

18 October 2019

LONDON STOCK EXCHANGE GROUP plc

**TRADING STATEMENT
INCLUDING REVENUES AND KPIs FOR THE THREE MONTHS ENDED
30 SEPTEMBER 2019 (Q3)**

- Strong Q3 performance across all parts of the Group – LCH continues to grow strongly in OTC products; FTSE Russell performing well with growth in subscription revenues
- Q3 total income up 12% to £587 million
- On a nine-month year-to-date basis total income up 9% to £1,727 million
- Proposed acquisition of Refinitiv continues to progress:
 - Appointment of David Shalders as Chief Integration Officer and member of the LSEG Executive Committee, reporting to LSEG CEO
 - Regulatory approvals process and integration planning underway
 - Integration Management Office established
 - Shareholder circular posting soon with General Meeting scheduled for November 2019
 - Transaction remains on track for completion in H2 2020

Q3 summary

- Information Services: revenues up 9% to £230 million. FTSE Russell up 10%, with strong performance in subscription revenues
- Post Trade - LCH: income up 19% to £197 million. Strong results driven by 22% revenue growth in OTC clearing with strong volumes at SwapClear and continued growth in net treasury income, up 16%
- Post Trade - Italy: income up 8% to £39 million. Good performance supported by growth in clearing; settlement, custody and net treasury income, reflecting good volumes in fixed income
- Capital Markets: revenues up 14% to £102 million. On a like-for-like basis (adjusting for last year's IFRS 15 change), revenue increased 5%, with growth in Primary Markets and in fixed income trading partly offset by subdued equity markets trading
- Technology: revenues up 2% to £16 million

Commenting on performance in Q3, David Schwimmer, CEO, said:

“The Group continues to perform well and has delivered a strong Q3 performance. LCH’s OTC clearing services saw continued strong volumes during the period in both member and client clearing. In Information Services, FTSE Russell reported 10% growth as subscription revenues remained strong. Capital Markets also produced a good overall performance against a backdrop of continued challenging market conditions.

“During the quarter, we announced the proposed acquisition of Refinitiv, a leading global provider of data, analytics and financial markets solutions. This is a transformational transaction that accelerates our Group’s strategy, positioning us in key areas of future growth as a global financial markets infrastructure leader. Together, we will create a multi-asset class capital markets business and bring world class data content, management and distribution capabilities to our customers on an open access basis. The transaction offers substantial strategic and financial benefits to our shareholders, customers, employees and other stakeholders.”

Developments in the period

- FTSE Russell launched the first climate risk government bond index, the FTSE Climate Risk-Adjusted World Government Bond Index
- FTSE Russell successfully implemented inclusion of the second tranche of China A Shares in the FTSE GEIS (September 2019)
- Expanded ForexClear offering by launching FX Forwards clearing and also linked up with FX Connect TradeNeXus, enabling simpler buy-side access to clearing
- Published plans to launch clearing of products referencing €STR, the new reference rate and announced plans to transition to €STR discounting

Financial Position

The Group’s financial position remains strong with a good level of funding flexibility in place. As at 30 September 2019, the Group had available committed facility headroom of c.£750 million having paid the interim dividend to shareholders and met other normal course payment obligations. The Group is therefore able to fund the repayment of the 2009 £250 million Bond, due 19 October 2019, from existing resources. While LSEG’s credit ratings are unchanged (long term A3 and A), both Moody’s and S&P moved their rating outlooks, respectively, to “review for possible downgrade” and “credit-watch negative” in early August as a result of the debt component of the Refinitiv acquisition. Both agencies were otherwise constructive on the strategic rationale for the deal and positive towards the Group’s arrangement of a c.\$13.5 billion bridge facility to de-risk refinancing of Refinitiv’s debt at or around closing of the transaction.

The euro was flat and the US dollar strengthened by 6% against sterling compared with the same period last year. To illustrate our exposure to movements in exchange rates, a €0.05 change in the average Euro: Sterling rate would have resulted in a change to continuing operations total income of £8 million for Q3, while a US\$0.05 move would have resulted in a £7 million change.

Board, Management and organisation changes

David Shalders is joining the Group in November 2019 as Chief Integration Officer and a member of the LSEG Executive Committee, reporting to LSEG's CEO. David brings to the Group over thirty years' experience in Integration, Technology and Operations in the financial services sector. He has successfully led a number of global integration programmes. 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 nineteen years at The Royal Bank of Scotland in a number of senior operations and technology roles, including as Group Head of Integration for the ABN Amro acquisition. We also announced today that we have formed the Integration Management Office (IMO). Led by David Shalders, the IMO will be comprised of senior leaders from LSEG and Refinitiv.

As of 1 January 2020, the Group's Post Trade businesses, which are currently reported separately as LCH and Post Trade Italy, will be aligned, in a manner consistent with the necessary regulatory oversight, into one Post Trade Division. Daniel Maguire, CEO, LCH Group will lead the division as Group Director, Post Trade, LSEG in addition to his current responsibilities. The Post Trade Division will include LCH Group, our Italian post trade businesses Monte Titoli and CC&G, and UnaVista, our trade reporting business that currently reports as part of the Information Services Division. The new Division will ensure greater Group-wide collaboration and aim to facilitate coordination amongst the different businesses with a view to developing commercial activities for the benefit of customers. We will continue to operate all our businesses on an open access basis in partnership with customers and stakeholders. The current local legal entity governance, including decision-making processes and reporting lines, will be unchanged.

Separately, today LSEG announced that David Warren, Group CFO has informed the Group of his intention to retire from the company and step down from the Board by the end of 2020. David will continue in his current roles through the close of the Refinitiv transaction to ensure a smooth transition to his successor. LSEG will undertake a global search, which will be led by the Board's Nomination Committee.

Further information is available from:

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The Group will host a conference call for analysts and investors today, Friday 18 October at 08:30am (UK time). On the call will be David Schwimmer (CEO), David Warren (CFO) and Paul Froud (Group Head of Investor Relations).

To access the telephone conference call please pre-register using the following link and instructions below: <http://emea.directeventreg.com/registration/1079764>

- **Please register in advance of the conference using the link above.** Upon registering with your full name, company name and email address, you will be provided with participant dial-in numbers, Direct Event passcode and unique registrant ID
- In the 10 minutes prior to the call start time, you will need to use the conference access information provided in the email received at the point of registering

Note: Due to regional restrictions some participants may receive operator assistance when joining this conference call and will not be automatically connected.

For further information, please call the Group's Investor Relations team on +44 (0) 20 7797 3322.

Q3 Revenue Summary

Revenues for three months and nine months ended 30 September 2019 refer to continuing operations, with comparatives against performance for the same period last year, are provided below. Growth rates for both Q3 and year to date performance are also expressed on a constant currency basis. Income in all periods is on an organic basis as there has been no inorganic income. All figures are unaudited.

	Three months ended			Constant currency variance	Nine months ended			Constant currency variance
	30 September				30 September			
	2019	2018	Variance		2019	2018	Variance	
	£m	£m	%	%	£m	£m	%	%
Continuing operations:								
Revenue								
Information Services	230	212	9%	5%	671	624	8%	4%
Post Trade Services - LCH	144	120	20%	19%	410	357	15%	14%
Post Trade Services - CC&G and Monte Titoli	27	25	8%	6%	78	77	2%	2%
Capital Markets	102	89	14%	14%	328	305	8%	8%
Technology Services	16	16	2%	1%	46	48	(3%)	(5%)
Other	2	2	-	-	6	7	-	-
Total revenue	521	464	12%	10%	1,539	1,418	9%	7%
Net treasury income through CCP businesses	65	57	15%	13%	185	160	16%	14%
Other income	1	1	-	-	3	4	-	-
Total income	587	522	12%	10%	1,727	1,582	9%	7%
Cost of sales	(58)	(57)	2%	-	(167)	(163)	3%	1%
Gross profit	529	465	14%	11%	1,560	1,419	10%	8%

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

More detailed revenues by segment are provided in tables below:

Information Services

	Three months ended			Constant currency variance	Nine months ended			Constant currency variance
	30 September				30 September			
	2019	2018	Variance		2019	2018	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Index – Subscription	108	94	15%	10%	311	279	12%	7%
Index – Asset based	61	59	3%	(1%)	173	164	6%	1%
FTSE Russell Indexes	169	153	10%	5%	484	443	9%	5%
Real time data	24	23	4%	4%	72	70	4%	4%
Other information services	37	36	4%	2%	115	111	3%	2%
Total revenue	230	212	9%	5%	671	624	8%	4%
Cost of sales	(20)	(17)	16%	11%	(56)	(52)	9%	4%
Gross profit	210	195	8%	4%	615	572	7%	4%

Post Trade Services - LCH

	Three months ended			Constant currency variance	Nine months ended			Constant currency variance
	30 September				30 September			
	2019	2018	Variance		2019	2018	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
OTC - SwapClear, ForexClear & CDSClear	80	65	22%	20%	228	196	17%	15%
Non-OTC - Fixed income, Cash equities and Listed derivatives	36	34	6%	5%	104	101	3%	3%
Other	28	21	38%	36%	78	60	29%	28%
Total revenue	144	120	20%	19%	410	357	15%	14%
Net treasury income	53	46	16%	14%	149	128	16%	14%
Other income	-	-	-	-	-	-	-	-
Total income	197	166	19%	17%	559	485	15%	14%
Cost of sales	(33)	(31)	6%	5%	(93)	(83)	12%	12%
Gross profit	164	135	22%	20%	466	402	16%	14%

Post Trade Services - CC&G and Monte Titoli

	Three months ended			Constant currency variance	Nine months ended			Constant currency variance
	30 September				30 September			
	2019	2018	Variance		2019	2018	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Clearing	11	10	16%	14%	33	31	5%	5%
Settlement, Custody & other	16	15	3%	2%	45	46	(1%)	(0%)
Total revenue	27	25	8%	6%	78	77	2%	2%
Net treasury income	12	11	10%	8%	36	32	13%	13%
Total income	39	36	8%	7%	114	109	5%	5%
Cost of sales	(2)	(2)	(11%)	(11%)	(5)	(5)	4%	4%
Gross profit	37	34	9%	8%	109	104	5%	5%

Capital Markets

	Three months ended			Constant currency variance	Nine months ended			Constant currency variance
	30 September				30 September			
	2019	2018	Variance		2019	2018	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Primary Markets ^{1 2}	30	20	53%	53%	120	83	45%	46%
Secondary Markets - Equities	39	39	(2%)	(2%)	113	128	(12%)	(12%)
Secondary Markets - Fixed income, derivatives and other	33	30	10%	9%	95	94	1%	1%
Total revenue	102	89	14%	14%	328	305	8%	8%
Cost of sales	(1)	(4)	(67%)	(68%)	(4)	(13)	(68%)	(68%)
Gross profit	101	85	18%	18%	324	292	11%	11%

¹ Primary Markets 2018 Q3 on a like-for-like basis would be £8 million higher than reported relating to the adoption of IFRS 15. The nine-month impact for 2018 was £9 million

² Primary Markets 2019 Q3 YTD includes a one-off change in estimate for IFRS 15 accounting, with an impact of £32 million, recognised in H1 2019

Technology Services

	Three months ended			Constant currency variance	Nine months ended			Constant currency variance
	30 September				30 September			
	2019	2018	Variance		2019	2018	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
MillenniumIT & other technology	16	16	2%	1%	46	48	(3%)	(5%)
Cost of sales	(2)	(2)	(11%)	(11%)	(6)	(8)	(23%)	(23%)
Gross profit	14	14	4%	2%	40	40	-	(1%)

Basis of Preparation

Results for the period ended 30 September 2019 have been translated into Sterling using the average exchange rates for the period. Constant currency growth rates have been calculated by translating prior period results at the average exchange rate for the current period.

	Average rate 9 months ended 30 September 2019	Closing rate at 30 September 2019
GBP : EUR	1.13	1.12
GBP : USD	1.27	1.23

	Average rate 9 months ended 30 September 2018	Closing rate at 30 September 2018
GBP : EUR	1.13	1.12
GBP : USD	1.35	1.30

Appendix – Key performance indicators

Information Services

	As at		Variance
	30 September		
	2019	2018	%
ETF assets under management benchmarked (\$bn)			
FTSE	423	396	7%
Russell Indexes	273	267	2%
Total	696	663	5%

Terminals

UK	65,000	68,000	(4%)
Borsa Italiana Professional Terminals	100,000	107,000	(7%)

Post Trade Services - LCH

	Three months ended		Variance %	Nine months ended		Variance %
	30 September			30 September		
	2019	2018		2019	2018	
OTC derivatives						
SwapClear						
IRS notional cleared (\$tn)	337	236	43%	997	811	23%
SwapClear members	121	110	10%	121	110	10%
Client trades ('000)	472	332	42%	1,280	1,103	16%
CDSClear						
Notional cleared (€bn)	219	138	59%	567	463	22%
CDSClear members	26	15	73%	26	15	73%
ForexClear						
Notional value cleared (\$bn)	4,795	4,282	12%	13,561	12,946	5%
ForexClear members	34	32	6%	34	32	6%
Non-OTC						
Fixed income - Nominal value (€tn)	28.0	25.2	11%	80.7	74.1	9%
Listed derivatives (contracts m)	36.3	36.4	-	109.2	113.3	(4%)
Cash equities trades (m)	179	179	-	526	593	(11%)
Average cash collateral (€bn)	103.8	86.2	20%	96.3	86.0	12%

Post Trade Services - CC&G and Monte Titoli

	Three months ended		Variance %	Nine months ended		Variance %
	30 September			30 September		
	2019	2018		2019	2018	
CC&G Clearing						
Contracts (m)	24.7	23.8	4%	74.7	86.3	(13%)
Initial margin held (average €bn)	15.1	12.0	26%	14.3	10.5	36%
Monte Titoli						
Settlement instructions (trades m)	10.3	10.3	-	31.7	34.3	(8%)
Custody assets under management (average €tn)	3.33	3.30	1%	3.31	3.30	-

Capital Markets - Primary Markets

	Three months ended			Nine months ended		
	30 September		Variance	30 September		Variance
	2019	2018	%	2019	2018	%
New Issues						
UK Main Market, PSM & SFM	13	17	(24%)	41	55	(25%)
UK AIM	5	13	(62%)	20	49	(59%)
Borsa Italiana	11	12	(8%)	26	25	4%
Total	29	42	(31%)	87	129	(33%)
Money Raised (£bn)						
UK New	1.0	2.0	(50%)	3.7	3.9	(5%)
UK Further	1.9	3.1	(39%)	12.7	13.8	(8%)
Borsa Italiana new and further	0.1	0.6	(83%)	2.0	3.1	(35%)
Total (£bn)	3.0	5.7	(47%)	18.4	20.8	(12%)

Capital Markets - Secondary Markets

	Three months ended			Nine months ended		
	30 September		Variance	30 September		Variance
	2019	2018	%	2019	2018	%
Equity						
Totals for period						
UK value traded (£bn)	309	329	(6%)	892	1,098	(19%)
Borsa Italiana (no of trades m)	16.3	15.4	6%	47.4	54.8	(14%)
Turquoise value traded (€bn)	111	180	(38%)	423	644	(34%)
SETS Yield (basis points)	0.68	0.65	5%	0.69	0.63	10%
Average daily						
UK value traded (£bn)	4.8	5.1	(6%)	4.7	5.8	(19%)
Borsa Italiana (no of trades '000)	254	240	6%	249	288	(14%)
Turquoise value traded (€bn)	1.7	2.8	(39%)	2.2	3.4	(35%)
Derivatives (contracts m)						
LSE Derivatives	0.6	1.1	(45%)	2.2	5.2	(58%)
IDEM	7.2	7.5	(4%)	24.0	28.2	(15%)
Total	7.8	8.6	(9%)	26.2	33.4	(22%)
Fixed Income						
MTS cash and BondVision (€bn)	803	670	20%	2,453	2,558	(4%)
MTS money markets (€bn term adjusted)	31,759	21,134	50%	89,508	65,098	37%

Total Income – Quarterly

£ millions	2018					2019		
	Q1	Q2	Q3	Q4	2018	Q1	Q2	Q3
Index - Subscription	89	96	94	94	373	99	104	108
Index - Asset based	52	53	59	55	219	52	60	61
FTSE Russell	141	149	153	149	592	151	164	169
Real time data	24	23	23	24	94	24	24	24
Other information	36	39	36	44	155	39	39	37
Information Services	201	211	212	217	841	214	227	230
OTC - SwapClear, ForexClear & CDSClear	66	64	65	73	268	76	72	80
Non OTC - Fixed income, Cash equities & Listed derivatives	33	34	34	35	136	34	35	36
Other	19	21	21	22	83	24	25	28
Post Trade Services - LCH	118	119	120	130	487	134	132	144
Clearing	10	12	10	9	41	11	11	11
Settlement, Custody & other	18	12	15	16	61	14	15	16
Post Trade Services - CC&G and Monte Titoli	28	24	25	25	102	25	26	27
Primary Markets	29	33	20	31	113	28	62	30
Secondary Markets - Equities	45	44	39	41	169	37	37	39
Secondary Markets - Fixed income, derivatives & other	33	31	30	31	125	32	30	33
Capital Markets	107	108	89	103	407	97	129	102
Technology	13	19	16	17	65	14	16	16
Other	3	2	2	2	9	2	2	2
Total Revenue	470	483	464	494	1,911	486	532	521
Net treasury income through CCP:								
CC&G	10	11	11	11	43	11	13	12
LCH	38	45	46	46	175	48	48	53
Other income	2	1	1	2	6	1	1	1
Total income	520	540	522	553	2,135	546	594	587
Cost of sales	(56)	(50)	(57)	(64)	(227)	(56)	(53)	(58)
Gross profit	464	490	465	489	1,908	490	541	529

Note: Minor rounding differences may mean quarterly and other segmental figures may differ slightly