-Septembre, 75002, Paris, France | Ordinary | Indirect (group interest) | 88.91 | 73.45 |
| BIt Market Services S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect (group interest) | 99.99 | 99.99 |
| Bondclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| Borsa Italiana S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect (group interest) | 99.99 | 99.99 |
| Cassa Di Compensazione e Garanzia S.p.A. (CC&G) | Italy | Via Tomacelli, 146, 00186 Rome, Italy | Ordinary | Indirect (group interest) | 100 | 99.99 |
| CommodityClear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| Elite Club Deal Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 74.99 |
| Elite S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect (group interest) | 75 | 74.99 |
| Elite SIM S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect (group interest) | 100 | 74.99 |
| Equityclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| EuroMTS Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 62.53 |
| EuroTLX SIM S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect (group interest) | 70 | 69.99 |
| ForexClear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| Frank Russell Company | United States | c/o United Agent Group Inc. West 505 Riverside Avenue #500, Spokane, Spokane County, WA, 99201, United States | Common | Indirect (group interest) | 100 | 100 |
| FTSE (Australia) Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE (Beijing) Consulting Limited | China | Room 02D-H, 6/F Dongwai Diplomatic Building, 23 Dongzhimenwai Dajie, Beijing, China | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE (Japan) Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE Americas, Inc. | United States | c/o United Agent Group Inc. 15 North Mill Street, Nyack, Rockland County, NY, 10960, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE China Index Ltd | Hong Kong | 6th Floor, Alexandra House, 18 Chater Road, Central Hong Kong | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE Fixed Income LLC | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect (group interest) | 100 | 100 |
| FTSE Global Debt Capital Markets, Inc. | Canada | Suite 2400, 333 Bay Street, Toronto, ON, M5H 2T6, Canada | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE Global Debt Capital Markets Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE International (France) Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE International (Hong Kong) Limited | Hong Kong | 6th Floor Alexandra House, 18 Chater Road, Central Hong Kong | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE International (Italy) Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE International (MEA) Ltd | United Arab Emirates | Unit 15501, Level 15, Gate Building, DIFC, PO Box 121208, Dubai, United Arab Emirates | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE International Brasil Representacoes LTDA | Brazil | Edificio Argentina, Praia de Botafogo 228, 16 andar, Sala1617, Rio de Janeiro, Brazil | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE International Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| FTSE International Taiwan Limited | Taiwan | 12F, No.415, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City. Taiwan | Ordinary | Indirect (group interest) | 100 | 100 |
| FTSE Mexico Sociedad de Responsabilidad Limitada de Capital Variable | Mexico | Paseo de los Tamarindos 400ª, 5 piso, Col. Bosques de las Lomas, Mexico City, C.P. 05120, Mexico | Ordinary | Indirect (group interest) | 100 | 100 |
| Gatelab Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| Gatelab S.r.l. | Italy | Via dei Pentri, 161, 86170, Isernia, Italy | Ordinary | Indirect (group interest) | 100 | 100 |
| globeSettle S.A. | Luxembourg | 19 Rue De Bitbourg, L-1273. Luxembourg | Ordinary | Indirect (group interest) | 100 | 100 |
| International Commodities Clearing House Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| Intrinsic Research Systems, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary A | Indirect (group interest) | 100 | 100 |
| | | | Ordinary B | Indirect (group interest) | 100 | 100 |
| LCH Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| LCH Group Holdings Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary (Non-voting) | Indirect (group interest) | 100 | 82.61 |
| | | | Ordinary (Voting) | | 82.61 | – |
| LCH.Clearnet LLC | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, Delaware, 19810, United States | Units | Indirect (group interest) | 100 | 82.61 |
| LCH GP Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| LCH.Clearnet Group Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| LCH Pensions Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| LCH PLP Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| London Stock Exchange (C) Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | £ Ordinary | Direct | 100 | 100 |
| | | | € Ordinary | Direct | 100 | – |
| London Stock Exchange Connectivity Solutions LP | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Partnership | Indirect (group interest) | 100 | 100 |
| London Stock Exchange Group (Services) Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| London Stock Exchange Group Holdings (Italy) Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| London Stock Exchange Group Holdings (R) Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| London Stock Exchange Group Holdings Italia S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia,Italy | Ordinary | Indirect (group interest) | 100 | 100 |
| London Stock Exchange Group Holdings Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| London Stock Exchange LEI Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| London Stock Exchange Plc | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| London Stock Exchange Reg Holdings Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| LSEG (M) Financing Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Business Services Colombo (Private) Limited | Sri Lanka | Trace Expert City, Maradana, Colombo 10, Sri Lanka | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Business Services Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG (ELT) Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Business Services RM S.R.L | Romania | 6F Iuliu Maniu Blvd, Building 6.1, 3rd – 4th floor, District 6, Bucharest, Romania | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Employment Services Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Information Services (US), Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 100 |

# Notes to the financial statements (continued)

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| LSEG Ireland Limited | Ireland | 10 Earlsfort Terrace, Dublin D02 T380, Ireland | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Ireland 2 Limited | Ireland | 1 Stokes Place, St Stephen's Green, Dublin 2, D02 DE03, Ireland | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Ireland 3 Limited | Ireland | 1 Stokes Place, St Stephen's Green, Dublin 2, D02 DE03, Ireland | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG LuxCo 1 S.a.r.l | Luxembourg | 19 Rue De Bitbourg, L-1273 Luxembourg | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG LuxCo 2 S.a.r.l | Luxembourg | 19 Rue De Bitbourg, L-1273 Luxembourg | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Malaysia Sdn. Bhd. | Malaysia | Level 19-1, Menara Milenium Jalan Damanlela, Pusat Bandar Damansara, W.P. Kuala Lumpur, 50490, Malaysia | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Pension Trustees Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG Technology Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEG US Holdco, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Direct | 100 | 100 |
| LSEGH (I) LLC | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEGH (Luxembourg) Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Direct | 100 | 100 |
| LSEGH, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| LSEGH US PT, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Direct | 100 | 100 |
| Marché de TitreS France (MTS France) | France | 18 Rue du Quatre-Septembre, 75002, Paris, France | Ordinary | Indirect (group interest) | 100 | 62.53 |
| M-CCP Holdings, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| M-CCP Parent, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| Mergent Japan K.K. | Japan | 1-5-1, Otemachi First Square East Tower 11F, Otemachi, Chiyoda-ku, Tokyo, 1-5-1 | Ordinary | Indirect (group interest) | 100 | 100 |
| Mergent, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 100 |
| Millennium Information Technologies (India) (Private) Limited | India | 83 - C, Mittal Towers, Nariman Point, Mumbai - 400 021, India | Ordinary | Indirect (group interest) | 100 | 100 |
| Millennium IT (USA), Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Indirect (group interest) | 100 | 100 |
| Millennium IT Services (Private) Limited | Sri Lanka | 65/2, Sir Chittampalam A Gardiner Mawatha, Colombo 02, Sri Lanka | Ordinary | Indirect (group interest) | 100 | 100 |
| Millennium IT Software (Canada), Inc. | Canada | Suite 2400, 333 Bay Street, Toronto, Ontario, Canada | Common | Indirect (group interest) | 100 | 100 |
| Millennium IT Software (Private) Limited | Sri Lanka | No.01 Millennium Drive, Malabe, Sri Lanka | Ordinary | Indirect (group interest) | 100 | 100 |
| Monte Titoli S.p.A. | Italy | Piazza degli Affari 6, 20123, Milano, Lombardia, Italy | Ordinary | Indirect (group interest) | 98.88 | 98.87 |
| MTS S.p.A. | Italy | Via Tomacelli, 146, 00186 Rome, Italy | Ordinary | Indirect (group interest) | 62.53 | 62.53 |
| MTS Markets International, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 62.53 |
| MTSNext Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| Repoclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |

| Name of subsidiary undertaking | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % | LSEG plc ultimate economic interest % |
|---|---|---|---|---|---|---|
| SSC Global Business Services Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| Stock Exchange (Holdings) Limited(The) | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| SwapAgent Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| Swapclear Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| The London Clearing House Limited | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| London Produce Clearing House Limited (The) | England and Wales | Aldgate House, 33 Aldgate High Street, London, England and Wales, EC3N 1EA | Ordinary | Indirect (group interest) | 100 | 82.61 |
| The London Stock Exchange Retirement Plan Trustee Company Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| The Yield Book, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Common | Indirect (group interest) | 100 | 100 |
| Turquoise Global Holdings Europe B.V. | Netherlands | 679, Keizersgracht, Amsterdam, 1017DV, Netherlands | Ordinary | Indirect (group interest) | 100 | 51.36 |
| Turquoise Global Holdings Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary A | Indirect (group interest) | 100 | 51.36 |
| | | | Ordinary B | – | – | – |
| Turquoise Global Holdings US, Inc. | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Ordinary | Indirect (group interest) | 100 | 51.36 |
| Turquoise SwapMatch Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary A | Indirect (group interest) | 100 | 51.36 |
| | | | Ordinary B | | 100 | – |
| Unavista Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary | Indirect (group interest) | 100 | 100 |
| UnaVista TRADEcho B.V. | Netherlands | 679, Keizersgracht, Amsterdam, 1017DV, Netherlands | Ordinary | Indirect (group interest) | 100 | 100 |
| Yield Book Software BRE LLC | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect (group interest) | 100 | 100 |
| Yield Book Tangible Property BRE LLC | United States | c/o United Agent Group Inc. 3411 Silverside Road Tatnall Building #104, Wilmington, New Castle County, DE, 19810, United States | Member Interest | Indirect (group interest) | 100 | 100 |

The Group's associate undertakings were:

| Associate name | Country of incorporation | Registered office address | Identity of each class of share held in the subsidiary undertaking | Direct or indirect holding | Share ownership % held by the Parent Company | Group ultimate economic interest % |
|---|---|---|---|---|---|---|
| AcadiaSoft, Inc. | United States | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, 19801 United States | Convertible Preferred | Indirect (group interest) | 15.67 | 15.67 |
| Curve Global Limited | England and Wales | 10 Paternoster Square, London, England and Wales, EC4M 7LS | Ordinary A | Direct | 46.90 | 43.38 |
| | | | Ordinary B | – | – | – |
| MTS Associated Markets S.A. | Belgium | Rue des Comédiens, 16-22, 1000 Brussels, Belgium | Ordinary | Indirect (group interest) | 23.30 | 14.57 |
| The Hub Exchange Limited | England and Wales | 843 Finchley Road, London, England and Wales, NW11 8NA | Ordinary | Indirect (group interest) | 30.03 | 22.52 |

# ANNEX 2

## Refinitiv Historical Financial Information

The directors (the "**Directors**")
London Stock Exchange Group plc (the "**Company**")
10 Paternoster Square
London
United Kingdom
EC4M 7LS

23 March 2021

Dear Ladies and Gentlemen

**Refinitiv Parent Limited ("Refinitiv" and, together with its subsidiaries, the "Refinitiv Group")**

We report on the financial information of the Refinitiv Group for the years ended 31 December 2020, 31 December 2019, and 31 December 2018 set out in Annex 2 *(Refinitiv Historical Financial Information)* of this document (the "**Refinitiv Group Financial Information Table**").

This report is required by item 11.2.1 of Annex 7 to the PR Regulation and is given for the purpose of complying with that item and for no other purpose.

**Opinion on financial information**

In our opinion, the Refinitiv Group Financial Information Table gives, for the purposes of the prospectus dated 23 March 2021 (the "**Prospectus**") of the Company, a true and fair view of the state of affairs of the Refinitiv Group as at the dates stated and of its profits and losses, cash flows and statement of changes in equity for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 in accordance with the basis of preparation set out in note 1 to the Refinitiv Group Financial Information Table.

**Conclusions Relating to Going Concern**

We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Refinitiv Group Financial Information Table about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Refinitiv Group Financial Information Table and the Directors' identification of any material uncertainties to the Refinitiv Group's ability to continue as a going concern over a period of at least twelve months from the date of this Prospectus.

We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Refinitiv Group's ability to continue as a going concern.

**Responsibilities**

The Directors of the Company are responsible for preparing the Refinitiv Group Financial Information Table in accordance with the basis of preparation set out in note 1 to the Refinitiv Group Financial Information Table.

*PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH*
*T: +44 (0) 2075 835 000, F: +44 (0) 2072 124 652, www.pwc.co.uk*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

It is our responsibility to form an opinion on the Refinitiv Group Financial Information Table and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.5R(2)(f) of the Prospectus Regulation Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 7 to the PR Regulation, consenting to its inclusion in the Prospectus.

**Basis of Preparation**

The Refinitiv Group Financial Information Table has been prepared for inclusion in the Prospectus of the Company on the basis of the accounting policies set out in note 1 to the Refinitiv Group Financial Information Table.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Refinitiv Group Financial Information Table. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Declaration**

For the purposes of Prospectus Regulation Rule PRR 5.3.5R(2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report make no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 7 of the PR Regulation.

Yours faithfully

PricewaterhouseCoopers LLP

**PricewaterhouseCoopers LLP**
Chartered Accountants

# COMBINED INCOME STATEMENT

**For the year ended 31 December 2020**

| | Notes | Underlying US$m | Non-underlying US$m | Total US$m |
|---|---|---|---|---|
| Revenue | 4 | 6,513 | - | 6,513 |
| Cost of sales | | (978) | - | (978) |
| **Gross profit** | | **5,535** | **-** | **5,535** |
| Operating expenses before depreciation and amortisation | 5,7 | (2,809) | (532) | (3,341) |
| Share of profit after tax of associates | 12 | - | - | - |
| **Earnings before interest, tax, depreciation and amortisation** | | **2,726** | **(532)** | **2,194** |
| Depreciation and amortisation | 5,7 | (769) | (1,466) | (2,235) |
| **Operating loss** | | 1,957 | (1,998) | (41) |
| Finance income | 8 | 279 | - | 279 |
| Finance expense | 8 | (1,114) | - | (1,114) |
| **Loss before tax** | | **1,122** | **(1,998)** | **(876)** |
| **Taxation** | 7,9 | (491) | 433 | (58) |
| **Loss for the year** | | **631** | **(1,565)** | **(934)** |
| **Loss for the year attributable to:** | | | | |
| Refinitiv Holdings | | **494** | **(1,516)** | **(1,022)** |
| Non-controlling interests | | **137** | **(49)** | **88** |

# COMBINED INCOME STATEMENT

**For the year ended 31 December 2019**

| | Notes | Underlying US$m | Non-underlying US$m | Total US$m |
|---|---|---|---|---|
| Revenue | 4 | 6,250 | - | 6,250 |
| Cost of sales | | (956) | - | (956) |
| **Gross profit** | | **5,294** | **-** | **5,294** |
| Operating expenses before depreciation, amortisation and impairment | 5,7 | (2,976) | (426) | (3,402) |
| Share of profit after tax of associates | 12 | 2 | - | 2 |
| **Earnings before interest, tax, depreciation, amortisation and impairment** | | **2,320** | **(426)** | **1,894** |
| Depreciation, amortisation and impairment | 5,7 | (659) | (1,432) | (2,091) |
| **Operating loss** | | 1,661 | (1,858) | (197) |
| Finance income | 8 | 263 | - | 263 |
| Finance expense | 8 | (966) | - | (966) |
| **Loss before tax** | | **958** | **(1,858)** | **(900)** |
| **Taxation** | 7,9 | (243) | 403 | 160 |
| **Loss for the year** | | **715** | **(1,455)** | **(740)** |
| **Loss for the year attributable to:** | | | | |
| Refinitiv Holdings | | **600** | **(1,409)** | **(809)** |
| Non-controlling interests | | **115** | **(46)** | **69** |

# COMBINED INCOME STATEMENT

**For the year ended 31 December 2018**

| | Notes | Underlying US$m | Non-underlying US$m | Total US$m |
|---|---|---|---|---|
| Revenue | 4 | 6,205 | - | 6,205 |
| Cost of sales | | (870) | - | (870) |
| **Gross profit** | | **5,335** | **-** | **5,335** |
| Operating expenses before depreciation and amortisation | 5,7 | (3,268) | (472) | (3,740) |
| Share of profit after tax of associates | 12 | 1 | - | 1 |
| **Earnings before interest, tax, depreciation, and amortisation** | | **2,068** | **(472)** | **1,596** |
| Depreciation and amortisation | 5,7 | (555) | (600) | (1,155) |
| **Operating profit** | | **1,513** | **(1,072)** | **441** |
| Finance income | 8 | 51 | - | 51 |
| Finance expense | 8 | (238) | - | (238) |
| **Profit before tax** | | **1,326** | **(1,072)** | **254** |
| **Taxation** | 7,9 | (363) | 282 | (81) |
| **Profit for the year** | | **963** | **(790)** | **173** |
| **Profit for the year attributable to:** | | | | |
| Refinitiv Holdings/Thomson Reuters | | **864** | **(771)** | **93** |
| Non-controlling interests | | **99** | **(19)** | **80** |

# COMBINED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | For the years ended 31 December 2020 US$m | 2019 US$m | 2018 US$m |
|---|---|---|---|---|
| **(Loss)/profit for the financial year** | | **(934)** | **(740)** | **173** |
| **Other comprehensive (loss)/income:** | | | | |
| **Items that will not be subsequently reclassified to profit or loss:** | | | | |
| Defined benefit pension scheme remeasurement (loss)/gain | 15 | (8) | 14 | (85) |
| Income tax relating to these items | 9 | 1 | (1) | 14 |
| | | **(7)** | **13** | **(71)** |
| **Items that may be subsequently reclassified to profit or loss:** | | | | |
| Exchange gain/(loss) on translation of foreign operations, net of tax | | 347 | (18) | (262) |
| Gain/(loss) on cash flow hedges, net of tax | 16 | 1 | (32) | (36) |
| | | 348 | (50) | (298) |
| **Other comprehensive income/(loss), net of tax** | | **341** | **(37)** | **(369)** |
| **Total comprehensive loss for the financial year** | | **(593)** | **(777)** | **(196)** |
| **Total comprehensive (loss)/profit for the financial year:** | | | | |
| Attributable to Refinitiv Holdings/Thomson Reuters | | **(685)** | **(846)** | **(276)** |
| Attributable to non-controlling interests | | **92** | **69** | **80** |
| **Total comprehensive loss for the financial year** | | **(593)** | **(777)** | **(196)** |

# COMBINED BALANCE SHEET

| | Notes | As at 31 December | | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| | | US$m | US$m | US$m |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 10 | 944 | 1,018 | 476 |
| Intangible assets | 11 | 18,877 | 18,857 | 20,248 |
| Investment in associates | 12 | 10 | 12 | 7 |
| Deferred tax assets | 14 | 675 | 334 | 22 |
| Derivative financial instruments | 16 | 3 | 3 | 34 |
| Investments in financial assets | 16 | 28 | 4 | 5 |
| Retirement benefit asset | 15 | 550 | 508 | 438 |
| Trade and other receivables | 18 | 205 | 154 | 73 |
| | | **21,292** | **20,890** | **21,303** |
| **Current assets** | | | | |
| Trade and other receivables | 16, 18 | 696 | 827 | 1,059 |
| Derivative financial instruments | 16 | 12 | 17 | - |
| Current tax | 9 | 61 | 27 | - |
| Cash and cash equivalents | 16, 19 | 1,277 | 1,134 | 1,192 |
| | | **2,046** | **2,005** | **2,251** |
| **Total assets** | | **23,338** | **22,895** | **23,554** |
| | | | | |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 16, 20 | 1,328 | 1,452 | 1,517 |
| Contract liabilities | 21 | 109 | 96 | 119 |
| Derivative financial instruments | 16 | 158 | 15 | 4 |
| Current tax | 9 | 180 | 138 | 90 |
| Borrowings | 16, 22 | 440 | 88 | 91 |
| Provisions | 24 | 56 | 76 | 130 |
| | | **2,271** | **1,865** | **1,951** |
| **Non-current liabilities** | | | | |
| Borrowings | 16, 22 | 12,924 | 12,664 | 12,915 |
| Derivative financial instruments | 16 | 6 | 87 | 41 |
| Contract liabilities | 21 | 4 | 9 | 20 |
| Deferred tax liabilities | 14 | 300 | 321 | 757 |
| Retirement benefit obligations | 15 | 138 | 130 | 133 |
| Other non-current payables | 16,20 | 830 | 659 | 60 |
| Provisions | 24 | 78 | 72 | 74 |
| | | **14,280** | **13,942** | **14,000** |
| **Total liabilities** | | **16,551** | **15,807** | **15,951** |
| **Net assets** | | **6,787** | **7,088** | **7,603** |

# COMBINED BALANCE SHEET (CONTINUED)

| | | As at 31 December | | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| | Notes | US$m | US$m | US$m |
| **Net Parent Investment, other reserves and non-controlling interests** | | | | |
| Net Parent Investment | | 4,184 | 5,134 | 5,741 |
| Other reserves | | 201 | (136) | (99) |
| **Total Net Parent Investment** | | **4,385** | **4,998** | **5,642** |
| **Non-controlling interests** | 13 | **2,402** | **2,090** | **1,961** |
| **Total Net Parent Investment, other reserves and non-controlling interests** | | **6,787** | **7,088** | **7,603** |

# COMBINED CASH FLOW STATEMENT

| | Notes | For the years ended 31 December 2020 US$m | 2019 US$m | 2018 US$m |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Cash generated from operations | 25 | 2,232 | 1,852 | 1,737 |
| Interest paid | | (708) | (826) | (128) |
| Corporation tax paid | | (88) | (130) | (23) |
| Withholding tax paid | | - | - | (6) |
| **Net cash inflow from operating activities** | | **1,436** | **896** | **1,580** |
| **Cash flow from investing activities** | | | | |
| Purchase of property, plant and equipment | 10 | (125) | (194) | (160) |
| Purchase of intangible assets | 11 | (469) | (321) | (265) |
| Proceeds from sale of businesses | | - | - | 6 |
| Proceeds from disposals of property and equipment | 10 | 10 | 2 | - |
| Acquisition of businesses and investments | 27 | (805) | (70) | (16,626) |
| Other investing activities | | 1 | 1 | - |
| **Net cash outflow from investing activities** | | **(1,388)** | **(582)** | **(17,045)** |
| **Cash flow from financing activities** | | | | |
| Dividends paid to non-controlling interests | | (35) | (115) | (79) |
| Payroll taxes paid from share-based payment award exercises | | (76) | (9) | - |
| Arrangement fee paid | | (3) | (6) | - |
| Net transfers from Refinitiv Holdings/Thomson Reuters | | - | - | 3,301 |
| Proceeds from the issuance of debt, net | 23 | 600 | 8 | 13,472 |
| Proceeds from exercise of awards | | 101 | - | - |
| Principal element of lease payments | 25 | (146) | (139) | - |
| Repayment of term loans | 23 | (342) | (99) | - |
| Offering costs from follow-on offering | | (3) | (15) | - |
| Debt issuance costs | 23 | - | - | (413) |
| **Net cash inflow/(outflow) from financing activities** | | **96** | **(375)** | **16,281** |
| **Increase/(decrease) in cash and cash equivalents** | | **144** | **(61)** | **816** |
| Cash and cash equivalents at beginning of year | | 1,134 | 1,192 | 381 |
| Exchange (loss)/gain on cash and cash equivalents | | (1) | 3 | (5) |
| **Cash and cash equivalents at end of year** | | **1,277** | **1,134** | **1,192** |
| **Supplemental cash flow information:** | | | | |
| Income taxes settled by Net Parent Investment | | - | - | 197 |
| Non-cash transfer of net assets included in Net Parent Investment | | - | - | (19) |

# COMBINED STATEMENT OF CHANGES IN NET PARENT INVESTMENT

| | Other reserves | Net Parent Investment | Non-controlling interests | Total |
|---|---|---|---|---|
| | US$m | US$m | US$m | US$m |
| **1 January 2018** | **(2,666)** | **15,140** | **497** | **12,971** |
| Profit for the year | - | 93 | 80 | 173 |
| Other comprehensive loss for the year | (369) | - | - | (369) |
| Net transfers from Refinitiv Holdings | - | 6,268 | - | 6,268 |
| Acquisition of businesses with non-controlling interests | - | - | 1,954 | 1,954 |
| Dividends paid to non-controlling interests | - | - | (79) | (79) |
| Other | - | 19 | 16 | 35 |
| Changes in ownership interests related to the 2018 Transaction (Note 1) | 2,936 | (15,779) | (507) | (13,350) |
| **31 December 2018** | **(99)** | **5,741** | **1,961** | **7,603** |
| Impact of adopting IFRS 16 | - | (1) | - | (1) |
| **1 January 2019** | **(99)** | **5,740** | **1,961** | **7,602** |
| (Loss)/profit for the year | - | (809) | 69 | (740) |
| Other comprehensive loss for the year | (37) | - | - | (37) |
| Share-based compensation | - | 53 | 50 | 103 |
| Payroll taxes on awards | - | - | (9) | (9) |
| Dividends paid to non-controlling interests | - | - | (115) | (115) |
| Tradeweb reorganisation | - | 70 | 102 | 172 |
| Other | - | 80 | 32 | 112 |
| **31 December 2019** | **(136)** | **5,134** | **2,090** | **7,088** |
| (Loss)/profit for the year | - | (1,022) | 88 | (934) |
| Other comprehensive income for the year | 337 | - | 4 | 341 |
| Share-based compensation | - | 36 | 39 | 75 |
| Payroll taxes on awards | - | - | (76) | (76) |
| Dividends paid to non-controlling interests | - | - | (35) | (35) |
| Tradeweb reorganisation | - | 183 | 35 | 218 |
| Adjustment to non-controlling interests | - | (151) | 251 | 100 |
| Other | - | 4 | 6 | 10 |
| **31 December 2020** | **201** | **4,184** | **2,402** | **6,787** |

The notes on pages 10 to 74 form an integral part of this combined historical financial information.

Changes within Net Parent Investment and non-controlling interests attributable to the Tradeweb reorganization primarily relate to the Tax Receivable Agreement liability and deferred taxes arising from exchanges of shares of Tradeweb Markets LLC – refer to Note 13 for further details. The adjustment to non-controlling interests relates to the remeasurement of non-controlling interests at year-end to reflect Refinitiv's ownership interest.

**Other reserves comprise the following:**

Foreign exchange translation reserve of US$307 million gain (31 December 2019: US$36 million (loss); 31 December 2018: US$18 million (loss)), a reserve reflecting the impact of foreign currency changes on the translation of foreign operations.

Hedging reserve of US$67 million (loss) (31 December 2019: US$68 million (loss); 31 December 2018: US$36 million

(loss)), a reserve representing the cumulative fair value adjustment recognised in respect of cash flow hedges undertaken in accordance with hedge accounting principles.

Pension related accumulated other comprehensive loss of US$39 million (31 December 2019: US$32 million loss; 31 December 2018: US$45 million loss), a reserve representing the cumulative adjustment recognised in respect of pensions.

# NOTES TO THE COMBINED HISTORICAL FINANCIAL INFORMATION

## 1. Basis of preparation and accounting policies

### General business description

On 30 January 2018, Thomson Reuters and Refinitiv Holdings (an exempted company controlled by certain investment funds affiliated with Blackstone) entered into the Prior Transaction Agreement in respect of the 2018 Transaction, pursuant to which Refinitiv Holdings would acquire all of the equity interests of certain specified entities and assets and liabilities that are primarily related to the Thomson Reuters Financial & Risk Business, and Thomson Reuters would indirectly acquire a 45 per cent. interest in Refinitiv Holdings.

The 2018 Transaction closed on the 2018 Transaction Closing Date (being 1 October 2018). Refinitiv Holdings contributed its investment in the Thomson Reuters Financial & Risk Business to Refinitiv Parent, a direct wholly owned subsidiary of Refinitiv Holdings. Prior to the 2018 Transaction Closing Date, references to “Refinitiv” within this combined historical financial information refer to the Thomson Reuters Financial & Risk Business, while references to “Refinitiv” on or after the 2018 Transaction Closing Date refer to Refinitiv Parent and its subsidiaries which together are operating under the brand name “Refinitiv”.

Refinitiv Parent was incorporated on 21 March 2018 and has a registered address of 190 Elgin Avenue, George Town, Grand Cayman, KY1 9005, Cayman Islands.

*Nature of operations*

Refinitiv is a leading global provider of market and financial data and infrastructure, delivering data, insight and analytics tailored to strategic workflows across its four core customer communities: trading professionals, investment and advisory, wealth and risk and compliance management. Refinitiv serves over 40,000 customer institutions and 400,000 end users across approximately 190 countries including buy and sell-side firms, market infrastructure companies, governments, financial technology firms and corporations. The Refinitiv Data Platform and Workspace business unit provides access to feeds, data management solutions, analytics and value-add services across its clients’ end-to-end businesses processes. Refinitiv’s Venues and Transactions business unit includes the Matching and FXall trading platforms and the Tradeweb fixed income trading platform (in which Refinitiv owns a majority interest), among others. It also includes trading workflow solutions including multi-asset class execution management systems and order management systems and portfolio analytics. Refinitiv’s Risk business unit includes the World-Check suite of products containing over four million records, serving the compliance and regulatory needs of customers, in particular screening and KYC compliance, client on-boarding and other financial crime risk management programs.

### Basis of preparation

Other than as set out below, the combined historical financial information has been prepared in accordance with IFRS as adopted by the EU for inclusion in the offering memorandum of LSEG plc on the basis of the accounting policies consistent with those adopted by LSEG plc in its financial information for the financial year ended 31 December 2020. The accounting policies applied are set out below. The accounting policies have been consistently applied to all periods presented, unless otherwise stated.

Due to a change in the capital structure of Refinitiv Holdings on the 2018 Transaction Closing Date, the historical financial information is prepared on a combined basis which reflects the following:

***(i) As of and for the year ended 31 December 2020,*** the combined financial information of Refinitiv, which includes certain costs borne by Refinitiv Holdings, namely share-based compensation expense of approximately US$13 million;

***(ii) As of and for the year ended 31 December 2019,*** the combined financial information of Refinitiv, which includes certain costs borne by Refinitiv Holdings, namely share-based compensation expense of approximately US$18 million; and

***(iii) As of and for the year ended 31 December 2018,*** the combined financial information of the Thomson Reuters Financial & Risk Business for the period from 1 January 2018 to 30 September 2018 and the combined financial information of Refinitiv for the period from the 2018 Transaction Closing Date to 31 December 2018, which includes certain costs borne by Refinitiv Holdings, namely transaction costs of approximately US$79 million and the revaluation of 2018 Transaction related foreign exchange and interest rate swaps (gain of approximately US$30 million).

IFRS does not provide for the preparation of combined financial information. Accordingly, in preparing the combined historical financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars, as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board, have been applied.

This combined historical financial information is prepared on a going concern basis and under the historical cost

convention, as modified for the impact of acquisition accounting and the revaluation of certain financial instruments. Specifically, for periods prior to the 2018 Transaction Closing Date, the combined historical financial information has been derived from the accounting records of Thomson Reuters using the historical statements of income and the historical bases of assets and liabilities of the Thomson Reuters Financial & Risk Business.

Certain of the comparative financial information has been updated to conform to the current year presentation.

The combined historical financial information is presented in millions of US dollars ("**US$**") except when otherwise indicated. References to "**£**" are to British pound sterling. Average and year-end closing translation rates from Refinitiv's Treasury system for principal overseas currencies are as follows:

| | **Year ended 31 December** | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| **Spot rates** | | | |
| EUR to USD | 1.22 | 1.12 | 1.14 |
| GBP to USD | 1.37 | 1.32 | 1.27 |
| **Average rates** | | | |
| EUR to USD | 1.14 | 1.12 | 1.18 |
| GBP to USD | 1.28 | 1.28 | 1.34 |

As it relates to combined historical financial information derived from the accounting records of Thomson Reuters, the principal methodology underlying the combined historical financial information for the nine months ended 30 September 2018 includes the following:

- The combined income statement includes all revenues and costs directly attributable to Refinitiv as well as an allocation of expenses from Thomson Reuters related to centralised facilities, technology functions, and administrative services. Thomson Reuters allocated these costs to Refinitiv using methodologies that are considered to be appropriate and reasonable, including a pro rata basis of revenue, salaries and wages, or head count. In addition, Thomson Reuters provides editorial content which is featured in Refinitiv's products. The cost of such content is included in "Operating expenses" in the combined income statement and has been derived using Thomson Reuters' best estimate of costs to produce the content. Such amounts are not necessarily representative of costs that would have been incurred if Refinitiv had operated independently of Thomson Reuters.
- The combined balance sheet includes the attribution of certain assets and liabilities that have historically been held at the corporate level by Thomson Reuters, but which are specifically identifiable or attributable to Refinitiv. Thomson Reuters' cash management and financing activities are centralised. Accordingly, no cash, cash equivalents, marketable securities, debt, or related interest expense have been allocated, except for certain cash accounts that were retained by the businesses because they were not available for general use by Thomson Reuters.
- "Net Parent Investment" is shown in lieu of shareholders' equity in the combined balance sheet because a direct ownership relationship did not exist. Current assets and current liabilities associated with allocations of costs from Thomson Reuters and affiliates are recorded within "Net Parent Investment".
- Transactions between Thomson Reuters and Refinitiv are considered to be effectively settled in cash at the time the transaction is recorded. The net effect of the settlement of these intercompany transactions is reflected in the combined statement of cash flows as a financing activity.
- The combined historical financial information includes the attribution of current and deferred income taxes of Thomson Reuters in a manner that is systematic, rational, and consistent with the asset and liability method. Accordingly, the income tax provision has been prepared following the "separate return method", which computes income tax balances of each member of the consolidated group as if the group member was a separate taxpayer and a stand-alone enterprise. As a result, actual tax transactions included in Thomson Reuters' consolidated financial statements may not have been included in the combined historical financial information. Similarly, the tax treatment of certain items reflected in the combined historical financial information may not be reflected in Thomson Reuters' consolidated financial statements and tax returns. Therefore, items such as net operating losses, credit carry forwards, and derecognition of deferred tax assets may exist in the combined historical financial information that may or may not exist in Thomson Reuters' consolidated financial statements.

**Going concern**

This historical financial information has been prepared on the going concern basis, which contemplates the continuity of business activity and the realisation of assets and the settlement of liabilities in the normal course of business, taking into

account the Directors' assessment of the financial and trading effects of COVID-19.

After making appropriate enquiries, the Directors have a reasonable expectation that Refinitiv has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of this historical financial information. For these reasons the Directors continue to adopt the going concern basis in preparing Refinitiv's combined historical financial information.

The cash flow projections are the sole responsibility of the Directors based upon their present plans, expectations and intentions. In this context, the Directors have prepared and considered cash flow projections for Refinitiv for a period extending one year from the date of approval of this historical financial information. Based on these cash flows, and having regard to the provision of the debt facilities as described in Note 22 to this historical financial information, the Directors are satisfied that Refinitiv is able to meet its liabilities as and when they fall due for the foreseeable future and for a minimum period of twelve months from the date of this combined historical financial information.

*COVID-19*

The ongoing impact of COVID-19 on Refinitiv has been considered in the preparation of this historical financial information. The Directors have reviewed liquidity and covenant forecasts, regulatory capital, and critical accounting estimates and judgements. 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 Refinitiv remains confident about its long-term future performance but remains vigilant in monitoring day to day changes as the global situation evolves.

**Recent accounting developments**

The following major standards and amendments have been issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC") and endorsed by the EU and were adopted in this combined historical financial information effective 1 January 2020:

a) Amendments to References to the Conceptual Framework in IFRS Standards

b) Amendments to IFRS 3, "Business Combinations": Definition of a Business

c) Amendments to IAS 1, "Presentation of Financial Statements" and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of Material

d) Amendments to IFRS 9, "Financial Instruments", IAS 39, "Financial Instruments: Recognition and Measurement" & IFRS 7, "Financial Instruments: Disclosures": Interest Rate Benchmark Reform

The adoption of these amendments did not have a material effect on Refinitiv's results.

The following standards and interpretations have been issued by the IASB and IFRIC, but have not been adopted either because they were not endorsed by the EU at 31 December 2020 or they are not yet mandatory and Refinitiv has not chosen to early adopt. Refinitiv plans to adopt these standards and interpretations when they become effective. The impact on Refinitiv's combined historical financial information of the future standards, amendments and interpretations is still under review but these are not expected to have a material effect on Refinitiv.

| International accounting standards and interpretations | Effective date |
|---|---|
| IFRS 17, "Insurance Contracts" | 1 January 2023 |

**Accounting policies**

***Income Statement***

*Revenue*

The main source of Refinitiv's revenue is from selling information, software and services. Revenue is measured based on the consideration specified in a contract with a customer. Amounts deducted from revenue relate to discounts, value added tax, and other sales related taxes.

Refinitiv recognises revenue when control of Refinitiv's products or services is transferred to customers. Further details of Refinitiv's revenue accounting policy are set out below:

| | |
|---|---|
| **Recurring Revenue** | Recurring revenues, which represent a majority of Refinitiv's revenues, primarily consist of fees to access products or services delivered electronically over time that include desktop services, such as Eikon, and non-desktop services, such as Elektron. These products are generally provided under one-year initial subscription arrangements, which most customers renew at the |

| | |
|---|---|
| | end of each subscription term for an annual term.<br><br>Recurring revenue is generally recognised on a ratable basis over the contract term as this is the time period that the customer can use and benefit from the service. Recurring revenue also includes fees from software maintenance arrangements that are recognised over the maintenance period. Arrangements are generally billed annually, or quarterly, in advance. |
| **Recoveries Revenue** | Recoveries revenue consists of fees for third-party content, such as exchange data that is distributed directly to customers, and communications fees. Recoveries revenue is generally recognised on a ratable basis over the contract term.<br><br>The contract terms and billing arrangements for Recoveries are similar to Recurring revenue. |
| **Transactions Revenue** | Transactions revenues are recognised primarily at a point in time based on their type, as follows:<br><br>• Volume-based fees related to fixed income trading venues, currency trading venues and brokerage processing solutions are recognised based on usage;<br><br>• Fees from software licenses with no future obligations are recognised at the point of delivery, which is when the software is available to consume the license; and<br><br>• Professional fees from service and consulting arrangements are recognised as services are performed, generally based on hours incurred relative to total hours expected to be incurred, reflecting the continuous transfer of control to the customer.<br><br>Transactions revenue is generally billed in arrears on a monthly or quarterly basis. |

Refinitiv also considers the following:

Multiple performance obligations

Certain customer contracts include multiple products and services, which are accounted for as separate performance obligations when they are distinct. A product or service is distinct if a customer can benefit from it either on its own or with other readily available resources, and the promise to transfer the good or service is separately identifiable in the contract. In making the determination, management considers whether Refinitiv regularly sells a good or service separately and whether the goods or services are highly interrelated. The transaction price is allocated to the separate performance obligations based on the relative standalone selling price.

Refinitiv typically has more than one standalone selling price for individual products and services due to the stratification of its offerings by customer. As a result, management determines the standalone selling price by considering market conditions and other factors, including the value of its contracts, the product or service sold, the customer's market, geographic location, and the number and types of users in each contract.

A series of distinct goods or services is accounted for as a single performance obligation if the items in the series are substantially the same, have the same pattern of transfer and: (1) each distinct item in the series represents a performance obligation that would be satisfied over time, and (2) the measure to satisfy the performance obligation for each distinct item in the series is the same.

Certain Transactions revenue arrangements include installation or implementation services. If these services are distinct, consideration is allocated to them and revenue is recognised as the services are performed.

Sales involving third parties

Revenue from sales of third-party content or services delivered by Refinitiv is recorded on a gross basis as Refinitiv is the principal to these transactions because it supports the delivery of the service and generally has pricing discretion.

As permitted by the practical expedient in IFRS 15, Refinitiv does not adjust the promised amount of consideration for the effects of significant financing components in contracts where Refinitiv expects, at contract inception, the period between the transfer of a promised good or service to a customer and when the customer pays for that service to be one year or less.

*Cost of sales*

Cost of sales relate to the production and servicing of Refinitiv's offerings, including the production and maintenance of data, third-party content fees, exchange fees, production and distribution costs, and royalty fees.

*Contract costs*

Incremental costs of obtaining a customer contract, such as sales commissions paid to employees, are recognised as an intangible asset if the benefit of such costs is expected to be longer than one year. The associated asset is amortised

over a period consistent with the transfer to the customer of the products and services under the contract and is presented as an intangible asset on the balance sheet. Refinitiv amortises the contract costs over the period from which a customer benefits from existing software technology supporting the underlying product or service.

Refinitiv also applies the practical expedient in IFRS 15 to recognise the incremental cost of obtaining a contract as an expense when incurred, if the amortisation period is one year or less.

*Non-underlying items*

Items of income and expense that are material by size and/or nature and are not considered to be incurred in the normal course of business are classified as non-underlying items on the face of the income statement within their relevant category. The separate reporting of these items together with amortisation of purchased intangible assets helps give an indication of Refinitiv's sustainable performance. Non-underlying items are disclosed in Note 7.

*Pension costs*

Refinitiv operates defined benefit and defined contribution pension schemes. For the defined benefit schemes the service cost, representing benefits accruing to employees, is included as an operating expense. The interest cost and expected return on plan assets is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of comprehensive income. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is charged to the income statement as incurred.

*Share-based compensation*

Prior to the 2018 Transaction Closing Date, Thomson Reuters maintained certain share-based compensation plans under which it received services from employees as consideration for its equity instruments. The share-based compensation expense was based on the grant-date fair value and was recognised over the requisite service period. Where Refinitiv's employees participated in the plans, the allocated costs were included in the income statement. Total share-based compensation expense for the year ended 31 December 2018 was US$23 million.

On the 2018 Transaction Closing Date, Refinitiv granted time-based and performance-based Class C and D shares to certain employees under a Management Incentive Plan (the "MIP"). The share-based compensation expense for the time-based shares was based on the grant-date fair value and is recognised as services are rendered by the employees, with accelerated vesting for a change of control event that is considered probable. The share-based compensation expense for the performance-based shares is dependent on the probability at each reporting date of a triggering event occurring. During the second half of 2019, certain amendments were made to the MIP. As these amendments are largely contingent upon Completion, there was no impact on share-based compensation expense recognised for the years ended 31 December 2020 and 2019. Total share-based compensation expense for MIP awards amounted to US$36 million, US$53 million and US$4 million for the years ended 31 December 2020, 2019 and 2018, respectively. There were 4,360,263 Class C and D shares outstanding at 31 December 2020 and 31 December 2019, with a weighted average grant date fair value of $21.96. A Monte Carlo Simulation was used to determine the fair value of the Class C and D shares.

Refinitiv's majority owned subsidiary, Tradeweb, is authorised to issue up to 8,841,864 new shares of Class A common stock under an Omnibus Equity Plan. Under this plan, Tradeweb may grant awards in respect of shares of Class A common stock, including performance-based restricted share units ("PRSUs"), stock options, restricted stock units ("RSUs") and dividend equivalent rights. The awards may have performance-based and time-based vesting conditions. Stock options have a maximum contractual term of 10 years.

Share-based compensation expense is based on the grant-date fair value and the expense is recognised over the vesting period, which is the period over which the specified time-based and performance-based vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognised over its respective vesting period. For awards with performance-based vesting, the expense is recognised to the extent the performance metrics are met or deemed probable.

Awards issued by Tradeweb largely consist of equity-settled PRSUs and stock options. For equity-settled PRSUs, fair value is determined on the grant date using the stock price of Tradeweb's Class A common stock. The number of shares a participant receives upon vesting is determined in part based on a performance modifier, which is adjusted in accordance with Tradeweb's financial performance in the grant year. For the years ended 31 December 2020 and 2019, 360,609 and 781,026 equity-settled PRSUs were granted, respectively, with weighted average grant date fair values of $38.87 and $21.08, respectively. Share-based compensation expense for equity-settled PRSUs amounted to US$28 million and US$25 million for the years ended 31 December 2020 and 2019, respectively.

Tradeweb has granted options with a four-year graded vesting schedule, with one half of the awards vesting based on the passage of the time (with accelerated vesting for certain time-based options with vesting dates of 1 January 2021 and 2022 upon the completion of an initial public offering) and the other half vesting if certain performance targets are achieved.

Option fair values are calculated on the grant date using the Black-Scholes model. Share-based compensation expense for options amounted to US$6 million and US$24 million for the years ended 31 December 2020 and 2019, respectively.

*Foreign currencies*

The combined historical financial information is presented in US Dollars, which is Refinitiv's presentation currency. Foreign currency transactions are converted into the functional currency of the reporting entity using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for differences arising on pension fund assets or liabilities which are recognised in other comprehensive income.

The results and financial position of all Refinitiv entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

a) assets and liabilities including goodwill, purchased intangible assets and fair value adjustments are converted at the closing balance sheet rate;
b) income and expenses are translated and recorded in the income statement at the average rate for the period; and
c) all resulting exchange differences are recognised as a separate component of equity

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

*Finance income and expense*

Finance income and expense comprise interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the financial period, and calculated using the effective interest rate method.

Recurring fees and charges levied on committed bank facilities, the cash management transactions, and the payment services provided by Refinitiv's banks, are charged to the income statement as accrued. Credit facility arrangement fees are capitalised and then amortised back to the income statement over the term of the facility subject to projected utilisation. Fees and charges are included within other finance costs.

Fair value gains and losses on financial instruments include the movement in the market valuations of derivative instruments not held as cash flow hedges.

***Balance Sheet***

*Property, plant and equipment*

Property, plant and equipment are included in the combined historical financial information at cost less accumulated depreciation and any provision for impairment.

Computer hardware, buildings and building improvements, and furniture, fixtures and equipment are depreciated to residual value on a straight line basis over the estimated useful economic lives of the assets which are as follows:

a) Computer hardware – 3 to 5 years;
b) Buildings and building improvements – 10 to 40 years; and
c) Furniture, fixtures and equipment – 5 to 7 years.

Leasehold improvements are included at cost and depreciated to residual value over the shorter of the period of the lease or the useful economic life of the asset.

*Leases*

Refinitiv adopted IFRS 16 on 1 January 2019 and adopted the following accounting policies in respect of leased assets:

Right-of-use assets

Refinitiv recognises a right-of-use asset where Refinitiv has control of an asset for a period of more than 12 months. Assets are recorded initially at cost and depreciated on a straight line basis over the shorter of the lease term and the estimated useful life. Cost is defined as the lease liabilities recognised, plus any initial costs and dilapidations provisions less any lease incentives received. The lease term is the non-cancellable term plus any optional extensions or less any reductions due to break clauses that in the judgement of management are likely to be exercised.

Lease liabilities

Lease liabilities are recognised at the net present value of the future payments to be made over the lease term at the commencement of a lease. Where a lease includes a break clause or extension option, management use their best estimate on the likely outcome on a lease by lease basis. The net present value is determined using the incremental

borrowing rate of the leasing entity. Lease payments due within the next 12 months are recognised within “Trade and other payables”; payments due after 12 months are recognised within “Other non-current payables”.

Short-term leases

Rental costs for leased assets that are for less than 12 months are recognised directly in the income statement on a straight-line basis over the term of the lease.

Prior to the adoption of IFRS 16, Refinitiv applied the following accounting policies in respect of leased assets:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis. Lease incentives are spread over the term of the lease.

*Intangible assets*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include trade names, customer relationships, databases and content, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight-line basis over their useful economic lives. Prior to the 2018 Transaction Closing Date, useful lives were as follows:

a) Customer relationships – 3 to 25 years;
b) Trade names – 2 to 25 years; and
c) Databases, content and other – 3 to 30 years; and
d) Software and contract costs – 2 to 30 years.

Post the 2018 Transaction Closing Date, useful lives are:

a) Customer relationships – 12 to 15 years;
b) Trade names – 15 to 25 years; and
c) Databases, content and other – 5 to 25 years; and
d) Software – 2 to 10 years.

The useful economic lives are based on management’s best estimates such as attrition rates on customer relationships, product upgrade cycles for software and technology assets, market participant perspective for brands, and pace of change of regulation for business.

Third-party software costs for the development and implementation of systems which enhance the services provided by Refinitiv are capitalised and amortised over their estimated useful economic life of 3 years.

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and Refinitiv has sufficient resources to complete the development and to use or sell the asset. The assets are recorded at cost including labour, directly attributable costs and any third-party expenses, and amortised over their useful economic life of 3 years.

Intangible assets are assessed for any indicators of impairment at each balance sheet date. Where indicators of impairment for a particular intangible asset are identified, a full impairment assessment is performed, with any diminution in value recognised in the income statement.

*Investment in associates*

An associate is a company over which Refinitiv has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the company, but is not control nor joint control over those policies. Refinitiv’s investments in associates are accounted for using the equity method.

Under the equity method, investments are initially recognised at cost and adjusted thereafter to recognise Refinitiv’s share of the post-acquisition profits or losses and, if applicable, Refinitiv’s share of movements in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

*Current and non-current classification*

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised within one year from the reporting date or intended for trade or consumption and realised in the course of Refinitiv’s operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of

Refinitiv's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

*Current and deferred taxation*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Refinitiv operates and generates taxable income.

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined historical financial information. Deferred taxation is determined using tax rates that are substantively enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled. Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

*Financial instruments*

On 1 January 2018, Refinitiv adopted IFRS 9, 'Financial Instruments', however, Refinitiv has elected to continue to apply hedge accounting under IAS 39.

Refinitiv classifies its financial instruments as fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) or amortised cost. The classification depends on Refinitiv's business model for managing its financial instruments and whether the cash flows generated are 'solely payments of principal and interest' (SPPI).

Initial recognition:

- *Financial assets at amortised cost* are financial assets that are held in order to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Refinitiv's cash and cash equivalents and trade and other receivables fall within this category.
- *Financial assets at fair value through other comprehensive income (FVOCI)* are assets where the objective is achieved by both collecting the contractual cash flows or selling the asset. The contractual cash flows received are solely payments of principal and interest. This category includes investments in financial assets which are used under the business model to both collect the contractual cash flows and also to sell. Any profit or loss recognised in other comprehensive income on debt instruments is recycled to the income statement if the asset is sold. Any profit or loss on an equity investment remains in other comprehensive income and is not recycled to the income statement.
- *Financial assets at fair value through profit or loss (FVPL)* include all other financial assets not classified as amortised cost or FVOCI. This includes derivatives. There is no change on the previous treatment for these instruments.
- *Financial liabilities at fair value through profit or loss (FVPL)* are liabilities that must be held at fair value. This includes derivatives.
- *Financial liabilities at amortised cost* are all financial liabilities that are not included within financial liabilities at FVPL. This comprises Refinitiv's trade and other payables, borrowings and other payables.

Subsequent measurement:

Refinitiv adopts a forward-looking approach to estimate impairment losses on financial assets. An expected credit loss (ECL) is calculated based on the difference between the contractual cash flows due and the expected cash flows. The difference is discounted at the asset's original effective interest rate and recognised as an allowance against the original value of the asset.

- The ECL for trade receivables and cash and cash equivalents is calculated using IFRS 9's simplified approach using lifetime ECL. The allowance is based on Refinitiv's historic experience of collection rates, adjusted for forward-looking factors specific to each counterparty and the economic environment at large to create an expected loss matrix.
- For financial assets held at FVOCI, Refinitiv's policy is to calculate a 12 month ECL on these assets. If there is a significant increase in credit risk, then a lifetime ECL will be calculated. A significant increase in credit risk is considered to have occurred when contractual payments are more than 30 days past due.
- The ECL for financial assets held at amortised cost is measured using the general approach. Refinitiv calculates an allowance based on the 12 month ECL at each reporting date until there is a significant increase in the financial instrument's credit risk, at which point Refinitiv will calculate a loss allowance based on the lifetime ECL, as described above for FVOCI assets.
- No ECL is calculated for assets held at FVPL as any expected loss is already recognised in the fair value.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits, and investments with an original maturity at the date of purchase of three months or less.

*Fair value measurement*

All assets and liabilities for which fair value is measured are categorised within the fair value hierarchy which is described in detail in Note 16.

For assets and liabilities that are recognised at fair value on a recurring basis, Refinitiv determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at each balance sheet date.

*Derivative financial instruments and hedging activities*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

Refinitiv has embedded foreign currency derivatives primarily in certain revenue contracts where the currency of the contract is different from the functional or local currencies of the parties involved. Refinitiv records these derivative instruments at fair value in the balance sheet as either assets or liabilities. Changes in the fair value of derivative instruments are recognised in the income statement, netted against revenue.

Refinitiv also uses foreign exchange contracts to manage foreign currency risk on cash flow excluding indebtedness. Specifically, Refinitiv mitigates such exposure by entering into a series of exchange contracts to purchase or sell certain currencies in the future at fixed amounts. Refinitiv records these derivative instruments at fair value in the balance sheet as either assets or liabilities.

Refinitiv designates hedges of interest rate movements associated with highly probable forecast transactions as cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity.

In order to qualify for hedge accounting, a transaction must meet strict criteria as regards documentation, effectiveness, probability of occurrence, and reliability of measurement. Refinitiv documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. The ineffective portion is recognised in the income statement within finance costs.

Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in other comprehensive income and is recycled to the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

*Trade and other receivables*

Trade receivables are initially recognised at fair value and subsequently at amortised cost, less any loss allowance. Refinitiv's approach to calculating credit loss allowances is described above within the financial instruments policy.

Recoveries of amounts previously written off are credited in the income statement.

Other receivables are initially recognised at fair value and subsequently at amortised cost, less any loss allowance as described above.

*Contract liabilities*

Revenue relating to future periods is classified as a contract liability on the balance sheet to reflect Refinitiv's obligation to transfer goods or services to a customer for which it has received consideration, or an amount of consideration is due, from the customer.

Contract liabilities are amortised and recognised as revenue in the income statement over period the services are rendered.

*Borrowings*

Borrowings are initially recorded at the fair value of amounts received, net of direct issue costs and transaction costs (including upfront facility fees). Subsequently, these liabilities are carried at amortised cost, and interest is charged to the income statement over the period of the borrowings using the effective interest rate method. Similarly, direct issue costs and transaction costs (including upfront facility fees) are charged to the income statement over the period of the borrowings

using the effective interest rate method.

*Provisions*

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, i.e. the present value of the amount that Refinitiv would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third-party.

All provisions are discounted where the time value of money is considered material. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

*Dividend distributions*

Dividend distributions are recognised as a liability in Refinitiv's combined historical financial information in the period in which the dividends are approved by Refinitiv Holdings' shareholders.

*Net Parent Investment*

Prior to the 2018 Transaction Closing Date, the Net Parent Investment represents Thomson Reuters' historical investment in Refinitiv, accumulated net earnings after taxes, and the net effect of transactions with Thomson Reuters. Post the 2018 Transaction Closing Date, the Net Parent Investment represents Refinitiv Holdings' contribution of its investment in the Thomson Reuters Financial & Risk Business to Refinitiv Parent, accumulated net earnings after taxes and certain of Refinitiv Holdings' activity related to transaction costs, foreign exchange and interest rate swaps and share-based compensation expense.

## 2. Financial risk management

Refinitiv seeks to protect its financial performance and the value of its business from exposure to capital, credit, concentration, liquidity, and market (including foreign exchange, cash flow and fair value interest rate) risks.

Refinitiv's financial risk management approach is not speculative and adopts a "three lines of defence" model. It is performed both at a Refinitiv level, where the treasury function identifies, evaluates, and hedges financial risks from a Refinitiv perspective and also locally, where operating units manage their regulatory and operational risks.

The UK's exit from the EU ("Brexit") leaves significant uncertainty concerning the political and regulatory environment, the UK's future relationship with the EU, and the overall impact on the UK and EU economies both in the short and medium term. As part of a structured Brexit programme formed by Refinitiv, it continues to engage with UK and EU Brexit policy leads on financial market infrastructure considerations. Refinitiv's key objectives are: (i) continued access for clients to its trading venues; (ii) providing continuity of cross-border financial services; and (iii) planning for potential changes in the EU BMR regime. Refinitiv continues to maintain an ongoing dialogue with the UK, the EU and other authorities with respect to Brexit.

**Capital risk**

<table>
<tr><th>Risk description</th><th>Risk management approach</th></tr>
<tr><td>Refinitiv's capital base comprises equity and debt capital.<br><br>Refinitiv recognises the risk that its entities may not maintain sufficient capital to meet their obligations or they may make investments that fail to generate a positive or value enhancing return.<br><br>Refinitiv considers that:<br><br>a) negative yields on its investments of cash, or<br>b) a scarcity of debt or equity (driven by its own performance or financial market conditions)</td><td>Refinitiv focuses upon its overall cost of capital as it seeks, within the scope of its risk appetite, to provide superior returns to its shareholders and fulfil its obligations to the relevant regulatory authorities and other stakeholders. Maintaining access to capital and flexibility to invest for growth is a key management consideration.<br><br>A summary of Refinitiv's capital structure is presented below:
<table>
<tr><th></th><th>31 December 2020</th><th>31 December 2019</th><th>31 December 2018</th></tr>
<tr><th>Book value of capital</th><th>US$m</th><th>US$m</th><th>US$m</th></tr>
<tr><td>Total Net Parent Investment</td><td>4,385</td><td>4,998</td><td>5,642</td></tr>
<tr><td>Refinitiv debt</td><td>13,364</td><td>12,752</td><td>13,006</td></tr>
</table>
Refinitiv invests in opportunities in our portfolio of products and services that we believe have the highest potential for strategic growth. We have made significant investments designed to improve and enhance the functionality and performance of a number of our existing flagship products, as well as enhanced the reliability and resiliency of the technology infrastructure that we use to deliver products and services.</td></tr>
</table>

| | |
|---|---|
| either separately or in combination are the principal risks to managing its capital. | We believe that capital held by Refinitiv companies is sufficient to comfortably support current regulatory frameworks. The level of amounts set aside by Refinitiv for these purposes remains subject to on-going review with regulators, particularly in Europe. A summary of Refinitiv's restricted regulatory and operational capital is shown below: |

| Regulatory and operational capital | 31 December 2020 US$m | 31 December 2019 US$m | 31 December 2018 US$m |
|---|---|---|---|
| Total regulatory and operational capital | 53 | 48 | 51 |
| Amount included in cash and cash equivalents | 199 | 174 | 156 |

To maintain the financial strength to access new capital at reasonable cost and sustain an investment grade credit rating, Refinitiv monitors its net leverage ratio which is operating net debt (i.e. net debt after excluding cash and cash equivalents set aside for regulatory and operational purposes) to EBITDA (Refinitiv earnings before net finance charges, taxation, impairment, depreciation and amortisation, foreign exchange gains or losses and non-underlying items) on a monthly basis. Refinitiv is also mindful of potential impacts on the key metrics employed by the credit rating agencies in considering increases to its borrowings.

For the year ended 31 December 2020, net leverage was 4.7 times (2019: 5.3 times; 2018: 6.0 times). Refinitiv is comfortably in compliance with its bank facility ratio covenant (first lien net leverage ratio) and this measure does not inhibit Refinitiv's operations or its financing plans.

**Credit and concentration risk**

| **Risk description** | **Risk management approach** |
|---|---|
| Refinitiv's credit risk relates to its customers and counterparties being unable to meet their obligations to Refinitiv either in part or in full, including:<br>• customer receivables,<br>• repayment of invested cash and cash equivalents, and<br>• settlement of derivative financial instruments.<br><br>Concentration risk may arise through Refinitiv entities having large individual or connected exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. | Refinitiv attempts to minimise credit exposure as follows:<br><br>Cash investments are placed with high-quality financial institutions with limited exposure to any one institution. At 31 December 2020, approximately 95 per cent. (31 December 2019: 94 per cent.; 31 December 2018: 95 per cent.) of cash and cash equivalents were held by institutions that were rated at "A-" or higher by at least one of the major credit rating agencies.<br><br>Refinitiv assesses the creditworthiness of its customers. No allowance for credit losses on financial assets was required as of 31 December 2020 (31 December 2019: nil; 31 December 2018: nil) other than the provision for expected credit losses (bad debt provision).<br><br>Refinitiv's maximum exposure with respect to credit, assuming no mitigating factors, would be the aggregate of the following: |

| | 31 December 2020 US$m | 31 December 2019 US$m | 31 December 2018 US$m |
|---|---|---|---|
| Cash and cash equivalents | 1,277 | 1,134 | 1,192 |
| Trade and other receivables (current) | 696 | 827 | 1,059 |
| Derivative financial instruments | 15 | 20 | 34 |
| Investments in financial assets | 28 | 4 | 5 |
| **Maximum exposure to credit** | **2,016** | **1,985** | **2,290** |

Refinitiv monitors the trade receivable balance for each customer and regularly assesses collectability. None of the Refinitiv's trade receivables are material by individual counterparty.

| At 31 December 2020 | <180 days US$m | >180 days US$m | Total US$m |
|---|---|---|---|
| Expected credit loss rate | 1% | 12% | |
| Total trade receivables net of sales adjustment provision | 458 | 29 | 487 |
| Expected credit loss | (5) | (6) | (11) |
| | **453** | **23** | **476** |

| At 31 December 2019 | <180 days US$m | >180 days US$m | Total US$m |
|---|---|---|---|
| Expected credit loss rate | 0% | 11% | |
| Total trade receivables net of sales adjustment provision | 523 | 30 | 553 |
| Expected credit loss | (2) | (5) | (7) |
| | **521** | **25** | **546** |

| At 31 December 2018 | <180 days US$m | >180 days US$m | Total US$m |
|---|---|---|---|
| Expected credit loss rate | 1% | 12% | |
| Total trade receivables net of sales adjustment provision | 496 | 28 | 524 |
| Expected credit loss | (4) | (5) | (9) |
| | **492** | **23** | **515** |

**Liquidity risk**

| Risk description | Risk management approach |
|---|---|
| Refinitiv's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations. | Refinitiv maintains sufficient liquid resources to meet its financial obligations as they fall due and to invest in capital expenditure, meet its pension commitments, support acquisitions or repay borrowings.<br>Management monitors forecasts of Refinitiv's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions or stress events.<br>Treasury policy requires that Refinitiv maintains adequate credit facilities provided by a diversified lending group to cover its expected funding requirements.<br>During the year ended 31 December 2019, Refinitiv repriced its Dollar Term Loan Facility with its debt investors, reducing the per annum margin from 3.75 per cent. to 3.25 per cent. In January 2020, Refinitiv repriced its Euro Term Loan Facility with its debt investors, which reduces the per annum margin from 4.00 per cent. to 3.25 per cent. As of 31 December 2020, Refinitiv had an available borrowing capacity of US$323 million after giving effect to the US$350 million drawdown (maturing 29 January 2021) and US$77 million of outstanding letters of credit.<br>The table below analyses Refinitiv's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table reflect the contractual undiscounted cash flows. |

| At 31 December 2020 | Less than 1 year US$m | Between 1 and 2 years US$m | Between 2 and 5 years US$m | Over 5 years US$m | Total US$m |
|---|---|---|---|---|---|
| Borrowings | 443 | 94 | 9,007 | 4,324 | 13,868 |
| Trade and other payables | 1,171 | - | - | - | 1,171 |
| Lease liabilities | 186 | 114 | 197 | 343 | 840 |
| Derivative financial instruments | 158 | 6 | - | - | 164 |
| | **1,958** | **214** | **9,204** | **4,667** | **16,043** |

| At 31 December 2019 | Less than 1 year US$m | Between 1 and 2 years US$m | Between 2 and 5 years US$m | Over 5 years US$m | Total US$m |
|---|---|---|---|---|---|
| Borrowings | 91 | 91 | 273 | 12,797 | 13,252 |
| Trade and other payables | 1,325 | - | - | - | 1,325 |
| Lease liabilities | 175 | 163 | 207 | 271 | 816 |
| Derivative financial instruments | 15 | 87 | - | - | 102 |
| | **1,606** | **341** | **480** | **13,068** | **15,495** |

| At 31 December 2018 | Less than 1 year US$m | Between 1 and 2 years US$m | Between 2 and 5 years US$m | Over 5 years US$m | Total US$m |
|---|---|---|---|---|---|
| Borrowings | 91 | 92 | 276 | 13,958 | 14,417 |
| Trade and other payables | 1,517 | - | - | - | 1,517 |
| Derivative financial instruments | 4 | 1 | 40 | - | 45 |
| | **1,612** | **93** | **316** | **13,958** | **15,979** |

**Market risk – Foreign Exchange**

**Risk description**

Refinitiv's operations are global in nature. The combined historical financial information is expressed in US Dollars, but a significant portion of our business is conducted in other currencies.

Changes in the exchange rates for such currencies into US Dollars can increase or decrease revenues, operating profit, net earnings and the carrying values of assets and liabilities.

Additionally, Refinitiv may price customers' orders in one currency but allow customers to pay the equivalent price in another currency. In such cases, changes in exchange rates from order to billing create currency exposure.

**Risk management approach**

Refinitiv seeks to match the currency of its debt liabilities to the currency of its earnings and cash flows which to an extent protects its key ratios (net leverage and interest coverage) and balances the currency of its assets with its liabilities.

A material proportion of Refinitiv's debt is held in Euros as noted below.

| Currency of debt | 31 December 2020 US$m | 31 December 2019 US$m | 31 December 2018 US$m |
|---|---|---|---|
| Euro denominated drawn debt | 4,146 | 3,876 | 3,960 |

In addition to projecting and analysing its earnings and debt profile by currency, Refinitiv reviews sensitivities to movements in exchange rates which are appropriate to market conditions. Refinitiv has considered movements in the Euro during the year ended 31 December 2020 and, based on actual market observations, has concluded that a 10 per cent. movement in rates is a reasonable fluctuation to illustrate the potential risk to Refinitiv:

| Year ended 31 December 2020: Decrease/(increase) to earnings | GBP | EUR | USD | Other | Total |
|---|---|---|---|---|---|
| Impact on earnings from embedded derivatives | - | 1 | (116) | - | **(115)** |
| Impact on earnings from cash and cash equivalents | 2 | 1 | (1) | 3 | **5** |
| Impact on earnings from other financial assets | - | - | 16 | (3) | **13** |
| **Total impact on earnings** | **2** | **2** | **(101)** | **-** | **(97)** |

Changes in exchange rates had a 0.8 per cent. unfavourable impact on the change in combined revenues between the years ended 31 December 2020 and 2019.

The translation effects of changes in exchange rates on the combined balance sheet were net translation gains of US$343 million (2019: net translation losses of US$18 million; 2018: net translation losses of US$262 million) which were recorded within "other reserves" in the combined balance sheet.

**Market risk – Cash Flow and Fair Value Interest Rate Risk**

| Risk description | Risk management approach |
|---|---|
| Refinitiv's interest rate risk arises through the impact of changes in market rates on cash flows associated with cash and cash equivalents, and borrowings held at floating rates. | Refinitiv has limited exposure to fluctuations in interest rates with respect to cash and cash equivalents, the majority of which were comprised of assets bearing low or no interest.<br><br>To hedge its exposures in expected future cash flows due to the changes in interest rates, Refinitiv enters into interest rate swap derivatives, which swaps the US dollar monthly floating rate interest payments into US dollars fixed interest payments. The interest rate swaps, which cover a portion of Refinitiv's debt, were designated as cash flow hedges and are recorded in the balance sheet at their fair value.<br><br>As at 31 December 2020, net interest expense cover by EBITDA was measured over the 12 month period at 3.9 times (31 December 2019: 3.1 times; 31 December 2018: 2.6 times) and the floating rate component of total debt was 44 per cent. for all periods presented.<br><br>In its review of the sensitivities to potential movements in interest rates, Refinitiv has considered interest rate volatility over the last year and prospects for rates over the next 12 months and has concluded that a 1 percentage point upward movement (with a limited prospect of material downward movement) reflects a reasonable level of risk to current rates. At 31 December 2020, at the Refinitiv level, if interest rates on cash and cash equivalents and borrowings had been 1 percentage point higher with all other variables held constant, post-tax loss for the year would have been US$51 million higher, mainly as a result of higher interest expense on floating rate borrowings partially offset by higher interest income on floating rate cash and cash equivalents. In 2019, post-tax loss would have been US$42 million higher and in 2018, post-tax profit would have been US$43 million lower. |

## 3. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances, and expectations of future events.

**Estimates:**

For each period presented within this combined historical financial information, the following areas require the use of estimates:

**Defined benefit pension asset or liability** – determined based on the present value of future pension obligations using assumptions determined by Refinitiv with advice from an independent qualified actuary. Sensitivity analysis is provided in Note 15; and

**Intangible assets (computer software)** – computer software represented 11 per cent. of total assets in the combined balance sheet as of 31 December 2020. A significant portion of ongoing expenditures relates to software that is developed as part of electronic databases, delivery systems, and internal infrastructures, and, to a lesser extent, software sold directly to customers. As part of the software development process, management must estimate the expected period of benefit over which capitalised costs should be amortised. The basis of these estimates includes the timing of technological obsolescence, competitive pressures, historical experience, and internal business plans for the use of the software. Due to rapidly changing technology and the uncertainty of the software development process itself, future results could be affected if management's current assessment of its software projects differs from actual performance. As of 31 December 2020, an increase of 12 months in the estimated period of benefit would increase the net book value of computer software by approximately US$319 million, while a decrease of 12 months in the estimated period of benefit would reduce the net book value of computer software by approximately US$491 million.

**Judgements:**

In preparing each period contained within the combined historical financial information, the following judgements have been made:

**Revenue recognition** – management exercises significant judgement when assessing whether multiple products and services in customer contracts are distinct performance obligations that should be accounted for separately, or whether they must be accounted for together. In making the determination, management considers, for example, whether Refinitiv regularly sells a good or service separately, or whether the goods or services are highly interrelated. Furthermore, Refinitiv has more than one standalone selling price ("SSP") for individual products and services due to the stratification of its

offerings by customer. As a result, management determines the SSP taking into consideration market conditions and other factors, including the value of its contracts, the product or service sold, customer's market, geographic location, and the number and types of users in each contract.

**Assessment of the probability of an exit event** – as the timing of expense recognition related to awards granted to employees under the MIP is affected by management's assessment as to the probability of an exit event (change of control or an IPO), management exercises significant judgment when assessing whether an exit event may be probable. Such an assessment is based on the facts and circumstances and takes into account all available evidence as regards the likelihood of an exit event.

**Recognition of pension surplus** ─ for funded plans, surpluses are recognised only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which Refinitiv can unilaterally reduce future contributions to the plan or receive a refund in future. For Refinitiv's two UK plans, a legal opinion on the recoverability was obtained in October 2019. It was concluded that, based on the legal facts, for both plans an accounting policy choice can be made to either recognise the surplus or not. Having considered the legal opinion on the underlying facts and circumstances, management elected to recognise the pension surpluses for all periods presented in the combined historical financial information. While the Trustees (as defined in Note 15) have discretionary power to vary future benefits which could affect the amount of the surplus that is recoverable, management has chosen an accounting policy that will take account of the impact of any such variation of benefits, on the pension plan assets, only if and when it occurs. There is currently no expectation that Trustees will vary benefits.

**Recoverability of the pension asset** ─ the noted pension surpluses relate to entities residing in the United Kingdom and as such UK tax law applies in measuring the deferred tax relating to the pension. UK tax law applies different tax rates depending on how the surplus is expected to be recovered in the future. If pension surpluses are recovered via repayment, a 35 per cent. tax rate would be used to measure the deferred tax, rather than 19 per cent. Management determined the pension surplus would be recovered through reduced future contributions and as such has measured the related deferred tax at the main UK corporate income tax rate expected to be applicable when the deferred tax reverses (i.e. 19 per cent.) for all periods presented in the combined historical financial information.

**Leases –** when assessing whether a contract is, or contains, a lease, Refinitiv reviews contracts to determine whether the language conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For identified leases, the discount rate used is Refinitiv's incremental borrowing rate, which is determined based on information available at lease commencement and reflects the rate of interest Refinitiv would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The discount rate used for lease liabilities between 1 January 2019 and 31 December 2020 ranged from 1.56 per cent. to 22.86 per cent.

## 4. Segmental Information

Operating segments are components of an enterprise for which discrete financial information is evaluated by the chief operating decision maker ("CODM") for purposes of making decisions regarding resource allocation and assessing performance. As the CODM evaluates revenues by business unit, but profitability in aggregate, Refinitiv is operated as a single operating segment.

Refinitiv's revenue from contracts with customers disaggregated by major product and service line, and timing of revenue recognition for are shown below:

| | For the years ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **US$m** | **US$m** | **US$m** |
| **Revenue from external customers** | | | |
| **Major product & service lines** | | | |
| Recurring | 4,890 | 4,765 | 4,743 |
| Transactions | 1,187 | 1,067 | 996 |
| Recoveries and other | 436 | 418 | 466 |
| **Total revenue from contracts with customers** | **6,513** | **6,250** | **6,205** |

| | For the years ended 31 December | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | US$m | US$m | US$m |
| **Revenue from external customers** | | | |
| United States | 2,490 | 2,357 | 2,277 |
| Other | 233 | 229 | 235 |
| **Americas (North America, Latin America, South America)** | **2,723** | **2,586** | **2,512** |
| United Kingdom | 970 | 925 | 924 |
| Other | 1,554 | 1,536 | 1,585 |
| **Europe, Middle East and Africa** | **2,524** | **2,461** | **2,509** |
| Asia Pacific | 1,266 | 1,203 | 1,184 |
| **Total** | **6,513** | **6,250** | **6,205** |

| | At 31 December | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | US$m | US$m | US$m |
| **Non-current operating assets** | | | |
| United States | 10,767 | 10,638 | 10,528 |
| Other | 154 | 168 | 176 |
| **Americas (North America, Latin America, South America)** | **10,921** | **10,806** | **10,704** |
| United Kingdom | 755 | 785 | 889 |
| Other | 6,997 | 7,127 | 7,865 |
| **Europe, Middle East and Africa** | **7,752** | **7,912** | **8,754** |
| Asia Pacific | 1,158 | 1,169 | 1,273 |
| **Total** | **19,831** | **19,887** | **20,731** |

Non-current operating assets consist of property, plant and equipment, intangible assets, and investment in associates.

## 5. Expenses by nature

Expenses comprise the following:

| | | For the years ended 31 December | | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| | Notes | US$m | US$m | US$m |
| Employee costs | 6 | 1,714 | 1,749 | 1,497 |
| Real estate | | 62 | 74 | 261 |
| External services | | 442 | 481 | 212 |
| Allocation of costs from Thomson Reuters and affiliates | | - | - | 1,043 |
| Other costs | | 591 | 672 | 255 |
| Non-underlying items | | 532 | 426 | 472 |
| **Operating expenses before depreciation, amortisation and impairment** | | **3,341** | **3,402** | **3,740** |
| Underlying depreciation, amortisation and impairment | 10, 11 | 769 | 659 | 555 |
| Non-underlying depreciation, amortisation and impairment | 10, 11 | 1,466 | 1,432 | 600 |
| **Total operating expenses** | | **5,576** | **5,493** | **4,895** |

Real estate expense for the year ended 31 December 2020 includes variable lease expense of US$4 million (2019: US$4 million), short-term lease expense of US$13 million (2019: US$5 million) and sub-lease income of US$(50) million (2019: US$(27) million).

Other costs include foreign exchange losses of US$3 million, US$13 million and US$12 million for the years ended 31 December 2020, 2019 and 2018, respectively.

## 6. Employee costs

Employee costs comprise the following:

| | For the years ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **US$m** | **US$m** | **US$m** |
| Salaries and other benefits | 1,409 | 1,419 | 1,257 |
| Social security costs | 152 | 150 | 113 |
| Pension costs | 77 | 76 | 88 |
| Share-based compensation | 76 | 104 | 39 |
| **Total** | **1,714** | **1,749** | **1,497** |
| Non-underlying items | 183 | 210 | 214 |
| **Total employee costs** | **1,897** | **1,959** | **1,711** |

Staff costs include the costs of contract staff who are not on the payroll but fulfil a similar role to employees. Non-underlying items consists of restructuring costs and employee-related separation and transaction costs.

The average number of employees in Refinitiv from total operations was:

| | For the years ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| United States | 2,852 | 3,210 | 3,406 |
| India | 5,390 | 4,908 | 4,412 |
| United Kingdom | 2,260 | 2,222 | 2,562 |
| Philippines | 1,706 | 1,505 | 1,309 |
| Poland | 953 | 1,215 | 1,387 |
| Other | 6,008 | 6,121 | 6,353 |
| **Total** | **19,169** | **19,181** | **19,429** |

Average staff numbers are calculated from the date of acquisition for subsidiary companies acquired in the period and up to the date of disposal for businesses disposed in the period.

## 7. Non-underlying items

| | | For the years ended 31 December | | |
|---|---|---|---|---|
| | | **2020** | **2019** | **2018** |
| | **Notes** | **US$m** | **US$m** | **US$m** |
| Amortisation of purchased intangible assets | 11 | 947 | 936 | 485 |
| Acquisition-related depreciation and amortisation of property, plant and equipment and software | 10, 11 | 519 | 496 | 115 |
| 2018 Transaction related lease expense | | - | - | 2 |
| Transaction costs | | 101 | 24 | 79 |
| Separation costs | | 326 | 278 | 206 |
| Restructuring costs | | 105 | 124 | 185 |

| | | | |
|---|---|---|---|
| **Total affecting operating (loss)/profit** | **1,998** | **1,858** | **1,072** |
| | | | |
| **Tax effect on items affecting (loss)/profit before tax** | | | |
| Deferred tax on amortisation | (107) | (81) | (32) |
| Current tax on amortisation | (217) | (227) | (147) |
| Tax effect on other items affecting (loss)/profit before tax | (109) | (95) | (103) |
| **Total tax effect on items affecting (loss)/profit before tax** | **(433)** | **(403)** | **(282)** |
| | | | |
| **Total charge to income statement** | **1,565** | **1,455** | **790** |

*Amortisation of purchased intangible assets*
Purchased intangible assets include customer relationships, trade names, and databases and content, all of which are recorded as a result of acquisitions. Amortisation expense associated with purchased intangible assets is presented as a non-underlying item in order to provide more meaningful information regarding Refinitiv's operating results.

*Acquisition-related depreciation and amortisation of property, plant and equipment and software*
This relates to incremental depreciation and amortisation expense resulting from fair value uplifts on acquired tangible assets and software. Depreciation and amortisation associated with these fair value adjustments is presented as a non-underlying item in order to provide more meaningful information on Refinitiv's operating results.

*2018 Transaction related lease expense*
This relates to the net amortisation expense associated with favourable lease intangible assets and unfavourable lease liabilities, which were recognised in connection with the 2018 Transaction. Consistent with acquisition-related depreciation and amortisation, this net expense has also been reclassified to non-underlying expenses for the year ended 31 December 2018. For the years ended 31 December 2020 and 2019, the 2018 Transaction related lease expense is included in the acquisition-related depreciation and amortisation expense following the adoption of IFRS 16 on 1 January 2019, as it formed part of the depreciation expense related to right-of-use assets.

*Transaction costs*
Transaction costs include US$90 million and US$24 million of costs incurred during the years ended 31 December 2020 and 2019, which were primarily related to the LSEG transaction, and US$79 million of costs incurred during the year ended 31 December 2018 related to the acquisition of the Thomson Reuters Financial & Risk Business. These transaction costs relate to "Other costs" and are excluded from the amount of "Other costs" disclosed in Note 5. Transaction costs for the year ended 31 December 2020 also include retention bonus expense of US$11 million, which relates to the LSEG transaction. Those costs are included as "non-underlying" items in Notes 5 and 6. Refinitiv does not consider these items to be underlying as they are non-recurring in nature and do not form part of the ordinary course of Refinitiv's business.

*Separation costs*
During the years ended 31 December 2020, 2019 and 2018, Refinitiv incurred separation costs in relation to the separation of the Thomson Reuters Financial & Risk Business from Thomson Reuters. Separation costs primarily consist of professional fees, consulting fees, and information technology charges. Approximately US$67 million (2019: US$86 million; 2018: US$29 million) of these costs are employee related and are included as "non-underlying" items in Notes 5 and 6. Approximately US$193 million (2019: US$140 million; 2018: US$91 million) relates to external services and is excluded from the amount disclosed in Note 5 for "External services". The remaining US$66 million (2019: US$52 million; 2018: US$86 million) relates to "Other costs" and is excluded from the amount of "Other costs" disclosed in Note 5. Given the nature of these costs, their presentation as non-underlying items provides additional information to users to help them better understand Refinitiv's underlying performance.

*Restructuring costs*
Refinitiv's restructuring charges are related to severance costs which are not part of normal operations. The costs incurred for the years ended 31 December 2020, 2019 and 2018 primarily relate to a restructuring program entered into after the acquisition of the Thomson Reuters Financial & Risk Business. The purpose of this restructuring program was to reduce headcount. All of these restructuring costs are employee related and are included as "non-underlying" items in Notes 5 and 6. As these restructuring activities do not form part of Refinitiv's ordinary activities, these costs are therefore considered to be non-underlying in nature.

*Tax*
Non-underlying tax captures the tax effect of non-underlying items. Further details on the recognition of deferred tax in relation to the amortisation of purchased intangible assets are provided in Note 14.

Given the nature and magnitude of each of the non-underlying items discussed above, the presentation of these items as non-underlying is considered to provide more useful and meaningful information to users of this document.

## 8. Net finance expense

| | | For the years ended 31 December | | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| | Notes | US$m | US$m | US$m |
| **Finance income** | | | | |
| Expected return on defined benefit pension scheme assets | 15 | 6 | 9 | 12 |
| Bank deposit and other interest income | | 4 | 14 | 9 |
| Other finance income | | 269 | 240 | 30 |
| | | **279** | **263** | **51** |
| **Finance expense** | | | | |
| Interest payable on bank and other borrowings | | (704) | (802) | (207) |
| Defined benefit pension scheme interest cost | 15 | - | - | (1) |
| Other finance expenses | | (410) | (164) | (30) |
| | | **(1,114)** | **(966)** | **(238)** |
| **Net finance expense** | | **(835)** | **(703)** | **(187)** |

Presented within finance expense are amounts in relation to defined benefit schemes which are measured at fair value. Finance expense primarily relates to interest expense on borrowings – see Note 22 for further details on debt arrangements.

Finance expense for the year ended 31 December 2020 includes lease interest expense of US$36 million (2019: US$35 million).

Other finance income for the year ended 31 December 2020 includes a modification gain of US$88 million related to the repricing of the Euro Term Loan Facility which occurred in January 2020. Other finance income for the year ended 31 December 2019 includes a modification gain of US$128 million related to the repricing of the Dollar Term Loan Facility which occurred in December 2019 – see Note 22 for further details. Other finance expense for the year ended 31 December 2020 includes foreign exchange losses of US$358 million on the EUR denominated debt (2019: US$74 million foreign exchange gain; 2018: $66 million foreign exchange gain).

## 9. Taxation

The standard 2020 United Kingdom corporation tax rate was 19 per cent. (2019: 19 per cent.; 2018: 19 per cent.). The United Kingdom is the tax jurisdiction of Refinitiv Parent and a significant operating jurisdiction.

| | | For the years ended 31 December | | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| **Taxation charged to the income statement** | **Notes** | **US$m** | **US$m** | **US$m** |
| **Current tax:** | | | | |
| UK corporation tax for the year | | 18 | 20 | 50 |
| Overseas tax for the year | | 43 | 71 | 179 |
| Adjustments in respect of previous years | | (4) | 1 | 1 |
| | | **57** | **92** | **230** |
| **Deferred tax:** | | | | |
| Deferred tax for the year | 14 | 36 | (173) | (145) |
| Adjustments in respect of previous years | | 19 | (22) | 15 |
| Deferred tax liability on amortisation of purchased intangible assets and goodwill | | (54) | (57) | (19) |
| **Taxation charge/(credit)** | | **58** | **(160)** | **81** |

Tax expense excludes the tax benefit of equity accounted share-based compensation of US$7 million (2019: US$53 million; 2018: nil), which has been included in Net Parent Investment.

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns submitted to the relevant tax authorities which reflect changes in estimates.

| | For the years ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| **Taxation on items not charged/(credited) to income statement** | **US$m** | **US$m** | **US$m** |
| **Deferred tax charge/(credit):** | | | |
| Tax on employee benefits and deferred compensation | 17 | (122) | (23) |
| Translation and other, net | 11 | 4 | (1) |
| Other OCI movements | 4 | (11) | - |
| Tax on other liabilities | (393) | (377) | (11) |
| | **(361)** | **(506)** | **(35)** |

In 2020, the tax on other liabilities includes a benefit of US$376 million that is attributable to the follow-on offering at Tradeweb, which increased the equity ownership. Refer to Note 13 for additional detail regarding the follow-on offering in 2020. In 2019, the tax on other liabilities includes an increase of US$176 million that is attributable to the initial and follow-on offering at Tradeweb, which increased the equity ownership. Refer to Note 13 for additional detail regarding the initial and follow-on offering in 2019.

**Factors affecting the tax charge/(credit) for the year**

The income statement tax charge for the year differs from the standard rate of corporation tax in the United Kingdom of 19 per cent. (2019: 19 per cent.; 2018: 19 per cent.) as explained below:

| | For the years ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **US$m** | **US$m** | **US$m** |
| **(Loss)/profit before tax** | **(876)** | **(900)** | **254** |
| (Loss)/profit multiplied by standard rate of corporation tax in the UK | (166) | (171) | 48 |
| Expenses not deductible | 34 | 12 | 39 |
| Adjustment arising from change in tax rates | 1 | 1 | 19 |
| Overseas earnings taxed at lower rate | 11 | 8 | (95) |
| Adjustments in respect of previous years | - | - | (6) |
| Withholding taxes | 21 | 17 | 23 |
| Tax effect of partnership structure | (9) | (30) | (14) |
| Increase in income tax uncertainties | 20 | 6 | 20 |
| Derecognition of deferred tax assets | 130 | 25 | 45 |
| Other | 16 | (28) | 2 |
| **Income tax** | **58** | **(160)** | **81** |

The UK Finance Bill 2016 was enacted in September 2016, reducing the standard rate of corporation tax further to 17 per cent. effective from 1 April 2020. In the Spring Budget 2020, the UK Government announced that the previously enacted decrease in the corporate tax rate from 19 per cent. to 17 per cent. from 1 April 2020 would no longer happen and that rates would remain at 19 per cent. for the foreseeable future; this new law was substantively enacted on 17 March 2020. Accordingly, the UK deferred tax balances at 31 December 2020 have been stated at 19 per cent. The deferred tax balances in other countries are recognised at the substantively enacted rates at the balance sheet date.

The effective income tax rate in 2018 was higher than the UK corporate income tax rate due primarily to non-deductible expenses, including interest expense limitations, offset partially by lower tax rates applicable to certain of Refinitiv operating subsidiaries outside the UK. The effective income tax rate in 2019 approximated the UK corporate income tax rate of 19 per cent., primarily due to the tax benefit related to a partnership restructuring, which was offset by charges from (i) non-deductible interest in the US and UK, and (ii) withholding taxes. The effective income tax rate in 2020 was lower than the UK corporate income tax rate primarily due to the change in valuation allowance in both the US and the UK.

Because of the requirements of income tax accounting under IAS 12, "Income Taxes", income tax expense can differ significantly from taxes paid in any reporting period. Refinitiv does not expect to recognise a significant portion of the loss generated in 2020 through the reversal of existing taxable temporary differences and has therefore derecognised losses accordingly. The increase in derecognition of deferred tax assets from 2019 to 2020 primarily relates to additional taxable losses generated during 2020 which are not expected to be realized. Refinitiv's ability to utilise interest expense carry forwards is uncertain; it is subject to limitations prescribed by the tax laws in the relevant jurisdictions.

**Uncertain tax positions**

Refinitiv is subject to taxation in numerous jurisdictions and is routinely under audit by many different tax authorities in the ordinary course of business. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain, as taxing authorities may challenge some of Refinitiv's positions and propose adjustments or changes to its tax filings. As a result, Refinitiv maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions have been included in "Current tax" or "Deferred tax liabilities" within the combined balance sheets based upon the expected method of settlement with the tax authorities. The increase in income tax uncertainties from 2019 to 2020 is primarily due to transfer pricing positions and the current year accrual of interest and penalties. Refinitiv Parent has a tax indemnity asset for all tax liabilities incurred through the 2018 Transaction Closing Date in the predecessor company. This tax indemnity balance is included in "Other non-current assets" within the combined balance sheet. As of 31 December 2020, 2019, and 2018, Refinitiv Parent has a tax indemnity receivable of US$117 million, US$97 million and US$96 million, respectively, in relation to the uncertain tax positions recognised. The liabilities primarily relate to transfer pricing, withholding tax, and various other corporate income tax reserves for uncertain tax positions.

Refinitiv believes that it is reasonably possible that approximately US$3 million of the unrecognised tax benefits within the uncertain tax positions may be recognised by 31 December 2021, as a result of the lapse of the statute of limitations.

## 10. Property, plant and equipment

| | Computer hardware | Buildings and building improvements | ROU assets – Buildings and building Improvements | Furniture, fixtures and equipment | Total |
|---|---|---|---|---|---|
| **Cost:** | **US$m** | **US$m** | **US$m** | **US$m** | **US$m** |
| **1 January 2018** | **1,422** | **585** | **-** | **186** | **2,193** |
| Additions | 126 | 7 | - | 23 | 156 |
| Disposals | (1) | - | - | - | (1) |
| Foreign exchange and other, net | 152 | - | - | 7 | 159 |
| Elimination on acquisition (Note 27) | (1,645) | (587) | - | (215) | (2,447) |
| Property, plant and equipment on acquisition of businesses (Note 27) | 231 | 148 | - | 102 | 481 |
| **31 December 2018** | **285** | **153** | **-** | **103** | **541** |
| Impact of adopting IFRS 16 | - | - | 549 | - | 549 |
| **1 January 2019** | **285** | **153** | **549** | **103** | **1,090** |
| Additions | 157 | 28 | 192 | 43 | 420 |
| Acquisitions | 1 | - | - | - | 1 |
| Disposals | (5) | (1) | (25) | (2) | (33) |
| Foreign exchange and other, net | 14 | 2 | (2) | 5 | 19 |
| **31 December 2019** | **452** | **182** | **714** | **149** | **1,497** |
| Additions | 89 | 5 | 179 | 21 | 294 |
| Acquisitions | 2 | - | (2) | - | - |
| Disposals | (4) | (12) | (2) | (7) | (25) |
| Foreign exchange and other, net | 18 | (6) | 15 | 9 | 36 |
| **31 December 2020** | **557** | **169** | **904** | **172** | **1,802** |

| Accumulated depreciation: | | | | | |
|---|---|---|---|---|---|
| **1 January 2018** | **1,261** | **413** | **-** | **124** | **1,798** |
| Charge for the year | 133 | 45 | - | 24 | 202 |
| *of which non-underlying* | *20* | *2* | - | *8* | *30* |
| Disposals | (1) | - | - | - | (1) |
| Foreign exchange and other, net | 131 | (2) | - | 15 | 144 |
| Elimination on acquisition (Note 27) | (1,481) | (446) | - | (151) | (2,078) |
| **31 December 2018** | **43** | **10** | **-** | **12** | **65** |
| Charge for the year | 149 | 46 | 155 | 40 | 390 |
| *of which non-underlying* | *18* | *16* | *8* | *22* | *64* |
| Impairment | - | - | 18 | - | 18 |
| Disposals | (4) | (1) | - | (1) | (6) |
| Foreign exchange and other, net | 6 | 3 | - | 3 | 12 |
| **31 December 2019** | **194** | **58** | **173** | **54** | **479** |
| Charge for the year | 131 | 39 | 168 | 27 | 365 |
| *of which non-underlying* | *(33)* | *12* | *8* | *2* | *(11)* |
| Disposals | (3) | (3) | - | (7) | (13) |
| Foreign exchange and other, net | 21 | 1 | 4 | 1 | 27 |
| **31 December 2020** | **343** | **95** | **345** | **75** | **858** |
| **Net book values:** | | | | | |
| 31 December 2020 | 214 | 74 | 559 | 97 | 944 |
| 31 December 2019 | 258 | 124 | 541 | 95 | 1,018 |
| 31 December 2018 | 242 | 143 | - | 91 | 476 |

As at 31 December 2020, Refinitiv held no items of equipment under finance leases (31 December 2019: nil; 31 December 2018: nil). As at 31 December 2020, buildings and building improvements includes approximately US$148 million of cost (31 December 2019: US$150 million; 31 December 2018: US$120 million) and US$92 million of accumulated depreciation (31 December 2019: US$56 million; 31 December 2018: US$10 million) relating to leasehold improvements, asset retirement obligations and work-in-progress.

Refinitiv leases a number of properties in countries in which it operates and these are represented above within buildings and building improvements right-of-use assets.

## 11. Intangible assets

| | Goodwill | Customer relationships | Trade names | Databases, content and other | Software and contract costs | Total |
|---|---|---|---|---|---|---|
| **Cost:** | **US$m** | **US$m** | **US$m** | **US$m** | **US$m** | **US$m** |
| **1 January 2018** | **12,790** | **4,771** | **88** | **957** | **2,881** | **21,487** |
| Additions | - | - | - | - | 370 | 370 |
| Foreign exchange and other, net | (182) | (76) | (3) | (31) | 5 | (287) |
| Elimination on acquisition (Note 27) | (12,630) | (4,714) | (88) | (952) | (3,174) | (21,558) |
| Intangible assets on acquisition of businesses (Note 27) | 9,164 | 4,100 | 518 | 3,388 | 3,501 | 20,671 |
| **31 December 2018** | **9,142** | **4,081** | **515** | **3,362** | **3,583** | **20,683** |
| Impact of adopting IFRS 16 | - | - | - | (54) | - | (54) |
| **1 January 2019** | **9,142** | **4,081** | **515** | **3,308** | **3,583** | **20,629** |
| Additions | - | - | - | - | 383 | 383 |
| Acquisitions | 15 | 2 | - | - | 26 | 43 |
| Disposals | - | (1) | - | - | - | (1) |
| Foreign exchange and other, net | (26) | 16 | (4) | (30) | (38) | (82) |
| **31 December 2019** | **9,131** | **4,098** | **511** | **3,278** | **3,954** | **20,972** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Additions | - | - | - | - | 469 | 469 |
| Acquisitions | 519 | 145 | 23 | 40 | 51 | 778 |
| Foreign exchange and other, net | 321 | 95 | 21 | 146 | 218 | 801 |
| **31 December 2020** | **9,971** | **4,338** | **555** | **3,464** | **4,692** | **23,020** |
| | | | | | | |
| **Accumulated amortisation:** | | | | | | |
| **1 January 2018** | **2,777** | **3,024** | **82** | **743** | **2,210** | **8,836** |
| Amortisation charge for the year | - | 296 | 9 | 180 | 468 | 953 |
| *of which non-underlying* | - | *296* | *9* | *180* | *85* | *570* |
| Elimination on acquisition (Note 27) | (2,744) | (3,210) | (84) | (766) | (2,508) | (9,312) |
| Foreign exchange and other, net | (33) | (38) | - | 3 | 26 | (42) |
| **31 December 2018** | **-** | **72** | **7** | **160** | **196** | **435** |
| Impact of adopting IFRS 16 | - | - | - | (3) | - | (3) |
| **1 January 2019** | **-** | **72** | **7** | **157** | **196** | **432** |
| Amortisation charge for the year | - | 287 | 30 | 619 | 747 | 1,683 |
| *of which non-underlying* | - | *287* | *30* | *619* | *432* | *1,368* |
| Disposals | - | (1) | - | - | - | (1) |
| Foreign exchange and other, net | - | 2 | 1 | (1) | (1) | 1 |
| **31 December 2019** | **-** | **360** | **38** | **775** | **942** | **2,115** |
| Amortisation charge for the year | - | 289 | 32 | 626 | 923 | 1,870 |
| *of which non-underlying* | - | *289* | *32* | *626* | *530* | *1,477* |
| Foreign exchange and other, net | - | 15 | 2 | 60 | 81 | 158 |
| **31 December 2020** | **-** | **664** | **72** | **1,461** | **1,946** | **4,143** |
| | | | | | | |
| **Net book values:** | | | | | | |
| 31 December 2020 | 9,971 | 3,674 | 483 | 2,003 | 2,746 | 18,877 |
| 31 December 2019 | 9,131 | 3,738 | 473 | 2,503 | 3,012 | 18,857 |
| 31 December 2018 | 9,142 | 4,009 | 508 | 3,202 | 3,387 | 20,248 |

### Goodwill

Refinitiv made three acquisitions in 2020 resulting in an increase in goodwill of US$519 million. Refinitiv made one acquisition in 2019 resulting in an increase in goodwill of US$15 million. Details of goodwill arising in each of the years ended 31 December 2020, 2019 and 2018, is provided in Note 27. Goodwill generally represents synergies and the value of the acquired workforce. Prior to the 2018 Transaction Closing Date, goodwill was an allocated number. Refer to Note 1 for details regarding the principal assumptions underlying the combined historical financial information.

### Purchased intangible assets

The fair values of the purchased intangible assets were principally valued using an income approach and are being amortised over their useful economic lives, which do not normally exceed 30 years. Refinitiv's purchased intangible assets include:

- Customer relationships, which primarily consist of customer contracts and customer relationships arising from such contracts.
- Trade names, which consist of purchased brand names that Refinitiv continues to use.
- Databases, content and other, which primarily consist of repositories of Refinitiv's specific financial and customer information, favourable leasehold interests and broker-dealer licenses.

### Software, contract costs and other

The cost of internally generated software as of 31 December 2020 includes US$201 million (2019: US$243 million; 2018: US$196 million) representing assets not yet brought into use. No amortisation has been charged on these assets and instead they are tested for impairment annually.

During the year ended 31 December 2020, additions relating to internally generated software amounted to US$357 million (2019: US$281 million; 2018: US$75 million).

During the year ended 31 December 2020, Refinitiv capitalised US$36 million (2019: US$10 million; 2018: US$33 million)

of incremental contract costs in respect of revenue generating contracts with customers and recognised a US$43 million (2019: US$14 million; 2018: US$28 million) amortisation charge relating to contract cost assets. No impairment was recognised in the year in relation to contract cost assets (2019: nil; 2018: nil).

**Impairment tests for goodwill**

Prior to the 2018 Transaction Closing Date, Refinitiv had one cash generating unit. Following the 2018 Transaction, Refinitiv has two cash generating units (CGUs) to which goodwill is allocated and monitored by management, namely Refinitiv Core and Tradeweb. The carrying amount of goodwill allocated to Tradeweb for the years ended 31 December 2020, 2019 and 2018 was US$2,695 million. The carrying amount of goodwill allocated to Refinitiv Core for the years ended 31 December 2020, 2019 and 2018, was US$7,276 million, US$6,436 million and US$6,447 million, respectively.

For its annual goodwill impairment tests (performed as of 1 October), the valuation techniques and significant assumptions applied in the goodwill impairment test are described below. The selection and application of valuation techniques and the determination of significant assumptions require judgement. Sensitivity analyses were not performed given the excess of the recoverable amounts over the CGUs' carrying amounts.

Management also assessed both of the CGUs as of 31 December 2020 to determine if any impairment indicators existed at that date. Based on this assessment, management concluded that no indicators of impairment existed and that accordingly, a goodwill impairment test was not required.

In 2020 and 2019, fair values were determined by reference to a binding sale agreement, and adjusted for estimated costs of disposal to derive recoverable amounts. In 2018, recoverable amounts were based on fair value, less costs of disposal, using a mix of the income approach, market approach and cost approach. IFRS 13, "Fair Value Measurement", defines fair value as a market-based measurement, rather than an entity-specific measurement. Therefore, the fair value of the CGU must be measured using the assumptions that market participants would use, rather than those related specifically to Refinitiv. In particular, the discount and tax rates used in the income approach reflect market participant assumptions. To calculate these market participant assumptions, publicly available data was gathered from companies operating in businesses similar to the CGUs, which includes key competitors. As certain inputs to the valuation are not based on observable market data, the recoverable amounts of the CGUs are categorised in Level 3 of the fair value measurement hierarchy.

Refinitiv assumed a discount rate in order to calculate the present value of its projected cash flows for the income approach (discounted cash flow approach). The discount rate represented a weighted average cost of capital (WACC) for comparable companies operating in similar industries as the CGU, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and the cost of debt. The cost of equity reflects the long-term risk-free interest rate associated with US Treasury bonds and considers a risk premium based on an assessment of risks related to the projected cash flows of the CGU. In 2018, the WACC for Refinitiv Core and Tradeweb was 9.5% and 10.25%, respectively, while the growth rate used to extrapolate cash flows was 3.0%.

Factors that affected the discount rate include maturity, stability, and competitiveness of the markets in which Refinitiv operates.

Cash flow projections were based on internal budgets and projected over a period of at least three years, with a perpetual growth rate applied thereafter.

## 12. Investment in associates

| | US$m |
|---|---|
| **1 January 2018** | **12** |
| Foreign exchange and other | (2) |
| Share of profit after tax | 1 |
| Elimination on acquisition | (12) |
| Investment in associates on acquisition of businesses (Note 27) | 8 |
| **31 December 2018** | **7** |
| Acquisitions and investments | 3 |
| Share of profit after tax | 2 |
| **31 December 2019** | **12** |
| Acquisitions and investments | 3 |
| Foreign exchange and other, net | (1) |
| Share of profit after tax | - |

| | |
|---|---|
| Impairment | (4) |
| **31 December 2020** | **10** |

## 13. Non-controlling interests

Tradeweb is the only subsidiary that has material non-controlling interests within Refinitiv.

On 4 April 2019, Tradeweb Markets Inc. ("Tradeweb Inc.") completed an initial public offering of shares of its Class A common stock (the "Tradeweb IPO"). Tradeweb Inc. used the net proceeds of such offering to purchase outstanding common membership units in Tradeweb Markets LLC from certain of the investment and commercial banks that own a non-controlling interest in Tradeweb Markets LLC (the "Bank Shareholders"). Prior to the Tradeweb IPO, Refinitiv owned approximately 53 per cent. of Tradeweb's equity interests and had approval rights which resulted in Refinitiv consolidating Tradeweb's results. Following the Tradeweb IPO, Refinitiv owned approximately 54 per cent. of the economic interests and controlled approximately 70 per cent. of the voting interests in Tradeweb.

In connection with the Tradeweb IPO, Tradeweb Inc., entered into a Tax Receivable Agreement with Tradeweb Markets LLC and the owners of Tradeweb Markets LLC, immediately prior to Tradeweb's IPO ("LLC Owners"). In accordance with the Tax Receivable Agreement, Tradeweb Inc. is required to make cash payments to the LLC Owners equal to 50% of the amount of US federal, state and local income or franchise tax savings, if any, that Tradeweb Inc. actually realises (or in some circumstances, is deemed to realise) as a result of certain future tax benefits to which Tradeweb Inc. may become entitled. The financial liability associated with projected obligations under the Tax Receivable Agreement is measured at amortised cost. The discount rate used to determine amortised cost is considered to be a judgemental estimate. Management considers a US Treasury yield, whose terms aligns with the expected term of the liability, to be an appropriate discount rate, as any Tradeweb specific adjustment would not be material. A sensitivity analysis has not been performed with respect to the discount rate. As of 31 December 2020 and 31 December 2019, the liability under the Tax Receivable Agreement was US$370 million and US$209 million, respectively, the majority of which is reflected in "Other non-current payables" within the combined balance sheets.

On 22 October 2019, Tradeweb Inc. completed a follow-on offering of shares of its Class A common stock. Tradeweb Inc. used the net proceeds of such offering to purchase outstanding common membership units in Tradeweb Markets LLC from certain of the Bank Shareholders and certain of the executive officers that own a non-controlling interest in Tradeweb Markets LLC. After the follow-on offering, Refinitiv owned approximately 54 per cent. of the economic interest and controls approximately 77 per cent. of the voting interests in Tradeweb.

In April 2020, Tradeweb Inc. completed an underwritten follow-on offering of shares of its Class A common stock. Tradeweb Inc. used the net proceeds of such offering to purchase outstanding common membership units in Tradeweb Markets LLC from certain of the Bank Shareholders and certain of the executive officers. Immediately after the follow-on offering, Refinitiv owns approximately 53 per cent. of the economic interest and controls approximately 85 per cent. of the voting interests in Tradeweb. Tradeweb is accounted for as a consolidated subsidiary with a non-controlling interest.

Summarised financial information for non-controlling interests is provided below.

| | For the years ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **US$m** | **US$m** | **US$m** |
| Profit for the year attributable to non-controlling interests | 88 | 69 | 80 |
| Total comprehensive income attributable to non-controlling interests | 92 | 69 | 80 |
| Dividend paid to non-controlling interests in the year | (35) | (115) | (79) |

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| **Summarised balance sheet:** | **US$m** | **US$m** | **US$m** |
| Non-current assets | 4,770 | 4,498 | 4,309 |
| Current assets | 910 | 597 | 688 |
| Current liabilities | 641 | 481 | 391 |
| Non-current liabilities | 19 | 22 | 34 |
| **Total equity** | **5,020** | **4,592** | **4,572** |

| Attributable to: | | | |
|---|---|---|---|
| Equity holders of the company | **2,618** | **2,502** | **2,611** |
| Non-controlling interests | **2,402** | **2,090** | **1,961** |

The balances above include goodwill, purchased intangible assets and associated amortisation, impairments and deferred tax attributable to non-controlling interests.

| | | | |
|---|---|---|---|
| **Non-controlling interests** | **2,402** | **2,090** | **1,961** |

| | | | |
|---|---|---|---|
| **Net increase in cash and cash equivalents** | **331** | **50** | **58** |

The summarised total comprehensive income of Tradeweb Markets is provided below.

**Summarised statement of total comprehensive income:**

| | For the years ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **US$m** | **US$m** | **US$m** |
| **Total income** | | | |
| Profit for the year | 218 | 173 | 159 |
| Other comprehensive income excluding exchange on translation of foreign operations | - | - | - |
| **Total comprehensive income excluding exchange translation of foreign operations** | **218** | **173** | **159** |
| Gains/(losses) on translation of foreign operations | 3 | 3 | (4) |
| **Total comprehensive income** | **221** | **176** | **155** |

| **Attributable to:** | | | |
|---|---|---|---|
| Equity holders of the company | **129** | **107** | **75** |
| Non-controlling interests | **92** | **69** | **80** |

## 14. Deferred tax

The movements in deferred tax assets and liabilities during the year are shown below:

| | Accelerated tax depreciation | Intangible assets and goodwill | Other | Employee benefits and deferred compensation | Investment in partnerships and equity investments | Net loss carry forwards and tax attributes | Cost of Debt | Total |
|---|---|---|---|---|---|---|---|---|
| | US$m | US$m | US$m | US$m | US$m | US$m | US$m | US$m |
| **1 January 2018** | **82** | **(466)** | **5** | **(26)** | **-** | **19** | **-** | **(386)** |
| Tax credited to the income statement | 18 | 62 | 3 | 4 | 9 | 52 | - | **148** |
| Foreign exchange | - | 1 | - | 15 | - | - | - | **16** |
| Other balance sheet movements | - | - | - | - | - | (15) | - | **(15)** |
| Elimination on acquisition | (98) | 414 | (4) | 18 | - | (8) | - | **322** |
| Deferred tax on acquisition of businesses (Note 27) | 12 | (593) | (30) | 2 | (249) | 18 | - | **(840)** |
| Tax credited to other comprehensive income: | | | | | | | | |
| – other movement | - | - | 11 | 9 | - | - | - | **20** |
| **31 December 2018** | **14** | **(582)** | **(15)** | **22** | **(240)** | **66** | **-** | **(735)** |

| | Accelerated tax depreciation | Intangible assets and goodwill | Other | Employee benefits and deferred compensation | Investment in partnerships and equity investments | Net loss carry forwards and tax attributes | Cost of Debt | Total |
|---|---|---|---|---|---|---|---|---|
| Impact of adopting IFRS 16 | - | - | (1) | - | - | - | - | **(1)** |
| **1 January 2019** | **14** | **(582)** | **(16)** | **22** | **(240)** | **66** | **-** | **(736)** |
| Transfers between categories | - | - | 26 | - | - | (26) | - | **-** |
| Foreign exchange | 2 | (1) | - | (4) | - | - | - | **(3)** |
| Allowance on share options/awards – to equity | - | - | - | 114 | - | - | - | **114** |
| Other balance sheet movements | 8 | (31) | 15 | 10 | 414 | (26) | - | **390** |
| Tax credited/(charged) to the income statement | 85 | 65 | (5) | (12) | 9 | 178 | (82) | **238** |
| Tax credited/(charged) to other comprehensive income: | | | | | | | | |
| – other movement | - | - | 11 | (1) | - | - | - | **10** |
| **31 December 2019** | **109** | **(549)** | **31** | **129** | **183** | **192** | **(82)** | **13** |
| Transfers between categories | **-** | (1) | 6 | (1) | (5) | - | - | **(1)** |
| Deferred tax on acquisition of businesses | (4) | (5) | - | - | - | 5 | - | **(4)** |
| Allowance on share options/awards – to equity | - | - | - | (18) | - | - | - | **(18)** |
| Other balance sheet movements | - | (12) | - | - | 373 | 33 | - | **394** |
| Tax credited/(charged) to the income statement | 84 | 65 | (74) | (37) | (83) | (49) | 98 | **4** |
| Tax credited/(charged) to other comprehensive income: | | | | | | | | |
| – other movement | 3 | (15) | (2) | - | - | 1 | - | **(13)** |
| **31 December 2020** | **192** | **(517)** | **(39)** | **73** | **468** | **182** | **16** | **375** |

The following table summarises the net deferred tax asset (liability):

| | |
|---|---|
| Assets at 31 December 2020 | 675 |
| Liabilities at 31 December 2020 | (300) |
| **Net assets at 31 December 2020** | **375** |
| Assets at 31 December 2019 | 334 |
| Liabilities at 31 December 2019 | (321) |
| **Net assets at 31 December 2019** | **13** |
| Assets at 31 December 2018 | 22 |
| Liabilities at 31 December 2018 | (757) |
| **Net liabilities at 31 December 2018** | **(735)** |

The deferred tax assets are recoverable against future taxable profits and are expected to be recovered after more than one year.

On 30 January 2018, Thomson Reuters entered into the Prior Transaction Agreement with Refinitiv, which was controlled by certain investment funds affiliated with Blackstone, pursuant to which Refinitiv would acquire all of the equity interests of certain assets and liabilities associated with the Thomson Reuters Financial & Risk Business and Thomson Reuters would indirectly acquire a 45 per cent. interest in Refinitiv. The 2018 Transaction closed on the 2018 Transaction Closing Date and was accounted for as a business combination under IFRS 3. The Thomson Reuters Financial & Risk Business was transferred to Refinitiv in exchange for cash consideration of US$16,655 million and Refinitiv stock of US$2,101 million. As part of the 2018 Transaction, there was a sale of intellectual property from a Swiss subsidiary to the US and UK and a sale of trademarks licensed from Canada to the US and UK which gave rise to a step-up in tax basis related to these assets (i.e., intangible assets and computer software). The 2018 Transaction did not give rise to a step-up to fair market value for tax purposes in any other assets and resulted in the recording of deferred tax for differences between the historical tax basis and the stepped-up financial reporting basis which primarily related to investments in partnerships.

The deferred balances presented above to 30 September 2018 are presented on a carve-out basis and were prepared following the "separate return method", which computes income tax balances of each member of Refinitiv as if Refinitiv member were a separate taxpayer and a stand-alone enterprise. The tax treatment of certain items reflected in the

combined historical financial information may not be reflected in the consolidated financial statements and tax returns of Thomson Reuters. Therefore, items such as net operating losses, credit carry forwards, and derecognition of deferred tax assets may exist in the combined historical financial information that may or may not exist in Thompson Reuters' consolidated financial statements through 30 September 2018. As a result of the above transaction, which closed on 1 October 2018, deferred tax assets and liabilities were re-determined based on updated book and tax bases and were recorded on an actuals basis through 31 December 2018. These adjustments that result from the transaction are effectuated through the "Elimination on acquisition" and "Deferred tax on acquisition" lines in the deferred rollforward above.

The net deferred tax asset of US$375 million (31 December 2019: US$13 million; 31 December 2018: deferred tax liability of US$735 million) is mainly attributable to intangible assets and goodwill, employee benefits and deferred compensation, and investments in partnerships and equity investments. There is a deferred tax liability of US$517 million (31 December 2019: US$549 million; 31 December 2018: US$582 million) on the purchased intangible assets of the acquired subsidiary. This liability is amortised at the same rate as the purchased intangible assets. The employee benefits and deferred compensation total a deferred tax asset of US$73 million (31 December 2019: US$129 million; 31 December 2018: US$22 million). The investment in partnership and equity investments total a deferred tax asset of US$468 million (31 December 2019: US$183 million; 31 December 2018: deferred tax liability of US$240 million), which primarily increased from 2019 due to the follow-on offering in 2020 that increased Tradeweb's equity ownership.

Refinitiv has unrecognised deferred tax assets in respect of interest expense carry forwards of US$69 million (31 December 2019: US$63 million; 31 December 2018: US$40 million), US separate state tax credit carry forwards of US$4 million (31 December 2019: US$3 million; 31 December 2018: US$3 million), and other operating loss carry forwards of US$128 million (31 December 2019: US$32 million; 31 December 2018: US$5 million) within certain Refinitiv subsidiaries. A majority of the tax losses and credit carry forwards have an indefinite carry forward period. The assets would be recognised in the future only if suitable taxable income were to arise within Refinitiv.

Refinitiv has not provided deferred tax on the unremitted earnings or other temporary differences associated with investments in subsidiaries. Refinitiv is able to control the timing and reversal of such differences. The retained earnings attributable to overseas affiliates at 31 December 2020 are estimated at US$86 million.

## 15. Retirement benefit obligations

Substantially all of Refinitiv's employees participate in defined benefit and defined contribution employee future benefit plans. Costs for future employee benefits are accrued over the periods in which the employees earn the benefits. Defined benefit plans provide pension and other post-employment benefits to covered employees. Significant plans are valued under IAS 19, "Employee Benefits" using the projected unit credit method.

The combined balance sheets include the assets and liabilities of the Reuters Pension Fund ("RPF") and the Supplementary Pension Scheme ("SPS"), covering UK employees (collectively, the "Large UK plans"), as well as various smaller plans closely associated with Refinitiv's operations.

The following is a summary of the movement in the net surplus for the defined benefit pension plans:

| | **US$m** |
|---|---|
| **1 January 2019** | **305** |
| Pension expense included in the income statement | (3) |
| Gains included in total comprehensive loss | 14 |
| Contributions paid | 39 |
| Foreign exchange | 24 |
| Other | (1) |
| **31 December 2019** | **378** |
| Pension expense included in the income statement | (10) |
| Losses included in total comprehensive loss | (10) |
| Contributions paid | 35 |
| Foreign exchange | 22 |
| Other | (3) |
| **31 December 2020** | **412** |
| | |
| Retirement benefit asset | 508 |
| Retirement benefit obligations | (130) |

| | |
|---|---|
| **31 December 2019** | **378** |

| | |
|---|---|
| Retirement benefit asset | 550 |
| Retirement benefit obligations | (138) |
| **31 December 2020** | **412** |

The following discussion relates to the material plans, which primarily relate to the Large UK plans. The "other plans" column in the subsequent tables contains other material plans only. Non-material plans are not presented in the rest of this footnote.

**Defined benefit schemes**

Benefits payable are generally based on salary and years of service, although each plan has a unique benefits formula. Employees in the Large UK plans (and in some smaller global plans) may also make voluntary contributions to augment future benefits. The normal retirement age is typically in the range of 60 to 65 years and benefits are generally payable in annuity or lump sum upon retirement. Most plans include provisions for early retirement, death, survivor, and disability benefits. Under the Large UK plans, vested benefits of former employees who are not yet of retirement age are held in deferment. Eligible benefits under the Large UK plans increase based on inflation.

Except where required by law, virtually all defined benefit plans are closed to new employees. However, most new employees are eligible to participate in defined contribution plans.

Refinitiv bears the cost of the Large UK plans (less employee contributions). However, the responsibility for the management and governance of each of the Large UK plans lies with an independent trustee board (the "Trustees"). The Trustees are responsible for carrying out triennial valuations (unless circumstances require an earlier review) and securing funding for benefit payments. In order to develop funding valuations and investment policies, the Trustees consult with the plan's actuary (who is independent of Refinitiv's actuary), the plans' investment advisors (also independent of Refinitiv's investment advisors), and Refinitiv. The Trustees and Refinitiv are required to agree on a schedule of contributions in support of funding objectives. Refinitiv has separate funding agreements with the Trustees that provide for ongoing contributions to fund current service accruals and scheduled deficit recovery contributions to remedy prior funding deficits over a period of several years. These arrangements are updated in conjunction with the triennial valuations.

Additionally, Refinitiv provides guarantees to the Trustees in conjunction with triennial valuation and funding agreements. As of 31 December 2020, the aggregate maximum liability under the guarantees was £700 million for the RPF and £120 million for the SPS.

Other international locations operate various pension plans in accordance with the local regulations and practices.

**Defined contribution schemes**

Refinitiv sponsors various defined contribution savings plans that provide for matching contributions. Total expense related to defined contribution plans for the year ended 31 December 2020 was US$61 million (2019: US$62 million; 2018: US$46 million), which approximates the cash outlays related to the plans.

**Amounts recognised in the income statement from continuing operations are as follows:**

| | | **31 December 2020** | | | |
|---|---|---|---|---|---|
| | | **RPF** | **SPS** | **Other plans** | **Total** |
| | **Notes** | **US$m** | **US$m** | **US$m** | **US$m** |
| Defined contribution schemes | | - | - | 61 | 61 |
| Defined benefit scheme - current/past service cost and expenses | | 13 | 1 | 2 | 16 |
| **Total pension charge included in employee costs** | | **13** | **1** | **63** | **77** |
| Net finance income | 8 | (7) | (1) | 2 | (6) |
| **Total recognised in the income statement** | | **6** | **-** | **65** | **71** |

| | | 31 December 2019 | | | |
|---|---|---|---|---|---|
| | | RPF | SPS | Other plans | Total |
| | Notes | US$m | US$m | US$m | US$m |
| Defined contribution schemes | | - | - | 62 | 62 |
| Defined benefit scheme - current/past service cost and expenses | | 9 | 1 | 4 | 14 |
| **Total pension charge included in employee costs** | | **9** | **1** | **66** | **76** |
| Net finance (income)/expense | 8 | (9) | (1) | 1 | (9) |
| **Total recognised in the income statement** | | **-** | **-** | **67** | **67** |

| | | 31 December 2018 | | | |
|---|---|---|---|---|---|
| | | RPF | SPS | Other plans | Total |
| | Notes | US$m | US$m | US$m | US$m |
| Defined contribution schemes | | - | - | 46 | 46 |
| Defined benefit scheme - current/past service cost, expenses and curtailments | | 48 | 5 | (7) | 46 |
| **Total pension charge included in employee costs** | | **48** | **5** | **39** | **92** |
| Net finance income | 8 | (11) | - | - | (11) |
| **Total recognised in the income statement** | | **37** | **5** | **39** | **81** |

**Defined benefit assets/(obligations) for pension scheme**

| | 31 December 2020 | | | |
|---|---|---|---|---|
| | RPF | SPS | Other plans | Total |
| | US$m | US$m | US$m | US$m |
| **Fair value of assets:** | | | | |
| Equities (quoted) | 130 | - | 113 | 243 |
| Equities (unquoted) | 40 | - | - | 40 |
| Bonds (quoted) | 2 | - | 114 | 116 |
| Bonds (unquoted) | 2,272 | - | - | 2,272 |
| Property | - | - | 23 | 23 |
| Cash | 88 | 5 | 7 | 100 |
| Pensioner buy in policy | 824 | - | - | 824 |
| Other | 475 | 437 | 73 | 985 |
| **Total fair value of assets** | **3,831** | **442** | **330** | **4,603** |
| Present value of funded obligations | 3,384 | 369 | 441 | 4,194 |
| **Surplus/(deficit)** | **447** | **73** | **(111)** | **409** |

| | 31 December 2019 | | | |
|---|---|---|---|---|
| | RPF | SPS | Other plans | Total |
| | US$m | US$m | US$m | US$m |
| **Fair value of assets:** | | | | |
| Equities (quoted) | - | - | 109 | 109 |
| Equities (unquoted) | 46 | - | - | 46 |
| Bonds (quoted) | - | - | 107 | 107 |
| Bonds (unquoted) | 1,846 | - | - | 1,846 |
| Property | - | - | 22 | 22 |

| | | | | |
|---|---|---|---|---|
| Cash | 89 | 3 | 7 | 99 |
| Pensioner buy in policy | 774 | - | - | 774 |
| Other | 587 | 407 | 63 | 1,057 |
| **Total fair value of assets** | **3,342** | **410** | **308** | **4,060** |
| Present value of funded obligations | 2,929 | 340 | 417 | 3,686 |
| **Surplus/(deficit)** | **413** | **70** | **(109)** | **374** |

| | **31 December 2018** | | | |
|---|---|---|---|---|
| | **RPF** | **SPS** | **Other plans** | **Total** |
| | **US$m** | **US$m** | **US$m** | **US$m** |
| **Fair value of assets:** | | | | |
| Equities (quoted) | - | - | 91 | 91 |
| Equities (unquoted) | 55 | - | 2 | 57 |
| Bonds (quoted) | - | - | 23 | 23 |
| Bonds (unquoted) | 1,491 | - | - | 1,491 |
| Property | 1 | - | 24 | 25 |
| Cash | 79 | 40 | 6 | 125 |
| Pensioner buy in policy | 787 | - | - | 787 |
| Other | 514 | 346 | 145 | 1,005 |
| **Total fair value of assets** | **2,927** | **386** | **291** | **3,604** |
| Present value of funded and unfunded obligations | 2,567 | 335 | 404 | 3,306 |
| **Surplus/(deficit)** | **360** | **51** | **(113)** | **298** |

For funded plans, surpluses are recognised only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which Refinitiv can unilaterally reduce future contributions to the plan or receive a refund in future. For the two UK plans, the RPF and SPS, a legal opinion on the recoverability was obtained. It was concluded that, based on the legal facts, for both plans an accounting policy choice can be made to either recognise the surplus or not. Refinitiv therefore decided to recognise the surplus.

**Investment policy of the material plans**

Plan assets consist primarily of government and corporate bonds, and various other investment vehicles. Plan assets are invested to adequately secure benefits and to minimize the need for long-term contributions to the plans. However, specific investment allocations will vary across plans.

The principal investment objectives are to ensure the availability of funds to pay pension benefits as they become due under a broad range of future economic scenarios, maximize long-term investment return with an acceptable level of risk based on our pension obligation, and diversify broadly across and within the capital markets to insulate asset values against adverse experience in any one market.

Target investment allocation ranges are guidelines, not limitations. Funded plans may have broadly diversified portfolios with investments in equities, fixed income, real estate, insurance contracts, derivatives, and other asset classes through direct ownership or through other instruments such as mutual funds, commingled funds, and hedge funds. Derivatives may be used to achieve investment objectives or as a component of risk management such as for interest rate and currency management strategies.

**Actuarial assumptions are set out below:**

| | **For the years ended 31 December** | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | **2019** | | **2018** | |
| | **RPF** | **SPS** | **RPF** | **SPS** | **RPF** | **SPS** |
| Inflation rate | 2.90% | 3.00% | 3.00% | 3.05% | 3.20% | 3.20% |
| Rate of increase in salaries | 3.45% | 3.00% | 3.20% | 3.25% | 3.20% | 3.20% |
| Rate of increase in pension payments | 2.85% | 2.90% | 2.85% | 2.85% | 2.95% | 3.00% |
| Discount rate | 1.32% | 1.19% | 1.90% | 1.83% | 2.68% | 2.60% |
| Life expectancy from age 65 (years) | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| - Employee retiring as of 31 December at age 65 (male) | 23 | 24 | 22 | 23 | 23 | 24 |
| - Employee retiring as of 31 December at age 65 (female) | 25 | 26 | 24 | 25 | 25 | 26 |

*Discount rate*
The discount rate was based on current market interest rates of high-quality corporate bonds, adjusted to reflect the duration of expected future cash outflows for pension benefit payments. To estimate the discount rate, a hypothetical yield curve that represented yields on high-quality zero-coupon bonds was constructed with durations that mirrored the expected payment stream of the benefit obligation.

*Rates of inflation, increase in salaries, and pension payments*
The rate of inflation, which impacts increases in eligible UK pension payments, was determined by reference to consumer and retail price indices as well as other benchmarks. The assumption on salary growth is for the long term over the life of the benefit plans.

*Mortality assumptions*
The mortality assumptions used to assess the defined benefit obligation for the Large UK plans are based on SAPS Light Tables with allowances for plan demographic specifics and longevity improvements.

**Sensitivities**
The sensitivities regarding the principal assumptions used to measure the RPF and SPS scheme obligations are:

| | | Impact on scheme obligations | | | | | |
|---|---|---|---|---|---|---|---|
| | | For the years ended 31 December | | | | | |
| | | 2020 | | 2019 | | 2018 | |
| **Assumption** | **Change in assumption** | **RPF** | **SPS** | **RPF** | **SPS** | **RPF** | **SPS** |
| Inflation rate (CPI) and salary increase | Increase by 0.25% | 64 | 6 | 60 | 7 | 53 | 7 |
| Discount rate | Increase by 0.25% | (147) | (11) | (122) | (10) | (109) | (10) |
| Mortality rate | Increase by 1 year | 112 | 16 | 82 | 14 | 72 | 50 |

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The impact of the salary increase assumption as a standalone sensitivity has an immaterial impact on the scheme obligations.

**Risks and uncertainties**

The material risks and uncertainties Refinitiv is exposed to in relation to the Large UK plans are as follows:

- Investment risk: Returns on plan assets may not be sufficient to fund plan obligations. To mitigate such risk, plan trustees maintain investment policies and periodically review investment allocations to ensure adequate support of funding objectives. Additionally, the Trustees review fund manager performance against benchmarks for specific investment mandates.

- Interest rate risk: A fall in interest rates will increase the value of the plan obligations as well as the fixed-income investments used to fund the obligations. Although a significant amount of plan assets are allocated to fixed-income investments, the benefit plans do not strictly follow a liability-matching investment strategy. As a result, plan liabilities may increase faster than assets in a declining interest rate environment, potentially requiring Refinitiv to make additional contributions. Diversified asset allocations mitigate this risk by creating the potential to outperform increases in liabilities and to reinvest excess returns in liability-matching assets, reducing the need for Refinitiv contributions.

- Inflation risk: Actual salary increases and pension increases linked to inflation may exceed expectations, resulting in higher than anticipated plan obligations. To mitigate this risk, certain plan assets are invested in hedging assets, including derivatives and inflation-linked bonds.

- Currency risk: In some plans, obligations denominated in local currency may be partially funded by foreign

investments. To hedge this currency mismatch, derivatives may be used.

- Liquidity risk: If a plan has insufficient cash to fund near-term benefit payments, Refinitiv may have to make additional contributions or unexpected changes in asset allocations may be required. This risk is mitigated as near-term pension payments are reasonably known and plans generally hold short-term debt securities to fund such payments.
- Mortality risk: Life expectancy may improve at a faster rate than expected resulting in higher plan obligations. To mitigate this risk, life expectancy assumptions are reviewed in connection with periodic valuations.

In addition to risk mitigation noted above, investment risk, interest rate risk, inflation risk and mortality risk related to the RPF are partially mitigated by the 2018 purchase of the Annuity Policy.

**Changes in the present value of the defined benefit obligations during the period**

| | RPF | SPS | Other plans | Total |
|---|---|---|---|---|
| | US$m | US$m | US$m | US$m |
| **Benefit obligation 1 January 2018** | **2,844** | **383** | **444** | **3,671** |
| Past/current service cost | 48 | 5 | (7) | 46 |
| Interest cost | 69 | 9 | 7 | 85 |
| **Pension expense included in the income statement** | **117** | **14** | **-** | **131** |
| Actuarial gains - financial assumptions | (145) | (17) | (6) | (168) |
| Actuarial losses/(gains) - demographic assumptions | 10 | (2) | - | 8 |
| Actuarial losses/(gains) - experience | - | 2 | (33) | (31) |
| **Gains included in total comprehensive income** | **(135)** | **(17)** | **(39)** | **(191)** |
| Benefits paid | (97) | (28) | (23) | (148) |
| Foreign exchange | (162) | (21) | (9) | (192) |
| Other | - | 4 | 31 | 35 |
| **Benefit obligation as at 31 December 2018** | **2,567** | **335** | **404** | **3,306** |
| Past/current service cost | 9 | 1 | 4 | 14 |
| Interest cost | 65 | 8 | 6 | 79 |
| **Pension expense included in the income statement** | **74** | **9** | **10** | **93** |
| Actuarial losses - financial assumptions | 342 | 27 | 29 | 398 |
| Actuarial gains - demographic assumptions | (76) | (9) | - | (85) |
| Actuarial losses - experience | 2 | - | 4 | 6 |
| **Losses included in total comprehensive income** | **268** | **18** | **33** | **319** |
| Benefits paid | (98) | (33) | (35) | (166) |
| Foreign exchange | 118 | 14 | 2 | 134 |
| Other | - | (3) | 3 | - |
| **Benefit obligation as at 31 December 2019** | **2,929** | **340** | **417** | **3,686** |
| Past/current service cost | 13 | 1 | 2 | 16 |
| Interest cost | 49 | 5 | 4 | 58 |
| **Pension expense included in the income statement** | **62** | **6** | **6** | **74** |
| Actuarial losses - financial assumptions | 352 | 27 | 12 | 391 |
| Actuarial losses - demographic assumptions | 61 | 1 | (1) | 61 |
| Actuarial (gains)/losses – experience | (32) | 3 | 7 | (22) |
| **Losses included in total comprehensive income** | **381** | **31** | **18** | **430** |
| Benefits paid | (98) | (22) | (33) | (153) |
| Foreign exchange | 107 | 11 | 32 | 150 |
| Other | 3 | 3 | 1 | 7 |
| **Benefit obligation as at 31 December 2020** | **3,384** | **369** | **441** | **4,194** |

**Changes in the fair value of scheme assets during the period**

| | RPF US$m | SPS US$m | Other plans US$m | Total US$m |
|---|---|---|---|---|
| **Fair value of scheme assets as at 1 January 2018** | **3,252** | **357** | **320** | **3,929** |
| Interest income | 80 | 9 | 7 | 96 |
| **Pension income included in the income statement** | **80** | **9** | **7** | **96** |
| Loss on plan assets, excluding interest income | (237) | (15) | (24) | (276) |
| **Re-measurement included in total comprehensive income** | **(237)** | **(15)** | **(24)** | **(276)** |
| Contributions by employer | 108 | 85 | 12 | 205 |
| Contributions by employees | 3 | - | 3 | 6 |
| Expenses | (2) | (1) | - | (3) |
| Benefits paid | (97) | (28) | (23) | (148) |
| Foreign exchange | (180) | (21) | (4) | (205) |
| **Fair value of scheme assets as at 31 December 2018** | **2,927** | **386** | **291** | **3,604** |
| Interest income | 74 | 9 | 5 | 88 |
| **Pension income included in the income statement** | **74** | **9** | **5** | **88** |
| Return on plan assets, excluding interest income | 276 | 26 | 31 | 333 |
| **Re-measurement included in total comprehensive income** | **276** | **26** | **31** | **333** |
| Contributions by employer | 22 | 6 | 11 | 39 |
| Contributions by employees | 2 | - | 2 | 4 |
| Benefits paid | (98) | (33) | (35) | (166) |
| Foreign exchange | 139 | 16 | 3 | 158 |
| **Fair value of scheme assets as at 31 December 2019** | **3,342** | **410** | **308** | **4,060** |
| Interest income | 56 | 6 | 2 | 64 |
| **Pension income included in the income statement** | **56** | **6** | **2** | **64** |
| Return/(loss) on plan assets, excluding interest income | 376 | 28 | 18 | 422 |
| **Re-measurement included in total comprehensive income** | **376** | **28** | **18** | **422** |
| Contributions by employer | 20 | 4 | 11 | 35 |
| Contributions by employees | 2 | - | 1 | 3 |
| Benefits paid | (98) | (22) | (33) | (153) |
| Foreign exchange | 133 | 16 | 23 | 172 |
| **Fair value of scheme assets as at 31 December 2020** | **3,831** | **442** | **330** | **4,603** |

The actual gain on plan assets, from interest income and return on plan assets, for the year ended 31 December 2020 was US$486 million (2019: US$421 million; 2018: loss of US$180 million).

**Analysis of other comprehensive income/(loss)**

| | **Years ended 31 December** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | | | | **2019** | | | | **2018** | | | |
| | **RPF US$m** | **SPS US$m** | **Other plans US$m** | **Total US$m** | **RPF US$m** | **SPS US$m** | **Other plans US$m** | **Total US$m** | **RPF US$m** | **SPS US$m** | **Other plans US$m** | **Total US$m** |
| Remeasurement losses/(gains): | | | | | | | | | | | | |
| Due to financial assumption changes | 352 | 27 | 12 | **391** | 342 | 27 | 29 | **398** | (145) | (17) | (6) | **(168)** |
| Due to demographic assumption | | | | | (76) | (9) | - | **(85)** | 10 | (2) | - | **8** |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| changes | 61 | 1 | (1) | **61** | | | | | | | | |
| Due to experience | (32) | 3 | 7 | **(22)** | 2 | - | 4 | **6** | - | 2 | (33) | **(31)** |
| Return on plan assets (greater)/ less than discount rate | (376) | (28) | (18) | **(422)** | (276) | (26) | (31) | **(333)** | 237 | 15 | 24 | **276** |
| **Total recognised in other comprehensive income/(loss) before tax** | 5 | 3 | - | **8** | (8) | (8) | 2 | **(14)** | 102 | (2) | (15) | **85** |

The benefit obligations of the RPF and SPS schemes are based on the results of the most recent funding valuations as at 31 December 2019. These figures are updated to 31 December 2020 by a qualified actuary allowing for changes in assumptions, cash flows, and estimated experience. According to the schedules of contributions of the RPF and SPS schemes, Refinitiv is expected to make contributions of US$11 million in the next twelve months.

The weighted average duration of the RPF and SPS schemes defined benefit obligations at the end of the reporting period is estimated to be 19 years and 12 years, respectively.

## 16. Financial assets and financial liabilities

**Financial instruments by category**

The financial instruments of Refinitiv are categorised as follows:

| **Financial assets** | **Financial assets at amortised cost** | **Financial assets at FVPL** | **Financial assets at FVOCI** | **Total** |
|---|---|---|---|---|
| **31 December 2020** | **US$m** | **US$m** | **US$m** | **US$m** |
| Trade and other receivables | 555 | - | - | 555 |
| Cash and cash equivalents | 442 | 835 | - | 1,277 |
| Investments in financial assets – equity | - | - | 24 | 24 |
| Investments in financial assets – debt instruments | - | - | 4 | 4 |
| Derivative financial instruments | - | 15 | - | 15 |
| **Total** | **997** | **850** | **28** | **1,875** |

| **Financial assets** | **Financial assets at amortised cost** | **Financial assets at FVPL** | **Financial assets at FVOCI** | **Total** |
|---|---|---|---|---|
| **31 December 2019** | **US$m** | **US$m** | **US$m** | **US$m** |
| Trade and other receivables | 720 | - | - | 720 |
| Cash and cash equivalents | 415 | 719 | - | 1,134 |
| Investments in financial assets – debt instruments | - | - | 4 | 4 |
| Derivative financial instruments | - | 20 | - | 20 |
| **Total** | **1,135** | **739** | **4** | **1,878** |

| Financial assets | Financial assets at amortised cost | Financial assets at FVPL | Financial assets at FVOCI | Total |
|---|---|---|---|---|
| **31 December 2018** | **US$m** | **US$m** | **US$m** | **US$m** |
| Trade and other receivables | 969 | - | - | 969 |
| Cash and cash equivalents | 497 | 695 | - | 1,192 |
| Investments in financial assets – debt instruments | - | - | 5 | 5 |
| Derivative financial instruments | - | 34 | - | 34 |
| **Total** | **1,466** | **729** | **5** | **2,200** |

There were no transfers between categories during any of the years.

Prepayments within trade and other receivables are not classified as financial instruments.

| Financial liabilities | Financial liabilities at amortised cost | Financial liabilities at FVPL | Financial liabilities at FVOCI | Total |
|---|---|---|---|---|
| **31 December 2020** | **US$m** | **US$m** | **US$m** | **US$m** |
| Trade and other payables | 1,264 | - | - | 1,264 |
| Other non-current payables[1] | 818 | - | - | 818 |
| Contingent consideration | - | 7 | - | 7 |
| Borrowings | 13,364 | - | - | 13,364 |
| Derivative financial instruments | - | 164 | - | 164 |
| **Total** | **15,446** | **171** | **-** | **15,617** |

| Financial liabilities | Financial liabilities at amortised cost | Financial liabilities at FVPL | Financial liabilities at FVOCI | Total |
|---|---|---|---|---|
| **31 December 2019** | **US$m** | **US$m** | **US$m** | **US$m** |
| Trade and other payables | 1,395 | - | - | 1,395 |
| Other non-current payables | 648 | - | - | 648 |
| Borrowings | 12,752 | - | - | 12,752 |
| Derivative financial instruments | - | 102 | - | 102 |
| **Total** | **14,795** | **102** | **-** | **14,897** |

| Financial liabilities | Financial liabilities at amortised cost | Financial liabilities at FVPL | Financial liabilities at FVOCI | Total |
|---|---|---|---|---|
| **31 December 2018** | **US$m** | **US$m** | **US$m** | **US$m** |
| Trade and other payables | 1,456 | - | - | 1,456 |
| Borrowings | 13,006 | - | - | 13,006 |
| Derivative financial instruments | - | 45 | - | 45 |
| **Total** | **14,462** | **45** | **-** | **14,507** |

[1]Other non-current payables consist of the non-current portion of lease liabilities (US$465 million) and the non-current portion of the TRA liability (US$353 million). The current portion of lease liabilities (US$157 million) and the TRA liability (US$17 million) is reflected in “Trade and other payables".

There were no transfers between categories during any of the years.

Deferred income, social security and other tax liabilities within trade and other payables are not classified as financial instruments.

| Financial assets measured at fair value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total fair value |
|---|---|---|---|---|
| **31 December 2020** | **US$m** | **US$m** | **US$m** | **US$m** |
| Investments in financial assets – equity | - | - | 24 | 24 |
| Investments in financial assets – debt | - | 4 | - | 4 |
| Embedded derivatives | - | 5 | - | 5 |
| Forward exchange contracts | - | 10 | - | 10 |
| **Total** | **-** | **19** | **24** | **43** |

| Financial assets measured at fair value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total fair value |
|---|---|---|---|---|
| **31 December 2019** | **US$m** | **US$m** | **US$m** | **US$m** |
| Investments in financial assets – debt | - | 4 | - | 4 |
| Embedded derivatives | - | 8 | - | 8 |
| Forward exchange contracts | - | 12 | - | 12 |
| **Total** | **-** | **24** | **-** | **24** |

| Financial assets measured at fair value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total fair value |
|---|---|---|---|---|
| **31 December 2018** | **US$m** | **US$m** | **US$m** | **US$m** |
| Investments in financial assets – debt | - | 5 | - | 5 |
| Embedded derivatives | - | 34 | - | 34 |
| **Total** | **-** | **39** | **-** | **39** |

| Financial liabilities measured at fair value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total fair value |
|---|---|---|---|---|
| **31 December 2020** | **US$m** | **US$m** | **US$m** | **US$m** |
| Derivative instruments – cash flow hedges | - | 90 | - | 90 |
| Embedded derivatives | - | 63 | - | 63 |
| Forward exchange contracts | - | 11 | - | 11 |
| Contingent consideration | - | - | 7 | 7 |
| **Total** | **-** | **164** | **7** | **171** |

| Financial liabilities measured at fair value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total fair value |
|---|---|---|---|---|
| **31 December 2019** | **US$m** | **US$m** | **US$m** | **US$m** |
| Derivative instruments – cash flow hedges | - | 85 | - | 85 |
| Embedded derivatives | - | 16 | - | 16 |
| Forward exchange contracts | - | 1 | - | 1 |
| **Total** | **-** | **102** | **-** | **102** |

| Financial liabilities measured at fair value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total fair value |
|---|---|---|---|---|
| **31 December 2018** | **US$m** | **US$m** | **US$m** | **US$m** |
| Derivative instruments – cash flow hedges | - | 40 | - | 40 |
| Embedded derivatives | - | 5 | - | 5 |
| **Total** | **-** | **45** | **-** | **45** |

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

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

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

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

There have been no transfers between Level 1 and Level 2 during the periods.

When observable market data is not available, Refinitiv uses one or more valuation techniques (e.g. the market approach or the income approach) for which sufficient and reliable data is available. These inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments. With respect to its investments in financial assets, Refinitiv acquired equity investments during 2020. The carrying value of these equity investments was US$24 million as of 31 December 2020. These equity investments have been classified as Level 3. There were no impairments to the carrying value of these equity investments during the year ended 31 December 2020 and Refinitiv considers the current value to be a reasonable approximation of fair value.

With the exception of Refinitiv's borrowings, management has assessed that the fair value of financial assets and financial liabilities categorised as "Financial assets at amortised cost" and "Financial liabilities at amortised cost" approximate their carrying values. The fair value of Refinitiv's borrowings is disclosed in Note 22.

**Hedging activities and derivatives**

Refinitiv is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are foreign currency exchange risk and interest rate risk. Refinitiv recognises all derivatives as assets or liabilities in its combined historical financial information at fair value.

**Foreign exchange contracts**

Refinitiv uses foreign exchange contracts to manage foreign currency risk on cash flow excluding indebtedness. Specifically, Refinitiv Parent mitigates such exposure by entering into a series of exchange contracts to purchase or sell certain currencies in the future at fixed amounts. As of 31 December 2020, the fair value of these contracts was US$(1) million (31 December 2019: US$11 million), in aggregate. As of December 31, 2018, Refinitiv did not have any foreign exchange contracts.

**Interest rate risk exposures**

To hedge its exposures in expected future cash flows due to the changes in interest rates, Refinitiv enters into interest rate swap derivatives, which swap the US dollar monthly floating rate interest payments into US dollars fixed interest payments. The interest rate swaps, which cover a portion of Refinitiv's debt, were designated as cash flow hedges recorded in the combined balance sheet at their fair value.

As of 31 December 2020, 2019 and 2018, Refinitiv had US$3,250 million in cash flow hedges that were entered into to hedge forecasted interest payments. Refinitiv paid a fixed rate of interest and received a floating rate of interest for hedges maturing in 2021. Hedge effectiveness is assessed and any ineffectiveness is measured using the cumulative dollar-offset

method. Refinitiv recognised US$6 million of expense relating to hedge ineffectiveness during the year ended 31 December 2020. The hedges were determined to have been highly effective during the years ended 31 December 2019 and 2018. The fair value of those hedges was US$(90) million as of 31 December 2020 (31 December 2019: US$(85) million; 31 December 2018: US$(40) million).

*Cash flow hedge reserve balance:*

| | US$m |
|---|---|
| **1 January 2019** | **(36)** |
| Changes in fair value recorded in other comprehensive loss, net of tax | (32) |
| **31 December 2019** | **(68)** |
| Changes in fair value recorded in other comprehensive income, net of tax | 1 |
| **31 December 2020** | **(67)** |

**Embedded derivatives**

Refinitiv has embedded foreign currency derivatives primarily in certain revenue contracts where the currency of the contract is different from the functional or local currencies of the parties involved. These derivatives are accounted for as separate instruments and are measured at fair value at the end of the reporting period using forward exchange market rates. Changes in their fair values are recognised in the income statement. For the years ended 31 December 2020, 2019 and 2018, fair value (losses)/gains from embedded derivatives were US$(37) million, US$8 million, and US$69 million, respectively.

## 17. Offsetting financial assets and financial liabilities

Refinitiv is subject to master netting arrangements with certain counterparties. In certain circumstances, netting is permitted only in the event of bankruptcy or default of either party to the agreement, and such amounts are not netted in the combined statement of financial position. This information is summarised in the tables below.

| | Gross financial assets | Gross financial liabilities netted against assets | Net financial assets | Related financial liabilities not netted | Net amount |
|---|---|---|---|---|---|
| **31 December 2020** | **US$m** | **US$m** | **US$m** | **US$m** | **US$m** |
| Derivative financial assets | 10 | - | 10 | (10) | - |
| Cash and cash equivalents | 1,138 | - | 1,138 | (427) | 711 |
| **Total** | **1,148** | **-** | **1,148** | **(437)** | **711** |

| | Gross financial liabilities | Gross financial assets netted against liabilities | Net financial liabilities | Related financial assets not netted | Net amount |
|---|---|---|---|---|---|
| **31 December 2020** | **US$m** | **US$m** | **US$m** | **US$m** | **US$m** |
| Derivative financial liabilities | 101 | - | 101 | (10) | 91 |
| Unsecured notes and credit facilities | 9,544 | - | 9,544 | (427) | 9,117 |
| **Total** | **9,645** | **-** | **9,645** | **(437)** | **9,208** |

| 31 December 2019 | Gross financial assets US$m | Gross financial liabilities netted against assets US$m | Net financial assets US$m | Related financial liabilities not netted US$m | Net amount US$m |
|---|---|---|---|---|---|
| Derivative financial assets | 12 | - | 12 | (2) | 10 |
| Cash and cash equivalents | 941 | - | 941 | (338) | 603 |
| **Total** | **953** | **-** | **953** | **(340)** | **613** |

| 31 December 2019 | Gross financial liabilities US$m | Gross financial assets netted against liabilities US$m | Net financial liabilities US$m | Related financial assets not netted US$m | Net amount US$m |
|---|---|---|---|---|---|
| Derivative financial liabilities | 86 | - | 86 | (2) | 84 |
| Unsecured notes and credit facilities | 9,052 | - | 9,052 | (338) | 8,714 |
| **Total** | **9,138** | **-** | **9,138** | **(340)** | **8,798** |

| 31 December 2018 | Gross financial assets US$m | Gross financial liabilities netted against assets US$m | Net financial assets US$m | Related financial liabilities not netted US$m | Net amount US$m |
|---|---|---|---|---|---|
| Cash and cash equivalents | 1,034 | - | 1,034 | (328) | 706 |
| **Total** | **1,034** | **-** | **1,034** | **(328)** | **706** |

| 31 December 2018 | Gross financial liabilities US$m | Gross financial assets netted against liabilities US$m | Net financial liabilities US$m | Related financial assets not netted US$m | Net amount US$m |
|---|---|---|---|---|---|
| Derivative financial liabilities | 40 | - | 40 | - | 40 |
| Unsecured notes and credit facilities | 9,192 | - | 9,192 | (328) | 8,864 |
| **Total** | **9,232** | **-** | **9,232** | **(328)** | **8,904** |

## 18. Trade and other receivables

| | | 31 December | | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| | Notes | US$m | US$m | US$m |
| **Non-current** | | | | |
| Trade and other receivables | | 195 | 154 | 73 |
| Prepayments | | 10 | - | - |
| **Total** | | **205** | **154** | **73** |

| | | | |
|---|---|---|---|
| **Current** | | | |
| Trade receivables | 516 | 572 | 539 |
| Less: provision for expected credit losses and sales adjustments on trade receivables | (40) | (26) | (24) |
| **Trade receivables – net** | **476** | **546** | **515** |
| Other receivables | 79 | 174 | 454 |
| **Trade and other receivables (financial assets)** | **555** | **720** | **969** |
| Prepayments | 141 | 107 | 90 |
| **Total** | **696** | **827** | **1,059** |

The carrying amount of Refinitiv's current trade and other receivables are denominated in the following currencies:

| | **31 December** | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **US$m** | **US$m** | **US$m** |
| US Dollar | 371 | 438 | 667 |
| Euro | 39 | 49 | 53 |
| Sterling | 157 | 179 | 184 |
| Other currencies | 129 | 161 | 155 |
| | **696** | **827** | **1,059** |

Movements in Refinitiv's provision for expected credit losses and sales adjustments on trade receivables (allowance for doubtful accounts and sales adjustments provision prior to the adoption of IFRS 9 in 2018) are as follows:

| | **31 December** | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **US$m** | **US$m** | **US$m** |
| Provision for expected credit losses and sales adjustments on trade receivables at the beginning of the year | **26** | **24** | **20** |
| Charge during the year | 29 | 12 | 39 |
| Written off during the year | (15) | (10) | (12) |
| Elimination on acquisition | - | - | (23) |
| **Provision for expected credit losses and sales adjustments on trade receivables at the end of the period** | **40** | **26** | **24** |

The provision for expected credit losses represents the estimated uncollectible amounts for customers not having the ability to pay. The provision for sales adjustments represents estimated customer disputes. The provision for sales adjustments balance was US$29 million, US$19 million and US$15 million as of 31 December 2020, 2019 and 2018, respectively.

The expense relating to expected credit losses is included within the operating expenses in the combined income statement. Revenue in the combined income statement is recorded net of the expense relating to the sales adjustments provision.

Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables and the other categories of financial assets do not contain impaired assets.

## 19. Cash and cash equivalents

| | **31 December** | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **US$m** | **US$m** | **US$m** |
| Cash at bank and on hand | 387 | 385 | 455 |
| Cash equivalents | | | |

| | | | |
|---|---|---|---|
| Short-term deposits | 55 | 30 | 42 |
| Money market accounts | 835 | 719 | 695 |
| **Total** | **1,277** | **1,134** | **1,192** |

Of total cash and cash equivalents, US$793 million, US$462 million and US$412 million are attributable to Tradeweb Markets as of 31 December 2020, 2019 and 2018, respectively. Additionally, US$199 million, US$174 million and US$156 million as of 31 December 2020, 2019 and 2018, respectively, were held in subsidiaries that have regulatory restrictions and contractual restrictions or operate in countries where exchange controls and other legal restrictions apply, and were, therefore, not available for general use by Refinitiv.

## 20. Trade and other payables

| | 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **US$m** | **US$m** | **US$m** |
| **Non-current** | | | |
| Other non-current payables | 365 | 213 | 60 |
| Lease liabilities | 465 | 446 | - |
| **Total** | **830** | **659** | **60** |
| **Current** | | | |
| Trade payables | 319 | 358 | 397 |
| Social security and other taxes | 64 | 57 | 61 |
| Other payables | 110 | 93 | 234 |
| Accruals | 678 | 817 | 825 |
| Lease liabilities | 157 | 127 | - |
| | **1,328** | **1,452** | **1,517** |
| **Total** | **2,158** | **2,111** | **1,577** |

## 21. Contract liabilities

| | 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **US$m** | **US$m** | **US$m** |
| **Non-current** | | | |
| Contract liabilities | 4 | 9 | 20 |
| | **4** | **9** | **20** |
| **Current** | | | |
| Contract liabilities | 109 | 96 | 119 |
| | **109** | **96** | **119** |
| **Total** | **113** | **105** | **139** |

Contract liabilities primarily relate to the consideration received from customers for which services have not yet been rendered. Changes in Refinitiv's contract liabilities balances during the period were as follows:

| | | 31 December | | |
|---|---|---|---|---|
| | | 2020 | 2019 | 2018 |
| | Note | US$m | US$m | US$m |
| **Contract liabilities at the beginning of the year** | | **105** | **139** | **139** |
| Revenue recognised in the income statement | | (86) | (118) | (214) |
| Increases due to consideration received (excluding amounts recognised as revenue during the year) | | 87 | 84 | 217 |
| Eliminated on acquisition | | - | - | (176) |
| Contract liabilities on acquisition (Note 27) | | 7 | - | 173 |
| **Contract liabilities at the end of the year** | | **113** | **105** | **139** |

Refinitiv's contract liabilities are estimated to be recognised within the following periods:

| | 31 December | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | US$m | US$m | US$m |
| Less than one year | 109 | 96 | 119 |
| More than one year but less than five years | 4 | 9 | 20 |
| More than five years | - | - | - |
| **Contract liabilities at the end of the year** | **113** | **105** | **139** |

## 22. Borrowings

| | 31 December | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | US$m | US$m | US$m |
| **Current** | | | |
| Term loans | 440 | 88 | 91 |
| | **440** | **88** | **91** |
| **Non-current** | | | |
| Term loans | 8,728 | 8,698 | 8,849 |
| Notes/Bonds | 4,196 | 3,966 | 4,066 |
| | **12,924** | **12,664** | **12,915** |
| **Total** | **13,364** | **12,752** | **13,006** |

Refinitiv has the following committed bank facilities, secured and unsecured notes:

| | | | Carrying value at | Interest rate percentage at |
|---|---|---|---|---|
| | | Principal Value | 31 December 2020 | 31 December 2020 |
| **Type** | **Expiry Date** | **US$m** | **US$m** | |
| **Drawn value of Facilities** | | | | |
| Revolving Credit Facility | Oct 2023 | 750 | 350 | - |
| Dollar Term Loan Facility | Oct 2025 | 6,500 | 6,131 | LIBOR+325bps |
| Euro Term Loan Facility | Oct 2025 | 2,692 | 2,687 | EURIBOR+325bps |
| **Total committed bank facilities** | | **9,942** | **9,168** | |

| | | | | |
|---|---|---|---|---|
| Dollar secured notes | May 2026 | 1,250 | 1,215 | 6.25% |
| Euro secured notes | May 2026 | 983 | 1,029 | 4.50% |
| Dollar unsecured notes | November 2026 | 1,575 | 1,522 | 8.25% |
| Euro unsecured notes | November 2026 | 417 | 430 | 6.88% |
| **Total notes** | | **4,225** | **4,196** | |
| **Total committed facilities, and notes** | | **14,167** | **13,364** | |

| | | | Carrying value at | Interest rate percentage at |
|---|---|---|---|---|
| | | Principal Value | 31 December 2019 | 31 December 2019 |
| **Type** | **Expiry Date** | **US$m** | **US$m** | |
| **Drawn value of Facilities** | | | | |
| Revolving Credit Facility | Oct 2023 | 750 | - | - |
| Dollar Term Loan Facility | Oct 2025 | 6,500 | 6,151 | LIBOR + 325bps |
| Euro Term Loan Facility | Oct 2025 | 2,692 | 2,546 | EURIBOR + 400bps |
| **Total committed bank facilities** | | **9,942** | **8,697** | |
| Dollar secured notes | May 2026 | 1,250 | 1,210 | 6.25 |
| Euro secured notes | May 2026 | 983 | 939 | 4.50 |
| Dollar unsecured notes | November 2026 | 1,575 | 1,515 | 8.25 |
| Euro unsecured notes | November 2026 | 417 | 391 | 6.88 |
| **Total notes** | | **4,225** | **4,055** | |
| **Total committed facilities, and notes** | | **14,167** | **12,752** | |

| | | | Carrying value at | Interest rate percentage at |
|---|---|---|---|---|
| | | Principal Value | 31 December 2018 | 31 December 2018 |
| **Type** | **Expiry Date** | **US$m** | **US$m** | |
| **Drawn value of Facilities** | | | | |
| Revolving Credit Facility | Oct 2023 | 750 | - | - |
| Dollar Term Loan Facility | Oct 2025 | 6,500 | 6,330 | LIBOR + 375bps |
| Euro Term Loan Facility | Oct 2025 | 2,692 | 2,610 | EURIBOR + 400bps |
| **Total committed bank facilities** | | **9,942** | **8,940** | |
| Dollar secured notes | May 2026 | 1,250 | 1,205 | 6.25 |
| Euro secured notes | May 2026 | 983 | 953 | 4.50 |
| Dollar unsecured notes | November 2026 | 1,575 | 1,511 | 8.25 |
| Euro unsecured notes | November 2026 | 417 | 397 | 6.88 |
| **Total notes** | | **4,225** | **4,066** | |
| **Total committed facilities, and notes** | | **14,167** | **13,006** | |

**Current and non-current borrowings**

On 1 October 2018, Refinitiv entered into a credit agreement (the "Credit Agreement") that governs the following facilities (the "Senior Secured Credit Facilities"):

- Dollar Term Loan Facility in an aggregate principal amount of US$6,500 million maturing 1 October 2025 (the "Dollar Term Loan Facility");
- Euro Term Loan Facility in an aggregate principal amount of €2,355 million maturing 1 October 2025 (the "Euro Term Loan Facility"; together with the Dollar Term Loan Facility, the "Term Loan Facilities"); and
- Revolving Credit Facility in an aggregate principal amount of US$750 million maturing 1 October 2023 (the "Revolving Credit Facility").

The Revolving Credit Facility includes sub-facilities for letters of credit and for short-term borrowings referred to as swing line borrowings. In addition, the Credit Agreement provides that Refinitiv has the right at any time, subject to customary conditions, to request incremental term loans or incremental revolving credit commitments of up to the greater of US$2,000 million and an amount equal to 80 per cent. of consolidated EBITDA, subject to additional increases upon satisfaction of a certain first lien net leverage test, refinance the loans with debt incurred outside the Credit Agreement and extend the maturity date of the revolving loans and term loans. As at 31 December 2020, Refinitiv had an available borrowing capacity of US$323 million after giving effect to the US$350 million drawdown and US$77 million of outstanding letters of credit.

Borrowings under the Dollar Term Loan Facility bear interest, at the option of Refinitiv, at a per annum rate equal to either (a) a base rate determined by reference to the highest of (1) the administrative agent's prime lending rate, (2) the federal funds effective rate plus 1/2 of 1 per cent. and (3) the LIBO rate for a one-month interest period plus 1.00 per cent. or (b) a LIBO rate determined by reference to the LIBO rate published on the applicable screen page for the interest period relevant to such borrowing, in each case, plus a per annum margin of 3.75 per cent. for LIBO rate loans and 2.75 per cent. for base rate loans. The margin for the Dollar Term Loan Facility is subject to one 25 basis point step-down upon achievement of a certain first lien net leverage ratio.

In December 2019, Refinitiv entered into an Amendment Agreement which provided for the repricing of the Dollar Term Loan Facility with its debt investors, which reduced the per annum margin from 3.75 per cent. to 3.25 per cent. A modification gain of US$128 million was recognised in the combined income statement, and a corresponding amount amended the carrying value of the Dollar Term Loan Facility. Substantially all lenders consented to the repricing and as such no outstanding principal was reduced as part of this transaction. Third party costs of US$7 million incurred by Refinitiv to execute the repricing were deferred and recorded as a reduction of borrowings. As part of the Amendment Agreement, if any further modifications are made or Refinitiv repays or refinances the Dollar Term Loan Facility within six months of the effective date, Refinitiv will incur a fee or penalty premium of 1 per cent. of the principal.

Borrowings under the Euro Term Loan Facility bear interest at a per annum rate equal to the EURIBO rate determined by reference to the European Money Markets Institute EURIBO rate as published on the applicable Reuters screen page for the interest period relevant to such borrowing, plus a per annum margin of 4.00 per cent. The margin for the Euro Term Loan Facility is subject to one 25 basis point step-down upon achievement of a certain first lien net leverage ratio. In no event will the EURIBO rate for the Euro Term Loan Facility be deemed to be less than zero.

In January 2020, Refinitiv entered into an Amendment Agreement which provided for the repricing of the Euro Term Loan Facility with its debt investors, which reduced the per annum margin from 4.00 per cent. to 3.25 per cent. As part of this repricing, an amount of US$802 million was repaid to lenders who did not consent to the repricing and an equivalent amount was borrowed from certain other existing and new lenders. A modification gain of US$88 million was recognised in the combined income statement, and a corresponding amount amended the carrying value of the Euro Term Loan Facility. Third party costs of US$3 million incurred by Refinitiv to execute the repricing were deferred and recorded as a reduction of borrowings. As part of the Amendment Agreement, if any further modifications are made or Refinitiv repays or refinances the Euro Term Loan Facility within six months of the effective date, Refinitiv will incur a fee or penalty premium of 1 per cent. of the principal.

Borrowings under the Revolving Credit Facility will bear interest, at the option of Refinitiv, at a per annum rate equal to either (a) a base rate determined by reference to the highest of (1) the administrative agent's prime lending rate, (2) the federal funds effective rate plus 1/2 of 1 per cent. and (3) the LIBO rate for a one-month interest period plus 1.00 per cent. or (b) a LIBO rate determined by reference to the LIBO rate published on the applicable screen page for the interest period relevant to such borrowing, in each case, plus a per annum margin of 3.00 per cent. for LIBO rate loans and 2.00 per cent. for base rate loans. The margin for the Revolving Credit Facility is subject to two 25 basis point step-downs upon achievement of certain first lien net leverage ratios. In no event will the base rate or LIBO rate for the Revolving Credit Facility be deemed to be less than zero.

In addition to paying interest on outstanding principal under the Senior Secured Credit Facilities, Refinitiv will be required to pay an unused facility fee of 0.50 per cent. per annum to the lenders under the Revolving Credit Facility in respect of the commitments thereunder. The facility fee rate is subject to one 12.5 basis point step-down upon the achievement of a certain first lien net leverage ratio. Refinitiv is also required to pay customary letter of credit fees.

The term loans under each of the Dollar Term Loan Facility and the Euro Term Loan Facility are expected to amortise in equal quarterly instalments in an aggregate annual amount equal to 1.00 per cent. of the original principal amount of such term loans, with the balance being payable on maturity.

The Credit Agreement contains financial covenants to comply with a maximum ratio of first lien net indebtedness to EBITDA. All agreements contain covenants limiting Refinitiv's ability to incur additional indebtedness; to incur liens; merge or consolidate; sell, transfer or dispose of assets; pay dividends; prepay, redeem or repurchase certain subordinated indebtedness; make investments, loans and advances; enter into certain transactions with affiliates; enter into agreements which prohibit its ability to incur liens on assets; and enter into amendments to certain subordinated indebtedness in a manner materially adverse to the lenders. Refinitiv was in compliance with all covenants as at 31 December 2020.

**Secured Notes and Unsecured Notes**

In October 2018, Refinitiv issued US$1,250 million aggregate principal amount of 6.250 per cent. senior first lien notes due 2026 (the "Dollar Secured Notes") and €860 million aggregate principal amount of 4.500 per cent. senior first lien notes due 2026 (the "Euro Secured Notes" and, together with the Dollar Secured Notes, the "Secured Notes") under an indenture (the "Secured Indenture").

In October 2018, Refinitiv also issued US$1,575 million aggregate principal amount of 8.250 per cent. senior notes due 2026 (the "Dollar Unsecured Notes") and €365 million aggregate principal amount of 6.875 per cent. senior notes due 2026 (the "Euro Unsecured Notes" and, together with the Dollar Unsecured Notes, the "Unsecured Notes") under an indenture (the "Unsecured Indenture").

The Secured Indenture and the Unsecured Indenture contains covenants that, among other things, limit or restrict Refinitiv's and its restricted subsidiaries' ability to incur additional indebtedness; to incur liens; merge or consolidate; sell, transfer or dispose of assets; pay dividends; prepay, redeem or repurchase certain subordinated indebtedness; make investments, loans and advances; enter into certain transactions with affiliates; and enter into agreements which prohibit its ability to incur liens on assets. Refinitiv was in compliance with the covenants under the Secured Indenture and the Unsecured Indenture as at 31 December 2020.

The Secured Notes and the Unsecured Notes are general senior obligations, equal in right of payment with any existing and future senior indebtedness of Refinitiv. The Secured Notes are secured on a first-priority basis by the same collateral that secures the Senior Secured Credit Facilities.

Interest on the Secured Notes and the Unsecured Notes is payable semi-annually in arrears on 15 May and 15 November of each year, starting on 15 May 2019. The Secured Notes mature on 15 May 2026 and the Unsecured Notes mature on 15 November 2026.

The fair values of Refinitiv's borrowings are as follows:

| | As at 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| | US$m | US$m | US$m | US$m | US$m | US$m |
| Borrowings | | | | | | |
| - within 1 year | 440 | 442 | 88 | 91 | 91 | 87 |
| - after more than 1 year | 12,924 | 13,715 | 12,664 | 13,679 | 12,915 | 12,582 |
| | **13,364** | **14,157** | **12,752** | **13,770** | **13,006** | **12,669** |

Borrowings are classified as Level 2 in Refinitiv's hierarchy for determining and disclosing the fair value of financial instruments. The fair values of borrowings are based on discounted cash flows using a rate based on borrowing cost. Floating rate borrowings bear interest at an agreed margin over the appropriate inter-bank reference rate.

## 23. Analysis of net debt

| | As at 31 December | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | US$m | US$m | US$m |
| **Due within 1 year** | | | |
| Cash and cash equivalents | 1,277 | 1,134 | 1,192 |

| | | | |
|---|---|---|---|
| Bank borrowings | (440) | (88) | (91) |
| Derivative financial assets | 12 | 17 | - |
| Derivative financial liabilities | (158) | (15) | (4) |
| **Due after 1 year** | | | |
| Bank borrowings | (12,924) | (12,664) | (12,915) |
| Derivative financial assets | 3 | 3 | 34 |
| Derivative financial liabilities | (6) | (87) | (41) |
| **Total net debt** | **(12,236)** | **(11,700)** | **(11,825)** |

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

| | For the years ended 31 December | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| | **US$m** | **US$m** | **US$m** |
| **Increase/(decrease) in cash in the period** | **143** | **(58)** | **811** |
| Additional drawdowns from bank credit facilities | (600) | (8) | (13,472) |
| Arrangement fee | 3 | 6 | - |
| Repayment of term loans | 342 | 99 | - |
| **Change in net debt resulting from cash flows** | **(112)** | **39** | **(12,661)** |
| Foreign exchange | (358) | 78 | 70 |
| Movement on derivative financial assets and liabilities | (67) | (71) | 36 |
| Movement in bank credit facility arrangement fees | - | - | 413 |
| Amortisation of debt issuance costs | (91) | (52) | - |
| Movement due to debt repricing | 88 | 128 | - |
| Movement on reclassification of credit facility arrangement fees | 4 | 3 | (17) |
| Net debt at the beginning of the year | (11,700) | (11,825) | 334 |
| **Net debt at the end of the year** | **(12,236)** | **(11,700)** | **(11,825)** |

## 24. Provisions

| | **Employee-Related** | **Other** | **Total** |
|---|---|---|---|
| | **US$m** | **US$m** | **US$m** |
| **31 December 2018** | **114** | **90** | **204** |
| Impact of adopting IFRS 16 | - | (27) | (27) |
| **1 January 2019** | **114** | **63** | **177** |
| Utilised during the year | (171) | (41) | (212) |
| Charge in the year | 123 | 69 | 192 |
| Foreign exchange and other, net | (4) | (5) | (9) |
| **31 December 2019** | **62** | **86** | **148** |
| Utilised during the year | (121) | (31) | (152) |
| Charge in the year | 104 | 32 | 136 |
| Foreign exchange and other, net | 1 | 1 | 2 |
| **31 December 2020** | **46** | **88** | **134** |

| | | | |
|---|---|---|---|
| Current | 62 | 14 | 76 |
| Non-current | - | 72 | 72 |
| **31 December 2019** | **62** | **86** | **148** |
| | | | |
| Current | 46 | 10 | 56 |
| Non-current | - | 78 | 78 |
| **31 December 2020** | **46** | **88** | **134** |

Provisions primarily relate to severance due to restructuring, legal, and asset retirement obligations on certain leased buildings.

## 25. Net cash flow generated from operations

| | | **For the years ended 31 December** | | |
|---|---|---|---|---|
| | | **2020** | **2019** | **2018** |
| | **Notes** | **US$m** | **US$m** | **US$m** |
| **(Loss)/profit before tax** | | **(876)** | **(900)** | **254** |
| **Adjustments for depreciation, amortisation and impairment:** | | | | |
| Depreciation, amortisation and impairment | 10,11 | 2,235 | 2,091 | 1,155 |
| **Adjustments for other non-cash items:** | | | | |
| Profit on disposal of investment in subsidiary | | - | - | (6) |
| Share of income of associates | 12 | - | (2) | (1) |
| Net finance expense | 8 | 835 | 703 | 187 |
| Movement in pensions and provisions | | 30 | 26 | 55 |
| Net foreign exchange differences | | 49 | (4) | 1 |
| Other | | 39 | 71 | 3 |
| **Movements in working capital:** | | | | |
| Decrease/(increase) in trade and other receivables | | 129 | 49 | (194) |
| (Decrease)/increase in trade and other payables | | (276) | (253) | 308 |
| **Movement in other assets and liabilities relating to operations:** | | | | |
| Movement in derivative assets and liabilities | | 67 | 71 | (25) |
| **Cash generated from operations** | | **2,232** | **1,852** | **1,737** |
| **Comprising:** | | | | |
| Ongoing operating activities | | 1,700 | 1,426 | 1,265 |
| Non-underlying items | | 532 | 426 | 472 |

Movement in financial liabilities arising from financing activities:

| | As at 1 January 2020 | Cash flows | Foreign exchange | Other | As at 31 December 2020 |
|---|---|---|---|---|---|
| | US$m | US$m | US$m | US$m | US$m |
| Bank borrowings | (12,752) | (255) | (358) | 1 | (13,364) |
| Derivative financial instruments | (82) | - | - | (67) | (149) |
| Lease liabilities | (573) | 146 | (13) | (182) | (622) |
| | **(13,407)** | **(109)** | **(371)** | **(248)** | **(14,135)** |

| | As at 31 December 2018 | Impact of adopting IFRS 16 | As at 1 January 2019 | Cash flows | Foreign exchange | Other | As at 31 December 2019 |
|---|---|---|---|---|---|---|---|
| | US$m | US$m | US$m | US$m | US$m | US$m | US$m |
| Bank borrowings | (13,006) | - | (13,006) | 97 | 78 | 79 | (12,752) |
| Derivative financial instruments | (11) | - | (11) | - | - | (71) | (82) |
| Lease liabilities | - | (553) | (553) | 139 | (11) | (148) | (573) |
| | **(13,017)** | **(553)** | **(13,570)** | **236** | **67** | **(140)** | **(13,407)** |

| | As at 1 January 2018 | Cash flows | Foreign exchange | Other | As at 31 December 2018 |
|---|---|---|---|---|---|
| | US$m | US$m | US$m | US$m | US$m |
| Bank borrowings | - | (13,472) | 70 | 396 | (13,006) |
| Derivative financial instruments | (47) | - | - | 36 | (11) |
| | **(47)** | **(13,472)** | **70** | **432** | **(13,017)** |

## 26. Commitments and contingencies

Refinitiv has various obligations for materials, supplies, outsourcing, and other services contracted in the ordinary course of business. The future unconditional purchase obligations as of 31 December 2020 are as follows:

| | 31 December 2020 US$ |
|---|---|
| 2021 | 650 |
| 2022 | 608 |
| 2023 | 562 |
| 2024 and thereafter | 8,724 |
| **Total** | **10,544** |

In the normal course of business, Refinitiv may receive 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 Refinitiv, a provision is made representing the expected cost of settling such claims.

## 27. Business combinations

**Acquisitions in the year to 31 December 2020**

On 8 December 2020, Refinitiv acquired 100% of GIACT, an industry leader in digital identity, payments verification and fraud prevention, for total consideration, net of cash acquired, of US$620 million. Total consideration included contingent consideration of US$7 million. The preliminary purchase price allocation primarily consists of US$399 million to goodwill, US$214 million to intangible assets, and US$7 million to other acquired net assets and is based upon the current determination of fair values at the date of acquisition. These determinations are subject to revision as additional information related to the fair value of assets and liabilities becomes available. The intangible assets acquired include trade names, developed technology, content and database and customer relationships.

On 5 October 2020, Refinitiv acquired 100% of The Red Flag Group ("RFG"), a global integrity and compliance risk firm,

to expand its suite of due diligence offerings. Cash consideration amounted to $82 million. The provisional fair value of the net assets acquired was US$16 million, including intangible assets of US$14 million. The fair value of assets acquired will be finalised within 12 months of acquisition. Refinitiv provisionally recognised US$66 million of goodwill which represents synergies and the value of the acquired workforce.

On 2 March 2020, Refinitiv acquired 100% of Scivantage, a digital wealth management software-as-a-service provider, to expand its capabilities in that area. Cash consideration amounted to US$83 million. The provisional fair value of the net assets acquired was US$29 million, including intangible assets of US$31 million and deferred tax liabilities of US$4 million. The fair value of assets acquired will be finalised within 12 months of acquisition. Refinitiv provisionally recognised US$54 million of goodwill which represents synergies and the value of the acquired workforce.

The revenues and operating profit of each of the acquired businesses, since the date of acquisition, are not material to Refinitiv's results of operations. Further, the impact of the combined businesses would not be material to Refinitiv's results of operations and therefore the combined entity's revenue and operating profit for the period (i.e. as though the acquisition date for all business combinations in the period had been the beginning of that period) has not been disclosed.

**Acquisitions in the year to 31 December 2019**

On 23 May 2019, Refinitiv acquired the net assets of Alpha Desk, a multi-asset class and multi-currency OMS platform with flexible workflows, adaptable to the differing needs of individual buy-side traders and asset managers, to expand its capabilities in that area. Cash consideration amounted to US$38 million.

The revenues and operating profit of Alpha Desk since the date of acquisition is not material to Refinitiv's results of operations.

**Acquisitions in the year to 31 December 2018**

On the 2018 Transaction Closing Date, Refinitiv Holdings acquired substantially all of Thomson Reuters Financial & Risk Business for cash consideration of US$16,655 million and Refinitiv Holdings stock valued at US$2,101 million. The acquisition was funded with the proceeds from the Senior Secured Credit Facilities and the Secured Notes and the Unsecured Notes, each of which are further described in Note 22, and proceeds of US$4,088 million from the issuance of preferred equity and equity contributions.

Refinitiv Holdings contributed its investment in the Thomson Reuters Financial & Risk Business to Refinitiv Parent, and this contribution is reflected in "Net transfers from Refinitiv Holdings" in the Combined Statement of Changes in Net Parent Investment.

The final purchase price allocation is reflected within this combined historical financial information. Details of the final purchase price allocation are as follows:

| **Consideration transferred consisted of the following:** | **US$m** |
|---|---|
| Cash consideration | 16,655 |
| Fair value of non-controlling interests | 1,954 |
| Fair value of equity issued | 2,101 |
| **Total consideration transferred** | **20,710** |

| **Consideration acquired consisted of the following:** | |
|---|---|
| **Fair value of identifiable assets acquired:** | |
| Property, plant and equipment | 481 |
| Other identifiable intangible assets | 8,006 |
| Software and contract costs | 3,501 |
| Investment in associates | 8 |
| Derivative financial instruments | 39 |
| Investments in financial assets | 11 |
| Retirement benefit asset | 336 |
| Other non-current receivables | 88 |
| Trade and other receivables | 833 |
| Cash and cash equivalents | 461 |
| **Amount attributable to identifiable assets acquired** | **13,764** |

**Fair value of liabilities assumed:**

| | |
|---|---|
| Trade and other payables | (843) |
| Contract liabilities | (173) |
| Current tax | (4) |
| Provisions | (80) |
| Deferred tax liabilities | (840) |
| Retirement benefit obligations | (156) |
| Other non-current payables | (122) |
| **Amount attributable to liabilities assumed** | **(2,218)** |
| **Fair value of net assets acquired** | **11,546** |
| | |
| Goodwill | 9,164 |
| **Total fair value of net assets required** | **20,710** |

The purchase price allocation to other identifiable intangible assets acquired was as follows:

| | Estimated useful lives | Amounts US$m |
|---|---|---|
| Trade names | 15 to 25 years | 518 |
| Customer relationships | 12 to 15 years | 4,100 |
| Databases, content and other | 5 to 25 years | 3,388 |
| **Total other identifiable intangible assets** | | **8,006** |

The fair value of assets acquired and liabilities assumed was determined based on assumptions that reasonable market participants would use in the principal (or most advantageous) market for the asset or liability. The following assumptions, the majority of which include significant unobservable inputs (Level 3), and valuation methodologies were used to determine fair value:

- Internally developed computer software, trade names, databases, and content – The income approach: relief from royalty method was used. Under this method, the value of the asset is a function of (a) the projected revenue attributable to the asset, (b) the expected economic life of the asset, (c) the royalty rate, as a percentage of revenue that would hypothetically be charged by a licensor of the asset to an unrelated licensee, and (d) a discount rate that reflects the level of risk associated with the future income attributable to the asset.
- Customer relationships — The income approach: multi-period excess earnings method was used. Under this method, the economic benefit of the asset is measured indirectly by calculating the income attributable to an asset after contributory asset charges.
- Broker-Dealer Licenses — The income approach: with or without method was used. Under this method, fair value is estimated based on income streams, such as cash flows or earnings, discounting to a present value. These discounted cash flows are calculated both with the asset and without the asset. The difference in the cash flows is discounted to the present value to determine the value of the asset.
- Land and buildings – The market approach was used. Third-party databases were utilised to identify listings of recent sales and of comparable properties within pertinent market areas.
- Building improvements, furniture, fixtures, machinery, non-office equipment and purchased computer software — The cost approach was used. Under this method the assets are valued based on the cost to a market participant to acquire a substitute asset of comparable utility, adjusted for obsolescence.
- Computer hardware and office equipment — The market approach was used. Under this method, the Percent of Cost Method was used to establish the ratio of today's used selling price to the new cost at the time of original sale.
- Leasehold interests —The income approach: discounted cash flow method was used. This approach involves comparing the annual lease contract rent over the remaining contractual term to a market rental rate cash flow stream. The difference between the contractual and market based cash flows is then discounted to present value to estimate the fair value of any favourable or unfavourable positions.
- Deferred revenue – The income approach: avoided costs method was used. Avoided costs represent costs that have already been incurred by the seller to generate the revenue and therefore would not burden the acquirer of the liability. A profit margin was applied and the result was then discounted to present value at a risk-adjusted rate.

- Non-controlling interest – The income approach: discounted cash flow method was used. Under this method, fair value is estimated based on income streams, such as cash flows or earnings, discounting to a present value. Lack of control and marketability discounts were also applied to account for the fact that the subject liability represents a non-marketable minority interest in the business.

Refinitiv did not make any other acquisitions during the twelve months ended 31 December 2018.

## 28. Transactions with related parties

Refinitiv has entered into significant transactions with Thomson Reuters, a related party.

Prior to the 2018 Transaction Closing Date, Refinitiv was managed and operated in the normal course of business in the same manner as other subsidiaries of Thomson Reuters. Accordingly, certain centralised costs have been allocated to Refinitiv and are reflected as expenses in the income statement. Management considers the allocation methodologies used to be reasonable, such that the allocations appropriately reflect Thomson Reuters' historical expenses attributable to Refinitiv for purposes of this combined historical financial information. However, the expenses reflected in these combined historical financial information may not be indicative of the actual expenses that would have been incurred during the periods presented if Refinitiv had historically operated as a stand-alone independent entity. In addition, the expenses reflected in the combined historical financial information may not be indicative of expenses that Refinitiv will incur in the future.

**General corporate overhead allocation and editorial content**

Thomson Reuters provides facilities, technology, editorial content and other corporate and administrative services to Refinitiv. Costs of US$1,223 million for 2018 related to these services primarily include corporate overhead, audit fees, legal services, treasury, communications, human resources, tax and accounting, risk management, technology support, transaction processing, and rent, as well as costs associated with editorial content provided by Thomson Reuters which is included in Refinitiv's products. These expenses have been allocated to Refinitiv and have been included in "Cost of sales" and "Operating expenses before depreciation and amortisation" in the combined income statement. For 2018, US$180 million and US$1,043 million were included in "Cost of sales" and "Operating expenses before depreciation and amortisation", respectively. Where direct assignment of costs incurred by Thomson Reuters is not possible or practical, these costs were allocated on a pro-rata basis using revenues, salaries and wages, or headcount.

**Cash management and financing**

Thomson Reuters periodically sweeps Refinitiv's cash receipts and funds Refinitivs' cash disbursements. As cash is disbursed and received by Thomson Reuters, it is accounted for by Refinitiv through the "Net Parent Investment".

Historically, Refinitiv has received funding from Thomson Reuters for its operating and investing cash needs. Thomson Reuters' debt and the related interest expense are not included in the combined historical financial information, as Refinitiv is not the legal obligor of the debt and Thomson Reuters' borrowings were not directly attributable to Refinitiv's business.

**Leasing transactions**

One of the Refinitiv's subsidiaries leases the 3 Times Square property and building in New York, New York that is jointly managed and operated by Thomson Reuters and a third party, 3XSQ Associates. The lease provides Refinitiv with approximately 690,000 square feet of office space until 2021 and includes provisions to terminate portions early and various renewal options. For the year ended 31 December 2018, Refinitiv's costs under this lease arrangement for rent, taxes, and other expenses were US$30 million.

**Net Parent Investment**

Transactions between Refinitiv and Thomson Reuters and its other businesses were considered to be effectively settled for cash at the time the transaction is recorded. The net effect of the settlement of these transactions has been accounted for through "Net Parent Investment" in the combined balance sheet and is reflected in the cash flow statement as a financing activity.

In connection with the 2018 Transaction, Refinitiv executed a 30-year agreement with Reuters News, a business of Thomson Reuters, to receive news and editorial content for a minimum amount of US$325 million per year. Refinitiv recorded expense of US$334 million, US$337 million and US$81 million in "Operating expenses" in the combined income statements for the years ended 31 December 2020, 2019 and 2018, respectively.

To facilitate the separation of Refinitiv from Thomson Reuters, both parties agreed to provide certain operational services to each other, including technology and administrative services, for a specified multi-year period. Also, Refinitiv and Thomson Reuters extended property leases to each other. Refinitiv recorded the following amounts as expense or contra-expense, as applicable, related to these transactions:

| | Provided by | Provided by | Provided by | Provided by | Provided by | Provided by |
|---|---|---|---|---|---|---|

| | Thomson Reuters to Refinitiv: [1] | Refinitiv to Thomson Reuters: [2] | Thomson Reuters to Refinitiv: [1] | Refinitiv to Thomson Reuters: [2] | Thomson Reuters to Refinitiv: [1] | Refinitiv to Thomson Reuters: [2] |
|---|---|---|---|---|---|---|
| | For the years ended 31 December | | | | | |
| | 2020 | 2020 | 2019 | 2019 | 2018 | 2018 |
| | US$m | US$m | US$m | US$m | US$m | US$m |
| Transitional services | (8) | 14 | (26) | 52 | (12) | 21 |
| Properties leased | (19) | 1 | (39) | 34 | (13) | 14 |

1 (Expense)
2 Contra-expense

Of Refinitiv's lease liabilities at 31 December 2020, US$12 million (31 December 2019: US$11 million) related to lease commitments with Thomson Reuters. Thomson Reuters paid US$29 million of rent to Refinitiv, which is included in sublease income for the year ended 31 December 2020 (2019: US$7 million). Additionally, Refinitiv included US$1 million (31 December 2019: US$9 million; 31 December 2018: US$63 million) of purchase obligations to Thomson Reuters related to certain operational services, including technology and administrative services, in its disclosure of future unconditional purchase obligations (see Note 26). Thomson Reuters has US$2 million (31 December 2019: US$15 million; 31 December 2018: US$113 million) of purchase obligations to Refinitiv for similar operational services.

The combined balance sheet at 31 December 2020 includes a receivable from Thomson Reuters of US$131 million (31 December 2019: US$133 million; 31 December 2018: US$210 million) and a payable to Thomson Reuters of US$142 million (31 December 2019: US$126 million; 31 December 2018: US$293 million) related to all transactions between Refinitiv and Thomson Reuters.

**Key management compensation**

Compensation for directors of Refinitiv and key personnel who have authority for planning, directing and controlling Refinitiv:

| | For the years ended 31 December | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | US$m | US$m | US$m |
| Salaries and other benefits | 24 | 25 | 29 |
| Share-based payments | 11 | 12 | 7 |
| **Total compensation** | **35** | **37** | **36** |

## 29. Leases

Movements in lease liabilities during the period were as follows:

| | US$m |
|---|---|
| **31 December 2018** | **-** |
| Impact of adopting IFRS 16 | 553 |
| **1 January 2019** | **553** |
| Leases terminated early | (45) |
| New lease contracts | 190 |
| Lease interest expense (Note 8) | 35 |
| Lease payments | (174) |
| Foreign exchange | 11 |
| Other | 3 |
| **31 December 2019** | **573** |
| Leases terminated early | (3) |
| New lease contracts | 191 |
| Lease interest expense (Note 8) | 36 |
| Lease payments | (182) |

| | |
|---|---|
| Foreign exchange | 13 |
| Other | (6) |
| **31 December 2020** | **622** |

Right-of-use assets are disclosed within property, plant and equipment (Note 10).

A number of leases, which although originally for longer than 12 months at inception, ended within 12 months of the date of adoption: these leases have been treated as short-term leases under IFRS 16 and the expense incurred in the period is shown within expenses by nature (Note 5).

The maturity of Refinitiv's lease commitments is disclosed within the risk management note (Note 2). Lease liabilities are included within trade and other payables (Note 20).

## 30. Events after the reporting period

Management has evaluated subsequent events through 22 March 2021 for disclosure or recognition in the combined historical financial information of Refinitiv as appropriate.

On 29 January 2021, Refinitiv Holdings completed the sale of Refinitiv Parent and its subsidiaries, inclusive of its outstanding debt, to LSEG plc in an all-share transaction and received consideration of 179,610,123 shares of LSEG plc stock, with various provisions restricting their sale.

With respect to Refinitiv's indebtedness, on dates between 29 January 2021 and 1 February 2021, LSEG repaid outstanding principal amounts (together with interest accrued, but unpaid, premium and any other additional amounts required by the documents governing such indebtedness) associated with the Term Loan Facilities, the Revolving Credit Facility, the Secured Notes and the Unsecured Notes. Additionally, interest rate swaps related to certain of the Term Loan Facilities were also settled.

In connection with these transactions, Refinitiv recognised an intercompany payable to LSEG of US$12,140 million, as well as the following expenses in 2021:

- A make-whole premium of US$329 million on the early redemption of the Secured Notes and the Unsecured Notes;
- The write-off of unamortized deferred costs and original issue discounts of US$505 million; and
- Cumulative hedging losses of US$80 million, recycled from the hedging reserve.

LSEG has undertaken not to seek the repayment of amounts advanced to Refinitiv unless adequate alternative financing has been secured.

## 31. Additional Information

### Refinitiv companies

A list of Refinitiv parent's subsidiaries as at 31 December 2020 is given below including the percentage of each class held and the Financial and Risk business's ownership percentages.

The share ownership percentage records the percentage of each subsidiary's share capital owned within Refinitiv. Where more than one company owns shares in a subsidiary, these interests have been combined. The ultimate economic interest percentage does not show actual share ownership, it records Refinitiv's effective interest in the subsidiary.

| Name of subsidiary | Country of incorporation | Registered office address | Type of share held | Share ownership % | Ultimate economic interest % |
|---|---|---|---|---|---|
| **Alta Limited** | Cook Islands | Cook Islands Trust Corporation Limited, First Floor, BCI House, P.O. Box 141, Avarua, Rarotonga, Cook Islands | Ordinary | 100 | 100 |
| **ASX Refinitiv Charity Foundation** | Australia | Level 6,19 Harris Street, Pyrmont NSW 2009, Australia | Limited by Guarantee | 50 | 0 |
| **Avox Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 100 |

| Name of subsidiary | Country of incorporation | Registered office address | Type of share held | Share ownership % | Ultimate economic interest % |
|---|---|---|---|---|---|
| **Blaxmill (Eleven) Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares of £1 each | 100 | 100 |
| **Blaxmill (Nine) Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares of £1 each | 100 | 100 |
| **Blaxmill (Six)** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 100 |
| **Blaxmill (Ten) Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares of £1 each | 100 | 100 |
| **Blaxmill (Thirteen) Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares of £1 each | 100 | 100 |
| **Blaxmill (Thirty-Three) Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 100 |
| **Blaxmill (Twelve) Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares of £1 each | 100 | 100 |
| **Blaxmill (Twenty-Eight) Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares of £1 each | 100 | 100 |
| **Criminal Law Week Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares | 100 | 100 |
| **Data Development Services Limited** | Cook Islands | Cook Islands Trust Corporation Limited, First Floor, BCI House, P.O. Box 141, Avarua, Rarotonga, Cook Islands | Ordinary | 100 | 100 |
| **EnergybankLink Pty Ltd** | Australia | C/O TMF Corporate Services (Aust) Pty Ltd, Level 16, 201 Elizabeth Street, Sydney NSW 2000, Australia | Ordinary | 100 | 100 |
| **Enterprise Risk Management Technology Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 100 |
| **Financial & Risk Organisation Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 100 |
| **Financial & Risk Transaction Services Ireland Limited** | Ireland | 12/13 Exchange Place, I.F.S.C., Dublin 1, D01P8H1, Ireland | Ordinary | 100 | 100 |
| **Global World-Check** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 100 |
| **Global World-Check Holdings (Nominee) Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 100 |

| Name of subsidiary | Country of incorporation | Registered office address | Type of share held | Share ownership % | Ultimate economic interest % |
|---|---|---|---|---|---|
| **Global World-Check Holdings Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares | 100 | 100 |
| **Guangzhou Data Development Services Limited** | China | 15 Zhujiang West Road, Tian He District, Guangzhou, China | Capital Contribution | 100 | 100 |
| **Infosight Singapore Pte. Ltd.** | Singapore | 9 Raffles Place, 00 Republic Plaza, 048619, Singapore | Ordinary | 100 | 100 |
| **IntegraScreen (Malaysia) Sdn. Bhd.** | Malaysia | 18-22-A1, Gurney Tower, Persiaran Gurney, Georgetown, 10250 Penang, Malaysia | Ordinary | 100 | 100 |
| **IntegraScreen (Panama), Inc.** | Panama | The Century Tower, Via Ricardo J. Alfaro y Calle 65, Oeste Piso 10, Local 1005, Panama | Ordinary | 100 | 100 |
| **IntegraScreen Limited** | Hong Kong | 16/F Cityplaza 3, 14 Taikoo Wan Road, Quarry Bay, Hong Kong | Ordinary | 100 | 100 |
| **IntegraScreen Spolka Z.o.o.** | Poland | 40-084 Katowice, Ul. Opolska 22, Poland | Ordinary | 100 | 100 |
| **Lipper Asia Limited** | Cook Islands | Cook Islands Trust Corporation Limited, First Floor, BCI House, P.O. Box 141, Avarua, Rarotonga, Cook Islands | Ordinary | 100 | 100 |
| **Lipper Australia Pty Ltd** | Australia | Level 10, 60 Margaret Street, Sydney NSW 2000, Australia | Ordinary | 100 | 100 |
| **Lipper Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares of 1p each | 100 | 100 |
| **Monitor Services Hong Kong Limited** | Cook Islands | Cook Islands Trust Corporation Limited, First Floor, BCI House, P.O. Box 141, Avarua, Rarotonga, Cook Islands | Ordinary | 100 | 100 |
| **Monitor Trading Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares | 100 | 100 |
| **PT Refinitiv Services Indonesia** | Indonesia | Wisma Antara, 6th Floor, Jalan Medan Merdeka Selatan, No. 17 Gambir, Jakarta , Pusat, 10110, Indonesia | Ordinary Bearer | 100 | 100 |
| **R.M.E. Bahrain Limited S.P.C** | Bahrain | Flat 1002, Building 1459, Road 4626 , Block 346, Manama, Bahrain | Ordinary Share | 100 | 100 |
| **REDI Technologies Ltd** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 100 |
| **Refinitiv (Canvas) Holdings 1 Limited** | Bermuda | Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda | Common | 100 | 100 |
| **Refinitiv (Canvas) Holdings 2 Limited** | Bermuda | Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda | Common | 100 | 100 |

| Name of subsidiary | Country of incorporation | Registered office address | Type of share held | Share ownership % | Ultimate economic interest % |
|---|---|---|---|---|---|
| **Refinitiv (Canvas) Holdings 3 Limited** | Bermuda | Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda | Ordinary-B | 100 | 100 |
| **Refinitiv (Thailand) Limited** | Thailand | 968 U Chu Liang Building, 34th Floor, Rama 1V Road,, Silom, Bangrak, Bangkok, 10500, Thailand | A Ordinary Shares | 100 | 51.55 |
| | | | Preference - B | 100 | 49 |
| **Refinitiv Africa UK Parent Limited** | Jersey | 2nd Floor, Sir Walter Raleigh House, 48-50 Esplanade , St. Helier , JE2 3QB, Jersey | Ordinary | 100 | 100 |
| **Refinitiv Asia Pte. Ltd.** | Singapore | 18 Science Park Drive, 118229, Singapore | Ordinary | 100 | 100 |
| **Refinitiv Australia Pty Limited** | Australia | C/O TMF Corporate Services (Aust) Pty Ltd, Level 16, 201 Elizabeth Street, Sydney NSW 2000, Australia | Ordinary | 100 | 100 |
| **Refinitiv Austria GmbH** | Austria | The ICON Vienna, Wiedner Gürtel 13 A/12. OG/1123, 1100, Vienna, Austria | Geschaeftsanteil | 100 | 100 |
| **Refinitiv Benchmark Services (UK) Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 100 |
| **Refinitiv Brasil Servicos Economicos Limitada.** | Brazil | Avenida Doutour Cardoso de Melo, 1855 - 4 e 12 andares, Conj 41 e 122, Vila Olimpia, Sao Paulo - SP, CEP 04548-005, Brazil | Quota | 100 | 100 |
| **Refinitiv Canada Holdings Limited** | Canada | Bay Adelaide Centre, 333 Bay Street, Suite 400, Toronto ON M5H 2R2, Canada | Unlimited Common | 100 | 100 |
| **Refinitiv Costa Rica Sociedad De Responsabilidad Limitada** | Costa Rica | San Jose, Santa Ana radial a San Antonio de Belen, Doscientos metros norte de la Cruz Roja de Santa Ana, Edificio Murano, Piso Uno, Oficina 13, Costa Rica / Ultrapark II Building 5, Floor 3, Heredia, Costa Rica | Ordinary | 100 | 100 |
| **Refinitiv Cyprus Limited** | Cyprus | Neas 'Egkomis, 33, 1st floor, Flat/Office 208, 'Egkomi, Nicosia, 2409, Cyprus | Ordinary | 100 | 100 |
| **Refinitiv Czech Republic s.r.o.** | Czech Republic | Na Perstyne 342/1, Staré Mesto, Praha 1, 110 00, Czech Republic | Shares | 100 | 100 |
| **Refinitiv de Mexico, S.A. de C.V.** | Mexico | Torre Esmeralda II. Blvd. Manuel Avila Camacho #36, Floor 19th, Lomas de Chapultepec, Mexico Federal District, 11000, Mexico | Common | 100 | 100 |
| **Refinitiv Denmark A/S** | Denmark | Vesterbrogade 1 E, 1620, Copenhagen V, Denmark | Registered Shares | 100 | 100 |
| **Refinitiv Enformasyon Limited Sirketi** | Turkey | Is Kuleleri, Kule 2, Kat 1-2, 4. Levent, Istanbul, 34330, Turkey | Ordinary | 100 | 100 |

| Name of subsidiary | Country of incorporation | Registered office address | Type of share held | Share ownership % | Ultimate economic interest % |
|---|---|---|---|---|---|
| **Refinitiv Europe Middle East and Africa (Central Region) Limited** | Guernsey | Level 5, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ, Guernsey | Ordinary | 100 | 100 |
| **Refinitiv Finland OY AB** | Finland | Spaces Postitalo, Mannerheiminaukio 1A, Helsinki, 00100, Finland | Ordinary | 100 | 100 |
| **Refinitiv France Holdings SARL** | France | 6/8 Boulevard Haussmann, 75009 Paris, France | Ordinary | 100 | 100 |
| **Refinitiv France SAS** | France | 6/8 Boulevard Haussmann, 75009 Paris, France | Ordinary | 100 | 100 |
| **Refinitiv Germany GmbH** | Germany | Friedrich-Ebert-Anlage 49, 60327 Frankfurt am Main, Germany | Ordinary | 100 | 100 |
| **Refinitiv Group Nominees Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, E14 5AQ, England | Limited by Guarantee | 0 | 100 |
| **Refinitiv Global Private Limited** | India | One Indiabulls Centre, 12th Floor, Tower 1, 841 Senapati Bapat Marg, Mumbai, Maharashtra, 400013, India | Equity Shares | 100 | 100 |
| **Refinitiv Hellas S.A.** | Greece | 53 Solonos street, Athens 106 72, Greece | Registered Shares | 100 | 100 |
| **Refinitiv Holdings (Thailand) Limited** | Thailand | 30th floor, U Chu Liang Building, 968 Rama IV, Silom Bangrak, Bangkok, 10500, Thailand | Ordinary | 100 | 100 |
| | | | Preference | 0 | 0 |
| **Refinitiv Hong Kong Limited** | Cook Islands | Cook Islands Trust Corporation Limited, First Floor, BCI House, P.O. Box 141, Avarua, Rarotonga, Cook Islands | Ordinary Share | 100 | 100 |
| **Refinitiv Hungary Kft.** | Hungary | Alkotás utca 53. A torony, 6. emelet, Budapest, 1123, Hungary | Quota | 100 | 100 |
| **Refinitiv India Private Limited** | India | One Indiabulls Centre, 12th Floor, Tower 1 , 841 Senapati Bapat Marg., Mumbai , Maharashtra, 400013, India | Equity shares | 100 | 100 |
| **Refinitiv India Shared Services Private Limited** | India | One Indiabulls Centre, 12th Floor, Tower 1 , 841 Senapati Bapat Marg., Mumbai , Maharashtra, 400013, India | Equity shares | 100 | 100 |
| **Refinitiv India Transaction Services Private Limited** | India | One Indiabulls Centre, 12th Floor, Tower 1 , 841 Senapati Bapat Marg., Mumbai , Maharashtra, 400013, India | Equity shares | 100 | 100 |
| **Refinitiv Information Services (China) Co., Ltd.** | China | Unit 3006, No 1223, Azia Centre, Lujiqzui Huang Road, Shanghai, China | Registered Investment | 100 | 100 |
| **Refinitiv International Holdings SARL** | Switzerland | 153 Route de Thonon, 1245 Collonge-Bellerive, Geneva, Switzerland | Part(s) Sociale(s) | 100 | 100 |
| **Refinitiv Ireland Limited** | Ireland | 12/13 Exchange Place, I.F.S.C., Dublin 1, D01P8H1, Ireland | Ordinary Share | 100 | 100 |

| Name of subsidiary | Country of incorporation | Registered office address | Type of share held | Share ownership % | Ultimate economic interest % |
|---|---|---|---|---|---|
| **Refinitiv Israel Ltd.** | Israel | 121-123 Derech Menachem Begin, Azrieli Sarona Building - 30 Fl, Tel Aviv 670 1203, Israel | Ordinary | 100 | 100 |
| **Refinitiv Italy Holding S.P.A.** | Italy | Piazza Armando Diaz, 2, 20123, Milano, Italy | Ordinary | 100 | 100 |
| **Refinitiv Italy S.P.A.** | Italy | Piazza Armando Diaz, 2, 20123, Milano, Italy | Ordinary | 100 | 100 |
| **Refinitiv Japan K.K.** | Japan | 30/F Akasaka Biz Tower, 5-3-1 Akasaka Minato-ku, Tokyo, 107-6330, Japan | Common | 100 | 100 |
| **Refinitiv Korea Limited** | Korea, Republic of | 9F S Tower, 82 Saemunanro, Jongnogu, 03185, Korea, Republic of | Common Stock | 100 | 100 |
| **Refinitiv Latam Trading Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares | 100 | 100 |
| **Refinitiv Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Share | 100 | 100 |
| **Refinitiv Malaysia Sdn. Bhd.** | Malaysia | Level 6, Menara 1 Dutamas, Solaris Dutamas, No. 1 Jalan Dutamas 1, 50480 Kuala Lumpur, Malaysia | Ordinary | 100 | 100 |
| **Refinitiv Middle East FZ-LLC** | United Arab Emirates | Premises 501, 5th Floor, Building 01, Dubai, United Arab Emirates | Ordinary | 100 | 100 |
| **Refinitiv Netherlands B.V.** | Netherlands | Antonio Vivaldistraat 50, 1083 HP, Amsterdam, Netherlands | Ordinary | 100 | 100 |
| **Refinitiv Netherlands Finance B.V.** | Netherlands | Antonio Vivaldistraat 50, 1083 HP, Amsterdam, Netherlands | Ordinary | 100 | 100 |
| **Refinitiv Netherlands Holdings B.V.** | Netherlands | Antonio Vivaldistraat 50, 1083 HP, Amsterdam, Netherlands | Ordinary | 100 | 100 |
| **Refinitiv Netherlands Overseas Holdings B.V.** | Netherlands | Antonio Vivaldistraat 50, 1083 HP, Amsterdam, Netherlands | Ordinary | 100 | 100 |
| **Refinitiv New Zealand Limited** | New Zealand | C/o The Business Advisory Group Limited, Level 13, 34 Shortland Street, Auckland, 1010, New Zealand | Ordinary | 100 | 100 |
| **Refinitiv Norge AS** | Norway | Dronning Eufemias gate 16, Oslo, 0191, Norway | Ordinary | 100 | 100 |
| **Refinitiv Peru SRL** | Peru | 102, WeWork Real 2, Avenida Victor Andrés Belaúnde 147, Via Principal 133, Lima, 15073, Peru | Shares | 100 | 100 |
| **Refinitiv Poland Spolka "z.o.o."** | Poland | ul. Marszalkowska 126/134, 00-008 Warszawa, Poland | Ordinary | 100 | 100 |
| **Refinitiv Portugal Unipessoal Lda** | Portugal | Avenida da Liberdade, n° 190, 2°, Coraçao de Jesus, 1250 141 Lisboa, Portugal | Quota | 100 | 100 |

| Name of subsidiary | Country of incorporation | Registered office address | Type of share held | Share ownership % | Ultimate economic interest % |
|---|---|---|---|---|---|
| **Refinitiv Romania S.R.L.** | Romania | Regus Charles de Gaulle, 15th Charles de Gaulle, 3rd Floor, 1st District, Bucharest, 011857, Romania | Share Parts | 100 | 100 |
| **Refinitiv RUS LLC** | Russian Federation | 5 Petrovka Street, Berlin Haus, Business Centre, 107031, Moscow, Russian Federation | Common Registered Shares | 100 | 100 |
| **Refinitiv SA** | Switzerland | 153 Route de Thonon, 1245 Collonge-Bellerive, Geneva, Switzerland | Ordinary | 100 | 100 |
| **Refinitiv Saudi for Information and Communication Technology** | Saudi Arabia | Al Thalatten Commercial Centre, 2nd Floor, Olaya Thalateen, Corner Dhabab Street, PoBox 62422, Riyadh 11585, Saudi Arabia | Ordinary | 75 | 100 |
| **Refinitiv Software (Thailand) Limited** | Thailand | 968 U Chu Liang Building, 23,30th Floor, Rama IV Road,, Silom, Bangrak, Bangkok, 10500, Thailand | Ordinary | 100 | 99.9 |
| **Refinitiv Sweden AB** | Sweden | PO Box 1732 , Stockholm, SE 111 87, Sweden | Issued | 100 | 100 |
| **Refinitiv Technology (China) Limited** | China | 2/F, Arca Building, ZhongGuanCun Software Park, 8 DongBeiWang West Road, Haidian District, Beijing, 100193, China | Capital Contribution | 100 | 100 |
| **Refinitiv Tecnologia em Sistemas Brasil Limitada** | Brazil | Av. Doutor Cardoso de Melo, no 1.855, Andar 4, Conj. 42, Vila Olimpia, Sao Paulo, 04548-005, Brazil | Quotas | 100 | 100 |
| **Refinitiv Transaction Services Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares | 100 | 100 |
| **Refinitiv Transaction Services Malaysia Sdn. Bhd.** | Malaysia | 12th Floor, Menara Symphony, No. 5 Jalan Semangat, (Seksyen 13, , 46200 Petaling Jaya, Selangor Darulm Ehsan, Malaysia, | Ordinary | 100 | 100 |
| **Refinitiv Transaction Services Pte. Ltd.** | Singapore | 18 Science Park Drive, 118229, Singapore | Ordinary | 100 | 100 |
| **Refinitiv TW Holdings Ltd.** | Cayman Islands | C/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands | Ordinary | 100 | 100 |
| **Refinitiv UK (Rest Of World) Holdings Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 100 |
| **Refinitiv UK Eastern Europe Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary Shares | 100 | 100 |
| **Refinitiv UK Financial Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 100 |

| Name of subsidiary | Country of incorporation | Registered office address | Type of share held | Share ownership % | Ultimate economic interest % |
|---|---|---|---|---|---|
| **Refinitiv UK Holding Company Limited** | Bermuda | Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda | Common | 100 | 100 |
| **Refinitiv UK Parent Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 100 |
| **Refinitiv, S.L.** | Spain | Paseo de la Castellana 95, 7a, Edificio Torre Europa, 28046, Madrid, Spain | Issued | 100 | 100 |
| **Reuters Asia Pacific Limited** | Mauritius | Ocorian Corporate Administrators Limited, 6th Floor Tower A, Cyber City, Ebene, 72201, Mauritius | Ordinary | 100 | 100 |
| **Telfer Investments Australia Pty Limited** | Australia | C/O TMF Corporate Services (Aust) Pty Ltd, Level 16, 201 Elizabeth Street, Sydney NSW 2000, Australia | Ordinary<br>Special | 100<br>100 | 100<br>100 |
| **Telfer Pty. Limited** | Australia | C/O TMF Corporate Services (Aust) Pty Ltd, Level 16, 201 Elizabeth Street, Sydney NSW 2000, Australia | Ordinary<br>Special | 100<br>100 | 100<br>100 |
| **Tradeweb Commercial Information Consulting (Shanghai) Company Limited** | China | Floors 3 & 4, No. 1 Lane, 65 Huanlong Road, Shanghai Free Trade Zone , China | Company Capital Only | 100 | 52.23 |
| **Tradeweb EU B.V.** | Netherlands | Strawinskylaan 4117 - 4th Floor 1077 ZX Amsterdam Netherlands | Ordinary Shares | 100 | 52.23 |
| **Tradeweb Europe Limited** | United Kingdom | 1 Fore Street Avenue, London, England, EC2Y 9DT, United Kingdom | Ordinary | 100 | 52.23 |
| **Tradeweb Japan KK** | Japan | 30F Akasaka, B12 Tower, 5-3-1 Akaska, Minato-Ku, Tokyo, 107-6330, Japan | Ordinary | 100 | 52.23 |
| **Zawya Internet Content Provider LLC, Dubai** | United Arab Emirates | P.O. Box 41640, Green Tower , District-Deira, Dubai | Ordinary | 49 | 100 |
| **Zhi Cheng Worldwide Management Consulting (Shenzhen) Co., Ltd** | China | Room 312-04, New Times SquareNo 1 Taizi Road, Shuiwan Community Zhao Shang Street, Nanshan District , Shenzhen, China | Capital Contribution | 100 | 100 |
| **BNX LLC** | United States, Delaware | 25 Corte Madera Avenue, Suite 100, Mill Valley CA 94941, United States | Membership Interest | 100 | 52.23 |
| **BondDesk Group LLC** | United States, Delaware | 777 Third Avenue, 14th floor, New York NY 10017, United States | Membership Interest | 100 | 52.23 |
| **Dealerweb Inc.** | United States, New York | 185 HUDSON STREET, HARBORSIDE 5, SUITE 2200 , JERSEY CITY NJ 07311, United States | Class A Common Stock and Class B Common Stock | 100 | 52.23 |
| **DW SEF LLC** | United States, Delaware | 1177 Avenue of the Americas, New York NY 10036, United States | Limited Liability Company Interest | 100 | 52.23 |
| **FX Alliance International, LLC** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Shares | 100 | 100 |

| Name of subsidiary | Country of incorporation | Registered office address | Type of share held | Share ownership % | Ultimate economic interest % |
|---|---|---|---|---|---|
| **FX Alliance, LLC** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Shares | 100 | 100 |
| **IAG US LLC** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Member Shares | 100 | 100 |
| **Lipper Inc.** | United States, Colorado | 707 17th Street , 22nd floor, Denver CO 80202, United States | Common | 100 | 100 |
| **MuniGroup.com, LLC** | United States, Delaware | 25 Corte Madera Avenue, Suite 100, Mill Valley CA 94941, United States | Member Interest | 100 | 52.23 |
| **REDI Global Technologies LLC** | United States, New York | 3 Times Square, New York NY 10036, United States | Limited Liability Company Interest Shares | 100 | 100 |
| **Refinitiv Global Markets Inc.** | United States, Delaware | 26 Thomson Place, Boston MA 02210, United States | Common | 100 | 100 |
| **Refinitiv US Fin Corp.** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Common | 100 | 100 |
| **Refinitiv US Holdings Inc.** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Common Stock | 100 | 100 |
| **Refinitiv US IP Corp.** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Common Stock | 100 | 100 |
| **Refinitiv US LLC** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Limited Liability Company Interest | 100 | 100 |
| **Refinitiv US Organization LLC** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Limited Liability Company Interest | 100 | 100 |
| **Refinitiv US Personal Focus Inc.** | United States, Delaware | Three Times Square, New York NY 10036, United States | Common Stock | 100 | 100 |
| **Refinitiv US PME LLC** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Class A Shares | 100 | 100 |
| | | | Class B Shares | 100 | 100 |
| **Refinitiv US SEF LLC** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Limited Liability Company Interest Shares | 100 | 100 |
| **Refinitiv US Services Corp.** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Common | 100 | 100 |
| **Refinitiv US Tradeweb LLC** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Limited Liability Company Interest | 100 | 49.7 |
| **Tech Hackers LLC** | United States, Delaware | 332 Springfield Avenue, Suite 200, Summit NJ 07901, United States | Membership interest | 100 | 52.23 |
| **TIPS, LLC** | United States, Wyoming | 332 Springfield Avenue, Suite 200, Summit NJ 07901, United States | Membership interest | 100 | 52.23 |
| **Tradeweb, LLC** | United States, Deleware | Tradeweb, 1177 Avenue of the Americas, New York NY 10036, United States | Membership Interest | 100 | 52.23 |
| **Tradeweb Direct LLC** | United States, Delaware | 777 Third Avenue, 14th floor, New York NY 10017, United States | Membership interest | 100 | 52.23 |
| **Tradeweb Global Holding LLC** | United States, Delaware | Tradeweb, 1177 Avenue of the Americas, New York NY 10036, United States | Shares | 100 | 52.23 |

| Name of subsidiary | Country of incorporation | Registered office address | Type of share held | Share ownership % | Ultimate economic interest % |
|---|---|---|---|---|---|
| **Tradeweb Global LLC** | United States, Delaware | Tradeweb, 1177 Avenue of the Americas, New York NY 10036, United States | Shares | 100 | 52.23 |
| **Tradeweb IDB Markets, Inc.** | United States, Delaware | Tradeweb, 1177 Avenue of the Americas, New York NY 10036, United States | Common | 100 | 52.23 |
| **Tradeweb Markets International LLC** | United States, Delaware | Tradeweb, 1177 Avenue of the Americas, New York NY 10036, United States | Limited Liability Company Interest | 100 | 52.23 |
| **Tradeweb Markets LLC** | United States, Delaware | Tradeweb, 1177 Avenue of the Americas, New York NY 10036, United States | Managing Member Interest | 100 | 52.23 |
| **TW SEF LLC** | United States, Delaware | 1177 Avenue of the Americas, New York NY 10036, United States | Limited Liability Company Interest | 100 | 52.23 |
| **TWEL Holding LLC** | United States, Delaware | Tradeweb, 1177 Avenue of the Americas, New York NY 10036, United States | Limited Liability Company Interest | 100 | 52.23 |
| **York Holdings II Limited** | Cayman Islands | C/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands | Ordinary | 100 | 100 |
| **York Holdings III Limited** | Cayman Islands | C/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands | Ordinary | 100 | 100 |
| **York Sponsor Holdings Limited** | Cayman Islands | C/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands | Ordinary | 100 | 100 |
| **The Red Flag Group (BVI) limited** | British Virgin Islands | Jayla Place, 2nd Floor Road Town, Tortola, Virgin Islands, British | Ordinary | 100 | 100 |
| **The Red Flag Group Limited** | Hong Kong | "21/F, 14 Taikoo, Wan Road, Taikoo Shing, Hong Kong | Ordinary | 100 | 100 |
| **The Red Flag Group (Philippines) Inc.** | Phiippines | Unit 7-2, 7/F Net Square, 3rd Avenue Corner 28th Street E-Square, Crescent Park West Bonifacio Global City, Taguig Metro Manila, Philippines | Ordinary | 99.996 | 100 |
| **The Red Flag Group (Netherlands) BV** | Netherlands | Overwegwachter 4, 3034KG Rotterdam, Netherlands | Ordinary | 100 | 100 |
| **The Red Flag Group Pte Limited** | Singapore | "519 Balestier Road, #03-01 Le Shantier 329852 Singapore" | Ordinary | 100 | 100 |
| **The Red Flag Group Inc** | United States, Delaware | 1230 W. Washington Street, Suite 205, Tempe AZ 85281, United States | Common | 100 | 100 |
| **The Red Flag Group (UK) Ltd** | United Kingdom | 1st Floor Sackville House, 143-149 Fenchurch Street, London, EC3M 6BN, United Kingdom | Ordinary | 100 | 100 |
| **The Red Flag Group (HK) Ltd** | Hong Kong | 21/F, 14 Taikoo, Wan Road, Taikoo Shing, Hong Kong | Ordinary | 100 | 100 |

| Name of subsidiary | Country of incorporation | Registered office address | Type of share held | Share ownership % | Ultimate economic interest % |
|---|---|---|---|---|---|
| **The Red Flag Group (Shanghai) Ltd** | China | 3F. Agile International Plaza, No. 525 Middle Xizang Road, Huangpu District, Shanghai, China | Capital Contribution only | 100 | 100 |
| **The Red Flag Group (France) SAS** | France | 20 Avenue Andre Malraux - 92300, Lavallois Perret, France | Ordinary | 100 | 100 |
| **The Red Flag Group (Spain) SL** | Spain | Madrid, Paseo de la Castellana, No 161, 2 Planta, Spain | Ordinary | 100 | 100 |
| **The Red Flag Group Switzerland A.G** | Switzerland | Baarerstrasse 112, 6300 Zug, Switzerland | Ordinary | 100 | 100 |
| **The Red Flag Group FZ-LLC** | United Arab Emirates | "Office 104, Building 3, P.O.Box 500 630 Dubai Internet City, Dubai, United Arab Emirates | Ordinary | 100 | 100 |
| **The Red Flag Group Products (HK) Ltd** | Hong Kong | 21/F, 14 Taikoo, Wan Road, Taikoo Shing, Hong Kong | Ordinary | 100 | 100 |
| **The Red Flag Group (Poland) Sp. Z.o.o** | Poland | Ul. Kotlarska 11, 31-539 Krakow, Poland | Ordinary | 100 | 100 |
| **The Red Flag Group (Malaysia) Sdn. Bhd.** | Malaysia | "Suite S-21-H, 21st Floor Menara Northam 55 Jalan Sultan Ahmad Shah 10050 Penang, Malaysia | Ordinary | 100 | 100 |
| **The Red Flag Group International (Panama) SA,** | Panama | Obarrio, 55th East, “Santa Rita O” St. SFC Tower, 15th Floor, Office 15-ABC Panama City, Panama | Ordinary | 100 | 100 |
| **The Red Flag Group (Australia) Pty Limited** | Australia | Pilot Partners, Waterfront Place, Level 10, 1 Eagle Street, Brisbane QLD 4000, Australia | Ordinary | 100 | 100 |
| **Tradeweb Execution Services Limited** | United Kingdom | 1 Fore Street Avenue, London, England, EC2Y 9DT | Ordinary | 100 | 52.23 |
| **TWC Limited** | Cayman Islands | 1 Fore Street Avenue, London, England, EC2Y 9DT | Ordinary | 100 | 52.23 |
| **Tradeweb Markets Inc.** | United States, Delaware | Tradeweb, 1177 Avenue of the Americas, New York NY 10036, United States | Class B Shares | 100 | 100 |
| | | | Class A shares | 0 | 0 |
| | | | Class C Shares | 0 | 0 |
| | | | Class D shares | 74.5 | 0 |
| **Refinitiv Financial Technology Information Service (China) Group Co., LTD** | China | Room 1018, Building No. 1, No. 5 North street of North Huang, China | Capital Contribution only | 100 | 100 |
| **Giact Systems, LLC** | United States | 700 Central Expressway, S., Suite 300, Allen TX 75013, United States | Limited Liability Company Interest | 100 | 100 |
| **Epic Acquisition Sub LLC** | United States, Delaware | 3 Times Square, New York NY 10036, United States | Limited Liability Company Interest | 100 | 100 |
| **Refinitiv Charities** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Charitable Incorporated Organisation - Member Interest | 100 | 0 |
| **TicketAid Limited** | United Kingdom | Five Canada Square, Canary Wharf, London, England, E14 5AQ, United Kingdom | Ordinary | 100 | 0 |

Refinitiv's associate undertakings were:

| Associate name | Country of incorporation | Registered office address | Type of share held | Share ownership % | Ultimate economic interest % |
|---|---|---|---|---|---|
| **Citywire Holdings, Ltd** | United Kingdom | 87 Vauxhall Walk, London SE11 5HJ, United Kingdom | Ordinary | 18.88 | 18.88 |

**REGISTERED HEAD OFFICE OF THE ISSUERS**

**LONDON STOCK EXCHANGE GROUP PLC**
10 Paternoster Square
London EC4M 7LS
United Kingdom

**LONDON STOCK EXCHANGE GROUP PLC**
10 Paternoster Square
London EC4M 7LS
United Kingdom

**LSEG NETHERLANDS B.V.**
Keizersgracht 679, 4th floor
1017 DV Amsterdam
the Netherlands

**PRINCIPAL PAYING AGENT**

**HSBC BANK PLC**
8 Canada Square
London E14 5HQ
United Kingdom

**THE TRUSTEE**

**HSBC CORPORATE TRUSTEE COMPANY (UK) LIMITED**
8 Canada Square
London E14 5HQ
United Kingdom

**NON-U.S. REGISTRAR AND TRANSFER AGENT**

**HSBC BANK PLC**
8 Canada Square
London E14 5HQ
United Kingdom

**U.S. REGISTRAR AND US PAYING AGENT**

**HSBC BANK USA, National Association**

452 Fifth Avenue
New York, New York 10018
United States

**LEGAL ADVISERS**

*To the Issuers and Guarantor as to English Law and United States law*

**Freshfields Bruckhaus Deringer LLP**
100 Bishopsgate
London EC2P 2SR
United Kingdom

*To the Issuers and Guarantor as to Dutch law*

**Freshfields Bruckhaus Deringer LLP**
Strawinskylaan 10, 1077 XZ Amsterdam
Netherlands

*To the Agents and Trustee as to English Law*
**Linklaters LLP**
1 Silk Street
London EC2Y 8HQ
United Kingdom

*To the Dealers as to English law and United States law*
**Linklaters LLP**
1 Silk Street
London EC2Y 8HQ
United Kingdom

**AUDITORS TO THE ISSUERS AND GUARANTOR**

**Ernst & Young LLP**
25 Churchill Place,
Canary Wharf,
London E14 5EY,
United Kingdom

**REPORTING ACCOUNTANT OF REFINITIV**

**PricewaterhouseCoopers LLP**
1 Embankment Place
London WC2N 6RH
United Kingdom

**ARRANGER**

**Barclays Bank PLC**
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

**DEALERS**

**Barclays Capital Inc.**
745 Seventh Avenue
New York, NY 10019
United States

**Barclays Bank PLC**
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

**BofA Securities, Inc.**
One Bryant Park
New York, NY 10036
United States

**BofA Securities Europe SA**
51 rue la Boétie
75008 Paris
France

**Merrill Lynch International**
2 King Edward Street
London EC1A 1HQ
United Kingdom

**Citigroup Global Markets Inc.**
388 Greenwich Street
New York, NY 10013
United States

**Citigroup Global Markets Limited**
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

**Citigroup Global Markets Europe AG**
Reuterweg 16
60323 Frankfurt am Main
Germany

**HSBC Securities (USA) Inc.**
452 Fifth Avenue,
New York, NY 10018
United States

**HSBC Bank plc**
8 Canada Square
London E14 5HQ
United Kingdom

**HSBC Continental Europe**
38, avenue Kléber
75116 Paris
France

**BNP Paribas**
16, boulevard des Italiens
75009 Paris
France

**Bank of China Limited, London Branch**
1 Lothbury
London EC2R 7DB
United Kingdom

**China Construction Bank (Asia) Corporation Limited**
28/F, CCB Tower
3 Connaught Road
Central
Hong Kong

**Goldman Sachs & Co. LLC**
200 West Street
New York, NY 10282
United States

**Goldman Sachs Bank Europe SE**
Marienturm
Taunusanlage 9-10
60329 Frankfurt am Main
Germany

**Intesa Sanpaolo S.p.A.**
Divisione IMI Corporate & Investment Banking
Via Manzoni 4
20121 Milan
Italy

**Lloyds Securities Inc.**
1095 Avenue of the Americas, 34th Floor
New York, NY 10036
United States

**Lloyds Bank Corporate Markets** Wertpapierhandelsbank GmbH
Thurn-und-Taxis Platz 6
60313 Frankfurt am Main
Germany

**Lloyds Bank Corporate Markets plc**
10 Gresham Street
London EC2V 7AE
United Kingdom

**Morgan Stanley & Co. LLC**
1585 Broadway, 29th Floor
New York, NY 10036
United States

**Morgan Stanley & Co. International plc**
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

**MUFG Securities Americas Inc.**
1221 Avenue of the Americas, 6th Floor
New York, NY 10020-1001
United States

**MUFG Securities (Europe) N.V.**
World Trade Center, Tower H, 11th Floor
Zuidplein 98
1077 XV Amsterdam
The Netherlands

**MUFG Securities EMEA plc**
Ropemaker Place
25 Ropemaker Street
London, EC2Y 9AJ
United Kingdom

**NatWest Markets Plc**
250 Bishopsgate
London, EC2M 4AA
United Kingdom

**NatWest Markets Securities Inc.**
600 Washington Boulevard
Stamford, CT 06901
United States

**NatWest Markets N.V.**
Claude Debussylaan 94
1082 MD Amsterdam
Netherlands

**RBC Capital Markets, LLC**
Brookfield Place
200 Vesey Street, 8th Floor
New York, NY 10281-8098
United States

**RBC Europe Limited**
100 Bishopsgate
London EC2N 4AA
United Kingdom

**Santander Investment Securities Inc.**
45 East 53rd Street, 5th Floor
New York, NY 10022
United States

**Banco Santander, S.A.**
Ciudad Grupo Santander
Avenida de Cantabria s/n
Edificio Encinar, planta baja
28660 Boadilla del Monte
Madrid
Spain

**SMBC Nikko Securities America, Inc.**
277 Park Avenue
New York, NY 10172
United States

**SMBC Nikko Capital Markets Europe GmbH**
Neue Mainzer Str. 52-58
60311 Frankfurt am Main
Germany

**SMBC Nikko Capital Markets Limited**
One New Change
London EC4M 9AF
United Kingdom

**TD Securities (USA) LLC**
1 Vanderbilt Avenue, 12th Floor
New York, NY 10017
United States

**TD Global Finance unlimited company**
5th floor, One Molesworth Street
Dublin 2, D02 RF29
Ireland

**The Toronto-Dominion Bank**
60 Threadneedle Street
London EC2R 8AP
United Kingdom

**Wells Fargo Securities, LLC**
550 South Tryon Street,
Charlotte, NC 28202
United States

**Wells Fargo Securities Europe S.A.**
1-5 rue Paul Cézanne
75008 Paris
France

**Wells Fargo Securities International Limited**
33 King William Street
London EC4R 9AT
United Kingdom