

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

This document comprises (i) a circular prepared in accordance with the Listing Rules of the FCA made under section 73A of the FSMA and (ii) a prospectus relating to London Stock Exchange Group plc (“LSEG”, the “Company” or the “Group”) prepared in accordance with the Prospectus Rules of the FCA made under section 73A of the FSMA. This document has been approved by the FCA in accordance with section 85 of the FSMA, will be made available to the public and has been filed with the FCA in accordance with the Prospectus Rules. This document together with the documents incorporated into it by reference (as set out in Part XIV “Documentation incorporated by reference” of this document) will be made available to the public in accordance with Prospectus Rule 3.2.1 by the same being made available, free of charge, at www.lseg.com and at the Company’s registered office at 10 Paternoster Square, London EC4M 7LS.

If you sell or have sold or have otherwise transferred all of your Shares (other than ex-rights) held in certificated form before 8.00 a.m. (London time) on 11 September 2014 (the “Ex-Rights Date”) please send this document, together with any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States or any other Excluded Territories. If you sell or have sold or have otherwise transferred all or some of your Existing Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III “Terms and Conditions of the Rights Issue” of this document and in the Provisional Allotment Letter.

The distribution of this document, the Provisional Allotment Letter and the transfer of Nil Paid Rights, Fully Paid Rights and New Shares into jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, this document, the enclosures and the Provisional Allotment Letter and any other such documents should not be distributed, forwarded to or transmitted in or into the United States, the other Restricted Territories or the Excluded Territories.



London
Stock Exchange Group

London Stock Exchange Group plc

(registered in England and Wales under the Companies Act 1985 with registered number 5369106)

Proposed acquisition of Frank Russell Company

and

3 for 11 Rights Issue of 74,347,813 New Shares at 1,295p per New Share

Notice of General Meeting

*Sole Global Coordinator, Joint Sponsor,
Joint Bookrunner, Lead Underwriter*

Barclays

Joint Sponsor

Greenhill

Deutsche Bank

Joint Bookrunners

J.P. Morgan Cazenove

RBC Capital Markets

Co-Lead Managers

Banca IMI

Banco Santander

HSBC

**Mitsubishi UFJ
Securities**

A Notice of General Meeting of the Company, to be held at 9.30 a.m. on 10 September 2014, is set out at the end of this document. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, by not later than 9.30 a.m. on 8 September 2014 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

The Shares are listed on the Official List maintained by the FCA and traded on the London Stock Exchange's main market for listed securities. Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Shares to be admitted to the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. (London time) on 11 September 2014.

Your attention is drawn to the letter of recommendation from the Chairman which is set out in Part I (“Letter from the Chairman of London Stock Exchange Group plc”) of this document. Your attention is also drawn to the section headed “Risk Factors” at the beginning of this document which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Rights Issue, and by others when deciding whether or not to purchase Nil Paid Rights, Fully Paid Rights or New Shares.

The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”) or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from or in a transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the New Shares in the United States.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Shares will not be registered or qualified for distribution to the public under the securities laws of any Excluded Territory or Restricted Territory and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption from, and in compliance with, any applicable securities laws and any specific procedures which are adopted by the Company with respect to a particular Restricted Territory. There will be no public offer in any of the Excluded Territories or the Restricted Territories. Barclays is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Greenhill is authorised and regulated by the Financial Conduct Authority. Deutsche Bank is authorised under German Banking Law and is regulated by BaFin, Germany's Federal Financial Supervisory Authority, the Financial Conduct Authority and the Prudential Regulation Authority. J.P. Morgan Cazenove is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. RBC Capital Markets is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Banca IMI is authorised by the Banca d'Italia and Consob and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Banco Santander is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. HSBC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Mitsubishi UFJ Securities is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Barclays, Greenhill, Deutsche Bank, J.P. Morgan Cazenove, RBC Capital Markets, Banca IMI, Banco Santander, HSBC and Mitsubishi UFJ Securities (together, the “Banks”) are acting for LSEG and are acting for no one else in connection with the Rights Issue and will not regard any other person as a client in relation to the Rights Issue and will not be responsible to anyone other than LSEG for providing the protections afforded to their respective clients, nor for providing advice in connection with the Rights Issue or any other matter, transaction or arrangement referred to in this document.

None of the Banks accepts any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or

on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights or the New Shares or the Rights Issue. The Banks accordingly disclaim all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of this document or any such statement.

Subject to the passing of the Resolution, it is expected that Qualifying Non-CREST Shareholders other than, subject to certain exceptions, those with registered addresses in the Excluded Territories or the Restricted Territories will be sent a Provisional Allotment Letter on 11 September 2014, and that Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 10 September 2014. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear as soon as practicable after Admission.

The Banks may, in accordance with applicable legal and regulatory provisions and subject to the Underwriting Agreement, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Shares and/or related instruments for their own account for the purpose of hedging their underwriting exposure or otherwise. Except as required by applicable law or regulation, the Banks do not propose to make any public disclosure in relation to such transactions.

The latest time and date for acceptance and payment in full for the New Shares by holders of the Nil Paid Rights is expected to be 11.00 a.m. on 25 September 2014. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part III “Terms and Conditions of the Rights Issue” of this document and, for Qualifying Non-CREST Shareholders other than, subject to certain exceptions, those with registered addresses in the United States, the other Restricted Territories or the Excluded Territories only, also in the Provisional Allotment Letter. Qualifying CREST Shareholders other than, subject to certain exceptions, those with registered addresses in the United States, the other Restricted Territories or the Excluded Territories should refer to paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue” of this document.

The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters have not been approved or disapproved by the US Securities and Exchange Commission, any state’s securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights or the New Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

This document does not constitute an offer of Nil Paid Rights, Fully Paid Rights or New Shares to any person with a registered address, or who is located, in the United States, the other Restricted Territories or the Excluded Territories or in any other jurisdiction in which such an offer or solicitation is unlawful. The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters have not been and will not be registered or qualified for distribution to the public under the relevant laws of any state, province or territory of the United States, any of the other Restricted Territories or any Excluded Territory and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States, any other Restricted Territory, or any Excluded Territory except pursuant to an applicable exemption and in compliance with any specific procedures which are adopted by the Company with respect to a particular Restricted Territory.

The Underwriters may arrange for the offer of New Shares in the United States not taken up in the Rights Issue only to persons reasonably believed to be “qualified institutional buyers” (“QIBs”) within the meaning of Rule 144A under the US Securities Act in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The New Shares, the Nil Paid Rights and the Fully Paid Rights offered outside the United States are being offered in reliance on Regulation S under the US Securities Act. **Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Shares may be relying on the exemption from registration provisions under Section 5 of the US Securities Act, as amended, provided by Rule 144A thereunder.**

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the UK should read the information set out in paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue” of this document.

The Underwriters may also arrange for the offer of New Shares in Canada not taken up in the Rights Issue only to persons confirmed as “accredited investors” within the meaning of National Instrument 45-106 in reliance on an exemption from, or in a transaction not subject to, the prospectus requirements of Canadian securities laws.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to all Investors

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Shares is prohibited. By accepting delivery of this document, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares agrees to the foregoing.

The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares into jurisdictions other than the UK may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into the United States, the other Restricted Territories or the Excluded Territories. The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue” of this document. No action has been taken by the Company or by the Underwriters that would permit an offer of the New Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights, or the Fully Paid Rights in any jurisdiction where action for that purpose is required, other than in the UK.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or by the Underwriters. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as at any time subsequent to its date.

Without limitation, the contents of the websites of the Group do not form part of this document.

Capitalised terms have the meanings ascribed to them, and certain technical terms are explained, in Part XV “Definitions” of this document.

WHERE TO FIND HELP

Part II “Some Questions and Answers about the Rights Issue” of this document answers some of the questions most often asked by shareholders about rights issues. If you have further questions, please call the Shareholder Helpline on 0871 384 2124 (from within the UK) or on +44 121 415 0839 (if calling from outside the UK). Calls to the 0871 384 2124 number are charged at 8 pence per minute (excluding VAT) or 10 pence per minute (including VAT) plus network extras. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that, for legal reasons, the Shareholder Helpline is only able to provide information contained in this document and information relating to the Company’s register of members and is unable to give advice on the merits of the Rights Issue or to provide financial, tax or investment advice.

This document is dated 22 August 2014.

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SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A-E (A.1—E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

SECTION A—INTRODUCTION AND WARNINGS

A.1 *Warning*

This summary should be read as an introduction to this document.

Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Economic Area, have to bear the costs of translating this document before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in the securities.

A.2 *Consent for Intermediaries*

Not applicable. No consent has been given by the Company or any person responsible for drawing up this document to use this document for subsequent sale or placement of securities by financial intermediaries.

SECTION B—ISSUER

B.1 *Legal and commercial name*

London Stock Exchange Group plc (“LSEG”, the “Company”, and including its subsidiaries and undertakings, the “Group”).

B.2 *Domicile and legal form*

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 05369106 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 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.

B.3 *Current operations and principal activities*

DESCRIPTION OF LSEG

LSEG is a diversified international market infrastructure and capital markets business. The Group operates in four main business divisions: Capital Markets, Post Trade Services, Information Services and Technology Services.

LSEG’s Capital Markets division comprises a broad range of international equity, bond and derivatives markets, including: London Stock Exchange; Borsa Italiana; MTS, one of Europe’s leading fixed income markets; and Turquoise, a pan-European multilateral trading facility. Through its various

platforms, the Group offers international businesses and investors unrivalled access to Europe's capital markets.

Post trade and risk management services are a significant and growing part of the Group's business operations. LSEG operates CC&G, the Italian clearing house, and Monte Titoli, a European settlement business, selected as a first wave participant in TARGET2-Securities. The Group is also the majority owner of leading multi-asset global clearing service, LCH.Clearnet.

The Group offers its customers an extensive range of real-time and reference data products, including SEDOL, UnaVista, Proquote and RNS. FTSE, a world leading index provider, calculates thousands of unique indices that measure and benchmark markets and asset classes in more than 80 countries around the world.

The Group is also a leading developer of high performance trading platforms and capital markets software for customers around the world. In addition to the Group's own markets, over 30 other organisations and exchanges around the world use the Group's MillenniumIT trading, surveillance and post trade technology.

Headquartered in London, with significant operations in Italy, France, North America and Sri Lanka, the Group employs approximately 2,800 people. LSEG's shares are admitted to the premium segment of the Official List and to trading on the London Stock Exchange. LSEG is a member of the FTSE 100 index and had a market capitalisation of approximately £5,466 million as at the close of business on 21 August 2014 (being the last business day prior to the date of the announcement of the terms of the Rights Issue).

ACQUISITION OF RUSSELL

On 26 June 2014, London Stock Exchange Group plc announced the proposed acquisition of the entire issued share capital of Frank Russell Company ("Russell") from Northwestern Mutual and the minority shareholders of Russell for total consideration in cash of US\$2,700 million (£1,623 million, based on the 20 August 2014 Spot Exchange Rate) subject to certain customary adjustments. The Directors believe the Acquisition is a rare opportunity to acquire a high quality US-based business with a leading global brand.

Russell's index business is a leading provider of benchmarks to US-focused equity funds and also provides customised and innovative index solutions for clients. The business is a clear strategic fit for the Group and the combination with FTSE and the resulting synergies provide the opportunity for attractive financial returns that should significantly enhance Shareholder value.

Russell's investment management ("IM") business, with US\$279.7 billion of assets under management ("AUM") as of 30 June 2014 and a leading client implementation services business, is one of the leading providers of multi-asset class investment solutions to institutional and retail investors worldwide. The business is poised for continued growth in a large and growing market.

B.4a *Significant recent trends affecting the Group and the industry in which it operates*

Whilst the global macro environment has steadily improved over the last 12 to 18 months, the financial services industry continues to undergo structural changes due to ongoing regulatory initiatives and a muted overall volume environment. The prospects of market infrastructure companies, however, have improved steadily over the last five years as post crisis regulatory reform has focused on driving more trading activity through exchanges and clearing houses, with the aim of increasing market transparency and promoting financial stability.

Financial services legislation, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") in the US and the European Market Infrastructure Regulation ("EMIR") in Europe are intended to encourage more central clearing of OTC derivatives contracts and may open up meaningful business opportunities for the market infrastructure industry.

In addition, the industry continues to launch new products and services to alleviate cost and capital issues for its traditional sell-side clients. High bank capital requirements globally due to the Basel III provisions, together with an evolving structure of the funding markets and their requirements, have increased the value of collateral management services and the facilitation of secured financing transactions. Market infrastructure firms have responded strongly to these challenges by offering repo

and various collateral management and mobilisation services. These services will continue to provide meaningful growth opportunities to the sector.

As trading venues move to develop value-added products and services for clients, proprietary data and access to market information may become increasingly important and valuable. Growth in passive investment strategies, for example, has led to an increased focus on index services for the buy-side segment by the exchange sector. This trend has also been reinforced by the sell-side segment reconsidering their offering regarding the calculations of benchmarks and indices due to regulatory and reputational issues.

The combined result of these trends plus others such as increased focus on technology services and development of utility type services for banks is leading to an overall lower reliance on typical volume-related products and increasing the contribution of more recurring revenue streams, thereby improving the overall growth and quality of earnings in the sector.

B.5 Group structure

LSEG was incorporated in 2005 and is the ultimate parent company of the Group, which comprises the Company and its subsidiary undertakings.

B.6 Major shareholders

Insofar as is known to the Company, the name of each person who, directly or indirectly, has an interest in 3 per cent. or more of the Company's issued share capital, and the amount of such person's interest, as at 20 August 2014 (being the latest practicable date prior to the publication of this document) are as follows:

<u>Name</u>	<u>Shares</u>	
	<u>No.</u>	<u>%</u>
Borse Dubai	56,966,856	20.9%
Qatar Investment Authority	28,080,219	10.3%
BlackRock	14,369,709	5.3%

Insofar as is known to the Company, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

None of the major Shareholders referred to above has different voting rights from other Shareholders.

B.7 Historical financial information of LSEG

The tables below set out the Group's summary financial information for the periods indicated reported in accordance with IFRS. The consolidated financial information for the Group for the three months ended 30 June 2014 and 2013 and for each of the three years ended 31 March 2014, 2013, and 2012 has been extracted without material adjustment from the unaudited interim historical financial information for LSEG for the three months ended 30 June 2014 and 2013 and the LSEG Annual Report and Accounts for 2014, 2013 and 2012, respectively.

The financial information presented below reflects the Group's financial results inclusive of acquisition and amortisation expenses and other non-recurring items over the periods described.

Consolidated income statement

	For the three months ended 30 June (unaudited)		Audited numbers for the year ended 31 March		
	2014	2013	2014	2013	2012
	(£ million)				
Revenue	299.9	249.7	1,088.3	726.4	679.8
Net treasury income through CCP business	22.6	28.5	109.8	116.7	126.9
Other income ⁽¹⁾	2.1	0.9	11.5	28.1	8.1
Total income	324.6	279.1	1,209.6	871.2	814.8
Expenses					
Operating expenses	(222.6)	(204.3)	(856.5)	(522.8)	(459.8)
Share of profit after tax of joint ventures/associates . . .	—	—	—	—	3.5
Operating profit	102.0	74.8	353.1	348.4	358.5
Profit on disposal/acquisition of shares in subsidiary and joint venture	—	—	—	—	323.8
Finance income	2.8	2.7	5.5	14.5	16.8
Finance expense	(21.2)	(17.8)	(74.3)	(64.0)	(59.4)
Net finance expense	(18.4)	(15.1)	(68.8)	(49.5)	(42.6)
Profit before taxation	83.6	59.7	284.3	298.9	639.7
Taxation	(22.7)	(22.5)	(101.6)	(83.4)	(108.3)
Profit for the period	60.9	37.2	182.7	215.5	531.4

Balance sheet

	As at 30 June (unaudited)		As at 31 March		
	2014	2013	2014	2013	2012
	(£ million)				
Assets					
Non-current assets	2,562.0	2,693.7	2,675.8	2,165.5	2,214.0
Current assets	482,210.1	561,881.5	504,987.4	146,760.5	100,209.6
Assets held for sale	—	—	—	—	6.4
Total assets	484,772.1	564,575.2	507,663.2	148,926.0	102,430.0
Liabilities					
Current liabilities	481,605.4	561,369.5	504,448.6	146,362.9	100,066.4
Non-current liabilities	1,205.6	1,239.0	1,257.7	964.1	913.9
Total liabilities	482,811.0	562,608.5	505,706.3	147,327.0	100,980.3
Net assets	1,961.1	1,966.7	1,956.9	1,599.0	1,449.7

(1) Including LCH.Clearnet unrealised gain/(loss).

Cash flow statement

	For the three months ended 30 June (unaudited)		For the year ended 31 March		
	2014	2013	2014	2013	2012
	(£ million)				
Net cash inflow from operating activities	151.1	108.7	325.3	342.5	303.0
Net cash (outflow)/inflow from investing activities	(37.2)	55.2	(28.0)	(59.4)	(486.1)
Net cash (outflow)/inflow from financing activities	(20.2)	365.6	194.4	(55.5)	140.2
Increase/(decrease) in cash and cash equivalents	93.7	529.5	491.7	227.6	(42.9)
Cash and cash equivalents at end of year	985.1	978.1	919.2	446.2	216.0

Revenue. The Group's revenue increased by £50.2 million, or 20.1 per cent., from £249.7 million in the three months ended 30 June 2013 to £299.9 million in the three months ended 30 June 2014. This increase was primarily due to the inclusion of LCH.Clearnet as the period ended 30 June 2013 included only two months' worth of LCH.Clearnet's revenue. Revenue increased in all business segments except Technology Services.

The Group's revenue increased by £408.5 million, or 60.1 per cent., from £679.8 million in the year ended 31 March 2012 to £1,088.3 million in the year ended 31 March 2014. This increase was primarily due to the acquisitions of LCH.Clearnet which contributed £263.0 million of revenues in 2014 and FTSE increasing revenue by £123.5 million in the three year period.

Profit for the period. The Group's profit for the period increased by £23.7 million, or 63.7 per cent., from £37.2 million in the three months ended 30 June 2013 to £60.9 million in the three months ended 30 June 2014. This increase was primarily due to the inclusion of LCH.Clearnet.

The Group's profit for the period decreased by £348.7 million, or 65.6 per cent., from £531.4 million in the year ended 31 March 2012 to £182.7 million in the year ended 31 March 2014. This decrease was primarily due to the fair value mark-up of the existing interest in FTSE on acquisition, resulting in a gain of £317.9 million in the year ended March 2012.

Net assets. The Group's net assets decreased by £5.6 million, or 0.3 per cent., from £1,966.7 million as at 30 June 2013 to £1,961.1 million as at 30 June 2014. This decrease was primarily due to movements in the Group's CCP balances.

There has been no significant change in the financial condition or operating results of the Group since 30 June 2014, the date to which the latest unaudited interim financial information in relation to the Group was prepared.

B.8 *Pro forma financial information*

The unaudited pro forma income statement and unaudited pro forma net assets statement of the Group, following its acquisition of Russell (the "Enlarged Group") set out below have been prepared for illustrative purposes only, in accordance with Annex II of the Prospectus Rules and on the basis of the notes set out below. The unaudited pro forma income statement has been prepared to illustrate the effect on the earnings of LSEG as if the proposed acquisition had taken place on 1 April 2013. The unaudited pro forma net assets statement has been prepared to illustrate the effect on the net assets of LSEG as if the proposed acquisition had taken place on 30 June 2014. The unaudited pro forma income statement and net assets statement have been prepared for illustrative purposes only and, because of that nature, address a hypothetical situation and do not, therefore, represent the LSEG or the Enlarged Group's actual financial position or results. The pro forma financial information have been prepared under IFRS and on the basis set out in the notes below and in accordance with Annex II to the PD regulation. The pro forma financial information is stated on the basis of the accounting policies of LSEG. The unaudited pro forma financial information has not been prepared, or shall not be construed as having been prepared, in accordance with Regulation S-X under the Securities Act.

Unaudited Pro Forma Income Statement

	LSEG Year Ended 31 March 2014 (Note 2)	Adjustments		Pro Forma Enlarged Group
		Russell Year Ended 31 December 2013 (Note 3)	Other Adjustments (Note 5)	
		(£ million) (unaudited)		
Revenue	1,209.6	1,029.1	—	2,238.7
Expenses	(856.5)	(916.5)	(32.4)	(1,805.4)
Operating profit	353.1	112.6	(32.4)	433.3
Profit for the financial year	182.7	42.2	(30.1)	194.8

Unaudited Pro Forma Net Assets Statement

	LSEG As at 30 June 2014 (Note 2)	Russell As at 30 June 2014 (Note 4)	Adjustments		Other Adjustments (Note 5)	Pro Forma Enlarged Group
			Rights Issue (Note 5)	Elimination of borrowings, purchased intangibles and goodwill (Note 5)		
			(£ million) (unaudited)			
<i>Non-current assets</i>	2,562.0	197.6	—	(7.6)	1,424.3	4,176.3
<i>Current assets</i>	482,210.1	371.6	938.5	—	(938.5)	482,581.7
Total Assets	484,772.1	569.2	938.5	(7.6)	485.8	486,758.0
<i>Current liabilities</i>	481,605.4	290.0	—	(53.5)	21.0	481,862.9
<i>Non-current liabilities</i>	1,205.6	412.2	—	(274.7)	673.4	2,016.5
Total Liabilities	482,811.0	702.2	—	(328.2)	694.4	483,879.4
Net assets	1,961.1	(133.0)	938.5	320.6	(208.6)	2,878.6

Notes:

1. Basis of presentation

The unaudited pro forma financial information has been compiled from underlying financial statements prepared in accordance with IFRS as applied by LSEG and reflects the transaction to create the Enlarged Group.

The unaudited pro forma financial information should be read in conjunction with the underlying financial information of LSEG and Russell.

For the unaudited pro forma consolidated income statement, the Russell income statement for the year ended 31 December 2013 has been combined with the LSEG income statement for the year ended 31 March 2014. For the unaudited pro forma consolidated net assets statement, the respective Russell and LSEG balance sheets as at 30 June 2014 have been combined.

The unaudited pro forma financial information of the Enlarged Group is presented for illustrative purposes only and is not intended to reflect the financial position and results which would have actually resulted had the acquisition been effected on any of the dates indicated. Further, the pro forma operating results are not necessarily indicative of the results of operations that may be obtained in the future nor the impact of possible changes to the Enlarged Group's business model as a result of changes in market conditions which may impact revenues, expense efficiencies, asset dispositions, share repurchases and other factors. No account has been taken of the trading activity or other transactions of the Enlarged Group for the period since 30 June 2014.

The unaudited pro forma financial information has been prepared in order to meet the requirements of the Prospectus Rules and associated guidance issued in the ESMA Recommendations.

2. LSEG year ended 31 March 2014

The IFRS information for LSEG was extracted without material adjustment from the audited historical financial information of LSEG for the year ended 31 March 2014 prepared in accordance with IFRS as adopted by the EU.

3. Russell year ended 31 December 2013

The IFRS information for Russell used in the pro forma consolidated income statement was extracted without material adjustment from the audited historical financial information of Russell for the year ended 31 December 2013, prepared in accordance with IFRS. A rate of exchange of US\$1.5635 = £1 as the average for the year ended 31 December 2013 has been used to convert the financial information into sterling.

4. Russell as at 30 June 2014

The IFRS information for Russell used in the pro forma net assets statement was extracted without material adjustment from the unaudited interim financial information of Russell for the six months ended 30 June 2014, prepared in accordance with IFRS. A rate of exchange of US\$1.7041 = £1 prevailing at 30 June 2014 has been used to convert the financial information into sterling.

The unaudited pro forma financial information of Russell as at 30 June 2014 has been compiled in a manner consistent with the accounting policies adopted by LSEG. These accounting policies are consistent with those used to prepare the financial statements of Russell, prepared in accordance with IFRS.

5. Pro forma adjustments

- a) Estimated purchase consideration and related excess purchase consideration over book value of net assets acquired are as follows:

<u>Estimated Excess of Purchase Consideration over net assets required</u>	<u>£ million</u>	<u>Notes</u>
Estimated Purchase Consideration	1,611.9	i
<i>Add:</i> book value of net assets liabilities acquired	133.0	
<i>Less:</i> debt settled at acquisition	(328.2)	ii
<i>Add back:</i> Russell purchased goodwill and intangibles	7.6	iii
Excess of purchase consideration over book value of net assets required . .	<u>1,424.3</u>	iv

- i) Estimated purchase consideration is US\$2,700 million (£1,623.4 million at the 20 August 2014 Spot Exchange Rate), less an anticipated Net Working Capital adjustment of £29.2 million plus an anticipated £17.7 million in respect of non-restricted cash to be acquired, each as contemplated to be adjusted for under the Merger Agreement. The actual amounts of such adjustments will be determined at the Completion Balance Sheet date and will be impacted by future trading results;
- ii) All Russell borrowings are to be settled on acquisition and therefore these have been adjusted out within the pro forma net assets statement and would therefore reduce the estimated excess purchase consideration over book value of net assets acquired;
- iii) For the purposes of the pro forma analysis, acquisition goodwill and intangible assets of Russell Group of £7.6 million have been added back to the “book value of net assets acquired”. These balances will then be re-evaluated alongside the acquisition goodwill and intangible assets of the Russell Group as part of the Enlarged Group’s consolidated accounts. The £7.6 million consists of goodwill of £7.0 million, and £0.6 million of definite life customer relationship intangibles; and
- iv) The gross difference of £1,424.3 million between “the book value of net assets acquired” and the estimated consideration has been presented as a single value in goodwill. Following completion of the Acquisition, the assets and liabilities of Russell will be subject to a fair value purchase price allocation exercise.
- b) Approximately US\$1,561 million (£938 million at the 20 August 2014 Spot Exchange Rate) of the consideration will be financed from the net proceeds of the Rights Issue. This equates to an additional 74,347,813 LSEG shares at the Issue Price of 1,295 pence per share, which represents a discount of 30.1 per cent. to the theoretical ex-rights price, and after taking into account estimated rights issue costs of £24.3 million;
- c) LSEG and Russell have incurred transaction related costs that do not qualify to be capitalised as part of the estimated purchase consideration. None of these items were initially recorded as expenses in the Russell income statement to 31 December 2013 and the LSEG income statement to 31 March 2014. Therefore an adjustment of £32.4 million has been made to include these expenses incurred because the pro forma income statement has been prepared as if the transaction had been completed on 1 April 2013. These expenses are non-recurring in nature and are not expected to have a continuing impact on the consolidated results;
- d) The pro forma income statement does not include amortisation of intangible assets arising on acquisition as this will not be determined until the purchase price allocation exercise is completed;
- e) LSEG has entered into a new £600 million revolving credit facility to partially fund the acquisition of Russell. It is estimated that £673.4 million will be drawn down under this new revolving credit facility and LSEG’s existing revolving credit facility in order to fund the balance of the estimated purchase consideration of £1,611.9 million after deduction of £938.5 million,

being the net proceeds of the Rights Issue. The new revolving credit facility is priced at 0.6 per cent. above Libor and an interest charge adjustment of £7.2 million has been made in the unaudited pro forma income statement;

- f) The estimated tax benefits of the above adjustments is £9.5 million in the pro forma income statement for the period covered. The estimate reflects the effective tax rates of LSEG and Russell and tax jurisdictions in which the pro forma adjustments are assumed to occur (UK: 23 per cent., US: 35 per cent.);
- g) LSEG and Russell have estimated that the total transaction-related costs, excluding the estimated expenses in connection with the Rights Issue, will be £32.4 million of which £21.0 million will be paid post 30 June 2014; and
- h) Other than transaction related costs the pro forma income statement and net asset statement do not reflect any performance related costs that crystallise or initiate on acquisition. As described in Part XII “Key Transaction Terms”, all legacy equity-based compensation interest of Russell that are discharged will be adjusted against the merger consideration and consequently do not impact the pro forma net assets statement.

Pro Forma Income by Division	LSEG	Adjustments	Pro Forma Enlarged Group
	Year Ended 31 March 2014 (Note 2)	Russell Year Ended 31 December 2013 (Note 3)	
	(£ million)		
Capital Markets	309.5	—	309.5
Post Trade Services—CC&G and Monte Titoli . . .	146.9	—	146.9
Post Trade Services—LCH.Clearnet	321.7	—	321.7
Information Services	348.7	111.1	459.8
Indexes	174.0	111.1	285.1
Real-time data	90.8	—	90.8
Other	83.9	—	83.9
Technology Services	74.9	—	74.9
Asset Management	—	913.7	913.7
Other	19.7	4.3	24.0
Elimination	(11.8)	—	(11.8)
Total income	1,209.6	1,029.1	2,238.7

- i) Pro forma income by division has been prepared to illustrate the effect on the divisional income of LSEG as if the proposed acquisition had taken place on 1 April 2013. The year ended 31 March 2014 pro forma income for the combined indices business would have been £285.1 million, US\$445.8 million at a rate of exchange of US\$1.5635 = £1. The sub categorisation of the Information Services division for LSEG is extracted from the financial review section of the LSEG Annual report to 31 March 2014.

6. Pro forma earnings per share

Basic and diluted pro forma earnings per share

Numerator:

Pro forma profit for the financial year attributable to equity holders (£ million) 182.1

Denominator:

LSEG weighted-average ordinary shares (million) 270.1

Shares to be issued of LSEG (million) 74.3

Basic pro forma weighted-average ordinary shares (million) 344.4

Effect of diluted share options and awards (million) 7.0

Diluted pro forma weighted-average ordinary shares (million) 351.4

Basic pro forma earnings per share (pence) 52.9p

Diluted pro forma earnings per share (pence) 51.8p

B.9 Profit forecast

Not applicable. There is no profit forecast or estimate included in this document.

B.10 Qualifications in the audit report on the historical financial information

Not applicable. There are no qualifications to the accountants' report on the historical financial information of the Company.

B.11 Insufficient working capital

Not applicable. The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of publication of this document.

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Enlarged Group, the working capital of the Enlarged Group is sufficient for the Enlarged Group's present requirements, that is for at least 12 months from the date of publication of this document.

SECTION C—SECURITIES

C.1 Type and class of securities

The Rights Issue is being made to all Shareholders on the register of members of the Company at close of business on the Record Date. Pursuant to the Rights Issue, the Company is proposing to offer 74,347,813 New Shares to Qualifying Shareholders at 1,295 pence per New Share. Each New Share is expected to be issued at a premium of 1,288⁷/₈₆ pence to its nominal value of 6⁷⁹/₈₆ pence. When admitted to trading, the New Shares will be registered with ISIN number GB00B0SWJX34 and SEDOL number B0SWJX3.

The ISIN number for the Nil Paid Rights is GB00BPZ54W45 and the ISIN number for the Fully Paid Rights is GB00BPZ54Y68.

C.2 Currency

United Kingdom pounds sterling.

C.3 Issued share capital

On 20 August 2014 (being the last practicable date prior to the publication of this document), the Company had 272,608,651 Shares of 6⁷⁹/₈₆ pence each (fully paid) and the nominal share capital of the Company amounted to £18,860,714.81.

C.4 Rights attaching to the Shares

The New Shares will, when issued and fully paid, rank equally in all respects with the Existing Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Shares.

C.5 Restrictions on transfer

There are no restrictions on the free transferability of the Shares.

C.6 Admission

Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities respectively. It is expected that Admission (nil paid and fully paid) will become effective on 11 September 2014 and that dealings in New Shares will commence, nil paid, as soon as practicable after 8.00 a.m. on that date.

C.7 *Dividend policy*

The Board intends to continue with its current policy of paying dividends on a progressive basis following the proposed acquisition of Russell. Interim and final dividends are expected to be payable in the approximate proportions of one third and two thirds, respectively, of the expected total dividend. Future dividend payments per Share will be adjusted to take account of the enlarged number of Shares that will be in issue following the Rights Issue and the Acquisition.

SECTION D—RISKS

D.1 Key information on the key risks specific to the Group and the Enlarged Group

The Enlarged Group, following the acquisition of Russell, may not realise the expected benefits and synergies from the Acquisition or may encounter difficulties or higher costs in achieving those expected benefits and synergies. Realisation of the expected benefits of the Acquisition will depend largely on the success of LSEG and Russell management in implementing their combined strategy.

After Completion, the Enlarged Group expects to separate the IM and index businesses of Russell as part of the integration of Russell's index business with LSEG's operations. There is the risk that if the Enlarged Group has difficulty implementing the separation, this may cause customers to leave or do less business with the Enlarged Group.

Completion is subject to the satisfaction (or waiver, where applicable) of a number of conditions. There is no assurance that these (or other) conditions will be satisfied (or waived). In the event that there is an adverse event affecting the value of Russell or the value of the Russell business declines prior to Completion, the value of the Russell business purchased by the Group may be less than the consideration agreed to be paid by LSEG.

There can be no assurance that the Acquisition will not result in the departure of personnel from the Enlarged Group. The loss of a significant number of management or key employees could adversely affect both the Enlarged Group's ability to conduct its businesses and the value of those businesses.

In the event that the Rights Issue completes and Admission occurs but the Acquisition does not complete, LSEG Shareholders will be exposed to lower earnings per share until such time as the Group returns the proceeds of the Rights Issue to Shareholders.

The Group is, and the Enlarged Group will be, highly dependent upon the level of global financial activity, as well as the individual market capitalisations of the issuers listed or admitted to trading on the markets that the Group operates, for much of its revenues. The Enlarged Group will be subject to certain macroeconomic and other factors which may impact the Group's operating results.

The Group is exposed to the risk of increased competition from a variety of sources across its business divisions. To the extent that the Group does not at least match its competitors, the Group may experience a decline in its customers.

The Group is, and the Enlarged Group will be, subject to detailed and comprehensive regulation and legislation in each of the geographical locations in which the Group operates. Changes in and additions to the rules and regulations affecting exchanges or other trading venues could require the Group to change the manner in which its exchanges and authorised firms conduct their respective businesses or govern themselves and such changes could extend regulatory restrictions to areas of the Group's businesses that to date have not been regulated.

There is a risk that the FCA determines in the future that the Group constitutes a financial holding company under the Capital Requirements Directive and Capital Requirements Regulation. If LSEG is determined to be a financial holding company ("FHC") this will result in significantly increased regulatory capital requirements for the Enlarged Group.

The Group operates sophisticated technology platforms and service management processes in conjunction with external suppliers, and its markets do not rely upon third party suppliers for the majority of its IT. If any of the technology platforms or service processes were to fail, this could adversely affect the business, financial condition and operating results of the Group.

An operational failure of one of the Group's clearing or settlement services may adversely affect the Group's reputation, business, financial condition and operating results. The Group CCPs are also exposed to the risk of default by a clearing member or a third party central counterparty and by liquidity risk.

A significant proportion of the revenues of certain business segments of the Enlarged Group will be derived from a limited number of major customers. The loss of these major customers for any reason could have a material adverse effect on the Enlarged Group's future operating results and financial condition.

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

New business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties represent a material part of the Group's strategy for growth. The Group's ability to successfully implement these may be adversely impacted by a number of factors, including regulation, anti-trust and political considerations.

The Group may not be able to refinance or renew its long-term credit facilities on acceptable terms and may not be able to pursue new opportunities or initiatives if it cannot secure financing. Any replacement financing may impose more onerous obligations with respect to interest and covenants than are applicable to the Group's current term borrowing facilities.

The Group has hedged its exposure to movements in the foreign exchange rate using derivative instruments that will deliver an appropriate amount of US dollars towards completion of the Acquisition.

The Acquisition, and the separation and integration of the Russell businesses following the Acquisition, may trigger an ongoing, higher than normal amount of client and revenue attrition, resulting from clients refusing to provide consent or approval for a change of control or their election to terminate any existing agreement with Russell. Such customer attrition could lead to a fall in the levels of AUM and an attendant decline in the fees generated by Russell's IM business.

Russell's ability to achieve returns for clients is a key consideration when clients decide to keep their assets with Russell or invest additional assets, and when a prospective client is deciding whether to invest in Russell's products. Poor investment performance of Russell's products, both in absolute terms and/or relative to peers and stated benchmarks, may result in clients withdrawing assets and in prospective clients choosing to invest in competitors' products. The resulting lower AUM levels may lead to lower IM fees, including minimal or no performance-based fees, which may result in revenue declines.

D.3 Key information on the key risks specific to the Shares, the Nil Paid Rights or the Fully Paid Rights

If an active trading market in the New Shares, the Nil Paid Rights or the Fully Paid Rights does not develop, their market price may be adversely affected.

The implementation of the Rights Issue will result in the dilution of ownership of Existing Shares for Qualifying Shareholders who do not take up their rights in full.

The market value of the Shares may fluctuate significantly as a result of factors beyond the Group's control and may not always reflect the operating results or prospects of the Group.

SECTION E—OFFER

E.1 Net proceeds and costs

The net proceeds of the Rights Issue (assuming take-up in full of all New Shares) are expected to be approximately £938 million (net of expenses). The total costs, charges and expenses payable by the Company in connection with the Rights Issue are estimated to be approximately £24 million (inclusive of VAT). No expenses will be charged by the Company to the purchasers of the New Shares.

E.2a *Reasons for the Rights Issue and use of proceeds*

The proceeds of the Rights Issue will be used to fund part of the consideration for the Acquisition, together with the associated costs of the Rights Issue. The Rights Issue and Acquisition are not inter-conditional and in the event that the Rights Issue proceeds but Completion does not take place, the Directors intend to return substantially all of the net proceeds of the Rights Issue to Shareholders within a reasonable period of time.

E.3 *Terms and conditions of the Rights Issue*

Pursuant to the Rights Issue, the Company is proposing to offer 74,347,813 New Shares by way of a Rights Issue to Qualifying Shareholders other than to Shareholders with a registered address, or resident in, one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories. The offer is to be made at 1,295p per New Share, payable in full on acceptance by no later than 11.00 a.m. on 25 September 2014. If the Rights Issue were to proceed but the Acquisition does not complete, LSEG commits to return the Rights Issue proceeds to Shareholders within a reasonable period of time. Such a return could carry costs for certain shareholders and will have costs for the Company. The Rights Issue is expected to raise approximately £938 million, net of expenses. The Issue Price represents a 30.1 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 2,005p per Share on 21 August 2014 (being the last business day before the announcement of the terms of the Rights Issue).

The Rights Issue will be made on the basis of:

3 New Shares at 1,295p per New Share for every 11 Existing Shares

held by Qualifying Shareholders at the close of business on the Record Date.

Entitlements to New Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is fully underwritten by the Underwriters pursuant to the Underwriting Agreement.

The Rights Issue will result in 74,347,813 New Shares being issued (representing approximately 27.3 per cent. of the existing issued share capital and 21.4 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue).

The Rights Issue is conditional, inter alia, upon:

- (i) the Underwriting Agreement having become unconditional in all respects save for the condition relating to Admission;
- (ii) Admission becoming effective by not later than 8.00 a.m. on 11 September 2014 (or such later time and date as the parties to the Underwriting Agreement may agree); and
- (iii) the passing, without material amendment, of the Resolution.

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the existing issued Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the Official List and to trading on the London Stock Exchange. It is expected that Admission will occur and that dealings in the New Shares (nil paid) on the London Stock Exchange will commence at 8.00 a.m. on 11 September 2014.

E.4 *Material interests*

Not applicable. There are no interests, including conflicting interests, which are material to the Rights Issue, other than those disclosed in B.6 above.

E.5 *Selling Shareholder*

Not applicable. The Rights Issue comprises an offer of New Shares to be issued by the Company.

E.6 *Dilution*

Qualifying Shareholders who do not take up their entitlements to New Shares will have their proportionate shareholdings in the Company diluted by approximately 21.4 per cent. as a consequence of the Rights Issue.

E.7 *Expenses charged to the investor*

Qualifying Shareholders will not be charged expenses by the Company in respect of the Rights Issue.

RISK FACTORS

The Rights Issue and any investment in the Shares and New Shares are subject to a number of risks. Accordingly, Shareholders and prospective investors should carefully consider the factors and risks associated with any investment in Shares or the New Shares, the Group's business and the industry in which it operates, together with all other information contained in this document and all of the information incorporated by reference into this document, including, in particular, the risk factors described below, and their personal circumstances prior to making any investment decision. Some of the following factors relate principally to the Group's businesses. Other factors relate principally to the Rights Issue and an investment in the New Shares. The Group's businesses, operating results, financial condition and prospects could be materially and adversely affected by any of the risks described below. In such case, the market price of the Nil Paid Rights, the Fully Paid Rights and/or New Shares may decline and investors may lose all or part of their investment.

Prospective investors should note that the risks relating to the Group, its industry and the New Shares summarised in the section of this document headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the New Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, operating results and financial position and, if any such risk should occur, the price of the New Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in Shares and New Shares is suitable for them in the light of the information in this document and their personal circumstances

RISKS RELATING TO THE ACQUISITION

The Acquisition is subject to a number of conditions which may not be satisfied or waived.

Completion is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including regulatory and anti-trust approvals and non-objections, the approval by LSEG Shareholders of the Acquisition as a Class 1 transaction under the Listing Rules. In addition, Completion is conditional upon LSEG receiving the proceeds of the Rights Issue and the receipt of consents from Russell investment management ("IM") clients which represent at least 70 per cent. of Russell's investment management fee revenues as of the Base Date. Although LSEG and each of the other parties to the Merger Agreement has agreed to use reasonable best efforts to satisfy each condition as promptly as practicable after signing the Merger Agreement, there is no assurance that these (or other) conditions will be satisfied (or waived if applicable) either at or before the Long-Stop Date, in which case the Acquisition will not be completed. In particular, LSEG will not waive the condition relating to LSEG Shareholder approvals if not satisfied.

The Enlarged Group may fail to realise the expected benefits of the Acquisition.

The Group, following its acquisition of Russell (the "Enlarged Group"), may not realise the expected benefits and synergies from the Acquisition or may encounter difficulties or higher costs in achieving those expected benefits and synergies. Realisation of the expected benefits of the Acquisition will depend largely on the success of LSEG and Russell management in implementing their combined strategy. Additionally, the success of the Russell businesses within the Enlarged Group depends in part on the Enlarged Group's ability to maintain and/or increase its client base, including maintaining and enhancing its product offerings, key management and employee continuity. Any failure to realise the increased earnings, operational efficiencies and accelerating growth opportunities for the Enlarged Group described in Part I "Letter from the Chairman of London Stock Exchange Group plc" and elsewhere in this document could have a material adverse effect on the Enlarged Group's business and financial condition and, accordingly, the Enlarged Group's operating results.

The Enlarged Group may also face difficulties integrating the index business of Russell, including incorporating Russell's management, employees, IT systems and other operational functions with LSEG's existing operations, particularly where such businesses differ from the Enlarged Group's existing

businesses. There is also no assurance that the existing businesses acquired with Russell or that any new initiatives of the Enlarged Group will be successful, including any initiatives arising out of the planned comprehensive review of Russell's IM business. To the extent any such failures of integration or initiatives occur, this could have an adverse effect on the Enlarged Group's business and financial condition and, accordingly, the Enlarged Group's operating results.

As a result of the comprehensive review that LSEG's management expects to complete at or following the Acquisition, the Enlarged Group may seek to divest itself of one or more of its business segments acquired pursuant to the Acquisition. If the Enlarged Group decides to proceed with a sale of a business segment, such a sale may not result in a price being achieved for the business sold that will be sufficient to compensate the Enlarged Group's shareholders for the loss of revenue and profits of the disposed business. Such a sale may also result in less value being received by the Enlarged Group for the business sold than was paid for the business when it was acquired. In addition, there may be costs, including tax costs, associated with such a sale. Any purchaser of one of the Enlarged Group's business segments may be required to obtain regulatory, anti-trust or other third party approvals as a prior condition of any disposal and any such approvals may take a lengthy period of time to complete or not be granted altogether. Accordingly, even if the Enlarged Group identifies an attractive opportunity to sell any such business segment, it may not be able to successfully complete the sale. This could have an adverse effect on the business, financial condition and operating results of the Enlarged Group.

Additionally, the regulatory approval processes and/or the anti-trust clearance processes undertaken in connection with the Acquisition may take a long period of time to complete and/or approvals still outstanding may not be received by the Long-Stop Date, and there can be no assurance as to the outcome of the approval processes, including the undertakings and conditions that may be required for approval and the length of the timescale in which Completion will occur. Any such undertakings and conditions or a delay in Completion may adversely affect the Enlarged Group's ability to realise the expected benefits of the Acquisition.

There can be no assurance that governmental agencies will not seek to impose new or more stringent conditions on the Group in connection with granting regulatory or anti-trust approvals.

Relevant governmental agencies may impose conditions on Completion or require changes to the terms of the Acquisition. The terms and conditions of approvals that are granted may impose additional requirements, limitations or costs on the business of the Group. There can be no assurance that these conditions or undertakings will not materially limit the revenues of the Group, increase the costs of the Group, reduce the ability of the Group to achieve cost synergies or lead to the abandonment of the Acquisition.

The value of Russell may be less than the consideration paid by LSEG.

Prior to Completion, LSEG has limited rights to terminate the Acquisition. Accordingly, in the event that there is an adverse event affecting the value of Russell or the value of the Russell business declines prior to Completion, the value of the Russell business purchased by the Group may be less than the consideration agreed to be paid by LSEG and, accordingly, the net assets of the Enlarged Group could be reduced. There can be no assurance that LSEG would be able to renegotiate the consideration paid for Russell in such circumstances and LSEG may therefore pay an amount in excess to market value for Russell, which could have an adverse effect on the business and financial condition of the Enlarged Group.

The Acquisition may lead to customer attrition from Russell's IM business.

The Acquisition requires consents from various investment advisory clients of Russell under applicable law and/or the applicable advisory contracts, including in the case of US-registered mutual funds, the approval of new advisory contracts by the board and shareholders of the funds. In particular, under the US Investment Company Act of 1940, as amended (the "Investment Company Act"), an investment management agreement with a fund must provide for its automatic termination in the event of its "assignment" and under the US Investment Advisers Act of 1940, as amended, a client's investment management agreement may not be "assigned" by the investment adviser without the client's consent. Other investment advisory clients of Russell have the right to terminate their agreement with Russell at will or on relatively short notice. The Acquisition, and the separation and integration of the Russell businesses following the Acquisition, may trigger an ongoing, higher than normal amount of client and revenue attrition if clients of Russell are uncertain about the outcome of LSEG's comprehensive review, resulting in their refusal to provide consent or approval for a change of control or their election to

terminate any existing agreement with Russell. Such customer attrition could lead to a fall in the levels of assets under management (“AUM”) and an attendant decline in the fees generated by Russell’s IM business based in large part on a percentage of AUM, which could have an adverse effect on the business, financial condition and operating results of the Enlarged Group.

Separation of the Russell businesses may result in additional costs and other difficulties.

After Completion, the Enlarged Group expects to separate the IM and index businesses of Russell as part of the integration of Russell’s index business with LSEG’s operations. This process may require the separation of Russell’s operations, including those related to administration and support functions, real property, data centres, employees, IT and licensing. While such separation is not expected to be operationally disruptive, there is the risk that if the Enlarged Group has difficulty implementing the separation, this may negatively impact customer perception of the business and subsequently cause customers to leave or do less business with the Enlarged Group. This separation could take longer to implement than anticipated, increase the risk of errors in the day-to-day operations of the business and/or result in higher than expected costs to the Enlarged Group or such loss of customers, which could have an adverse effect on the business, financial condition, operating results and customer relationships of the Enlarged Group.

As a result of the Acquisition the Enlarged Group may fail to retain key management or other personnel.

The calibre and performance of the Enlarged Group’s senior management and other key employees, taken together, is critical to the success of the Enlarged Group and, while incentive plans are put in place for key personnel, there can be no assurance that the Acquisition will not result in the departure of personnel from the Enlarged Group, including from the Russell Group. Such attrition may take place either before the Acquisition is completed or during the Enlarged Group’s integration process following the Acquisition. In this context, it is noted that members of senior management and other key employees within the Russell Group are generally expected to receive accelerated payment of their existing incentive participation arrangements at Completion, including under their long term incentive plans/arrangements. Failure of the Enlarged Group to put in place new long term incentive plans/arrangements and otherwise remunerate employees appropriately could result in loss of key personnel. The loss of a significant number of management or key employees could adversely affect both the Enlarged Group’s ability to conduct its businesses (through an inability to execute business operations and strategies effectively) and the value of those businesses.

In this context, it is noted that the Company has agreed key terms with the current Chief Executive Officer of Russell and, pursuant to the Merger Agreement, agreed to maintain certain levels of compensation opportunity and benefits for employees of the Russell Group post Completion. Failure of these arrangements to retain the Chief Executive Officer or key employees of Russell could have a material adverse effect on Russell’s financial condition and operating results. For further detail, see the risk factor below entitled “*Failure to retain and attract senior management and other key employees, taken together, could have adverse consequences on the Enlarged Group*”.

Management distraction or overstretch in connection with the Acquisition could have an adverse effect on the business of the Enlarged Group.

LSEG anticipates benefits and operational efficiencies as a result of the Acquisition. However, the Enlarged Group will be required to devote significant management attention and resources to integrating Russell’s business practices and operations. Furthermore, the Enlarged Group will operate businesses across multiple time zones and, although regulatory and operational decision-making will often be undertaken by each of the businesses locally, co-ordinating its decision-making across all the businesses in the Enlarged Group will present challenges to the Enlarged Group’s management team.

There is a risk that the challenges associated with managing the Enlarged Group will result in management distraction or overstretch and that consequently the underlying businesses will not perform in line with management or shareholder expectations.

The Group will be exposed to foreign exchange risks related to the purchase price for the Acquisition if the Acquisition does not complete.

The Group is acquiring the shares in Russell which are priced in US dollars but proceeds of the Rights Issue will be denominated in sterling. The Group has hedged its exposure to movements in the foreign

exchange rate using derivative instruments that will deliver an appropriate amount of US dollars towards completion of the Acquisition. The completion of the Rights Issue is not conditional upon completion of the Acquisition. The Acquisition may fail to complete after Admission and in such circumstances the Group would seek to return the proceeds of the Rights Issue to Shareholders. Therefore, if the Acquisition does not complete, the Group may be exposed to any mark to market movements in the value of the hedging arrangements to return to shareholders that could have a material adverse effect on the financial condition and operating results of the Group.

LSEG Shareholders will be exposed to a drag on earnings per share if the Acquisition does not complete.

In the event that the Rights Issue completes and Admission occurs but the Acquisition does not complete, LSEG will have an increased number of its shares in issue but without any associated increase in earnings from the Acquisition. In such circumstances, LSEG Shareholders will be exposed to lower earnings per share until such time as the Group returns the proceeds of the Rights Issue to Shareholders.

RISKS RELATING TO THE BUSINESS OF LSEG AND THE ENLARGED GROUP

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

The operating results of the Group are, and the operating results of the Enlarged Group will be, highly dependent upon the level of global financial activity. Many of the factors that influence the levels of primary market issuances, together with issuers' market capitalisations, and secondary market trading, utilisation of post trade services and demand for information services (including data and index services), are beyond the control of the Group but have the potential to adversely affect the business, financial condition and operating results of the Group or, following the Acquisition, the Enlarged Group. Factors which could impact the Enlarged Group include:

- economic, political and geopolitical market conditions;
- inflation or deflation;
- broad trends in the business and corporate finance, including in the broad investment strategies adopted by large financial institutions, investment houses and other fund managers across different asset classes;
- macro-economic changes in global or regional demand or supply shifts for equity, derivatives, fixed income, over-the-counter ("OTC") products, commodities and other capital markets products and services;
- changes in the financial standing of customers of the Group's businesses;
- the liquidity of financial markets and individual asset classes within the financial markets;
- changes in government, fiscal and monetary policies;
- 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 impacting LSEG and/or the Enlarged Group's customers and clients;
- economic sanctions or other restrictive economic measures; and
- any change or development in global, national or regional political conditions, external events such as acts of terrorism, cyber-crime or any outbreak of hostilities or war and natural disasters.

Any of the above could adversely affect the business, financial condition and operating results of the Enlarged Group.

The demand for Russell's investment products and services could also be directly affected by the factors listed above, which may result in withdrawals from or decreased demand for, Russell's products and services by individual and institutional investors and a more difficult business environment for Russell. Market fluctuations in equity, debt, commodity, real estate or alternative investment market prices, interest rates or foreign exchange rates could cause: (i) the value of AUM to decrease; (ii) the returns realised on AUM to decrease; or (iii) clients to rebalance assets away from products that earn higher fees

into products with lower fees. Any of these events could adversely affect the business, financial condition and operating results of Russell and, following the Acquisition, the Enlarged Group.

The Group is exposed to the risk of increased competition from a variety of sources across its four main business divisions: Capital Markets (primary and secondary markets), Post Trade Services (clearing, settlement and central securities depository services), Information Services (data and indices) and Technology Services.

Capital Markets

Primary equity markets

The Group's primary equity markets face ongoing competition from other venues in attracting companies' listings and capital raises, as other exchange groups worldwide promote their listing capabilities and investing continues to be more global and as a wider variety of financing options are made available to companies globally. The increase in the number of venues with recognised investment exchanges ("RIEs") status could also result in further competition for listings and affect the number of companies seeking to be admitted to trading on the Group's markets. The Group's ability to compete for listings could also be adversely affected if its secondary equity markets fail to provide competitive liquidity and trade execution for its listed companies, which could have a negative impact on the Group's business, financial condition and operating results.

Secondary equity markets

The Group, like other financial markets infrastructure and capital markets groups, faces ongoing competition in its secondary equity markets from other RIEs as well as alternative trading platforms, including multilateral trading facilities ("MTFs"). In addition, some investment banks, which are members of, and provide significant liquidity to, the Group's equity exchanges, operate their own in-house electronic trade execution platforms, which can bypass electronic markets such as the Group's markets by executing client orders against each other or against proprietary capital. Competition from these sources, including through the use of more efficient and reliable technology, may intensify and result in a reduction in the Group's share of value or volume of securities traded, which could decrease the Group's appeal as a trading venue, as well as possibly result in downward pressure on trading tariffs charged by the markets operated by the Group, which in turn could have a negative impact on the Group's business, financial condition and operating results.

Derivatives markets

The Group's derivatives markets are in direct competition with securities, options and other derivatives exchanges, as well as other trading venues. Some derivatives exchanges offer customers a vertically integrated service, which includes the trading, clearing and risk management of derivatives contracts, thereby creating potential barriers to customers switching to competing providers, including the Group.

Competitors in derivatives markets may respond more quickly to competitive pressures, develop similar products to those the Group offers or develop alternative competitive products that are preferred by customers. They may also price their products more competitively, use, improve and expand their network infrastructures and offerings more efficiently, adapt more swiftly to new or emerging technologies and changes in customer requirements and use better, more user-friendly and reliable technology. This could adversely affect the Group's business and operating results.

Fixed income markets

LSEG manages a number of electronic markets for the trading of government and corporate bonds. The Group's electronic fixed income venues face competition from other electronic trading venues, as well as from voice broking activities and bilateral dealer-to-dealer or dealer-to-customer OTC trading activities. Fixed income trading, notably in Europe and North America, is increasingly carried out on electronic venues, which could further increase competition as more electronic venues might enter the space or as existing venues seek to consolidate. Furthermore, competitors may respond more quickly to market pressures, develop similar products to those the Group offers or alternative competitive products that are preferred by customers, or use more efficient and reliable technology, adversely impacting the Group's trading volumes and, as a result, operating results.

Post Trade Services

The Group expects that competition will continue to intensify within the post trade environment in which the Group operates, especially in light of: (i) a general industry move towards inter-operability of central clearing counterparty (“CCPs”) (where participants on trading platforms are offered a choice of CCPs); (ii) a drive on the part of regulators and policy makers for more OTC trading to be carried out on electronic trading venues; (iii) legislative requirements for mandatory clearing of certain OTC derivative products following the G20 agreements reached after September 2009, including as proposed under EMIR and as implemented under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”); and (iv) other reforms of, and regulatory initiatives within, the financial services industry, such as the TARGET2-Securities initiative from the ECB, which will implement a single European settlement system and therefore open domestic central securities depositories in Europe to greater competition.

The competitive landscape developing from such changes may result in a general increase in demand for risk and balance sheet management and create new business opportunities for the Group. However, in order to benefit from these opportunities, the Group will need to respond to, and innovate ahead of, competitive third-party post trade offerings. Competitors may respond more quickly to changing market conditions or develop similar products to those the Group offers and/or alternative competitive products that are preferred by customers. They may price their products more competitively, use, develop and expand their network infrastructures and offerings more effectively and cost efficiently and adapt more swiftly and better respond to or utilise new or emerging technologies and customer requirements. The Group may also need to introduce new post trade offerings in relation to various instruments (such as OTC derivatives), which could lead to an increase in the costs associated with the Group’s financial risk management. Such increased costs could have a negative impact on the Group’s business, financial condition and operating results.

Information Services

Data

The Group provides real-time primary reference and market data, principally for UK and Italian equities, via a range of different channels, including directly to financial institutions and via licensed distributors on a global basis. The Group’s Information Services business faces competition from a variety of sources, notably from other venues that offer market data relating to securities that are traded on the Group’s equity markets, and such sources may therefore serve as alternative means for offering market data. Furthermore, if the Group’s share of equity trading on its exchanges was to come under pressure, the Group’s market data offering might be seen by current and prospective customers as being less valuable, which may adversely affect the Group’s business, financial condition and operating results.

Indices

The index space is highly competitive with a large number of participants and a high level of product innovation. The environment in which the Enlarged Group’s index business operates is therefore subject to rapid change. If the Enlarged Group is unable to develop information products and services that are able to compete effectively with those of its competitors, this may adversely affect its business, financial condition and operating results. Brand recognition by customers is often considered an important component of developing and maintaining a successful index business. Any switch of index provider by a large institutional client could further strengthen the brand of the newly selected provider.

Within the index provider segment, participants may act as index providers as a primary activity, but there are many for whom index calculation is an added value or non-core activity. These providers represent a competitive threat in that they can price index services more attractively in order to cross-sell other services.

Recently, the industry has experienced increased regulatory scrutiny and some index calculation activities will be regulated in the future. Increased regulation could potentially result in changes in the competitive landscape going forward as those providers who are not solely engaged in index calculation and administration may see conflicts arising and be unable to meet the increased demands for transparency to clients’ satisfaction. The Enlarged Group expects consolidation in the industry in the medium term, in part driven by the regulatory pressures described above. This could result in the establishment of entities which clients could see as attractive alternatives to the Enlarged Group’s products and services due to their

extended servicing and product development capabilities. Such increased competition could impact the Enlarged Group's business, financial condition and operating results.

Technology Services

The Group's business of technology sales operates in a rapidly changing and highly competitive environment. If the Group is unable to develop systems that are able to compete effectively with those of its competitors, this may adversely affect its business, financial condition and operating results.

In addition, the Group, as part of its technology sales, commits to develop and deliver new technological platforms and other products to third party customers. Delays or failures (in whole or part) in the delivery of such products may have an adverse effect on the Group's ability to compete and the reputation, revenues and financial condition of the Group.

Investment Management

Russell's IM business also operates in a highly competitive market. For a description of the specific competitive risks applicable to Russell's IM business, see the risk factor entitled "*Russell's IM business operates in a highly competitive environment*" below.

The Group operates in, and the Enlarged Group will operate in, highly regulated markets which may restrict the operations of the Enlarged Group.

A substantial part of the Enlarged Group's business involves operations in regulated markets and is subject to extensive oversight by governmental, competition and regulatory bodies at European and national levels. Such regulation:

- may limit the Enlarged Group's ability to provide certain of their current or planned services and/or to build an efficient, competitive organisation and may also limit its ability to expand foreign and global access to its markets and services;
- may limit the Enlarged Group's ability to outsource certain of its activities;
- may place financial and corporate governance restrictions on the Enlarged Group as a whole and/or specific entities within the Enlarged Group;
- may significantly increase compliance and associated costs of the Enlarged Group; and
- may materially increase the costs of, and restrictions associated with, trading and clearing and this could decrease trading and clearing volumes and profits.

Such restrictions, restraints, constraints and costs could materially adversely affect the Enlarged Group's business, financial condition and operating results.

There is also a risk that one or more of the Enlarged Group's regulated entities may inadvertently or due to factors outside of its control fail to comply with laws and regulatory conditions and obligations to which it may become subject in the future. The Group believes that it maintains, and that the Enlarged Group will maintain, adequate systems and controls for compliance with such conditions and obligations, but there can be no assurance that these systems and controls will prove sufficient for all possible future regulatory obligations. In the event of non-compliance, the regulated entity in question may be subject to censures, fines and other legal, regulatory or administrative proceedings. In extreme circumstances, a competent regulator could revoke one or more Enlarged Group entity's authorisations, regulatory approvals or exemptions to conduct regulated activities, which could materially adversely affect the Enlarged Group's reputation, business, financial condition and operating results.

Russell is also subject to similar regulations which may negatively impact Russell's business, financial condition and operating results. For further description of specific regulatory risks applicable to Russell, see the risk factor entitled "*Russell's businesses are limited by extensive regulations in the United States and failure to comply with such regulations may subject Russell to significant penalties and costs.*" below.

Changes and developments in applicable regulations or requirements may have a negative impact on the Group's business and, following the Acquisition, the Enlarged Group's business.

A number of regulatory initiatives and changes have been identified or proposed or are being implemented by regulators in the jurisdictions in which the Group operates and the Enlarged Group will operate.

However, the Group cannot be certain whether, or in what form, regulatory changes will take place and cannot predict with certainty their impact on its businesses and operations.

The Single Supervisory Mechanism, the Single Resolution Mechanism and the Bank Recovery and Resolution Directive could impact the Enlarged Group's CCP credit institutions. In the UK, HM Treasury, the Bank of England and the FCA have announced a consultation on certain regulated and unregulated wholesale markets (in their Fair and Effective Financial Markets Review published June 2014) during Autumn 2014. Separately, the Financial Conduct Authority has launched a "call for input" in respect of a wholesale sector competition review focusing primarily on competition in wholesale securities and investment markets and related activities such as corporate banking and asset management. Other aspects of MiFID II will impact the regulation of the EU trading venues operated by the Enlarged Group, including provisions intended to increase transparency in the fixed income and derivatives markets and access between CCPs and trading venues. MiFID II will also affect market participants that use the trading services of the Enlarged Group. In addition, MiFID II may affect the regulation of the EU investment management business of the Enlarged Group. The EU CSD Regulation will introduce an EU regulatory regime for central securities depositaries and the settlement of transactions in financial instruments in the EU. In each case, resulting regulations may have an impact on the Group's current product and service offerings, together with other industry participants. Such changes could have a negative impact on the Group's business, financial condition and operating results. Changes in and additions to the rules and regulations affecting central counterparties, exchanges or trading venues or other Enlarged Group businesses subject to regulation, could require the Group to change the manner in which the Enlarged Group conducts its businesses or governs itself.

In addition, such changes could extend regulatory restrictions to areas of the Group's businesses that to date have not been regulated. Such developments may affect the markets in which the Group operates and the Group's clearing houses, may impose new regulatory requirements on the Enlarged Group's IM business or its clients or customers and may also impose new regulatory requirements on the Group regarding the Group's settlement businesses. These regulatory initiatives could also impose capital requirements and proprietary trading restraints on market participants, which could constrain the level of activity on the Group's markets. Such changes may also make it more difficult or more costly for the Group to maintain compliance with relevant regulations and for relevant markets within the Group to operate their existing businesses or to enter into new business areas. In addition, high levels of regulation may stifle growth and innovation in capital markets generally and may adversely affect the Group's business, financial condition and operating results.

For example, forthcoming regulatory changes, such as market data specific proposals under MiFID II in the EU, are intended to promote greater transparency and reduce data costs across Europe by requiring increased disaggregation of data services and consideration of possible regulation of aspects of data pricing. The issues are under discussion by policymakers and there are few detailed requirements as yet.

Additionally, the International Organization of Securities Commissions ("IOSCO") has established a set of benchmarks regulation principles for universal adoption (the "IOSCO Principles"). FTSE has issued a Statement of Compliance to the IOSCO Principles ("Statement") in respect of certain Key Benchmarks as defined in the Statement. The Group's policy is to work towards evidencing compliance with IOSCO for its remaining benchmark products. The European Commission has also proposed a regulation specifically directed at the European economic area, based on the IOSCO Principles, but with a wider scope in respect of benchmarks and indices. The European Commission's proposed regulation on benchmarks might, in the course of negotiation, create additional regulatory burdens on European index providers and index users, or impose more burdensome requirements on non-EU indices or index providers, all increasing the cost or reducing the attractiveness of instruments based on indices, or otherwise affecting the value of investments in indices or a class of indices. The outcome of these proposals is currently unknown. Such proposals could increase the regulatory burden on the Group and, following the Acquisition, the Enlarged Group and any of Russell's indices that would be used in the EU. This could reduce the scope for the new products and strategy of the Group and could have an adverse effect on the business, financial condition and operating results of the Group.

Regulatory capital requirements may negatively affect the Group's business or, following the Acquisition, the business of the Enlarged Group, and are subject to change.

In order to maintain their regulatory status, certain of the regulated entities within the Group are subject to minimum capital requirements. The regulatory capital regimes vary by jurisdiction and form of

regulatory status and in some cases entities within the Group are currently subject to customised regulatory capital regimes which differ from those of banks, broker-dealers or other investment firms, while certain firms in the Group are subject to the regulatory capital requirements applicable to investment firms established by the EU Capital Requirements Directive. In contrast, other entities within the Group are subject to regulatory capital requirements that may require relevant entities to retain surplus capital, leading to capital inefficiencies within the Group. While there are no anticipated upcoming changes to the regulatory capital regime applicable to the Group, there is a risk that the regulatory capital regimes which apply to entities within the Group, and the Group itself, may change.

Any changes to the financial resources requirements applicable to the Group arising out of any future consultation by or discussions with regulators and any other changes in the regulatory capital regimes applicable to one or more entities within the Group may result in increased capital requirements for one or more entities within the Group or for the Group as a whole, which may, over the long term, adversely affect the Group's financial condition, operations and results as a whole.

If any increase in the capital requirements for one or more entities within the Group or for the Group as a whole is significant, the Group may be required to raise further capital by an equity issuance or other appropriate financing in order to ensure compliance with the regulatory capital requirements to which the Group is subject. There is a risk that future economic and market conditions may prevent the Group from completing such financing and/or allocating suitable capital within any timeframe required. Any failure to do so may lead to the relevant entity or the Group being subject to regulatory sanctions and may, over the long term, adversely affect the Group's reputation, financial condition, operations and results as a whole.

Following the Acquisition, the businesses of the Enlarged Group will be subject to similar minimum capital requirements as those set out for the Group above. Failure to comply with these requirements could result in business of the Enlarged Group being subject to regulatory sanctions and may adversely affect the Enlarged Group's reputation, financial condition, operations and operating results.

London Stock Exchange Group plc may become a Financial Holding Company in the future which will result in the Enlarged Group being required to hold significantly more regulatory capital.

LSEG has in the past held discussions with the FCA regarding the application of the group consolidation requirements under the Capital Requirements Directive (the "Directive") and Capital Requirements Regulation (the "Regulation") to the Enlarged Group following the Acquisition. Under the Directive and Regulation, group consolidation and group capital requirements will apply to LSEG should it become a financial holding company for the purposes of the Directive and Regulation in any Member State of the EU (a "Financial Holding Company" or "FHC"). The tests under the Directive require an assessment of whether LSEG's subsidiaries are "wholly or mainly" credit institutions, investment firms or financial institutions. There are no formal criteria nor is there guidance in the Directive or Regulation indicating the basis upon which the assessment is to be made and regulators have some discretion over their interpretation.

While the FCA has provided reasonable assurance in writing that LSEG will not become an FHC as a result of consummation of the Acquisition, there is a risk that LSEG could become an FHC at some point in the future if the regulators determine its subsidiaries have become "wholly or mainly" credit institutions, investment firms or financial institutions. This will depend in part on the balanced size, growth and expansion of the business of the subsidiaries in the Enlarged Group that are credit institutions, investment firms or financial institutions relative to those that are not, and the exercise of discretion by the FCA and any successor authorities in applying these requirements.

If LSEG becomes an FHC in the future this will result in significantly increased regulatory capital requirements for the Enlarged Group (and potentially the application of other regulatory requirements to LSEG, such as those contemplated under the European Commission's legislative proposal for a directive on the recovery and resolution of credit institutions and investment firms). If LSEG were to become an FHC in the future this could have a material adverse effect on the Group's business, financial condition and operating results.

The Group may be affected by the proposed introduction of an EU financial transaction tax.

On 28 September 2011, the European Commission presented a proposal for a tax on certain dealings in financial instruments. Subsequently, on 14 February 2013, the European Commission presented a revised proposal for a financial transaction tax to be implemented in certain participating Member States; and ten

of those Member States have affirmed their intention to introduce a tax in line with that proposal. Although the revised proposal is to be implemented by fewer Member States than the original proposal, it extends the scope of the tax presented by the European Commission in 2011. Generally, the financial transaction tax would apply to certain dealings in financial instruments where at least one party is a financial institution, and either (i) at least one party is established or deemed to be established in a participating Member State or (ii) the financial instruments are issued in a participating Member State. However, there is still a lack of certainty surrounding the proposed tax and its implementation (the 6 May 2014 statement of the European Council suggested that the tax should be progressively implemented, focussing first on shares and certain derivatives), thus it is not possible to predict what effect the proposed financial transaction tax might have on the business of 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 the Group 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 clearing services. Taxes on high frequency trading which may be introduced in the future may similarly affect the business of the Group.

The Group is, and the Enlarged Group will be, highly dependent on the development and operation of sophisticated technology and advanced information systems; these systems and related development projects may fail or be subject to disruption.

The provision of platforms for the execution, clearing and settlement, as applicable, of trades on the Group's markets and for the collection and aggregation of trade and price information predominantly depends on technology that is secure, stable and performs to high levels of availability and throughput at low latency. The Group operates sophisticated technology platforms and service management processes in conjunction with external suppliers, and its markets do not rely upon third party suppliers for the majority of its IT development. However, while such IT insourcing provides the Group with a greater 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, 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.

Major IT projects have risks associated with them, particularly with regards to migrating markets to new technological platforms. Major IT projects and technology migrations have been associated with significant capital investment and there is 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 trading 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 markets and its technology brands could be damaged. The flexibility of the Group and its ability to respond to customer needs for services could consequently be disrupted.

If the Group's technology or information systems suffer from major or repeated failures, this could interrupt or disrupt the Group's trading, clearing and settlement or information services and undermine confidence in the Group's platforms and services, cause reputational damage, impact operating results and lead to customer claims, litigation and regulatory sanctions. The Group has incident and disaster recovery and business contingency plans and back-up procedures to minimise, mitigate, manage and recover from the risk of an interruption of, or failure to, its critical IT operations. However, the Group cannot entirely eliminate the risk of a system failure or interruption occurring.

Following the Acquisition, Russell's IT systems may, in due course, be integrated with those of the Enlarged Group, which could expand the scope and therefore the exposure to risks of failures of the Enlarged Group's IT systems. If the Enlarged Group's systems suffer from major or repeated failures, this could interrupt or disrupt the Enlarged Group's trading, clearing and settlement or information services and undermine confidence in the Enlarged Group's exchanges and services (including with respect to information and data services and calculation), cause reputational damage, impact operating results and lead to customer claims, litigation and regulatory sanctions.

As with all IT dependent companies, the Group and, following the Acquisition, the Enlarged Group's IT systems and networks, and those of its third party service providers, may also be vulnerable to cyber-attacks, unauthorised access, computer viruses and other security issues (despite regular testing, security reviews and awareness campaigns). These events could damage the integrity and availability of the Group or the Enlarged Group's markets and data provision as well as the Group or the Enlarged Group's reputation and business more generally.

Regulatory changes may adversely impact costs payable by the Group's clearing members and, as a result, the demand for the Group's clearing services and risk management services may decrease.

Regulatory changes and developments may increase costs for the Group's clearing members. CRD IV and other legislation may increase capital requirements for clearing participants, including credit institutions and investment firms, by requiring them to hold capital against their exposure to CCPs. Clearing members subject to CRD IV will be required to hold capital in respect of their default fund obligations under the rules of the CCP, with the amount of that required capital being dependent upon the size and structure of the default waterfall provided by the CCP. If competitors of the Group take a different approach to their default waterfalls, it may encourage clearing members to migrate to those competitors and discourage clearing through the Group's CCPs, reducing revenues and profitability. Such a migration could have a material adverse effect on the Group's business, financial condition and operating results.

The Group's CCPs' collateral and liquidity management expose them to liquidity risk and a risk of a default by an investment counterparty.

The Group CCPs collect clearing members' margin and/or default funds contributions in cash and/or in highly liquid securities. To maintain sufficient ongoing liquidity and immediate access to funds, the Group CCPs deposit the cash received in highly liquid and secure investments, such as sovereign bonds and reverse repos, as mandated under EMIR; securities deposited by clearing members are therefore held in dedicated accounts with CSDs and/or ICSDs. The Group CCPs also hold a small proportion of their investments in unsecured bank and money market deposits. The successful operation of these investment activities is contingent on general market conditions and there is no guarantee that such investments may be exempt from market losses.

Furthermore, there is a risk of a liquidity management counterparty default which could lead to losses to the Group. Such a loss may occur due to the default of an issuer of bonds in which funds may be invested or the default of a bank in which funds are deposited. The Group CCPs manage their exposure to credit risk arising from such investments by maintaining a diversified portfolio of high quality issuers and of banking counterparties.

The Group relies on established policies with minimum counterparty credit criteria, instructions, rules and regulations, as well as procedures specifically designed to actively manage and mitigate credit risks. There is no assurance, however, that these measures will be sufficient to protect the Group's CCPs from a counterparty default.

The Group's clearing activities expose it to the risk of a default by a clearing member or a third party central counterparty.

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 their clearing members. This risk is greater if market conditions are unfavourable at the time of the default. Exposure to clearing members is closely monitored and addressed by setting high membership standards for firms, holding collateral in the form of margin deposits and default funds from clearing members and other liquidity arrangements (including commercial bank liquidity credit lines and access to central bank liquidity support in extreme circumstances for some but not all of the Group's CCPs). Default by a clearing member could adversely affect the Group CCP's revenues and its customers' goodwill and, in extreme circumstances, with certain clearing providers, could lead to a call on the Group CCP's own capital. In addition, the commercial bank credit lines are short notice facilities and there can be no assurance that all of the banks will maintain their facilities or provide immediate liquidity to the clearing provider, particularly in extreme market circumstances. Such circumstances are considered exceptional. The Group cannot be certain that its measures will be sufficient to protect it from a default, and that the Group's business, financial condition and operating results will not be materially adversely affected as a result.

In addition, certain CCPs within the Group have inter-operability margin 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.

An operational failure of one of the Group's clearing or settlement services may adversely affect the Group's reputation, business, financial condition and operating results.

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

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

A significant proportion of the revenues of certain business segments of the Enlarged Group will be derived from a limited number of major customers.

A significant proportion of the Enlarged Group's revenues in respect of its businesses are derived from a relatively limited number of major customers. These customers may be affected by, amongst other things, financial, budgetary, regulatory or political constraints which could have a significant impact on the amount, scope, timing and duration of Enlarged Group's products and services used by them and therefore on the level of earnings which the Enlarged Group will derive from such customers. In addition, because of their size, these customers have considerable bargaining power and may have the ability to cancel contracts without notice or on short notice, without cause, and may use that power to seek to amend or renegotiate, existing contracts to include terms less favourable to the Enlarged Group than may historically have been the case. The loss, expiration, suspension, cancellation or termination of any of these contracts for any reason could have a material adverse effect on the Enlarged Group's future operating results and financial condition.

Furthermore, a decrease in the amount of business undertaken with these customers, for any reason, could result in an adverse effect on the Enlarged Group's business, financial condition or operating or financial results. Damage to the reputation of, the Enlarged Group, has the potential to impact the Enlarged Group's ability to win or retain business and therefore could materially adversely affect the business, financial condition, operating results and prospects of the Enlarged Group.

The Group may be subject to litigation and face claims, including in relation to the default management exercises the Group has undertaken.

Under the terms of their agreements with clearing members, the Group's CCPs have extensive powers and obligations in 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 they have to pay in doing so. These powers and obligations, when they do arise, usually have to be exercised in situations of uncertainty and market volatility, under extreme time pressure and on the basis of imperfect information, and errors may occur resulting in disputes with any affected counterparties.

LCH.Clearnet has had correspondence and discussions with administrators in relation to default management exercises that took place prior to LCH.Clearnet's acquisition by the Group. One such matter has been resolved without any material impact on the Group. With respect to another member default, LCH.Clearnet has received preliminary correspondence from the administrators for such defaulting member seeking information regarding a past default management exercise. The Group is not aware of any information that would form the basis for a claim by such administrators and, to the extent that a claim were to be made, would expect to defend it vigorously.

Claims in relation to default management exercises can be for significant amounts. Accordingly, such claims, if successful, could result in liability for the Group in excess of the amount of LCH.Clearnet's

insurance coverage in respect of such matters and, as such, could have a material adverse impact on the Enlarged Group.

Damage to the Group's or, following the Acquisition, the Enlarged Group's brands and reputation may adversely affect its performance.

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

Damage to the reputation and brands of the Group or the Enlarged Group may arise from internal factors (such as technology failures, regulatory investigations, sanctions and litigation) and external factors (such as competitive, legal and regulatory change, economic and political factors) which make the businesses which the Group and the Enlarged Group operates less attractive. The damage to the Group's or the Enlarged Group's brands and reputation may result in a reduction in listings, a loss of volumes and market share, a decrease in AUM from which fees are derived, a decline in sales of the Group's or the Enlarged Group's information services and technology and increased regulatory oversight. Any reduction in the perceived quality of the Group's or the Enlarged Group's brands may also make it more difficult for the Group or the Enlarged Group to operate their businesses, as these are dependent on perceived brand quality to attract market participants. There may also be damage to the Group's or the Enlarged Group's brands as a result of resolving specific incidents or events or legal or regulatory proceedings.

The Group, and the Enlarged Group, may face challenges in using its own and licensed intellectual property.

The Group protects and, following the Acquisition, the Enlarged Group will protect its intellectual property by relying upon a combination of trade mark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with its affiliates, clients, customers, strategic partners and others. Such protection may be inadequate to deter misappropriation of the Group or the Enlarged Group's proprietary information and other intellectual property rights, and there can be no assurance that the Group's intellectual property rights will not be successfully challenged. The Group or the Enlarged Group may not be able to detect the unauthorised use of, or take adequate steps to enforce, its intellectual property rights. Failure to protect its intellectual property rights adequately could result in costs for the Enlarged Group, negatively impact the Group or the Enlarged Group's reputation and affect the ability of the Group or the Enlarged Group to compete effectively. Further, defending or enforcing the Group or the Enlarged Group's intellectual property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect the Group or the Enlarged Group's business, financial condition and operating results.

The Group derives and, following the Acquisition, the Enlarged Group expects to derive, a significant proportion of its revenues from its information products and services and information technology operations. Consequently, 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, challenges to the intellectual property belonging to or licensed by the Group or, following the Acquisition, the Enlarged Group, or claims or allegations of infringement by the Group or the Enlarged Group of third party intellectual property, on which the Enlarged Group will rely for revenue and which is specifically configured for the Enlarged Group's use, could, individually or in aggregate, have an adverse effect on the Group or the Enlarged Group's business, financial condition, operating results and reputation. Additionally, the Group or Enlarged Group may not be able to detect the unauthorised use of, or take adequate steps to enforce, its intellectual property rights, which could negatively impact the Group or the Enlarged Group's reputation and affect the ability of the Group or the Enlarged Group to compete effectively. Further, defending or enforcing the Group or the Enlarged Group's intellectual property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect the business, financial condition and operating results of the Group or, following the Acquisition, those of the Enlarged Group.

In addition to using its own intellectual property rights, the Group currently licenses and the Enlarged Group will license a variety of intellectual property from third parties. In the event of a breach or alleged breach of any of these licences or any other allegation of intellectual property right infringement, a third party may bring infringement or other claims against the Group or, following the Acquisition, the Enlarged

Group or their current and future customers. Any such litigation could be lengthy and costly and could result in a financial penalty and other remedies being awarded against the Group or the Enlarged Group. Additionally, as a result of such litigation, the Enlarged Group may be required to develop its own intellectual property or license similar intellectual property from an alternative supplier. There is no assurance that either outcome could be achieved on cost-effective terms, which could have an impact on the business, financial condition and operating results of the Group or, following the Acquisition, the Enlarged Group.

The Group, and following the Acquisition the Enlarged Group, may not be successful in the implementation of future business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties.

New business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties represent a material part of the Group's strategy for growth. The Group's ability to successfully implement any such business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties is subject to execution risks and may be adversely impacted by a number of factors, including regulation, anti-trust and political considerations.

In addition, any companies, businesses or new initiatives acquired or invested in may not achieve the revenue or profitability that justify the original investment made by the Group or support the goodwill recorded for the acquisition. Furthermore, such activities will require significant time and resources from the Group's management and may require the diversion of resources from other activities. Failure to implement future business initiatives due to any of the foregoing factors could have a material adverse effect on the Group or the Enlarged Group's business, financial condition and operating results.

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

The Enlarged Group will increasingly have 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 of the Enlarged Group's employees have access to material non-public information that may not be shared with all employees of the Enlarged Group. Failure to adequately address potential conflicts of interest could adversely affect the Enlarged Group's reputation, operating results and business prospects.

The Enlarged Group will have 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 Enlarged 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 Enlarged 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.

Failure to retain and attract senior management and other key employees, taken together, could have adverse consequences on the Enlarged Group.

The calibre and performance of senior management and other key employees, taken together, is critical to the success of the Group and will be critical to the success of the Enlarged Group. The Group's ability to attract and retain key personnel is, and the Enlarged Group's ability to attract and retain key personnel will be, dependent on a number of factors, including but not exclusively, prevailing market conditions, compensation packages offered by competing companies and any regulatory impact thereon and Enlarged Group's ability to continue to have appropriate variable remuneration and retention arrangements in place that drive strong business performance and results. There can be no assurance that the Enlarged Group will be successful in attracting and retaining the personnel it requires, which may adversely affect the Enlarged Group's ability to conduct its business through an inability to execute business operations and strategies effectively.

Russell's future success depends on its ability to attract and retain executives, investment professionals, and other associates necessary to conduct its business. Russell's principal operations in the United States are located in Seattle, Washington, where there are no investment management or index firms of comparable size to Russell. As a consequence, there is a relatively small local labour force with experience in businesses comparable to Russell from which to attract personnel, whilst there are a growing number of companies in the locations where Russell is based competing for talent. Both these scenarios create challenges in

retaining and attracting talent, particularly in technology and corporate functions as well as certain investment management functions. This often requires Russell to recruit its new associates from other markets both within and outside the United States. Any future inability to attract or retain key personnel could have a material adverse effect on Russell's financial condition and operating results.

In this context, it is noted that the Company has agreed key terms with the current Chief Executive Officer of Russell under which following the Acquisition he will continue to be employed in the Enlarged Group. It is expected that the binding service agreement reflecting these terms will be entered into prior to Completion. Under these arrangements, he will be incentivised through a mix of short-term and long-term incentives.

In addition, pursuant to the Merger Agreement, subject to certain exceptions, the Company has agreed to maintain for employees of the Russell Group for a period of twelve months following Completion, annual base salaries at the levels in place prior to Completion and certain employee benefits that are substantially comparable in aggregate to those in place prior to Completion. The Company has also broadly agreed to maintain certain incentive opportunities related to calendar years 2014 and 2015 based upon the achievement of applicable performance goals.

There can be no assurance that any of the above measures intended to retain the Chief Executive Officer, key members of management and employees of the Russell Group will be successful, and their failure to do so may have a material adverse effect on Russell's financial condition and operating results.

For a related discussion of risks for the Enlarged Group in retaining key management or personnel as a result of the Acquisition, see the risk factor entitled "*As a result of the Acquisition the Enlarged Group may fail to retain key management or other personnel*" above.

Reforms to the tax treatment of debt financing arrangements may adversely affect the Group and, following the Acquisition, the Enlarged Group.

The Group operates in various countries and, following the Acquisition, the Enlarged Group will have a substantial presence in the United States. Accordingly, its profits are subject to tax in several jurisdictions. A number of tax authorities have indicated that they will consider reforms to the tax treatment of debt financing arrangements, including in response to the Organisation for Economic Co-operation and Development's ("OECD") "Base Erosion and Profit Shifting Project" (in relation to which the OECD produced an action plan in July 2013). The Group is leveraged, so any changes to the tax treatment of debt financing arrangements may have an adverse effect on the Group's effective tax rate, which in turn could affect the Group's business, financial condition and operating results.

The Group may not be able to refinance or renew its long-term credit facilities on acceptable terms and may not be able to pursue new opportunities or initiatives if it cannot secure financing.

The Group has existing obligations to meet regular interest payments and comply with certain covenants under its borrowing facilities. If the Group seeks in the future to refinance or renew these facilities, this may result in more onerous obligations with respect to interest and covenants than are applicable to the Group's current term borrowing facilities.

The Group may require additional funds to pursue new business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties. The Group may need to raise such additional funds through equity or debt financing or from other sources. Any additional equity financing may be dilutive to holders of the Group's shares and any debt financing may not be available or may be available only on less favourable terms than under the Group's current borrowing facilities. There is a risk that such financing requirements may prevent the Group from pursuing these opportunities or that they may cause additional restrictions to be placed on the Group's future financing and operating activities.

Any reduction in the Group's credit rating could impact the Group's ability to obtain funding and its relationship with counterparties.

LSEG is currently rated investment grade by Standard and Poor's Rating Services (a division of McGraw Hill International (UK) Limited) and by Moody's Investors Service Limited, both of whom are registered or certified in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "Credit Rating Agencies Regulation"). These ratings are based on a number of factors, including the Group's financial strength as well as factors not entirely within its control, such as conditions affecting the macroeconomic environment and financial

services industry generally. In light of the difficulties in the financial services industry and the financial markets in recent years, there can be no assurance that LSEG will maintain an investment grade rating.

A failure to maintain investment grade credit ratings would potentially limit the availability of new funding, adversely affect the terms of such new funding (including higher borrowing costs) and potentially reduce the competitiveness of certain of the Group's businesses including its CCPs. If new funding is not available to the extent it is currently, or certain of the Group's businesses are deemed by their customers to have a weaker credit profile, this could have an adverse impact on the business, financial condition and operating results of the Group.

Additionally, any reduction in the Enlarged Group's credit rating following the Acquisition could impact the availability and cost of funding from the capital markets, which could have an adverse impact on the business, financial condition and operating results of the Enlarged Group.

The Group is, and the Enlarged Group will be, exposed to foreign exchange and interest rate fluctuations.

The Group is subject to risks associated with exchange rate fluctuations. The Group files its consolidated financial reports and accounts in pounds sterling and pays dividends (which will be declared in pounds sterling) to its shareholders in pounds sterling. The Group generates its revenues and incurs its costs in a mixture of currencies, including pounds sterling, euros and US dollars, with a material proportion of its revenues denominated in currencies other than pounds sterling. There can be no assurance that the Group will be successful in mitigating the impact of risks associated with the volatility in foreign currency rates. Such changes in rates could have an adverse effect on the value of the Group's business, financial condition and operating results.

Following the Acquisition, the Enlarged Group will continue to generate its revenues in the mixture of currencies set out above but with an increased US dollar component and will continue to be subject to risks associated with exchange rate fluctuations. Changes to foreign currency rates could have an adverse effect on the value of the Enlarged Group's business, financial condition and operating results.

The Group is also subject to risks associated with interest rate fluctuations. The Group holds a limited portion of its borrowings and holds its marketable securities and deposits of cash and cash equivalents at floating rates of interest. It is also exposed to interest rate risk on a proportion of its Group CCP collateralised investments.

There can be no assurance that the Group will be successful in mitigating the impact of the risks associated with the volatility of interest rates. Such rates or changes could have an adverse effect on the Group's business, financial condition and operating results.

The Group is, and the Enlarged Group will be, exposed to third party credit risk.

The Group is exposed to third party credit risk, including from customers from the financial and information services sectors, counterparties and clearing and broking agents. The Group may undertake derivatives transactions in accordance with its treasury management policies. The Group's customers and counterparties may default on their obligations to the Group, which may adversely affect the results and operations of the Group.

Following the acquisition, the Enlarged Group will continue to be exposed to third party credit risk in line with the description above, and any default of a third party could adversely affect the results and operations of the Enlarged Group.

The Group depends, and the Enlarged Group will depend, on a number of third party suppliers and distributors.

The Group depends on a number of third party suppliers and distributors, such as post trade and regulatory service providers, data processors, software and hardware suppliers, index providers, other exchange groups, communication and network suppliers and distributors and suppliers of electricity for its trading, data, post trade and other systems. These service providers may not be able to provide these services or products without interruption. They also may not be able to adequately expand their services or develop their products to meet the Group's needs. If a service provider suffers an interruption in or stops providing or distributing services or products (including failing to renew applicable licence agreements on favourable terms, if at all) and the Group cannot make suitable alternative arrangements or accept additional obligations sought by the relevant third party, or if the costs of procuring these services rise significantly, it could materially adversely affect the ability of the Group to operate its markets and the Group's business, financial condition and operating results.

Following the Acquisition, the Enlarged Group will continue to rely on services from third party suppliers and distributors, the interruption of which could materially adversely affect the ability of the Enlarged Group to operate its businesses and therefore its business, financial condition and operating results.

Any impairment of the Group's goodwill and other intangible assets or investments may result in material, non-cash write-downs and could have a material adverse impact on the Group's operating results.

In connection with its previous acquisitions and investments, and in accordance with generally accepted accounting practice, the Group has recorded goodwill and identifiable intangible assets. The Group assesses goodwill and intangible assets for impairment on at least an annual basis, or more frequently if indicators of impairment arise. The recoverable amounts of the relevant cash generating units are determined based on value in use calculations using discounted cash flow projections prepared by management covering a five year period, with cash flows beyond five years being extrapolated using estimated long term growth rates and applying pre-tax discount rates. The Group may experience future events over which the Group has little or no control that result in impairments, including in relation to its investments in its subsidiaries. The risk of impairment losses may increase to the extent the market capitalisation and earnings of the Group decline. An impairment of the value of the Group's existing goodwill and intangible assets could have a significant negative impact on its future business, financial condition and operating results.

Following the Acquisition, the Enlarged Group will be subject to the same risks related to goodwill and other intangible assets or investments, which may result in material, non-cash write-downs and could have a material adverse impact on the Enlarged Group's operating results.

ADDITIONAL RISKS RELATING TO RUSSELL

Russell's ability to retain clients and increase Russell's AUM depends, in part, on Russell's absolute and relative investment performance. Poor investment performance may lead to a loss of clients and a decline in AUM and revenues.

Russell's ability to achieve investment returns for clients that meet or exceed investment returns for comparable asset classes and competing investment services is a key consideration when clients decide to keep their assets with Russell or invest additional assets, and when a prospective client is deciding whether to invest in Russell's products. Poor investment performance of Russell's products, both in absolute terms and/or relative to peers and stated benchmarks, may result in clients withdrawing assets and in prospective clients choosing to invest in competitors' products. The resulting lower AUM levels may lead to lower IM fees, including minimal or no performance-based fees, which may result in revenue declines.

The amount and mix of Russell's AUM are subject to significant fluctuations, which may adversely affect Russell's fee levels and operating results. Russell's fee levels also could be negatively affected by regulatory initiatives, court decisions and competitive considerations, which may adversely affect Russell's operating results.

In addition, Russell may be required to reduce its fee levels, restructure the fees Russell charges or adjust the services Russell offers to its clients because of, among other things, regulatory initiatives (whether industry-wide or specifically targeted), court decisions and competitive considerations. A reduction in fees would reduce Russell's revenues. A reduction in revenues, without a commensurate reduction in expenses, will adversely affect Russell's operating results.

Russell's business is dependent on investment management agreements and other related arrangements that are subject to termination or non-renewal on short notice.

Russell derives a significant portion of its revenues pursuant to written investment management agreements with institutional investors, mutual funds and, directly or indirectly, from other clients, and other arrangements such as advisory, selling and distribution agreements with third party distributors. Generally, the investment management agreements (and other arrangements) are terminable at any time or upon relatively short notice by either party. In addition, investors in Russell investment products can generally redeem their investments with limited or no notice. Any termination of, or failure to renew, a significant number of these agreements, or a significant increase in redemption rates, could have a material adverse effect on Russell's operating results and business prospects.

Furthermore, the investment management agreements pursuant to which Russell manages the US mutual funds must be renewed and approved by the funds' boards of trustees annually. Significantly more than a

majority of the trustees are independent of Russell. Consequently, there can be no assurance that the board of trustees of each fund will approve the fund's investment management agreement each year, or will not base its approval on revised terms or fee waivers that may be adverse to Russell.

Russell's IM business operates in a highly competitive environment.

The financial services industry in general, and the IM business in particular, are highly competitive. Russell competes on the basis of a number of factors, including investment fund performance, transaction execution, the competitiveness of its products, services and price, and on its innovation and reputation. Many organisations in this industry market to the same customers as Russell, not only with investment management and brokerage services, but also with a wide range of other financial products and services. In particular, the heightened global demand for multi-managers/single sub-advisor products has resulted in significantly higher levels of competition from investment firms. The increasing use of ETFs and other passive investment products also creates greater competition.

In response to these conditions and other competitive pressures in the IM business, Russell has, and continues to, diversify and enhance its investment management offerings to include direct investment management products where Russell itself manages assets rather than utilising sub-advisors to invest some or all of the assets in a particular portfolio. In both the multi-manager/single sub-advisor and direct investment businesses Russell may experience the competitive pressures outlined above, those detailed below and more generalised business competitive pressures from other investment firms in the markets for Russell's products and services. As a result of this intense competition, Russell has, from time to time in the past suffered, and may in the future suffer, reductions in AUM and greater difficulty in winning new investment mandates amidst higher levels of competition.

Institutional and individual investors, from time to time, shift their investment focus from multi-manager to single manager investment products as well as from active to passive products and approaches and Russell may not then adapt quickly enough to offer the investment products demanded by some investors. Many of Russell's investment management competitors have greater financial resources than Russell, considerable marketing strength and experience, and a broader range of products and services. As a result, these competitors may have a greater ability to influence customers to purchase their products or services instead of those of Russell. In addition to the foregoing, competitive pressures, the growing investment trend toward ETFs and other passive asset management products is a significant competitive threat to Russell's core active IM businesses.

As competition increases, Russell may experience pricing pressures from its competitors which may have a negative effect on its ability to sustain its revenue, profitability and business performance. In addition, the continuing expansion and customer acceptance of conducting financial transactions over the internet has attracted competition from providers of online services and software development companies. If Russell is unable to anticipate or react to competition or if existing or new competitors gain market share in Russell's key lines of business, revenues and AUM may decline or be impaired, it may experience a decline in the prices it can charge for its products and services, and it may suffer an adverse effect on its ability to continue product development or provide current levels of service, any one of which could adversely affect Russell's operating results, financial condition and cash flows.

The intense competitiveness of the investment management business has subjected Russell to pricing pressure in the investment markets, including, among others, Russell's institutional and retail segments of its investment business. For Russell to maintain its fee structure, it must be able to provide its customers with investment returns and services that will justify its fees. Accordingly, there can be no assurances that Russell will be able to maintain its current fee structure and certain of Russell's investment products could become unprofitable to maintain. Fee reductions on existing and future business could have a material adverse effect on Russell's future operating results, financial condition and cash flows. Additionally, from time to time, institutional and individual investors shift their investment focus from actively-managed investments to passive funds, which typically have a lower fee structure. This shift, particularly if it persists over a long period of time, could have an adverse impact on Russell's IM revenues in both the institutional and retail segments of its business. To the extent Russell is unable to successfully develop new products responsive to the then-current demands of investors or increase its AUM to counteract the impact of this reduction in revenues, Russell's future operating results, financial condition and cash flows may be materially adversely affected.

Russell's businesses are subject to extensive regulations in the United States and certain other jurisdictions; failure to comply with such regulations by Russell or the Enlarged Group may subject Russell to significant penalties.

Most of Russell's businesses are subject to extensive regulation, including regulation by governmental and self-regulatory organisations in the United States, as well as the other jurisdictions in which Russell operates. In recent years the United States and a number of other jurisdictions have increased the resources available to these regulatory authorities and legislators in certain of these jurisdictions have enacted new financial laws whose implementation could negatively affect Russell's business operations or prospects. If Russell violates applicable laws or regulations, Russell could be subject to civil liability, criminal liability or sanction, including revocation of Russell's and its subsidiaries' professional licenses or registrations and/or limitations being placed on its scope of business or business practices. Significant regulatory action against Russell could have a material adverse financial effect on Russell's business operations or financial results, and/or cause significant damage to Russell's reputation, which in turn could seriously damage Russell's business prospects.

These laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including, in some cases, the power to limit or restrict doing business for failure to comply with such laws and regulations. Moreover, regulators in non-US jurisdictions could change their policies or laws in a manner that might restrict or otherwise impede Russell's ability to market, distribute, or register investment products in their respective markets. These local requirements could increase the expenses Russell incurs in a specific jurisdiction without any corresponding increase in revenues from operating in the jurisdiction.

Governmental and self-regulatory organisations, including the SEC, the Financial Industry Regulatory Authority, and national securities exchanges, impose and enforce regulations on financial services companies. The types of regulations to which investment advisers and managers are subject are extensive and include, among other things: recordkeeping, fee arrangements, client disclosure, custody of customer assets, information barriers to restrict the flow of material non-public information and the conduct of officers and employees. Application of these regulations, or any enforcement actions undertaken by these entities, could result in increased costs for the Enlarged Group.

Russell's US mutual funds are registered as investment companies with the SEC under the Investment Company Act. The Investment Company Act regulates the relationship between a mutual fund and its investment adviser and prohibits or severely restricts principal transactions, agency transactions and joint transactions involving the fund, on the one hand, and the adviser and its affiliates, on the other, which may reduce the benefits realised from the Acquisition and may adversely affect the Enlarged Group's operations or stop certain operations of the Enlarged Group as a whole.

To the extent that Russell or any of its affiliates is a "fiduciary" under ERISA with respect to benefit plan clients, it is subject to ERISA and to regulations promulgated thereunder. Among other things, ERISA and applicable provisions of the Internal Revenue Code impose certain duties on persons who are fiduciaries under ERISA, prohibit certain transactions involving benefit plan clients (including certain transactions involving affiliates) and provide monetary penalties for violations of these prohibitions. Russell's failure to comply with these requirements could have a material adverse effect on Russell's business or operations and may reduce the benefits of the Acquisition.

Keeping pace with regulatory change may also significantly increase Russell's compliance and associated costs and create strain on Russell's investment capacity, if funding is needed to build out necessary infrastructure to meet various regulatory requirements. This may compromise Russell's ability to focus its investment on products designed to maintain or grow revenue and infrastructure intended to maintain Russell as an efficient and competitive organisation.

Russell revenue is highly dependent on revenue streams from the US.

A significant proportion of Russell's revenues are obtained from customers in the United States. Any external economic or political factors that materially adversely affect the United States, the asset management industry or the indexing industry would have a disproportionate effect on Russell as compared to competitors with a greater range of businesses and more geographically diverse sources of revenue. Any decline in the level of demand for the products and services offered by these businesses could result in a significant decrease in Russell's margins unless the fixed cost base of Russell is similarly reduced, which in some circumstances may not be practicable or advantageous. Any of these developments alone, or

in combination, could have a material adverse effect on Russell's and, following the Acquisition, the Enlarged Group's business, financial condition, operating results or prospects.

Investment managers face a risk of litigation and/or other claims from clients or regulatory investigation in relation to fee arrangements and the exercise of their fiduciary duties.

Investment managers face a risk of litigation from clients in relation to fee arrangements and the exercise of their fiduciary duties. Russell's IM companies are required to invest client funds in accordance with certain agreed investment policies. To the extent that such client funds are not invested in accordance with the terms of such investment policies, whether due to error or omission, there is a risk of clients pursuing a claim against such IM companies. Additionally, there is a risk that trading errors occur and Russell may be required to reimburse clients or clients may seek to hold Russell responsible for losses associated with any such error. Any such claims or errors could have a material adverse effect on the financial and trading prospects of the Enlarged Group or a negative impact on the Enlarged Group's reputation, business, financial condition and operating results.

The owning and operating of an investment management business is also subject to extensive regulation, including regulation by governmental and self-regulatory organisations in the United States, as well as the other jurisdictions in which Russell operates. Complying with these regulatory and other requirements requires ongoing compliance exercises to keep pace with the changing regulatory environment, including in particular the governance, control and oversight of fund managers. If Russell fails to comply itself, or fails to engage in sufficient diligence relating to the operational effectiveness and compliance with such regulations by sub-advisers Russell uses, it could result in financial penalties or other consequences being incurred by Russell which could have an adverse effect on Russell's business operations or financial results, or cause significant negative impact to Russell's reputation, which in turn could adversely affect Russell's business prospects.

In respect of the above risks which may subject Russell's IM business operations to litigation claims, any such litigation could be lengthy, costly and could result in the expenditure of significant financial and managerial resources, which could adversely affect Russell's reputation, business, financial condition and operating results. The risk of litigation is further heightened by the majority of Russell operation being based in the US where historically there is a higher threat of disputes or breaches of applicable regulation being subject to litigation and also the ability for groups of aggrieved individuals or parties to bring class action suits. Russell's IM business is currently subject to a claim relating to fee arrangements and the exercise of fiduciary duties relating to those fee arrangements. Russell is defending the claim vigorously and does not expect the claim to be decided adversely to it. LSEG does not consider the claim to be material to Russell or the Enlarged Group.

Employee misconduct could expose Russell to significant legal liability and reputational harm.

Russell operates in an industry in which personal relationships, integrity and the confidence of Russell's clients are of critical importance. Russell's employees could engage in misconduct that adversely affects Russell's business. For example, if an employee were to engage in illegal or suspicious activities, Russell could be subject to regulatory sanction, including statutory disqualification from acting as an investment adviser, broker-dealer or in certain other capacities. Russell could also suffer serious harm to its reputation as a consequence of the negative perception resulting from such activities, which may be required to be disclosed in Russell's public filings. Any of the above could have a material adverse effect on Russell's reputation, business, financial condition and operating results.

Russell may not accurately value the securities Russell holds on behalf of its clients.

In accordance with applicable regulatory requirements, contractual obligations or client direction, Russell employs procedures for the pricing and valuation of securities and other positions held in funds or client accounts. If market quotations for a security are not readily available or are deemed not reliable, Russell determines a fair value for the security.

Extraordinary volatility in financial markets, significant liquidity constraints or Russell's failure to adequately consider one or more factors when fair valuing a less liquid security based on information with limited market observability could result in Russell's failing to properly value securities for its clients. Improper valuation would likely result in Russell basing fee calculations on inaccurate AUM figures or Russell striking incorrect net asset values for company-sponsored mutual funds or private funds. Although the overall percentage of Russell's AUM that Russell fair values based on information with limited market

observability is not significant, inaccurate fair value determinations could negatively impact Russell's clients, create regulatory issues and damage Russell's reputation. In addition, Russell may be required to reimburse a fund or client for any associated losses resulting from a valuation error.

Russell's IM business depends on maintaining stable third-party distribution arrangements.

Russell distributes its retail investment products principally through third-party distribution arrangements. Many of these third-party distributors also distribute their own proprietary investment products and/or investment products of other companies in competition with Russell's investment products. The failure by Russell to remain competitive, either in investment performance, quality of service, pricing or otherwise, with the other investment products offered by these distributors could have a material adverse effect on Russell's financial condition, operating results and cash flows.

In the United States, certain of Russell's distribution partners, including, but not limited to, the financial representatives of Russell's current parent, The Northwestern Mutual Life Insurance Company ("Northwestern Mutual") and certain Wells Fargo subsidiaries, may individually and together account for a particularly large share of third-party distribution arrangements for its investment products in the US retail marketplace. Although Russell expects to maintain its distribution relationship with Northwestern Mutual after the Acquisition, the Acquisition could reduce the amount of business that financial representatives of Northwestern Mutual do with Russell. Also, with respect to the distribution of Russell's US retail financial products, distribution may be concentrated in a few key distribution relationships, including the Russell/Northwestern Mutual relationship. Outside the United States, Russell's retail distribution relationships are generally with large financial institutions and, similar to Russell's US distribution relationships, these relationships can be concentrated in a few key distributors. Russell's agreements with many of these foreign institutions may contain exclusivity provisions which preclude Russell from entering into similar agreements with competitive distributors or from distributing its funds directly within that jurisdiction.

A decision by one or more of these distributors to discontinue its relationship with Russell or to de-emphasise Russell's funds in its offering of investment products to its customers could have a material adverse effect on Russell's revenues from AUM. In addition, if the cost of doing business with Russell's distributors or other service providers increases significantly, Russell's costs of doing business could increase significantly and could have a material adverse effect on Russell's financial condition, operating results and cash flows.

RISKS RELATING TO THE RIGHTS ISSUE

Possible volatility of the price of the Nil Paid Rights, Fully Paid Rights and/or Shares.

The market price of the Nil Paid Rights, the Fully Paid Rights and/or Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Nil Paid Rights, the Fully Paid Rights and/or Shares (or securities similar to them), including, in particular, in response to various facts and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results and/or business developments of the Group and/or its competitors. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Company's operating performance or prospects. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Nil Paid Rights, the Fully Paid Rights and/or Shares.

Trading market for New Shares, Nil Paid Rights and Fully Paid Rights.

Application has been made to admit the New Shares (nil and fully paid) for trading on the London Stock Exchange's main market for listed securities. It is expected that dealings in rights to subscribe for the New Shares on the London Stock Exchange's main market for listed securities will commence at 8.00 a.m. on 11 September 2014. There can be no assurance, however, that an active trading market in Nil Paid Rights or Fully Paid Rights will develop upon or following Admission.

Exchange rate risk.

The New Shares, Nil Paid Rights and Fully Paid Rights are priced in pounds sterling. Accordingly, any investor outside the United Kingdom is subject to adverse movements to their local currency against pounds sterling.

Dilution of ownership of Shares upon issue of New Shares.

If a Shareholder does not respond to the Rights Issue by 11.00 a.m. (London Time) on 25 September 2014, the expected latest time and date for acceptance and payment in full for that Shareholder's provisional allotment of New Shares, that Shareholder's Nil Paid Rights to subscribe for New Shares will lapse and the Company has made arrangements under which the Underwriters, within the two Business Day period following the expiration of the latest time and date for acceptance and payment, will endeavour to find subscribers for New Shares not taken up by Shareholders. If, however, the Underwriters are unable to find subscribers for such New Shares or are unable to achieve a specified premium over the Issue Price and the related expenses of procuring such subscribers, Shareholders will not receive any consideration for the Nil Paid Rights they have not taken up. Furthermore, to the extent that Shareholders do not exercise their Nil Paid Rights to subscribe for New Shares, their proportionate ownership and voting interest in the Shares of the Company (upon the issue of New Shares) will, accordingly, be reduced.

It may not be possible to effect service of process upon the Company or the Directors or enforce court judgments against the Company or the Directors.

The Company is incorporated in England and Wales. Most of the Company's assets are located in the UK. As a result, it may not be possible for investors outside of the UK to effect service of process outside against the Company or the Directors or to enforce the judgement of a court outside the UK against the Company or the Directors.

The Company's ability to continue to pay dividends on the Shares will depend on the availability of distributable reserves.

The Company's ability to pay dividends is limited under English company law, which limits a company to only paying cash dividends to the extent that it has distributable reserves and cash available for this purpose. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and covenants in some of the Company's debt facilities. These laws and restrictions could limit the payment of future dividends and distributions to the Company by its subsidiaries, which could restrict the Company's ability to fund other operations or to pay a dividend to holders of the Existing Shares or the New Shares.

Shareholders who do not acquire New Shares in the Rights Issue will experience dilution in their ownership of the Company.

If Shareholders, including Shareholders in the US and other jurisdictions where their participation is restricted for legal, regulatory and other reasons, do not take up the offer of New Shares under the Rights Issue, their proportionate ownership and voting interests in the Company will be reduced and the percentage that their shares will represent of the total share capital of the Company will be reduced accordingly. Even if a Shareholder elects to sell his unexercised Nil Paid Rights, or such Nil Paid Rights are sold on his behalf, the consideration he receives may not be sufficient to compensate him fully for the dilution of his percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

Shareholders outside the UK may not be able to subscribe for New Shares in the Rights Issue.

In the case of an allotment of Shares for cash, Shareholders have certain statutory pre-emption rights unless those rights are disapplied by a special resolution of the Shareholders at a general meeting and such an issue could dilute the interests of the then existing Shareholders. Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in the Rights Issue. In particular, holders of Shares who are located in the US may not be able to exercise their pre-emption rights unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Rights Issue will not be registered under the Securities Act. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the

Company. Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Shares.

The Company may be considered a passive foreign investment company.

The Company believes that it is not, and is not likely to become, a passive foreign investment company (“PFIC”) for US federal income tax purposes. A non-US company is a PFIC in any taxable year in which, taking into account a pro rata portion of the income and assets of 25 per cent. or more owned subsidiaries, either (i) at least 75 per cent. of its gross income is passive income or (ii) at least 50 per cent. of the average value of its assets is attributable to assets that produce or are held to produce passive income. Passive income includes interest, dividends, rents, royalties and gains from the sale of property that produces passive income. However, income derived from and gained from transactions in securities held by a securities dealer will not be considered passive income for purposes of the PFIC rules. The Company believes that its trading assets and securities and receivables held in connection with its central counterparty and clearing businesses should be considered active assets held by a securities dealer for purposes of the PFIC rules. No authority directly addresses the activities of a central clearing counterparty or clearing business for purposes of the PFIC rules. Accordingly, it is possible that the US Internal Revenue Service could take a different position and that, if such position were sustained if challenged, the Company would be a PFIC in either the current or future tax years. Whether a non-US company is a PFIC is determined annually, and a company’s status could change depending among other things upon changes in the composition and relative value of gross receipts and assets. Please see Part XI “Taxation—United States Federal Income Taxation—Passive Foreign Investment Company.”

The Company may be subject to withholding tax under FATCA.

US legislation adopted in 2010 and commonly known as the Foreign Account Tax Compliance Act or FATCA is intended to reduce tax evasion by US citizens by requiring non-US financial institutions (“FFIs”) to collect and pass information about financial accounts with US customers to the US Internal Revenue Service (“IRS”). FATCA imposes a 30 per cent. withholding tax on the US source income of any FFI that fails to comply with this requirement. On 12 September 2012 the UK and the US signed a treaty to implement an alternative to FATCA for FFIs resident in the UK (such treaty, the “IGA”). The UK legislation bringing into effect the implementation of the IGA was enacted in the Finance Act 2013 and provides HM Treasury with powers to make regulations to give effect to the IGA, with regulations having been published in February 2014.

Under the IGA, a UK FFI, like the Company, will be obligated to perform due diligence with respect to its account holders and provide HMRC with certain information about its US accounts. HMRC will then forward that information to the IRS. However, under the IGA and its implementing regulations, shares of a compliant UK FFI are not considered to be financial accounts for purposes of the IGA. The Company has registered with the IRS pursuant to the requirements of the IGA and intends to comply with its obligations under the IGA. Accordingly, it is not expected that the Company would be subject to withholding on payments it receives from US sources or that it would be obligated to withhold on dividends and other amounts paid to its shareholders in respect of their shares. However, US Treasury Department regulations defining the term “foreign passthru payment” for purposes of an FFI’s obligation to withhold on payments it makes that are considered attributable to US source income have not been published. No assurance can be provided that such regulations, when published, would not require the Company to treat its shares as accounts and dividends and other amounts in respect of its shares as foreign passthru payments. In the unlikely event that such regulations are adopted, then, beginning after the later of either 31 December 2016 or the date falling six months after such final regulations are published, a 30 per cent. withholding tax may be imposed on all or some of the payments on the Company’s shares to the extent payments on those shares are considered foreign passthru payments that are paid to beneficial owners of shares or intermediaries holding such shares on behalf of such beneficial owners that, in each case, are (i) FFIs that fail to comply with FATCA information reporting obligations and are not otherwise exempt from FATCA or (ii) persons that do not provide sufficient information to establish their status for purposes of FATCA.

IMPORTANT INFORMATION

MARKET AND INDUSTRY INFORMATION

Market data and certain industry forecasts used in this document 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 Company to be reliable and accurately extracted by the Company for the purposes of this document, have not been independently verified and the Company makes no representation as to the accuracy of such information. The industry forecasts are forward-looking statements. See “Cautionary Note Regarding Forward-Looking Statements” below.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document and the information incorporated by reference into this document include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “aim”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and the information incorporated by reference into this document and include statements regarding the intentions, beliefs or current expectations of the Directors, the Company or the Group concerning, amongst other things, the operating results, financial condition, prospects, growth, strategies and dividend policy of the Group and the industry in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company’s ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group’s actual operating results, financial condition, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in this document and/or the information incorporated by reference into this document. In addition, even if the operating results, financial condition and dividend policy of the Group, and the development of the industry in which it operates, are consistent with the forward-looking statements contained in this document and/or the information incorporated by reference into this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, changes in political and economic stability and changes in business strategy or development plans and other risks, including those described in the section of this document headed “Risk Factors”.

You are advised to read this document and the information incorporated by reference into this document in their entirety, and, in particular, the section of this document headed “Risk Factors”, for a further discussion of the factors that could affect the Group’s future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may not occur.

Other than in accordance with their legal or regulatory obligations (including under the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules), neither the Company nor the Underwriters undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

PRESENTATION OF FINANCIAL INFORMATION

Capitalisation and indebtedness information for the Group in this document is derived from unaudited interim historical financial information of the Group presented in pounds sterling and has been prepared in accordance with IFRS as adopted by the EU. Other financial information, unless otherwise stated, has been extracted from the Annual Report and Accounts of the Group for 2014, 2013 and 2012 and from the unaudited interim historical financial information of the Company and its subsidiaries for the three months

ended 30 June 2014 and 2013. Where information has been extracted from the audited historical financial information of the Group, the information is audited unless otherwise stated. Where the information has been extracted from the interim historical financial information, the information is unaudited.

Unless otherwise indicated, financial information for the Group in this document and the information incorporated by reference into this document is presented in pounds sterling and has been prepared in accordance with IFRS as adopted by the EU.

Russell financial information, unless otherwise stated, has been extracted from Russell's audited consolidated financial information for the financial years ended 31 December 2013, 2012 and 2011 as set out in Part B of Part IX and from the unaudited interim condensed consolidated financial information of Russell and its subsidiaries for the six months ended 30 June 2014 and 2013 as set out in Part A of Part IX. Where information has been extracted from the audited consolidated financial information of Russell, the information is audited unless otherwise stated. Where the information has been extracted from the interim historical financial information, the information is unaudited.

Russell operates two business segments: Asset Management and Indexes. Russell's segmental financial information is presented on the same basis as that provided for Russell's internal reporting purposes. Operating expenses reflected in the two business segments include both those that are directly attributable to the business segments as well as those that are allocated based upon the Russell shared service model. The large majority of the total operating expenses are directly attributable to the individual business segments. The remaining expenses are allocated based upon the nature of the expense using relevant methods such as headcount and time estimates.

Unless otherwise indicated, financial information for Russell in this document and the information incorporated by reference into this document is presented in pounds sterling and has been prepared in accordance with IFRS consistent with that applied by LSEG in their 31 March 2014 financial statements.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

PRO FORMA FINANCIAL INFORMATION

In this document, any reference to "pro forma" financial information is to information which has been extracted without material adjustments from the unaudited pro forma financial information contained in Part X "Unaudited Pro Forma Statements of the Enlarged Group". The unaudited pro forma statements information contained in Part X "Unaudited Pro Forma Statements of the Enlarged Group" is based on the historical financial information of LSEG and Russell contained in Part VIII and Part IX, respectively. The unaudited pro forma income statement has been prepared to illustrate the effect on the earnings of LSEG as if the proposed acquisition had taken place on 1 April 2013. The unaudited pro forma statement of net assets has been prepared to illustrate the effect on the net assets of LSEG as if the proposed acquisition had taken place on 30 June 2014. The unaudited pro forma financial information has not been prepared, or shall not be construed as having been prepared, in accordance with Regulation S-X under the Securities Act.

The unaudited pro forma income statement and net assets statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the LSEG or the Enlarged Group's actual financial position or results. The pro forma financial information has been prepared under IFRS as adopted by the EU and on the basis set out in the notes below and in accordance with Annex II to the PD Regulation. The pro forma financial information is stated on the basis of the accounting policies of LSEG.

CURRENCIES

In this document and the information incorporated by reference into this document, references to "£", "sterling" or "GBP" are to the lawful currency of the United Kingdom and references to "US dollars", "US\$", "\$US", "US¢" or "cents" are to the lawful currency of the United States. The abbreviation "€" represents the euro, the European single currency.

NO PROFIT FORECAST

No statement in this document is intended as a profit forecast and no statement in this document should be interpreted to mean that earnings per Share for the current or future financial years would necessarily match or exceed the historical published earnings per Share.

NOTICE TO INVESTORS IN THE UNITED STATES OF AMERICA

Subject to certain exceptions, neither this document nor the Provisional Allotment Letter constitutes, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, New Shares, Nil Paid Rights and/or Fully Paid Rights to any Shareholder with a registered address in, or who is resident of, the United States. If you are in the US, you may not exercise your Nil Paid Rights or Fully Paid Rights and/or acquire any New Shares offered hereby unless you are a QIB. Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Nil Paid Rights to, and the Fully Paid Rights and the New Shares may be offered to and acquired by, a limited number of Shareholders in the US reasonably believed to be QIBs, in offerings exempt from or in a transaction not subject to, the registration requirements under the Securities Act. The Nil Paid Rights, the Fully Paid Rights and the New Shares being offered outside the US are being offered in reliance on Regulation S. If you are a QIB, in order to exercise your Nil Paid Rights or Fully Paid Rights and/or acquire any New Shares upon exercise thereof, you must sign and deliver an investor letter.

If you sign such an investor letter, you will be, amongst other things:

- representing that you and any account for which you are acquiring the New Shares, the Nil Paid Rights or the Fully Paid Rights are a QIB; and
- agreeing not to reoffer, sell, pledge or otherwise transfer the New Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters, except:
 - in an offshore transaction in accordance with Rule 904 of Regulation S under the Securities Act; or
 - with respect to the New Shares only, pursuant to Rule 144 under the Securities Act (if available),

and, in each case, in compliance with any applicable securities laws of any state or other jurisdiction of the US.

No representation has been, or will be, made by the Company or the Underwriters as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Shares.

Any envelope containing a Provisional Allotment Letter and post marked from the US will not be valid unless it contains a duly executed investor letter in the appropriate form as described above, any Provisional Allotment Letter in which the exercising holder requests New Shares to be issued in registered form and gives an address in the US will not be valid unless it contains a duly executed investor letter.

The payment paid in respect of Provisional Allotment Letters that do not meet the foregoing criteria will be returned without interest.

Any person in the US who obtains a copy of this document and who is not a QIB is required to disregard it.

OVERSEAS TERRITORIES OTHER THAN THE UNITED STATES AND THE EXCLUDED TERRITORIES

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the UK (other than the United States and the Excluded Territories) should refer to paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue” of this document.

AVAILABLE INFORMATION

If, at any time, the Company is neither subject to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company will furnish, upon request, to any holder or beneficial holder of the Nil Paid Rights, the Fully Paid Rights or the New Shares, or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. In such cases, the Company will also furnish to each such owner all notices of general Shareholders’ meetings and other reports and communications that the Group generally makes available to Shareholders.

CURRENCY EXCHANGE RATE INFORMATION

The amounts set forth in this document in “£” or “pounds sterling” refer to the legal currency of the UK. References to “\$” “USD” or “US dollar” relate to the legal currency of the United States of America. Fluctuations in the exchange rate between the pounds sterling and the US dollar will affect the US dollar amounts received by holders of the shares of the Company on conversion of payments paid in pounds sterling on the shares of the Company.

The table below sets forth period end, average, high and low exchange rates of US dollars per pound sterling for each year indicated. Spot and period average exchange rates presented below are sourced from Bloomberg, for the applicable periods.

Year	US dollars per £1.00			
	Period end	Average	High	Low
2010	1.56	1.55	1.64	1.43
2011	1.55	1.60	1.67	1.53
2012	1.63	1.59	1.63	1.53
2013	1.66	1.56	1.66	1.49
2014 (through 31 March 2014)	1.67	1.65	1.67	1.63
2014 (through 30 June 2014)	1.71	1.67	1.71	1.63

The spot exchange rate of pounds sterling to US dollars as at 5.00 p.m. BST on 20 August 2014 was \$1.6632 per £1.00 (the “20 August 2014 Spot Exchange Rate”).

ENFORCEMENT OF CIVIL LIABILITIES

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Shares are governed by English law and by the Company’s Articles of Association. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. The majority of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder’s country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder’s country of residence based on civil liabilities under that country’s securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

RIGHTS ISSUE STATISTICS

Price per New Share	1,295p
Basis of Rights Issue	3 New Shares for every 11 Existing Shares
Number of Shares in issue at the date of this document	272,608,651
Number of New Shares to be issued by the Company	74,347,813
Number of Shares in issue immediately following completion of the Rights Issue ⁽¹⁾	346,956,464
New Shares as a percentage of enlarged issued share capital of the Company immediately following completion of the Rights Issue ⁽¹⁾	21.4 per cent.
Estimated net proceeds receivable by the Company after expenses	£938 million
Estimated expenses in connection with the Rights Issue	£24.3 million

Notes:

- (1) Assuming that no Shares are issued as a result of the exercise of any options between 20 August 2014, being the latest practicable date prior to the publication of this document, and the completion of the Rights Issue.

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

Publication and posting of this document, the Notice of General Meeting and the Form of Proxy	22 August 2014⁽²⁾⁽³⁾
Record Date for entitlements under the Rights Issue	close of business on 8 September
Latest time and date for receipt of General Meeting Forms of Proxy	9.30 a.m. on 8 September
General Meeting	9.30 a.m. on 10 September
Date of dispatch of Provisional Allotment Letters (to Qualifying non-CREST Shareholders only ⁽¹⁾)	10 September
Dealings in New Shares, nil paid, commence on the London Stock Exchange	8.00 a.m. on 11 September
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	As soon as practicable after 8.00 a.m. on 11 September
Nil Paid Rights and Fully Paid Rights enabled in CREST	As soon as practicable after 8.00 a.m. on 11 September
Shares marked ex-Rights	11 September
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 19 September
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights into a CREST stock account	3.00 p.m. on 22 September
Latest time and date for splitting Provisional Allotment Letters	3.00 p.m. on 23 September
Latest time and date for acceptance and payment in full and registration of renounced Provisional Allotment Letters	11.00 a.m. on 25 September
Expected date of announcement of results of the Rights Issue through a Regulatory Information Service	26 September
Dealings in the New Shares to commence on the London Stock Exchange fully paid	8.00 a.m. on 26 September
New Shares credited to CREST stock accounts (uncertificated holders only ⁽¹⁾)	As soon as practicable after 8.00 a.m. on 26 September
Despatch of definitive share certificates for New Shares in certificated form (to Qualifying non-CREST Shareholders only ⁽¹⁾)	by no later than 6 October

Notes:

- (1) Subject to certain restrictions relating to Overseas Shareholders. See paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue”.
- (2) The times and dates set out in the expected timetable of principal events above and mentioned throughout this document, by announcement through a Regulatory Information Services, and in the Provisional Allotment Letter may be adjusted by the Company, in which event details of the new dates will be notified to the Financial Conduct Authority and to the London Stock Exchange and, where appropriate, to Shareholders.
- (3) References to times in this document are to London time unless otherwise stated.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Board of Directors

A list of the members of the Company's Board of Directors is set forth in the table below.

<u>Name</u>	<u>Position</u>
Chris Gibson-Smith	Chairman
Xavier Rolet	Chief Executive Officer
David Warren	Chief Financial Officer
Raffaele Jerusalmi	Executive Director, Chief Executive of Borsa Italiana and Director of Capital Markets
Robert Webb QC	Senior Independent Director
Jacques Aigrain	Non-Executive Director
Sharon Bowles	Non-Executive Director
Sherry Coutu CBE	Non-Executive Director
Paul Heiden	Non-Executive Director
Stuart Lewis	Non-Executive Director
Andrea Munari	Non-Executive Director
Stephen O'Connor	Non-Executive Director
Joanna Shields OBE	Non-Executive Director
Massimo Tononi	Non-Executive Director

Each of the Directors' business address is the Company's registered address at 10 Paternoster Square, London EC4M 7LS.

Telephone: 020 7797 1000 or, when dialling from outside the United Kingdom, +44 20 7797 1000.

Group Company Secretary:	Lisa Condon
Registered Office:	10 Paternoster Square London EC4M 7LS
Financial Adviser, Joint Sponsor, Joint Bookrunner, Sole Global Coordinator and Lead Underwriter:	Barclays Bank PLC 5 The North Colonnade Canary Wharf E14 4BB
Financial Adviser and Joint Sponsor:	Greenhill & Co. International LLP Lansdowne House 57 Berkeley Square W1J 6ER
Financial Adviser:	Robey Warshaw LLP 31 Saint James's Place London SW1A 1NR
Financial Adviser:	Peter J. Solomon Company, L.P. 1345 Avenue of the Americas New York, NY 10105 United States
Corporate Broker to the Acquisition and Joint Bookrunner:	RBC Europe Limited, trading as RBC Capital Markets Riverbank House 2 Swan Lane London EC4R 3BF
Joint Bookrunner:	Deutsche Bank AG, London Branch 1 Great Winchester St London EC2N 2DB
Joint Bookrunner:	J.P. Morgan Securities plc 25 Bank Street London E14 5JP

Co-Lead Manager:	Banca IMI S.p.A. Largo Mattioli, 3 20121 Milano Italy
Co-Lead Manager:	Banco Santander S.A. Paseo de Pereda 9-12 Santander 39004 Cantabria Spain
Co-Lead Manager:	HSBC Bank plc 8 Canada Square London E14 5HQ
Co-Lead Manager:	Mitsubishi UFJ Securities International plc Ropemaker Place 25 Ropemaker Street London EC2Y 9AJ
Auditors to the Company:	Ernst & Young LLP 1 More London Place London SE1 2AF
Reporting Accountant:	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Legal advisers to the Company as to US and English law:	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS
Legal advisers to the Company as to US law:	Kirkland & Ellis LLP 601 Lexington Avenue New York, NY 10022 United States
Legal advisers to the Banks as to US and English law:	Linklaters LLP 1 Silk Street London EC2Y 1HQ
Registrar and Receiving Agent:	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA

PART I—LETTER FROM THE CHAIRMAN OF LONDON STOCK EXCHANGE GROUP PLC

Directors:

Chris Gibson-Smith, Chairman
Xavier Rolet, Chief Executive Officer
David Warren, Chief Financial Officer
Raffaele Jerusalmi, Executive Director, Chief Executive of Borsa Italiana and
Director of Capital Markets
Robert Webb QC, Senior Independent Director
Jacques Aigrain, Non-Executive Director
Sharon Bowles, Non-Executive Director
Sherry Coutu CBE, Non-Executive Director
Paul Heiden, Non-Executive Director
Stuart Lewis, Non-Executive Director
Andrea Munari, Non-Executive Director
Stephen O'Connor, Non-Executive Director
Joanna Shields OBE, Non-Executive Director
Massimo Tononi, Non-Executive Director

Registered Office:
10 Paternoster Square
London EC4M 7LS

22 August 2014

PROPOSED ACQUISITION OF RUSSELL AND FULLY UNDERWRITTEN RIGHTS ISSUE

To holders of London Stock Exchange Group plc ordinary shares

Dear Shareholder

1. INTRODUCTION

On 26 June 2014, London Stock Exchange Group plc announced the proposed acquisition of the entire issued share capital of Russell from Northwestern Mutual and the minority shareholders of Russell for total consideration in cash of US\$2,700 million (£1,623 million based on the 20 August 2014 Spot Exchange Rate). The Directors believe the Acquisition is a rare opportunity to acquire a high quality US-based business with a leading global brand. The Acquisition accelerates LSEG's diversification strategy by enhancing the Group's information services offering and growing its presence in the US, the largest global financial services market. The combination of the Russell index business with FTSE will create a truly global index leader, providing a compelling growth opportunity which the Directors believe will help deliver outstanding returns for Shareholders.

Russell's index business is a leading provider of benchmarks to US equity funds and also provides customised and innovative index solutions for clients. The business is a clear strategic fit for the Group and the combination with FTSE and the resulting synergies provide the opportunity for attractive financial returns that should significantly enhance Shareholder value.

Russell's IM business, with US\$279.7 billion of AUM and a leading client implementation services business, is one of the leading providers of multi-asset class investment solutions to institutional and retail investors worldwide. The business is poised for continued growth in a large and growing market. Further details in relation to IM are set out in section 5 of this letter.

The purpose of this letter is to: (i) explain the background to and reasons for the Acquisition; (ii) explain why the Directors believe that the Acquisition is in the best interests of the Company and the Shareholders as a whole; and (iii) recommend that you vote in favour of the Resolution to be proposed at the General Meeting. In this respect, this document should be read in its entirety and you should not rely solely on the information in this Part I. Your attention, in particular, is drawn to the risk factors set out in the section entitled "Risk Factors".

In view of its size in relation to LSEG, the Acquisition is classified under the Listing Rules as a Class 1 transaction and accordingly requires the approval of LSEG Shareholders. A notice of the LSEG General Meeting to be held on 10 September 2014, at which your approval will be sought for the Acquisition, is set out at the end of this document. The LSEG Board unanimously considers that the Resolution is in the best interests of LSEG and its shareholders and recommends that LSEG shareholders vote in favour of the Resolution as the LSEG Board have irrevocably undertaken to do in respect of their own LSEG shares.

As more fully described in section 10 of this letter, LSEG proposes to undertake a Rights Issue, the net proceeds of which will be used to fund part of the cash consideration for Russell, to raise approximately £963 million (US\$1,601 million based on the 20 August 2014 Spot Exchange Rate) by the issue of 74,347,813 New Shares (representing approximately 27.3 per cent. of the existing issued share capital of LSEG and 21.4 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue) through a 3 for 11 Rights Issue at 1,295p per New Share. Dealings in the New Shares (nil-paid) are expected to commence on 11 September 2014, the first trading day after the approval of the Acquisition by Shareholders at the General Meeting. If the Rights Issue were to proceed but the Acquisition does not complete, LSEG commits to return the Rights Issue proceeds to Shareholders within a reasonable period of time. Such a return could carry costs for certain shareholders and will have costs for the Company. Pursuant to the Rights Issue, LSEG has entered into an Underwriting Agreement with the Underwriters in respect of all the New Shares to be issued, further details of which are found in paragraph 16 of Part XIII “Additional Information” of this document.

2. BACKGROUND AND REASONS FOR THE ACQUISITION AND RIGHTS ISSUE

2.1 LSEG Strategy

LSEG is a leading diversified international markets infrastructure and capital markets group that sits at the heart of the world’s financial community. LSEG seeks to enhance Shareholder value and achieve attractive financial returns by focusing on:

- **Building best-in-class capabilities:** LSEG aims to provide the best possible service to clients with a focus on operational excellence and investments in product innovation, skills, infrastructure and technology while maintaining a disciplined approach to costs.
- **Creating a global business:** Increasing its global reach allows LSEG to further extend its high quality systems, sales and distribution capabilities and offer innovative products to new clients and new geographies, including in attractive emerging markets. It also enables LSEG to provide improved services to existing international clients.
- **Developing opportunities:** LSEG is focused on delivering solutions to clients across a range of core activities, such as capital formation (primary and secondary markets), intellectual property (indices, data and technology) and risk and balance sheet management (clearing, settlement and CSD services). Within these areas, LSEG is focused on maximising value from the Group’s assets by responding to demand for new products, further diversifying into new asset classes and extending sales to new clients. Bringing these products together and creating the highest quality offerings benefits clients as well as Shareholders.

LSEG provides an open access market infrastructure, working in close partnership with its clients across all of its businesses. LSEG’s open access philosophy is core to its business and operating model and it has a proven track record of success. This strategy is supported by both buy side and sell side clients, as well as corporate issuers and we believe is consistent with good business practice.

2.2 Reasons for the Acquisition

The Directors believe that the Acquisition represents a rare opportunity to acquire a high quality US-based business with a leading global brand that provides index and investment management services.

Russell’s index business is a clear strategic fit for the Group as a leading provider of benchmarks to US equity funds. The combination with FTSE and the resulting synergies provide the opportunity for attractive financial returns that should significantly enhance Shareholder value.

Russell’s investment management (“IM”) business, with US\$279.7 billion AUM, is poised for continued strong and attractive growth. Russell’s highly regarded investment platform has a stable and attractive revenue model in a large and growing industry. The IM business, which also includes a best-in-class implementation services business, is led by a highly experienced management team and is well positioned to meet increasing client demands for multi-asset solutions and passive investment strategies, including smart beta, which applies automatic fund management to passive investments. LSEG will undertake a comprehensive review of Russell’s IM business to determine its positioning and fit with the Group, as described in more detail in paragraph 5 below.

The Directors believe the combination of Russell with LSEG creates compelling strategic, growth and operational opportunities:

- **Building a strong US footprint:** The combination of Russell's index business with FTSE will both strengthen and extend the geographic presence of LSEG's Information Services division and the Group as a whole, particularly in the US. Investors in the US will have increased benchmark choice as a result of the combination. In the US, 73 per cent. of institutional equity portfolios by AUM are benchmarked to Russell's index business, including 98 per cent. of small-cap and style-specific equity AUM. In addition, 98 per cent. of US equity index contracts traded on ICE are based on the Russell 2000 index.
- **Strategic fit with FTSE:** The products and client services offered by Russell's index business are highly complementary with those of FTSE, creating cross-selling opportunities and significant growth potential. The Acquisition is expected to accelerate LSEG's growth and is consistent with the Company's stated objective of seeking opportunities to develop its intellectual property portfolio. LSEG believes revenue enhancement opportunities exist in aligning commercial strategies to create a single transparent structure across indices and licences, ensuring protection and licensing of intellectual property through introduction of industry standard practices, cross-selling complementary products and developing new service enhancements. In addition, cost synergies and operational efficiencies are expected to be gained from the combination of Russell's index business with FTSE.
- **Creating a global index leader:** The combined index business, with total revenues of US\$445.8 million (£285.1 million), brings together US\$5.2 trillion of assets benchmarked to Russell and an estimated US\$4.0 trillion benchmarked to FTSE. The combination substantially extends the geographic presence of each business with leadership positions in North America, Europe and Asia. The combined business created through the merger will be a global leader with combined ETF AUM of approximately US\$339 billion. The incremental scale will enable the Group to improve client servicing, strengthening and deepening its relationships with clients and other stakeholders globally and positioning the Enlarged Group well for further growth and expansion.
- **Capitalising on key sector trends:** The Enlarged Group will be well-positioned to benefit from key trends in the market, including growing client demand globally for multi-asset services and passive investment strategies. AUM in passive investment strategies is expected to grow at an 18 per cent. CAGR⁽¹⁾ until 2020, driven by greater regulation of the investment management industry, and increased focus on cost reduction and transparency. The overall asset management industry is expected to increase from approximately US\$60 trillion today to more than US\$100 trillion by 2020, a compound annual growth rate of nearly six per cent.⁽²⁾ This will provide significant growth opportunities for Russell index products such as smart beta and custom indices.
- **Attractive financial returns:** The Board expects the transaction to deliver attractive financial returns to LSEG's Shareholders. The Acquisition is expected to be earnings accretive in the first full year after acquisition on an aggregate basis, with Russell's index business accretive from year two on a standalone basis. The Acquisition is expected to deliver a ROIC that meets LSEG's hurdle rate in year three and exceeds it thereafter, on an aggregate and standalone index basis. Financial targets will be achieved through:
 - **Accelerating growth opportunities:** While Russell's index business has already been growing at approximately a 10 per cent. CAGR since 2011, the Board believes there will be additional revenue enhancement opportunities through integration and consequent synergies with FTSE. LSEG is targeting recurring annual run-rate revenue benefits of US\$30 million (£18 million based on the 20 August 2014 Spot Exchange Rate) and US\$48 million (£29 million based on the 20 August 2014 Spot Exchange Rate) attributable to the strategic fit between Russell's index business and FTSE by the end of years three and five post acquisition, respectively.
 - **Operational efficiencies:** LSEG is targeting recurring annual run-rate cost synergies of US\$78 million (£47 million based on the 20 August 2014 Spot Exchange Rate) attributable to the strategic fit between Russell's index business and FTSE by the end of year three, expected to be achieved by removing duplication in index operations, systems and back office support, combining research functions and eliminating duplicate data sources. To achieve these synergies,

(1) Source: PwC (February 2014)—Asset Management 2020.

(2) Source: PwC (February 2014)—Asset Management 2020.

LSEG expects to incur US\$71 million (£43 million based on the 20 August 2014 Spot Exchange Rate) of implementation costs in aggregate, the substantial majority of which will be incurred in years one and two.

Information on the expected pro forma impact of the Acquisition and the Rights Issue on the consolidated income statement and consolidated balance sheet of the Enlarged Group is set out in Part X “Unaudited Pro Forma Statements of the Enlarged Group” of this document. The financial and other benefits set out above are contingent on the Acquisition completing and could not be achieved independently.

3. SUMMARY INFORMATION ON LSEG

LSEG is a diversified international markets infrastructure and capital markets business. The Group operates in four main business divisions: Capital Markets, Post Trade Services, Information Services and Technology Services.

LSEG’s Capital Markets division comprises a broad range of international equity, bond and derivatives markets, including: London Stock Exchange; Borsa Italiana; MTS, one of Europe’s leading fixed income markets; and Turquoise, the pan-European multilateral trading facility. Through its various platforms, the Group offers international businesses and investors unrivalled access to Europe’s capital markets.

Post trade and risk management services are a significant and growing part of the Group’s business operations. LSEG operates CC&G, the Italian clearing house, and Monte Titoli, the European settlement business, selected as a first wave participant in TARGET2-Securities. The Group is also the majority owner of leading multi-asset global clearing service, LCH.Clearnet.

The Group offers its customers an extensive range of real-time and reference data products, including SEDOL, UnaVista, Proquote and RNS. FTSE, a world leading index provider, calculates thousands of unique indices that measure and benchmark markets and asset classes in more than 80 countries around the world.

The Group is also a leading developer of high performance trading platforms and capital markets software for customers around the world. In addition to the Group’s own markets, over 30 other organisations and exchanges around the world use the Group’s MillenniumIT trading, surveillance and post trade technology.

Headquartered in London, with significant operations in Italy, France, North America and Sri Lanka, the Group employs approximately 2,800 people. LSEG’s shares are admitted to the premium segment of the Official List and to trading on the London Stock Exchange. LSEG is a member of the FTSE 100 index and had a market capitalisation of approximately £5,466 million as at the close of business on 21 August 2014 (being the last business day prior to the date of the announcement of the terms of the Rights Issue).

Further detailed information on LSEG is provided in subsequent parts of this document; specifically Part IV (“Business Overview of London Stock Exchange Group”), Part VI (“Operating and Financial Review of London Stock Exchange Group”), and Part VIII (“Financial Information of London Stock Exchange Group”).

4. SUMMARY INFORMATION ON RUSSELL

Russell is comprised of two primary businesses: indices and IM. Russell’s index business is a leading provider of benchmarks to US focused equity funds and has strong relationships with leading asset managers and exchanges. The business provides customised and innovative index solutions including smart beta products to a global client base. Over US\$5.2 trillion of assets are benchmarked to Russell indices globally including approximately US\$778 billion of AUM invested in passive funds and ETFs.

Russell IM business is composed of two main sub-units: asset management and investment services. The IM business has US\$279.7 billion of AUM focused on outcome oriented investing and employs a multi-asset solutions approach. Russell’s IM business has 22 offices globally across 13 countries. Russell also offers consulting services to clients and has US\$2.4 trillion of assets under advisement.

Russell Implementation Services, the entity through which Russell conducts most of its investment services business, is registered in the US dually as both an investment advisor with fiduciary responsibility as well as an agency-only broker. Investment services provides both event-based services (transition management) and overlay services such as real-time maintenance of multi-strategy portfolios around large re-balances; cash flow management to reduce risk; agency currency trading; exposure management tools for portfolio

managers; and transition services and commission recapture. Investment services managed approximately US\$772 billion of portfolio transitions in 2013.

As noted in LSEG’s announcement of the Acquisition on 26 June 2014, for the purposes of this document, Russell’s historical financial information has been converted from US GAAP to IFRS, as adopted by the EU, in a form consistent with the accounting policies adopted by LSEG in its own annual consolidated accounts. As anticipated, the IFRS financial results of Russell differ from the summary US GAAP financials of Russell set out in the announcement of 26 June 2014. A comparison of selected Russell summary unaudited management financial information for the year ended 31 December 2013 under US GAAP and IFRS is set out below:

US GAAP to IFRS comparison of selected financial information for the year ended 31 December 2013

	Year Ended 31 December 2013	
	US GAAP	IFRS
	(US\$ million) (unaudited)	
Net Revenues—Index	170	171
Net Revenues—Investment management	784	778
Total net revenues⁽¹⁾	954	949
Operating profit—Index	81	79
Operating profit—Investment management	135	100
Total operating profit⁽¹⁾	216	179
Normalised EBITDA—Index	83	80
Normalised EBITDA—Investment management	153	118
Total normalised EBITDA⁽¹⁾	236	198
Total assets⁽²⁾	1,773	954

(1) Net revenue, operating profit and EBITDA reflect results for the asset management and indexes business. Total amounts in the table above exclude non-core activities such as interest income and expense as well as one-off or non-recurring revenue and costs.

(2) Total assets as at 31 December 2013 under US GAAP were previously presented as US\$1,826 million and have been adjusted for a balance sheet reclassification of derivatives. See page 216 for further details.

The most significant IFRS adjustment to Russell’s US GAAP operating profit and normalised EBITDA for the year ended 31 December 2013 is a US\$37 million deduction arising from differing accounting treatment of share-based compensation. Under US GAAP, such compensation is treated as an equity classified award, with the fair value of the awards (as measured at the grant date) being charged to the income statement over the vesting period. Under IFRS, these awards are viewed as liability classified awards and are therefore re-measured at their fair value at each reporting date over the vesting period, with the change in fair value being charged or credited to the income statement. The US\$37 million deduction was primarily driven by an increase in the internally-assessed value of Russell during 2013, which resulted in an increase in the fair value of the liability classified compensation plans, and corresponding expense, recognised under IFRS. In addition, recognition of the actual amount of awards over the vesting period differs between US GAAP and IFRS. Going forward, Russell’s current share-based compensation plans will not be used after Completion.

The most significant IFRS adjustment to Russell’s US GAAP total assets as at 31 December 2013 is a US\$821 million deduction arising from the elimination of goodwill in relation to Northwestern Mutual’s acquisition of Russell in 1999. For an explanation of other changes to the historical financial information of Russell resulting from the US GAAP to IFRS conversion process, see note 33 to the historical financial information in Part B of Part IX “Financial Information of Russell”.

Further detailed information on Russell is provided in subsequent parts of this document; specifically Part V (“Business Overview of Russell”), Part VII (“Operating and Financial Review of Russell”), and Part IX (“Financial Information of Russell”).

5. INTEGRATION AND COMPREHENSIVE REVIEW OF RUSSELL

Following the Acquisition, LSEG intends to integrate Russell's index business into its Information Services division and, in combination with FTSE, create a global leader in indices to deliver significant benefits to clients and Shareholders.

In addition, LSEG is undertaking a comprehensive review of Russell's IM business to determine its positioning and fit with the Group. As part of that review, LSEG is evaluating further the linkages between Russell's index and IM businesses, since the two businesses have historically been operationally aligned. This review is expected to be completed at or following Completion, which is expected in late fourth quarter of 2014 or early first quarter 2015.

LSEG is committed to maintaining the existing clear focus on client service and fund performance in Russell's IM business. LSEG will focus significant resources both on retaining existing clients and continuing existing momentum in winning new clients. It will also provide continued strong support and investment for growth and innovation. Particular attention will be paid by LSEG to creating appropriate standalone governance and operations for Russell's IM business, while also focusing on maintaining strong management and employee continuity.

6. FINANCING THE ACQUISITION

The consideration to be paid by LSEG at Completion will be US\$2,700 million (£1,623 million based on the 20 August 2014 Spot Exchange Rate), subject to customary adjustments, of which approximately US\$1,561 million (£938 million based on the 20 August 2014 Spot Exchange Rate) will be financed from the net proceeds of the Rights Issue. The remaining approximately US\$1,139 million (£685 million based on the 20 August 2014 Spot Exchange Rate) of the consideration will be financed in US\$ by LSEG from existing multi-currency bank debt facilities, including a recently signed £600 million multi-currency revolving credit facility with an initial two year term and an ability for LSEG to extend for a further year. Appropriate foreign exchange hedging arrangements with respect to the rights issue component of the Acquisition consideration were put in place by LSEG subsequent to the announcement of 26 June 2014 and appropriate hedging arrangements will be maintained until Completion. The US\$ debt raised as a component of the consideration will also appropriately hedge the Company's investment in Russell.

The mix of debt and equity financing for the Acquisition is driven by a number of factors including credit rating and capital structure considerations. From an internal allocation perspective, LSEG considers that Russell's IM business is being fully funded solely by debt and Russell's index business is being funded by the Rights Issue and a portion of the debt.

The leverage of the Enlarged Group is expected to be approximately 2.4x net debt to pro forma adjusted EBITDA as a result of Completion (assuming a 31 December 2014 Completion Date) and is expected to reduce to 2.0x or below in the 12 months following Completion, consistent with LSEG's commitment to maintain an investment grade rating.

7. CURRENT TRADING AND PROSPECTS

7.1 London Stock Exchange Group

LSEG has announced its unaudited financial results for the quarter ending 30 June 2014, following the Group's preliminary full year results announcement for the 12 months to 31 March 2014 on 15 May 2014, and the confirmation on 27 March 2014 that LSEG's accounting reference date would change from 31 March to 31 December, with effect from 1 April 2014. Details on the Group's financial performance can be found in Part VI and Part VIII of this document. In addition, with respect to LSEG's change to a December year end, LSEG has provided unaudited financial information for the 6 months to 30 June 2014, in an appendix to its results announcement for the quarter ending the same date, which is incorporated by reference in this document.

LSEG delivered a strong financial performance for the quarter against the three months to 30 June 2013. Adjusted total income increased 16 per cent. to £323.9 million, and up seven per cent. on an organic and constant currency basis, with growth in nearly all main business segments. Adjusted operating expenses increased eight per cent., mainly reflecting inclusion of acquired companies. Core operating costs, excluding the effect of acquisitions and currency changes, remained well controlled with a three per cent. reduction. Adjusted operating profit rose 25 per cent. to £148.2 million and profit before tax increased

40 per cent. Basic earnings per share for the period increased 47 per cent. while adjusted basic EPS rose 18 per cent. to 31.9 pence.

In primary markets, new issues remained strong in July with 28 new issues on the Group's UK and Italian markets, compared with a total of 25 in July last year. The amount of money raised in the month also rose, doubling to £5.2 billion. New issue activity has continued in August, with seven IPOs so far in what is normally a seasonally quiet period.

In secondary markets, cash equities trading in London increased six per cent. in July compared with the same month last year. Trading in July in Italy was also good with a 25 per cent. rise year on year in the number of trades, and Turquoise delivered a 23 per cent. increase in pan-European value traded. In fixed income markets, MTS saw year on year growth in both cash and repo trading in July, up 27 and four per cent., respectively. Fixed income and equities trading across the Group's markets to date in August has been good, with average daily volumes above the levels for the same month last year. Both FTSE and LCH.Clearnet have continued to perform well since the quarter end.

The Group has made good progress so far in the financial year. Activity in both primary and secondary markets in the current quarter has been good and the pipeline of companies seeking to raise capital on the Group's markets remains encouraging. Overall, the Group remains well placed to benefit from continued positive market trends through its increasingly diversified businesses and from the work to realise the previously announced integration synergies at LCH.Clearnet.

7.2 Russell

Part IX "Financial Information of Russell" of this document provides financial information on Russell for the six month period to 30 June 2014.

Russell Group financial performance has been strong in the six months to 30 June 2014, with the results exceeding Russell's growth expectations and ahead of the same period in the prior year. The increase of 11.6 per cent. over the equivalent prior period in asset management revenues was driven by the global appreciation in markets generally, with average assets under management increasing 8.1 per cent. over the period to 30 June 2013. Performance fees, which are payable by clients on relative performance of their investment assets over relevant benchmarks, increased by US\$2.2 million over the corresponding period last year. Russell's good position in US equity Index markets has resulted in a 15.4 per cent. increase in index revenues over the six months to 30 June 2014. In November 2013, Russell acquired the UK network of retail advisors, On-Line Partnership Group ("OLPG"), and the period to 30 June 2014 is the first period of consolidation of OLPG's financial results within Russell. Feedback from network advisors has been encouraging with a net operating profit of US\$1.2 million in the six months ended 30 June 2014. The acquisition resulted in increased revenues of US\$44.8 million and increased operating costs in the form of third party sales commissions of US\$38.9 million in the same period.

The uncertainty created by the Russell sale process has restricted Russell from certain investment services and investment management sales opportunities, especially in the US, in the period to 30 June 2014. Operating costs for the six month period were in line with plan.

Financial results for July 2014 are in line with the financial performance for the year and are higher than plan and the corresponding period last year. The trends in EMEA and the Asia Pacific region are encouraging for sales of Russell's multi-asset solutions investment capability.

8. EMPLOYEES AND MANAGEMENT

The Board attaches great importance to the skills and experience of the management and employees of Russell and believes that they will be a critical factor in the success of the Enlarged Group. LSEG is committed to retaining management and employees to maintain Russell's existing focus on client service and fund performance in the IM business.

Russell's President and Chief Executive Officer, Len Brennan has agreed key terms with LSEG pursuant to which he will continue to be employed by the Enlarged Group. It is expected that a binding service agreement will be entered into prior to Completion. He will be incentivised through a mix of short-term and long-term incentives, all of which are subject to approval by LSEG's Remuneration Committee. He will also join the Executive Committee of the Enlarged Group at Completion.

LSEG is reviewing methods of retention for key management and other critical employees, and agreeing these (to the extent possible prior to Completion) with Russell.

9. PRINCIPAL TERMS OF THE ACQUISITION

Under the terms of the Merger Agreement, Merger Sub will acquire Russell by way of a statutory merger under Washington state law. The aggregate amount payable by LSEG for the Acquisition will be US\$2,700 million (£1,623 million based on the 20 August 2014 Spot Exchange Rate) in cash, subject to certain customary adjustments. At Completion, Merger Sub will merge with and into Russell, with Russell surviving the merger as an indirect wholly owned subsidiary of LSEG.

The Merger Agreement contains customary representations and warranties, covenants, undertakings and conditions for a transaction of this nature. Russell and its majority shareholder, Northwestern Mutual, have agreed not to solicit competing proposals or provide information or engage in transaction-related discussions with third parties. Following Completion, the former shareholders of Russell have agreed to indemnify LSEG and Russell for, among other things, breaches of representations, warranties and covenants made by Russell or such shareholders, subject to customary limitations.

Completion of the Acquisition is subject to certain conditions, including:

- The approval of the Acquisition (as a Class 1 transaction under the Listing Rules) by a majority of votes cast by Shareholders at the General Meeting;
- The investment management fee revenues of certain Russell investment management clients calculated as at the last business day of the calendar month immediately preceding the month in which Completion occurs (excluding clients whose consent is required for the assignment of their investment management agreements in connection with the Acquisition but not obtained) representing at least 70 per cent. of Russell's investment management fee revenues as of the Base Date;
- Certain antitrust and regulatory approvals, including under the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended (US) and by the UK Competition and Markets Authority, and confirmation that the Acquisition will not result in the Company becoming an FHC; and
- The receipt by LSEG of the Rights Issue proceeds.

As at the date of this document: (i) reasonable assurance in writing has been received that LSEG will not become an FHC as a result of the Acquisition; and (ii) early termination of the applicable waiting period under the HSR Act in respect of the Acquisition has been granted. Certain other regulatory and antitrust approvals and other consents remain outstanding.

The Merger Agreement contains certain termination rights for Russell and LSEG and further provides that, in connection with the termination of the Merger Agreement, under specified circumstances (including if the Acquisition is not approved at the General Meeting) LSEG may be required to pay a US\$27 million (£16 million based on the 20 August 2014 Spot Exchange Rate) termination fee.

If the Board changes its recommendation that Shareholders vote in favour of the Acquisition, Russell or LSEG may terminate the Merger Agreement. In that circumstance LSEG would be required to pay Russell a termination fee of US\$86.4 million (£51.9 million based on the 20 August 2014 Spot Exchange Rate), being less than 1 per cent. of LSEG's market capitalisation as of 25 June 2014.

The Merger Agreement provides for a long-stop date of 31 March 2015 (extendable in limited circumstances).

Further details of the terms of the Merger Agreement are found in Part XII "Key Transaction Terms" of this document.

10. PRINCIPAL TERMS OF THE RIGHTS ISSUE

Pursuant to the Rights Issue, the Company is proposing to offer 74,347,813 New Shares by way of a Rights Issue to Qualifying Shareholders other than to Shareholders with a registered address, or resident in, one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories. The offer is to be made at 1,295p per New Share, payable in full on acceptance by no later than 11.00 a.m. on 25 September 2014. If the Rights Issue were to proceed but the Acquisition does not complete, LSEG commits to return the Rights Issue proceeds to Shareholders within a reasonable period of time. Such a return could carry costs for certain shareholders and will have costs for the Company. The Rights Issue is expected to raise approximately £938 million, net of expenses. The Issue Price represents a 30.1 per cent. discount to the theoretical ex-rights price based on the closing middle-

market price of 2,005p per Share on 21 August 2014 (being the last business day before the announcement of the terms of the Rights Issue).

The Rights Issue will be made on the basis of:

3 New Shares at 1,295p per New Share for every 11 Existing Shares

held by Qualifying Shareholders at the close of business on the Record Date.

Entitlements to New Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is fully underwritten by the Underwriters pursuant to the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in Part XIII “Additional Information” of this document.

The Rights Issue will result in 74,347,813 New Shares being issued (representing approximately 27.3 per cent. of the existing issued share capital and 21.4 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue).

The Rights Issue is conditional, inter alia, upon:

- (i) the Underwriting Agreement having become unconditional in all respects save for the condition relating to Admission;
- (ii) Admission becoming effective by not later than 8.00 a.m. on 11 September 2014 (or such later time and date as the Joint Sponsors and the Company may agree); and
- (iii) the passing, without material amendment, of the Resolution.

Certain resolutions authorising the allotment of further shares in the Company and the waiver of pre-emption rights in connection with a rights issue were passed at an annual general meeting of the Company held on 16 July 2014. These authorities will be relied upon for the purposes of the Rights Issue.

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the existing issued Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the Official List and to trading on the London Stock Exchange. It is expected that Admission will occur and that dealings in the New Shares (nil paid) on the London Stock Exchange will commence at 8.00 a.m. on 11 September 2014.

Some questions and answers, together with details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Parts II and III of this document and, where relevant, will also be set out in the Provisional Allotment Letter.

Overseas Shareholders should refer to paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue” of this document for further information on their ability to participate in the Rights Issue.

11. DIVIDENDS AND DIVIDEND POLICY

The Board intends to continue with its current policy of paying dividends on a progressive basis following the Acquisition. Interim and final dividends are expected to be payable in the approximate proportions of one third and two thirds, respectively, of the expected total dividend. Future dividend payments per Share will be adjusted to take account of the enlarged number of Shares that will be in issue following the Rights Issue and the Acquisition.

12. GOVERNANCE AND MANAGEMENT

Throughout the year ended 31 March 2014 the Company complied with all of the provisions of the Corporate Governance Code issued by the Financial Reporting Council in September 2012 other than as set out in the Company’s Annual Report and Accounts for the year ended 31 March 2014.

13. FURTHER INFORMATION

Your attention is drawn to the further information set out in Parts II to XIV of this document. Shareholders should read the whole of this document and not rely solely on the information set out in this letter. In addition, you should consider the risk factors set out on pages 14 to 36 of this document.

14. OVERSEAS SHAREHOLDERS

The attention of Overseas Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of or located in countries other than the United Kingdom, is drawn to the information in paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue” of this document.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. However, Provisional Allotment Letters will only be sent to Qualifying Non-CREST Shareholders other than those with a registered address, or who are resident or located (as applicable), in one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories and, although the CREST stock accounts of all Qualifying CREST Shareholders, including Overseas Shareholders, will be credited, such crediting does not in itself constitute an offer.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Shareholder on the register at the Record Date to take up his rights if the Company in its sole and absolute discretion is satisfied that the transaction in question will not violate applicable laws.

The provisions of paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue” of this document will apply generally to Overseas Shareholders who cannot or do not take up the New Shares provisionally allotted to them.

15. UK AND US TAXATION

Certain information about UK and US taxation in relation to the Rights Issue is set out in Part XI “Taxation” of this document. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom or the United States, you should consult your own independent tax adviser without delay.

16. ACTION TO BE TAKEN

16.1 Action to be taken in respect of the General Meeting

Set out at the end of this document is a notice convening the LSEG General Meeting to be held at the offices of J.P. Morgan, 60 Victoria Embankment, London EC4Y 0JP at 9.30 a.m. on 10 September 2014. At the General Meeting an ordinary resolution will be proposed to approve the Acquisition.

You will find enclosed with this document (unless you hold your shares indirectly) a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are asked to complete the Form of Proxy and return it to the Company’s Registrars, Equiniti, at Aspect House, Lancing, West Sussex, BN99 6DA, so as to arrive as soon as possible, but in any event so as to be received by no later than 9.30 a.m. on 8 September 2014.

Alternatively, if you would prefer to appoint a proxy or proxies electronically, you may do so via the website run by the Company’s Registrars at www.sharevote.co.uk using the information provided on the Form of Proxy.

CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the notice convening the General Meeting at the end of this document.

Completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting at the General Meeting in person if you so wish.

Further details relating to voting by proxy are set out in the notes to the Notice of General Meeting at the end of this document.

16.2 Action to be taken in respect of the Rights Issue

If you are a Qualifying Non-CREST Shareholder other than a Shareholder with a registered address, or who is resident or located (as applicable), in one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories, you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights by post on or about 10 September 2014. If you are a Qualifying CREST Shareholder, you will not be sent a Provisional Allotment Letter. Instead, you will receive a credit to your appropriate stock accounts in CREST in respect of Nil Paid Rights, which it is expected will take place as soon as practicable after 8.00 a.m. on 11 September 2014. Such crediting does not in itself constitute an offer of New Shares.

If you sell or have sold or otherwise transferred all of your Shares held (other than ex-rights) in certificated form before 11 September 2014, please forward this document and any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States, the other Restricted Territories and the Excluded Territories.

If you sell or have sold or otherwise transferred all or some of your Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III of this document and in the Provisional Allotment Letter.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 25 September 2014, unless otherwise announced by the Company. The procedure for acceptance and payment is set out in Part III “Terms and Conditions of the Rights Issue” of this document and, if applicable, in the Provisional Allotment Letter.

For Qualifying Non-CREST Shareholders who take up their rights other than Shareholders with a registered address, or resident in, one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories, the New Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by no later than 6 October 2014 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who take up their rights, the Registrar will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Shares. It is expected that this will take place by 8.00 a.m. on 26 September 2014.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

17. DIRECTORS’ INTENTIONS

The Directors are fully supportive of the Rights Issue. Each of the Directors who hold Shares either intends, to the extent that he or she is able, to take up in full his or her rights to subscribe for New Shares under the Rights Issue or to sell a sufficient number of their Nil Paid Rights during the nil paid trading period to meet the costs of taking up the balance of their entitlements to New Shares.

Similarly, any Executive Director for whom Shares are held as “invested shares” under the Company’s 2004 Long-Term Incentive Plan, which entitle the Director to be granted a matching share award under that plan, either intends in respect of such invested shares, to the extent that he is able, to take up in full the rights to subscribe for New Shares under the Rights Issue or sell a sufficient number of the Nil Paid Rights to take up the balance of the entitlement to New Shares. The Remuneration Committee intends to

make an appropriate adjustment to the related matching awards to increase the number of Shares subject to those awards.

18. RECOMMENDATION AND VOTING INTENTIONS

The Board, which has received financial advice from Barclays and Greenhill, considers the terms of the Acquisition to be fair and reasonable. In providing such financial advice to the Board, Barclays and Greenhill have relied upon the Board's commercial assessments of the Acquisition.

The Board believes the Acquisition and the Resolution are in the best interests of LSEG and LSEG Shareholders as a whole and, accordingly, unanimously recommends that the Shareholders vote in favour of the Resolution as the Directors have each undertaken to do in respect of their own beneficial holdings amounting to 439,276 Existing Shares representing approximately 0.16 per cent. of the Company's existing issued share capital as at 20 August 2014, being the latest practicable date prior to publication of this document.

Yours faithfully,

for and on behalf of London Stock Exchange Group plc

A handwritten signature in black ink that reads "Chris Gibson-Smith". The signature is written in a cursive, flowing style.

Chris Gibson-Smith
Chairman

PART II—SOME QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE

The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III “Terms and Conditions of the Rights Issue” of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under the FSMA if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

This Part II deals with general questions relating to the Rights Issue and more specific questions relating to Shares held by persons resident in the UK who hold their Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue” of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights. If you hold your Shares in uncertificated form (that is, through CREST) you should read Part III “Terms and Conditions of the Rights Issue” of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Shares are in certificated or uncertificated form, please call the Shareholder Helpline on 0871 384 2124 (from within the UK) or on +44 121 415 0839 (if calling from outside the UK). Calls to the 0871 384 2124 number are charged at 8 pence per minute (excluding VAT) or 10 pence per minute (including VAT) plus network extras. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

1. What is a rights issue?

A rights issue is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

The offer under this Rights Issue is at a price of 1,295p per New Share. If you hold Shares on the Record Date, other than those Shareholders with a registered address in the Excluded Territories or, subject to certain exceptions, in the United States or the other Restricted Territories, you will be entitled to buy New Shares under the Rights Issue. If you hold your Existing Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter.

New Shares are being offered to Qualifying Shareholders in the Rights Issue at a discount to the share price on the last dealing day before the details of the Rights Issue were announced on 22 August 2014. The Issue Price of 1,295p per New Share represents a 30.1 per cent. discount to the theoretical ex-rights price based on the closing middle-market price quotation as derived from the London Stock Exchange’s Daily Official List of 2,005p per Share on 21 August 2014, the last business day prior to the date of announcement of the terms of the Rights Issue. As a result of this discount and while the market value of the Existing Shares exceeds the Issue Price, the right to buy the New Shares is potentially valuable.

The Rights Issue is on the basis of 3 New Shares for every 11 Existing Shares held by Qualifying Shareholders on the Record Date.

If you are a Qualifying Shareholder other than a Shareholder with a registered address, or who is resident, in one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories and you do not want to buy the New Shares to which you are entitled, you can instead sell or transfer your rights (called Nil Paid Rights) to those New Shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as “dealing nil paid”.

2. What happens next?

The Company has called a General Meeting to be held at the offices of J.P. Morgan, 60 Victoria Embankment, London EC4Y 0JP 4HD at 9.30 a.m. on 10 September 2014. Please see the notice of the General Meeting at the end of this document. As you will see from the contents of the notice of the General Meeting, the Directors are seeking shareholder approval for the Acquisition.

If the Acquisition is approved at the General Meeting, the Rights Issue will proceed (subject to certain conditions). The Provisional Allotment Letters are due to be despatched on 10 September 2014 to

Qualifying Non-CREST Shareholders and the Nil Paid Rights are due to be credited to the CREST stock accounts of Qualifying CREST Shareholders as soon as practicable after 8.00 a.m. on 11 September 2014.

3. Can I sell some rights and use the proceeds to take up my remaining rights?

This is known as a cashless take-up or “tail-swallowing”. You should contact your stockbroker or financial adviser who may be able to help if you wish to do this. Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 25 September 2014.

4. I hold my Existing Shares in certificated form. How do I know if I am able to acquire New Shares under the Rights Issue?

If you receive a Provisional Allotment Letter and are not a holder with a registered address in the Excluded Territories, or subject to certain exceptions, in the United States or the other Restricted Territories, then you should be eligible to acquire New Shares under the Rights Issue (as long as you have not sold all of your Existing Shares before 8.00 a.m. on 11 September 2014 (the time when the Existing Shares are expected to be marked “ex-rights” by the London Stock Exchange) in which case you will need to follow the instructions on the front page of this document).

5. I hold my Existing Shares in certificated form. How will I be informed of how many New Shares I am entitled to buy?

Subject to Shareholders approving the Resolution at the General Meeting to be held on 10 September 2014, if you hold your Existing Shares in certificated form and do not have a registered address in the United States, one of the other Restricted Territories or one of the Excluded Territories, you will be sent a Provisional Allotment Letter that shows:

- how many Existing Shares you held at the close of business on 8 September 2014 (the Record Date for the Rights Issue);
- how many New Shares you are entitled to buy; and
- how much you need to pay if you want to take up your right to buy all the New Shares provisionally allotted to you in full.

If you have a registered address in one of the Excluded Territories or, subject to certain exceptions, in the United States or one of the other Restricted Territories, you will not receive a Provisional Allotment Letter.

6. I am a Qualifying Shareholder with a registered address in the UK and I hold my Existing Shares in certificated form. What are my choices and what should I do with the Provisional Allotment Letter?

(a) If you want to take up all of your rights

If you want to take up all of your rights to acquire the New Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker’s draft for the full amount, payable to “Equiniti Limited re: LSEG—Rights Issue” and crossed “A/C payee only”, by post or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, BN99 6DA, to arrive by no later than 11.00 a.m. on 25 September 2014. Within the UK only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Full instructions are set out in Part III “Terms and Conditions of the Rights Issue” of this document and will be set out in the Provisional Allotment Letter.

Please note third party cheques will not be accepted other than building society cheques or banker’s drafts.

If payment is made by building society cheque (not being drawn on an account of the applicant) or a banker’s draft, the building society or bank must endorse on the cheque or draft the applicant’s name and the number of an account held in the applicant’s name at the building society or bank, such endorsement being validated by a stamp and an authorised signature.

A definitive share certificate will then be sent to you for the New Shares that you take up. Your definitive share certificate for New Shares is expected to be despatched to you by no later than 6 October 2014. You will need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid

Rights. Your Provisional Allotment Letter will not be returned to you unless you tick the appropriate box on the Provisional Allotment Letter.

(b) If you do not want to take up your rights at all

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter subscribing for the New Shares to which you are entitled by 11.00 a.m. on 25 September 2014, we have made arrangements under which the Underwriters will try to find investors to take up your rights and the rights of others who have not taken up their rights. If the Underwriters do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched by no later than 6 October 2014 and will be sent to your existing address appearing on the Company's register of members (or to the first-named holder if you hold your Existing Shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment, and any amounts of less than £5.00 will be aggregated and donated to charity. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraph 6(d) below).

(c) If you want to take up some but not all of your rights

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on the Provisional Allotment Letter, and returning it by post or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, BN99 6DA, to be received by 3.00 p.m. on 23 September 2014, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the New Shares that you wish to accept together with your cheque or banker's draft to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, BN99 6DA to be received by 11.00 a.m. on 25 September 2014.

Shareholders who wish to effect a cashless take-up of their Nil Paid Rights (which may be achieved through the sale of such portion of their Nil Paid Rights as will raise sufficient funds to allow the relevant Shareholder to take up their remaining Nil Paid Rights) should contact their broker, who may be able to assist with such arrangements. Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 25 September 2014.

Alternatively, if you only want to take up some of your rights (but not sell some or all of the rest), you should complete Form X on the Provisional Allotment Letter and return it with a cheque or banker's draft together with an accompanying letter indicating the number of Nil Paid Rights that you wish to take up, in accordance with the provisions set out in the Provisional Allotment Letter.

Further details are set out in Part III "Terms and Conditions of the Rights Issue" and will be set out in the Provisional Allotment Letter.

(d) If you want to sell all of your rights

If you want to sell all of your rights, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States, one of the other Restricted Territories or any of the Excluded Territories).

Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 25 September 2014.

7. I acquired my Existing Shares prior to the Record Date and hold my Existing Shares in certificated form. What if I do not receive a Provisional Allotment Letter?

If Shareholders approve the Resolution at the General Meeting to be held on 10 September 2014, and you do not receive a Provisional Allotment Letter but hold your Existing Shares in certificated form, this probably means that you are not able to acquire New Shares under the Rights Issue. Some Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to acquire New Shares under the Rights Issue, namely:

- Qualifying CREST Shareholders who held their Existing Shares in uncertificated form on 8 September 2014 and who have converted them to certificated form;
- Shareholders who bought Existing Shares before 8 September 2014 and who hold such Shares in certificated form but were not registered as the holders of those Shares at the close of business on 8 September 2014; and
- certain Overseas Shareholders.

If you do not receive a Provisional Allotment Letter but think that you should have received one, please call the Shareholder Helpline on 0871 384 2124 (from within the UK) or on +44 121 415 0839 (if calling from outside the UK). Calls to the 0871 384 2124 number are charged at 8 pence per minute (excluding VAT) or 10 pence per minute (including VAT) plus network extras. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

8. If I buy Shares after the Record Date will I be eligible to participate in the Rights Issue?

If you bought Shares after the Record Date but prior to 8.00 a.m. on 11 September 2014 (the time when the Existing Shares are expected to start trading ex-rights on the London Stock Exchange), you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Shares at or after 8.00 a.m. on 11 September 2014, you will not be eligible to participate in the Rights Issue in respect of those Shares.

9. I hold my Existing Shares in certificated form. If I take up my rights, when will I receive the certificate representing my New Shares?

If you take up your rights under the Rights Issue, share certificates for the New Shares are expected to be posted by no later than 6 October 2014.

10. What if the number of New Shares to which I am entitled is not a whole number? Am I entitled to fractions of New Shares?

Your entitlement to New Shares will be calculated at the Record Date (other than in the case of those who bought shares after the Record Date but prior to 8.00 a.m. on 11 September 2014 who are eligible to participate in the Rights Issue). If the result is not a whole number, you will not be provisionally allotted a New Share in respect of the fraction of a New Share and your entitlement will be rounded down to the nearest whole number. The New Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be issued in the market nil paid for the benefit of the Company.

11. Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?

If you are resident in the UK for tax purposes, you should not have to pay UK tax when you take up your rights, although the Rights Issue will affect the amount of UK tax you may pay when you subsequently sell your Shares.

However, assuming that you hold your Shares as an investment, rather than for the purposes of a trade, you may (subject to any available exemption or relief) be subject to capital gains tax on any proceeds that you receive from the sale of your rights. Similarly, assuming that you hold your Shares as an investment, if

you allow, or are deemed to allow, your rights to lapse and receive a cash payment in respect of them you may (subject to any available exemption or relief) be subject to capital gains tax on any proceeds.

However if the proceeds are ‘small’ as compared to the value of the Existing Shares in respect of which the rights arose (broadly, the proceeds do not exceed £3,000 or five per cent. of the value of the Existing Shares), a capital gains tax charge should not generally arise at that time. Rather, the proceeds will be deducted from the base cost of the holding of the Existing Shares for the purposes of computing a chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply if the proceeds are greater than the base cost of the holding of Existing Shares.

Further information for Qualifying Shareholders who are resident in the UK for tax purposes is contained in Part XI of this document. This information is intended as a general guide to the current tax position in the UK and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

12. I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to buy the New Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called “Nil Paid Rights”) to those New Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as “dealing nil paid”. This means that, during the Rights Issue offer period (being between 11 September and 11:00 a.m. on 25 September 2014) you can either purchase Shares (which will not carry any entitlement to participate in the Rights Issue) or you can trade in the Nil Paid Rights.

13. I hold my Existing Shares in certificated form. What if I want to sell the New Shares for which I have paid?

Provided the New Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X (the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11:00 a.m. on 25 September 2014. After that time, you will be able to sell your New Shares in the normal way. The share certificate relating to your New Shares is expected to be despatched to you by no later than 6 October 2014. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Further details are set out in Part III “Terms and Conditions of the Rights Issue” of this document.

14. What should I do if I live outside the UK?

Whilst you have an entitlement to participate in the Rights Issue, your ability to take up or sell rights to New Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Shareholders with registered addresses in the Excluded Territories, the United States or the other Restricted Territories are, subject to certain exceptions, not able to acquire New Shares under the Rights Issue. Your attention is drawn to the information in paragraph 2.5 of Part III “Terms and Conditions of the Rights Issue” of this document.

The Company has made arrangements under which the Underwriters will try to find investors to take up your rights and those of other Shareholders who have not taken up their rights. If the Underwriters do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched by no later than 6 October 2014 and will be sent to your address appearing on the Company’s register of members (or to the first-named holder if you hold your Shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment and any such amount of less than £5.00 will be donated to charity.

15. Will the Rights Issue affect the future dividends the Company pays?

Following completion of the Rights Issue, future dividend payments will be adjusted for the Rights Issue. The adjustment will take account of the discount in the Issue Price to the share price at close of business on 21 August 2014, being the day prior to the announcement of the terms of the Rights Issue.

16. What if I hold options and awards under the Share Schemes?

Participants in the Share Schemes will be contacted separately with further information on how their options and awards granted under such plans may be affected by the Rights Issue.

17. How do I transfer my rights into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your New Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on the Provisional Allotment Letter), and ensure they are delivered to CCSS to be received by 3.00 p.m. on 22 September 2014 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to paragraph 2.2 of Part III “Terms and Conditions of the Rights Issue” for details on how to pay for the New Shares.

18. What should I do if I think my holding of Shares is incorrect?

If you have recently bought or sold Shares, your transaction may not be entered on the register of members in time to appear on the register at the Record Date. If you are concerned about the figure in the Provisional Allotment Letter or otherwise concerned that your holding of Shares is incorrect, please call the Shareholder Helpline on 0871 384 2124 (from within the UK) or on +44 121 415 0839 (if calling from outside the UK). Calls to the 0871 384 2124 number are charged at 8 pence per minute (excluding VAT) or 10 pence per minute (including VAT) plus network extras. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

PART III—TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1. Introduction

The Company is proposing to raise proceeds of approximately £938 million (net of expenses) by way of a rights issue of 74,347,813 New Shares. Subject to the fulfilment of the conditions of the Underwriting Agreement, the New Shares will be offered under the Rights Issue by way of rights at 1,295p per New Share. This offer will be on the basis of:

3 New Shares for every 11 Existing Shares

held on the Record Date (and so in proportion for any other number of Existing Shares then held) and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying Non-CREST Shareholders other than to Shareholders with a registered address, or located, in one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories, the Provisional Allotment Letters.

Times and dates referred to in this Part III “Terms and Conditions of the Rights Issue” have been included on the basis of the expected timetable for the Rights Issue set out on page 42.

The Issue Price of 1,295p per New Share represents a 30.1 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of an Share as derived from the London Stock Exchange Daily Official List of 2,005p per Existing Share on 21 August 2014, the last business day prior to the date of announcement of the terms of the Rights Issue.

Qualifying Shareholders who do not take up their entitlements to New Shares will have their proportionate shareholdings in the Company diluted by approximately 21.4 per cent. Those Qualifying Shareholders who take up the New Shares provisionally allotted to them in full will, subject to the rounding down and sale of any fractions, retain the same proportionate voting and distribution rights as held by them at the close of business on the Record Date.

The Nil Paid Rights (also described as New Shares, nil paid) are entitlements to acquire the New Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the New Shares, for which a subscription and payment has already been made.

Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Entitlements to New Shares will be rounded down to the next lowest whole number (or to zero in the case of shareholders holding fewer than 11 Existing Shares at the close of business on the Record Date) and fractions of New Shares will not be allotted to Qualifying Shareholders. Such fractions will be aggregated and, if possible, placed as soon as practicable after the commencement of dealings in the New Shares, nil paid. The net proceeds of such placings (after deduction of expenses) will be aggregated and will ultimately accrue for the benefit of the Company.

Overseas Shareholders or any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the UK should consider paragraph 2.5 below. The offer of New Shares under the Rights Issue will not be made into certain territories. Subject to the provisions of paragraph 2.5 below, Shareholders with a registered address in the United States, any other Restricted Territory or an Excluded Territory are not being sent this document and will not be sent Provisional Allotment Letters.

Applications will be made to the UK Listing Authority and to the London Stock Exchange for the New Shares (nil paid and fully paid) to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities, respectively. It is expected that Admission will become effective on 11 September 2014 and that dealings in the New Shares, nil paid, will commence on the London Stock Exchange by 8.00 a.m. on that date. The New Shares and the Existing Shares are in registered form and can be held in certificated or uncertificated form via CREST.

The Existing Shares are already admitted to CREST. No further application for admission to CREST is required for the New Shares and all of the New Shares when issued and fully paid may be held and transferred by means of CREST.

Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions (imposed by the CREST Manual) have been satisfied before Euroclear will admit any security to CREST. It is expected that these conditions

will be satisfied, in respect of the Nil Paid Rights and the Fully Paid Rights, on Admission. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear.

The ISIN for the New Shares will be the same as that of the Existing Shares, being GB00B0SWJX34. The ISIN for the Nil Paid Rights will be GB00BPZ54W45 and for the Fully Paid Rights will be GB00BPZ54Y68.

None of the New Shares are being offered to the public other than pursuant to the Rights Issue.

The Rights Issue has been fully underwritten by the Underwriters and is conditional, *inter alia*, upon:

- (i) the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms;
- (ii) Admission becoming effective by not later than 8.00 a.m. on 11 September 2014 (or such later date as the parties to the Underwriting Agreement may agree); and
- (iii) the passing, without amendment, of the Resolution.

The Underwriting Agreement is conditional upon certain matters being satisfied or not breached prior to the General Meeting and may be terminated by the Sole Global Coordinator prior to Admission upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriting Agreement is not capable of termination following Admission. The Sole Global Coordinator may arrange sub-underwriting for some, all or none of the New Shares. A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 16.1 of Part XIII “Additional Information” of this document.

The Underwriters and any of their respective affiliates may engage in trading activity in connection with their roles under the Underwriting Agreement and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Shares, Nil Paid Rights and Fully Paid Rights) for the purpose of hedging their underwriting exposure or otherwise. Accordingly, references in this document to Nil Paid Rights, Fully Paid Rights or New Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Underwriters and any of their affiliates acting as investors for their own account. Except as required by applicable law or regulation, none of the Underwriters propose to make any public disclosure in relation to such transactions. In addition certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Shares.

In addition, the Company reserves the right to decide not to proceed with the Rights Issue if the Underwriting Agreement is terminated at any time prior to Admission and commencement of dealings in the New Shares (nil paid).

Subject, *inter alia*, to the conditions referred to above being satisfied (other than the condition relating to Admission) and save as provided in paragraph 2.5 below, it is intended that:

- (i) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders, other than to Shareholders with a registered address, or resident or located, in one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories on 10 September 2014;
- (ii) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders with such Shareholders’ entitlements to Nil Paid Rights with effect from 8.00 a.m. on 11 September 2014;
- (iii) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied, which is expected to be by 8.00 a.m. on 11 September 2014;
- (iv) New Shares will be credited to the appropriate stock accounts of the relevant Qualifying CREST Shareholders and/or purchasers of Nil Paid Rights (or their renounees) who validly take up their rights, and the purchasers of Fully Paid Rights, as soon as practicable after 8:00 a.m. on 26 September 2014; and

- (v) share certificates for the New Shares will be despatched to relevant Qualifying Non-CREST Shareholders or their renounees by no later than 6 October 2014.

The offer will be made to Qualifying Non-CREST Shareholders other than to Shareholders with a registered address, or resident or located, in one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories by way of the Provisional Allotment Letter (as described in step (i) above) and to Qualifying CREST Shareholders other than to Shareholders with a registered address, or resident, in one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories by way of the enablement of the Nil Paid Rights and the Fully Paid Rights (as described in step (iii) above) (such Shareholders' stock accounts having been credited as described in step (ii) above).

The New Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of issue of the New Shares. There will be no restrictions on the free transferability of the New Shares save as provided in the Articles. The rights attaching to the New Shares are governed by the Articles, a summary of which is set out in paragraph 4 of Part XIII "Additional Information" of this document.

All documents, including Provisional Allotment Letters (which constitute temporary documents of title) and cheques and certificates posted to, by or from Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-To-Many ("MTM") instruction to Euroclear will be deemed to have given the representations and warranties set out in paragraph 2.6 of this Part III "Terms and Conditions of the Rights Issue", unless the requirement is waived by the Company.

2. Action to be taken

The action to be taken in respect of the New Shares depends on whether, at the relevant time, the Nil Paid Rights or the Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder other than a Shareholder with a registered address, or who is resident or located, in one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories, please refer to paragraph 2.1 and paragraphs 2.3 to 2.9 below.

If you are a Qualifying CREST Shareholder other than a Shareholder with a registered address, or who is resident or located, in one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories, please refer to paragraphs 2.2 to 2.9 below and to the CREST Manual for further information on the CREST procedures referred to below.

If you are a Qualifying CREST Shareholder or a Qualifying Non-CREST Shareholder, either (i) with a registered address in an Excluded Territory, the United States or any other Restricted Territory, or (ii) holding Shares on behalf of, or for the account or benefit of any person on a non-discretionary basis who is in the United States or any state of the United States, please refer to paragraph 2.5 below.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

All enquiries in relation to the Provisional Allotment Letters should be addressed to the Shareholder Helpline on 0871 384 2124 (from within the UK) or on +44 121 415 0839 (if calling from outside the UK). Calls to the 0871 384 2124 number are charged at 8 pence per minute (excluding VAT) or 10 pence per minute (including VAT) plus network extras. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

2.1 Action to be taken by Qualifying Non-CREST Shareholders in relation to the Nil Paid Rights represented by Provisional Allotment Letters

2.1.1 General

Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders on 10 September 2014. Each Provisional Allotment Letter will set out:

- (i) the holding at the close of business on the Record Date of Existing Shares in certificated form on which a Qualifying Non-CREST Shareholder's entitlement to New Shares has been based;
- (ii) the aggregate number of New Shares which have been provisionally allotted to that Qualifying Non-CREST Shareholder with respect to the Existing Shares referred to in (i);
- (iii) the amount payable by a Qualifying Non-CREST Shareholder at the Rights Issue Price to take up his entitlement in full;
- (iv) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (v) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation (where applicable).

On the basis that Provisional Allotment Letters are posted on 10 September 2014, and that dealings in Nil Paid Rights commence on 11 September 2014, **the latest time and date for acceptance and payment in full will be 11.00 a.m. on 25 September 2014.**

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 10 September 2014 or if the timetable for the Rights Issue is otherwise amended, the expected timetable, as set out at the front of this document, will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. All references to times and/or dates in this Part III "Terms and Conditions of the Rights Issue" should be read as being subject to such adjustment.

2.1.2 Procedure for acceptance and payment

(i) Qualifying Non-CREST Shareholders who wish to take up their entitlement in full

Holders of Provisional Allotment Letters who wish to take up all of their entitlement must complete and return the Provisional Allotment Letter, together with a cheque or banker's draft in pounds sterling, made payable to "Equiniti Limited re: LSEG—Rights Issue" and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 25 September 2014. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose and for use in the UK only. If you post your Provisional Allotment Letter within the UK by first-class post, it is recommended that you allow at least four days for delivery.

(ii) Qualifying Non-CREST Shareholders who wish to take up some (but not all) of their entitlement

Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights and wish to sell some or all of those rights which they do not want to take up should first apply for split Provisional Allotment Letters by completing Form X on the Provisional Allotment Letter and returning it, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights or Fully Paid Rights (if appropriate) to be comprised in each split Provisional Allotment Letter, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA by 3.00 p.m. on 23 September 2014, the last date and time for splitting Provisional Allotment Letters. The Provisional Allotment Letter will then be cancelled and exchanged for the split Provisional Allotment Letters required. Such holders of Provisional Allotment Letters should then deliver the split Provisional Allotment Letter representing the rights they wish to take up together with a cheque or banker's draft in pounds sterling for this number of rights, payable to "Equiniti Limited re: LSEG—Rights Issue" and crossed "A/C payee only" so as to be received by not later than 11.00 a.m. on 25 September 2014, the last date and time for acceptance. The further split

Provisional Allotment Letters (representing the New Shares the Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

Shareholders who wish to effect a cashless take-up of their Nil Paid Rights (which may be achieved through the sale of such portion of their Nil Paid Rights as will raise sufficient funds to allow the relevant Shareholder to take up their remaining Nil Paid Rights) should contact their broker, who may be able to assist with such arrangements. Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 25 September 2014.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should complete Form X on the original Provisional Allotment Letter and return it, together with a covering letter confirming the number of rights to be taken up and a cheque or banker's draft in pounds sterling to pay for this number of Shares, by post or by hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA. In this case, the Provisional Allotment Letter and payment must be received by 11.00 a.m. on 25 September 2014, the last date and time for acceptance.

(iii) Company's discretion as to validity of acceptances

If payment is not received in full by 11.00 a.m. on 25 September 2014, the provisional allotment will (unless the Company has exercised its right to treat as valid an acceptance, as set out below) be deemed to have been declined and will lapse. The Company may elect, with the agreement of the Sole Global Co-ordinator, but shall not be obliged, to treat as valid Provisional Allotment Letters and accompanying remittances for the full amount due which are received prior to 5.00 p.m. on 25 September 2014.

The Company may elect, but shall not be obliged to treat as a valid acceptance, the receipt of appropriate remittance by 5.00 p.m. on 25 September 2014, from an authorised person (as defined in the FSMA) specifying the number of New Shares to be acquired and containing an undertaking by that person to lodge the relevant Provisional Allotment Letters, duly completed, in due course.

The Company may also (in its sole discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the New Shares that appears to the Company to have been executed in, despatched from or that provided an address for delivery of definitive share certificates for New Shares in the United States, any other Restricted Territory or an Excluded Territory unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The provisions of this paragraph 2.1.2(iii) and any other terms of the Rights Issue relating to Qualifying Non-CREST Shareholders may be waived, varied or modified as regards specific Qualifying Non-CREST Shareholder(s) or on a general basis by the Company, with the agreement of the Underwriters.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 2.1.2 is deemed to request that the New Shares to which they will become entitled be issued to them on the terms and conditions set out in this document and subject to the Articles.

(iv) Payments

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Equiniti Limited re: LSEG—Rights Issue" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the UK or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Cheques must be drawn on the personal account to which the Qualifying Non-CREST Shareholder (or their nominee) has sole or joint title to the funds. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post dated cheques

will not be accepted. Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Registrar to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Rights Issue that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. Return of a completed Provisional Allotment Letter will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If the New Shares have already been allotted to a Qualifying Non-CREST Shareholder prior to any payment not being so honoured upon first presentation or such acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Shares on behalf of such Qualifying Non-CREST Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Shares, and of all amounts payable by such Qualifying Non-CREST Shareholder pursuant to the terms of the Rights Issue in respect of the acquisition of such New Shares) on behalf of such Qualifying Non-CREST Shareholder. Neither the Company nor the Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

- (v) Holders of Provisional Allotment letters who wish to take up any of their entitlements must make the representations and warranties set out in paragraph 2.6 below.

2.1.3 Money Laundering Regulations

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Registrars, Equiniti Limited, may require verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements is the responsibility of such broker or intermediary and not of the Registrars. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person(s) (the "acceptor") who, by lodging a Provisional Allotment Letter with payment, and in accordance with the other terms as described above, accept(s) directly or indirectly, the allotment of the New Shares (the "relevant shares") comprised in such Provisional Allotment Letter (being the provisional allottee or, in the case of renunciation, the person named in such Provisional Allotment Letter) shall thereby be deemed to agree to provide the Registrars and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements and agree for the Registrars to make a search using a credit reference agency for the purpose of confirming such identity where deemed necessary. A record of the search will be retained.

If the Registrar determines that the verification of identity requirements apply to an acceptance of an allotment and the verification of identity requirements have not been satisfied (which the Registrar shall in its absolute discretion determine) by 11.00 a.m. on 25 September 2014, the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the acceptance as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, or may confirm the allotment of the relevant shares to the acceptor but (notwithstanding any other term of the Rights Issue) such shares will not be issued to him or registered in his name until the verification of identity requirements have been satisfied (which the Registrar shall in its absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the acceptor, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations. The Registrar is entitled in its absolute discretion to determine whether the identity verification

requirements apply to any acceptor and whether such requirements have been satisfied. Neither the Company, the Banks nor the Registrar will be liable to any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance and an undertaking to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purpose of the Money Laundering Regulations. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of a receipted fully paid Provisional Allotment Letter, share certificate or other documents relating to the Rights Issue (as applicable).

The verification of identity requirements will not usually apply:

- (i) if the acceptor is an organisation required to comply with the Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing; or
- (ii) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) if the acceptor (not being an acceptor who delivers his acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or
- (iv) if the aggregate subscription price for the relevant shares is less than €15,000 (approximately £12,500).

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker's draft in pounds sterling drawn on a branch in the UK of a bank or building society and bears a UK bank sort code number in the top right-hand corner, the following applies. Cheques or banker's drafts should be made payable to "Equiniti Limited re: LSEG—Rights Issue" and crossed "A/C payee only". Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application;
- (b) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti money-laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), the agent should provide written confirmation with the Provisional Allotment Letter that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Registrar or the relevant authority; or
- (c) if a Provisional Allotment Letter is lodged by hand by the acceptor in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address (for example, a recent bank statement).

In order to confirm the acceptability of any written assurance referred to in (b) above or any other case, the acceptor should contact the Registrar. The Shareholder Helpline is available on 0871 384 2124 (from within the UK) or on +44 121 415 0839 (if calling from outside the UK). Calls to the 0871 384 2124 number are charged at 8 pence per minute (excluding VAT) or 10 pence per minute (including VAT) plus network extras. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

2.1.4 Dealings in Nil Paid Rights

Assuming the Rights Issue becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 11 September 2014. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the letter to the transferee or to a stockbroker, bank or other appropriate financial adviser. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid, is expected to be 11.00 a.m. on 25 September 2014.

2.1.5 Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and delivering it, by post or by hand (during normal business hours) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received by not later than 11.00 a.m. on 25 September 2014. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letters returned to them after acceptance has been effected by the Registrar. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box on the Provisional Allotment Letter. After 26 September 2014, the New Shares will be in registered form and transferable in the usual way (see paragraph 2.1.10 below).

2.1.6 Renunciation and splitting of Provisional Allotment Letters

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, the letter will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the Provisional Allotment Letter may be transferred by delivery of the Provisional Allotment Letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters, fully paid, is 11.00 a.m. on 25 September 2014.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights or (if appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he or his agent must complete and sign Form X on the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received by not later than 3.00 p.m. on 23 September 2014, to be cancelled and exchanged for the number of split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (if appropriate) Fully Paid Rights to be comprised in each split letter should be stated in an accompanying letter. Form X on split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. The aggregate number of Nil Paid Rights or (as appropriate) Fully Paid Rights comprised in the split Provisional Allotment Letters must equal the number of New Shares set out in the original Provisional Allotment Letter (less the number of New Shares representing rights that the holder wishes to take up if taking up his entitlement in part). The split Provisional Allotment Letter(s) (representing the New Shares the Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements, including (without limitation) any renunciation in the name of any person with an address outside the UK.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without transferring the remainder, should complete Form X on the original Provisional Allotment Letter and return it, together with a covering letter confirming the number of rights to be taken up and a cheque or banker's draft in pounds sterling to pay for this number of New Shares, by post or by hand (during normal business hours only) to Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. In this case, the Provisional Allotment Letter and payment must be received by the Receiving Agent by 11.00 a.m. on 25 September 2014.

2.1.7 Registration in names of Qualifying Shareholders

A Qualifying Shareholder who wishes to have all the New Shares to which he is entitled registered in his name must accept and make payment for such allotment in accordance with the provisions set out in this document and the Provisional Allotment Letter but need take no further action. A share certificate in respect of the New Shares subscribed for is expected to be sent to such Qualifying Shareholders by no later than 6 October 2014.

2.1.8 Registration in names of persons other than Qualifying Shareholders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholders(s) originally entitled, the renounee or his agent(s) must complete Form Y on the Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such New Shares in uncertificated form, in which case Form X and the CREST Deposit Form must be completed (see paragraph 2.2 below)) and deliver the entire Provisional Allotment Letter, when fully paid, by post or by hand (during normal business hours) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, by not later than the latest time for registration of renunciations, which is expected to be 11.00 a.m. on 25 September 2014. Registration cannot be effected unless and until the New Shares comprised in a Provisional Allotment Letter are fully paid.

The New Shares comprised in several renounced Provisional Allotment Letters may be registered in the name of one holder (or joint holders) if Form Y on the Provisional Allotment Letter is completed on one Provisional Allotment Letter (the "Principal Letter") and all the Provisional Allotment Letters are delivered in one batch. Details of each Provisional Allotment Letter (including the Principal Letter) should be listed in a separate letter.

2.1.9 Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the next following paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights represented by the Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CREST Courier and Sorting Service ("CCSS"). In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the whole of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters by following the instructions in paragraph 2.1.2 above. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. The Consolidation Listing Form (as defined in the CREST Regulations) must not be used.

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 25 September 2014. **In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on the Provisional Allotment Letter duly completed) with the CCSS (to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary**

steps in connection with taking up the entitlement prior to 11.00 a.m. on 25 September 2014) is 3.00 p.m. on 23 September 2014.

When Form X and the CREST Deposit Form (on the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letters will cease to be renounceable or transferable by delivery, and, for the avoidance of doubt, any entries in Form Y will not subsequently be recognised or acted upon by the Registrar. All renunciations or transfers of Nil Paid Rights or Fully Paid Rights must be effected through the CREST system once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up the entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member.

2.1.10 Issue of New Shares in definitive form

Definitive share certificates in respect of the New Shares to be held in certificated form are expected to be despatched by post by no later than 6 October 2014 at the risk of the persons entitled thereto to Qualifying Non-CREST Shareholders (or their transferees who hold Fully Paid Rights in certificated form), or in the case of joint holdings, to the first-named Shareholders, at their registered address (unless lodging agent details have been completed on the Provisional Allotment Letter). After despatch of the definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Shares will be certified by the Receiving Agent against the register.

2.2 Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights and Fully Paid Rights in CREST

2.2.1 General

It is expected that each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his entitlement to Nil Paid Rights on 11 September 2014. It is expected that such rights will be enabled by 8.00 a.m. on 11 September 2014. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Shares in uncertificated form held at the close of business on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he receives a credit of entitlement into his stock account in CREST. The minimum number of New Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If, for any reason, it is impracticable to credit the stock accounts of Qualifying CREST Shareholders, or to enable the Nil Paid Rights by 8.00 a.m. on 11 September 2014, Provisional Allotment Letters shall, unless the Company determines otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document will be adjusted as appropriate. **References to dates and times in this document should be read as subject to any such adjustment.** The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates **but Qualifying CREST Shareholders may not receive any further written communication.**

CREST members who wish to take up their entitlements in respect of or otherwise to transfer Nil Paid Rights or Fully Paid Rights held by them in CREST (including CREST members who wish to effect a cashless take-up of that Nil Paid Rights) should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights (including effecting a cashless take-up of Nil Paid Rights).

2.2.2 Procedure for acceptance and payment

(i) MTM instructions

CREST members who wish to take up all or some of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear that, on its settlement, will have the following effect:

- (a) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (b) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank (as this term is defined in the CREST Manual) of the Receiving Agent in pounds sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph 2.2.2(i)(a) above; and
- (c) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in paragraph 2.2.2(i)(a) above.

(ii) Contents of MTM instructions

The MTM instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Nil Paid Rights to which the acceptance relates;
- (b) the participant ID of the accepting CREST member;
- (c) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- (d) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 2RA13;
- (e) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is RA178501;
- (f) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (g) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights referred to in paragraph 2.2.2(ii)(a) above;
- (h) the intended settlement date. This must be on or before 11.00 a.m. on 25 September 2014;
- (i) the Nil Paid Rights ISIN number, which is GB00BPZ54W45;
- (j) the Fully Paid Rights ISIN number, which is GB00BPZ54Y68;
- (k) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST; and
- (l) a contact name and telephone number in the shared note field.

(iii) Valid acceptance

An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph 2.2.2(ii) above will constitute a valid acceptance where either:

- (a) the MTM instruction settles by not later than 11.00 a.m. on 25 September 2014; or

- (b) at the discretion of the Company:
- (I) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 25 September 2014; and
 - (II) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 25 September 2014; and
 - (III) the relevant MTM instruction settles by 11.00 a.m. on 25 September 2014 (or such later time and/or date as the Company may determine).

An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM UK instruction by the Network Providers' Communications Host.

The provisions of this paragraph 2.2.2(iii) and any other terms of the Rights Issue relating to Qualifying CREST Shareholders may be waived, varied or modified as regards specific Qualifying CREST Shareholder(s) or on a general basis by the Company.

(iv) Representations, warranties and undertakings of CREST members

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 2.2.2 represents, warrants and undertakes to the Company and the Underwriters that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 25 September 2014. In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that, at 11.00 a.m. on 25 September 2014 (or until such later time and date as the Company may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt. Such CREST member or CREST sponsored member taking up entitlements must make the representations and warranties set out in paragraph 2.6 below.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Shares have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such New Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the Rights Issue in respect of the acquisition of such New Shares) on behalf of such CREST member or CREST sponsored member. Neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

(v) CREST procedures and timings

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 25 September 2014. In connection with this, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vi) CREST member's undertaking to pay

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 2.2.2 undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST manual), the creation of a RTGS payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual) in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, (a) discharge in full the obligation of the CREST member (or CREST sponsored member) to pay the amount payable on acceptance) and (b) requests that the Fully Paid Rights and/or New Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles of Association of the Company. Such payment will be held by the Receiving Agent on trust for Barclays, who is acting as principal on receipt of such monies.

If the payment obligations of the relevant CREST member or CREST sponsored member in relation to such New Shares are not discharged in full and such New Shares have already been allotted to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such Shares on behalf of the CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such Shares, and of all amounts payable by such CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the acquisition of such Shares) or an amount equal to the original payment of the CREST member or CREST sponsored member. Neither the Company nor the Underwriters nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by the CREST member or CREST sponsored member as a result.

(vii) Company's discretion as to rejection and validity of acceptances

The Company may agree in its absolute sole discretion to:

- (a) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2. Where an acceptance is made as described in this paragraph 2.2.2, which is otherwise valid, and the MTM instruction concerned fails to settle by 11.00 a.m. on 25 September 2014 (or by such later time and date as the Company has determined), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance contained in this paragraph 2.2.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2 unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) for the failure to settle;
- (b) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 2.2.2;
- (c) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Underwriters may determine;
- (d) treat a properly authenticated dematerialised instruction in this paragraph 2.2.2(vii)(d) (the "first instruction") as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (e) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons or due to

circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

2.2.3 Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Registrar is entitled to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf you are making the application and any submission of a MTM instruction constitutes agreement for the Registrar to make a search via a credit reference agency where deemed necessary. A record of search results will be retained. You must therefore contact the Registrar before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the verification of the identity requirements in the Money Laundering Regulations or the FSMA. Pending the provision of such information and other evidence as the Registrar may be required to satisfy the verification of identity requirements, the Receiving Agent, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If such information and other evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of the Company and/or the Underwriters to take proceedings to recover any loss suffered by any of them as a result of failure by the applicant to provide such information and other evidence.

2.2.4 Dealings in Nil Paid Rights in CREST

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence as soon as practicable after 8.00 a.m. on 11 September 2014. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 25 September 2014.

2.2.5 Dealings in Fully Paid Rights in CREST

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 25 September 2014. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 25 September 2014. From 26 September 2014, the New Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way (see paragraph 2.2.7 of this Part III below).

2.2.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 19 September 2014, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 25 September 2014. You are recommended to refer to the CREST Manual for details of such procedures.

2.2.7 Issue of New Shares in CREST

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 25 September 2014 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST no later than the close of business on the business day after the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Shares with effect as soon as practicable after 8.00 a.m. on 26 September 2014).

2.2.8 Right to allot/issue in certificated form

Despite any other provision of this document, the Company reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or New Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

2.3 Procedure in respect of rights not taken up (whether certificated or in CREST) and withdrawal

2.3.1 Procedure in respect of New Shares not taken up

If an entitlement to New Shares is not validly taken up by 11.00 a.m. on 25 September 2014, in accordance with the procedure laid down for acceptance and payment, then that Provisional Allotment Letter will be deemed to have been declined and will lapse. The Sole Global Coordinator (on behalf of the Underwriters) will endeavour to procure, by not later than 5:00 p.m. on the second dealing day after the last date for acceptance under the Rights Issue, subscribers for all (or as many as possible) of those New Shares not taken up at a price per New Share which is at least equal to the aggregate of the Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax).

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such subscribers if, in their opinion, it is unlikely that any such subscribers can be procured at such a price and by such a time. If and to the extent that subscribers for New Shares cannot be procured on the basis outlined above, the relevant New Shares will be subscribed for by the Underwriters or sub-underwriters (if any) at the Issue Price pursuant to the terms of the Underwriting Agreement.

Any premium over the aggregate of the Issue Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax) shall be paid (subject as provided in this paragraph 2.3):

- (i) where the Nil Paid Rights were, at the time they were not taken up, represented by a Provisional Allotment Letter, to the person whose name and address appeared on the Provisional Allotment Letter;
- (ii) where the Nil Paid Rights were, at the time they were not taken up, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (iii) where an entitlement to New Shares was not taken up by an Overseas Shareholder, to that Overseas Shareholder.

New Shares for which subscribers are procured on this basis will be reallocated to the subscribers and the aggregate of any premiums (being the amount paid by the subscribers after deducting the Issue Price and the expenses of procuring the subscribers, including any applicable brokerage and commissions and amounts in respect of value added tax), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant provisional allotments not taken up, save that amounts of less than £5.00 per holding will not be so paid but will be aggregated and donated to charity. Cheques for the amounts due will be sent by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first-named holder in the case of joint holders), provided that, where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) CREST settlement bank in respect of the cash amount concerned in accordance with the CREST payment mechanism.

Any transactions undertaken pursuant to this paragraph 2.3 or paragraph 2.5.1 below shall be deemed to have been undertaken at the request of the persons entitled to the rights not taken up or other entitlements and neither the Company nor the Underwriters nor any other person procuring subscribers shall be responsible for any loss, expense or damage (whether actual or alleged) arising from the terms or timing of any such acquisition, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis so described. The Underwriters will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

It is a term of the Rights Issue that all New Shares validly taken up by subscribers under the Rights Issue may be allotted to such subscribers in the event that not all of the New Shares offered for subscription under the Rights Issue are taken up.

2.3.2 Withdrawal rights

Persons who have the right to withdraw their acceptances under Section 87Q(4) of the FSMA after a supplementary prospectus (if any) has been published and who wish to exercise such right of withdrawal must do so by lodging a written notice of withdrawal (which shall not include a notice sent by facsimile or any other form of electronic communication), which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, with Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, so as to be received no later than two business days after the date on which the supplementary prospectus was published, withdrawal being effective as at posting of the written notice of withdrawal. Notice of withdrawal given by any other means or which is deposited with or received by Equiniti Limited after the expiry of such period will not constitute a valid withdrawal. Furthermore, based on advice received by the Company as to the effect of statutory withdrawal rights where the allotment contract is fully performed, the Company will not permit the exercise of withdrawal rights after payment by the relevant Shareholder of its subscription amount in full and the allotment of the New Shares to such Shareholder becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers including their legal advisers as this may be a matter of law.

Provisional allotments of entitlements to New Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Shares will be subject to the provisions of paragraph 2.3.1 above as if the entitlement had not been validly taken up.

2.4 Taxation

The information contained in Part XI “Taxation” of this document is intended only as a general guide to the current tax position in the UK and the United States and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances.

2.5 Overseas Shareholders

2.5.1 General

This document has been approved by the FCA, being the competent authority in the UK. The making or acceptance of the proposed offer of Nil Paid Rights, Fully Paid Rights and/or New Shares to persons who have registered addresses outside the UK, or who are resident in, or citizens of, countries other than the UK may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the UK wishing to take up rights under or otherwise participate in the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 2.5 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his position should consult his professional adviser without delay.

Having considered the circumstances, the Directors have formed the view that it is necessary or expedient to restrict the ability of persons in the Excluded Territories to take up rights to New Shares or otherwise participate in the Rights Issue due to the time and costs involved in the registration of this Prospectus and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this document and/or Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the close of business on the Record Date, including Overseas Shareholders. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST accounts of, Shareholders with registered addresses in the United States, any of the other Restricted Territories or the Excluded Territories or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Although Nil Paid Rights will be credited to the CREST accounts of all Qualifying CREST Shareholders, such crediting of Nil Paid Rights does not constitute an offer to Shareholders and, specifically, no offer is being made to Shareholders (i) with a registered address, or resident or located, in any of the Excluded Territories or (ii) in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Shares. CREST Shareholders will be entitled to take up rights in the Rights Issue only if such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him nor should he in any event use the Provisional Allotment Letter or deal in Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Nil Paid Rights and Fully Paid Rights. In such circumstances, this document and the Provisional Allotment Letter are to be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same or transfer Nil Paid Rights or Fully Paid Rights in or into any jurisdiction where to do so would or might contravene local security laws or regulations. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or a Provisional Allotment Letter or transfer Nil Paid Rights or Fully Paid Rights into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 2.5.

Subject to paragraphs 2.5.2 to 2.5.6 below, any person (including, without limitation, agents, nominees and trustees) outside the UK wishing to take up his rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 2.5 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

The Company reserves the right to treat as invalid and will not be bound to allot or issue any New Shares in respect of any acceptance or purported acceptance of the offer of New Shares which:

- (i) appears to the Company or its agents to have been executed, effected or despatched from the United States, any other Restricted Territory or an Excluded Territory unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement; or
- (ii) in the case of a Provisional Allotment Letter, provides an address for delivery of the share certificates or other statements of entitlement or advice in an Excluded Territory or any other jurisdiction outside the UK in which it would be unlawful to deliver such certificates, statements or advice or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or

(iii) in the case of a credit of New Shares in CREST, to a CREST member or CREST sponsored member whose registered address would be in the United States, any other Restricted Territory or an Excluded Territory or any other jurisdiction outside the UK in which it would be unlawful to make such a credit or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements.

The attention of Overseas Shareholders with registered addresses in the United States, any other Restricted Territory or the Excluded Territories is drawn to paragraphs 2.5.2 to 2.5.5 below.

The provisions of paragraph 2.3.1 above will apply to Overseas Shareholders who do not take up New Shares provisionally allotted to them or are unable to take up New Shares provisionally allotted to them because such action would result in a contravention of applicable law or regulatory requirements. Accordingly, such Shareholders will be treated as Shareholders that have not taken up their entitlement for the purposes of paragraph 2.3.1 above and the Underwriters will use reasonable endeavours to procure subscribers for the relevant New Shares. The net proceeds of such sales (after deduction of expenses) will be paid to the relevant Shareholders pro-rata to their holdings of Existing Shares at the close of business on the Record Date as soon as practicable after receipt, except that (i) individual amounts of less than £5.00 per holding will not be distributed but will be aggregated and paid to charity and (ii) amounts in respect of fractions will not be distributed but will be retained for the benefit of the Company. None of the Company, the Underwriters or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from the terms or the timing of the acquisition or the procuring of it or any failure to procure subscribers.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Shareholder to participate in the Rights Issue on the terms and conditions set out in this document as if it were a Qualifying Shareholder if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company is so satisfied, the Company will arrange for the relevant Shareholder to be sent a Provisional Allotment Letter if he is a Qualifying Non-CREST Shareholder or, if he is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 2.1.2 (Qualifying Non-CREST Shareholders) and 2.2.2 (Qualifying CREST Shareholders) above.

Overseas Shareholders should note that all subscription monies must be paid in pounds sterling by cheque or banker's draft and should be drawn on a bank in the UK, made payable to "Equiniti Limited re: LSEG—Rights Issue" and crossed "A/C payee only".

2.5.2 United States of America

The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Shares may be relying on the exemption from registration provisions under Section 5 of the US Securities Act provided by Rule 144A thereunder.

Accordingly, the Company is not extending the offer under the Rights Issue into the United States unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions, none of this document and the Provisional Allotment Letter constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Nil Paid Rights, Fully Paid Rights or New Shares in the United States. Subject to certain exceptions, neither this document nor a Provisional Allotment Letter will be sent to any Shareholder with a registered address in the United States. Subject to certain exceptions, Provisional Allotment Letters or renunciations thereof sent from or post marked in the United States will be deemed to be invalid and all persons acquiring New Shares and wishing to hold such Shares in registered form must provide an address for registration of the New Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires New Shares, Nil Paid Rights or Fully Paid Rights will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Provisional Allotment Letter taking up their entitlement or accepting delivery of the New Shares, the Nil Paid Rights or the Fully Paid Rights, that they are not, and that at the time of acquiring the New Shares, the Nil Paid Rights or the Fully Paid Rights they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States or any State of the United States.

The Company reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not otherwise located in the United States and is not acquiring the Nil Paid Rights, the Fully Paid Rights or the New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares in the United States or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any New Shares, Nil Paid Rights, or Fully Paid Rights to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Shares may be transferred or renounced. In addition, the Company and the Underwriters reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Nil Paid Rights.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

The provisions of paragraph 2.3 above will apply to any rights not taken up. Accordingly, subject to certain exceptions. Shareholders with a registered address in the United States will be treated as unexercising holders and the Underwriters will endeavour to procure on behalf of such unexercising holders subscribers for the New Shares.

2.5.3 Australia, Japan and South Africa

Due to restrictions under the securities laws of Australia, Japan and South Africa, and subject to certain exceptions, no Provisional Allotment Letters in relation to the New Shares will be sent to Shareholders, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of, persons with registered addresses in Australia, Japan or South Africa and the Nil Paid Rights to which they are entitled will be sold if possible in accordance with the provisions of paragraph 2.3.1 above. Although Nil Paid Rights will be credited to the CREST accounts of all Qualifying CREST Shareholders (including Shareholders with registered addresses in Australia, Japan or South Africa), such crediting of Nil Paid Rights does not constitute an offer to such Shareholders and any such Qualifying CREST Shareholders will not be entitled to take up rights in the Rights Issue unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction. Subject to certain exceptions, the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Shares may not be transferred or sold to, or renounced or delivered in, Australia, Japan or South Africa. No offer of New Shares is being made by virtue of this document or the Provisional Allotment Letters into Australia, Japan or South Africa.

2.5.4 Overseas territories other than the United States and the Excluded Territories

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders other than to Shareholders with a registered address, or resident, in one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders. Such Qualifying Shareholders may, subject to the laws of the relevant jurisdictions, participate the Rights Issue in accordance with the instructions set out in this document and, if relevant, the Provisional Allotment Letter. In cases where Overseas Shareholders do not take up Nil Paid Rights, their entitlements will be sold if possible in accordance with the provisions of paragraph 2.3.1 above.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

(i) Member States of the European Economic Area (other than the United Kingdom)

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (as defined below) (except the UK) (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, none of the New Shares, the Nil Paid Rights or the Fully Paid Rights may be offered or sold to the public in that Relevant Member State prior to the publication of this Prospectus in relation to the New Shares, the Nil Paid Rights and the Fully Paid Rights, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, other than the offers contemplated in this Prospectus in a Relevant Member State after the date of such publication or notification, and except that an offer of such Nil Paid Rights, Fully Paid Rights or New Shares may be made to the public in that Relevant Member State:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined below), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive for any such offer; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Shares, the Nil Paid Rights or the Fully Paid Rights shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any New Shares, Nil Paid Rights or Fully Paid Rights or to whom any offer is made under the Rights Issue will be deemed to have represented, acknowledged, and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this selling restriction, the expression an “offer of New Shares, the Nil Paid Rights or the Fully Paid Rights to the public” in relation to any New Shares, the Nil Paid Rights or the Fully Paid Rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Shares, the Nil Paid Rights or the Fully Paid Rights to be offered so as to enable an investor to decide to acquire the New Shares, the Nil Paid Rights or the Fully Paid Rights, as the same may be varied in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

In the case of the New Shares, the Nil Paid Rights or Fully Paid Rights being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Shares, the Nil Paid Rights or the Fully Paid Rights acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any New Shares, the Nil Paid Rights or Fully Paid Rights to the public other than their offer or resale in a Relevant Member State to “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive. The Company, the Banks and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

(ii) DIFC

This document has not been reviewed, approved or licensed by the Central Bank of the United Arab Emirates (the “UAE”), Emirates Securities and Commodities Authority or any other relevant licensing authority in the UAE including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the territory of the UAE, in particular the Dubai Financial

Services Authority (the “DFSA”), a regulatory authority of the Dubai International Financial Centre (the “DIFC”).

This document relates to an exempt offer in accordance with the Market Rules of the DFSA. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with exempt offers. The DFSA has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The shares which are the subject of the offering contemplated by this document may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of or subscribers to the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorised financial adviser. This document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

(iii) Qatar

The New Shares, Nil Paid Rights and Fully Paid Rights and the Provisional Allotment Letter have not been registered with, reviewed by or approved by the Qatar Central Bank, the Qatar Financial Markets Authority or any other governmental body or securities exchange for public offer or distribution in Qatar. The New Shares, Nil Paid Rights and Fully Paid Rights and the Provisional Allotment Letter must not be distributed within Qatar by way of a public offer, public advertisement or in any similar manner and this Prospectus, the Provisional Allotment Letter and any other document relating to the New Shares, Nil Paid Rights and Fully Paid Rights, as well as information contained therein, may not be supplied to the public in Qatar or used in connection with any offer for subscription of the New Shares, Nil Paid Rights and Fully Paid Rights to the public in Qatar. This document, the Provisional Allotment Letter and other offering materials relating to the offer of the New Shares, Nil Paid Rights and Fully Paid Rights are strictly confidential and may not be distributed to any person or entity other than the recipients thereof.

(iv) The People’s Republic of China (excluding Hong Kong, Macau and Taiwan)

This document does not constitute a recommendation to acquire, an invitation to apply for or buy, an offer to apply for or buy, a solicitation of interest in the application or purchase, of any securities, any interest in any securities investment fund or any other financial investment product, in the People’s Republic of China (for the purpose of this document excluding Taiwan, Hong Kong and Macau) (“PRC”). This document is solely for use by qualified PRC institutional investors duly licensed in accordance with applicable laws of the PRC and must not be circulated or disseminated in the PRC for any other purpose. Any person or entity resident in the PRC must satisfy himself/itself that all applicable PRC laws and regulations have been complied with, and all necessary government approvals and licences (including any investor qualification requirements) have been obtained, in connection with his/its investment outside of the PRC.

(v) Singapore

The offer of Nil Paid Rights, Fully Paid Rights and New Shares by LSEG is made only to and directed at, and the Nil Paid Rights, Fully Paid Rights and New Shares are only available to, persons in Singapore who are existing holders of the Existing Shares.

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Nil Paid Rights, Fully Paid Rights and New Shares may not be circulated or distributed, nor may the Nil Paid Rights, Fully Paid Rights and New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) existing holders of the Existing Shares or (ii) pursuant to, and in accordance with the conditions of, an exemption under Section 274 or Section 275 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) or, where applicable, Section 276 of the SFA.

Shareholders and/or any holder of the Nil Paid Rights and the Fully Paid Rights may only offer the Nil Paid Rights and the Fully Paid Rights in Singapore to (i) existing holders of the Shares or (ii) pursuant to, and in accordance with the conditions of, an exemption under Section 274 or Section 275 or, where applicable, Section 276 of the SFA.

(vi) Switzerland

The Nil Paid Rights, Fully Paid Rights and New Shares may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland.

This document is being communicated in or from Switzerland to a small number of selected investors only. Each copy of this document is addressed to a specifically named recipient and may not be passed on to third parties. Although Nil Paid Rights will be credited to the CREST accounts of Shareholders with registered addresses in Switzerland, such crediting of Nil Paid Rights does not constitute an offer to such Shareholders and any such Qualifying CREST Shareholders will not be entitled to take up rights in the Rights Issue unless such action would not result in the contravention of any registration or other legal requirement in Switzerland or any other jurisdiction.

(vii) Kuwait

The Company and the Banks have not been registered, authorised or approved for offering marketing, or the sale of the New Shares, Nil Paid Rights and Fully Paid Rights in the State of Kuwait and the New Shares, Nil Paid Rights and Fully Paid Rights shall not be offered or sold in the State of Kuwait. Interested investors from the State of Kuwait who approach the Company or any of the Banks acknowledge these restrictions under Law No. 7 of 2010 or any other applicable laws in the State of Kuwait and that the offering of the New Shares, Nil Paid Rights and Fully Paid Rights and any related materials shall be subject to all applicable foreign laws and rules; accordingly, such investors from the State of Kuwait are precluded from the disclosure or distribution of any such materials to any other person in the State of Kuwait.

The New Shares, Nil Paid Rights and Fully Paid Rights are not being offered to the members of the public in the State of Kuwait, and this offering is not and shall not be construed as an invitation to members of the public in the State of Kuwait to acquire the New Shares, Nil Paid Rights and Fully Paid Rights.

(viii) Canada

The Nil Paid Rights, Fully Paid Rights and New Shares have not been and will not be qualified for distribution by prospectus under the securities laws of any province or territory of Canada. Shareholders located or resident in Canada shall not be entitled to obtain any Nil Paid Rights or Fully Paid Rights unless and until they provide documentation to the Company, in the required form, confirming that they satisfy the requirements of the “accredited investor” exemption from Canadian prospectus requirements, and providing the Company with all necessary information to file the required reports with Canadian securities regulators regarding the distribution of Nil Paid Rights or Fully Paid Rights to persons located or resident in Canada.

Nil Paid Rights and Fully Paid Rights may only be obtained by persons located or resident in Canada for the purpose of exercising those rights to acquire New Shares, and may not be obtained for the purpose of making any resale of the Nil Paid Rights or Fully Paid Rights prior to their exercise.

New Shares that are not taken up in the Rights Issue may also be sold in Canada pursuant to the “accredited investor” exemption from the prospectus requirements of Canadian securities laws.

Shareholders located or resident in Canada who wish to obtain Nil Paid Rights or Fully Paid Rights for the purpose of exercising such rights, or persons located or resident in Canada who wish to purchase New Shares that are not taken up in the Rights Issue, should request a copy of the Canadian Offering Memorandum relating to the Rights Issue and the accompanying documentation.

2.5.5 Waiver

The provisions of this paragraph 2.5 and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 2.5 supersede any terms of the Rights Issue inconsistent herewith. References in this paragraph 2.5 to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of

more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 2.5 shall apply to them jointly and to each of them.

2.6 Representations and warranties relating to Shareholders

(i) Qualifying Non-CREST Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Shares comprised therein represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction, (a) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Shares, from within the United States, any other Restricted Territory or the Excluded Territories; (b) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (c) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the United States, any other Restricted Territory or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept or renounce was given; and (d) such person is not acquiring Nil Paid Rights, Fully Paid Rights or New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares into the United States, any other Restricted Territory or any Excluded Territory or any territory referred to in (b) above. The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it (a) appears to the Company to have been executed in or despatched from the United States, any other Restricted Territory or any Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (b) provides an address in the United States, any other Restricted Territory or any Excluded Territory (or any jurisdiction outside the UK in which it would be unlawful to deliver share certificates or sales advice); or (c) purports to exclude the warranty required by this paragraph 2.6.

(ii) Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III represents and warrants to the Company and the Underwriters that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction, (a) he is not within the United States, any other Restricted Territory or any of the Excluded Territories; (b) he is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares; (c) he is not accepting on a non-discretionary basis for, on behalf of, or for the account or benefit of, a person located within the United States, any other Restricted Territory or any Excluded Territory or any territory referred to in (b) above at the time the instruction to accept was given; and (d) he is not acquiring Nil Paid Rights, Fully Paid Rights or New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares into the United States, any other Restricted Territory or any Excluded Territory or any territory referred to in (b) above.

2.7 Times and dates

The Company shall, in its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence or amend or extend the latest time and date for acceptance under the Rights Issue and all related times and dates set out in this document and in such circumstances shall notify the UK Listing Authority, and make an announcement via a Regulatory Information Service approved by the UK Listing Authority. **In the event such an announcement is made, Qualifying Shareholders may not receive any further written communication in respect of such amendment or extension of the dates included in this document.**

If a supplementary prospectus is issued by the Company two or fewer business days prior to the latest time and date for acceptance and payment in full under the Rights Issue specified in this document (or such later date as may be agreed between the Company and the Underwriters), the latest date for acceptance under the Rights Issue shall be extended to the date that is three business days after the date of issue of the

supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

2.8 Governing law

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter and any non-contractual obligations arising out of or in relation to the Rights Issue shall be governed by, and construed in accordance with, English law.

2.9 Jurisdiction

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter and any non-contractual obligations arising out of or in connection with them. By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders, other than those with a registered address, or resident in, one of the Excluded Territories or, subject to certain exceptions, the United States or one of the other Restricted Territories Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART IV—BUSINESS OVERVIEW OF LONDON STOCK EXCHANGE GROUP

LONDON STOCK EXCHANGE GROUP OVERVIEW

LSEG is a diversified international markets infrastructure and capital markets business. The Group operates in four main business divisions: Capital Markets, Post Trade Services, Information Services and Technology Services.

LSEG's Capital Markets division comprises a broad range of international equity, bond and derivatives markets, including: London Stock Exchange; Borsa Italiana; MTS, one of Europe's leading fixed income markets; and Turquoise, a pan-European multilateral trading facility. Through its various platforms, the Group offers international businesses and investors unrivalled access to Europe's capital markets.

Post trade and risk management services are a significant and growing part of the Group's business operations. LSEG operates CC&G, the Italian clearing house, and Monte Titoli, a European settlement business, selected as a first wave participant in TARGET2-Securities. The Group is also the majority owner of leading multi-asset global clearing service, LCH.Clearnet.

The Group offers its customers an extensive range of real-time and reference data products, including SEDOL, UnaVista, Proquote and RNS. FTSE, a world leading index provider, calculates thousands of unique indices that measure and benchmark markets and asset classes in more than 80 countries around the world.

The Group is also a leading developer of high performance trading platforms and capital markets software for customers around the world. In addition to the Group's own markets, over 30 other organisations and exchanges around the world use the Group's MillenniumIT trading, surveillance and post trade technology.

Headquartered in London, with significant operations in Italy, France, North America and Sri Lanka, the Group employs approximately 2,800 people. LSEG's shares are admitted to the premium segment of the Official List and to trading on the London Stock Exchange. LSEG is a member of the FTSE 100 index and had a market capitalisation of approximately £5,466 million as at the close of business on 21 August 2014 (being the last business day prior to the date of the announcement of the terms of the Rights Issue).

For the year ended 31 March 2014, the Group's adjusted total income was £1,213.1 million and total revenue was £1,088.3 million (including eleven months' contribution from LCH.Clearnet). For the year ended 31 March 2014, the Group's adjusted operating profit was £514.7 million and operating profit was £353.1 million.

LONDON STOCK EXCHANGE GROUP HISTORY

The London Stock Exchange was originally constituted by deed of settlement in 1802 and 1875, as amended from time to time, prior to the adoption of modern memorandum and articles of association in 1991. The London Stock Exchange'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 London Stock Exchange changed its name to The London Stock Exchange Limited. On 8 June 2000, The London Stock Exchange 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 became a listed company in July 2001.

London Stock Exchange Group 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 became the holding company of The London Stock Exchange 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. In 2007, LSEG became the holding company of Borsa Italiana. In 2011, LSEG completed the acquisition of the outstanding 50 per cent. of FTSE International limited. In 2013, LSEG completed the acquisition of a majority stake in the global clearing house, LCH.Clearnet.

LONDON STOCK EXCHANGE GROUP BUSINESS DIVISIONS

1. Capital Markets

The Group's Capital Markets division provides access to capital for a wide range of domestic and international businesses through both primary and secondary markets.

The Capital Markets division accounted for 28.4 per cent. of the Group's revenues in the financial year ended 31 March 2014.

1.1 Primary Markets

The Group's Primary Markets provide a choice for issuers and investors, enabling companies to raise capital depending on their individual financing needs, as well as increasing visibility with a wide group of customers and investors. Admission to trading on the Group's markets enables securities to be freely traded, thereby increasing the pool of investors that can invest in an issuer's securities.

The year ended 31 March 2014 saw a six year high in new issue activity, with 188 new companies listing or being admitted to trading on the Group's markets, compared to 121 in the year ended 31 March 2013. The amount of capital raised on the Group's equity markets increased 90 per cent. to £34.2 billion in the year ended 31 March 2014, compared to £18.0 billion in the year ended 31 March 2013. As at 31 March 2014, there were 2,740 companies listed on the Group's Primary Markets.

LSEG and Borsa Italiana each charge a fee for issuers seeking admission to their primary markets. The fees are charged based on the issuer's market capitalisation at admission. Issuers of equity securities are subsequently subject to annual fees. Fees are also charged for companies carrying out further fundraisings once they are on market.

1.1.1 United Kingdom

In the UK, LSEG operates four primary markets:

- *Main Market:* the London Stock Exchange's market for international and domestic businesses looking to access Europe's most liquid pool of capital. It is the world's most international market 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. In the twelve months to 31 March 2014, 57 companies joined the Main Market bringing the total number of companies listed on the Main Market to 1,302.
- *AIM:* a market for smaller, growing companies launched in 1995. AIM's regulatory structure, tailored to the needs of small and medium sized enterprises ("SMEs"), allows companies to quickly and cost-effectively raise capital at admission and through further fundraisings. As well as being geographically diverse and home to companies with operations in over 90 countries, AIM supports the financing needs of companies from more than 40 different sectors. In the twelve months to 31 March 2014, 111 companies joined AIM bringing the total number of companies listed on AIM to 1,094.
- *Professional Securities Market:* offers issuers the opportunity to list debt securities or depositary receipts restricted to professional investors.
- *Specialist Fund Market:* for highly specialised investment entities that wish to target institutional, professional and highly knowledgeable investors. The Specialist Fund Market is designed to further enhance London's appeal to specialist investment managers seeking a flexible and adaptable route to permanent capital from a highly sophisticated global investor base.

In addition to the four Primary Markets described above, the London Stock Exchange operates a route to market known as Admission to Trading Only ("ATT Only"), which is selectively promoted to international issuers. ATT Only securities are admitted to trading on the basis of a listing of those securities on another stock exchange, which is a full member of the World Federation of Exchanges. This route is utilised by a company when, for regulatory or commercial reasons, it cannot or does not want to pursue a full listing in London.

In addition, within the markets for conventional debt securities, LSEG also promotes its offerings in Islamic finance. Issuers of Sukuk Instruments are able to list these Islamic bonds and admit them to either the Main Market or the Professional Securities Market. These instruments have predominantly been

utilised by Islamic banks and sovereign issuers based in the Cooperation Council for the Arab States of the Gulf area.

In the UK, LSEG also operates ORB, an electronic bond market for private investors, assisting issuers to raise debt capital from a range of investors, including retail investors.

Based on the ELITE programme launched by Borsa Italiana in Italy, the service was also launched in the UK in April 2014. ELITE provides a selection of high growth private businesses, drawn across a wide variety of sectors, with access to education, business support and supportive investors, in order to enhance their growth prospects. Partnering with Imperial College and 50 other partners across the City of London, 19 high growth UK SMEs were admitted in the first cohort of companies to participate in the programme.

1.1.2 Italy

In Italy, Borsa Italiana operates several primary markets:

- *MTA*: the Italian market for international and domestic businesses. MTA companies come from a broad range of sectors and vary widely in size, covering a spectrum from smaller growth companies to global multinationals.

There are two further segments within MTA:

- *MTA International*: dedicated to the trading of shares of non-Italian issuers already listed in other EU regulated markets; and
- *STAR*: dedicated to mid-size companies with a capitalisation of less than €1.0 billion and which voluntarily agree to comply with strict transparency, liquidity and governance requirements.
- *AIM Italia*: a market for smaller, growing companies. 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. In the year ended 31 March 2014, 17 companies were admitted to AIM Italia.
- *MIV*: the electronic market for investment vehicles for highly specialised investment entities that wish to target retail, institutional, professional and highly knowledgeable investors. MIV is designed to further enhance Borsa Italiana's appeal to specialist investment managers seeking a flexible and adaptable route to permanent capital from a highly sophisticated global investor base.

In Italy, Borsa Italiana also operates the ELITE programme, which is aimed at providing support to high quality Italian SMEs. ELITE provides growth companies with a dedicated team of advisers from Partner Equity Markets Network, including banks, lawyers, auditors and other specialist advisers. Following completion of the programme in Italy, should they choose to, SMEs are given a fast-tracked access to IPO and standard access to bond issuance. So far, seven members utilising the ELITE programme have issued bonds and several are planning IPOs.

In addition to its primary markets, Borsa Italiana also operates:

- ETFplus—for ETFs and ETCs;
- SeDeX—an electronic securitised derivatives market for covered warrants and certificates; and
- MOT—an electronic bond market for bonds, government securities, Eurobonds, ABSs and other debt securities.

1.2 Secondary Markets

LSEG's Secondary Markets provide fast and efficient trading for:

- equities, via a range of reliable electronic trading systems, in an effective regulatory environment and with a high level of price and trade transparency;
- derivatives, through the IDEM and IDEX markets in Italy and through London Stock Exchange Derivatives Markets in the UK; and
- fixed income, through a range of electronic trading venues, including the Group's majority owned subsidiaries, MTS and EuroTLX, and the Italian MOT business.

Revenue in the cash equities segment is principally derived from fees for execution on the electronic order books. In the UK, fees are based on value-traded; whereas in Italy, fees are based on volume-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.

1.2.1 Equities trading

The Group's equities trading business aims to maximise the liquidity of an individual security and provides members with access to fast and efficient trade execution and reporting. The Group'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 the LSEG's cash equities order-book was £4.3 billion in the year ended 31 March 2014.

LSEG offers the following trading services for equities trading:

- *SETS*: SETS is LSEG's flagship electronic order book trading FTSE100, FTSE250, FTSE Small Cap Index constituents, ETFs, exchange trading products as well as other liquid AIM, Irish, London Premium listed and London Standard listed securities. LSEG also operates a version of SETS on a modified trading cycle that supports securitised derivatives. Functionally rich with multiple order types and market maker support, SETS is one of the most liquid electronic order books in Europe.
- *SETSqx*: SETSqx is a trading platform for securities less liquid than those traded on SETS. SETSqx combines a periodic electronic auction book with standalone non-electronic quote driven market making.
- *SEAQ*: LSEG's non-electronically executable quotation service that allows market makers to quote prices in AIM securities not traded on SETS or SETSqx and some fixed income securities.
- *International Order Book*: IOB offers access to trading in fast growing economies, in areas such as Central and Eastern Europe, Asia and the Middle East, via depositary receipts. The service is based on an electronic order book similar to SETS but with the added option for member firms to display their identity pre-trade.
- *European Quoting Service*: EQS enables clients to meet their pre and post trade pan-European transparency obligations. EQS is a quote driven market making and trade reporting platform that supports all EU liquid securities, excluding those traded on SETS or SETSqx as they have a London listing or AIM admission.
- *European Trade Reporting*: ETR is a pan-European trade reporting service that enables clients to meet their post trade reporting obligations whether trading on or off exchange in non-liquid MiFID securities not reported on another exchange trading service.

Turquoise, the Multilateral Trading Facility, provides a range of markets for secondary trading of European and US cash equities. Turquoise operates two cash markets:

- *Turquoise integrated book*: a pan-European and US "lit" secondary market for cash equity trading with full pre and post trade transparency; and
- *Turquoise Dark Midpoint Book*: a pan-European "dark" secondary market matching at mid-point with immediate post trade transparency.

Borsa Italiana operates the following trading services for equities trading:

- *MTA*: MTA is Borsa Italiana's electronic order book trading service for MTA securities with auctions, continuous trading phases and the presence of specialists to support liquidity according to market segments.
- *After hours market*: the after-hours market is an electronic order driven market with only continuous trading and which is supported by a specialist (optional) for shares admitted to trading in regulated markets in Europe.
- *AIM Italia*: AIM Italia is an electronic order driven trading service, with auctions and a continuous trading phase for AIM Italia securities.

- *MIV*: the Market for Investment Vehicles is a regulated market dedicated to investment vehicles. The market is divided into four segments to reflect the varying instrument types:
 - Closed-end fund segment, where the units of closed-end funds are traded;
 - Investment companies segment, where shares of investment companies are traded;
 - Real estate investment companies (“REIC”) segment, where shares of REICs are traded; and
 - Professional segment, for professional investors only, where special investment vehicles are traded.
- *ETFplus*: an electronic continuous trading order-driven market for ETFs and ETCs/ETNs, with specialists to support liquidity.
- *SeDeX*: an electronic, order-driven market, with continuous trading for securitised derivatives, covered warrants and certificates, and a specialist to support liquidity.

1.2.2 Derivatives

London Stock Exchange through its London Stock Exchange Derivatives Markets platform offers member firms a leading international marketplace for Russian Depositary Receipts, futures and options alongside Index and Dividend derivatives. LSEG Derivatives Market also operates a linked order book model with Oslo Børs to offer Primary market Norwegian liquidity, and offers trading of futures and options on the OBX Index and Norwegian Equity derivatives. Trading facilities include:

- an onscreen market supported by market makers; and
- a trade reporting service where members can report trades in listed and tailor-made contracts.

IDEM is the derivatives market managed by Borsa Italiana, which comprises three segments: IDEM-Equity, IDEX and AGREX.

- *IDEM-Equity*: offers trading services for equity derivatives, including futures, mini-futures and options on the FTSE MIB index, futures products based on the FTSE MIB Dividend index, mini-futures on the FTSE 100 Index, as well as 47 futures and 62 options on Italian single stocks and 13 futures on pan-European single stocks, and 25 pan-European single stock dividend futures.
- *IDEX*: offers trading services for yearly, quarterly and monthly power futures (baseload and peakload) based on the “PUN”, the single national purchase price for electricity in Italy.
- *AGREX*: the segment for agricultural commodity derivatives, currently offering futures on durum wheat.

Revenue in the Group’s derivatives trading markets is principally driven by fees from electronic trade execution. Other charges are made for exercise and assignment fees on options contracts and expiration fees. Fees are also charged for membership.

1.2.3 Fixed income

LSEG’s fixed income business is undertaken through the following operations:

1.2.3.1 MTS

MTS operates inter-dealer markets across 17 different countries, while BondVision (the dealer-to-client platform) lists bonds from many other countries. Both trading platforms continue to expand their geographic scope.

MTS operates several distinct fixed income markets:

- *MTS BondVision*: a multidealer-to-client electronic bond trading system.
- *MTS Cash*: an electronic market for dealers of fixed income products.
- *MTS Credit*: an electronic market for a wide range of multi-currency non-government bonds.
- *MTS Data*: a market data service for fixed income market participants, providing benchmark prices and continuous pricing.

- *MTS Repo*: an electronic market for repo agreements and buy/sellbacks through an order-driven marketplace alongside request-for-quote and OTC booking functionalities.
- *MTS Bonds.com*: established following the acquisition by LSEG of US-based fixed income electronic platform Bonds.com in May 2014, MTS Bonds.com is an electronic market for government, agency, mortgage, and corporate bonds. It uses all-to-all connectivity and supports live, anonymous, and executable orders.
- *MTS Swaps*: a market for interest rate swaps utilising LSEG's existing MTS distribution and technology.

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 and the sale of market data products.

1.2.3.2 MOT and ExtraMOT

MOT is the fixed income, electronic order driven retail 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 ICSD).

Borsa Italiana also operates ExtraMOT, a Multilateral Trading Facility regulated by Borsa Italiana, for the trading of corporate Eurobonds.

1.2.3.3 EuroTLX

In September 2013, the Group acquired a majority stake in EuroTLX, an Italian multilateral trading facility (MTF) operating in the European retail fixed income market. EuroTLX migrated to MillenniumIT technology in July 2014 and complements the Group's fixed income segment.

1.2.3.4 ORB

The ORB is LSEG's electronic order book for bonds launched in 2010 and aimed at private investors and retail brokers. The 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. The ORB market offers trading in smaller sizes by value to appeal to retail investors.

2. Post Trade services

LSEG's post trade and risk management services are a significant and growing part of the Group's business operations. LSEG operates CC&G, the Italian clearing house, and Monte Titoli, the European settlement business. Through its acquisition of a majority stake in LCH.Clearnet, LSEG offers clearing services in the UK, the US, France and is expanding its presence in the Asia-Pacific region. LCH.Clearnet provides services across multiple asset classes for on-exchange and OTC traded products.

The Post Trade Services division accounted for 33.3 per cent. of the Group's revenues in the financial year ended 31 March 2014.

2.1 Cassa di Compensazione e Garanzia ("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, eliminates 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.

In 2009, CC&G was granted Recognised Overseas Clearing House status by the FSA to operate in the UK. In May 2014, CC&G received from the Bank of Italy the EMIR authorisation to operate as CCP and the

approval for interoperability with LCH.Clearnet SA for Italian Government bonds traded on the MTS platform.

CC&G acts as clearing house and CCP for transactions covering a broad range of trading venues and asset classes such as shares, warrants and convertible bonds listed on MTA market, closed-end funds, investment companies and real estate investment companies listed on MIV, ETFs and ETCs listed on ETFPlus, stock and index futures and options listed on IDEM, energy futures listed on IDEX, futures on durum wheat on AGREX, Italian Government bonds listed on MTS, EuroMTS, ICAP BrokerTec and Repo e-MID, and Italian Government bonds and corporate bonds listed on MOT, EuroTLX and Hi-MTF. CC&G also acts as a clearing house and CCP for transactions covering bonds listed on EuroMOT, ExtraMOT, EuroTLX and Hi-MTF, settling in Euroclear or Clearstream.

CC&G also provides a guarantee service for the New MIC, the interbank collateralised deposit market in Italy. The New MIC was launched in October 2010 as a successor to the original MIC project, which was created to stimulate the Italian market after the financial crisis in 2008 and operated with the Bank of Italy as its guarantor.

CC&G has a tiered membership structure based on three participation-based categories. Margin requirements are applied for each type of financial instrument guaranteed by CC&G. These requirements are aimed at covering, in all but extreme market conditions, the potential losses that would result from the closure of an insolvent member's open positions. Different levels of margin requirements are used, depending on the nature and level of liquidity of the product. CC&G's risk committee autonomously sets the liquidity parameters, using analysis conducted by CC&G's risk management department.

CC&G manages four separate default funds: one for equity and equity derivatives, one for energy derivatives, one for fixed income and one for agricultural derivatives. One further default hurdle has been introduced for New MIC. CC&G uses a multilevel financial safeguarding system. In the event of default by a clearing member, CC&G protects market integrity by using a set of financial resources derived from the following:

- the defaulting member's initial margin;
- the defaulting member's contribution to the relevant default fund;
- CC&G shareholders' equity as required by EMIR;
- outstanding relevant default fund;
- CCP capital, except regulatory capital; and
- unfunded default funds.

Revenue in LSEG's CC&G segment is primarily driven by interest on investments (cash deposited as Initial Margins and Default Fund) and by fees charged to clients for clearing, based on transaction volumes. The balances from margin and default funds are also actively invested by CC&G to generate treasury income. Investments are mainly short-term and with a panel of bank counterparties, as regulated by the Bank of Italy, that meet the criteria set out in CC&G's financial risk policy and in accordance with EMIR.

2.2 Monte Titoli

Monte Titoli is the Italian CSD and settlement company. It is authorised to perform these activities by the Bank of Italy and CONSOB, the Italian authorities with regulatory and supervisory powers over the Italian financial system. Monte Titoli performs custody services for a wide range of financial instruments encompassing government securities, corporate bonds (including ABSs), shares/covered warrants and mutual investment funds (closed-end funds, property funds and ETFs). 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 manages X-TRM, the daily matching and routing system that carries out acquisition, matching and routing of transactions to EXPRESS II or to foreign settlement systems. X-TRM is a multi-purpose post trade, pre-settlement engine, which undertakes post trade activities such as transaction management (including matching of OTC transactions and data enrichment), clearing and settlement instruction routing, claim and compensation management and operational reporting. It also interacts with

CCPs, offering specific functionalities designed to support their activities (such as the novation of guaranteed transactions and the creation of bilateral balances).

EXPRESS II is Monte Titoli's clearing and settlement platform for the performance of settlement in non-derivative financial instruments, integrating net with gross settlement functionalities and offering optimisation mechanisms for effective management of securities portfolios.

Monte Titoli has signed the TARGET2-Securities ("T2S") Framework Agreement and will participate in the first wave of T2S, scheduled to go live in June 2015. T2S will be the new 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 any type of transaction in Central Bank money. In March 2014, 13 institutions signed a declaration to become Directly Connected Participants of Monte Titoli in the first wave.

2.3 globeSettle

In July 2013, the Group confirmed plans to launch globeSettle, a new central securities depository ("CSD") business, based in Luxembourg. The new CSD has received approval from the CSSF, and when launched, it has already confirmed that it will provide settlement, custody and asset servicing for J.P. Morgan's international collateral management business.

2.4 LCH.Clearnet

On 1 May 2013, the Group completed the acquisition of a majority stake in LCH.Clearnet Group. LCH.Clearnet Group is a leading multinational clearing provider, with three separate CCPs in the UK, the eurozone, the US and an expanding presence in the Asia-Pacific region. LCH.Clearnet provides services to mitigate counterparty risk across multiple asset classes for sell-side clearing members and buy-side clients operating on major exchanges and platforms as well as in a range of OTC markets.

As a CCP, the relevant LCH.Clearnet company registers and processes trades and assumes the counterparty risk involved when two parties (or members) trade and clear the trade through that LCH.Clearnet company. When the trade is registered with the relevant LCH.Clearnet company, it (and in certain cases a CCP that is interoperable with the relevant LCH.Clearnet company) becomes the legal counterparty to each side of the trade.

To protect itself against the risk that a clearing member defaults on any of the trades registered with the relevant LCH.Clearnet company, the CCP collects default fund contributions as well as initial and variation margin (which may be in the form of cash or other collateral) from its members. The amount of margin is decided by the relevant LCH.Clearnet company's risk management processes, which involve the assessment of a member's positions and market risk on a daily basis, at least. Should members default on their obligations under a trade, the relevant LCH.Clearnet company will manage the defaulting member's open position using some or all of the collateral and default fund contributions placed by the member with the relevant LCH.Clearnet company. In extreme situations, where the defaulter's own collateral and default fund contributions prove inadequate, the relevant LCH.Clearnet company's own funds and the default fund contributions of other members will be exposed.

LCH.Clearnet has successfully managed a number of high profile defaults in recent years without recourse to non-defaulters' default fund contributions. By assuming the counterparty risk, LCH.Clearnet underpins many important financial markets, facilitating trading and increasing confidence within the market.

CCPs within LCH.Clearnet operate the following clearing services:

Swapclear: an interest rate derivatives clearing service, delivering high levels of efficiency and liquidity to global dealers and clients. SwapClear allows market participants to fully comply with mandated clearing requirements in multiple jurisdictions around the world. SwapClear provides one of the broadest ranges of OTC interest rate swap products, covering 95 per cent. of the plain vanilla market. Its offering also includes additional services such as portfolio compression services and real-time trade registration.

CDSClear: clears European credit indices and provides default management provisions for a wide range of clients. It launched US clearing in 2013, having received CFTC approval to launch as a Derivatives Clearing Organisation in December 2013.

ForexClear: offers clearing services for interbank foreign exchange non-deliverable forwards in multiple currencies. The service offers the only 24-hour OTC foreign exchange clearing service for 20 members. ForexClear also launched client clearing in the US in 2013.

Fixed Income clearing: 15 European repo and cash bond markets. LCH.Clearnet SA launched €GCPlus, a central clearing services for the tri-party repo market, in collaboration with Euroclear and Banque de France, which will enable market participants to efficiently manage Eurosystem eligible collateral and to generate liquidity in a cleared environment. RepoClear is LCH.Clearnet Limited's clearing service for cash bond and repo trades across a number of European markets. LCH.Clearnet SA also has an interoperability agreement with CC&G for Italian Government Bond and Repo markets.

Commodities and Listed Derivatives: interest rate and equity derivatives markets as well as for a range of commodities markets, including power and associated energy markets, base and precious metals and agricultural products. Clearing services are also provided for OTC forward freight agreements for the most actively traded routes.

Cash Equities: equity clearing services for a number of European regulated exchanges and MTFs including London Stock Exchange, Turquoise, Euronext, SIX Swiss Exchange, Oslo Børs, BATS Chi-X Europe, AQUIS and other venues. Risk management and clearing services are also provided from Asian market hours through European trading to the close of the US markets. In October 2013, LCH.Clearnet Limited became the first CCP to offer clearing of OTC Equity Contracts for Difference ("CFDs"), helping investors to access the best market price for a trade while benefiting from reduced counterparty risk, collateral efficiencies and cross-margining opportunities between cash equities and CFDs. LCH.Clearnet Limited also provides interoperability with three other clearers (SIX x-clear, EuroCCP NV and Oslo Clearing). Clearing members benefit from margin offsets and collateral efficiencies from centralised clearing.

LCH.Clearnet operates across three entities which are regulated as follows:

- LCH.Clearnet Limited (operating in the UK) is a Recognised Clearing House by the Bank of England in the UK and is regulated by the Commodities and Futures Trading Commission ("CFTC") in the US.
- LCH.Clearnet SA (operating in Continental Europe) is regulated as a Credit Institution and Clearing House by a regulatory college of central banks and market regulators from France, Netherlands, Belgium and Portugal.
- LCH.Clearnet LLC (operating in the US) is regulated as a Derivatives Clearing Organisation by the CFTC in the US.

On 12 June 2014, LCH.Clearnet Limited confirmed that the Bank of England approved its application as a CCP under EMIR. This follows LCH.Clearnet SA's EMIR authorisation on 22 May 2014 by the Autorité de Contrôle Prudentiel et de Résolution, acting as LCH.Clearnet SA's national competent authority.

CCPs within LCH.Clearnet collect revenue primarily from either a subscription-based fee model (annual fee paid for a specified volume tier) or a transaction-based fee model (where a fee is charged according to notional outstanding, value traded or other metrics) for the provision of risk management services. CCPs within the LCH.Clearnet also earn net treasury income, which is revenue on assets posted to its clearing houses less the interest paid to the members on their initial margin and default fund contributions.

3. Information Services

LSEG's information services business delivers real-time and historical market data, post trade confirmation and reporting services, as well as other securities information ensuring efficient price discovery and market intelligence for investors. It also includes FTSE, a leading provider of investment decision support tools including benchmarking and index licensing products and related analytical tools.

The Information Services division accounted for 32.0 per cent. of the Group's revenues in the financial year ended 31 March 2014.

3.1 FTSE

FTSE is a global provider of information solutions. It calculates over 250,000 indices calculated across 80 countries. FTSE indices are used by a range of investors, including consultants, asset owners, fund

managers, investment banks, trading venues and brokers. FTSE products cover a range of asset classes and vary from traditional market capitalisation weighted indices to a growing range of thematic and alternatively weighted indices.

FTSE's products are used by market participants for investment analysis, performance measurement, asset allocation and hedging. Pension funds, asset managers, ETF providers and investment banks work with FTSE to benchmark their investment performance and use FTSE's indices to create ETFs, index tracking funds, structured products and index derivatives. As of 31 July 2014, approximately US\$223 billion of ETFs AUM were benchmarked to FTSE Indices. FTSE also provides several exchanges around the world with their indices. FTSE earns revenue primarily from annual subscription fees and from licensing fees for index-based products. The foundation of FTSE's global, regional, country and sector indices is the FTSE Global Equity Index Series, which includes the flagship FTSE All-World Index.

FTSE uses a transparent rules-based methodology and is overseen by independent committees of market participants, focused on applying the highest industry standards in index design and governance.

In April 2013, FTSE and TMX combined their fixed income businesses in a new joint venture, FTSE TMX Global Debt Capital Markets. FTSE TMX fixed income indices are used as benchmarks for more than US\$1 trillion in assets. In April 2014, FTSE TMX Debt Capital Markets acquired MTS Indices, which provides total-return indices measuring the performance of the largest and most widely-traded securities in the euro bond market. FTSE owns a 72.75 per cent. majority stake in the joint venture, with TMX Group holding a 24.25 per cent. stake and MTS SpA holding the remaining 3 per cent.

3.2 Real-time data

LSEG provides real-time data on a range of tradable instruments, across cash equities, covered warrants, ETFs, derivatives, fixed income and indices. Real-time data is distributed through direct network coverage to financial institutions and also through a further network of licensed redistributors to reach a diverse audience of more than one million globally.

LSEG's and Borsa Italiana's market data comprises several levels of data, including trade prices, volumes and a fully visible tick-by-tick order book. Each level of data is designed to suit the needs of different users, whether actively trading on the markets or using the service to inform trading, investment or other business decisions. LSEG's market data offering includes the following levels of data:

- *Level 1 data* offers real-time best prices, volumes, trade reports and a range of key added value information allowing users to gauge the underlying market depth and liquidity of securities;
- *Level 2 data* is the most comprehensive service providing full-depth of the market, tick-by-tick; and
- *Post Trade data* offers on and off book trade reports to aid activities, including transaction cost analysis, and to enhance consolidated views of the trading landscape.

LSEG generates revenue in its data segment by charging fees to users. Users of real-time data are charged according to the level of data they receive. Fees are also levied on information vendors to act as a re-distributor of data.

3.3 UnaVista

UnaVista is a secure, hosted platform for providing matching, validation and reconciliation services. UnaVista offers a range of business solutions within three areas: post trade services, data solutions and reconciliations.

UnaVista post trade services include three main products:

- *Transaction reporting:* UnaVista transaction reporting combines validation with intuitive and practical functionality. It provides additional validation above and beyond what is mandated by financial regulators providing confidence from compliance to operations and ensuring MiFID transaction reporting obligations are met;
- *Confirmations portal:* the UnaVista confirmations portal helps brokers, investment managers, prime brokers and other organisations to communicate and match post trade data reliably and simply. UnaVista provides a global, fully audited service through which both large and small firms can exchange information. UnaVista works across asset classes and can be used to communicate and match any data, including confirmations, allocations, give-ups and settlement instructions; and

- *Swaps portal*: the UnaVista swaps portal provides a fully audited communication channel for all parties involved in the CFD and equity swap processes. Prime brokers, hedge funds and executing brokers can track their trades electronically, improving efficiency and reducing risk, whilst ensuring they meet compliance requirements.

UnaVista Reconciliations offers a flexible approach to matching requirements. Combining a hosted approach with fast implementation times, UnaVista unites a range of functionalities, including intuitive matching and workflow capabilities. UnaVista is uniquely positioned to perform a range of reconciliations, from straightforward cash and stock position reconciliation to more complex inter-system, inter-company and data validation processing.

In 2013, LSEG launched the EMIR Trade Repository solution, approved by ESMA as a repository across all asset classes and geographies, and the UnaVista Rules Engine to assist in regulatory reporting. The UnaVista Rules Engine acts as a central hub for the production of data to meet global regulatory reporting requirements, with linkages to other global trade repositories. Using a firm's source data, UnaVista global multi-asset class reference data of 5 million tradable products, and the relevant regulation's rules logic, the data is enriched and routed to the required destinations.

3.4 SEDOL Masterfile

SEDOL Masterfile is LSEG's global, multi-asset class reference data service, providing unique identification codes (SEDOL codes) for global securities covering both listed and unlisted instruments and across all asset classes. The SEDOL Masterfile is hosted on the UnaVista platform allowing 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.

LSEG is the UK representative of the Association of National Numbering Agencies. As such, it allocates UK ISINs.

3.5 RNS

RNS is a Regulatory Information Service for regulatory news and non-regulatory news disclosure and helps companies and their intermediaries to fulfil their UK and other global regulatory disclosure obligations. RNS operates as a Primary Information Provider and is regulated by the FCA.

Clients include the vast majority of Britain's leading listed companies and UK financial public relations firms and corporate advisers.

Over 265,000 announcements were processed by RNS during the year ended 31 March 2014. Releasing announcements through RNS ensures company information is distributed immediately and accurately in full text and in industry-leading formats. Announcements are visible to the investment community via a vast array of terminals, databases and financial websites worldwide, including Thomson Reuters, Bloomberg, Dow Jones and LSEG's own corporate website.

3.6 Proquote

Proquote provides desktop market data solutions and order and execution management systems, trading services and best execution and risk tools to UK and Ireland customers.

In the UK, the Proquote Trading Platform offers an RSP network for routing and executing orders, direct LSEG's SETS trading, Unit Trust trading via mutual funds networks including EMX, Calastone and Cofunds and order routing to a global network of brokers. Proquote also provides market data terminals covering international equity markets as well as FX, futures, options, commodities, metals and OTC derivatives, inclusive of comprehensive fundamentals, charting, research and analytical tools.

4. Technology services

The Technology Services division accounted for 5.9 per cent. of the Group's revenues in the financial year ended 31 March 2014.

4.1 MillenniumIT

In 2009, LSEG acquired MillenniumIT, a Sri Lankan-based technology services company. MillenniumIT's corporate headquarters and software development operations are located in Colombo, Sri Lanka.

MillenniumIT has two divisions:

- *MillenniumIT Software*, which supplies, implements and supports a suite of capital markets products that include trading platforms, smart order routers, surveillance, clearing and CSD products. These products cater to trading multiple asset classes, including cash equities, derivatives, debt, commodities, foreign exchange, structured products and ETFs.

The principal products of MillenniumIT Software are:

- *Millennium Exchange*: a flexible and scalable low latency multi-asset trading engine. The platform supports cash equity, equity derivatives, fixed income cash and derivatives, commodity derivatives and foreign exchange derivatives and is built on a rule-based, distributed and fault tolerant technology. The majority of functionalities are available “off-the-shelf”, enabling fast deployment and a rapid time to market.
- *Millennium SOR*: a flexible, asset-class agnostic, highly extensible and ultra-low latency platform designed to support varied trading and routing needs of execution venues, sell-side and buy-side firms.
- *Millennium MarketData*: data normalisation, enrichment and distribution platform for financial markets.
- *Millennium Surveillance*: a fully configurable rule-based platform that can be integrated with any trading system.
- *Millennium PostTrade*: integrated clearing, settlement, risk management and depository solution designed to meet the needs of the constantly changing post trade landscape. All facets of post trade processing are available at a single point of access.
- *MillenniumESP*, which is a systems integration business offering technology infrastructure, managed services and consultancy services, working closely with industry partners such as Oracle, Cisco and Microsoft. MillenniumESP solutions drive telecommunications, financial and capital markets, manufacturing, and leisure industries both in Sri Lanka and globally.

The key services of the MillenniumESP division are:

- *Core Infrastructure Solutions*: performance networks and systems comprising storage, server, disaster recovery, business continuity planning, and storage virtualisation services.
- *Business Collaboration Solutions*: integrated voice, video and collaboration services.
- *Business Productivity Solutions*: productivity services through enterprise content management and business process management.
- *Near-field Communications Solutions*: contactless technology services.
- *Managed Solutions*: managed IT operations by MillenniumESP.
- *Information Security Solutions*: information security services for information technology based systems.
- *Customer Relationship Management*.

4.2 GATElab

LSEG’s majority-owned, Italian and UK based technology company, supplies advanced trading, market access and post trade technology to buy-side, sell-side and hedge-fund clients, as well as exchanges.

GATElab’s offering is MIFID compliant and covers:

- Manual and automatic trading and quoting, including RFQs and IOIs;
- Algorithmic trading;
- Smart order routing for equities and bonds (listed and OTC);
- FIX High Frequency Trading Risk Gateway (both software and hardware solutions);
- Systematic Internalisation/Matching Engine to support multilateral trading facilities, crossing network, regulated and OTC;

- Integration with external pricing, risk management, and middle/back office, clearing systems; and
- Post trade and OTC deal registration (post trade transparency and trade reporting).

4.3 Other technology services

LSEG also offers a suite of technology services for client access and connectivity to a variety of trading and real-time market data services. LSEG provides a co-location service called “Exchange Hosting”, which allows ultra-low latency sensitive trading clients to place servers running their trading operations in LSEG’s data centre, thereby significantly reducing network latency and providing high performance trading access. LSEG’s Group Ticker Plant project, launched in 2014, is a high speed technology platform providing a single normalised real-time market data protocol for broadcast of market data from across the Group, regardless of asset-class, trading platform or geography.

INDUSTRY AND COMPETITION

Whilst the global macro environment has steadily improved over the last 12 to 18 months, the financial services industry continues to undergo structural changes due to ongoing regulatory initiatives and a muted overall volume environment. The prospects of market infrastructure companies, however, have improved steadily over the last five years as post crisis regulatory reform has focused on pushing more trading activity through exchanges and clearing houses, with the aim of increasing market transparency and promoting financial stability.

Financial services legislation such as Dodd-Frank in the US and EMIR in Europe are intended to encourage more central clearing of OTC derivatives contracts and may open up meaningful business opportunities for the industry.

In addition, the industry continues to launch new products and services to alleviate cost and capital issues for its traditional sell-side clients. High bank capital requirements globally due to Basel III provisions, together with an evolving structure of the funding markets and their requirements, have increased the value of collateral management services and the facilitation of secured financing transactions. Market infrastructure firms have responded strongly to these challenges by offering repo and various collateral management and mobilisation services. These services will continue to provide meaningful growth opportunities to the sector.

As trading venues move to develop value-added products and services for clients, proprietary data and access to market information may become increasingly important and valuable. Growth in passive investment strategies for example has led to an increased focus on index services for the buy-side segment by the exchange sector. This trend has also been reinforced by the sell-side segment reconsidering their offering regarding the calculations of benchmarks and indices due to regulatory and reputational issues.

The combined result of these trends plus others such as increased focus on technology services and development of utility type services for banks is leading to an overall lower reliance on typical volume related products and increasing the contribution of more recurring revenue streams, thereby improving the overall growth and quality of earnings in the sector.

The Group operates in a highly competitive business environment that has been characterised by increasing competition among global markets, the globalisation of exchanges and more discerning customers. Continued consolidation has fuelled competition between groups within the industry in different geographical areas. Examples of this vibrant and evolving competitive landscape include the Group’s Capital Markets business competing for primary listings from other global exchanges and regional centres, the Group’s Post Trade business operating in an environment of client consolidation, an expectation of consolidation within the Information Services industry over the next three to five years and intense competition across activities in the Group’s Technology Services division.

CORPORATE AND SOCIAL RESPONSIBILITY

The Group’s corporate and social responsibility initiatives are described in the section of the Group’s Annual Report and Accounts 2014 entitled “Our Wider Responsibility”, which is incorporated by reference in this document as described in Part XIV “Documentation Incorporated by Reference”.

EMPLOYEES

The average number of employees employed by the Group during the periods ended 30 June 2014 and 31 March 2014, 2013 and 2012 was as follows:

<u>By geographical location</u>	<u>30 June</u>	<u>31 March</u>		
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
UK	1,244	1,329	753	760
Italy	526	503	428	422
Sri Lanka	686	659	654	615
Other	373	356 ⁽¹⁾	127	119
Total	<u>2,829</u>	<u>2,847</u>	<u>1,962</u>	<u>1,916</u>

(1) Including 205 employees located in France resulting from the acquisition of LCH.Clearnet, calculated from the date of acquisition of the subsidiary company by the Group.

PART V—BUSINESS OVERVIEW OF RUSSELL

RUSSELL OVERVIEW

Russell is a global asset manager and index business and one of only a few firms that offers actively managed multi-asset portfolios and services that include advice, investments and implementation. Russell's approach utilises the integration of five distinct investment capabilities: portfolio construction, capital markets insights, manager research, indexes and portfolio implementation. Russell's approach and capabilities, as they exist today, were built over the course of 40 years and focus on outcome-oriented investment solutions.

Headquartered in Seattle, Washington, and with significant operations in North America, Europe, Asia and Australia, Russell employs approximately 1,800 people.

HISTORY OF RUSSELL

Russell was initially established as a brokerage firm in 1936, and began providing portfolio offerings to institutional clients in 1969. Russell established its first international office in London in 1979. In 1980, Russell began offering mutual funds to smaller companies and individuals and in 1984 launched its equity indexes, allowing Russell to better understand relative performance of third-party managers and capital markets movements. The firm continued establishing its international presence by opening an office in Toronto, Canada in 1985, and offices in Sydney, Australia, and Tokyo, Japan in 1986 and an office in Auckland, New Zealand in 1991. In 1999, Russell was acquired by Northwestern Mutual.

RUSSELL'S BUSINESS SEGMENTS

1. Indexes

1.1 Overview

Russell Indexes serve as the benchmark for approximately US\$5.2 trillion in assets worldwide (as of 31 December 2013). Russell Indexes generated revenues totalling US\$173.7 million in 2013, through data-licensing fees and payments from third-party ETF and passive-fund providers benchmarked to Russell Indexes (generally assessed in basis points of AUM in the relevant funds), and through benchmarks for futures, options and structured products.

The Russell Indexes and Universes (described in 1.5 below) are owned by Russell; revenues are earned through data licensing fees and royalties from fund and derivatives licensing. Russell does not control any aspect of the financial products based on the Russell Indexes, including the licenses' creation, registration, or eventual listings.

In addition to fees received by Russell with respect to licensure of the Russell Indexes for use in financial products, Russell also receives fees with respect to the licensure of its trade or service marks, the Russell Indexes and their underlying data, to investment managers, consultants, pension plans and other institutions.

1.2 Development of the indexes

The family of Russell U.S. Indexes was introduced in 1984. This included the U.S. large-cap Russell 1000 and the U.S. small-cap Russell 2000, becoming the first index family to reflect the investable portion of the small-cap U.S. equity market. In 1999, the first ETF based on a Russell Index was introduced. More recent smart beta (rules-based strategies designed to provide focused exposure to specific factors, market segments or investment strategies) indexes include the equal weight, factor, fundamental and geographic exposure Indexes, as well as the high efficiency defensive and Conscious Currency® Indexes.

1.3 Principal indexes

Russell calculates approximately 700,000 benchmarks daily covering 98 per cent. of the investable universe globally, including more than 80 countries and more than 10,000 securities, with its primary focus being on the provision of equity indexes in the United States. Its index offerings span large cap indexes, small cap indexes, style indexes, and broad market indexes. Its principal indexes include:

- Russell 1000 Index (US based, large-cap equity index for the largest 1,000 stocks in the Russell 3000 index).

- Russell 2000 Index (US based, small-cap equity index for the smallest 2,000 stocks in the Russell 3000 index).
- Russell 3000 Index (US based, broad-market equity index measuring the performance of the largest 3,000 US companies).
- Sub-set index families, including Russell Top 200 Index (US based equity index for the 200 largest stocks in the Russell 3000 Index) and Russell Midcap Index (US based equity index measuring the 800 smallest stocks on the Russell 1000 Index).
- Russell Global Indexes (representing 98 per cent. of the investable universe, Russell Global Indexes currently reflect the performance of more than 10,000 securities in 47 countries).
- Smart Beta series (rules-based strategies designed to provide focused exposure to specific factors, market segments or investment strategies). These include stability indexes, Conscious Currency®, defensive and high dividend yield indexes, among others).

1.4 Construction and methodology of indexes generally

Russell Indexes are constructed using an open, rules-based, published methodology that is designed to be easy to understand by financial professionals and other market participants. Russell Indexes are modular in design and constructed to be objective and comprehensive by offering full coverage of the underlying market segment without gaps or overlaps, and with no sampling. Processes to account for daily corporate actions, monthly share adjustments, quarterly initial public offering inclusions and annual total reconstitution all are designed to ensure that the indexes continue to accurately represent the true global opportunity set.

Russell's index business is a leading provider of benchmarks to US focused equity funds. More than US\$5.2 trillion of assets are benchmarked to Russell indices globally, including US\$778 billion of AUM invested in passive funds and ETFs. 73 per cent. of US institutional equity portfolios by AUM are benchmarked to Russell indices, including 98 per cent. of small-cap and style-specific equity AUM, 88 per cent. of broad market equity AUM and 52 per cent. of large-cap equity AUM. Further, 98 per cent. of US equity index contracts traded on the Intercontinental Exchange are based on the Russell 2000 Index.

1.5 Universes

Russell constructs and licenses the use of universes for equity, fixed income, and real estate asset classes. A universe is an aggregation of data for a group of portfolios that are similarly managed at some level. Russell's universes aggregate performance and portfolio characteristic statistics for groups of managers. Many universes have more than 20 years of history. Universe membership is determined by Russell's specialist research analysts and calculated using a consistent rules-based, methodology. Representative account performance and holdings data is collected from managers in Russell's manager research database. Universes help investors understand and explain overall active manager behaviour. Universes are used for performance benchmarking, capital markets insights and manager evaluations, Universes can also be used to analyse active asset management trends, compare portfolio characteristics between managers and the appropriate benchmark, and ultimately compare the active management community's performance to a passive benchmark.

2. Asset management

2.1 Overview

As of 30 June 2014, Russell has approximately US\$280 billion in AUM and works with more than 2,500 institutional clients, independent distribution partners and individual investors globally.

Russell's asset management business conducts the following services: (i) multi-manager investment advice, index-based investment advice, fund-of funds investment advice, short term and fixed income investments advice, objective setting, asset allocation, derivatives advice and other advisory services to affiliated investment companies, other pooled investment vehicles, individual, institutional and high net worth clients; (ii) licensing of model securities portfolios to investment advisers and broker-dealers; and (iii) consulting services to managers and sponsors of large pools of investment assets. Where necessary or appropriate, all of Russell's asset management business activities are conducted pursuant to written agreements.

Russell's asset management business incorporates unaffiliated third-party managers with complementary styles into diversified portfolios. A portion of these portfolios are managed directly by Russell to enhance the ability to seek particular investment objectives. Russell's fixed-income equity and alternatives offerings include a variety of institutional funds and end-investor funds.

2.2 Portfolio construction methodology

Russell's uses its five distinct core investment capabilities: portfolio construction, capital markets, manager research, indexes and portfolio implementation to work with investors through a design/construct/manage process:

- *Design*—Russell designs funds and works with separate account investors to establish objectives and to define the appropriate strategic asset allocation aligned with those objectives. Russell's continuing investment in capital market forecasting comes into play during this phase, as does its consulting experience.
- *Construct*—During this phase, Russell's builds portfolios using both active management and precise passive exposures. Russell's portfolio managers employ an open architecture approach to identifying appropriate investment strategies. Russell also has an established set of beliefs, such as a bias toward equity risk exposure and broad diversification, which come into play during this phase.
- *Manage*—Russell manages portfolios dynamically to respond to a changing market environment, utilising insights and forecasts derived from its capital markets capabilities and executed by its implementation services unit.

2.3 Fund offerings

Globally, Russell currently offers approximately 388 funds including mutual funds and trust funds, commingled funds and separate accounts. By asset class, Russell offers 156 equity funds, 71 fixed-income funds, 46 alternatives funds (including hedge funds, private capital, commodities, infrastructure, real estate, and real asset), 20 cash funds, and 95 multi-asset funds, as of 31 March 2014. Notable fund families offered by Russell include the Russell LifePoints Funds® and the MAGS (“Multi-Asset Growth Strategies”) fund.

2.4 Multi-asset investing

Russell focuses particularly on multi-asset investing, the process of gaining exposure to a globally diverse mix of asset classes and styles in a single investment portfolio. Typically, portfolios are outcome oriented, seeking to fulfil specific client purposes such as creating enough wealth for retirement or managing pension fund status for corporate defined benefit plans. Portfolios are constructed using best of breed managers and integrating smart beta and other factor exposures to optimise the portfolio. Multiple traditional asset classes are utilised as well as non-traditional investments such as alternative investments. Finally, the portfolio is dynamically managed for client changing circumstances or changing market environment. Russell's pioneering work over the last 40 years in multi-period asset allocation honed from its consulting heritage allows Russell to provide robust solutions.

2.5 Capital markets insights

Russell utilises extensive capital markets insights to guide its practice in asset allocation, portfolio construction, manager research, implementation and index services. Since 1969, Russell has provided comprehensive investment consulting services, based on its insights, to the sponsors of large pools of investment assets through Russell's consulting group. Russell's consulting services clients consist of pension and profit sharing plans, endowments, foundations, charitable organisations, corporations or other institutional investors. Russell's consulting group provides comprehensive advice on managing large pools of capital, including, but not limited to, advice on governance, objective setting, asset allocation, portfolio structure, asset class strategy, manager selection and monitoring and performance evaluation.

2.6 Manager Research

Clients access Russell's evidence-based manager research, open architecture selection and rigorous oversight to facilitate an objective approach to constructing solutions for their objectives. Russell analysts seek to identify superior investment manager talent through a proprietary research process based on

objective analysis. As the list of managers is narrowed, analysts conduct on-site, in-depth, face-to-face interviews with the top managers.

This effort relies on a team of 55 specialist analysts to rank and classify a universe of more than 14,500 investment products, representing both traditional and alternative investments, across the globe. This includes monitoring more than 4,100 investment manager firms.

Russell has developed a rich database of information on managers, including performance data, portfolio holdings, benchmark and security characteristics, risk factor exposures, factual information on managers and universe statistics. Russell complements the data sets sourced from managers and third-party providers with data directly input by analysts into proprietary systems. This data set supports custom-built proprietary tools and applications to support continuous manager evaluations. These tools and applications are available on Russell's global technology platform, enabling analysts to efficiently share analysis and information about managers.

Russell utilises a disciplined and globally consistent process in its evaluation of money manager strategies. This process ensures consistency of focus on factors that are critical to investment success.

2.7 Investment services

Russell provides clients with a range of investment services to help them improve the performance and implementation of their investment strategies. These services can be categorised into three primary capabilities: specialty asset management, exposure management and execution management.

Much of Russell investment services business is customised, in that clients select the combination, scope and nature of these services that best fit their requirements. Russell offers its services to external clients, as well as internal clients including Russell advisory affiliates and Russell funds globally. Russell implementation services business generates commissions and service-based and asset-based fees, depending on the services offered and client preferences.

- **Specialty Asset Management** is defined as actively, quantitatively or passively managing return-seeking portfolios of assets. Within this classification, Russell may provide the following services:
 - **Transition management**—Russell utilises an investment management assignment to direct the exposure and execution processes of a client portfolio as assets are moved from legacy to target positions.
 - **Interim portfolio management**—Russell manages the exposure and rebalancing process of the client portfolio for a period of time leading up to, or immediately following, a transition event. The strategy is customised to the client's policy portfolio needs, and aims to minimise transaction costs and control the overall benchmark relative risk through optimisation techniques.
- **Exposure Management** involves the use of synthetics, a financial instrument that is created artificially by simulating another instrument with the combined features of a collection of other assets, to transform a portfolio from an actual state into a desired state. Under the exposure management umbrella, Russell capabilities include:
 - **Policy implementation**—an ongoing investment management assignment to integrate cash equitisation and rebalancing activities within a multi-asset class portfolio. Using synthetics, portfolio exposure is maintained within predetermined tolerance bands.
 - **Active policy implementation**—informed rebalancing as a continuing investment management assignment to provide the composite portfolio with tactical asset allocation tilts within client specified rebalancing ranges.
 - **Custom hedge portfolios**—either a temporary or continuing investment management assignment to capture the desired market exposure using synthetics.
 - **Currency overlay**—a continuing investment management assignment to provide a customised currency-hedging program for the international portion of a client's portfolio.

- **Execution Management** services seek to increase alpha returns by reducing structural and frictional costs associated with implementation. There are three primary services provided:
 - *Agency foreign exchange*—a continuing assignment to execute and settle client foreign exchange transactions through Russell Implementation Services currency trading venues. Agency FX is a unique currency service, in that trading is performed exclusively on an agency basis.
 - *Execution services*—stand-alone and direct access to Russell’s trading desk for institutional investors, broker/dealers, and asset managers to effect transactions. Russell is an introducing broker.
 - *Commission recapture*—a continuing assignment whereby asset managers, on behalf of the commission recapture client, execute trades directly with Russell or with Russell’s external network of brokers. The trades are designated as recapture trades and Russell Implementation Services then rebates a portion of the commission to the client in the form of cash or payment of bona fide fund expenses.

EMPLOYEES

The average number of employees employed by Russell during the six months ended 30 June 2014 and the years ended 31 December 2013, 2012 and 2011 was as follows:

By geographical location	30 June 2014	31 December		
		2013	2012	2011
Australia & New Zealand ⁽¹⁾	179	222	322	312
Canada	89	89	87	78
EMEA ⁽¹⁾	371	284	279	288
Japan	78	81	86	85
North Asia	8	9	8	7
South Asia	6	10	15	29
US	1,109	1,094	1,115	1,147
Russell consolidated	1,838	1,789	1,912	1,945

(1) 2013 average headcount includes divestiture and acquisition activities related to Link (Australia and New Zealand) and the On-Line Partnership Group (EMEA).

PART VI—OPERATING AND FINANCIAL REVIEW OF LONDON STOCK EXCHANGE GROUP

The financial information below is extracted without material amendment from the Annual Report and Accounts of the Group for 2014, 2013 and 2012 and from the unaudited consolidated financial information of the Group for the three months ended 30 June 2014 and 2013. Each of the Group's Annual Report and Accounts (including with the auditors' reports in the Company's audited historical financial information) are incorporated by reference in this document as described in Part XIV "Documentation Incorporated by Reference".

You should read the information below in conjunction with the Group's audited historical financial information and the auditors' reports contained in the Company's Annual Report and Accounts alongside the detailed information included in this document in Part IV "Business Overview of London Stock Exchange Group" and the other information incorporated by reference into this document and you should not rely solely on key and summarised information. PricewaterhouseCoopers LLP have issued unqualified audit opinions in respect of the financial statements for the Company for each of the financial years ended 31 March 2014, 2013 and 2012.

Some of the information in the review set forth below and elsewhere in this document and in the information incorporated by reference into this document includes forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".

OVERVIEW

LSEG is a diversified international markets infrastructure and capital markets business. The Group operates in four main business divisions: Capital Markets, Post Trade Services, Information Services and Technology Services.

LSEG's Capital Markets division comprises a broad range of international equity, bond and derivatives markets, including: London Stock Exchange; Borsa Italiana; MTS, one of Europe's leading fixed income markets; and Turquoise, a pan-European multilateral trading facility. Through its various platforms, the Group offers international businesses and investors unrivalled access to Europe's capital markets.

Post trade and risk management services are a significant and growing part of the Group's business operations. LSEG operates CC&G, the Italian clearing house, and Monte Titoli, a European settlement business, selected as a first wave participant in TARGET2-Securities. The Group is also the majority owner of leading multi-asset global clearing service, LCH.Clearnet.

The Group offers its customers an extensive range of real-time and reference data products, including SEDOL, UnaVista, Proquote and RNS. FTSE, a world leading index provider, calculates thousands of unique indices that measure and benchmark markets and asset classes in more than 80 countries around the world.

The Group is also a leading developer of high performance trading platforms and capital markets software for customers around the world. In addition to the Group's own markets, over 30 other organisations and exchanges around the world use the Group's MillenniumIT trading, surveillance and post trade technology.

Headquartered in London, with significant operations in Italy, France, North America and Sri Lanka, the Group employs approximately 2,800 people. LSEG's shares are admitted to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. LSEG is a member of the FTSE 100 index and had a market capitalisation of approximately £5,466 million as at the close of business on 21 August 2014 (being the last business day prior to the date of the announcement of the terms of the Rights Issue).

For the year ended 31 March 2014, the Group's adjusted total income was £1,213.1 million and total revenue was £1,088.3 million (including eleven months' contribution from LCH.Clearnet). For the year ended 31 March 2014, the Group's adjusted operating profit was £514.7 million and operating profit was £353.1 million.

KEY FACTORS AFFECTING THE COMPANY'S FINANCIAL RESULTS

In addition to the principal drivers affecting the Group's financial results described below, the Group's results may also be affected by a number of more general factors, many of which are beyond its control. Please see the section entitled "Risk Factors".

The Group's results have been affected, and are expected to be affected in the future, by a variety of factors, including the following:

Economic environment and market activity

Market sentiment and the overall condition of the economy directly affect the businesses that the Group operates, as described in more detail below. The gradual improvement in sentiment and overall economic activity in the year to 31 March 2014 was reflected in a 27 per cent. global increase in the capital raised (an aggregate value of US\$163 billion). Such improved opportunities and appetite for investment, combined with growing consumer confidence, excess liquidity and continued GDP growth in developed markets are creating a positive environment which is expected to continue throughout 2014. Equity funding is, therefore, likely to remain attractive and to support primary and secondary market activity.

Other factors which may directly or indirectly influence the Group's financial results include economic, political and geopolitical market conditions, inflation or deflation, trends in business and corporate finance, macro-economic changes in global or regional demand for equities, fixed income and other capital markets products and services.

Capital Markets

The above factors affect the Group's results through the volume of activity in capital markets. For example, the fees earned by the Group's markets are linked to the number of trades (Italian equities, retail bonds and derivatives) and size of trades (value of securities traded in UK equities and government bonds) executed by participants in the secondary markets. The Group's financial results are also impacted by the number of primary market issuances, as these generate fee income for the Group.

As a result of the improvement in overall economic activity, admissions to the Group's primary markets has grown to a six year high, with 188 companies admitted in the financial year ending 31 March 2014 and total capital raised of £34 billion (compared to £18 billion in 2013). This increased activity generated additional revenue for the Group for the year ended 31 March 2014 from admission fees charged to issuers for initial listing or raising of further capital on the Group's markets, as well as annual fees based on market capitalisation.

Secondary markets revenue depends on trading levels, which vary according to market conditions and customer behaviour. These are influenced by a variety of factors, including, but not limited to, demographic changes, government policy, interest rates and EU and domestic legislation, in addition to the general economic environment and market conditions discussed above.

The improvement in market conditions and growing customer confidence have contributed to increased secondary market fees based on the value (UK equities and government bonds) or the number (Italian equities, retail bonds and derivatives) of trades transacted on the Group's platforms by participants in the secondary markets. The average number of equity order book trades in Italy increased by five per cent. to 235,000 in the year ended 31 March 2014 and the average order book equity value traded per day in London was £4.3 billion.

Post Trade

Post Trade revenues, such as clearing fees, custody fees and fees/interest on collateral are also linked to market levels and activity and have therefore benefitted from the improvement in underlying economic conditions.

CC&G and Monte Titoli

The increase in volumes traded on the secondary market and the number of markets that are guaranteed by the CCP have contributed to the growth in clearing fees during the periods under review. The number of equity and derivative contracts cleared increased by three per cent. to 97.3 million in the year ended 31 March 2014 compared to the year ended 31 March 2013. While the Group is unable to control the

underlying trends which drive the volumes traded on its platforms, it seeks to promote its services in order to increase the number of markets that are centrally guaranteed.

The rising global equity markets also benefitted custody and settlement revenues, which are dependent on movements in the value of the underlying assets under custody along with the number of settlements handled.

CC&G also generates net treasury income by investing the cash margin and default funds it holds, retaining any surplus after members are paid a return on their cash collateral contributions. Factors that may impact net treasury income include fluctuations in the level of collateral held, for instance from movements in fixed income and derivatives trading volumes, as well as changes in benchmark rates linked to member interest compensation or CC&G's investment portfolio. The average daily margin rose 18 per cent. to €11.9 billion for year ended 31 March 2014 compared to the year ended 31 March 2013, through increased trading volumes. However, in order to meet new regulatory technical standards under EMIR, CC&G was required, at the beginning of the year, to change its investment policy from un-secured deposits of cash collateral to a minimum 95 per cent. investment in secured instruments with a subsequent material reduction in yields resulting. Net treasury income as a result of this change decreased by £69.1 million to £47.6 million in the year ended 31 March 2014 compared to the year ended 31 March 2013.

LCH.Cleartnet

Clearing revenues are based on trades or contracts cleared and CCP services provided. Over the financial year ended 31 March 2014, the improvement in secondary market trading levels has increased the volume of trades on non-OTC markets, with the value of fixed income cleared in the year to 31 March 2014 being €72.3 trillion. OTC revenues for Swapclear and interest rate swap service fees are based primarily on the number of members which rose to 103 in 2014 as improvements in market conditions drove increased demand. In addition, as the appetite from the Group's customers operating on major platforms to mitigate counterparty risk grows the Group expects the number of members to continue to increase.

Information Services

The gradual improvement in the global economic recovery has seen a rise in the use of exchange traded funds due to the trend towards low cost passive investment. This trend, along with the general rise in asset prices, has had a positive impact on the Group's index business, which is impacted by the volume of assets tracking FTSE indices. ETF assets benchmarked to FTSE indices increased from US\$143 billion to US\$186 billion in the year ended 31 March 2014, resulting in a strong increase in licence fees and subscription fees for data and analytic services.

Real-time data revenue is earned based on number of terminals taking the Group's real-time price and trading data. The recent economic downturn and sector decline resulting in headcount reductions in the industry which uses the Group's products and general cost cutting has impacted revenue, with a decline in the number of professional terminals taking Group data from 221,000 in 2013 to 205,000 in 2014.

Technology Services

MillenniumIT offers pre to post trade, multi-asset, ultra-low latency capital market solutions. Sales of capital markets software and IT infrastructure services are dependent, among other things, on the number of customers and their appetite to invest in technology solutions which are linked to fluctuations in the economic environment. These sales ultimately generate the Group's revenue. Interest from markets worldwide is strong, including from frontier and emerging markets looking to develop and promote their capital markets capabilities, which is expected to benefit the Group's revenue in the future.

Legislative and regulatory changes

Legislative and regulatory developments affect the markets in which the Group operates and the standards for its operations, which consequently impacts the Group's financial results. As a global business, many of the Group's activities are subject to regulation on a national or supranational basis, which results in additional costs to implement and maintain business offerings in compliance with existing and new regulation. However, global regulatory momentum may also create opportunities for the Group, such as increased demand for risk management and OTC clearing services, which positively impact the Group's post trade services revenues.

Regulatory factors in Europe such as MiFID/MiFIR could have a negative impact on capital markets activity. However, they may also create opportunities for the Group's post trade operations where the Group's open access principles are aligned with the demand for greater transparency and improved, cost effective services. For example, UnaVista, in response to recent regulatory changes pursuant to EMIR, launched its trade repository solution to assist clients in managing their evolving regulatory and reporting needs. This contributed to a strong increase in UnaVista's user base from 9,000 to approximately 30,000 over the financial year ended 31 March 2014. Increased demand for risk management and OTC clearing services are expected to positively impact the Group's post trade services revenues. However, new Basel III standards for calculating regulatory capital requirements for banks' exposures to CCPs, which are due to take effect in their final form in January 2017, could have an adverse effect on the Group's CCPs.

The scope of any EU tax on certain dealings in financial instruments continues to be discussed by the European Council, with participation from Member States. There is still a lack of certainty surrounding the proposed tax and its implementation, and it is not possible to predict what effect the proposed financial transaction tax might have on the business of 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 the Group operates, which might lead to a fall in demand for the Group's trading and clearing services. However, changes to tax legislation could also have a positive impact for certain of the Group's businesses. The UK Government's decision to abolish stamp duty for companies quoted on growth markets, such as AIM and the High Growth Segment, came into effect in April 2014 and are expected to help boost investment in companies admitted to such markets and reduce the cost of capital for UK businesses.

A number of regulatory initiatives and changes have been identified or proposed or are being implemented by regulators in jurisdictions in which the Group operates, including businesses that, to date, have not been regulated. Certain future regulatory initiatives may provide new growth opportunities for the Group, while others may have a negative impact on its business, financial condition and operating results. For example, forthcoming regulatory changes, such as market data specific proposals under MiFID II in the EU, are intended to promote greater transparency and reduce data costs across Europe by requiring increased disaggregation of data services and consideration of possible regulation of aspects of data pricing. The issues are under discussion and consultation by policymakers and there are few detailed requirements as yet and it is not certain in what form, any such initiatives will be implemented, or their impact on the Group's businesses and operations.

The Group continually monitors developments and engages with regulatory and governmental authorities at both the national, EU and international level. The Group's strategic planning takes account of the uncertain regulatory environment and its plans are flexible, with alternative options dependent on how the environment develops. The Group works closely with its clients to best align its services to their needs in the context of emerging regulation.

Competition

In recent years, the Group's business environment has been characterised by increasing competition among global markets, the globalisation of exchanges and more discerning customers. The Group's equity markets face competition from foreign exchanges and other venues for listings, trading and the provision of market data for their securities. The Group's derivatives markets are also in direct competition with securities, options and other derivatives exchanges, as well as MTFs and other venues, clearing member firms and other firms for trading, clearing and the provision of market data. The Group's Capital Markets operations are at risk from competitors that improve their products, pricing and technology in a way that erodes its businesses.

The information services industry is characterised by a large number of participants and a high level of product innovation. The environment in which the Group's index business operates is therefore subject to rapid change and intense competition, with brand and client relationships regarded as key competitive advantages for index businesses worldwide. The Group expects that the information services industry will consolidate over the next three to five years, which as well as presenting opportunities, may adversely affect the Group's businesses through client migration and subsequent loss of revenues.

The post trade industry is undergoing significant changes following the financial crisis, with a push by regulators and policy makers for more OTC trading to be carried out on market and for participants to utilise clearing services for certain OTC derivative products. The competitive landscape developing from such changes has created new business opportunities for the Group, but may also increase the demand for

alternative competitive offerings or require the Group to introduce further offerings in relation to risk and balance sheet management.

Technological change

Market participants' demand for speed, capacity and reliability requires continued investment in technology by market infrastructure providers. The Group faces ongoing competition for customers' trading activity from alternative platforms, including MTFs, as well as from internalisation by its member firms.

In addition, the Group, as part of its technology sales, commits to develop and deliver new technological platforms and other products to third party customers. The Group's technology solutions enable customers and markets to operate reliably, securely and efficiently. Delays or failures (in whole or part) in the delivery of such products may have an adverse effect on the Group's ability to compete and the reputation, revenues and financial condition of the Group.

Accordingly, the Group incurs costs as a result of capital expenditure related to its ongoing investment in IT and infrastructure.

LSEG transformation

The Group's diversification strategy has led to several corporate transactions in recent years, including the acquisition in December 2011 of the remaining 50 per cent. of FTSE that LSEG did not already own and its acquisition of a majority stake in LCH.Clearnet Group in May 2013. Following these transactions and as LSEG continues to pursue its strategy of developing growth opportunities through both organic and inorganic means (including the Acquisition), the Group is, and will be, exposed to transformation risks as part of the alignment and integration processes that the Group targets. The governance of the Group is aligned and strengthened as appropriate as the Group diversifies and performs regular reporting of change performance. However, the execution of additional corporate and strategic projects and failure to successfully align new businesses of the Group may result in an adverse impact on day-to-day performance, operation of core services, revenue and revenue growth, key strategic initiatives and the Group's reputation.

Exchange rate fluctuations

The Group is exposed to exchange rate fluctuations. The Group generates its revenues and incurs its costs in a mixture of currencies, including pounds sterling, euros and US dollars, with a material proportion of its revenues denominated in currencies other than pounds sterling. The Group files its consolidated financial reports and accounts in pounds sterling and declares and pays dividends (which will be declared in pounds sterling) to its shareholders in pounds sterling.

The Group's principal foreign exchange exposure arises as a result of translating the Group's euro earnings, assets and liabilities from its European based euro reporting businesses into sterling. A €5 cent movement in the average £/€ rate for the year ended 31 March 2014 would have changed the Group's operating profit for the year before reflecting amortisation of purchased intangibles and non-recurring items of approximately £12 million.

The Group hedges in accordance with the Group treasury policy by executing appropriate derivative instruments or by settling currency payables or receivables within a short timeframe. Hedge accounting of derivatives is considered to mitigate material levels of income statement volatility.

Following the Acquisition, the Enlarged Group will continue to generate its revenues in the mixture of currencies set out above (including in particular in US dollars) and will therefore continue to be subject to risks associated with exchange rate fluctuations.

OPERATING RESULTS

Description of Income Statement Line Items

The following discussion provides a description of the composition of certain of the Company's consolidated income statement line items for the periods under review.

Revenue

Revenue primarily consists of fee income generated from the Group's four main business divisions: Capital Markets, Post Trade Services, Information Services and Technology Services. Capital Markets revenue is generated through annual fees and admission fees based on the amount of capital raised and number of equity issuances for both domestic and international companies across the primary markets that the Group operates. Secondary market revenue is driven by the volumes of trading of cash equities, fixed income and derivatives on the Group's platforms. The Group offers a full range of post trade services through CC&G, Monte Titoli and through its majority stake in LCH.Clearnet, which generate revenue from clearing, settlement and custody services driven by volumes of trades and contracts cleared and settlement instructions. Information Services revenue primarily includes income from the provision of index data, which is influenced by the number of users accessing this data as well as AUM benchmarked to the Group's FTSE indices. Technology Services includes revenue generated from the provision of technology connections and data centre services, along with the MillenniumIT business which provides technology and enterprise services.

Net treasury income through CCP business

Net treasury income includes interest income earned by investing the cash margin held, retaining any surplus after members are paid a return on their cash collateral contributions.

Operating expenses

Operating expenses comprise cost of sales linked to revenue generated along with employee costs, IT costs, depreciation and non-acquisition software amortisation, marketing costs, rental of premises and other expenses incurred in running the Group's operations.

Operating profit

Operating profit is the sum of income from revenue, net treasury income through CCP and share of profit after tax of joint ventures/associates, less operating expenses.

Finance income and expense

Finance income and expense primarily includes bank deposit and other interest income less interest payable on bank and other borrowings.

Taxation

Taxation primarily includes corporation tax for the period.

Profit for the period

Profit for the period is the sum of operating profit, finance income and expense less taxation.

Operating results for the Three Months Ended 30 June 2014 and 2013

	30 June (unaudited)		Change (£ million)	Change (%)
	2014 (£ million)	2013		
Revenue				
Capital Markets	87.0	75.0	12.0	16
Post Trade Services—CC&G and Monte Titoli	26.0	25.1	0.9	4
Post Trade Services—LCH.Clearnet ⁽¹⁾	83.2	49.0	34.2	70
Information Services	88.0	83.9	4.1	5
Technology Services	14.3	15.5	(1.2)	(8)
Other	1.4	1.2	0.2	17
Total Revenue	299.9	249.7	50.2	20
<i>Net treasury income through CCP business</i>				
CC&G	7.5	16.7	(9.2)	(55)
LCH.Clearnet ⁽¹⁾	15.1	11.8	3.3	28
Other income	1.4	2.1	(0.7)	(33)
LCH.Clearnet ⁽¹⁾ unrealised gain/(loss)	0.7	(1.2)	1.9	—
Total income including unrealised	324.6	279.1	45.5	16
Expenses				
Operating expenses before amortisation of purchased intangible assets and non-recurring items	(175.7)	(162.1)	13.6	8
Operating profit before amortisation of purchased intangible assets and non-recurring items	148.9	117.0	31.9	27
Amortisation of purchased intangible assets and non-recurring items	(46.9)	(42.2)	4.7	11
Operating profit	102.0	74.8	27.2	36
Finance income	2.8	2.7	0.1	4
Finance expense	(21.2)	(17.8)	3.4	19
Net finance expense	(18.4)	(15.1)	3.3	22
Profit before taxation	83.6	59.7	23.9	40
Taxation	(22.7)	(22.5)	0.2	1
Profit for the financial period	60.9	37.2	23.7	64

(1) LCH.Clearnet represents two months ended 30 June 2013.

Capital Markets revenue.

	30 June (unaudited)		Change (£ million)	Change (%)
	2014 (£ million)	2013 (£ million)		
Revenue				
Primary Markets				
Annual Fees	11.0	10.0	1.0	10
Admission Fees	14.3	9.5	4.8	51
	<u>25.3</u>	<u>19.5</u>	<u>5.8</u>	<u>30</u>
Secondary Markets				
Cash equities UK & Turquoise	24.5	24.2	0.3	1
Cash equities Italy	10.0	8.6	1.4	16
Derivatives	4.9	5.0	(0.1)	(2)
Fixed income	19.9	15.5	4.4	28
	<u>59.3</u>	<u>53.3</u>	<u>6.0</u>	<u>11</u>
Other	2.4	2.2	0.2	9
Total revenue	<u>87.0</u>	<u>75.0</u>	<u>12.0</u>	<u>16</u>

The Group's Capital Markets revenue, which comprises primary and secondary market activities, increased by £12.0 million, or 16 per cent., from £75.0 million in the three months ended 30 June 2013 to £87.0 million in the three months ended 30 June 2014. This increase was due to strong growth in primary markets as the number of new issues more than doubled; secondary markets benefitted from improvements in fixed income trading and Italian cash equity volumes.

Primary Markets revenues increased by 30 per cent. to £25.3 million, reflecting continued IPO activity with 78 issuers joining the Group's markets over the three months ended 30 June 2014 compared to 33 in the three months ended 30 June 2013. The total amount of capital raised across the Group's equity markets, both through new issues and further issues increased from £4.9 billion in the three months ended 30 June 2013 to £19.9 billion in the three months ended 30 June 2014 with strength in both domestic and international markets.

Secondary Market revenues increased by 11 per cent. to £59.3 million, mainly driven by increased activity in Italian equity trading with the average daily number of trades up 20 per cent. to 273,000 in the three months ended 30 June 2014. In the UK the average order book daily value traded was down five per cent., offset by buoyant trading in Turquoise, the Group's pan-European equities platform, which was up 40 per cent. with €3.83 billion average daily equity value traded.

Fixed income also produced a strong performance up 28 per cent. from £15.5 million in the three months ended 30 June 2013 to £19.9 million in the three months ended 30 June 2014. This increase included £3.8 million of revenue relating to businesses acquired after the three months to 30 June 2013 (Euro TLX £3.4 million and Bonds.com £0.4 million). Organic revenue also increased, primarily due to MTS cash and BondVision value trading increasing 36 per cent., partly offset by an 18 per cent. decrease in MOT volumes.

Post Trade Services—CC&G and Monte Titoli revenue.

	30 June (unaudited)		Change (£ million)	Change (%)
	2014 (£ million)	2013 (£ million)		
Revenue				
Clearing	10.2	10.1	0.1	1
Settlement	5.0	4.4	0.6	14
Custody & Other	10.8	10.6	0.2	2
Total revenue	<u>26.0</u>	<u>25.1</u>	<u>0.9</u>	<u>4</u>

The Group's revenue from Post Trade Services—CC&G and Monte Titoli increased by £0.9 million, or four per cent., from £25.1 million in the three months ended 30 June 2013 to £26.0 million in the three months ended 30 June 2014 with increases in clearing volumes and within settlement and custody. Settlement revenues increased by 14 per cent. to £5.0 million with Monte Titoli processing 18.4 million trades for the three months ended 30 June 2014 compared with 14.4 million in the three months ended 30 June 2013.

Post Trade Services—LCH.Clearnet revenue.

	30 June (unaudited)		Change (£ million)	Change (%)
	2014 (£ million)	2013 ⁽¹⁾		
Revenue				
OTC				
SwapClear	26.8	14.9	11.9	80
ForexClear/CDSClear	7.3	2.7	4.6	170
	<u>34.1</u>	<u>17.6</u>	<u>16.5</u>	<u>94</u>
Non-OTC				
Fixed income	11.6	5.4	6.2	115
Commodities	14.1	4.4	9.7	220
Listed derivatives	9.5	12.4	(2.9)	(23)
Cash equities	8.4	6.2	2.2	35
	<u>43.6</u>	<u>28.4</u>	<u>15.2</u>	<u>54</u>
Total clearing fee revenue	<u>77.7</u>	<u>46.0</u>	<u>31.7</u>	<u>69</u>
Other	5.5	3.0	2.5	83
Total revenue	<u>83.2</u>	<u>49.0</u>	<u>34.2</u>	<u>70</u>

(1) LCH.Clearnet 2013 represents two months ended 30 June 2013.

The Group's revenue from Post Trade Services—LCH.Clearnet increased by £34.2 million, or 70 per cent. The period ended 30 June 2013 included only two months' worth of LCH.Clearnet revenue, which was £49.0 million compared to £83.2 million for the three months ended 30 June 2014. The underlying increase excluding the impact of one extra month's revenue was due to growth in OTC revenues (Swapclear members increased from 83 members as at 30 June 2013 to 106 members as at 30 June 2014), commodities and fixed income clearing.

Information Services revenue.

	30 June (unaudited)		Change (£ million)	Change (%)
	2014 (£ million)	2013		
Revenue				
FTSE	44.4	41.7	2.7	6
Real-time data	21.3	22.4	(1.1)	(5)
Other information and services	22.3	19.8	2.5	13
Total revenue	<u>88.0</u>	<u>83.9</u>	<u>4.1</u>	<u>5</u>

The Group's Information Services revenue increased by £4.1 million, or five per cent., from £83.9 million in the three months ended 30 June 2013 to £88.0 million in the three months ended 30 June 2014. This increase reflected good performances from FTSE and a number of other information services. FTSE revenue increased by six per cent. to £44.4 million in the three months ended 30 June 2014, partly reflecting a 31 per cent. increase in ETF AUM benchmarked in the period. Real-time data declined five per cent. to £21.3 million as a result of fewer users of both the UK and Italian data, down two per cent. and four per cent. respectively. These falls were largely the result of headcount reductions and general cost cutting in the sector.

Technology Services revenue.

	30 June (unaudited)		Change (£ million)	Change (%)
	2014 (£ million)	2013 (£ million)		
Revenue				
MillenniumIT	6.0	7.4	(1.4)	(19)
Technology	8.3	8.1	0.2	2
Total revenue	14.3	15.5	(1.2)	(8)

The Group's Technology Services revenue decreased by £1.2 million, or eight per cent., from £15.5 million in the three months ended 30 June 2013 to £14.3 million in the three months ended 30 June 2014. This decrease mainly reflected timing of third party systems work.

Total revenue. As a result of the factors detailed above, including an additional month of LCH.Clearnet, the Group's total revenue increased by £50.2 million, or 20 per cent., from £249.7 million in the three months ended 30 June 2013 to £299.9 million in the three months ended 30 June 2014.

Net treasury income—CC&G. The Group's net treasury income—CC&G decreased by £9.2 million, or 55 per cent., from £16.7 million in the three months ended 30 June 2013 to £7.5 million in the three months ended 30 June 2014. CC&G, as already guided, completed the move to a minimum 95 per cent. secured investment level for cash margin, required to meet EMIR regulatory standards, with a subsequent reduction in yields resulting in a decrease in income.

Net treasury income—LCH.Clearnet. The Group's net treasury income—LCH.Clearnet increased by £3.3 million, or 28 per cent., from £11.8 million in the three months ended 30 June 2013 to £15.1 million in the three months ended 30 June 2014. Net treasury income is earned by investing the cash margin held, retaining any surplus after members are paid a return on their cash collateral contributions. The average cash collateral held increased by 12 per cent. to €46.5 billion in the period.

Other income. The Group's other income decreased by £0.7 million, or 33 per cent., from £2.1 million in the three months ended 30 June 2013 to £1.4 million in the three months ended 30 June 2014.

Total income. As a result of the factors discussed above, the Group's total income increased by £45.5 million, or 16 per cent., from £279.1 million in the three months ended 30 June 2013 to £324.6 million in the three months ended 30 June 2014.

Operating expenses before amortisation of purchased intangible assets and non-recurring items. The Group's operating expenses before amortisation of purchased intangible assets and non-recurring items, increased by £13.6 million, or eight per cent., from £162.1 million in the three months ended 30 June 2013 to £175.7 million in the three months ended 30 June 2014. This increase included one extra month's costs of £21.5 million relating to LCH.Clearnet which was included for only two months in the period ending 30 June 2013. Excluding acquisitions, costs were down £3.4 million with increases in IT costs and professional fees more than offset by decreases in depreciation and property costs.

Operating profit before amortisation of purchased intangible assets and non-recurring items. As a result of the factors discussed above, the Group's profit increased by £31.9 million, or 27 per cent., from £117.0 million in the three months ended 30 June 2013 to £148.9 million in the three months ended 30 June 2014.

Amortisation of purchased intangible assets and non-recurring items. The Group's amortisation of purchased intangible assets and non-recurring items increased by £4.7 million, or 11 per cent., from £42.2 million in the three months ended 30 June 2013 to £46.9 million in the three months ended 30 June 2014. This increase was due to additional acquisition amortisation of £1.8 million and integration costs of £1.7 million as a result of the acquisition of LCH.Clearnet Group.

Operating profit. As a result of the factors discussed above, the Group's operating profit increased by £27.2 million, or 36 per cent., from £74.8 million in the three months ended 30 June 2013 to £102.0 million in the three months ended 30 June 2014.

Finance income. The Group's finance income increased by £0.1 million, or four per cent., from £2.7 million in the three months ended 30 June 2013 to £2.8 million in the three months ended 30 June 2014. This increase was due to interest earned on higher levels of cash balances.

Finance expense. The Group's finance expense increased by £3.4 million, or 19 per cent., from £17.8 million in the three months ended 30 June 2013 to £21.2 million in the three months ended 30 June 2014. This increase was due to interest paid on additional debt and fees in relation to a new credit facility.

Taxation. The Group's taxation increased by £0.2 million, or one per cent., from £22.5 million in the three months ended 30 June 2013 to £22.7 million in the three months ended 30 June 2014.

Profit for the financial period. As a result of the factors discussed above, the Group's profit for the financial period increased by £23.7 million, or 64 per cent., from £37.2 million in the three months ended 30 June 2013 to £60.9 million in the three months ended 30 June 2014.

Operating results for the Years Ended 31 March 2014 and 2013

Discussion of the Group's operating results for the years ended 31 March 2014 and 2013 is incorporated by reference from the Group's Annual Report and Accounts 2014, which is incorporated by reference in this document as described in Part XIV "Documentation Incorporated by Reference".

Operating results for the Years Ended 31 March 2013 and 2012

Discussion of the Group's operating results for the years ended 31 March 2013 and 2012 is incorporated by reference from the Group's Annual Report and Accounts 2013, which is incorporated by reference in this document as described in Part XIV "Documentation Incorporated by Reference".

LIQUIDITY AND CAPITAL RESOURCES

Cash flows for the three months ended 30 June 2014 and 2013

The following table sets out the Company's consolidated cash flows for the three months ended 30 June 2014 and 2013.

	For the three months ended 30 June	
	2014	2013
	(£ million) (unaudited)	
Net cash inflow from operating activities	151.1	108.7
Net cash (outflow)/inflow from investing activities	(37.2)	55.2
Net cash (outflow)/inflow from financing activities	(20.2)	365.6
Increase in cash and cash equivalents	93.7	529.5
Cash and cash equivalents at end of period	985.1	978.1

Net cash inflow from operating activities. Net cash inflows from operating activities increased by £42.4 million, or 39 per cent., from £108.7 million in the three months ended 30 June 2013 to £151.1 million in the three months ended 30 June 2014. This increase was primarily due to increased cash generated from operations.

Net cash (outflow)/inflow from investing activities. Net cash flows from investing activities decreased by £92.4 million, or 167 per cent., from an inflow of £55.2 million in the three months ended 30 June 2013 to an outflow of £37.2 million in the three months ended 30 June 2014. This decrease was primarily due to net cash recognised on the acquisition of LCH.Clearnet Group.

Net cash (outflow)/inflow from financing activities. Net cash flows from financing activities decreased by £385.8 million, or 106 per cent., from an inflow of £365.6 million in the three months ended 30 June 2013 to an outflow of £20.2 million in the three months ended 30 June 2014. This decrease was primarily due to the proceeds received by LCH.Clearnet Group pursuant to a capital raise from non-controlling interests and proceeds from borrowings receipt to fund the LCH.Clearnet Group acquisition.

Cash flows for the years ended 31 March 2014 and 2013

Discussion of the Group's cash flows for the years ended 31 March 2014 and 2013 is incorporated by reference from the Group's Annual Report and Accounts 2014, which is incorporated by reference in this document as described in Part XIV "Documentation Incorporated by Reference".

Cash flows for the years ended 31 March 2014 and 2013

Discussion of the Group's cash flows for the years ended 31 March 2013 and 2012 is incorporated by reference from the Group's Annual Report and Accounts 2013, which is incorporated by reference in this document as described in Part XIV "Documentation Incorporated by Reference".

Liquidity

The Group's primary source of liquidity for its operations is cash provided by its operating activities, as well as the Group's revolving credit facilities described below.

At 30 June 2014, adjusted net debt (after setting aside £822.6 million of cash for regulatory and operational support purposes for the core LSEG businesses and assuming no surplus cash at LCH.Clearnet) was £1,023.0 million while drawn borrowings of £1,189.3 million are £34.4 million lower than at the start of the current financial year.

Financial Instruments

As at 30 June 2014, LSEG had committed undrawn bank lines of £1,055.5 million. The Group's total available cash on hand (excluding cash required for regulatory purposes) was £162.5 million. The existing facilities are already on a fully committed basis from a syndicate of banks. As at 30 June 2014, adjusted net debt: EBITDA had reduced to 1.7 times.

On 18 July 2013, the Company (as borrower) entered into a £700.0 million revolving facility agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd, HSBC Bank plc, Morgan Stanley Bank International Limited, The Royal Bank of Scotland plc, Abbey National Treasury Services plc, Barclays Bank PLC and Lloyds TSB Bank plc, dated 18 July 2013 (the "2013 Revolving Credit Facility"). The 2013 Revolving Credit Facility contains terms appropriate for an investment grade borrower including change of control provisions which, if triggered, allow the facility agent upon instructions from the majority lenders to cancel the facility and declare all outstanding loans under the agreement, together with accrued interest and all other amounts accrued, due and payable. The 2013 Revolving Credit Facility was amended in September 2013.

On 25 June 2014 the Group entered into an additional £600 million revolving credit facility with The Bank of Tokyo-Mitsubishi UFJ, Ltd, Abbey National Treasury Services plc, Barclays Bank PLC, HSBC Bank plc, Royal Bank of Canada and The Royal Bank of Scotland plc for a term of two years plus an extension option at LSEG's option of one year with a floating rate of interest based on an interest rate margin of 0.60 per cent. per annum over LIBOR/EURIBOR (the "2014 Revolving Credit Facility").

COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

The Company has various contractual obligations and commercial commitments to make future payments, including bank loans, long term debt instruments, overdrafts and operating lease obligations. The following table summarises the Company's future obligations (including interest up until 30 June 2014) under these contracts due by the periods indicated as of 30 June 2014.

	Less than a year	Between one and five years	More than five years	Total
	(£ million) (unaudited)			
Contractual obligations				
Borrowings	249.0	394.6	545.7	1,189.3
Operating Leases	31.5	99.8	88.7	220.0
Total	<u>280.5</u>	<u>494.4</u>	<u>634.4</u>	<u>1,409.3</u>

CAPITAL EXPENDITURE

	For the three months ended 30 June		For the year ended 31 March		
	2014	2013	2014	2013	2012
	(£ million) (unaudited)		(£ million)		
Property, plant and equipment	5.2	2.8	20.4	17.6	22.4
Software	16.3	8.7	106.8	21.3	16.0
Total	21.5	11.5	127.2	38.9	38.4

The following table sets forth the Group's capital expenditure for the periods indicated.

CAPITALISATION AND INDEBTEDNESS

As at 30 June 2014, the total shareholders' funds (consisting of total ordinary share capital, retained earnings and losses and other reserves) of the Group in accordance with IFRS as adopted by the EU was £1,535.1 million.

The following tables show the capitalisation and the indebtedness and cash of the Group as at 30 June 2014. The figures for the capitalisation and the indebtedness and cash of the Group have been extracted without material adjustment from the Company's unaudited interim financial information for the three months ended 30 June.

	As at 30 June 2014 (£ million) (unaudited)
Shareholders' equity	
Share capital	18.9
Retained losses	(23.3)
Other reserves	1,539.8
Capital and reserves	<u>1,535.4</u>

There has been no material change in the capitalisation of the Group, as set out in the table above, since 30 June 2014.

	As at 30 June 2014 (£ million) (unaudited)
Total current debt	
Unguaranteed/unsecured	252.8
Total current indebtedness	<u>252.8</u>
Total non-current debt	
Guaranteed	143.7
Unguaranteed/unsecured	789.0
Total non-current indebtedness	<u>932.7</u>
Total indebtedness	<u>1,185.5</u>

	As at 30 June 2014 <u>(£ million)</u> (unaudited)
Net financial indebtedness analysis	
Cash & Cash Equivalents	985.1
Bank Overdrafts	(4.5)
Current Bank Loans	(244.5)
Bonds	(796.6)
Preferred securities	(143.7)
Derivative financial assets/(liabilities)	3.8
Net current Financial Indebtedness	732.3
Non current Financial Indebtedness	(932.7)
Net Financial Indebtedness	(200.4)

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Description of the Group’s qualitative and quantitative disclosures about market risk are incorporated by reference from the Group’s Annual Report and Accounts 2014, which is incorporated by reference in this document as described in Part XIV “Documentation Incorporated by Reference”.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those policies that require the application of the Company’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. A detailed description of certain of the main accounting policies used in preparing the Company’s historical financial information is set forth in note 1 to the Group’s consolidated audited financial statements included in the Group’s Annual Report 2014, which is incorporated by reference in this document as described in Part XIV “Documentation Incorporated by Reference”.

PART VII—OPERATING AND FINANCIAL REVIEW OF RUSSELL

The financial information below is extracted without material amendment from the audited financial information of the Russell Group for the years ended 31 December 2013, 2012 and 2011 and from the unaudited reviewed consolidated financial information of the Russell Group for the six months ended 30 June 2014.

You should read the information below in conjunction with the Russell Group's audited consolidated financial information and the reporting accountant's report contained in Part IX "Financial Information of Russell" and Part V "Business Overview of Russell" included in this document and you should not rely solely on key and summarised information. PricewaterhouseCoopers LLP have issued an accountant's report as set out in Part C of Part IX in respect of the financial information for Russell for each of the financial years ended 31 December 2013, 2012 and 2011.

Some of the information in the review set forth below and elsewhere in this document includes forward-looking statements that involve risks and uncertainties. The Russell Group's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".

OVERVIEW OF RUSSELL

Russell is a global asset manager and index business and one of only a few firms that offers actively managed multi-asset portfolios and services that include advice, investments and implementation. Russell's approach utilises the integration of five distinct investment capabilities: portfolio construction, capital markets insights, manager research, indices and portfolio implementation. Russell's approach and capabilities, as they exist today, were built over the course of 40 years and focus on outcome-oriented investment solutions.

Headquartered in Seattle, Washington, and with significant operations in North America, Europe, Asia and Australia, Russell employs approximately 1,800 people.

KEY FACTORS AFFECTING RUSSELL'S FINANCIAL RESULTS

In addition to the principal drivers affecting the Russell Group's financial results described below, the Russell Group's results may also be affected by a number of more general factors, many of which are beyond its control. Please see the section entitled "Risk Factors". Russell's results have been affected, and are expected to be affected in the future, by a variety of factors, including the following:

Equity market performance and volatility

The Russell Group is highly dependent upon market conditions. Approximately 80 per cent. of the revenue generated is asset-based, and as a result an unfavourable market environment will adversely affect the Russell Group's financial condition and operating results.

The Russell Group derived 69 per cent. of its 2013 annual revenue from investment management fees on its institutional and retail funds. As a result, revenue is primarily driven by the amount of AUM and the Russell Group's management fee structure. A large proportion of the Russell Group's funds and separate account AUM (approximately 68 per cent. at 31 December 2013) was invested in equities and alternatives. The financial results of the Russell Group are therefore sensitive to fluctuations in the relevant equity and debt markets as a whole.

Investment performance

Poor investment performance relative to peers and stated benchmarks can have a direct impact on AUM which may result in declines in revenue. The Russell Group's investment performance track record has been relatively strong for the majority of its funds and products. The Russell Group has in most cases performed well relative to the benchmark over the past two calendar years. This strong relative investment performance can contribute to enhanced appreciation in AUM or, in falling equity markets, can mitigate the impact of depreciation on AUM. Conversely, in the case of weak relative investment performance, the opposite can be the case.

Client retention

The Russell Group's ability to attract and retain AUM depends on the following factors:

- market levels and trends;
- investment performance (both absolute and relative to benchmarks and competitors);
- the retention of existing fund managers and ability to attract new fund managers;
- the Russell Group's reputation and brand awareness;
- the introduction of new asset management products;
- client service; and
- relative fee levels.

Given that fees are earned on the amount of AUM, factors that affect the levels and relative composition of the Russell Group's AUM have a direct impact on the Russell Group's operating results.

The tables below set out a breakdown of changes in the Russell Group's AUM by asset class and the change in AUM for the periods indicated:

AUM by Asset Class	Year ended 31 December		
	2013	2012	2011
	(US\$ million)		
Equity	107,830	92,509	83,086
Fixed income	53,709	52,031	44,882
Alternative	15,614	13,858	9,920
Cash management	4,763	4,924	6,472
Fund and separate accounts—Total	181,916	163,322	144,360
Derivative overlay	74,774	65,842	60,489
Total	256,690	229,164	204,849

Change in AUM	Year ended 31 December		
	2013	2012	2011
	(US\$ million)		
Opening AUM	229,164	204,849	221,766
Net cash flow			
Equity/Fixed/Alternatives	570	1,551	(7,046)
Cash management	17	(1,732)	(1,230)
Total net cash flow	587	(181)	(8,276)
Market value change ⁽¹⁾	18,007	19,143	(5,722)
Derivative overlay net change	8,932	5,353	(2,919)
Closing AUM—Total	256,690	229,164	204,849

(1) Includes impact of foreign exchange revaluation.

Regulatory capital

The Russell Group's business is subject to extensive regulation, including regulation by governmental and self-regulated organisations in the United States and virtually all other jurisdictions in which it operates. The regulatory capital rules require the Russell Group to hold a certain amount of capital at all times, taking into account the particular risk to which the firm may be exposed given its business activities, to ensure that the Russell Group can meet its liabilities as they become due.

Regulatory changes may make it difficult or more costly for the Russell Group to maintain compliance with relevant regulations and for relevant markets within Russell to operate their existing businesses or to enter into new business areas. In addition, high levels of regulation may stifle growth and innovation in capital markets generally and may adversely affect the Russell Group's business, financial condition and operating results.

Exchange rate fluctuations

The Russell Group is exposed to exchange rate fluctuations. The Russell Group generates its revenues and incurs its costs in a mixture of currencies, including pounds sterling, euros, Australian dollars, Japanese yen, Canadian dollars and US dollars. The Russell Group files its consolidated financial reports and accounts in US dollars and pays dividends to its current shareholders in US dollars.

The Russell Group hedges in accordance with the Russell Group treasury policy by utilising derivative instruments or by settling currency payables or receivables within a short timeframe.

OPERATING RESULTS OF RUSSELL

Description of income statement line items

The following discussion provides a description of the composition of certain of Russell's consolidated income statement line items for the periods under review.

Revenue

Revenue primarily consists of investment management fee income which is recognised as earned and is generally based on a percentage of the market value of fund net AUM, which varies according to the nature and size of the fund or type of client. Management fees accounted for 69 per cent. of the total revenue for the year ended 31 December 2013. Management fee discounts and rebate arrangements are also reflected in investment management fees.

Securities commissions, generated entirely from agency brokerage transactions, are recognised as earned on a trade date basis. The Russell Group refunds a portion of commissions received from commission recapture services to its customers. Such commission credits are determined and recorded on a trade date basis as a reduction of securities commissions revenue.

Revenue related to the Russell Group's index business includes licensing and subscription revenue. Licensing fees are comprised of licences for ETF indices, indices for derivative use and indices for creation of structured products. Licensing revenue related to ETF indices is based upon the licensee's AUM. Upfront fees related to new contracts are recorded as deferred revenue and amortised over the life of the related contract. All other licensing revenue is based upon minimum contractual fees and/or trading-volume based fees and is recorded as earned over the period for which the rights are provided. Licences are issued to investment managers, financial institutions, and the major stock exchanges. Subscription fees are also generated from investment managers and financial institutions for regular access to index data information. All revenue related to subscriptions is recorded as earned over the period for which the services are provided.

Distribution and shareholder servicing fees are recognised as earned over the period for which services are provided and are based on a percentage of the daily net AUM.

Consulting fees are recognised as earned over the period for which the services are provided based upon the related contract terms. The majority of revenue is retainer based with a small percentage derived from project fees.

Transfer agent fee income is recognised as earned over the period for which the services are provided, on a flat fee structure based on the average asset size of accounts.

Fund and plan administration fee income is recognised as earned over the period for which the services are provided based upon the related contract terms. Fees are based on AUM levels and to a lesser degree on the number of member accounts.

Other income (loss)

Other income (loss) includes primarily gains and losses associated with investments in financial instruments and investments accounted for under the equity method.

Operating expenses

Operating expenses comprise cost of sales linked to revenue generated along with employee-related costs, IT costs, rental of premises and other expenses incurred in running the Russell Group's operations. Amounts paid by the Russell Group to sub-advisers are recorded as an operating expense. Amounts paid

by the Russell Group to brokers who clear or execute trades under the direction of the Russell Group in performance of transition management services are recorded as an operating expense. Amounts paid to distribute the Russell Group's mutual funds are also recorded as an operating expense. Custodian fees are also included in operating expense.

Operating profit

Operating profit is the sum of revenue and other income/(loss) less operating expenses.

Finance income and expense

Finance income and expense primarily includes bank deposit and other interest income less interest payable on bank borrowings and redeemable preferred stock with Northwestern Mutual. The Russell Group has an existing US\$250 million bank line of credit, as well as outstanding debt related to the preferred stock issued in late 2008 and early 2009 to Northwestern Mutual. See the section entitled "Liquidity and Capital Resources" below.

Taxation

Taxation primarily includes corporate tax for the period. Russell is a US resident company for tax purposes and is subject to the standard US corporation tax rate.

Profit for the period

Profit for the period is the sum of operating profit, finance income and expense, less taxation.

Operating results for the six months ended 30 June 2014 and 2013

	Six months ended 30 June	
	2014	2013
	(US\$ million) (unaudited)	
Revenue	875.2	781.7
Other income (loss)	20.1	(8.0)
Total income	895.3	773.7
<i>Expenses</i>		
Operating expenses	(753.2)	(704.4)
Operating profit	142.1	69.3
Finance income	0.7	0.8
Finance expense	(18.7)	(18.7)
Net finance expense	(18.0)	(17.9)
Profit before taxation	124.1	51.4
Taxation	(50.8)	(27.3)
Profit for the period	<u>73.3</u>	<u>24.1</u>

Revenue. The Russell Group's revenue increased by US\$93.5 million, or 12.0 per cent., from US\$781.7 million in the six months ended 30 June 2013 to US\$875.2 million in the six months ended 30 June 2014, due to the factors discussed below.

	Six months ended 30 June	
	2014	2013
	(US\$ million) (unaudited)	
Investment management fees	581.6	541.3
Securities commissions, net	37.0	41.7
Indices	94.6	82.0
Distribution and shareholder servicing fees	71.4	29.2
Consulting fees	16.8	17.9
Transfer agent fees	33.2	30.8
Fund and plan administration	20.3	22.0
Other revenue	20.3	16.8
Total Revenue	<u>875.2</u>	<u>781.7</u>

Total investment management fees increased US\$40.3 million, or 7.4 per cent., from US\$541.3 million in the six months ended 30 June 2013 to US\$581.6 million in the six months ended 30 June 2014. The increase in investment management fees was primarily the result of higher average AUM levels driven by appreciation in global equity markets. Average AUM during the period rose 8.1 per cent. or US\$13.9 billion.

Performance based management fees, included in total investment management fees, were US\$9.2 million in the six months ended 30 June 2014, an increase of US\$2.2 million compared to the six months ended 30 June 2013, primarily as a result of Russell's strong investment returns relative to benchmark.

Index revenues increased by US\$12.6 million, or 15.4 per cent., from US\$82.0 million in the six months ended 30 June 2013 to US\$94.6 million in the six months ended 30 June 2014. Russell's market share as a benchmark for institutional investors continues to steadily increase, which results in a positive impact on index revenues. In addition, in 2013, Russell introduced a real-time data offering to clients which has driven and is expected to continue to drive incremental revenue.

Distribution and shareholder servicing fees increased by US\$42.2 million, or 144.5 per cent., from US\$29.2 million in the six months ended 30 June 2013 to US\$71.4 million in the six months ended 30 June 2014. This increase is due to the acquisition of On-line Partnership Group Limited ("OLPG") by the Russell Group on 29 November 2013. OLPG recognises commissions received by the networks of product providers as revenue with a corresponding expense associated with the commissions due to the members. This transaction led to an increase in distribution revenue by US\$44.8 million.

Revenue from the Russell Group's other business lines is predominately AUM-based and increased as a result of the growth in AUM discussed above.

Other income (loss). The Russell Group's other income increased by US\$28.1 million from a loss of US\$8.0 million in the six months ended 30 June 2013 to income of US\$20.1 million in the six months ended 30 June 2014. This increase is due to favourable year over year currency movements attributable to the Russell Group's normal business operations.

Operating expenses. The Russell Group's operating expenses increased by US\$48.8 million, or 6.9 per cent., from US\$704.4 million in the six months ended 30 June 2013 to US\$753.2 million in the six months ended 30 June 2014. This increase was due to the addition of third party sales commissions related to the acquisition of OLPG in November 2013. OLPG recognises commissions received by the networks of product providers as revenue with a corresponding expense associated with the commissions due to the members. This transaction led to an increase in commissions paid by US\$38.9 million.

Operating profit. As a result of the factors discussed above, the Russell Group's operating profit increased by US\$72.8 million, or 105.1 per cent., from US\$69.3 million in the six months ended 30 June 2013 to US\$142.1 million in the six months ended 30 June 2014.

Finance income. The Russell Group's finance income decreased by US\$0.1 million, or 12.5 per cent., from US\$0.8 million in the six months ended 30 June 2013 to US\$0.7 million in the six months ended 30 June 2014.

Finance expense. The Russell Group's finance expense remained flat at US\$18.7 million for the six months ended 30 June 2013 and 2014.

Taxation. The Russell Group's taxation increased by US\$23.5 million, or 86.1 per cent., from US\$27.3 million in the six months ended 30 June 2013 to US\$50.8 million in the six months ended 30 June 2014. The statutory tax rate was 35.0 per cent. for the six months ended 30 June 2014 and 2013. The Russell Group's effective tax rate was 40.9 per cent. in 2014 and 53.1 per cent. in 2013.

The tax charge for the six months ended 30 June 2014 was higher than the standard US corporation tax rate because of the impact of state income taxes (an increase of US\$1.3 million), non-deductible dividends (an increase of US\$5.8 million), non-deductible incentive compensation (an increase of US\$1.7 million) and an increase in the Russell Group's tax reserves (an increase of US\$1.0 million), offset by foreign earnings taxable at a rate lower than the statutory rate (decrease of US\$2.6 million).

The tax charge for the six months ended 30 June 2013 was higher than the standard US corporation tax rate because of the impact of state income taxes (an increase of US\$1.2 million), non-deductible dividends (an increase of US\$4.6 million), foreign earnings taxable at a rate higher than the statutory rate (an increase of US\$1.8 million), non-deductible incentive compensation (an increase of US\$1.2 million) and an increase in the Russell Group's tax reserves (an increase of US\$0.5 million).

Profit for the period. As a result of the factors discussed above, the Russell Group's profit for the period increased by US\$49.2 million, or 204.1 per cent., from US\$24.1 million in the six months ended 30 June 2013 to US\$73.3 million in the six months ended 30 June 2014.

Operating results for the years ended 31 December 2013 and 2012

	Year ended 31 December	
	2013	2012
	(US\$ million)	
Revenue	1,605.3	1,450.1
Other income	3.6	4.0
Total income	1,608.9	1,454.1
<i>Expenses</i>		
Operating expenses	(1,433.0)	(1,353.2)
Operating profit	175.9	100.9
Finance income	1.5	1.4
Finance expense	(37.0)	(39.8)
Net finance expense	(35.5)	(38.4)
Profit before taxation	140.4	62.5
Taxation	(74.6)	(56.3)
Profit for the financial year	65.8	6.2

Revenue

The Russell Group's revenue increased by US\$155.2 million, or 10.7 per cent., from US\$1,450.1 million in the twelve months ended 31 December 2012 to US\$1,605.3 million in the twelve months ended 31 December 2013, due to the factors discussed below.

	<u>2013</u>	<u>2012</u>
	(US\$ million)	
Investment management fees	1,107.2	976.7
Securities commissions, net	76.0	79.6
Indices	173.7	149.9
Distribution and shareholder servicing fees	63.4	59.8
Consulting fees	35.0	39.3
Transfer agent fees	63.5	52.9
Fund and plan administration	44.0	64.0
Other revenue	42.5	27.9
Total Revenue	<u>1,605.3</u>	<u>1,450.1</u>

Total investment management fees increased US\$130.5 million, or 13.4 per cent., from US\$976.7 million in the twelve months ended 31 December 2012 to US\$1,107.2 million in the twelve months ended 31 December 2013. The increase in investment management fees was primarily the result of higher average AUM levels driven by appreciation in global equity and debt markets. Average AUM during the period rose 12 per cent. or US\$18.1 billion.

Performance based management fees, included in total investment management fees, were US\$16.4 million in the twelve months ended 31 December 2013, an increase of US\$12.0 million compared to the twelve months ended 31 December 2012, primarily as a result of Russell's strong investment returns relative to benchmark.

Index revenues increased by US\$23.8 million, or 15.9 per cent., from US\$149.9 million in the twelve months ended 31 December 2012 to US\$173.7 million in the twelve months ended 31 December 2013. Russell's market share as a benchmark for institutional investors continues to steadily increase, which results in a positive impact on index revenues. In addition, in the last year, Russell introduced a real-time data offering to clients which has driven and is expected to continue to drive incremental revenue.

Fund and plan administration fees decreased US\$20.0 million, or 31.3 per cent., from US\$64.0 million in the twelve months ended 31 December 2012 to US\$44.0 million in the twelve months ended 31 December 2013. The decrease is primarily due to the loss of two large clients in 2012 and the divestiture of Russell's stand-alone plan administration business. In addition, prior to 2013, Russell provided fund administration services to a third party fund complex. Russell earned US\$9.5 million of revenue from this relationship in 2012. The fund administration relationship ended 31 December 2012.

Revenue from the Russell Group's other business lines is predominately AUM based and increased as a result of the growth in AUM discussed above.

Other income. The Russell Group's other income decreased by US\$0.4 million, or 10.0 per cent., from US\$4.0 million in the twelve months ended 31 December 2012 to US\$3.6 million in the twelve months ended 31 December 2013. This decrease is due to unfavourable foreign exchange movements, partially offset by positive overall movements in the fair value of the Russell Group's investments.

Operating expenses. The Russell Group's operating expenses increased by US\$79.8 million, or 5.9 per cent., from US\$1,353.2 million in the twelve months ended 31 December 2012 to US\$1,433.0 million in the twelve months ended 31 December 2013. This increase in operating expenses primarily resulted from higher variable staff costs and sub-advisor costs, offset in part by a US\$16.1 million write-down of contingent consideration related to Russell's divestiture of the Pantheon business in 2010 that was recorded in 2012.

The increase in variable staff costs primarily resulted from higher bonus costs in line with increased operating profit levels and an increase of 25.0 per cent. in the share price related to Russell's long term incentive plans.

Sub-advisor payments increased by US\$42.5 million, or 13.2 per cent., from US\$321.3 million in the twelve months ended 31 December 2012 to US\$363.8 million in the twelve months ended 31 December 2013. This increase in sub-advisor expenses primarily resulted from the increase in AUM during those same periods.

Operating profit. As a result of the factors discussed above, the Russell Group's operating profit increased by US\$75.0 million, or 74.3 per cent., from US\$100.9 million in the twelve months ended 31 December 2012 to US\$175.9 million in the twelve months ended 31 December 2013.

Finance income. The Russell Group's finance income increased by US\$0.1 million, or 7.1 per cent., from US\$1.4 million in the twelve months ended 31 December 2012 to US\$1.5 million in the twelve months ended 31 December 2013. This increase is due to higher average cash balances in 2013 compared with 2012.

Finance expense. The Russell Group's finance expense decreased by US\$2.8 million, or 7.0 per cent., from US\$39.8 million in the twelve months ended 31 December 2012 to US\$37.0 million in the twelve months ended 31 December 2013. This decrease was due to the reduction in the outstanding balance under the Russell Line of Credit Agreement (as defined in the "Financial Instruments" Section). In each of 2012 and 2013, the Russell Group had significant finance expenses, principally interest payable on its preferred stock.

Taxation. The Russell Group's taxation increased by US\$18.3 million, or 32.5 per cent., from US\$56.3 million in the twelve months ended 31 December 2012 to US\$74.6 million in the twelve months ended 31 December 2013. The statutory tax rate was 35.0 per cent. for the years ended 31 December 2013 and 2012. The Russell Group's effective tax rate was 53.1 per cent. in 2013 and 90 per cent. in 2012.

The tax charge in 2013 was higher than the standard US corporation tax rate because of the impact of state income taxes (increase of US\$3.4 million), non-deductible dividends (increase of US\$12.5 million), foreign earnings taxable at a rate higher than the statutory rate (increase of US\$4.8 million), non-deductible incentive compensation (increase of US\$3.3 million) and an increase in the Russell Group's tax reserves (increase of US\$1.3 million).

The tax charge in 2012 was higher than the standard US corporation tax rate because of the impact of state income taxes (increase of US\$2.9 million), non-deductible dividends (increase of US\$11.7 million), foreign earnings taxable at a rate higher than the statutory rate (increase of US\$3.8 million), non-deductible incentive compensation (increase of US\$2.1 million) and an increase in the Russell Group's tax reserves (increase of US\$12.6 million). The large increase in the Russell Group's tax reserves relates primarily to the establishment of a reserve, in the amount of US\$13.3 million, for a transfer pricing dispute with the U.S. Internal Revenue Service for the 2008 to 2010 years.

Over time, Russell expects the Russell Group's future effective tax rates to be approximately 40.0 per cent.

Profit for the period. As a result of the factors discussed above, the Russell Group's profit for the period increased by US\$59.6 million from US\$6.2 million in the twelve months ended 31 December 2012 to US\$65.8 million in the twelve months ended 31 December 2013.

Operating results for the years ended 31 December 2012 and 2011

	Year ended 31 December	
	2012	2011
	(US\$ million)	
Revenue	1,450.1	1,431.4
Other income	4.0	10.8
Total income	1,454.1	1,442.2
<i>Expenses</i>		
Operating expenses	(1,353.2)	(1,358.0)
Operating profit	100.9	84.2
Finance income	1.4	3.4
Finance expense	(39.8)	(38.9)
Net finance expense	(38.4)	(35.5)
Profit before taxation	62.5	48.7
Taxation	(56.3)	(42.6)
Profit for the financial year	6.2	6.1

Revenue. The Russell Group's revenue increased by US\$18.7 million, or 1.3 per cent., from US\$1,431.4 million in the twelve months ended 31 December 2011 to US\$1,450.1 million in the twelve months ended 31 December 2012, due to the factors discussed below:

	2012	2011
	(US\$ million)	
Investment management fees	976.7	981.1
Securities commissions, net	79.6	71.4
Indices	149.9	142.2
Distribution and shareholder servicing fees	59.8	65.7
Consulting fees	39.3	39.0
Transfer agent fees	52.9	46.9
Fund and plan administration	64.0	56.2
Other revenue	27.9	28.9
Total Revenue	1,450.1	1,431.4

Total investment management fees in the twelve months ended 31 December 2012 were US\$976.7 million, a decline of US\$4.4 million, or 0.4 per cent., from US\$981.1 million in the twelve months ended 31 December 2011. The reduction in management fees was due to a 1.0 per cent. decrease in average AUM resulting from market declines and net cash outflows experienced in the second half of the 2011 financial year. The impact of lower average AUM was largely offset by a 1.0 basis point increase in the effective investment management fee rate before performance fees. The rate increase was primarily the result of a higher proportion of AUM in equity and alternative products, which on average carry a higher fee rate.

Performance based management fees, included in total investment management fees, totalled US\$4.4 million in the twelve months ended 31 December 2012 compared to US\$11.3 million earned in the twelve months ended 31 December 2011. The decrease is reflective of the corresponding market declines.

Index revenues increased by US\$7.7 million, or 5.4 per cent., from US\$142.2 million in the twelve months ended 31 December 2011 to US\$149.9 million in the twelve months ended 31 December 2012. The increase is primarily attributable to new product launches of fundamental indices which drove the increase in data licensing and fund revenues.

Other income. The Russell Group's other income decreased by US\$6.8 million, or 63.0 per cent., from US\$10.8 million in the twelve months ended 31 December 2011 to US\$4.0 million in the twelve months ended 31 December 2012. This decrease is due to unfavourable foreign exchange movements and a drop in the performance in the Russell Group's investments.

Operating expenses. The Russell Group's operating expenses decreased by US\$4.8 million, or 0.4 per cent., from US\$1,358.0 million in the twelve months ended 31 December 2011 to US\$1,353.2 million in the

twelve months ended 31 December 2012. This decrease was due to the increased focus on cost management by the Russell Group. The decrease was partially offset by an increase in long term incentive expense related to the change in price for awards accounted for as liability awards under the IFRS accounting standard.

Operating profit. As a result of the factors discussed above, the Russell Group's operating profit increased by US\$16.7 million, or 19.8 per cent., from US\$84.2 million in the twelve months ended 31 December 2011 to US\$100.9 million in the twelve months ended 31 December 2012.

Finance income. The Russell Group's finance income decreased by US\$2.0 million, or 58.8 per cent., from US\$3.4 million in the twelve months ended 31 December 2011 to US\$1.4 million in the twelve months ended 31 December 2012. In 2011, the Russell Group recorded interest income associated with the deferred purchase price relating to the divestiture of the Pantheon business from the Russell Group in 2010. The deferred purchase price payment was received in 2011, hence no related interest income was recorded in 2012.

Finance expense. The Russell Group's finance expense increased by US\$0.9 million, or 2.3 per cent., from US\$38.9 million in the twelve months ended 31 December 2011 to US\$39.8 million in the twelve months ended 31 December 2012. This increase was due to interest expense recorded relating to the Russell Group's uncertain tax positions.

Taxation. The Russell Group's taxation increased by US\$13.7 million, or 32.2 per cent., from US\$42.6 million in the twelve months ended 31 December 2011 to US\$56.3 million in the twelve months ended 31 December 2012. The statutory tax rate was 35 per cent. for the years ended 31 December 2012 and 2011. The Russell Group's effective tax rate was 90 per cent. in 2012 and 87 per cent. in 2011.

The tax charge in 2012 was higher than the standard US corporation tax rate because of the impact of state income taxes (increase of US\$2.9 million), non-deductible dividends (increase of US\$11.7 million), foreign earnings taxable at a rate higher than the statutory rate (increase of US\$3.8 million), non-deductible incentive compensation (increase of US\$2.1 million), and an increase in the Russell Group's tax reserves (increase of US\$12.6 million). The large increase in the Russell Group's tax reserves relates primarily to the establishment of a reserve, in the amount of US\$13.3 million, for a transfer pricing dispute with the U.S. Internal Revenue Service for the 2008 to 2010 years. The tax charge in 2011 was higher than the standard US corporation tax rate because of the impact of state income taxes (increase of US\$2.0 million), non-deductible dividends (increase of US\$11.7 million), foreign earnings taxable at a rate higher than the statutory rate (increase of US\$11.9 million), and reversal of deferred tax assets for which realisation was no longer probable (increase of US\$6.1 million).

Profit for the period. As a result of the factors discussed above, the Russell Group's profit for the period increased by US\$0.1 million, or 1.6 per cent., from US\$6.1 million in the twelve months ended 31 December 2011 to US\$6.2 million in the twelve months ended 31 December 2012.

SEGMENTAL REPORTING

Russell operates two business segments: Asset Management and Indexes. The Asset Management segment comprises investment management, investment services, consulting, and plan administration. The Indexes segment consists of data subscription and licensing services to institutional clients and third party ETF and passive-fund providers as well as licensing of benchmarks for futures, options and structured products. Russell non-core activities including interest income and expense, one-off or non-recurring expenses, and discontinued operations are reported in the Other category.

Segment information is presented on the same basis as that provided for internal reporting purposes.

Asset Management revenues primarily consist of investment management fees earned on fund and separate account AUM. Revenues also include security commissions, distribution, shareholder servicing and transfer agent fees, consulting fees, and plan administration income.

Indexes revenues include licensing and subscription fees. Licensing fees are comprised of licences for ETFs, derivatives, options and structured products.

Operating expenses comprise cost of sales, employee-related costs, IT costs, rental of premises and other expenses incurred in running the Russell Group's operations. Amounts paid by the Russell Group to sub-advisers and custodians are recorded as an operating expense. Amounts paid by the Russell Group to

brokers who clear or execute trades under the direction of the Russell Group in performance of transition management services are recorded as an operating expense. Amounts paid to distribute the Russell Group's mutual funds are also recorded as an operating expense.

Operating Expenses reflected in the two business segments include both those that are directly attributable to the business segments as well as those that are allocated based upon the Russell shared service model. The large majority of the total operating expenses are directly attributable to the individual business segments. The remaining expenses are allocated based upon the nature of the expense using relevant methods such as headcount and time estimates.

EBITDA is comprised of segment operating profit less interest income/expense, depreciation and amortisation, and adjustment of prepaid revenue associated with multi-year contracts.

Segment Results for the six months ended 30 June 2014 and 2013

	Six Months ended 30 June 2014			
	Asset Management	Indexes	Other	Group
	(US\$ million) (unaudited)			
Revenue	780.6	94.6	0.0	875.2
Other income/(loss)	(0.2)	(0.2)	20.5	20.1
Total income	780.4	94.4	20.5	895.3
Total operating expenses	(705.0)	(47.6)	(0.6)	(753.2)
Operating profit	75.4	46.8	19.9	142.1
EBITDA	83.9	46.9	0.0	130.8
	Six Months ended 30 June 2013			
	Asset Management	Indexes	Other	Group
	(US\$ million) (unaudited)			
Revenue	699.7	82.0	0.0	781.7
Other income/(loss)	0.2	(0.1)	(8.1)	(8.0)
Total income/(loss)	699.9	81.9	(8.1)	773.7
Total operating expenses	(654.4)	(45.7)	(4.3)	(704.4)
Operating profit/(loss)	45.5	36.2	(12.4)	69.3
EBITDA	55.1	36.2	—	91.3

Asset Management

Asset Management revenue increased US\$80.9 million or 11.6 percent to US\$780.6 million. The improvement was primarily driven by higher net investment management revenue resulting from AUM growth. In comparison to the prior year, Average AUM rose 8.1 per cent. as a result of market appreciation. In addition, distribution and shareholder servicing fees increased US\$42.2 million, from US\$29.2 million in the six months ended 30 June 2013 to US\$71.4 million in the six months ended 30 June 2014. This increase was due to the acquisition of OLPG by the Russell Group on 29 November 2013.

Asset Management operating costs increased US\$50.6 million or 7.7 per cent. This increase was largely due to the addition of US\$38.9 million of third party sales commissions related to the acquisition of OLPG in November 2013. Sub-advisory, custodial, and distribution fees also increased US\$22.6 million due to higher AUM levels.

Operating profit totalled US\$75.4 million, an increase of US\$29.9 million from the prior year. EBITDA increased US\$28.9 million to US\$83.9 million.

Indexes

Indexes revenues increased US\$12.6 million, or 15.4 per cent, to US\$94.6 million for the six months ended 30 June 2014. The increase was attributable to gains in data subscription and ETF licensing revenue.

Indexes total operating expense was US\$47.6 million, 4.2 per cent. higher than the prior year amount of US\$45.7 million. Higher technology costs were partially offset by declines in long-term incentive expense.

Operating profit was US\$46.8 million, US\$10.6 million or 29.3 per cent. higher than the prior year. EBITDA was US\$46.9 million, a year-over-year increase of 29.6 per cent.

Other Activities

Results for the six months ended 30 June 2014 reflect US\$20.5 million of total income and US\$0.6 million of operating expense not allocated to the Asset Management or Indexes segment. Income includes a US\$12.0 million gain on the sale of Lehman securities.

Prior year income was impacted by US\$12.1 million of unfavourable foreign exchange movements. 2013 operating expenses also included US\$2.2 million of legacy incentive plan costs.

Segment results for the years ended 31 December 2013 and 2012

	Year ended 31 December 2013			
	Asset Management	Indexes	Other	Group
		(US\$ million)		
Revenue	1,429.7	173.7	1.9	1,605.3
Other income/(loss)	(1.1)	(0.1)	4.8	3.6
Total income	1,428.6	173.6	6.7	1,608.9
Total operating expenses	(1,328.8)	(94.6)	(9.6)	(1,433.0)
Operating profit/(loss)	99.8	79.0	(2.9)	175.9
EBITDA	118.7	79.6	0.00	198.3
		Year ended 31 December 2012		
		(US\$ million)		
Revenue	1,300.3	149.9	(0.1)	1,450.1
Other income	2.1	—	1.9	4.0
Total income	1,302.4	149.9	1.8	1,454.1
Total operating expenses	(1,230.0)	(74.1)	(49.1)	(1,353.2)
Operating profit/(loss)	72.4	75.8	(47.3)	100.9
EBITDA	100.5	74.9	0.0	175.4

Asset Management

Revenue rose US\$129.4 million or 10.0 per cent. to US\$1,429.7 million in the twelve months ended 31 December 2013. The growth was largely the result of higher investment management revenue associated with an increase in AUM and greater performance based fees. Average AUM during the period increased 11.6 per cent. or US\$18.1 billion, primarily the result of appreciation in global equity markets.

Asset Management operating costs increased US\$98.8 million to US\$1,328.8 million in the twelve months ended 31 December 2013. The increase was a result of higher bonus expense in line with increased operating profit levels and additional long-term incentive plan costs due to a rise in the share price. In addition, sub-advisory costs increased US\$42.5 million or 13.2 per cent. due to higher average AUM.

Operating profit totalled US\$99.8 million in the twelve months ended 31 December 2013, 37.8 per cent. or US\$27.4 million above the prior year. EBITDA rose 18.1 per cent. to US\$118.7 million.

Indexes

Indexes revenues increased by US\$23.8 million, or 15.9 per cent, from US\$149.9 million in the twelve months ended 31 December 2012 to US\$173.7 million in the twelve months ended 31 December 2013. The improvement was the result of higher data subscription fees including gains in the real-time data offering along with growth in ETF and passive fund licensing revenue.

Indexes operating costs increased US\$20.5 million or 27.7 per cent. in the twelve months ended 31 December 2013. Bonus and long term incentive plan costs rose US\$8.0 million as a result of operating profit growth and an increase in the share price related to the long term incentive plans. Operating costs,

excluding bonus and long term incentive plans, grew from US\$12.5 million largely due to higher technology spend.

Operating profit was US\$79.0 million, US\$3.2 million or 4.2 per cent. higher than the prior year. EBITDA of US\$79.6 million was 6.3 per cent. higher than one year ago.

Other Activities

2013 results include US\$6.7 million of revenue and US\$9.6 million of operating expense not allocated to the Asset Management or Indexes segment. Income primarily consists of gains related to the appreciation in the fair value of the Russell Group's investments less the unfavourable impact of foreign exchange movements. Expenses include US\$7.4 million of compensation costs from a legacy incentive plan.

2012 operating expense totalled US\$49.1 million. Expense includes US\$22.1 million of costs from the discontinued US ETF business and a US\$16.1 million write-down of contingent consideration resulting from the Pantheon divestiture in 2010.

Segment results for the years ended 31 December 2012 and 2011

	Year ended 31 December 2012			
	Asset Management	Indexes	Other	Group
		(US\$ million)		
Revenue	1,300.3	149.9	(0.1)	1,450.1
Other income	2.1	—	1.9	4.0
Total income	1,302.4	149.9	1.8	1,454.1
Total operating expenses	(1,230.0)	(74.1)	(49.1)	(1,353.2)
Operating profit/(loss)	72.4	75.8	(47.3)	100.9
EBITDA	100.5	74.9	0.0	175.4
		(US\$ million)		
		Indexes	Other	Group
		(US\$ million)		
Revenue	1,289.2	142.2	—	1,431.4
Other income/(loss)	1.0	(0.1)	9.9	10.8
Total income	1,290.2	142.1	9.9	1,442.2
Total operating expenses	(1,239.1)	(70.7)	(48.2)	(1,358.0)
Operating profit (loss)	51.1	71.4	(38.3)	84.2
EBITDA	90.2	70.7	—	160.9

Asset Management

Asset Management revenue totalled US\$1,300.3 million in the twelve months ended 31 December 2012, 0.9 per cent. or US\$11.1 million above the prior year. The improvement was largely a result of securities commission fees which increased US\$8.2 million or 11.5 per cent. due to gains in transition management revenue.

Investment management revenue fell US\$4.3 million due to lower performance fees and a one per cent. reduction in average AUM resulting from market declines and net cash outflows experienced in the second half of the 2011 financial year. The impact of lower average AUM and performance fees was partially offset by a 1.0 basis point increase in the effective investment management fee rate. The rate increase was primarily driven from a higher proportion of AUM in equity and alternative products, which on average carry a higher fee rate.

Asset Management operating expense declined 0.7 per cent. to US\$1,230.0 million in the twelve months ended 31 December 2012. This decrease was due to a greater focus on cost management by the Russell Group. Sub-advisory and distribution costs also declined as a result of lower AUM levels. These decreases were partially offset by higher long term incentive expense related to the change in price for awards accounted for as liability awards under the IFRS accounting standard.

Operating profit totalled US\$72.4 million in the twelve months ended 31 December 2012, 41.7 per cent. or US\$21.3 million above the prior year. EBITDA increased US\$10.3 million to US\$100.5 million.

Indexes

Indexes revenues increased by US\$7.7 million, or 5.4 per cent, to US\$149.9 million for the twelve months ended 31 December 2012. The increase was primarily attributable to new product launches of fundamental indices which drove the increase in data licensing and fund revenues.

Indexes total operating expense increased US\$3.4 million in the twelve months ended 31 December 2012 or 4.8 per cent. from the prior year. Bonus and long term incentive plans cost grew US\$4.7 million due to an increase in operating profit and the long term incentive plan share price. Operating expense, excluding bonus and long term incentive plans, fell US\$1.3 million reflecting lower corporate support costs.

Operating profit was US\$75.8 million in the twelve months ended 31 December 2012, US\$4.4 million or 6.2 per cent. higher than the prior year. EBITDA of US\$74.9 million was 5.9 per cent. above 2011 results.

Other Activities

2012 results include US\$1.8 million of total income and US\$49.1 million of operating expense not allocated to the Asset Management or Indexes segment. Expenses include US\$22.1 million of costs from the discontinued US ETF business and a US\$16.1 million write-down of contingent consideration resulting from the Pantheon divestiture in 2010.

Prior year income includes US\$7.2 million of investment gains and US\$1.1 million related to favourable foreign exchange movements. 2011 operating expense totalled US\$48.2 million and includes US\$21.4 million of costs from the discontinued US ETF business and US\$22.6 million associated with the 2010 Pantheon divestiture, primarily related to the write-down of contingent consideration.

Geographical Breakdown

Russell has also prepared the following breakdown of adjusted revenues allocated by country or region based on the location of the clients.

Adjusted revenue by client domicile for the years ended 31 December 2011 to 2013

<u>Country/Region</u>	<u>Year ended 31 December</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(US\$ million)		
US	866.9	776.4	753.9
Canada	172.5	168.4	167.2
EMEA	313.7	259.6	265.0
Australia & New Zealand	169.5	174.4	177.0
Japan	69.4	64.3	63.1
Asia (ex-Japan)	13.3	7.0	5.2
Total	<u>1,605.3</u>	<u>1,450.1</u>	<u>1,431.4</u>

LIQUIDITY AND CAPITAL RESOURCES

In the past, the Russell Group has relied on operating earnings and its bank facility to finance its working capital, regulatory and capital requirements. It expects that operating earnings will be the primary source of cash in the future.

The Russell Group's treasury team manages its interest bearing cash balances and is also responsible for hedging currency exposures. The treasury team manages the Russell Group's surplus liquidity so as to minimise its counterparty risk in terms of exposures. In addition, the Russell Group performs regular cash flow forecasts at the consolidated level and prepares the following reports and performance measurements: daily cash reports and counterparty exposures for all companies, monthly cash flow analysis, agreed debtor reconciliation analysis and quarterly calculations of regulatory surpluses. For a further discussion of the Russell Group's approach to the management of various risks, see the section of this document entitled "Risk Factors".

Cash flows for the six months ended 30 June 2014 and 2013 and the years ended 31 December 2013, 2012 and 2011

The following table sets out the Russell Group's consolidated statement of cash flows for the periods indicated.

	30 June		31 December		
	2014	2013	2013	2012	2011
	(US\$ million)				
	(unaudited)				
Net cash inflow/(outflow) from operating activities	(1.8)	(6.3)	123.9	84.2	(7.4)
Net cash inflow/(outflow) from investing activities	(8.2)	(6.5)	(6.9)	13.2	10.7
Net cash inflow/(outflow) from financing activities	1.0	2.8	(79.7)	(62.4)	(36.1)
Exchange gains/(losses) on cash and cash equivalents	2.5	(5.3)	(0.8)	6.1	(1.0)
Net increase/(decrease) in cash and cash equivalents	(9.0)	(10.0)	37.3	35.0	(32.8)
Cash and cash equivalents at the end of the period	275.6	230.3	282.1	245.6	204.5

Net cash inflows/(outflows) from operating activities

In 2013, net cash flows from operating activities were US\$123.9 million, an increase of US\$39.7 million from US\$84.2 million in 2012. The increase between 2013 and 2012 resulted primarily from a US\$80.6 million increase in cash generated from operations offset by a US\$42.6 million increase in corporation tax paid. The US\$80.6 million increase in cash generated from operations is primarily due to an increase in profit before taxation.

In 2012, net cash flows from operating activities were US\$84.2 million, an increase of US\$91.6 million from an outflow of US\$7.4 million in 2011. The increase between 2012 and 2011 resulted primarily from a US\$67.3 million increase in cash generated from operations and a US\$24.5 million decrease in corporation tax paid. The US\$67.3 million increase in cash generated from operations is primarily from a US\$39.5 million increase in non-cash share scheme expense, a reduction in the profit on sale of discontinued operations of US\$20.3 million, US\$61.4 million increase in other liabilities, primarily related to a reduction in incentive payments and settlement of outstanding forward contracts, a US\$29.7 million increase in trade and other payables offset by a decrease of US\$35.4 million decrease in trade and other receivables and a US\$27.6 million decrease in other assets. The movements in trade and other payables, trade and other receivables and other assets are primarily due to timing.

Net cash inflows/(outflows) from investing activities

In 2013, net cash flows from investing activities was an outflow of US\$6.9 million, a decrease in inflows of US\$20.1 million from US\$13.2 million in 2012. The change between 2013 and 2012 primarily related to the Russell Group's investment in OLPG purchased in 2013 offset by a deconsolidation of the Russell Group's investment in an affiliated fund.

In 2012, net cash flows from investing activities were US\$13.2 million, an increase of US\$2.5 million from US\$10.7 million in 2011. The increase between 2012 and 2011 resulted from a US\$37.3 million net inflow of distributions received from investments offset by a US\$65.9 million decrease relating to a non-recurring deferred consideration payment received in 2011 associated with the Pantheon divestiture.

Net cash inflows/(outflows) from financing activities

In 2013, net cash flows from financing activities was an outflow of US\$79.7 million, an increase in outflows of US\$17.3 million from an outflow of US\$62.4 million in 2012. The increase between 2013 and 2012 resulted primarily from a US\$50.0 million increased payout of common dividends to shareholders offset by a US\$15.9 million decreased payout of dividends to non-controlling interest and a reduction in net repayment of borrowing.

In 2012, net cash flows from financing activities was an outflow of US\$62.4 million, an increase in outflows of US\$26.3 million from an outflow of US\$36.1 million in 2011. The increase between 2012 and 2011 resulted primarily from a US\$15.4 million increased payout of dividends to non-controlling interest and US\$7.3 million decrease in capital contributions received from non-controlling interest.

Financial Instruments

The Russell Group has a line of credit agreement (the “Russell LOC Agreement”) with Wells Fargo which provides for borrowings of up to US\$250 million through 15 January 2015. The Russell LOC Agreement replaced an existing line of credit which had a maturity date of 1 December 2013, extended to 15 January 2014, with borrowings of up to US\$250 million. The Russell LOC Agreement may be drawn at Russell’s discretion. At 30 June 2014, the total amount outstanding under the Russell LOC Agreement was US\$82.0 million.

During the 2013 financial year, the Russell Group entered into a loan agreement with a bank to borrow US\$65 million for the purpose of remitting a tax payment to the IRS.

In late 2008 and early 2009, the Russell Group issued preferred stock to Northwestern Mutual. The proceeds from the senior preferred stock were used to repay Notes issued in January 1999 with a 10-year maturity due January 2009. At 30 June 2014, the Russell Group had outstanding 350,000 shares of senior cumulative preferred stock at a price of US\$1,000 per share and 42,778 shares of junior preferred stock at a price of US\$1,000 per share. The senior cumulative preferred stock has a cash dividend rate of eight per cent. per year and the junior preferred stock has a cash dividend rate of 10 per cent. per year, each payable semi-annually on 15 June and 15 December. The Russell Group may redeem at any time, in whole or in part, any or all of the shares of the preferred stock at a redemption price equal to 100 per cent. of the initial purchase price per share plus accrued and accumulated dividends (the “liquidation preference”). In addition, in conjunction with the completion of the acquisition, Russell will redeem the preferred stock at the then current liquidation preference.

COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

Russell has various contractual obligations and commercial commitments to make future payments, including bank loans, finance lease obligations and certain other committed obligations. The following table summarises Russell’s future obligations (including interest until 30 June 2014) under these contracts due by the periods indicated as of 30 June 2014.

	Less than a year	Between one and five years	More than five years	Total
		(US\$ million)		
		(unaudited)		
Contractual obligations				
Guaranteed—bank loans	82.0	65.0	0.0	147.0
Finance leases	7.8	10.3	0.0	18.1
Preferred stock	1.4	0.0	392.8	394.2
Capital commitments	2.0	4.1	27.5	33.6
Total	93.2	79.4	420.3	592.9

Contingent Liabilities

Russell and its affiliates are involved in various claims and legal proceedings in the normal course of business. While it is not feasible to predict or determine the final outcome of these proceedings, based on consultation with legal counsel, Russell does not believe that the disposition of these proceedings will have a material adverse effect on Russell’s consolidated financial position, results of operations or cash flows.

In the normal course of business, Russell enters into contracts that contain a variety of representations that provide general indemnifications. Russell’s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against Russell that have not yet occurred. However, Russell expects the risk of loss to be remote.

CAPITAL EXPENDITURE

The following table sets forth Russell's capital expenditure for the periods indicated.

	For the six months ended 30 June		For the year ended 31 December		
	2014	2013	2013	2012	2011
	(US\$ million)				
	(unaudited)				
Property, plant and equipment	2.4	1.6	7.8	1.7	35.6
Intangible assets	4.1	3.1	8.2	12.3	11.6
Total	6.5	4.7	16.0	14.0	47.2

CAPITALISATION AND INDEBTEDNESS

As at 30 June 2014, the total shareholders' funds (consisting of retained earnings and losses and other reserves) of the Russell Group in accordance with IFRS as adopted by the EU was US\$(226.6) million.

The following tables show the capitalisation and the indebtedness and cash of the Russell Group as at 30 June 2014. The figures for the capitalisation and the indebtedness and cash of the Russell Group have been extracted without material adjustment from Russell's unaudited consolidated/preliminary results for the year to date ended 30 June 2014. The figures exclude balances between entities that comprise the Russell Group.

	As at 30 June 2014 (US\$ million) (unaudited)
Shareholders' equity	
Retained earnings	201.2
Other reserves	(427.8)
	<u>(226.6)</u>

There has been no material change in the capitalisation of the Russell Group, as set out in the table above, since 30 June 2014.

	As at 30 June 2014 (US\$ million) (unaudited)
Total current debt	
Guaranteed	82.0
Secured	7.8
Unguaranteed/unsecured	1.4
Total current indebtedness	<u>91.2</u>
Total non-current debt	
Guaranteed	65.0
Secured	10.3
Unguaranteed/unsecured	392.8
Total non-current indebtedness	<u>468.1</u>
Total indebtedness	<u>559.3</u>

	As at 30 June 2014 (US\$ million) (unaudited)
Net financial indebtedness analysis	
Cash & Cash Equivalents	275.6
Current Preferred stock	1.4
Current Bank Loans	82.0
Current Finance Leases	7.8
Net current Financial Indebtedness	(184.4)
Noncurrent Financial Indebtedness	<u>468.1</u>
Net Financial Indebtedness	<u>283.7</u>

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, Russell's operations are exposed to a variety of financial risks, including market risk (which includes interest rate risk, currency risk and other price risk). A detailed description of the key risks applicable to the Russell Group is included in note 2 to Russell's consolidated audited financial statements.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those policies that require the application of Russell's management's most challenging, subjective or complex judgments, 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 judgments and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. A detailed description of certain of the main accounting policies used in preparing Russell's historical financial information is set forth in note 1 to Russell's consolidated audited financial statements.

PART VIII—FINANCIAL INFORMATION OF LONDON STOCK EXCHANGE GROUP
PART A—INTERIM FINANCIAL INFORMATION OF LONDON STOCK EXCHANGE GROUP
CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Year ended 31 March
		2014	2013	2014
		£m	£m	£m
		Unaudited	Unaudited	
Revenue		299.9	249.7	1,088.3
Net treasury income through CCP business		22.6	28.5	109.8
Other Income		2.1	0.9	11.5
Total Income	2	324.6	279.1	1,209.6
Expenses				
Operating expenses before amortisation of purchased intangible assets and non-recurring items	3	(175.7)	(162.1)	(698.4)
Operating profit before amortisation of purchased intangible assets and non-recurring items		148.9	117.0	511.2
Amortisation of purchased intangible assets	4	(29.3)	(27.5)	(116.5)
Non-recurring items	4	(17.6)	(14.7)	(41.6)
Operating profit	2	102.0	74.8	353.1
Finance income		2.8	2.7	5.5
Finance expense		(21.2)	(17.8)	(74.3)
Net finance expense	5	(18.4)	(15.1)	(68.8)
Profit before taxation		83.6	59.7	284.3
Taxation on profit before amortisation of purchased intangible assets and non-recurring items		(31.8)	(25.6)	(124.7)
Taxation on amortisation of purchased intangible assets and non-recurring items	4	9.1	3.1	23.1
Total taxation	6	(22.7)	(22.5)	(101.6)
Profit for the financial period		60.9	37.2	182.7
Profit/(loss) attributable to non-controlling interests		8.9	1.8	12.6
Profit attributable to equity holders		52.0	35.4	170.1
		60.9	37.2	182.7
Basic earnings per share	7	19.2p	13.1p	63.0p
Diluted earnings per share	7	18.9p	12.9p	61.4p
Adjusted basic earnings per share	7	31.9p	27.0p	107.1p
Adjusted diluted earnings per share	7	31.3p	26.5p	104.4p

The notes form an integral part of this Interim Report.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 June		Year ended 31 March
	2014	2013	2014
	£m	£m	£m
	Unaudited	Unaudited	
Dividend per share in respect of the financial period:			
Profit for the financial period	60.9	37.2	182.7
Other comprehensive income/(loss):			
Items that will not be subsequently reclassified to profit or loss			
Defined benefit pension scheme remeasurement (loss)/gain	(1.2)	12.7	(1.3)
	<u>(1.2)</u>	<u>12.7</u>	<u>(1.3)</u>
Items that may be subsequently reclassified to profit or loss			
Cash flow hedge	(3.2)	(0.3)	(0.3)
Net investment hedge	4.7	(12.9)	(16.4)
Change in value of available for sale financial assets	2.3	(4.1)	6.1
Exchange (loss)/gain on translation of foreign operations	(61.8)	5.9	(43.7)
Tax related to items not recognised in income statement	(0.5)	(3.5)	1.5
	<u>(58.5)</u>	<u>(14.9)</u>	<u>(52.8)</u>
Other comprehensive loss net of tax	(59.7)	(2.2)	(54.1)
Total comprehensive income for the financial period	1.2	35.0	128.6
Attributable to non-controlling interests	(4.4)	1.7	5.2
Attributable to equity holders	5.6	33.3	123.4
Total comprehensive income for the financial period	1.2	35.0	128.6

The notes form an integral part of this Interim Report.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June		31 March
		2014	2013	2014
		£m	£m	£m
		Unaudited	Unaudited	
Assets				
Non-current assets				
Property, plant and equipment		91.5	91.5	93.3
Intangible assets	8	2,408.8	2,525.6	2,476.0
Investment in associates		0.3	0.6	0.3
Deferred tax assets		32.7	28.9	42.2
Derivative financial instruments	11	9.9	2.3	6.7
Available for sale investments	11	4.8	0.4	4.8
Retirement benefit asset	9	13.7	21.5	14.5
Other non-current assets		0.3	22.9	38.0
		2,562.0	2,693.7	2,675.8
Current assets				
Inventories		0.7	1.5	0.5
Trade and other receivables	10	340.9	292.5	250.5
Derivative financial instruments	11	—	0.2	—
CCP financial assets		447,450.6	521,411.8	470,497.7
CCP cash and cash equivalents (restricted)		33,377.0	39,157.7	33,278.5
CCP clearing business assets	11	480,827.6	560,569.5	503,776.2
Current tax		24.2	29.8	22.3
Assets held at fair value	11	31.6	9.9	18.7
Cash and cash equivalents	11	985.1	978.1	919.2
		482,210.1	561,881.5	504,987.4
Total assets		484,772.1	564,575.2	507,663.2
Liabilities				
Current liabilities				
Trade and other payables	13	500.3	521.5	401.5
Derivative financial instruments	11	3.8	15.2	3.4
CCP clearing business liabilities	11	480,824.1	560,422.8	503,747.4
Current tax		26.3	61.6	14.8
Borrowings	14	249.0	347.2	278.7
Provisions	11	1.9	1.2	2.8
		481,605.4	561,369.5	504,448.6
Non-current liabilities				
Borrowings	14	940.3	947.7	945.0
Derivative financial instruments	11	2.3	8.9	4.0
Deferred tax liabilities		160.6	177.0	176.0
Retirement benefit obligations	9	36.4	30.5	36.9
Other non-current liabilities	11	50.0	49.2	79.2
Provisions	11	16.0	25.7	16.6
		1,205.6	1,239.0	1,257.7
Total liabilities		482,811.0	562,608.5	505,706.3
Net assets		1,961.1	1,966.7	1,956.9
Equity				
Capital and reserves attributable to the Company's equity holders				
Ordinary share capital		18.9	18.8	18.8
Retained losses		(23.3)	(104.9)	(79.0)
Other reserves		1,539.8	1,630.4	1,587.0
Total shareholder funds		1,535.4	1,544.3	1,526.8
Non-controlling interests		425.7	422.4	430.1
Total equity		1,961.1	1,966.7	1,956.9

The notes form an integral part of this Interim Report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Notes	Three months ended 30 June		Year ended 31 March
		2014	2013	2014
		£m	£m	£m
		Unaudited	Unaudited	
Cash flow from operating activities				
Cash generated from operations	16	198.1	136.7	515.4
Interest received		1.5	2.1	4.6
Interest paid		(34.4)	(25.6)	(71.7)
Corporation tax paid		(14.1)	(4.5)	(99.8)
Withholding tax paid		—	—	(23.2)
Net cash inflow from operating activities		151.1	108.7	325.3
Cash flow from investing activities				
Purchase of property, plant and equipment		(8.2)	(6.5)	(23.6)
Purchase of intangible assets		(20.2)	(11.4)	(67.3)
Investment in subsidiaries		(10.0)	(350.7)	(376.5)
Dividends received		0.2	0.3	0.3
Net cash inflow from acquisitions		1.0	423.5	432.0
Proceeds from sale of investment in associate		—	—	7.1
Net cash (outflow)/inflow from investing activities		(37.2)	55.2	(28.0)
Cash flow from financing activities				
Capital raise		—	114.4	114.4
Dividends paid to shareholders		—	—	(80.8)
Dividends paid to non-controlling interests		—	(0.2)	(2.9)
Cost of capital raise		—	(2.7)	(2.7)
Proceeds from own shares on exercise of employee share options		—	—	2.3
Purchase of own shares by ESOP Trust		1.4	—	(28.0)
Repayment of borrowings		(21.6)	(85.0)	(91.4)
Proceeds from borrowings		—	339.1	283.5
Net cash (outflow)/inflow from financing activities		(20.2)	365.6	194.4
Increase in cash and cash equivalents		93.7	529.5	491.7
Cash and cash equivalents at beginning of period		919.2	446.2	446.2
Exchange (loss)/gain on cash and cash equivalents		(27.8)	2.4	(18.7)
Cash and cash equivalents at end of period		985.1	978.1	919.2

The notes form an integral part of this Interim Report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders					Total equity
	Ordinary share capital	Retained (loss)/ earnings	Other reserves	Total attributable to equity holders	Non-controlling interests	
	£m	£m	£m	£m	£m	£m
31 March 2013	18.8	(126.8)	1,638.5	1,530.5	68.5	1,599.0
Profit for the period	—	35.4	—	35.4	1.8	37.2
Other comprehensive income for the financial period	—	6.0	(8.1)	(2.1)	(0.1)	(2.2)
Employee share scheme expenses	—	6.2	—	6.2	—	6.2
Purchase of non-controlling interests	—	(25.7)	—	(25.7)	352.2	326.5
30 June 2013 (unaudited)	18.8	(104.9)	1,630.4	1,544.3	422.4	1,966.7
Profit for the period	—	134.7	—	134.7	10.8	145.5
Other comprehensive income for the financial period	—	(1.2)	(43.4)	(44.6)	(7.3)	(51.9)
Final dividend relating to the year ended 31 March 2013	—	(53.5)	—	(53.5)	—	(53.5)
Interim dividend relating to the year ended 31 March 2014	—	(27.3)	—	(27.3)	—	(27.3)
Employee share scheme expenses	—	(19.2)	—	(19.2)	—	(19.2)
Dividend payments to non-controlling interests	—	—	—	—	(5.4)	(5.4)
Purchase of non-controlling interests	—	(7.6)	—	(7.6)	9.6	2.0
31 March 2014	18.8	(79.0)	1,587.0	1,526.8	430.1	1,956.9
Profit for the period	—	52.0	—	52.0	8.9	60.9
Other comprehensive income for the financial period	—	0.8	(47.2)	(46.4)	(13.3)	(59.7)
Issue of shares	0.1	—	—	0.1	—	0.1
Employee share scheme expenses	—	2.9	—	2.9	—	2.9
30 June 2014 (unaudited)	18.9	(23.3)	1,539.8	1,535.4	425.7	1,961.1

The other reserves are set out on page 109 of the Group's Annual Report for the year ended 31 March 2014. The movement in the current period comprises a charge of £48.7m to the foreign exchange reserves and a credit of £1.5m to the hedging reserve, both of which are distributable reserves.

The notes form an integral part of this Interim Report.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

The Interim Report for the London Stock Exchange Group plc ('the Group' or 'the Company') for the three months ended 30 June 2014 was approved by the Directors on 21 August 2014.

1. Basis of Preparation and Accounting Policies

This Interim Report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with International Accounting Standard (IAS) 34—'Interim Financial Reporting'.

The accounting policies used are consistent with those set out on pages 110 to 113 of the Group's Annual Report for the year ended 31 March 2014, with the exception of the changes in the standards identified below:

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

IFRS 10, 'Consolidated financial statements' and amendments;

IFRS 11, 'Joint arrangements';

IFRS 12, 'Disclosure of interests in other entities' and amendments;

IAS 27 (Revised 2011), 'Separate financial statements' and amendments;

IAS 28 (Revised 2011), 'Associates and joint ventures';

Amendments to IAS 32, 'Financial instruments: Presentation';

Amendments to IAS 36, 'Impairment of assets';

Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting; and

IFRIC 21, 'Levies'.

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

The following standards and interpretations were issued by the IASB and IFRIC since the last Annual Report, but have not been adopted either because they were not endorsed by the European Union (EU) at 30 June 2014 or they are not yet mandatory and the Group has not chosen to early adopt. The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review, but the Group does not expect any of these changes to have a material impact on the results or the net assets of the Group:

<u>International accounting standards and interpretations</u>	<u>Effective date</u>
Amendment to IAS 19, 'Employee Benefits' on defined benefit plans	1 July 2014
Annual improvements 2012 and 2013	1 July 2014
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation	1 January 2016
Amendment to IAS 16, 'Property, plant and equipment'	1 January 2016
Amendment to IAS 16, IAS 38, 'Intangible assets', on depreciation and amortisation	1 January 2016
IFRS 14, 'Regulatory deferral accounts'	1 January 2016
IFRS 15 'Revenue from contracts with customers'	1 January 2017
IFRS 9 'Financial instruments'—classification and measurement	1 January 2018
Amendments to IFRS 9, 'Financial instruments', regarding general hedge accounting	1 January 2018

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

For these condensed consolidated interim financial statements the Group is not adopting the columnar format for its consolidated income statement as stated in the Group basis of preparation and accounting policies in the Group's Annual Report for the year ended 31 March 2014.

The statutory financial statements of London Stock Exchange Group plc for the year ended 31 March 2014, which carried an unqualified audit report, have been delivered to the Registrar of Companies and did not contain a statement under section 498 of the Companies Act 2006.

The Interim Report does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

2. Segmental Information

Segmental disclosures for the three months ended 30 June 2014 are as follows:

	Capital Markets	Post Trade Services— CC&G and Monte Titoli	Post Trade Services— LCH.Clearnet	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	87.0	26.0	83.2	88.0	14.3	1.4	—	299.9
Inter-segmental revenue	—	0.3	—	—	1.7	—	(2.0)	—
Revenue	87.0	26.3	83.2	88.0	16.0	1.4	(2.0)	299.9
Net treasury income through CCP business	—	7.5	15.1	—	—	—	—	22.6
Other Income	—	—	0.7	—	—	1.4	—	2.1
Total Income	87.0	33.8	99.0	88.0	16.0	2.8	(2.0)	324.6
Operating profit before amortisation of purchased intangible assets and non-recurring items	47.0	17.8	34.8	45.1	3.0	1.8	(0.6)	148.9
Amortisation of purchased intangible assets								(29.3)
Non-recurring items								(17.6)
Operating profit								102.0
Net finance expense								(18.4)
Profit before taxation								83.6
Other income statement items								
Depreciation and software amortisation	(1.9)	(1.2)	(6.1)	(2.3)	0.1	—	(0.4)	(11.8)

Segmental disclosures for the three months ended 30 June 2013 are as follows:

	Capital Markets	Post Trade Services— CC&G and Monte Titoli	Post Trade Services— LCH.Clearnet	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	75.0	25.1	49.0	83.9	15.5	1.2	—	249.7
Inter-segmental revenue	—	0.2	—	—	2.7	—	(2.9)	—
Revenue	75.0	25.3	49.0	83.9	18.2	1.2	(2.9)	249.7
Net treasury income through CCP business	—	16.7	11.8	—	—	—	—	28.5
Other Income	—	—	(1.2)	—	—	2.1	—	0.9
Total Income	75.0	42.0	59.6	83.9	18.2	3.3	(2.9)	279.1
Operating profit before amortisation of purchased intangible assets and non-recurring items	36.5	27.3	10.4	38.4	0.5	0.9	3.0	117.0
Amortisation of purchased intangible assets								(27.5)
Non-recurring items								(14.7)
Operating profit								74.8
Net finance expense								(15.1)
Profit before taxation								59.7
Other income statement items								
Depreciation and software amortisation	(6.9)	(1.4)	(2.6)	(4.2)	(1.2)	—	3.2	(13.1)

The segmental reporting incorporates LCH.Clearnet's results since its acquisition by the Group on 1 May 2013.

Segmental disclosures for the year ended 31 March 2014 are as follows:

	Capital Markets	Post Trade Services— CC&G and Monte Titoli	Post Trade Services— LCH.Clearnet	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	309.5	98.4	263.0	348.7	64.0	4.7	—	1,088.3
Inter-segmental revenue	—	0.9	—	—	10.9	—	(11.8)	—
Revenue	309.5	99.3	263.0	348.7	74.9	4.7	(11.8)	1,088.3
Net treasury income through CCP business	—	47.6	62.2	—	—	—	—	109.8
Other Income	—	—	(3.5)	—	—	15.0	—	11.5
Total Income	309.5	146.9	321.7	348.7	74.9	19.7	(11.8)	1,209.6
Operating profit before amortisation of purchased intangible assets and non-recurring items	144.7	83.5	81.1	169.7	11.8	8.7	11.7	511.2
Amortisation of purchased intangible assets								(116.5)
Non-recurring items								(41.6)
Operating profit								353.1
Net finance expense								(68.8)
Profit before taxation								284.3
Other income statement items								
Depreciation and software amortisation	(25.3)	(5.5)	(23.0)	(15.6)	(5.3)	(0.2)	12.6	(62.3)

The segmental reporting incorporates LCH.Clearnet's results since its acquisition by the Group on 1 May 2013.

3. Expenses by nature

Expenses comprise the following:

	Three months ended 30 June		Year ended 31 March
	2014	2013	2014
	£m	£m	£m
Cost of sales	21.7	19.0	74.1
Employee costs	77.5	69.4	303.9
Depreciation and non-acquisition software amortisation	11.8	13.1	62.3
IT costs	31.0	25.9	92.0
Other costs	33.7	34.7	166.1
Total expenses	175.7	162.1	698.4

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

	Notes	Three months ended 30 June		Year ended 31 March
		2014	2013	2014
		£m	£m	£m
Amortisation of purchased intangible assets	8	29.3	27.5	116.5
Transaction costs		17.3	13.4	14.9
Transaction credit		(2.4)	—	—
Restructuring costs		0.7	1.0	28.8
Pension curtailment credit		—	—	(2.1)
Integration costs		2.0	0.3	—
Total affecting operating profit		46.9	42.2	158.1
Charge for new transaction related revolving credit facility		1.8	—	—
Total affecting profit before tax		48.7	42.2	158.1
Tax effect on items affecting profit before tax				
Deferred tax on amortisation of purchased intangible assets		(2.8)	(2.2)	(11.8)
Current tax on amortisation of purchased intangible assets		(0.6)	(0.6)	(2.2)
Tax effect on other items affecting profit before tax		(5.7)	(0.3)	(9.1)
Total tax effect on items affecting profit before tax		(9.1)	(3.1)	(23.1)
Total charge to income statement		39.6	39.1	135.0

Transaction costs comprise charges incurred for ongoing services for legal and professional fees along with settlement of other costs related to acquisitions.

Transaction credit relates to a reduction in obligations arising from the acquisition of LCH.Clearnet Group.

Integration costs primarily relate to the charges incurred on the addition of LCH.Clearnet Group.

5. Net finance expense

	Three months ended 30 June		Year ended 31 March
	2014	2013	2014
	£m	£m	£m
Finance income			
Bank deposit and other interest income	2.4	2.3	5.2
Defined benefit pension scheme interest income	0.2	0.1	—
Other finance income	0.2	0.3	0.3
	<u>2.8</u>	<u>2.7</u>	<u>5.5</u>
Finance expense			
Interest payable on bank and other borrowings	(18.4)	(17.2)	(71.2)
Other finance expense	(0.7)	(0.6)	(2.3)
Defined benefit pension scheme interest expense	(0.3)	—	(0.8)
Non-recurring credit facility arrangement fees	(1.8)	—	—
	<u>(21.2)</u>	<u>(17.8)</u>	<u>(74.3)</u>
Net finance expense	<u>(18.4)</u>	<u>(15.1)</u>	<u>(68.8)</u>

6. Taxation

	Three months ended 30 June		Year ended 31 March
	2014	2013	2014
	£m	£m	£m
Taxation charged to the income statement			
Current tax:			
UK corporation tax for the period	11.3	5.7	43.5
Overseas tax for the period	12.4	19.1	77.6
Adjustments in respect of previous years	(0.7)	(0.1)	(1.2)
	<u>23.0</u>	<u>24.7</u>	<u>119.9</u>
Deferred tax:			
Deferred tax for the period	3.3	0.1	(4.7)
Adjustments in respect of previous years	(0.8)	(0.1)	(1.8)
Deferred tax liability on amortisation of purchased intangible assets	(2.8)	(2.2)	(11.8)
	<u>(0.3)</u>	<u>(2.2)</u>	<u>(18.3)</u>
Taxation charge	<u>22.7</u>	<u>22.5</u>	<u>101.6</u>

	Three months ended 30 June		Year ended 31 March
	2014	2013	2014
	£m	£m	£m
Taxation on items not credited/(charged) to income statement			
Current tax credit:			
Tax allowance on share options/awards in excess of expense recognised	1.6	—	3.5
Deferred tax (loss)/credit:			
Tax allowance on defined benefit pension scheme remeasurement (gain)/loss	0.3	(4.8)	(1.7)
Tax allowance on share options/awards in excess of expense recognised	(1.6)	—	1.0
Movement in value of available for sale financial assets	(0.8)	1.3	(0.7)
Adjustments relating to change in UK tax rate	—	—	(0.6)
	<u>(0.5)</u>	<u>(3.5)</u>	<u>1.5</u>

Factors affecting the tax charge for the period

The income statement tax charge for the period differs from the standard rate of corporation tax in the UK of 21 per cent. as explained below:

	Three months ended 30 June		Year ended 31 March
	2014	2013	2014
	£m	£m	£m
Profit before taxation	83.6	59.7	284.3
Profit multiplied by standard rate of corporation tax in the UK	17.6	13.7	65.4
Expenses not deductible/(income not taxable)	0.3	(1.9)	4.3
Adjustment arising from change in UK tax rate	—	—	2.4
Overseas earnings taxed at higher rate	3.0	7.6	19.1
Adjustments in respect of previous years	(0.7)	(0.2)	(3.0)
Amortisation of purchased intangibles	2.5	3.3	13.4
Taxation charge	22.7	22.5	101.6

The tax rate applied as at 30 June 2014 is the expected rate for the full financial year.

The standard UK corporation tax rate was 21 per cent. (23 per cent. for the periods ended 30 June 2013 and 31 March 2014).

7. Earnings per share

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

	Three months ended 30 June		Year ended 31 March
	2014	2013	2014
Basic earnings per share	19.2p	13.1p	63.0p
Diluted earnings per share	18.9p	12.9p	61.4p
Adjusted basic earnings per share	31.9p	27.0p	107.1p
Adjusted diluted earnings per share	31.3p	26.5p	104.4p

	Three months ended 30 June		Year ended 31 March
	2014	2013	2014
	£m	£m	£m
Profit for the financial period attributable to equity holders	52.0	35.4	170.1
Adjustments:			
Amortisation and non-recurring items			
Amortisation of purchased intangible assets	29.3	27.5	116.5
Transaction costs	17.3	13.4	14.9
Transaction credit	(2.4)	—	—
Restructuring costs	0.7	1.0	28.8
Pension curtailment costs	—	—	(2.1)
Integration costs	2.0	0.3	—
Charge for new revolving credit facility	1.8	—	—
Other adjusting items:			
Unrealised net investment (gain)/loss	(0.7)	1.2	3.5
Tax effect of amortisation and non-recurring items	(9.1)	(3.1)	(23.1)
Tax effect of other adjusting items	0.2	(0.4)	(1.2)
Adjusted items, amortisation and taxation attributable to non-controlling interests	(4.7)	(2.5)	(18.1)
Adjusted profit for the financial period attributable to equity holders . . .	86.4	72.8	289.3
Weighted average number of shares—million	270.7	270.1	270.1
Effect of dilutive share options and awards—million	4.9	5.1	7.0
Diluted weighted average number of shares—million	275.6	275.2	277.1

The weighted average number of shares excludes those held in the ESOP.

8. Intangible Assets

	Purchased intangible assets					Total £m
	Goodwill	Customer and supplier relationships	Brands	Software, licenses and intellectual property	Software	
	£m	£m	£m	£m	£m	
Cost:						
1 April 2013	1,211.9	968.2	237.0	344.6	157.7	2,919.4
Additions	—	—	—	—	8.7	8.7
Acquisition of subsidiaries	151.2	221.2	17.3	80.8	35.3	505.8
Foreign exchange	1.8	(3.4)	(0.3)	(0.2)	(0.3)	(2.4)
30 June 2013	1,364.9	1,186.0	254.0	425.2	201.4	3,431.5
Additions	—	—	—	—	98.1	98.1
Acquisition of subsidiaries	14.9	10.8	0.8	1.2	0.1	27.8
Disposals	—	—	—	—	(30.3)	(30.3)
Foreign exchange	(33.6)	(29.1)	(1.2)	(5.8)	(3.6)	(73.3)
31 March 2014	1,346.2	1,167.7	253.6	420.6	265.7	3,453.8
Additions	—	—	—	—	16.3	16.3
Acquisition of subsidiaries	—	—	—	—	0.6	0.6
Foreign exchange	(31.6)	(25.5)	(0.7)	(6.1)	(9.4)	(73.3)
30 June 2014	1,314.6	1,142.2	252.9	414.5	273.2	3,397.4
Amortisation and accumulated impairment:						
1 April 2013	445.6	188.2	17.4	107.5	111.4	870.1
Amortisation charge for the period	—	14.7	2.7	10.3	5.6	33.3
Foreign exchange	1.5	0.6	—	0.4	—	2.5
30 June 2013	447.1	203.5	20.1	118.2	117.0	905.9
Amortisation charge for the period	—	46.3	8.2	34.3	32.7	121.5
Disposals	—	—	—	—	(30.3)	(30.3)
Foreign exchange	(9.9)	(5.0)	(0.3)	(3.2)	(0.9)	(19.3)
31 March 2014	437.2	244.8	28.0	149.3	118.5	977.8
Amortisation charge for the period	—	15.4	2.7	11.2	5.8	35.1
Foreign exchange	(13.2)	(6.7)	(0.3)	(2.9)	(1.2)	(24.3)
30 June 2014	424.0	253.5	30.4	157.6	123.1	988.6
Net book values:						
30 June 2014	890.6	888.7	222.5	256.9	150.1	2,408.8
31 March 2014	909.0	922.9	225.6	271.3	147.2	2,476.0
30 June 2013	917.8	982.5	233.9	307.0	84.4	2,525.6

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

9. 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. The 'Other plans' referred to below relate to the unfunded 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 the defined benefit pension scheme operated by LCH.Clearnet Group.

Defined benefit (obligations)/assets for LSEG and LCH UK pension scheme	30 June				Year ended 31 March	
	2014 LSEG UK	2014 LCH UK	2013 LSEG UK	2013 LCH UK	2014 LSEG UK	2014 LCH UK
	£m	£m	£m	£m	£m	£m
Fair value of assets	278.1	171.8	266.3	161.0	276.7	167.5
Present value of funded obligations	(302.3)	(158.1)	(281.9)	(139.5)	(300.6)	(153.0)
Deficit	(24.2)	13.7	(15.6)	21.5	(23.9)	14.5

Movement in defined benefit net (liability)/asset during the period (LSEG and LCH.Clearent Group UK Pension)

Defined benefit (obligations)/assets for LSEG and LCH UK pension scheme	Three months ended 30 June				Year ended 31 March	
	2014	2014	2013	2013	2014	2014
	LSEG UK	LCH UK	LSEG UK	LCH UK	LSEG UK	LCH UK
	£m	£m	£m	£m	£m	£m
At beginning of period	(23.9)	14.5	(17.7)	8.2	(17.7)	—
Assets acquired in a business combination	—	—	—	—	—	9.0
Current service cost	(0.1)	(0.2)	(0.1)	(0.1)	(0.9)	(0.5)
Interest expense	(0.3)	0.2	—	0.1	(0.7)	0.4
Contributions paid	0.2	—	—	—	3.6	—
Remeasurement (loss)/gain	(0.1)	(0.8)	2.2	10.3	(8.2)	6.6
Foreign exchange	—	—	—	3.0	—	(1.0)
At end of period	(24.2)	13.7	(15.6)	21.5	(23.9)	14.5

Movement in defined benefit net asset/(liability) during the period (Other plans)

	Three months ended 30 June		Year ended 31 March
	2014	2013	2014
	£m	£m	£m
At beginning of period	(13.0)	(15.2)	(7.9)
Assets acquired in a business combination	—	—	(7.5)
Current service credit	0.6	0.1	0.6
Interest income	—	—	(0.5)
Contributions paid	—	—	0.1
Benefits paid	0.1	—	1.7
Remeasurement (loss)/gain	(0.3)	0.2	0.3
Exchange differences	0.4	—	0.2
At end of period	(12.2)	(14.9)	(13.0)

The main actuarial assumptions of the LSEG UK Pension plan are set out below:

	Three months ended 30 June				Year ended 31 March	
	2014	2014	2013	2013	2014	2014
	LSEG UK	LCH UK	LSEG UK	LCH UK	LSEG UK	LCH UK
Inflation rate—RPI	3.3%	3.3%	3.4%	3.5%	3.4%	3.4%
Inflation rate—CPI	2.3%	2.3%	2.4%	2.5%	2.4%	2.4%
Rate of increase in salaries	3.3%	n/a	3.4%	n/a	3.4%	n/a
Rate of increase in pensions in payment	3.5%	2.2%	3.6%	2.2%	3.6%	2.2%
Discount rate	4.4%	4.4%	4.8%	4.8%	4.5%	4.5%
Life expectancy from age 60 (Years)						
—Non retired male member	28.6	30.8	28.0	30.7	28.6	n/a
—Non retired female member	30.5	33.0	30.8	32.9	30.5	n/a
—Retired male member	27.1	29.3	26.5	29.2	27.1	29.3
—Retired female member	29.2	31.3	29.3	31.2	29.2	31.3

The mortality assumptions are based on the standard tables S1NA 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 mortality survey, which was published in 2008. We have used an allowance for CMI 2013 projections and applied a 1.25 per cent/1.00 per cent. for male/female long term trend rate in respect of future mortality improvements. In 2013 we used an allowance for the medium cohort effect and applied a one per cent. underpin in respect of future mortality improvements.

10. Trade and other receivables

	30 June		31 March
	2014	2013	2014
	£m	£m	£m
Current			
Trade receivables	142.4	126.3	133.5
Less: provision for impairment of receivables	(6.4)	(5.0)	(5.2)
Trade receivables—net	136.0	121.3	128.3
Other receivables	117.7	77.8	38.3
Prepayments and accrued income	87.2	93.4	83.9
Total trade and other receivables	340.9	292.5	250.5

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

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

11. Financial instruments by category

The financial instruments of the Group are categorised as follows:

	30 June		31 March
	2014	2013	2014
	£m	£m	£m
Assets as per balance sheet			
Financial assets of the CCP clearing business			
—CCP trading assets	333,634.2	390,117.2	337,211.5
—Receivables for repurchase transactions	96,152.5	116,227.7	117,702.6
—Other receivables from clearing members	3,500.1	4,723.2	4,442.5
—Financial assets held at fair value	14,163.8	10,343.7	11,141.1
—Cash and cash equivalents of clearing members	33,377.0	39,157.7	33,278.5
Financial assets of the CCP clearing business	480,827.6	560,569.5	503,776.2
Assets held at fair value	31.6	9.9	18.7
Total financial assets for CCP clearing	480,859.2	560,579.4	503,794.9
Trade and other receivables	142.4	126.3	133.5
Cash and cash equivalents	985.1	978.1	919.2
Available for sale financial assets	4.8	0.4	4.8
Forward foreign exchange contracts	—	0.2	—
Cross currency interest rate swaps	9.9	2.3	6.7
Total	482,001.4	561,686.7	504,859.1

	30 June		31 March
	2014	2013	2014
	£m	£m	£m
Liabilities as per balance sheet			
Financial liabilities of the CCP clearing business			
—CCP trading liabilities	333,634.2	390,117.2	337,211.5
—Liabilities under repurchase transactions	96,152.5	116,227.7	117,702.6
—Other payables to clearing members	51,028.4	54,053.9	48,808.2
—Financial liabilities held at fair value	9.0	24.0	25.1
Total financial liabilities for CCP clearing	480,824.1	560,422.8	503,747.4
Trade and other payables	500.3	521.5	401.5
Other non-current liabilities	50.0	49.2	79.2
Provisions	17.9	26.9	19.4
Borrowings	1,189.3	1,294.9	1,223.7
Forward foreign exchange contracts	3.2	—	—
Interest rate swaps	0.6	15.2	3.4
Cross currency interest rate swaps	2.3	8.9	4.0
Total	482,587.7	562,339.4	505,478.6

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. The Group has no financial instruments in this category.

For assets and liabilities classified as level 2, the fair value is calculated using valuation techniques with market observable inputs. Frequently applied techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Level 1 CCP trading assets and liabilities were £6,044.9m (2013: £3,396.6m), Level 2 CCP trading assets and liabilities were £327,589.3m (2013: £386,720.6m).

Level 1 Financial assets held at fair value were £14,195.4m (2013: £10,353.6m), Level 2 Financial assets held at fair value was nil (2013: nil)

The nature and composition of the CCP clearing business assets and liabilities is explained in the accounting policies note on pages 112 to 113 of the Group’s Annual Report for the year ended 31 March 2014.

12. 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.

<u>30 June 2014</u>	<u>Gross amounts</u>	<u>Amount offset</u>	<u>Net amount as reported</u>
	£m	£m	£m
Derivative financial assets	191,670	(19,790)	171,880
Reverse repurchase agreements	325,875	(172,767)	153,108
Other movements during the year	20,454,921	(20,451,217)	3,704
Total assets	20,972,466	(20,643,774)	328,692
Derivative financial liabilities	(191,670)	19,790	(171,880)
Reverse repurchase agreements	(325,875)	172,767	(153,108)
Other	(20,454,921)	20,451,217	(3,704)
Total liabilities	(20,972,466)	20,643,774	(328,692)
<u>30 June 2013</u>	<u>Gross amounts</u>	<u>Amount offset</u>	<u>Net amount as reported</u>
	£m	£m	£m
Derivative financial assets	238,197	(24,375)	213,822
Reverse repurchase agreements	375,141	(205,870)	169,271
Other movements during the year	22,972,807	(22,969,174)	3,633
Total assets	23,586,145	(23,199,419)	386,726
Derivative financial liabilities	(238,197)	24,375	(213,822)
Reverse repurchase agreements	(375,141)	205,870	(169,271)
Other	(22,972,807)	22,969,174	(3,633)
Total liabilities	(23,586,145)	23,199,419	(386,726)

All offset amounts are held in the CCP trading assets and CCP 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 £328,697m to nil. Default funds for derivatives of £2,420m, repos of £723m and other transactions of £3,706m are held by the Group. In addition, the Group holds margin for derivatives, repos and other transactions, as well as additional variation margin amounts which are not allocated by business line.

13. Trade and other payables

	<u>30 June</u>		<u>31 March</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>
	£m	£m	£m
Trade payables	116.7	285.3	43.9
Social security and other taxes	34.9	22.2	17.2
Other payables	94.8	19.2	110.5
Accruals and deferred income	253.9	194.8	229.9
Total trade and other payables	500.3	521.5	401.5

14. Borrowings

	30 June		31 March
	2014	2013	2014
	£m	£m	£m
Current			
Bank borrowings	244.5	347.2	278.7
Bank overdraft	4.5	—	—
	<u>249.0</u>	<u>347.2</u>	<u>278.7</u>
Non-current			
Bonds	796.6	796.5	796.6
Preferred securities	143.7	151.2	148.4
	<u>940.3</u>	<u>947.7</u>	<u>945.0</u>

The Group has the following unsecured notes and bank facilities:

Type	Expiry Date	Notes/ Facility £m	Drawn value £m	Interest rate %
Drawn value of facilities				
Multi-currency revolving credit facility	Jul 2016	250.0	117.0	LIBOR + 0.8
Multi-currency revolving credit facility	Jun 2017	600.0	—	LIBOR + 0.6
Multi-currency revolving credit facility	Jul 2018	450.0	126.6	LIBOR + 0.95
Bank overdraft		—	4.5	LIBOR + 1.0
Total Bank facilities		<u>1,300.0</u>	<u>248.1</u>	
Notes due July 2016	Jul 2016	250.0	250.9	6.125
Notes due October 2019	Oct 2019	250.0	248.2	9.125
Notes due November 2021	Nov 2021	300.0	297.5	4.750
Total bonds		<u>800.0</u>	<u>796.6</u>	
Preferred securities	May 2017	160.3	143.7	6.576
Total debt and facilities		<u>2,260.3</u>	<u>1,188.4</u>	

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. As at 30 June 2014, £0.9 million was the aggregate drawing against these facilities.

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 same day operational liquidity requirements. In addition, CC&G is in the process of arranging commercial bank back-up credit lines to provide liquidity support for overnight and longer durations as required under the European Markets Infrastructure Regulation (EMIR).

LCH.Clearnet SA has a French banking licence and is able to access refinancing at the Banque de France to support its liquidity position and LCH.Clearnet Limited is deemed to have sufficient fungible liquid assets to maintain an appropriate liquidity position, currently without the requirement for committed credit lines.

15. Analysis of net debt

	30 June		31 March
	2014	2013	2014
	£m	£m	£m
Due within one year			
Cash and cash equivalents	985.1	978.1	919.2
Bank overdraft	(4.5)	—	—
Bank borrowings	(244.5)	(347.3)	(278.7)
Derivative financial assets	—	0.2	—
Derivative financial liabilities	(3.8)	(15.2)	(3.4)
	732.3	615.8	637.1
Due after one year			
Bonds	(796.6)	(796.5)	(796.6)
Preferred securities	(143.7)	(151.2)	(148.4)
Derivative financial assets	9.9	2.3	6.7
Derivative financial liabilities	(2.3)	(8.9)	(4.0)
Total net debt	(200.4)	(338.5)	(305.2)
Reconciliation of net cash flow to movement in net debt	Three months ended	30 June	Year ended
	2014	2013	2014
	£m	£m	£m
Increase in cash in the period	93.7	529.5	491.7
Increase in bank overdraft	(4.5)	—	—
Bank loan repayments less new drawings	26.2	(254.3)	(192.1)
Change in net debt resulting from cash flows	115.4	275.2	299.6
Foreign exchange movements	(15.1)	0.9	(11.2)
Movement on derivative financial assets and liabilities	4.5	(22.3)	(1.4)
Bond valuation adjustment	—	—	0.1
Acquired debt	—	(242.4)	(242.4)
Net debt at the start of the period	(305.2)	(349.9)	(349.9)
Net debt at the end of the period	(200.4)	(338.5)	(305.2)

16. Net cash flow generated from operations

	Three months ended 30 June		Year ended 31 March
	2014	2013	2014
	£m	£m	£m
Profit before taxation	83.6	59.7	284.3
Depreciation and amortisation	41.1	40.6	178.6
(Loss)/gain on disposal of property, plant and equipment	—	—	0.2
Profit on disposal/acquisition of shares in subsidiary and joint venture	—	—	(6.9)
Net finance expense	18.4	15.2	68.8
(Increase)/decrease in inventories	(0.2)	—	0.8
(Increase)/decrease in trade and other receivables	(94.9)	2.5	37.2
Increase/(decrease) in trade and other payables	126.0	49.0	(118.6)
Decrease/(increase) in CCP financial assets	2,483.2	38,598.7	92,323.0
(Decrease)/increase in CCP clearing business liabilities	(2,457.5)	(38,628.3)	(92,236.4)
Defined benefit pension obligation—contributions in excess of expenses charged	(0.8)	—	(3.3)
Provisions utilised during the period	7.2	8.1	(9.7)
(Increase)/decrease in assets held at fair value from operating activities	(14.1)	(5.0)	(9.5)
Share scheme expense	3.3	3.6	13.4
Foreign exchange losses/(gains) on operating activities	2.8	(7.4)	(6.5)
Cash generated from operations	198.1	136.7	515.4
Comprising:			
Ongoing operating activities	203.2	142.4	548.7
Non-recurring items	(5.1)	(5.7)	(33.3)
	198.1	136.7	515.4

17. Transactions with related parties

The nature and contractual terms of key management compensation and inter-company transactions with subsidiary undertakings during the period are consistent with the disclosures in Note 31 of the Annual Report for the year ended 31 March 2014.

18. Commitments and contingencies

Contracted capital commitments and other contracted commitments not provided for in the Interim Report of the Group were nil.

PART B—HISTORICAL FINANCIAL INFORMATION OF LONDON STOCK EXCHANGE GROUP

Financial information relating to LSEG as at and for the financial years ended 31 March 2014, 2013 and 2012 is incorporated into this document by reference to the Annual Report and Accounts for 2014, 2013 and 2012, as described in Part XIV “Documentation Incorporated by Reference” of this document.

PART IX—FINANCIAL INFORMATION OF RUSSELL
PART A—INTERIM FINANCIAL INFORMATION OF RUSSELL
CONDENSED CONSOLIDATED INCOME STATEMENTS

	Notes	Six months ended 30 June	
		2014	2013
		\$m Unaudited	\$m Unaudited
Revenue		875.2	781.7
Other Income (loss)	3	20.1	(8.0)
Total Income	2	895.3	773.7
Expenses			
Operating expenses	4	(753.2)	(704.4)
Operating profit	2	142.1	69.3
Finance income		0.7	0.8
Finance expense		(18.7)	(18.7)
Net finance expense	5	(18.0)	(17.9)
Profit before taxation		124.1	51.4
Taxation	6	(50.8)	(27.3)
Profit for the financial period		73.3	24.1
Profit attributable to equity holders		73.3	24.1
Basic earnings per share	7	0.36¢	0.12¢
Diluted earnings per share	7	0.34¢	0.11¢

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2014	2013
		\$m Unaudited	\$m Unaudited
Profit for the financial period		73.3	24.1
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss			
Exchange (loss)/gain on translation of foreign operations		(1.0)	(3.1)
Total comprehensive income for the financial period		<u>72.3</u>	<u>21.0</u>
Attributable to equity holders		72.3	21.0
Total comprehensive income for the financial period		<u>72.3</u>	<u>21.0</u>

CONDENSED CONSOLIDATED BALANCE SHEETS

	Notes	30 June 2014 \$m Unaudited	31 December 2013 \$m
Assets			
Non-current assets			
Property, plant and equipment		51.5	55.4
Intangible assets		32.0	32.0
Investment in associates		23.0	24.5
Deferred tax assets		47.5	51.4
Assets at fair value through profit or loss	10	124.0	124.3
Other non-current assets		58.6	58.3
		336.6	345.9
Current assets			
Trade and other receivables	9	314.0	285.8
Derivative financial instruments	10	—	3.4
Other current assets		43.7	36.3
Cash and cash equivalents		275.6	282.1
		633.3	607.6
Total assets		969.9	953.5
Liabilities			
Current liabilities			
Trade and other payables	11	396.1	439.3
Derivative financial instruments	10	0.5	—
Current tax	6	6.1	22.6
Borrowings	12	91.2	92.5
Provisions	10	0.4	0.4
		494.3	554.8
Non-current liabilities			
Borrowings	12	468.1	470.9
Other non-current payables	11	185.8	179.0
Other non-current liabilities	10	46.6	45.9
Provisions	10	1.8	1.9
		702.3	697.7
Total liabilities		1,196.6	1,252.5
Net liabilities		(226.7)	(299.0)
Equity			
Capital and reserves attributable to Russell's equity holders			
Retained earnings		201.2	127.9
Other reserves		(427.8)	(426.8)
Total shareholder funds		(226.6)	(298.9)
Non-controlling interests		(0.1)	(0.1)
Total equity		(226.7)	(299.0)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Six months ended 30 June	
		2014	2013
		\$m Unaudited	\$m Unaudited
Cash flow from operating activities			
Cash generated from operations	14	79.6	33.7
Interest paid		(17.6)	(17.1)
Corporation tax paid		(63.8)	(22.9)
Net cash outflow from operating activities		(1.8)	(6.3)
Cash flow from investing activities			
Purchase of property, plant and equipment		(1.0)	(0.9)
Purchase of intangible assets		(4.1)	(3.1)
Investment in other acquisition		(0.4)	—
Proceeds from sale of investment in associate		—	4.4
Redemptions and distributions from investments		4.3	6.7
Change in restricted cash		0.2	(1.5)
Purchase of investments		(7.2)	(12.1)
Net cash outflow from investing activities		(8.2)	(6.5)
Cash flow from financing activities			
Proceeds from own shares on exercise of employee share options		6.5	—
Principal payments on finance lease obligations		(3.9)	(4.1)
Proceeds from borrowings		428.0	358.8
Repayments of borrowings		(429.6)	(351.9)
Net cash inflow from financing activities		1.0	2.8
Decrease in cash and cash equivalents		(9.0)	(10.0)
Cash and cash equivalents at beginning of period		282.1	245.6
Exchange gains/(losses) on cash and cash equivalents		2.5	(5.3)
Cash and cash equivalents at end of period		275.6	230.3

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED 30 JUNE 2014**

	Attributable to equity holders					Total equity
	Ordinary share capital	Retained earnings	Other reserves	Total attributable to equity holders	Non- controlling interests	
	\$m	\$m	\$m	\$m	\$m	\$m
31 December 2013	—	127.9	(426.8)	(298.9)	(0.1)	(299.0)
Profit for the period	—	73.3	—	73.3	—	73.3
Other comprehensive income for the period	—	—	(1.0)	(1.0)	—	(1.0)
30 June 2014	—	201.2	(427.8)	(226.6)	(0.1)	(226.7)

**NOTES TO THE INTERIM FINANCIAL INFORMATION
SIX MONTHS ENDED 30 JUNE 2014 AND 2013**

1. Basis of preparation and accounting policies

This Interim Report has been prepared in accordance with the International Accounting Standards (“IAS”) 34—‘Interim Financial Reporting’. Unless otherwise indicated, financial information for Russell is presented in US dollars and has been prepared in accordance with IFRS consistent with that applied by LSEG in their 31 March 2014 financial statements.

The accounting policies used are consistent with those set out in Note 1 of Russell’s historical financial information for the year ended 31 December 2013, with the exception of the changes in the standards identified below:

The following standard and interpretation has been issued by the International Accounting Standards Board (“IASB”) and IFRS Interpretations Committee (“IFRIC”) and has been adopted in these condensed consolidated interim financial statements:

<u>International accounting standards and interpretations</u>	<u>Effective date</u>
Amendments to IFRS 10,11 and 12 on transition guidance	1 January 2013

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

The following standards and interpretations were issued by the IASB and IFRIC since the historical financial information for the year ended 31 December 2013 but have not been adopted either because they were not endorsed by the European Union (EU) at 30 June 2014 or they are not yet mandatory and Russell has not chosen to early adopt. The impact on Russell’s financial statements of the future standards, amendments and interpretations is still under review, but Russell does not expect any of these changes to have a material impact on the results or the net assets of Russell:

<u>International accounting standards and interpretations</u>	<u>Effective date</u>
Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities	1 January 2014
Amendment to IAS 38, ‘Intangible assets’, on amortisation	1 January 2016
Amendment to IFRS 9, ‘Financial instruments’ on general hedge accounting	1 January 2018

The preparation of the Interim Report requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the Interim Report. Although these estimates and assumptions are based on management’s best judgment at the date of the Interim Report, actual results may differ from these estimates.

2. Segmental information

Russell operates in two reportable segments; Asset Management and Indexes. Russell’s Executive Committee reviews internal management reports on a regular basis and performance is measured for each of the Asset Management and Indexes segments based on revenue, and income from operations.

Segmental disclosures for the six months ended 30 June 2014 are as follows:

	<u>Asset Management</u>	<u>Indexes</u>	<u>Other</u>	<u>Total</u>
	\$m	\$m	\$m	\$m
Revenue	780.6	94.6	—	875.2
Other (loss)/income	(0.2)	(0.2)	20.5	20.1
Total income	780.4	94.4	20.5	895.3
Operating profit	75.4	46.8	19.9	142.1
Net finance expense				(18.0)
Profit before taxation				124.1

Segmental disclosures for the six months ended 30 June 2013 are as follows:

	Asset Management	Indexes	Other	Total
	\$m	\$m	\$m	\$m
Revenue	699.7	82.0	—	781.7
Other (loss)/income	0.2	(0.1)	(8.1)	(8.0)
Total income	699.9	81.9	(8.1)	773.7
Operating profit	45.5	36.2	(12.4)	69.3
Net finance expense				(17.9)
Profit before taxation				51.4

3. Other income

	Six months ended 30 June	
	2014	2013
	\$m	\$m
Gains on assets at fair value through profit or loss, net	17.7	3.4
Other	2.4	(11.4)
	20.1	(8.0)

4. Expenses by nature

	Six months ended 30 June	
	2014	2013
	\$m	\$m
Expenses comprise the following:		
Employee costs	243.8	255.7
Subadvisory, custodial and distribution fees	307.9	285.2
Occupancy and office	42.6	41.8
Operating lease expense	13.0	14.9
Depreciation and amortisation	11.3	12.5
Professional fees	67.1	62.6
Business travel and entertainment	16.1	15.7
Other operating expenses	51.4	16.0
Total expenses	753.2	704.4

5. Net finance expense

	Six months ended 30 June	
	2014	2013
	\$m	\$m
Finance income		
Bank deposit and other interest income	0.7	0.8
	<u>0.7</u>	<u>0.8</u>
Finance expense		
Interest payable on bank and other borrowings	(2.5)	(2.6)
Other finance expenses	(16.2)	(16.1)
	<u>(18.7)</u>	<u>(18.7)</u>
Net finance expense	(18.0)	(17.9)

6. Taxation

	Six months ended 30 June	
	2014	2013
<u>Taxation charged to the income statement</u>	<u>\$m</u>	<u>\$m</u>
Current tax:		
U.S. federal corporation tax for the period	35.3	21.7
Non-U.S. tax for the period	9.8	6.6
U.S. state and local tax for the period	<u>2.3</u>	<u>1.6</u>
	47.4	29.9
Deferred tax:		
U.S. federal corporation tax for the period	2.8	(2.5)
Non-U.S. tax for the period	0.4	(0.4)
U.S. state and local tax for the period	0.2	0.3
Adjustments in respect of previous period	<u>—</u>	<u>—</u>
Taxation charge	<u>50.8</u>	<u>27.3</u>
<u>Tax credit/(charge) relating to components of other reserves</u>	<u>2014</u>	<u>2013</u>
	<u>\$m</u>	<u>\$m</u>
Deferred tax (loss):		
Cumulative translation adjustments	<u>(0.9)</u>	<u>—</u>
	<u>(0.9)</u>	<u>—</u>

Factors affecting the tax charge for the period

The income statement tax charge for the period differs from the standard rate of corporation tax in the U.S. of 35% as explained below:

	Six months ended 30 June	
	2014	2013
	<u>\$m</u>	<u>\$m</u>
Profit before taxation	<u>124.1</u>	<u>51.4</u>
Profit multiplied by standard rate of corporation tax in the U.S.	43.4	17.9
Non deductible dividends	5.8	4.6
Non-U.S. subsidiary earnings	(2.6)	1.8
State income taxes	1.3	1.2
Non deductible incentive compensation plan expense	1.7	1.2
Uncertain tax benefits	1.0	0.5
Other	<u>0.2</u>	<u>0.1</u>
Taxation charge	<u>50.8</u>	<u>27.3</u>

7. Earnings per share

Earnings per share is presented on two bases: basic earnings per share and diluted earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the

dilution effects which would arise on conversion or vesting of share options and share awards under the LTIP and the IPP.

	Six months ended 30 June	
	2014	2013
	\$m	\$m
Basic earnings per share	0.36¢	0.12¢
Diluted earnings per share	0.34¢	0.11¢
Weighted average number of shares—millions	206.0	205.0
Effect of dilutive share options and awards—millions	11.0	8.1
Diluted weighted average number of shares—millions	217.0	213.1

The weighted average number of shares excludes those held in the LTIP and IPP.

8. Intangible Assets

	Goodwill	Customer relationships	Software	Acquired technology	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Cost:						
31 December 2013	11.1	6.2	77.3	6.1	0.7	101.4
Additions	0.4	—	3.7	—	—	4.1
Disposals	—	—	(0.4)	—	—	(0.4)
Foreign exchange	0.3	0.5	0.2	—	—	1.0
30 June 2014	11.8	6.7	80.8	6.1	0.7	106.1
Accumulated Amortisation:						
31 December 2013	—	4.8	58.5	6.1	—	69.4
Additions	—	0.7	4.1	—	0.1	4.9
Disposals	—	—	0.1	—	—	0.1
Foreign exchange	—	—	(0.3)	—	—	(0.3)
30 June 2014	—	5.5	62.4	6.1	0.1	74.1
Net book values:						
30 June 2014	11.8	1.2	18.4	—	0.6	32.0
31 December 2013	11.1	1.4	18.8	—	0.7	32.0

9. Trade and other receivables

	30 June 2014	31 December 2013
	\$m	\$m
Trade receivables	42.2	24.9
Less: provision for impairment of receivables	(0.7)	(1.2)
Trade receivables—net	41.5	23.7
Other receivables	19.3	7.7
Prepayments and accrued income	253.2	254.4
	314.0	285.8

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

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

10. Financial instruments by category

The financial instruments of Russell are categorised as follows:

<u>30 June 2014</u>	<u>Loans and receivables</u> \$m	<u>Assets at fair value through profit or loss</u> \$m	<u>Total</u> \$m	
Assets as per balance sheet				
Retained capital interests in investment companies	—	21.0	21.0	
Post closing payments	—	84.7	84.7	
Investments in subordinated trust	—	18.3	18.3	
Assets at fair value through profit or loss	—	124.0	124.0	
Foreign exchange contracts	—	—	—	
Trade and other receivables	41.5	—	41.5	
Other current assets	—	14.8	14.8	
Cash and cash equivalents	<u>275.6</u>	—	<u>275.6</u>	
Total	<u>317.1</u>	<u>138.8</u>	<u>455.9</u>	
<u>30 June 2014</u>	<u>Derivatives</u> \$m	<u>Other financial liabilities</u> \$m	<u>Total</u> \$m	
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	—	541.2	541.2	
Finance lease liabilities	—	18.1	18.1	
Foreign exchange contracts	0.5	—	0.5	
Trade and other payables excluding non-financial liabilities	—	581.9	581.9	
Other non-current liabilities	—	46.6	46.6	
Provisions	—	2.2	2.2	
Total	<u>0.5</u>	<u>1,190.0</u>	<u>1,190.5</u>	
<u>30 June 2014</u>	<u>Level 1</u> \$m	<u>Level 2</u> \$m	<u>Level 3</u> \$m	<u>Net Balances</u> \$m
Assets				
Money market mutual funds	89.6	—	—	89.6
Investments in subordinated trusts	4.9	18.3	—	23.2
Retained Capital Interests	—	—	21.0	21.0
Post Closing Payments	—	—	84.7	84.7
	<u>94.5</u>	<u>18.3</u>	<u>105.7</u>	<u>218.5</u>
Liabilities				
Foreign currency exchange contracts	—	(0.5)	—	(0.5)
	<u>94.5</u>	<u>17.8</u>	<u>105.7</u>	<u>218.0</u>

31 December 2013

Assets as per balance sheet

	Loans and receivables	Assets at fair value through profit or loss	Derivatives	Total
	\$m	\$m	\$m	\$m
Retained capital interests in investment companies	—	23.2	—	23.2
Post closing payments	—	79.4	—	79.4
Investments in subordinated trust	—	21.7	—	21.7
Assets at fair value through profit or loss	—	124.3	—	124.3
Foreign exchange contracts	—	—	3.4	3.4
Trade receivables—net	23.7	—	—	23.7
Other current assets	—	8.2	—	8.2
Cash and cash equivalents	282.1	—	—	282.1
Total	<u>305.8</u>	<u>132.5</u>	<u>3.4</u>	<u>441.7</u>

31 December 2013

Liabilities as per balance sheet

	Other financial liabilities	Total
	\$m	\$m
Borrowings (excluding finance lease liabilities)	542.8	542.8
Finance lease liabilities	20.6	20.6
Trade and other payables excluding non-financial liabilities	618.3	618.3
Other non-current liabilities	45.9	45.9
Provisions	2.3	2.3
Total	<u>1,229.9</u>	<u>1,229.9</u>

31 December 2013

Assets

	Level 1	Level 2	Level 3	Net Balances
	\$m	\$m	\$m	\$m
Money market mutual funds	89.8	—	—	89.8
Investments in subordinated trusts	4.1	21.7	—	25.8
Retained Capital Interests	—	—	23.2	23.2
Post Closing Payments	—	—	79.4	79.4
Foreign currency exchange contracts	—	3.4	—	3.4
	<u>93.9</u>	<u>25.1</u>	<u>102.6</u>	<u>221.6</u>

11. Trade and other payables

	30 June 2014	31 December 2013
	\$m	\$m
Trade payables	69.9	70.1
Compensation and benefits payable	93.8	148.1
Commission credits and fees payable	206.8	196.1
Other payables	194.9	186.0
Accruals and deferred income	16.5	18.0
	<u>581.9</u>	<u>618.3</u>
Current	<u>396.1</u>	<u>439.3</u>
Non-current	<u>185.8</u>	<u>179.0</u>
	<u>581.9</u>	<u>618.3</u>

12. Borrowings

	<u>30 June 2014</u>	<u>31 December 2013</u>
	\$m	\$m
Current		
Bank line of credit	82.0	83.6
Financing lease obligations	7.8	7.5
Preferred stock	1.4	1.4
	<u>91.2</u>	<u>92.5</u>
Non-current		
Bank Loan	65.0	65.0
Financing lease obligations	10.3	13.1
NML Loan	—	—
Preferred stock	392.8	392.8
	<u>468.1</u>	<u>470.9</u>

Russell has the following committed bank facilities and unsecured notes:

<u>Type</u>	<u>Expiry Date</u>	<u>Notes/Facility</u>	<u>Carrying value at 30 June 2014</u>	<u>Interest rate percentage at 30 June 2014</u>
		\$m	\$m	%
Bank line of credit	January 2015	250.0	82.0	0.65
Bank loan	December 2016	65.0	65.0	1.1
Financing lease obligations	2014-2018	N/A	18.1	1.41-12.75
Total Committed Facilities		<u>315.0</u>	<u>165.1</u>	

13. Capital management and Analysis of debt

Capital management

Russell's primary objective in managing capital is to ensure that it maintains its regulatory capital stipulated by the requirements of the various domestic and international regulatory authorities. Management formally reviews its regulatory capital on a monthly basis.

Although classified as borrowings, Russell considers Preferred Stock to be capital.

Analysis of debt is as follows:

	<u>30 June 2014</u>	<u>31 December 2013</u>
	\$m	\$m
Due within one year		
Cash and cash equivalents	275.6	282.1
Bank borrowings	(82.0)	(83.6)
Finance lease obligations	(7.8)	(7.5)
Preferred stock	(1.4)	(1.4)
	<u>184.4</u>	<u>189.6</u>
Due after one year		
Bank borrowings	(65.0)	(65.0)
NML loan	—	—
Preferred stock	(392.8)	(392.8)
Finance lease obligations	(10.3)	(13.1)
Total net debt	<u>(283.7)</u>	<u>(281.3)</u>

Reconciliation of net cash flow to movement in net debt

	Six months ended 30 June 2014	Year ended 31 December 2013
	\$m	\$m
(Decrease)/increase in cash in the period	(9.0)	37.3
Borrowing proceeds	(428.0)	(713.5)
Principal repayments of borrowings	433.5	718.6
Change in net debt resulting from cash flows	(3.5)	42.4
Finance lease acquisitions	(1.4)	(5.2)
Foreign exchange movements	2.5	(0.8)
Net debt start of the period	(281.3)	(317.7)
Net debt at the end of the period	(283.7)	(281.3)

14. Net cash flow generated from operations

	Six months ended 30 June	
	2014	2013
	\$m	\$m
Profit before taxation	124.1	51.4
Depreciation and amortisation	11.3	12.5
Profit on disposal of business assets	(0.3)	(1.3)
Net finance expense	17.6	17.1
Realised and unrealised gain on investments	(17.5)	(3.4)
Share scheme expense	24.9	37.7
Other	12.1	9.4
Changes in operating assets and liabilities		
Cash segregated under federal regulations	—	1.1
Trade and other receivables	(25.2)	(43.0)
Other assets	1.5	(41.6)
Trade and other payables	(48.3)	(20.0)
Provisions utilised during the year	(0.1)	(4.3)
Other liabilities	(20.5)	19.2
Foreign exchange on intercompany	(0.6)	(6.3)
Foreign exchange gains on operating activities	0.6	5.2
Cash generated operations	79.6	33.7
Comprising:		
Ongoing operating activities	79.9	35.0
Non-recurring items	(0.3)	(1.3)
	79.6	33.7

15. Transactions with related parties

The nature and contractual terms of key management compensation and related party transactions during the period are consistent with the disclosures in Note 30 of the historical financial information for the year ended 31 December 2013.

16. Commitments and contingencies

Total unfunded commitments for investment capital to affiliated and unaffiliated closed-end investment funds not provided for in the Interim Report of Russell were US\$34.0 million at 30 June 2014.

Contingencies

Russell and its affiliates are involved in various claims and legal proceedings in the normal course of its business. While it is not feasible to predict or determine the final outcome of these proceedings, based on consultation with legal counsel, Russell does not believe that the disposition of these proceedings will have a material adverse effect on Russell's consolidated financial position, results of operations or cash flows.

PART B—HISTORICAL FINANCIAL INFORMATION OF RUSSELL

**CONSOLIDATED INCOME STATEMENTS
YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011**

	Notes	Year ended 31 December 2013		
		2013	2012	2011
		\$m	\$m	\$m
Revenue	4	1,605.3	1,450.1	1,431.4
Other income (loss)		3.6	4.0	10.8
Total income	4	1,608.9	1,454.1	1,442.2
Expenses				
Operating expenses	5	(1,433.0)	(1,353.2)	(1,358.0)
Operating profit		175.9	100.9	84.2
Finance income		1.5	1.4	3.4
Finance expense		(37.0)	(39.8)	(38.9)
Net finance expense	7	(35.5)	(38.4)	(35.5)
Profit before taxation		140.4	62.5	48.7
Taxation	8	(74.6)	(56.3)	(42.6)
Profit for the financial year		65.8	6.2	6.1
Profit attributable to non-controlling interests		0.2	(0.3)	(0.3)
Profit attributable to equity holders		65.6	6.5	6.4
		65.8	6.2	6.1
Basic earnings per share	9	0.32¢	0.03¢	0.03¢
Diluted earnings per share	9	0.31¢	0.03¢	0.03¢
Dividend per share in respect of the financial year:				
Dividend per share paid during the year	10	0.37¢	0.12¢	0.12¢
Dividend per share declared for the year		0.37¢	0.12¢	0.12¢

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	Notes	Year ended		
		31 December 2013		
		2013	2012	2011
		\$m	\$m	\$m
Profit for the financial year		65.8	6.2	6.1
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Exchange gain/(loss) on translation of foreign operations		6.4	5.6	(1.3)
Total comprehensive income for the financial year		72.2	11.8	4.8
Attributable to non-controlling interest		0.2	(0.3)	(0.3)
Attributable to equity holders		72.0	12.1	5.1
Total comprehensive income for the financial year		72.2	11.8	4.8

CONSOLIDATED BALANCE SHEETS
31 DECEMBER 2013, 2012, 2011 AND 1 JANUARY 2011

	Notes	31 December 2013			1 January 2011
		2013	2012	2011	2011
		\$m	\$m	\$m	\$m
Assets					
Non-current assets					
Property, plant and equipment	11	55.4	62.6	76.3	53.6
Intangible assets	12	32.0	27.4	24.6	19.2
Investments in associates	13	24.5	19.6	18.9	16.8
Deferred tax assets	14	51.4	41.7	42.1	86.6
Assets at fair value through profit or loss	17	124.3	125.6	171.9	116.8
Other non-current assets		58.3	27.8	8.5	43.3
		345.9	304.7	342.3	336.3
Current assets					
Trade and other receivables	16	285.8	254.4	239.3	325.2
Derivative financial instruments	27	3.4	—	—	—
Other current assets		36.3	39.0	51.4	30.6
Cash and cash equivalents	18	282.1	245.6	204.5	238.3
		607.6	539.0	495.2	594.1
Total assets		953.5	843.7	837.5	930.4
Liabilities					
Current liabilities					
Trade and other payables	19	439.3	371.9	365.4	404.7
Derivative financial instruments	27	—	—	—	1.7
Current tax	8	22.6	—	—	23.1
Borrowings	20	92.5	154.9	150.1	191.1
Provisions	22	0.4	4.4	4.5	4.6
		554.8	531.2	520.0	625.2
Non-current liabilities					
Borrowings	20	470.9	408.4	439.5	393.6
Other non-current payables	19	179.0	124.4	104.9	128.9
Other non-current liabilities		45.9	73.0	38.3	32.2
Provisions	22	1.9	0.5	4.4	9.0
		697.7	606.3	587.1	563.7
Total liabilities		1,252.5	1,137.5	1,107.1	1,188.9
Net liabilities		(299.0)	(293.8)	(269.6)	(258.5)
Equity					
Capital and reserves attributable to Russell's equity holders					
Ordinary share capital	23	—	—	—	—
Retained earnings		127.9	135.7	153.6	171.8
Other reserves		(426.8)	(429.2)	(434.8)	(431.1)
Total shareholder funds		(298.9)	(293.5)	(281.2)	(259.3)
Non-controlling interests		(0.1)	(0.3)	11.6	0.8
Total equity		(299.0)	(293.8)	(269.6)	(258.5)

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	Notes	Year ended 31 December		
		2013	2012	2011
		\$m	\$m	\$m
Cash flow from operating activities				
Cash generated from operations	24	218.4	137.8	70.5
Interest paid		(35.3)	(37.0)	(36.8)
Corporation tax paid		(59.2)	(16.6)	(41.1)
Net cash inflow/(outflow) from operating activities		123.9	84.2	(7.4)
Cash flow from investing activities				
Purchase of property, plant and equipment		(2.0)	—	(6.6)
Sale of property, plant and equipment		—	0.2	0.1
Purchase of intangible assets		(8.2)	(12.3)	(11.6)
Investment in other acquisition		(14.1)	—	(1.4)
Net cash inflow from acquisitions		8.1	—	—
Distributions of Investment Funds made by Consolidated Entities		9.9	56.1	18.8
Proceeds from sale of investment in associate		4.2	—	65.9
Purchases of Investment Funds made by Consolidated Entities		—	(33.0)	(53.2)
Redemptions and distributions from investments		10.7	8.6	19.6
Change in restricted cash		(2.7)	—	—
Purchase of investments		(12.8)	(6.4)	(20.9)
Net cash (outflow)/inflow from investing activities		(6.9)	13.2	10.7
Cash flow from financing activities				
Capital contributions received from noncontrolling interests		—	4.4	11.7
Dividends paid to shareholders		(75.0)	(25.0)	(25.0)
Dividends paid to non-controlling interests		—	(15.9)	(0.5)
Proceeds from own shares on exercise of employee share options		0.4	2.4	2.1
Principal payments on finance lease obligations		(7.6)	(7.4)	(2.4)
Proceeds from borrowings		713.5	745.4	651.9
Repayments of borrowings		(711.0)	(766.3)	(673.9)
Net cash outflow from financing activities		(79.7)	(62.4)	(36.1)
Increase/(decrease) in cash and cash equivalents		37.3	35.0	(32.8)
Cash and cash equivalents at beginning of year		245.6	204.5	238.3
Exchange (losses)/gains on cash and cash equivalents		(0.8)	6.1	(1.0)
Cash and cash equivalents at end of year		282.1	245.6	204.5

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Attributable to equity holders					Total equity
	Ordinary share capital	Retained earnings	Other reserves	Total attributable to equity holders	Non- controlling interests	
	\$m	\$m	\$m	\$m	\$m	
1 January 2011	—	171.8	(431.1)	(259.3)	0.8	(258.5)
Profit (loss) for the year	—	6.4	—	6.4	(0.3)	6.1
Other comprehensive income for the year	—	—	(1.3)	(1.3)	—	(1.3)
Dividend relating to the year ended 31 December 2011	—	(25.0)	—	(25.0)	—	(25.0)
Dividend payments to noncontrolling interests	—	—	—	—	(0.5)	(0.5)
Issuance of common stock under employee share scheme	—	0.4	(2.4)	(2.0)	—	(2.0)
Contributions from noncontrolling interests	—	—	—	—	11.6	11.6
31 December 2011	—	153.6	(434.8)	(281.2)	11.6	(269.6)
Profit (loss) for the year	—	6.5	—	6.5	(0.3)	6.2
Other comprehensive income for the year	—	—	5.6	5.6	—	5.6
Dividend relating to the year ended 31 December 2012	—	(25.0)	—	(25.0)	—	(25.0)
Dividend payments to noncontrolling interests	—	—	—	—	(16.0)	(16.0)
Issuance of common stock under employee share scheme	—	0.6	—	0.6	—	0.6
Contributions from noncontrolling interests	—	—	—	—	4.4	4.4
31 December 2012	—	135.7	(429.2)	(293.5)	(0.3)	(293.8)
Profit for the year	—	65.6	—	65.6	0.2	65.8
Other comprehensive income for the year	—	—	6.4	6.4	—	6.4
Dividend relating to the year ended 31 December 2013	—	(75.0)	—	(75.0)	—	(75.0)
Issuance of common stock under employee share scheme	—	1.6	(4.0)	(2.4)	—	(2.4)
31 December 2013	—	127.9	(426.8)	(298.9)	(0.1)	(299.0)

General Information

Frank Russell Company, a Washington Corporation in the United States, and its subsidiaries (collectively, “Russell”) do business as Russell Investments and are substantially owned by The Northwestern Mutual Life Insurance Company (“Northwestern Mutual” or the “Parent”). Russell is organised around two primary lines of business: Asset Management and Index Services. Russell is a global provider of investment management, investment advisory, securities brokerage, mutual fund management and distribution, hedge fund management, investment consulting, index and other corporate services. Russell provides its services to a diversified group of institutional clients, including retirement plans, foundations, endowments, and investment plans, as well as individual investors through a network of alliances with banks, brokers, insurance companies and independent investment advisers. Russell operates through wholly owned subsidiaries located in the United States of America (“U.S.”) and numerous foreign jurisdictions including the United Kingdom, India, Ireland, France, Canada, Australia, Singapore, Japan, Hong Kong, South Korea, New Zealand and the Cayman Islands. The address of Russell’s registered office is 1301 2nd Avenue, 18th Floor, Seattle, WA 98101.

Russell is an investment advisor registered pursuant to the Investment Advisors Act of 1940, as amended, with the U.S. Securities and Exchange Commission (“SEC”). Russell also operates pursuant to the Commodities Exchange Act Section 4m(3) as an exempt Commodities Trading Advisor. Two of Russell’s subsidiaries are broker-dealers registered pursuant to the Securities Exchange Act of 1934 and are members of the Financial Industry Regulatory Authority (“FINRA”).

1. Basis of preparation and accounting policies

Principles of Consolidation

The accompanying historical financial information is presented in accordance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretations Committee (“IFRIC”) interpretations by the European Union.

The historical financial information has been prepared under the historical cost convention except as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

Unless otherwise indicated, financial information for Russell is presented in US dollars and has been prepared in accordance with IFRS consistent with that applied by LSEG in their 31 March 2014 financial statements.

Going concern

After making enquires, the directors have a reasonable expectation that Russell has adequate resources to continue in operational existence for the foreseeable future. Russell therefore continues to adopt the going concern basis in preparing this historical financial information.

Consolidation

The historical financial information comprises the financial statements of Russell and its subsidiaries with all intercompany balances and transactions eliminated. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes.

In the normal course of business, Russell enters into a variety of transactions with Special Purpose Entities (“SPE”) and voting interest entities. Russell determines if it has controlling rights of the SPE by performing a qualitative and quantitative analysis of each SPE that includes a review of, among other factors, its capital structure, contractual terms, related party relationships, Russell’s exposure through arrangements and financial instruments with the SPE including fee arrangements and also the design of the SPE. Russell is required to consolidate an SPE if it is deemed to control the SPE. Control may arise at the outset through the pre-determination of the activities of the SPE or otherwise. Russell may be deemed to control an SPE if it is exposed to the majority of risks and rewards incidental to its activities or its assets.

Investments in associates are accounted for under the equity method. Russell’s investments in associates are initially recognised at cost, and its share of profits or losses after tax from associates is included in the

consolidated income statement. Cumulative post acquisition movements are adjusted against the carrying amount of the investment in the Group's balance sheet. The financial statements of associates are used by Russell to apply the equity method, under which Russell's income statement reflects Russell's share of the results of operations of the associates. A company is considered an associate where Russell has a significant influence.

The acquisition of subsidiaries is accounted for using the purchase 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 Russell in exchange for control of the acquiree. Adjustments to fair values include those made to bring accounting policies into line with those of Russell.

Noncontrolling Interests

Noncontrolling interests reflects the limited partners' and nonmanaging members' share of income and loss of certain entities. All interests not attributed to Russell are recorded in noncontrolling interests. Losses related to the holdings of the noncontrolling interests are allocated to those noncontrolling interests even if that allocation results in a deficit noncontrolling interests balance. Russell treats the noncontrolling interests as an ownership interest and reports it as equity in the consolidated financial information.

Recent accounting developments:

The following standards and interpretations have been issued by the International Accounting Standards Board ("IASB") and IFRIC and have been adopted in these financial statements.

Amendments to IFRS 1, 'First time adoption'—exemption for severe hyperinflation and removal of fixed dates;

Amendment to IFRS 7, 'Financial instruments: Disclosures'—disclosures on transfers of financial assets and offsetting financial assets and liabilities;

IAS19R, 'Amendments to IAS 19 Employee Benefits';

IFRS 13, 'Fair value measurement';

IAS 1, 'Presentation of Financial Statements'—Presentation of Items of Other Comprehensive Income; and

IFRS various Annual improvements 2012 and 2013.

The adoption of these standards did not have a material impact on these consolidated financial information.

The following standards and interpretations were issued by the IASB and IFRIC but have not been adopted either because they were not endorsed by the European Union (EU) at 31 December 2013 or they are not yet mandatory and Russell has not chosen to early adopt. The impact on Russell's financial statements of the future standards, amendments and interpretations is still under review, but Russell does not expect any of these changes to have a material impact on the results or the net assets of Russell:

<u>International accounting standards and interpretations</u>	<u>Effective date</u>
IFRS 10, 'Consolidated financial statements' and amendments	1 January 2013
IFRS 11, 'Joint arrangements'	1 January 2013
IFRS 12, 'Disclosure of interests in other entities' and amendments	1 January 2013
IAS 27 (Revised 2011), 'Separate financial statements' and amendments	1 January 2013
IAS 28 (Revised 2011), 'Associates and joint ventures'	1 January 2013
Amendment to IAS 32, 'Financial instruments: Presentation'	1 January 2014
Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures	1 January 2014
Amendment to IAS 39 on novation of derivatives and hedge accounting	1 January 2014
IFRIC 21, 'Levies'	1 January 2014
Amendments to IAS 19, 'Employee Benefits' on defined benefit plans	1 July 2014
IFRS 14, 'Regulatory deferral accounts'	1 January 2016
IFRS 9, 'Financial instruments' and amendments	1 January 2018

The following standard was issued by the IASB and has not been adopted at 31 December 2013 as it is not yet mandatory. The impact on Russell's financial statements of this future standard is still under review and Russell has not determined the impact it will have on the results or the net assets of Russell.

IFRS 15, 'Revenue from contracts with customers' 1 January 2017

Accounting policies

Income Statement

Revenue Recognition

Investment management fees are recognised as earned, and are generally based on a percentage of the market value of fund net assets under management or calculated as a percentage of total capital commitments as determined by the partnership agreements or offering documents.

Securities commissions, generated entirely from agency brokerage transactions, are recognised as earned on a trade date basis. Amounts paid by Russell to sub-advisers are recorded as an operating expense. Amounts paid by Russell to brokers who clear or execute trades under the direction of Russell in performance of transition management services are recorded as an operating expense, as Russell is the principal under the agreement with its clients. Russell refunds a portion of commissions received from commission recapture services to its customers. Such commission credits are determined and recorded on a trade date basis as a reduction of securities commissions revenue. The aggregate amount of unused commission credits is recorded as commission credits and fees payable.

Revenue related to Russell's indices includes licensing and subscription revenue. Licensing fees are comprised of licenses for ETF indices, of indices for derivative use and of indices for creation of structured products. Licensing revenue related to ETF indices is based upon the licensee's assets under management. Upfront fees related to new contracts are recorded as deferred revenue and amortised over the life of the related contract. All other licensing revenue is based upon minimum contractual fees and/or trading-volume based fees and is recorded as earned over the period for which the rights are provided. Licenses are issued to investment managers, financial institutions and the major stock exchanges. Subscription fees are also generated from investment managers and financial institutions for regular access to index data information. All revenue related to subscriptions is recorded as earned over the period for which the services are provided.

Distribution and shareholder servicing fees are recognised as earned over the period for which services are provided and are based on a percentage of the daily net assets under management.

Consulting fees are recognised as earned over the period for which the services are provided based upon the related contract terms.

Transfer agent fees are recognised as earned over the period for which the services are provided on a flat fee structure based on the average asset size of accounts.

Fund and plan administration fees income are recognised as earned over the period for which the services are provided based upon the related contract terms.

Other revenues include performance fees, other distribution fee income, securities lending revenue and revenue for special projects relating to investment funds. All revenues are recorded as earned based upon the related contract terms.

Stock-Based Compensation

Russell has a Long-term Equity-Based Incentive Plan ("LTIP") and a callable puttable common stock issued under the Incentive Payment Plan ("IPP"), covering eligible employees of Russell, as more fully described in Note 29. Equity-classified awards are measured at fair value as of the grant dates or modification dates and the resulting cost is recognised over the period from the date of grant to the date when the award is no longer contingent upon the employee providing additional service (the required service period). For awards that vest upon retirement, the required service period does not extend beyond the date an employee is eligible for retirement. This situation can result in compensation expense being recognised over a period less than the stated vesting period. Liability-classified awards are remeasured to fair value at each balance sheet date until the award is settled.

Foreign Currency

An entity's functional currency is the currency of the primary economic environment in which the entity operates. The financial statements of all subsidiaries with a functional currency other than the U.S. dollar have been translated into Russell's presentation currency, the U.S. dollar in accordance with IFRS. All assets and liabilities of the respective entities are translated at year-end exchange rates and all revenues and expenses are translated at average month exchange rates during the respective period. Translation adjustments are reported as a separate component of other reserves.

Foreign currency transaction gains and losses are a result of the effect of exchange rate changes on transactions denominated in currencies other than the functional currency, including U.S. dollars. Gains and losses on those foreign currency transactions are included in determining net income for the period as a component of other income (expense). The aggregate foreign currency transaction losses for the years ended 31 December 2013, 2012 and 2011 were US\$1.1 million, US\$0.5 million and US\$0.1 million, respectively.

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 year.

Income Taxes

Deferred income tax assets and liabilities are determined based upon differences between the financial statement and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are recognised for deductible temporary differences and tax loss carryforwards to the extent that it is more likely than not that sufficient taxable profits will be available to utilise the deductible temporary difference or unused tax losses.

Russell files its federal tax return with Northwestern Mutual as part of a consolidated group. For financial statement purposes for the years ended 31 December 2013, 2012 and 2011, Russell calculated its provision for federal income taxes using the separate return method with benefits for certain finance losses, as described in the U.S. Federal Tax Agreement, amended on 11 September 2012, between Russell and its Parent. To the extent Northwestern Mutual is able to use Russell's capital losses generated in years 2014 through 2025 attributable to the sale of Pantheon entities and assets in 2010, Northwestern Mutual will pay Russell for the use of such losses. Federal taxes payable are recorded through and included in income taxes payable. Russell files a separate tax return in certain states and certain foreign jurisdictions. State income taxes payable are included in income taxes payable. Russell records interest and penalties on amounts due to tax authorities as a component of income tax expense.

Balance Sheet

Cash and Cash Equivalents and Cash Segregated Under Federal Regulations

Russell considers all money market funds and instruments with maturities of three months or less at the purchase date as cash equivalents. Cash is held by Russell at financial institutions in excess of Federal Deposit Insurance Corporation ("FDIC") limits.

Certain cash is in a special account for the exclusive benefit of customers of Russell Implementation Services Inc. (a wholly owned subsidiary of Russell) under SEC Rule 15c3-3 and is therefore restricted. Certain other cash is restricted for foreign regulatory purposes.

Property, plant and equipment

Property, plant and equipment are reported at cost less accumulated depreciation. Depreciation is calculated using the straight-line method based on estimated useful lives ranging from three to 15 years. Equipment and office furniture are depreciated over estimated useful lives ranging from three to seven years. Leasehold improvements are amortised over the shorter of their estimated useful lives or the remaining life of the lease. Amortisation of those assets recorded under finance lease agreements is included in depreciation expense. When property, plant and equipment are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any resulting

gains or losses are included in income from operations. Repair and maintenance costs are expensed as incurred.

Intangible Assets

Goodwill arises on the acquisition of a business and represents the excess of consideration paid over the fair value of net assets acquired. Goodwill and indefinite-lived intangible assets are not amortised, but are tested for impairment on an annual basis and between annual tests if circumstances would reduce the fair value of a reporting unit below its carrying value, and written down if impaired.

Capitalised software includes purchased and internally developed software. Purchased software is amortised over three years using the straight-line method. Internally developed software represents internal and external costs incurred to develop internal use software during the application development stage. Once the internal use software is ready for its intended use, the accumulated development costs are amortised over three years using the straight-line method.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include customer relationships which are recorded as intangible assets and held at cost, less accumulated amortisation. These assets are amortised over their useful economic lives ranging from seven to 16 years.

Investments Held in Subordinated Trust

Russell has a nonqualified deferred compensation plan (the “Compensation Plan”) that permits certain employees to defer a portion of their cash compensation. Compensation Plan assets are maintained in a subordinated trust by Russell on behalf of participants. Distributions depend on Russell’s ability to satisfy creditor claims in the event of bankruptcy or insolvency. The assets of the subordinated trust and the corresponding liability of the Compensation Plan are both included on Russell’s balance sheet. The subordinated trust invests in certain affiliated mutual funds, as discussed further in Note 15.

Classification of financial assets

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for liquidity purposes, which are initially recognised at fair value and any subsequent changes in fair value are recognised directly in the income statement. Russell has elected the fair value through profit or loss option for its rights to capital interests relating to pre-closing capital contributions in investment funds (“Retained Capital Interests”) and its obligation to make post closing capital payments and the right to receive carried interest payments (“Post Closing Payments”), both related to certain investments previously held by subsidiaries sold in 2010. These financial assets are being managed and reported on a fair value basis.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

(c) Derivatives

Derivatives are initially measured at fair value on the date derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date, with movements recognised directly in the income statement. Russell uses foreign exchange contracts to reduce risks associated with movements in foreign currency exchange rates on long-term intercompany loans and certain long-term intercompany payable balances, which are denominated in foreign currencies. These foreign exchange contracts are not designated as hedging instruments. Parties to foreign currency exchange agreements are subject to market risk in currency exchange rates and risk of credit loss in the event of nonperformance by the counterparty. Russell does not require collateral under these agreements, based on the credit worthiness of its financial institutional counterparties. The foreign exchange contracts are more fully described in Note 27.

(d) Other financial assets

Other financial assets consist of investments in associates.

Fair Value Measurements

In accordance with the authoritative guidance on fair value measurements and disclosures under IFRS, Russell discloses the fair value of its investments in a hierarchy that prioritises the inputs to valuation techniques used to measure the fair value. The fair value disclosure framework prioritises and ranks the level of market price observability used in measuring assets and liabilities at fair value into three broad levels. In some instances, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The categorisation within the hierarchy is based upon the pricing transparency of the financial asset or liability and does not necessarily correspond to Russell's perceived risk or liquidity.

Trade receivables

Trade receivables are non-interest bearing and are stated at their fair value, which is usually the original invoiced amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that Russell will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or will be subject to a financial reorganisation or default on, or be delinquent on, its payment obligations are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

Trade payables

Trade payables include payables to vendors for services, compensation and benefits payable, commission credits and fees payable and other accruals and deferred income. Trade payables are non-interest bearing and are stated at their fair value, which is usually the original invoiced or accrued amount.

Borrowings

Borrowings include bank borrowings, finance leases and preferred stock. They 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. The preferred stock include warrants that entitle the holder, Northwestern Mutual, to purchase a fixed amount of common stock for a fixed consideration, at any time up to the tenth anniversary of the Warrant Agreement. The warrants are initially recorded as equity instruments at fair value.

Regulatory Capital Requirements

Certain of Russell's domestic subsidiaries, which are broker-dealers, are subject to SEC Rule 15c3-1, which requires the maintenance of defined minimum net capital. At 31 December 2013, 2012 and 2011, each applicable subsidiary has net capital in excess of its minimum net capital requirement. In addition, certain other non-broker-dealer domestic and international operating subsidiaries have regulatory net capital requirements, all of which are met as of 31 December 2013, 2012 and 2011.

2. Financial Instruments—risk management

In the normal course of business, Russell's operations are exposed to a variety of financial risks: market risk (which includes other price risk, interest rate risk and currency risk), credit risk, liquidity risk, and concentration risk.

a. Other price risk

Other price risk arises when the fair value or cash flows associated with Russell's financial instruments fluctuates as a result of changes in market prices. Russell's financial assets at fair value through profit or loss are exposed to other price risk. Based on the fair value of these investments, the effect of a 10 per cent. increase or decline in the value of investments in mutual funds would result in a US\$13.2 million, US\$14.2 million and US\$17.8 million gain or loss reported in the consolidated income statement and comprehensive income statement as of 31 December 2013, 2012 and 2011, respectively. In practice, actual results may vary and the difference could be material.

b. Interest rate risk

Russell is exposed to interest rate risk primarily through its holdings in cash and cash equivalents and its borrowings. Interest rate risk affects Russell's future cash flow due to fluctuations in market interest rates. A 1.0 per cent. change in market interest rates would have a US\$4.3 million, US\$3.9 million and a US\$3.7 million impact on Russell's overall financial position as of 31 December 2013, 2012 and, 2011, respectively. Russell does not hedge against any potential fluctuations in interest rates.

c. Currency risk

Foreign exchange risk arises from the possibility that changes in foreign exchange rates may result in potential transaction losses. Russell is exposed to foreign exchange risk on its non-functional currency cash holdings, and other non-functional currency balances including certain trade receivable and trade payable balances. Russell does not hedge its exposures to these foreign exchange risks and any realised and unrealised gains or losses related to these financial assets or liabilities are recognised into income during the year. Based on Russell's net exposure, a 10 per cent. change in foreign currency exchange rates would result in an increase or decrease in foreign currency exchange gain or loss of US\$1.2 million, US\$0.1 million and US\$1.2 million for the years ended 31 December 2013, 2012 and 2011, respectively. In practice, actual results may vary and the difference could be material.

d. Credit risk

Credit risk represents the risk that Russell will incur financial loss due to a counterparty's inability or refusal to honour its contractual obligations to Russell. The source of Russell's credit risk is its accounts receivable balance. Russell's maximum exposure to credit risk is US\$285.8 million, US\$254.4 million and US\$239.3 million as of 31 December 2013, 2012 and 2011, respectively. Management believes that there is no significant credit risk associated with its accounts receivable.

e. Liquidity risk

Liquidity risk represents the possibility that an entity may encounter difficulty in meeting its financial obligations. Russell manages liquidity risk through the management of its cash and cash equivalents and its credit facility (Note 20) Management monitors its cash resources on a daily basis to ensure that Russell has sufficient cash resources to meet its current and future obligations. The contractual maturities of Russell's borrowings are included in Note 20.

f. Concentration risk

Approximately 52 per cent., 51 per cent. and 51 per cent. of total revenue earned by Russell is from affiliated entities for the years ended 31 December 2013, 2012 and 2011, respectively. Approximately 29 per cent., 38 per cent. and 40 per cent. of accounts receivable was due from affiliated entities as of 31 December 2013, 2012 and, 2011, respectively.

3. Significant judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

liabilities at the date of the historical financial information and the reported amounts of revenues and expenses during the reporting year. Significant estimates are inherent in the preparation of the financial statements. Actual results could materially differ from those estimates. The significant judgments and estimates for the year ended 31 December 2013 are as follows:

Goodwill—Tested for impairment annually. 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 to determine an appropriate discount rate.

Uncertain tax benefits—Russell recognises a tax benefit from an uncertain position only if it is more likely than not the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authorities widely understood administrative practices and precedents.

Share-based compensation—Russell’s share-based compensation expense and related liabilities were calculated to the terms and conditions of the LTIP and IPP. Russell has used valuation experts to assist in estimating the fair value of its common stock used in valuing its share-based compensation for the LTIP.

Level 3 financial instruments—Level 3 financial instruments are valued using unobservable inputs. Russell uses significant judgment and estimates to determine the fair value.

4. Segmental information

Russell operates in two reportable segments; Asset Management and Indexes. Russell’s Executive Committee review internal management reports on a regular basis and performance is measured for each of the Asset Management and Indexes segments based on revenue, and income from operations.

Segmental information for the year ended 31 December 2013 are as follows:

	Asset Management	Indexes	Other	Total
	\$m	\$m	\$m	\$m
Revenue	1,429.7	173.7	1.9	1,605.3
Other (loss)/income	(1.1)	(0.1)	4.8	3.6
Total income	1,428.6	173.6	6.7	1,608.9
Operating profit/(loss)	99.8	79.0	(2.9)	175.9
Net finance expense				(35.5)
Profit before taxation				140.4

Comparative segmental disclosures for the year ended 31 December 2012 are as follows:

	Asset Management	Indexes	Other	Total
	\$m	\$m	\$m	\$m
Revenue	1,300.3	149.9	(0.1)	1,450.1
Other income	2.1	—	1.9	4.0
Total income	1,302.4	149.9	1.8	1,454.1
Operating profit	72.4	75.8	(47.3)	100.9
Net finance expense				(38.4)
Profit before taxation				62.5

Comparative segmental disclosures for the year ended 31 December 2011 are as follows:

	Asset Management	Indexes	Other	Total
	\$m	\$m	\$m	\$m
Revenue	1,289.2	142.2	—	1,431.4
Other income/(loss)	1.0	(0.1)	9.9	10.8
Total income	1,290.2	142.1	9.9	1,442.2
Operating profit	51.1	71.4	(38.3)	84.2
Net finance expense				(35.5)
Profit before taxation				48.7

Geographical disclosure

	2013	2012	2011
	\$m	\$m	\$m
Revenue			
US	866.9	776.4	753.9
Canada	172.5	168.4	167.2
EMEA	313.7	259.6	265.0
Australia & New Zealand	169.5	174.4	177.0
Japan	69.4	64.3	63.1
Asia (ex-Japan)	13.3	7.0	5.2
Total	1,605.3	1,450.1	1,431.4

	2013	2012	2011
	\$m	\$m	\$m
Total assets			
US	546.4	444.7	493.0
Canada	43.3	41.9	37.7
EMEA	243.4	178.5	130.8
Australia & New Zealand	94.2	100.7	82.6
Japan	62.9	65.5	79.4
Asia (ex-Japan)	16.8	12.1	14.0
Other	—	0.3	—
Total	1,007.0	843.7	837.5

5. Expenses by nature

Expenses comprise the following:

	2013	2012	2011
	\$m	\$m	\$m
Employee costs	517.5	464.5	426.6
Subadvisory, custodial and distribution fees	579.0	532.6	555.0
Occupancy and office	86.6	93.6	87.9
Operating lease expense	29.4	27.4	26.5
Depreciation and amortisation	24.0	23.6	20.0
Professional fees	133.7	126.1	134.0
Business travel and entertainment	30.6	31.3	36.5
Other operating expenses	32.2	54.1	71.5
Total expenses	1,433.0	1,353.2	1,358.0

Foreign currency transaction gains for the years ended 31 December 2013, 2012 and 2011 were US\$1.1 million, US\$0.5 million and US\$0, respectively.

6. Employee costs

Employee costs comprise the following:

	<u>Notes</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
		\$m	\$m	\$m
Salaries and other short term benefits		394.2	389.7	395.6
Social security costs		8.6	8.7	8.9
Other pension costs	15	30.5	32.2	27.7
Share-based compensation		84.2	33.9	(5.6)
Total		<u>517.5</u>	<u>464.5</u>	<u>426.6</u>

The average number of employees was:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Asia Pacific	323	431	432
EMEA	277	279	288
Canada	89	87	78
United States	1,094	1,115	1,147
Total	<u>1,783</u>	<u>1,912</u>	<u>1,945</u>

7. Net finance expense

	<u>Notes</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
		\$m	\$m	\$m
Finance income				
Bank deposit and other interest income		1.5	1.4	3.4
		<u>1.5</u>	<u>1.4</u>	<u>3.4</u>
Finance expense				
Interest payable on bank and other borrowings		(4.2)	(6.4)	(6.5)
Other finance expenses		(32.8)	(33.4)	(32.4)
		<u>(37.0)</u>	<u>(39.8)</u>	<u>(38.9)</u>
Net finance expense		<u>(35.5)</u>	<u>(38.4)</u>	<u>(35.5)</u>

Other finance expenses consist of dividends paid on the preferred stock (Note 21).

8. Taxation

The standard US corporation tax rate was 35 per cent. for the years ended 31 December 2013, 2012 and 2011.

<u>Taxation charged to the income statement</u>	<u>Notes</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
		\$m	\$m	\$m
Current tax:				
U.S. federal corporation tax for the year		63.9	59.4	12.9
Non-U.S. tax for the year		17.7	(5.5)	10.0
U.S. state and local tax for the year		4.3	1.7	0.1
Adjustments in respect of previous years		(4.2)	0.2	(24.9)
		<u>81.7</u>	<u>55.8</u>	<u>(1.9)</u>
Deferred tax:				
U.S. federal corporation tax for the year		(11.2)	0.8	8.5
Non-U.S. tax for the year		(0.5)	(3.7)	12.2
U.S. state and local tax for the year		0.6	2.3	(0.2)
Adjustments in respect of previous years		4.0	1.1	24.0
Taxation charge		<u>74.6</u>	<u>56.3</u>	<u>42.6</u>

<u>Tax credit/(charge) relating to components of other reserves</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Deferred tax credit/(loss):			
Cumulative translation adjustments	3.6	(0.3)	(0.2)
	<u>3.6</u>	<u>(0.3)</u>	<u>(0.2)</u>

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 U.S. as explained below:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Profit before taxation	140.4	62.5	48.7
Profit multiplied by standard rate of corporation tax in the U.S.	49.1	21.9	17.2
Nondeductible dividends	12.5	11.7	11.7
Non-U.S. subsidiary earnings	4.8	3.8	11.9
State income taxes	3.4	2.9	2.0
Nondeductible incentive compensation plan expense	3.3	2.1	(0.3)
Uncertain tax benefits	1.3	12.6	(0.4)
Other	0.2	1.3	0.5
Taxation charge	<u>74.6</u>	<u>56.3</u>	<u>42.6</u>

Russell recognises a tax benefit from an uncertain position only if it is more likely than not the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authorities widely understood administrative practices and precedents. As of 31 December 2013, 2012 and 2011, Russell has US\$17.9 million, US\$17.5 million and US\$2.1 million of gross unrecognised tax benefits, respectively.

Russell recognises interest and penalties on amounts due to tax authorities as a component of income tax expense. Interest expense and penalties recorded for the years ended 31 December 2013, 2012 and 2011 were US\$0.5 million, US\$1.1 million and US\$0.1 million, respectively. Accrued interest expense and penalties at 31 December 2013, 2012 and 2011 are US\$2.1 million, US\$1.6 million and US\$0.5 million, respectively, before benefit of federal tax deduction.

Russell is included in the U.S. federal income tax return filing with Northwestern Mutual as part of its consolidated group. Northwestern Mutual is currently under routine audit by the IRS for years ended December 31, 2010 through 2011. In 2013, the IRS issued a statutory notice of deficiency with respect to the years ended December 31, 2008 and 2009. This notice includes adjustments that Russell has not agreed to and intends to contest through the administrative process. The impact of these proposed adjustments could have a significant impact on the financial statements if not resolved favourably. Russell does not believe it is reasonably possible that the total amount of unrecognised tax benefits will significantly increase or decrease within the next 12 months, as Russell does not believe the final resolution of this matter will occur within the next 12 months.

Russell files separate tax returns in certain states and foreign jurisdictions. Russell remains subject to examination by these state jurisdictions for 2008 and subsequent years.

Income taxes payable includes US\$13.3 million due to the Parent as of 31 December 2013 and other current assets includes US\$2.6 million and US\$22.2 million of income taxes receivable from the Parent as of 31 December 2012 and 2011, respectively.

9. Earnings per share

Earnings per share is presented on two bases: basic earnings per share and diluted earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the

dilution effects which would arise on conversion or vesting of share options and share awards under the LTIP and the IPP.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Basic earnings per share	0.32¢	0.03¢	0.03¢
Diluted earnings per share	0.31¢	0.03¢	0.03¢
Weighted average number of shares—millions	204.7	203.8	202.5
Effect of dilutive share options and awards—millions	8.9	7.7	6.9
Diluted weighted average number of shares—millions	<u>213.6</u>	<u>211.5</u>	<u>209.4</u>

The weighted average number of shares excludes those held in the LTIP and IPP.

10. Dividends

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	\$m	\$m	\$m
Dividends, paid in December of 2013, 2012 and 2011, on common stock (US\$0.37, US\$0.12 and US\$0.12 per common share)	75.0	25.0	25.0

11. Property, plant and equipment

	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Office furniture</u>	<u>Other</u>	<u>Total</u>
	\$m	\$m	\$m	\$m	\$m
Cost:					
1 January 2011	38.4	51.6	12.9	1.1	104.0
Additions	33.0	1.2	1.4	—	35.6
Disposals	(5.6)	(1.8)	(0.5)	—	(7.9)
31 December 2011	65.8	51.0	13.8	1.1	131.7
Additions	1.4	0.2	0.1	—	1.7
Foreign exchange	0.1	—	—	—	0.1
Disposals	(12.0)	(2.2)	(0.6)	—	(14.8)
31 December 2012	55.3	49.0	13.3	1.1	118.7
Additions	6.6	1.1	0.1	—	7.8
Foreign exchange	(0.9)	(0.6)	(0.2)	—	(1.7)
Disposals	(8.1)	(7.7)	(0.1)	(0.1)	(16.0)
31 December 2013	<u>52.9</u>	<u>41.8</u>	<u>13.1</u>	<u>1.0</u>	<u>108.8</u>
Accumulated depreciation:					
1 January 2011	24.4	20.2	5.3	0.5	50.4
Charge for the year	8.2	3.0	1.4	0.1	12.7
Foreign exchange	—	(0.1)	—	—	(0.1)
Disposals	(5.4)	(1.8)	(0.4)	—	(7.6)
31 December 2011	27.2	21.3	6.3	0.6	55.4
Charge for the year	9.1	3.3	1.7	—	14.1
Foreign exchange	0.6	(0.1)	—	—	0.5
Disposals	(11.4)	(2.1)	(0.4)	—	(13.9)
31 December 2012	25.5	22.4	7.6	0.6	56.1
Charge for the year	10.1	2.5	1.2	—	13.8
Foreign exchange	(0.5)	(0.1)	(0.2)	—	(0.8)
Disposals	(7.9)	(7.7)	—	(0.1)	(15.7)
31 December 2013	<u>27.2</u>	<u>17.1</u>	<u>8.6</u>	<u>0.5</u>	<u>53.4</u>
Net book values:					
31 December 2013	<u>25.7</u>	<u>24.7</u>	<u>4.5</u>	<u>0.5</u>	<u>55.4</u>
31 December 2012	<u>29.8</u>	<u>26.6</u>	<u>5.7</u>	<u>0.5</u>	<u>62.6</u>
31 December 2011	<u>38.6</u>	<u>29.7</u>	<u>7.5</u>	<u>0.5</u>	<u>76.3</u>

The net book value of equipment under finance leases is US\$20.7 million, US\$34.9 million and US\$28.6 million net of accumulated depreciation of US\$12.9 million, US\$16.4 million and US\$2.6 million as of 31 December 2013 2012 and 2011, respectively.

12. Intangible Assets

	Goodwill	Customer relationships	Software	Acquired technology	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Cost:						
1 January 2011	1.3	9.0	60.1	6.1	—	76.5
Additions	—	—	11.3	—	0.3	11.6
Acquisition of Subsidiary	1.4	—	—	—	—	1.4
Disposals	—	—	(3.4)	—	—	(3.4)
31 December 2011	2.7	9.0	68.0	6.1	0.3	86.1
Additions	—	—	12.3	—	—	12.3
Disposals	—	—	(6.9)	—	—	(6.9)
Foreign exchange	—	—	0.2	—	—	0.2
31 December 2012	2.7	9.0	73.6	6.1	0.3	91.7
Additions	—	—	7.8	—	0.4	8.2
Acquisition of Subsidiary	9.7	—	—	—	—	9.7
Disposals	(1.3)	(2.8)	(3.5)	—	—	(7.6)
Foreign exchange	—	—	(0.6)	—	—	(0.6)
31 December 2013	11.1	6.2	77.3	6.1	0.7	101.4
Accumulated amortisation:						
1 January 2011	—	5.5	45.7	6.1	—	57.3
Charge for the year	—	0.7	6.8	—	—	7.5
Disposals	—	—	(3.3)	—	—	(3.3)
31 December 2011	—	6.2	49.2	6.1	—	61.5
Charge for the year	—	0.7	8.4	—	—	9.1
Disposals	—	—	(6.4)	—	—	(6.4)
Foreign exchange	—	—	0.1	—	—	0.1
31 December 2012	—	6.9	51.3	6.1	—	64.3
Charge for the year	—	0.7	9.4	—	—	10.1
Disposals	—	(2.8)	(1.9)	—	—	(4.7)
Foreign exchange	—	—	(0.3)	—	—	(0.3)
31 December 2013	—	4.8	58.5	6.1	—	69.4
Net book values:						
31 December 2013	11.1	1.4	18.8	—	0.7	32.0
31 December 2012	2.7	2.1	22.3	—	0.3	27.4
31 December 2011	2.7	2.8	18.8	—	0.3	24.6

Impairment tests for goodwill

Goodwill is tested for impairment annually. 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 to determine an appropriate discount rate.

Goodwill has been allocated for impairment testing purposes to three cash generating units ("CGU"), including the CGU resulting from the acquisition OLPG in 2013 (Note 26) (\$9.7 million), a small business acquired in 2011 (US\$1.4 million) and the Australian fund administration business (US\$1.3 million), which was disposed of in 2013. As OLPG was acquired at the end of 2013, no impairment testing was performed for this CGU. Russell prepares its cash flows for its impairment analysis based on budgets and forecasts as they relate to the specific CGU.

13. Investment in subsidiaries

<u>Principal subsidiaries:</u>	<u>Principal activity</u>	<u>Country of Incorporation</u>	<u>Country of principal operations</u>	<u>% equity and votes held</u>
Russell Implementation Services Inc.	Institutional brokerage firm	US	US	100
Russell Investment Management Company	Investment adviser	US	US	100
Russell Financial Services	Effecting of security transactions as principal or agent	US	US	100
Russell Trust Company	Provide trust and investment management services	US	US	100
Russell Investments Canada Limited	Manage investment funds and separately managed accounts	Canada	Canada	100
Russell Investment Group Pty Ltd	Consultant to large Australian superannuation fund and other institutional investors	Australia	Australia	100
Russell Investments Limited	Principal money manager, investment adviser and/or distributor	UK	UK	100
Russell Investments Ireland Limited	Manager of variable capital investment companies or common contractual funds in Ireland	Ireland	Ireland	100

Investments in associates

Russell owns between 0 per cent.—49 per cent. of various associates that are comprised primarily of investments in affiliated and unaffiliated private equity investment funds and hedge funds. The investments are accounted for using the equity method. Associates for which Russell owns less than 20 per cent., Russell considers itself to have significant influence due to its role as investment manager for the respective funds. Summary financial information, not adjusted for the percentage ownership held by Russell, is as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Assets	10,148.0	8,978.5	6,754.3
Liabilities	760.5	2,312.0	1,311.6
Joint Venture Revenue	2.8	0.9	0.2
Investment Income	465.2	334.7	298.7
Net realised and unrealised gains	1,211.7	739.9	631.6
Net profit	1,439.7	855.1	676.1

14. Deferred taxation

The movements in deferred tax assets and liabilities during the year are shown below.

	Accrued/ deferred compensation	Credit and net operating loss carry forwards	Accelerated tax depreciation	Deferred revenue	Accrued payables and reserves	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
1 January 2011	46.5	28.6	(5.1)	10.2	6.0	0.4	86.6
Tax (charged)/credited to the income statement	(20.1)	(20.4)	(4.2)	(1.6)	1.4	0.4	(44.5)
Tax (charged)/credited to other comprehensive income:							
Foreign Exchange	(0.1)	(0.1)	—	—	—	—	(0.2)
Other	0.2	—	—	—	—	—	0.2
	<u>0.1</u>	<u>(0.1)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
31 December 2011	26.5	8.1	(9.3)	8.6	7.4	0.8	42.1
Tax credited/(charged) to the income statement	5.7	(3.7)	(4.3)	(1.3)	(3.2)	6.3	(0.5)
Tax credited/(charged) to other comprehensive income:							
Foreign Exchange	0.1	—	—	—	—	—	0.1
31 December 2012	32.3	4.4	(13.6)	7.3	4.2	7.1	41.7
Tax credited/(charged) to the income statement	13.3	(2.7)	3.3	(1.9)	(2.3)	(2.6)	7.1
Tax credited/(charged) to other comprehensive income:							
Foreign Exchange	1.9	0.3	(0.8)	0.5	0.3	0.4	2.6
31 December 2013	47.5	2.0	(11.1)	5.9	2.2	4.9	51.4
Assets at 31 December 2013	47.5	2.0	(11.1)	5.9	2.2	4.9	51.4
Liabilities at 31 December 2013	—	—	—	—	—	—	—
Net assets/(liabilities) at 31 December 2013	47.5	2.0	(11.1)	5.9	2.2	4.9	51.4
Assets at 31 December 2012	32.3	4.4	(13.6)	7.3	4.2	7.1	41.7
Liabilities at 31 December 2012	—	—	—	—	—	—	—
Net assets/(liabilities) at 31 December 2012	<u>32.3</u>	<u>4.4</u>	<u>(13.6)</u>	<u>7.3</u>	<u>4.2</u>	<u>7.1</u>	<u>41.7</u>
Assets at 31 December 2011	26.5	8.1	(9.3)	8.6	7.4	0.8	42.1
Liabilities at 31 December 2011	—	—	—	—	—	—	—
Net assets/(liabilities) at 31 December 2011	<u>26.5</u>	<u>8.1</u>	<u>(9.3)</u>	<u>8.6</u>	<u>7.4</u>	<u>0.8</u>	<u>42.1</u>

The deferred tax assets are recoverable against future taxable profits. The amounts expected to be recovered or settled in less than one year are US\$21.7 million, US\$17.9 million and US\$14.9 million, respectively, at 31 December 2013, 2012 and 2011.

Russell has unrecognised deferred tax assets in its subsidiaries. The assets would be recognised in the future only if suitable taxable income were to arise within the subsidiaries. The unrecognised deferred tax assets are as follows:

	2013	2012	2011
	\$m	\$m	\$m
Accrued/deferred compensation	8.3	3.0	6.1
Credit and net operating loss carry forwards	6.0	16.6	11.0
Accelerated tax depreciation	0.2	3.3	3.0
Accrued payables and reserves	—	1.5	1.3
Other	2.0	0.4	0.4
Total	16.5	24.8	21.8

Russell has stated net operating loss carryforwards of US\$1.1 million, US\$3.3 million and US\$6.1 million, respectively, at 31 December 2013, 2012 and 2011. Russell has foreign net operating loss carryforwards of US\$0.9 million, US\$1.2 million and US\$0, respectively at 31 December 2013, 2012, and 2011.

Russell has a U.S foreign tax credit carryover of US\$0, US\$0, and US\$2.1 million, respectively, at 31 December 2013, 2012 and 2011.

15. Retirement benefit obligations

Defined contribution plans

Russell has a defined contribution retirement plan (the “Plan”) covering eligible employees in the U.S. The Plan allows for contributions to be made out of Russell’s net operating profits at the discretion of Russell’s Board of Directors. Employees may also contribute a percentage of their compensation as defined by the Plan documents.

Russell’s subsidiaries in the United Kingdom, Canada, France, Australia, Singapore, Japan, Hong Kong, South Korea and New Zealand have defined contribution retirement plans covering their non-U.S. employees in those countries. The plans are qualified under the tax laws of the countries where the subsidiaries are located.

Deferred Compensation Plan

As discussed in Note 1, the Compensation Plan permits certain employees to defer a portion of their cash compensation and invests in certain affiliated mutual funds. During the years ended 31 December 2013, 2012 and 2011, the Compensation Plan invested in certain mutual funds within the related parties Russell Investment Company (“RIC”) and Russell Investment Funds (“RIF”).

Russell has invested US\$25.8 million, US\$26.9 million and US\$28.5 million in the RIC and RIF funds as of 31 December 2013, 2012 and 2011, respectively, related to the deferred compensation plan. The amounts invested in the RIC funds of US\$4.1 million, US\$2.8 million and US\$2.0 million as of 31 December 2013, 2012 and 2011, respectively, are classified as trading securities and are included as a component of other current assets. The remaining balance included in assets at fair value through profit or loss of US\$21.7 million, US\$24.0 million and US\$26.5 million as of 31 December 2013, 2012 and 2011, respectively, is held in “key-person” life insurance contracts, which is invested in the RIF funds.

Accrued liabilities related to the deferred compensation plan as of 31 December 2013 and 2012, are US\$26.3 million US\$27.0 million and US\$28.1 million, respectively. The current portion is recorded as a component of compensation and benefits payable included in trade and other payables and the noncurrent portion is recorded as a component of other non-current payables.

Amounts recognised in the income statement are as follows:

	2013					
	Notes	USA	UK	Australia	Other Plans	Total
		\$m	\$m	\$m	\$m	\$m
Defined contribution plans		16.0	4.3	3.4	3.2	26.9
Deferred compensation plan		3.6	—	—	—	3.6
Total recognised in the income statement		19.6	4.3	3.4	3.2	30.5
	2012					
	Notes	USA	UK	Australia	Other Plans	Total
		\$m	\$m	\$m	\$m	\$m
Defined contribution plans		15.6	4.6	4.9	3.7	28.8
Deferred compensation plan		3.4	—	—	—	3.4
Total recognised in the income statement		19.0	4.6	4.9	3.7	32.2

	Notes	2011				Total
		USA	UK	Australia	Other Plans	
		\$m	\$m	\$m	\$m	
Defined contribution plans		13.8	5.6	4.7	3.5	27.6
Deferred compensation plan		0.1	—	—	—	0.1
Total recognised in the income statement		13.9	5.6	4.7	3.5	27.7

16. Trade and other receivables

	2013	2012	2011
	\$m	\$m	\$m
Trade receivables	24.9	33.9	36.5
Less: provision for impairment of receivables	(1.2)	(1.5)	(2.3)
Trade receivables—net	23.7	32.4	34.2
Other receivables	7.7	6.4	9.8
Prepayments and accrued income	254.4	215.6	195.3
	285.8	254.4	239.3

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

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

The aging of past due debtors is as follows:

	2013		2012		2011	
	Impaired	Not impaired	Impaired	Not impaired	Impaired	Not impaired
	\$m	\$m	\$m	\$m	\$m	\$m
0 to 3 months past due	—	8.8	—	13.0	—	15.4
Greater than 3 months past due	1.2	4.0	1.5	7.3	2.3	10.7
	1.2	12.8	1.5	20.3	2.3	26.1

The carrying amount of the trade and other receivables are denominated in the following currencies:

	2013	2012	2011
	\$m	\$m	\$m
USD	185.7	164.6	152.6
Sterling	26.5	17.8	17.6
Euro	10.4	8.2	6.5
Other Currencies	63.2	63.8	62.6
	285.8	254.4	239.3

Movements on the provision for impairment of trade receivables are as follows:

	2013	2012	2011
	\$m	\$m	\$m
1 January	1.5	2.3	2.8
Provision for receivables impairment	0.2	(0.4)	(0.1)
Receivables written off during the year as uncollectible	0.3	0.4	0.5
Provisions no longer required	(0.8)	(0.8)	(0.8)
Foreign exchange	—	—	(0.1)
31 December	1.2	1.5	2.3

17. Financial instruments by category

The financial instruments of Russell are categorised as follows:

<u>31 December 2013</u>	<u>Loans and receivables</u>	<u>Assets at fair value through profit or loss</u>	<u>Derivatives</u>	<u>Total</u>
	\$m	\$m	\$m	\$m
Assets as per balance sheet				
Retained capital interests in investment companies	—	23.2	—	23.2
Post closing payments	—	79.4	—	79.4
Investments in subordinated trust	—	21.7	—	21.7
Assets at fair value through profit or loss	—	124.3	—	124.3
Foreign exchange contracts	—	—	3.4	3.4
Trade receivables—net	23.7	—	—	23.7
Other current assets	—	8.2	—	8.2
Cash and cash equivalents	282.1	—	—	282.1
Total	<u>305.8</u>	<u>132.5</u>	<u>3.4</u>	<u>441.7</u>
			Other financial liabilities	Total
			\$m	\$m
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)			542.8	542.8
Finance lease liabilities			20.6	20.6
Trade and other payables excluding non-financial liabilities			618.3	618.3
Other non-current liabilities			45.9	45.9
Provisions			2.3	2.3
Total			<u>1,229.9</u>	<u>1,229.9</u>
<u>31 December 2012</u>	<u>Loans and receivables</u>	<u>Assets at fair value through profit or loss</u>	<u>Other financial liabilities</u>	<u>Total</u>
	\$m	\$m	\$m	\$m
Assets as per balance sheet				
Retained capital interests in investment companies	—	29.4		29.4
Post closing payments	—	72.1		72.1
Investments in subordinated trust	—	24.1		24.1
Assets at fair value through profit or loss	—	125.6		125.6
Trade receivables—net	32.4	—		32.4
Other current assets	—	15.9		15.9
Cash and cash equivalents	245.6	—		245.6
Total	<u>278.0</u>	<u>141.5</u>		<u>419.5</u>
			Other financial liabilities	Total
			\$m	\$m
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)			540.3	540.3
Finance lease liabilities			23.0	23.0
Trade and other payables excluding non-financial liabilities			496.3	496.3
Other non-current liabilities			73.0	73.0
Provisions			4.9	4.9
Total			<u>1,137.5</u>	<u>1,137.5</u>

31 December 2011

	Loans and receivables	Assets at fair value through profit or loss	Total
	\$m	\$m	\$m
Assets as per balance sheet			
Contingent payments	—	16.1	16.1
Investment Funds	—	33.0	33.0
Retained capital interests in investment companies	—	32.1	32.1
Post closing payments	—	64.2	64.2
Investments in subordinated trust	—	26.5	26.5
Assets at fair value through profit or loss	—	171.9	171.9
Trade receivables—net	34.2	—	34.2
Other current assets	—	6.1	6.1
Cash and cash equivalents	204.5	—	204.5
Total	238.7	178.0	416.7

	Other financial liabilities	Total
	\$m	\$m
Liabilities as per balance sheet		
Borrowings (excluding finance lease liabilities)	561.2	561.2
Finance lease liabilities	28.4	28.4
Trade and other payables excluding non-financial liabilities	470.3	470.3
Other non-current liabilities	38.3	38.3
Provisions	8.9	8.9
Total	1,107.1	1,107.1

For each year ended 31 December 2013, 2012 and 2011, there was no difference between the carrying amount of financial liabilities and contractual undiscounted amounts, due to the short term nature. Items carried at amortised cost are not carried at fair value as their carrying amounts approximate fair value due to their relative short term nature. Preferred stock is considered short term in nature due to the requirement to redeem the preferred stock upon change of control.

Russell carries at fair value in the consolidated balance sheets Investment Funds, Retained Capital Interests, Foreign Exchange Contracts, deferred payments contingent on the revenue growth of former business units (“Contingent Payments”), affiliated mutual funds associated with the deferred compensation plan (“Investments in Subordinated Trust”), money market mutual funds (associated with both cash and cash equivalents and Investments in Subordinated Trust) and post closing payments, as defined below. The money market mutual funds associated with the Investments in Subordinated Trust are discussed further in Note 15.

The fair value of the Investment Funds is principally based upon the valuations provided by the general partners or managers of such investments. Illiquidity may be a factor in the valuation due to the increased credit risk. The valuations provided by the general partners or managers typically reflect the fair value of Russell’s capital account balance. Depending on the facts and circumstances, Russell considers potential valuation adjustments to net asset value.

The fair value of Foreign Exchange Contracts is measured using an income approach based on quantitative models. The models use pricing curves based on inputs including interest rates, foreign exchange rates, prices and volatility factors to value the overall positions.

The fair value of investments in associates is based on a market approach that uses the net asset value of the respective investments.

Russell has the obligation to make post closing capital payments and the right to receive carried interest payments (“Post Closing Payments”) related to certain investments previously held by subsidiaries sold in 2010, for which Russell elected the fair value option. The fair value of Post Closing Payments consists of the capital payments and the carried interest payments. The fair value of the capital payments is based on a market approach that uses the net asset value of the investments to which the capital payments correspond, provided by third party managers. The fair value of the Retained Capital Interests is based on a market approach that uses the net asset value of the investments to which the capital interests correspond,

provided by third party managers. The net asset values for the underlying investments were US\$10.5 billion, US\$10.1 billion and US\$9.7 billion at 31 December 2013, 2012 and 2011, respectively. The fair value of the carried interest payments is based on an income approach using an option model with assumptions made about expected timing and level of future cash flows, volatility and discount rates. Illiquidity may be a factor in the valuation due to increased credit risk.

The fair values of the Contingent Payments are based on an income approach with assumptions made about expected timing and level of future cash flows and management's best estimate of key assumptions, including discount rates.

Russell measures the fair value of both its money market mutual funds and Investments in Subordinated Trust (classified as Level 1) using a market approach whereby it uses either published net asset value per share or quoted market prices from the principal exchange on which each security trades. Russell measures the fair value of Investments in Subordinated Trust (classified as Level 2) using a market approach that uses the cash surrender value of those investments.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories based on the lowest level of input that is significant to the fair value measurement in its entirety:

- Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Russell has the ability to access at the measurement date. Investments included in this category include certain Investments in Subordinated Trust and money market mutual funds.
- Level 2 Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include certain Investments in Subordinated Trust.
- Level 3 Inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The inputs into the determination of fair value require significant management judgment or estimation. Assumptions used by Russell due to the lack of observable inputs may significantly impact the resulting fair value and therefore Russell's results of operations.

The inputs used by Russell in estimating the fair value of Level 2 assets at 31 December 2013, 2012 and 2011 consist of net asset values of fund investments.

For Level 2 assets and liabilities, Russell uses one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available. Within Level 2, the use of the market approach generally consists of using net asset values of fund investments. The selection of appropriate valuation techniques may be affected by the availability of relevant inputs as well as the relative reliability of the inputs. 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.

The inputs used by Russell 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. Russell holds, or has held, interests in Investment Funds, Retained Capital Interests, Contingent Payments and the Post Closing Payments for which there is no active market. These interests, in the absence of a recent and relevant secondary market transaction, are classified as Level 3 because the valuations require significant levels of management judgment.

When observable prices are not available, Russell uses one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. The selection of appropriate valuation techniques may be affected by the availability of relevant inputs as well as the relative reliability of the inputs. 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. Gains and losses associated with the changes in the fair value of level 3 financial instruments are included in other income on the consolidated income statement.

Fair Value Disclosures

The following tables summarise the valuation of Russell's assets and liabilities measured at fair value on a recurring basis using the fair value hierarchy levels as of 31 December 2013, 2012 and 2011:

<u>31 December 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net</u> <u>Balances</u>
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Assets				
Money market mutual funds	89.8	—	—	89.8
Investments in subordinated trusts	4.1	21.7	—	25.8
Retained Capital Interests	—	—	23.2	23.2
Post Closing Payments	—	—	79.4	79.4
Foreign currency exchange contracts	—	3.4	—	3.4
	<u>93.9</u>	<u>25.1</u>	<u>102.6</u>	<u>221.6</u>
<u>31 December 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net</u> <u>Balances</u>
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Assets				
Investment Funds	—	9.9	—	9.9
Money market mutual funds	66.9	—	—	66.9
Investments in subordinated trusts	2.8	24.1	—	26.9
Retained Capital Interests	—	—	29.4	29.4
Post Closing Payments	—	—	72.1	72.1
	<u>69.7</u>	<u>34.0</u>	<u>101.5</u>	<u>205.2</u>
<u>31 December 2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net</u> <u>Balances</u>
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Assets				
Investment Funds	—	—	33.0	33.0
Money market mutual funds	13.0	—	—	13.0
Investments in subordinated trusts	2.0	26.5	—	28.5
Retained Capital Interests	—	—	32.1	32.1
Contingent payments	—	—	16.1	16.1
Post Closing Payments	—	—	64.2	64.2
	<u>15.0</u>	<u>26.5</u>	<u>145.4</u>	<u>186.9</u>

There were no transfers between levels during the years ended 31 December 2013, 2012 or 2011.

The following table summarises the reconciliation of the fair value measurements using significant unobservable (Level 3) inputs:

	Investment Funds	Retained Capital Interests	Contingent Payments	Post Closing Payments
	\$m	\$m	\$m	\$m
Balances at 1 January 2011	0.2	32.1	101.1	50.0
Total unrealised (losses) gains	(1.1)	5.2	(19.1)	1.1
Total realised (losses) gains	(0.7)	1.7	1.6	1.3
Contributions	53.2	—	—	16.4
Distributions and redemptions/cash receipts	(18.6)	(6.9)	(67.5)	(4.6)
Balances at 31 December 2011	33.0	32.1	16.1	64.2
Total unrealised gains (losses)	1.0	0.7	(16.1)	(1.5)
Total realised (losses) gains	(1.5)	1.6	—	2.3
Contributions	23.2	—	—	11.7
Distributions and redemptions/cash receipts	(55.7)	(5.0)	—	(4.6)
Balances at 31 December 2012	—	29.4	—	72.1
Total unrealised (losses) gains	—	(0.3)	—	2.7
Total realised gains (losses)	—	4.8	—	4.2
Contributions	—	—	—	7.9
Distributions and redemptions/cash receipts	—	(10.7)	—	(7.5)
Balances at 31 December 2013	—	23.2	—	79.4
Change in unrealised (losses) gains included in earnings related to financial instruments held at 31 December 2011	(1.1)	5.2	(19.1)	1.1
Change in unrealised gains (losses) included in earnings related to financial instruments held at 31 December 2012	1.0	0.7	(16.1)	(1.5)
Change in unrealised (losses) gains included in earnings related to financial instruments held at 31 December 2013	—	(0.3)	—	2.7

The following represents quantitative information for the significant unobservable (Level 3) inputs:

<u>31 December 2013</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input</u>	<u>Range</u>
	\$m			
Retained Capital Interests	23.2	Net Asset value	Nonpublic net asset values	
Post Closing Payments	79.5	Net asset value, Option model	Nonpublic net asset values	
			Volatility	35%
			Risk free rate	1%–2%
			Expected time to maturity	1 to 5 years
<u>31 December 2012</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input</u>	<u>Range</u>
	\$m			
Retained Capital Interests	29.4	Net Asset value	Nonpublic net asset values	
Post Closing Payments	72.1	Net asset value, Option model	Nonpublic net asset values	
			Volatility	35%
			Risk free rate	1%–2%
			Expected time to maturity	1.5 to 5 years

<u>31 December 2011</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Input</u>	<u>Range</u>
	<u>\$m</u>			
Retained Capital Interests	23.2	Net Asset value	Nonpublic net asset values	
Post Closing Payments	79.5	Net asset value, Option model	Nonpublic net asset values	
			Volatility	35%
			Risk free rate	1%–2%
			Expected time to maturity	2 to 5 years
Investment Funds	33.0	Net Asset value	Nonpublic net asset value	
Contingent Payments	16.1	Valuation model	Payment dates	31 March of 2014 and 2015
			Nominal values of future cash flows	US\$19.4 million and US\$2.1 million

18. Cash and cash equivalents

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Cash at bank	269.0	233.1	190.9
Restricted	5.2	3.0	3.0
Cash segregated under federal regulations	7.9	9.5	10.6
	<u>282.1</u>	<u>245.6</u>	<u>204.5</u>

19. Trade and other payables

	<u>Notes</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
		<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Trade payables		70.1	56.3	59.2
Compensation and benefits payable		148.1	116.4	122.8
Commission credits and fees payable		196.1	182.7	165.4
Other payables	29	186.0	119.6	97.6
Accruals and deferred income		18.0	21.3	25.3
		<u>618.3</u>	<u>496.3</u>	<u>470.3</u>
Current		439.3	371.9	365.4
Non-current		179.0	124.4	104.9
		<u>618.3</u>	<u>496.3</u>	<u>470.3</u>

20. Borrowings

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Current			
Bank line of credit	83.6	146.1	142.0
Financing lease obligations	7.5	7.4	6.7
Preferred stock	1.4	1.4	1.4
	<u>92.5</u>	<u>154.9</u>	<u>150.1</u>
Non-current			
Bank loan	65.0	—	—
Financing lease obligations	13.1	15.6	21.7
Northwestern Mutual Loan	—	—	25.0
Preferred stock	392.8	392.8	392.8
	<u>470.9</u>	<u>408.4</u>	<u>439.5</u>

Russell has the following committed bank facilities and unsecured notes:

Type	Expiry Date	Notes/Facility	Carrying value at	Interest rate
			31 December 2013	percentage at
			\$m	%
Bank line of credit	January 2015	250.0	83.6	0.65
Bank loan	December 2016	65.0	65.0	1.1
Financing lease obligations	2014-2018	N/A	20.6	1.41–12.75
Total Committed Facilities		315.0	169.2	

Fair values

The fair values of Russell’s borrowings are as follows:

	2013		2012		2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	\$m	\$m	\$m	\$m	\$m	\$m
Borrowings						
—within one year	92.5	92.5	154.9	154.9	150.1	150.1
—after more than one year	470.9	470.9	408.4	408.4	439.5	439.5
	563.4	563.4	563.3	563.3	589.6	589.6

During 2013, Russell entered a loan agreement (“Bank loan”) with a bank to borrow US\$65 million. The Bank loan accrues interest under two options based on the respective credit note: (a) a fluctuating rate per annum determined by the bank to be the daily one month LIBOR rate plus 0.85 per cent. per annum, or (b) a fixed rate per annum determined to be the daily one month LIBOR rate plus 0.85 per cent. Russell paid an initial commitment fee of 0.25 per cent. of the principle balance on the closing date and will pay additional upfront fees on the first and second anniversaries of the closing date in amounts of 0.15 per cent. and 0.05 per cent. of the principle balance, respectively. Russell is also subject to certain reporting covenants under this agreement. The Parent guarantees the Term Loan Agreement, and the cross-default provisions under the LOC Agreement would be triggered by certain defaults by the Parent.

Russell has a line of credit agreement (“Bank line of credit”) with a bank which provides for borrowings of up to US\$250 million through 15 January 2015. The Bank line of credit, replaced an existing line of credit which had a maturity date of December 1, 2013, extended to 15 January 2014, with borrowings of up to US\$250 million. The Bank line of credit, when utilised, accrues interest under two options based on the respective credit note: (a) a fluctuating rate per annum determined by the bank to be the daily one month LIBOR rate plus 0.4 per cent. per annum, or (b) a fixed rate per annum determined to be the daily one month LIBOR rate plus 0.4 per cent. Russell paid an initial commitment fee of US\$0.6 million. Russell is also subject to certain reporting covenants and cross-default provisions under the Bank line of credit. The Bank line of credit may be drawn at Russell’s discretion. The Parent guarantees the Bank line of credit, and the cross-default provisions under the Bank line of credit would be triggered by certain defaults by the Parent. The borrowings outstanding on the LOC Agreement are included in current maturities of debt and finance lease obligations. Russell has available letters of credit under the Bank line of credit of up to US\$20 million. The standby letter of credit outstanding on the Bank line of credit is US\$17.9 million as of 31 December 2013.

Total accrued interest for loans was US\$0.02 million, US\$0.06 million and US\$0.06 million as of 31 December 2013, 2012 and 2011, respectively.

Preferred stock

Russell has outstanding, at a price of US\$1,000 per share, 350,000 shares of Senior Cumulative Preferred Stock to the Parent having no par value per share. The Senior Cumulative Preferred Stock has a cash dividend rate of eight per cent. per year, payable semi-annually on June 15 and December 15. Dividends accrue daily from the issue date and are cumulative. If dividends are not paid in full on any dividend payment date, the dividends shall then accrue at a rate of 12 per cent. per year, increasing in increments of two per cent. (with a maximum rate of 16 per cent.) at each subsequent dividend payment date until all accrued dividends are paid in full. Russell may redeem at any time, in whole or in part, any or all of the

shares of the Senior Cumulative Preferred Stock at a redemption price equal to 100 per cent. of the initial purchase price per share plus accrued and accumulated dividends (the “liquidation preference”). In addition, prior to the occurrence of a change in control (as defined in the related agreements), Russell shall make an offer to each holder of Senior Cumulative Preferred Stock to purchase, at the holder’s option, any or all of the holder’s shares at a purchase price per share in cash equal to 100 per cent. of the then current liquidation price per share.

Russell has outstanding, at a price of US\$1,000 per share, 42,778 shares of Junior Preferred Stock with 14.6 million warrants to the Parent having no par value per share. The Junior Preferred Stock has a cash dividend rate of 10 per cent. per year, payable semi-annually on June 15 and December 15. Dividends accrue daily from the issue date and are cumulative. Russell may redeem at any time, in whole or in part, any or all of the shares of the Junior Preferred Stock at a redemption price equal to 100 per cent. of the initial purchase price per share plus accrued and accumulated dividends (the “liquidation preference”). In addition, prior to the occurrence of a change in control (as defined in the related agreements), Russell shall make an offer to each holder of Junior Preferred Stock to purchase, at the holder’s option, any or all of the holder’s shares at a purchase price per share in cash equal to 100 per cent. of the then current liquidation preference. At 31 December 2013, 2012 and 2011, Russell had unpaid dividends of US\$1.4 million, related to both Senior Cumulative Preferred Stock and Junior Preferred Stock.

The warrants entitle the holder, Northwestern Mutual, to purchase common stock at any time up to the tenth anniversary of the Warrant Agreement. There were no warrants cancelled in 2013, 2012 or 2011.

In 2013, 2012 and 2011, Russell had no redemptions of Senior and Junior Preferred Stock.

21. Capital management and Analysis of debt

Capital management

Russell’s primary objective in managing capital is to ensure that it maintains its regulatory capital stipulated by the requirements of the various domestic and international regulatory authorities. Management formally reviews its regulatory capital on a monthly basis. During the years ended 31 December 2013, 2012 and 2011, Russell was in compliance with the excess capital requirements stipulated by the regulatory authorities.

Although classified as borrowings, Russell considers Preferred Stock to be capital. In consideration of this, Russell considers its capital to be US\$95.2 million, US\$100.4 million and US\$124.6 million as of 31 December 2013, 2012 and 2011, respectively.

Analysis of debt is as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	\$m	\$m	\$m
Due within one year			
Cash and cash equivalents	282.1	245.6	204.5
Bank borrowings	(83.6)	(146.1)	(142.0)
Finance lease obligations	(7.5)	(7.4)	(6.7)
Preferred stock	(1.4)	(1.4)	(1.4)
	<u>189.6</u>	<u>90.7</u>	<u>54.4</u>
Due after one year			
Bank borrowings	(65.0)	—	—
Northwestern Mutual loan	—	—	(25.0)
Preferred stock	(392.8)	(392.8)	(392.8)
Finance lease obligations	(13.1)	(15.6)	(21.7)
Total net debt	<u>(281.3)</u>	<u>(317.7)</u>	<u>(385.1)</u>

Reconciliation of net cash flow to movement in net debt

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	\$m	\$m	\$m
Increase/(decrease) in cash in the year	37.3	35.0	(32.8)
Borrowing proceeds	(713.5)	(745.4)	(651.9)
Principal repayments of borrowings	718.6	773.7	676.3
Change in net debt resulting from cash flows	42.4	63.3	(8.4)
Finance lease acquisitions	(5.2)	(2.0)	(29.3)
Foreign exchange movements	(0.8)	6.1	(1.0)
Net debt start of the year	<u>(317.7)</u>	<u>(385.1)</u>	<u>(346.4)</u>
Net debt at the end of the year	<u>(281.3)</u>	<u>(317.7)</u>	<u>(385.1)</u>

22. Provisions

	<u>Property</u>
	\$m
1 January 2011	13.6
Utilised during the year	<u>(4.7)</u>
31 December 2011	8.9
Additions	0.5
Utilised during the year	<u>(4.5)</u>
31 December 2012	4.9
Utilised during the year	<u>(4.3)</u>
Additions	1.9
Foreign exchange	<u>(0.2)</u>
31 December 2013	<u>2.3</u>
Current	0.4
Non-current	<u>1.9</u>
31 December 2013	<u>2.3</u>

The property provision represents the estimated net present value of future costs for lease rentals less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between two and seven years to expiry.

23. Ordinary Share Capital

	<u>2013</u>		<u>2012</u>		<u>2011</u>	
	m	\$m	m	\$m	m	\$m
Issued						
Common stock, no par value	203.5	—	203.3	—	201.3	—

24. Net cash flow generated from operations

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	\$m	\$m	\$m
Profit before taxation	140.4	62.5	48.7
Depreciation and amortisation	24.0	23.6	20.0
Loss on disposal of property, plant and equipment	0.1	1.2	0.6
Profit (loss) on disposal of business assets	(4.9)	(1.2)	19.1
Net finance expense	35.3	37.0	36.8
Realised and unrealised gain on investments	(11.4)	(5.5)	(7.8)
Share scheme expense	84.2	33.9	(5.6)
Other	8.2	1.5	3.3
Changes in operating assets and liabilities			
Cash segregated under federal regulations	2.2	—	—
Trade and other receivables	(27.5)	(15.0)	20.4
Other assets	(124.4)	(5.5)	22.1
Trade and other payables	53.1	6.5	(23.2)
Provisions utilised during the year	(2.6)	(4.0)	(4.7)
Other liabilities	45.3	2.0	(59.4)
Foreign exchange on intercompany	(10.3)	(6.2)	1.4
Foreign exchange gains/(losses) on operating activities	6.7	7.0	(1.2)
Cash generated operations	<u>218.4</u>	<u>137.8</u>	<u>70.5</u>
Comprising:			
Ongoing operating activities	223.3	139.0	51.4
Non-recurring items	(4.9)	(1.2)	19.1
	<u>218.4</u>	<u>137.8</u>	<u>70.5</u>

25. Commitments and contingencies

Russell has total unfunded commitments for investment capital to affiliated and unaffiliated closed-end investment funds of approximately US\$39.0 million. The unaffiliated closed-end investment funds are reflected as Post Closing Payments described in Note 17. These commitments are to be called or will expire as follows:

	<u>Investments</u>			<u>Payments</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
	\$m	\$m	\$m	\$m	\$m	\$m
Less than one year	2.0	1.8	3.9	0.1	0.1	—
More than one year but less than five years	0.4	1.1	1.3	4.6	5.7	0.2
More than five years	0.7	0.7	1.3	31.1	37.8	55.0
	<u>3.1</u>	<u>3.6</u>	<u>6.5</u>	<u>35.8</u>	<u>43.6</u>	<u>55.2</u>

Contracted Services

Russell entered into an agreement with a managed service provider in August 2011. The agreement expires in 2016. Russell has the right to early termination with penalties. The contract is based on a variable fee schedule, with certain fixed components, through the end of the term. The total value of the contract is US\$125.0 million. Russell incurred costs relating to this agreement of US\$17.4 million, US\$21.3 million and US\$4.8 million during the years ended 31 December 2013, 2012 and 2011, respectively.

Russell entered into an agreement for application support and maintenance in August 2010. The agreement expires in March 2015. Russell has the right to early termination with penalties. The contract is based on a fixed fee schedule through the end of the term. The total value of the contract is US\$8.2 million. Russell incurred costs relating to this agreement of US\$1.8 million, US\$1.6 million and US\$1.8 million during the years ended 31 December 2013, 2012 and 2011, respectively.

Contingencies

Russell and its affiliates are involved in various claims and legal proceedings in the normal course of its business. While it is not feasible to predict or determine the final outcome of these proceedings, based on consultation with legal counsel, Russell does not believe that the disposition of these proceedings will have a material adverse effect on Russell's consolidated financial position, results of operations or cash flows.

Guarantees

In the normal course of business, Russell enters into contracts that contain a variety of representations that provide general indemnifications. Russell's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against Russell that have not yet occurred. However, Russell expects the risk of loss to be remote.

26. Business combinations

On 29 November 2013, Russell acquired all of the outstanding share capital of OLPG, an independent financial network of independent financial advisers ("IFA") based in the United Kingdom. The acquisition will expand Russell's relationship with IFAs and enhance the way OLPG's advisers work with retail investors. The transaction resulted in Russell acquiring a 100 per cent. stake for a total consideration of US\$14.9 million in cash.

Acquisition in the year ended 31 December 2013:

	Date acquired	Total investment	Goodwill	Fair value of net assets acquired	Contribution post acquisition	
					Revenue	Operating profit
		\$m	\$m	\$m	\$m	\$m
OLPG	29 November 2013	14.9	9.7	5.2	5.0	—

Total revenue for Russell had the acquisition of OLPG occurred at the beginning of the year would have been US\$1,679.5 million, and total operating profit would have been US\$176.6 million.

The assets and liabilities arising out of the acquisition at the relevant acquisition date is as follows:

	Book Value	Fair value
	\$m	\$m
Non-current assets:		
Intangible assets	0.4	0.4
Property, plant and equipment	0.1	0.1
Current assets:		
Cash and cash equivalents	8.1	8.1
Accounts receivable	11.9	11.9
Other non-current assets	1.3	1.3
Current liabilities:		
Other current liabilities	(16.6)	(16.6)
Net assets	5.2	5.2
Goodwill	—	9.7
	5.2	14.9
Satisfied by:		
Cash		14.9
Total investment		14.9

The intangible asset represents non-compete agreements of the former owners. The goodwill arising from the acquisition consists of expected synergies and other benefits that Russell believes will result from combining the operations of OLPG with Russell. The goodwill that was acquired is not expected to be deductible for income tax purposes.

The fair values are preliminary and will be finalised within 12 months of the acquisition date.

Russell made no significant acquisitions during the years ended 31 December 2012 and 2011.

27. Foreign exchange contracts

The foreign exchange contracts outstanding during the year ended 31 December 2013 were to exchange the Canadian dollar, GBP and Japanese yen. These derivative contracts are recorded at fair value and will mature in less than one year.

28. Leases

Russell leases its principal office space in Seattle, Washington. The lease expires September 2025; however, Russell has the option to extend the lease term through 2045 through four extension periods of five years each. The lease requires annual minimum lease payments approximating US\$4.2 million, adjusted annually by 2.75 per cent. starting the third year of the lease. Total rent expense on this lease was US\$6.4 million, US\$5.9 million and US\$6.1 million for the years ended 31 December 2013, 2012 and 2011, respectively.

Russell leases other office space under noncancelable lease agreements expiring various dates through 2020. Some of these leases provide for annual rental increases. Total rent expense on these leases was US\$18.6 million, US\$21.1 million and US\$19.1 million for the years ended 31 December 2013, 2012 and 2011, respectively.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	Property			Equipment		
	2013	2012	2011	2013	2012	2011
	\$m	\$m	\$m	\$m	\$m	\$m
Less than one year	23.2	23.3	22.3	0.3	0.2	0.6
More than one year but less than five years	85.8	68.6	64.5	0.2	0.2	0.7
More than five years	79.4	74.5	85.8	—	—	—
	188.4	166.4	172.6	0.5	0.4	1.3

The total future minimum lease payments under finance leases are due as follows:

	Equipment		
	2013	2012	2011
	\$m	\$m	\$m
Less than one year	8.0	6.9	7.8
More than one year but less than five years	13.6	16.5	23.4
More than five years	—	—	—
	21.6	23.4	31.2
Less: future finance charges	(1.1)	(0.5)	(2.8)
Present value of minimum lease payments	<u>20.5</u>	<u>22.9</u>	<u>28.4</u>

29. Share schemes

The LTIP provides for the award of stock options, restricted stock units (“RSU”), stock appreciation rights (“SAR”), and Russell participation units (“RPU”) in Russell’s common stock. The maximum number of shares of Russell’s common stock that are issuable, or were issued and are outstanding, pursuant to awards under the LTIP or IPP may not, at any time, a) represent 20 per cent. or more of the value or voting power of all the issued and outstanding common stock at such time, or b) exceed 50,000,000 shares of common stock. Awards that are cancelled, forfeited, terminated or otherwise settled by the holder or by Russell are then available for award under the LTIP, subject to the above limitations. All LTIP awards are accounted for as liability classified awards.

Stock options generally vest over three years in equal instalments. Stock options expire seven years from the date of grant. RSU awards generally vest in four years in equal instalments. At the date of vesting, RSUs are exchanged for shares of nonvoting common stock of Russell, at which time employees may elect to have shares withheld for income taxes. SAR awards generally vest over three years in equal annual instalments. SAR awards generally expire five years from the date of grant. RPU awards to employees generally vest over four years in equal annual instalments. Certain awards will vest earlier upon employee’s retirement eligibility.

For a period during the first quarter of each fiscal year (“Annual Put Window”), holders of awards have the right to require Russell to repurchase (“put”) vested awards or shares of Russell based on the then-current per-share fair value of Russell’s common stock, subject to a limit of 50 per cent. of the cumulative number of awards a participant has acquired under the LTIP, as well as certain other limits. Additionally, holders of vested stock options have the right to exercise such awards during two semi-annual exercise windows. Holders of common stock received upon exercise or options or vesting of RSUs must hold the awards for at least six months and one day before they have the right to put shares to Russell. Upon repurchase by Russell, the shares of common stock are cancelled. Except in case of termination, generally holders of SARs are not eligible to participate in the Annual Put Window until they are 100 per cent. vested in their SAR award. RPU award holders receive a cash payment for each RPU equal to the fair market value of one share of common stock on the settlement date, generally four years from the date of grant or earlier if employee terminates.

Russell estimates the fair value of stock option and SAR awards using the Black-Scholes option pricing model, which requires, among other inputs, an estimate of the fair value of Russell’s common stock on the date of grant and the expected volatility of the common stock over the expected term of the related grants. Stock options are granted with an exercise price equal to the per-share fair value of Russell’s common stock at the date of grant. Russell determined that it was not practicable to calculate the volatility of its share price since its securities are not publicly traded and there is no readily determinable market value for its stock. Russell estimates its expected volatility based on reported market value data for a group of publicly traded companies, which it selects from certain market indices that it believes are relatively comparable after consideration of their size, stage of lifecycle, profitability, growth, and risk and return on investment. Russell uses the average expected volatility rates reported by the comparable group for the expected terms it estimates.

The expected terms of the stock option and SAR awards are derived from the average midpoint between the vesting and contractual term. The risk-free rate for the expected term of the awards is based on the U.S. Treasury yield curve at the time of grant. The expected annual dividend yield is based on Russell’s current dividend yield.

Russell has recorded expense on the graded method of attribution net of expected forfeitures. The expense for the years ended 31 December 2013, 2012 and 2011 has been reduced by an estimated forfeiture rate of eight per cent. for Stock options and RSUs awards and six per cent. for SARs and RPUs.

For the years ended 31 December 2013, 2012 and 2011, Russell recorded stock-based compensation expense (reduction of expense) of US\$81.4 million, US\$32.3 million and US\$(7.7) million, respectively, related to the LTIP.

Detail related to stock option, RSU, SARs and RPU activity under the LTIP is as follows:

	Stock Options		Restricted Stock Units		Stock Appreciation Rights		Russell Participation Units	
	Number of shares under option	Weighted Average exercise price	Number of units	Weighted Average Grant Date fair value	Number of Units	Weighted Average Grant Date fair value	Number of Units	Weighted Average Grant Date fair value
		\$m		\$m		\$m		\$m
Outstanding at 1 January								
2011	13,615	8.67	5,217	7.14	6,863	11.02	—	—
Granted	2,967	9.01	2,129	9.01	—	—	1,020	9.01
Forfeited	(1,197)	8.04	(904)	7.90	(132)	7.03	(65)	9.01
Expired	(623)	11.25	—	—	(350)	16.57	—	—
Exercised/vested (RSU and RPU)	(396)	5.20	(966)	8.99	(169)	7.99	—	—
Outstanding at 31 December								
2011	14,366	8.77	5,476	7.41	6,212	10.88	955	9.01
Granted	5,736	6.80	3,942	6.81	—	—	2,066	6.80
Forfeited	(1,151)	7.66	(864)	7.69	(81)	7.66	(280)	7.50
Expired	(3,046)	13.29	—	—	(1,314)	15.21	—	—
Exercised/vested (RSU and RPU)	(1,382)	4.82	(2,760)	6.40	(577)	6.69	(244)	9.01
Outstanding at 31 December								
2012	14,523	7.51	5,794	7.45	4,240	10.17	2,497	7.35
Granted	3,891	8.01	2,746	8.01	—	—	1,713	8.00
Forfeited	(305)	7.53	(308)	7.75	—	—	(344)	7.52
Expired	(858)	15.29	—	—	(1,394)	16.97	—	—
Exercised/vested (RSU and RPU)	(963)	6.24	(1,810)	7.60	(591)	6.03	(673)	7.48
Outstanding at 31 December								
2013	16,288	7.29	6,422	7.63	2,255	7.06	3,193	7.66
Exercisable at 31 December								
2011	7,544	9.81	—	—	2,767	16.11	—	—
Exercisable at 31 December								
2012	6,833	7.68	—	—	3,714	10.49	—	—
Exercisable at 31 December								
2013	8,511	7.04	—	—	2,255	7.06	—	—

The range of exercise prices and weighted average remaining contractual life of awards of options and SARs are as follows:

	2013		2012		2011	
	Number outstanding	Weighted average remaining contractual life years	Number outstanding	Weighted average remaining contractual life years	Number outstanding	Weighted average remaining contractual life years
Stock options						
Less than US\$7	7,631	4.08	8,544	4.99	4,814	3.54
US\$7-14	8,658	4.70	5,273	4.57	6,594	5.55
More than US\$14	—	—	705	0.13	2,958	0.40
SAR's						
Less than US\$7	759	0.13	1,191	1.13	1,663	2.13
US\$7-14	1,497	1.16	1,686	2.16	1,818	3.17
More than US\$14	—	—	1,363	0.13	2,731	0.64
Total	18,545	3.97	18,762	3.84	20,578	3.20

The fair value of employee stock option awards granted during the years ended 31 December was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Risk-free rate	0.16%-1.07%	0.03%-0.51%	0.01%-0.62%
Expected term	1.06-3.66 years	0.06-3.66 years	0.06-3.67 years
Expected dividend yield	3.73%	1.63%	1.83%
Expected volatility	23.08%-32.3%	21.43%-37.67%	37.2%-59.54%

The fair value of SAR awards as of 31 December was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Risk-free rate	0.01%-0.09%	0.03%-0.18%	0.06%-0.33%
Expected term	0.07-0.59 years	0.07-1.18 years	0.57-2.18 years
Expected dividend yield	3.73%	1.63%	1.83%
Expected volatility	22.81%-22.86%	20.64%-31.58%	37.01%-51.16%

IPP and Callable Puttable Common Stock

The Incentive Payment Plan (the “IPP”) was established whereby employees of Russell could earn aggregate awards of up to 50 million shares of Russell’s callable puttable common stock or other award units. The number of shares and award units issued to employees under the IPP was determined by Russell’s cumulative earnings before interest, taxes, depreciation and amortisation, (“EBITDA”), as defined by the IPP, during a five-year period beginning 1 January 1999. As of 2004, a total of 42.25 million shares of callable puttable common stock and an additional 3.02 million of award units were outstanding based on this determination. No additional shares of callable puttable common stock or award units will be issued under the IPP.

During the Annual Put Window, a holder of an award issued under the IPP can put up to an annual limitation of 25 per cent. of cumulative total of shares that holder has received under the plan. Upon the death, disability or employment termination of a holder of an award issued under the IPP, the holder has the right to put all such awards (but not less than all) to Russell, and Russell has the right to call all such awards (but not less than all) from that holder, each at a formula-derived price as stated in the IPP.

Subject to the approval of Russell’s Board of Directors, the Parent may effect these shares or award unit repurchases in lieu of Russell. The put and call rights terminate upon an initial public offering of Russell’s common stock. In the event of a change in ownership control of Russell, the Parent has the right to call all awards then outstanding under the IPP at a formula-derived price, and each holder of such awards has the right to put all such awards to the Parent at a formula-derived price.

Compensation expense related to IPP awards is based on changes in the formula-derived price of the outstanding awards, including the impact of modifications, if any, to the related formula.

The following table summarises the changes in the number of shares and recorded value of the callable puttable common stock during the years ended 31 December 2013, 2012 and 2011:

	Shares of callable puttable common stock	Carrying Value
		\$m
Balances at 1 January 2011	1,548.4	13.2
Compensation expense	—	1.1
Redemption of shares at cash put price	<u>(301.4)</u>	<u>(2.9)</u>
Balances at 31 December 2011	1,247.0	11.4
Compensation expense	—	3.2
Redemption of shares at cash put price	<u>(268.4)</u>	<u>(4.6)</u>
Balances at 31 December 2012	978.6	10.0
Compensation expense	—	5.8
Redemption of shares at cash put price	<u>(100.8)</u>	<u>(1.0)</u>
Balances at 31 December 2013	<u>877.8</u>	<u>14.8</u>

The aggregate amount paid by Russell during the years ended 31 December 2013, 2012 and 2011 to settle shares of callable puttable common stock was US\$0.9 million, US\$5.0 million and US\$5.3 million, respectively.

30. Transactions with related parties

Compensation for key personnel who have authority for planning, directing and controlling Russell:

	2013	2012	2011
	\$m	\$m	\$m
Salary and other short term benefits	15.6	13.5	12.4
Benefit plans	1.1	0.6	1.1
Share based payments	<u>12.9</u>	<u>19.9</u>	<u>7.4</u>
	<u>29.6</u>	<u>34.0</u>	<u>20.9</u>

Other related party transactions

Russell paid US\$41.7 million, US\$10.4 million and US\$23.0 million in conjunction with the U.S. Federal Tax Agreement between Russell and Northwestern Mutual during the years ended 31 December 2013, 2012 and 2011, respectively.

Receivables from the affiliated funds managed by Russell (collectively, the “Funds”) total US\$84.2 million, US\$96.9 million and US\$94.7 million as of 31 December 2013, 2012 and 2011, respectively. The balance includes amounts owed by the Funds to Russell for services provided and reimbursements for fund expenses paid by Russell on behalf of the Funds. Revenues of US\$836.3 million, US\$740.3 million and US\$728.3 million were recorded related to these Funds for the years ended 31 December 2013, 2012 and 2011, respectively.

Russell has a distribution agreement with Northwestern Mutual Investment Services LLC, a subsidiary of Northwestern Mutual, with respect to RIC and RIF. These fees totalled US\$9.5 million, US\$8.3 million and US\$8.0 million for the years ended 31 December 2013, 2012 and 2011, respectively, and are recorded as subadvisory, custodial and distribution fees. The amounts payable to Northwestern Mutual were US\$3.7 million, US\$2.1 million and US\$1.9 million as of 31 December 2013, 2012 and 2011, respectively, and are recorded in trade and other payables.

The Parent provides a financial guaranty pursuant to the line of credit agreements dated 16 January 2014 and 1 December 2012 as well as the Term Loan between Wells Fargo Bank and Russell. In consideration for the guarantees provided by the Parent, Russell paid Northwestern Mutual an annual fee of US\$1.1 million, US\$1.5 million and US\$2.5 million for the years ended 31 December 2013, 2012 and 2011, respectively. The fees are included in finance expense.

Russell has an agreement with the Parent to pay an annual fee for services performed by Northwestern Mutual management on non-board related activities. These fees are paid on a quarterly basis. Fees related to this agreement for the years ended 31 December 2013, 2012 and 2011 totalled US\$0.5 million, US\$0.5 million and US\$1.0 million, respectively, and are included in professional fees. There were no amounts payable to Northwestern Mutual as of 31 December 2013, 2012 or 2011 related to these fees.

Russell maintains investments in the Funds. As described in Note 15, the subordinated trust invests in several RIC and RIF funds on behalf of the deferred compensation plan.

Russell allots certain monies to seed capital for the initial investments into Funds managed by Russell. The pool is intended to provide short-term capital to support product launches. At 31 December 2013, 2012 and 2011, Russell has US\$4.1 million, US\$13.1 million and US\$4.1 million, respectively, invested in the Funds as seed capital. The investments are considered current as Russell expects to redeem all shares within one year and are included in other current assets. Gains on these investments were US\$1.1 million, US\$0.8 million and US\$0.2 million for the years ended 31 December 2013, 2012 and 2011, respectively.

During 2013, 2012 and 2011, interest related to Junior Preferred Stock and Senior Cumulative Preferred Stock was paid to Northwestern Mutual in the amount of US\$32.3 million.

31. Other Statutory Information

Auditors' remuneration payable to PricewaterhouseCoopers LLP (PwC) and its associates comprise the following:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	\$m	\$m	\$m
Audit of parent and historical financial information	0.7	0.7	0.7
Audit of subsidiary companies	1.1	1.1	1.3
Audit related assurance services	0.7	0.7	0.9
Other non-audit services:			
Taxation	0.4	0.8	0.7
Total expenses	<u>2.9</u>	<u>3.3</u>	<u>3.6</u>

Non-Executive Directors emoluments comprise the following:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	\$m	\$m	\$m
Salary and fees	0.3	0.7	0.6
Gains made on share awards	0.4	0.2	—
	<u>0.7</u>	<u>0.9</u>	<u>0.6</u>

Executive Directors compensation is included in key personnel compensation at Note 30.

32. Subsequent Events

On 26 June 2014, the London Stock Exchange Group plc (“LSEG”) announced the proposed acquisition of the entire issued share capital of Russell from Northwestern Mutual and the minority shareholders of Russell for total cash consideration of US\$2,700 million.

33. Transition to IFRS

As discussed in Note 1, this financial information has been prepared in accordance with IFRS. Russell's financial information for the year ended December, 2011 is its first that complies with IFRS. As this is Russell's first year reporting under IFRS, IFRS 1 is applicable.

In accordance with IFRS 1, Russell has applied IFRS retrospectively as of 1 January 2011 (the “Transition Date”) for comparative purposes. In preparing its opening balance sheet in accordance with IFRS, Russell has adjusted amounts reported previously in its financial statements prepared in accordance with US GAAP. The impact of the transition on Russell's historical financial information, financial performance and cash flows is discussed below.

Transition elections

Under IFRS 1, Russell may elect certain exemptions from a full retrospective application of IFRS at the Transition Date. Exemptions from full retroactive application that Russell applied in the transition to IFRS are detailed as follows:

IFRS 1 optional exemptions

- (a) Business Combinations—this exemption allows first-time adopters to elect to apply IFRS 3 (revised)—Business Combinations (“IFRS 3”), prospectively from the Transition Date or retrospectively only to acquisitions after a chosen date that is prior to the Transition Date. Not taking this exemption would require retrospective restatement of all business combinations occurring before the Transition Date.
- (b) Share-based payments—IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2—Share-based Payments (“IFRS 2”), to equity instruments granted on or before 7 November 2002, or to equity instruments after that date but which have vested by the Transition Date. In addition, it encourages, but does not require, first-time adopters to apply IFRS 2 to liabilities arising from share-based payment transactions that were settled before the Transition Date. Russell has elected to only apply IFRS 2 to equity instruments granted after 7 November 2002 and remaining unvested at the Transition Date as well as to cash settled liabilities remaining unsettled as at the Transition Date.
- (c) Leases—this exception allows first-time adopters to elect to apply IFRIC 4—Determining whether an Arrangement contains a Lease (“IFRIC 4”), only to arrangements existing at the Transition Date. Russell has elected to assess whether an arrangement contains a lease at the Transition Date as opposed to the inception of the arrangement.
- (d) Assets and liabilities of subsidiaries, associates and joint ventures—if a parent adopts IFRS later than its subsidiary, the parent, in its historical financial information, must measure the assets and liabilities of the subsidiary at the same carrying amounts as in the IFRS financial statements of the subsidiary, adjusting for normal consolidation entries. Russell in its adoption of IFRS has maintained assets and liabilities of those subsidiaries that have already adopted IFRS at the same carrying amount as included in the IFRS financial statements of those subsidiaries.
- (e) Designation of previously recognised financial instruments—this exemption allows first-time adopters to designate a financial instrument as a financial asset or financial liability “at fair value through profit or loss” at the Transition Date. Russell has elected this exemption for Post Closing Payments.

IFRS 1 mandatory exemptions

IFRS 1 prohibits retrospective application of certain aspects of IFRS. The mandatory exemption that is applicable to Russell on its conversion to IFRS is as follows:

- (a) Estimates—hindsight cannot be used to create or revise estimates. The estimates previously made by Russell under pre-conversion US GAAP have not been revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Reconciliation of pre-conversion US GAAP to IFRS

In accordance with IFRS 1, the following tables and notes present reconciliations and explanations of how the transition to IFRS has affected Russell’s comparative financial statements.

Reconciliation of equity

	31 December 2013	1 January 2011
	\$m	\$m
Equity under pre-conversion US GAAP	1,039.0	1,026.0
Differences (decreasing) increasing reported equity:		
a Goodwill	(824.9)	(824.9)
b Share-based compensation	(123.5)	(68.9)
c Preferred Stock	(394.2)	(394.2)
d Provisions	—	(2.4)
e Income taxes—current and deferred	6.4	8.0
f Deferred income	(2.4)	(2.5)
g Investments in associates and joint ventures	0.6	0.4
Equity under IFRS	<u>(299.0)</u>	<u>(258.5)</u>

Reconciliation of comprehensive income

	For the year ended 31 December 2013
	\$m
Comprehensive income pre-conversion US GAAP	130.7
Differences increasing (decreasing) reported comprehensive income	
a Goodwill	4.0
b Share-based compensation	(36.5)
c Preferred Stock	(32.3)
d Provisions	(0.5)
e Income taxes—current and deferred	6.9
f Deferred income	0.2
g Investments in associates and joint ventures	(0.3)
Comprehensive income under IFRS	<u>72.2</u>

Notes to the reconciliations

- (a) Goodwill—under US GAAP the goodwill that arose in Northwestern Mutual’s acquisition of Russell was “pushed down” into Russell’s historical financial information. IFRS does not recognise such “push down” accounting, as such, this goodwill associated with Northwestern Mutual’s acquisition of Russell was reversed upon adoption of IFRS 1.
- (b) Share-based compensation—under US GAAP stock options and RSUs are accounted for as equity classified awards. Additionally, all of Russell’s share based awards are recognised on a straight line basis over the vesting period of each award. Under IFRS Russell’s stock options and RSUs are accounted for as liability classified awards as the holders of the awards have the ability to put the award to Russell. Additionally, under IFRS all of Russell’s share based awards are recognised using the graded method of attribution over the vesting period.
- (c) Preferred Stock—under US GAAP Preferred Stock is classified as a component of equity with dividends being charged to retained earnings. Under IFRS the Preferred Stock is classified as a liability with dividends being charged to interest expense.
- (d) Provisions—under US GAAP provisions for cease use liabilities are measured with the inclusion of an estimate of future sublease income, even if a company has no intent on subleasing the space. Under IFRS, sublease income is considered in the measurement only if Russell has the right to sublease and such sublease income is probable.
- (e) Income taxes—current and deferred—the following represent the differences:
- under US GAAP deferred tax assets on stock based compensation are based on financial reporting book expense. Under IFRS they are based on the expected future tax deduction.
 - under US GAAP future income tax liabilities and assets are measured using the enacted income tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. Under IFRS Deferred income tax assets and liabilities are measured using the “substantively enacted”, as opposed to the “enacted”, income tax rate expected to be in effect when the temporary differences are expected to be recovered or settled.

- US GAAP requires that a deferred tax asset be recorded at gross and reduced by a valuation allowance to the extent it is not more likely than not to be realised. Under IFRS a deferred tax asset is only recognised if it is “probable” that it will be realised.
 - under US GAAP deferred tax assets and liabilities are classified as current and non-current. Under IFRS deferred tax assets or liabilities are classified as non-current.
 - under US GAAP uncertain tax positions are recorded using a cumulative probability model. Under IFRS, uncertain tax positions are recorded using either a single best estimate or weighted average probability of the possible outcomes.
- (f) Deferred income—Under US GAAP deferred income is recognised on a straight line method. Under IFRS, deferred income is recognised using the straight line method taking into consideration the time value of money.
- (g) Under US GAAP certain investments are accounted for under the cost method. Under IFRS, such assets are accounted for under the equity method.

Reconciliation of consolidated balance sheet as at 1 January 2011.

	<u>US GAAP Balance</u>	<u>IFRS Adjustments</u>	<u>IFRS Reclassifications</u>	<u>IFRS Balance</u>
Assets				
Non-current assets				
Property, plant and equipment	68.0	—	(14.4)	53.6
Intangible assets	829.6	(824.7)	14.3	19.2
Investments in associates	—	0.4	16.4	16.8
Deferred tax assets	40.2	8.0	38.4	86.6
Assets at fair value through profit or loss	48.6	—	68.2	116.8
Other non-current assets	127.8	—	(84.5)	43.3
	<u>1,114.2</u>	<u>(816.3)</u>	<u>38.4</u>	<u>336.3</u>
Current assets				
Trade and other receivables	325.2	—	—	325.2
Derivative financial instruments*	—	—	—	—
Other current assets	30.6	—	—	30.6
Deferred tax assets	38.4	—	(38.4)	—
Cash and cash equivalents	238.3	—	—	238.3
	<u>632.5</u>	<u>—</u>	<u>(38.4)</u>	<u>594.1</u>
Total assets	<u>1,746.7</u>	<u>(816.3)</u>	<u>—</u>	<u>930.4</u>
Liabilities				
Current liabilities				
Trade and other payables	404.9	4.4	(4.6)	404.7
Derivative financial instruments*	1.7	—	—	1.7
Current tax	23.1	—	—	23.1
Borrowings	189.7	1.4	—	191.1
Provisions	—	—	4.6	4.6
	<u>619.4</u>	<u>5.8</u>	<u>—</u>	<u>625.2</u>
Non-current liabilities				
Borrowings	0.8	392.8	—	393.6
Other non-current payables	61.1	67.8	—	128.9
Other non-current liabilities	39.6	1.6	(9.0)	32.2
Provisions	—	—	9.0	9.0
	<u>101.5</u>	<u>462.2</u>	<u>—</u>	<u>563.7</u>
Total liabilities	<u>720.9</u>	<u>468.0</u>	<u>—</u>	<u>1,188.9</u>
Net assets/(liabilities)	<u>1,025.8</u>	<u>(1,284.3)</u>	<u>—</u>	<u>(258.5)</u>
Equity				
Capital and reserves attributable to Russell's equity holders				
Preferred stock	394.2	(394.2)	—	—
Ordinary share capital	620.1	(1,054.8)	434.7	—
Retained (losses)/earnings	7.1	164.7	—	171.8
Other reserves	3.6	—	(434.7)	(431.1)
Total shareholder funds	<u>1,025.0</u>	<u>(1,284.3)</u>	<u>—</u>	<u>(259.3)</u>
Non-controlling interests	<u>0.8</u>	<u>—</u>	<u>—</u>	<u>0.8</u>
Total equity	<u>1,025.8</u>	<u>(1,284.3)</u>	<u>—</u>	<u>(258.5)</u>

Reconciliation of consolidated income statement for the year ended 31 December 2013.

	US GAAP Balance	IFRS Adjustments	IFRS Reclassifications	IFRS Balance
Revenue	1,604.2	1.1	—	1,605.3
Other income (loss)	3.9	(0.3)	—	3.6
Total income	1,608.1	0.8	—	1,608.9
Expenses				
Operating expenses	(1,399.9)	(33.1)	—	(1,433.0)
Operating profit	208.2	(32.3)	—	175.9
Finance income	1.5	—	—	1.5
Finance expense	(3.4)	(33.6)	—	(37.0)
Net finance expense	(1.9)	(33.6)	—	(35.5)
Profit/before taxation	206.3	(65.9)	—	140.4
Taxation	(82.0)	7.4	—	(74.6)
Profit/for the financial year	124.3	(58.5)	—	65.8
Profit/attributable to non-controlling interests	0.2	—	—	0.2
Profit/attributable to equity holders	124.1	(58.5)	—	65.6
Other comprehensive income/(loss):				
Items that may be subsequently reclassified to profit or loss				
Exchange (loss)/gain on translation of foreign operations	6.4	—	—	6.4
Total comprehensive income for the financial year	130.7	(58.5)	—	72.2
Attributable to non-controlling interest	0.2	—	—	0.2
Attributable to equity holders	130.5	(58.5)	—	72.0
Total comprehensive income for the financial year	130.7	(58.5)	—	72.2

Reconciliation of consolidated balance sheet as at 31 December 2013.

	<u>US GAAP Balance</u>	<u>IFRS Adjustments</u>	<u>IFRS Reclassifications</u>	<u>IFRS Balance</u>
Assets				
Non-current assets				
Property, plant and equipment	74.0	—	(18.6)	55.4
Intangible assets	834.3	(820.9)	18.6	32.0
Investments in associates	—	0.7	23.8	24.5
Deferred tax assets	26.6	6.5	18.3	51.4
Assets at fair value through profit or loss	47.0	—	77.3	124.3
Other non-current assets	163.4	(4.0)	(101.1)	58.3
	<u>1,145.3</u>	<u>(817.7)</u>	<u>18.3</u>	<u>345.9</u>
Current assets				
Trade and other receivables	285.8	—	—	285.8
Derivative financial instruments*	3.4	—	—	3.4
Other current assets	36.3	—	—	36.3
Deferred income taxes	19.8	—	(19.8)	—
Cash and cash equivalents	282.1	—	—	282.1
	<u>627.4</u>	<u>—</u>	<u>(19.8)</u>	<u>607.6</u>
Total assets	<u>1,772.7</u>	<u>(817.7)</u>	<u>(1.5)</u>	<u>953.5</u>
Liabilities				
Current liabilities				
Trade and other payables	435.7	4.8	(1.2)	439.3
Derivative financial instruments*	—	—	—	—
Current tax	22.6	—	—	22.6
Borrowings	91.0	1.5	—	92.5
Provisions	—	—	0.4	0.4
	<u>549.3</u>	<u>6.3</u>	<u>(0.8)</u>	<u>554.8</u>
Non-current liabilities				
Borrowings	78.1	392.8	—	470.9
Other non-current payables	59.6	119.4	—	179.0
Other non-current liabilities	46.8	1.7	(2.6)	45.9
Provisions	—	—	1.9	1.9
	<u>184.5</u>	<u>513.9</u>	<u>(0.7)</u>	<u>697.7</u>
Total liabilities	<u>733.8</u>	<u>520.2</u>	<u>(1.5)</u>	<u>1,252.5</u>
Net assets/liabilities	<u>1,038.9</u>	<u>(1,337.9)</u>	<u>—</u>	<u>(299.0)</u>
Equity				
Capital and reserves attributable to Russell's equity holders				
Preferred stock	394.2	(394.2)	—	—
Ordinary share capital	614.9	(1,056.0)	441.1	—
Retained earnings	15.6	112.3	—	127.9
Other reserves	14.3	—	(441.1)	(426.8)
Total shareholder funds	<u>1,039.0</u>	<u>(1,337.9)</u>	<u>—</u>	<u>(298.9)</u>
Non-controlling interests	<u>(0.1)</u>	<u>—</u>	<u>—</u>	<u>(0.1)</u>
Total equity	<u>1,038.9</u>	<u>(1,337.9)</u>	<u>—</u>	<u>(299.0)</u>

* This amount was originally disclosed on a gross basis as an asset of US\$24.7 million and US\$56.9 million together with a corresponding liability of US\$26.4 million and US\$53.5 million, at 1 January 2011 and 31 December 2013, respectively.

PART C—ACCOUNTANTS' REPORT FOR RUSSELL FINANCIAL INFORMATION



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Greenhill & Co. International LLP
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22 August 2014

Dear Sirs

Historical Financial Information relating to Frank Russell Company

We report on the financial information of Frank Russell Company and its subsidiaries (the “Russell Group”) set out in Part B of Part IX above (the “IFRS Financial Information Table”). The IFRS Financial Information Table has been prepared for inclusion in the combined prospectus and class 1 circular dated 22 August 2014 (the “Investment Circular”) of London Stock Exchange Group plc (“LSEG” or the “Company”) on the basis of the accounting policies set out in note 1. This report is required by item 13.5.21R of the Listing Rules and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the IFRS Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the IFRS Financial Information Table gives a true and fair view, for the purposes of the Investment Circular 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 5.5.3R(2)(f) of the Prospectus 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 13.4.1R(6) of the Listing Rules and item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Investment Circular.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH

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.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. 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 Russell Group'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 standards generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Investment Circular dated 22 August 2014, a true and fair view of the state of affairs of the Russell Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Investment Circular and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Investment Circular in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART X—UNAUDITED PRO FORMA STATEMENTS OF THE ENLARGED GROUP

SECTION A—PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma income statement and unaudited pro forma net assets statement of the Enlarged Group set out below have been prepared for illustrative purposes only, in accordance with Annex II of the Prospectus Rules and on the basis of the notes set out below. The unaudited pro forma income statement has been prepared to illustrate the effect on the earnings of LSEG as if the proposed acquisition had taken place on 1 April 2013. The unaudited pro forma net assets statement has been prepared to illustrate the effect on the net assets of LSEG as if the proposed acquisition had taken place on 30 June 2014. The unaudited pro forma income statement and net assets statement have been prepared for illustrative purposes only and, because of their nature, address a hypothetical situation and do not, therefore, represent the LSEG or the Enlarged Group's actual financial position or results. The pro forma financial information have been prepared under IFRS and on the basis set out in the notes below and in accordance with Annex II to the PD regulation. The pro forma financial information is stated on the basis of the accounting policies of LSEG. The unaudited pro forma financial information has not been prepared, or shall not be construed as having been prepared, in accordance with Regulation S-X under the Securities Act.

Unaudited Pro Forma Income Statement

	LSEG Year Ended 31 March 2014 (Note 2)	Adjustments Russell Year Ended 31 December 2013 (Note 3)	Other Adjustments (Note 5)	Pro Forma Enlarged Group	Notes
		£ millions			
Revenue					
Total income	1,209.6	1,029.1	—	2,238.7	
Expenses					
Operating expenses	(856.5)	(916.5)	(32.4)	(1,805.4)	5.c,d
Operating profit	353.1	112.6	(32.4)	433.3	
Net interest expense	(68.8)	(22.7)	(7.2)	(98.7)	5.e
Income taxes	(101.6)	(47.7)	9.5	(139.8)	5.f
Profit for the financial year	<u>182.7</u>	<u>42.2</u>	<u>(30.1)</u>	<u>194.8</u>	
Profit attributable to minority interests .	12.6	0.1	—	12.7	
Profit attributable to equity holders . . .	<u>170.1</u>	<u>42.1</u>	<u>(30.1)</u>	<u>182.1</u>	
	<u>182.7</u>	<u>42.2</u>	<u>(30.1)</u>	<u>194.8</u>	
Basic earnings per share (Note 6)	63.0p			52.9p	
Diluted earnings per share (Note 6) . . .	61.4p			51.8p	

Unaudited Pro Forma Net Assets Statement

<i>£ millions</i>	Adjustments					Pro Forma Enlarged Group	Notes
	LSEG as at 30 June 2014 (Note 2)	Russell as at 30 June 2014 (Note 4)	Rights Issue (Note 5)	Elimination of borrowings, purchased intangibles and goodwill (Note 5)	Other Adjustments (Note 5)		
Assets							
Non-current assets							
Property, plant and equipment . . .	91.5	30.2	—	—	—	121.7	
Intangible assets	2,408.8	18.8	—	(7.6)	1,424.3	3,844.3	5.a)iii & iv
Investments in associates	0.3	13.5	—	—	—	13.8	
Deferred tax assets	32.7	27.9	—	—	—	60.6	
Derivative financial instruments . .	9.9	—	—	—	—	9.9	
Assets at fair value through profit or loss	—	72.8	—	—	—	72.8	
Available for sale investments . . .	4.8	—	—	—	—	4.8	
Retirement benefit asset	13.7	—	—	—	—	13.7	
Other non-current assets	0.3	34.4	—	—	—	34.7	
	2,562.0	197.6	—	(7.6)	1,424.3	4,176.3	
Current assets							
Inventories	0.7	—	—	—	—	0.7	
Trade and other receivables	340.9	209.9	—	—	—	550.8	
Derivative financial instruments . .	—	—	—	—	—	—	
CCP financial assets	447,450.6	—	—	—	—	447,450.6	
CCP cash and cash equivalents (restricted)	33,377.0	—	—	—	—	33,377.0	
CCP clearing business assets	480,827.6	—	—	—	—	480,827.6	
Current tax	24.2	—	—	—	—	24.2	
Assets held at fair value	31.6	—	—	—	—	31.6	
Cash and cash equivalents	985.1	161.7	938.5	—	(938.5)	1,146.8	5.b
	482,210.1	371.6	938.5	—	(938.5)	482,581.7	
Total assets	484,772.1	569.2	938.5	(7.6)	485.8	486,758.0	
Liabilities							
Current liabilities							
Trade and other payables	500.3	232.4	—	—	21.0	753.7	5.g
Derivative financial instruments . .	3.8	0.3	—	—	—	4.1	
CCP clearing business liabilities . .	480,824.1	—	—	—	—	480,824.1	
Current tax	26.3	3.6	—	—	—	29.9	
Borrowings	249.0	53.5	—	(53.5)	—	249.0	5.a)ii
Provisions	1.9	0.2	—	—	—	2.1	
	481,605.4	290.0	—	(53.5)	21.0	481,862.9	
Non-current liabilities							
Borrowings	940.3	274.7	—	(274.7)	673.4	1,613.7	5.a)ii & 5.e
Derivative financial instruments . .	2.3	—	—	—	—	2.3	
Deferred tax liabilities	160.6	—	—	—	—	160.6	
Retirement benefit obligation . . .	36.4	—	—	—	—	36.4	
Other non-current liabilities	50.0	136.4	—	—	—	186.4	
Provisions	16.0	1.1	—	—	—	17.1	
	1,205.6	412.2	—	(274.7)	673.4	2,016.5	
Total liabilities	482,811.0	702.2	—	(328.2)	694.4	483,879.4	
Net assets	1,961.1	(133.0)	938.5	320.6	(208.6)	2,878.6	

Notes:

1. Basis of presentation

The unaudited pro forma financial information has been compiled from underlying financial statements prepared in accordance with IFRS as applied by LSEG and reflects the transaction to create the Enlarged Group.

The unaudited pro forma financial information should be read in conjunction with the underlying financial information of LSEG and Russell, which is included in Part VIII “Financial Information of London Stock Exchange Group” and Part IX “Financial Information of Russell” of this document, respectively.

For the unaudited pro forma consolidated income statement, the Russell income statement for the year ended 31 December 2013 has been combined with the LSEG income statement for the year ended 31 March 2014. For the unaudited pro forma consolidated net assets statement, the respective Russell and LSEG balance sheets as at 30 June 2014 have been combined.

The unaudited pro forma financial information of the Enlarged Group is presented for illustrative purposes only and is not intended to reflect the financial position and results which would have actually resulted had the acquisition been effected on any of the dates indicated. Further, the pro forma operating results are not necessarily indicative of the results of operations that may be obtained in the future nor the impact of possible changes to the Enlarged Group’s business model as a result of changes in market conditions which may impact revenues, expense efficiencies, asset dispositions, share repurchases and other factors. No account has been taken of the trading activity or other transactions of the Enlarged Group for the period since 30 June 2014.

The unaudited pro forma financial information has been prepared in order to meet the requirements of the Prospectus Rules and associated guidance issued in the ESMA update of the CESR Recommendations.

2. London Stock Exchange Group year ended 31 March 2014

The IFRS information for LSEG was extracted without material adjustment from the audited historical financial information of LSEG for the year ended 31 March 2014 prepared in accordance with IFRS as adopted by the EU.

3. Russell year ended 31 December 2013

The IFRS information for Russell used in the pro forma consolidated income statement was extracted without material adjustment from the audited historical financial information of Russell for the year ended 31 December 2013, prepared in accordance with IFRS. A rate of exchange US\$1.5635 = £1 as the average for the year ended 31 December 2013 has been used to convert the financial information into sterling.

4. Russell as at 30 June 2014

The IFRS information for Russell used in the pro forma consolidated net assets statement was extracted without material adjustment from the unaudited interim financial information of Russell for the six months ended 30 June 2014, prepared in accordance with IFRS. A rate of exchange of US\$1.7041 = £1 prevailing at 30 June 2014 has been used to convert the financial information into sterling

The unaudited pro forma financial information of Russell as at 30 June 2014 has been compiled in a manner consistent with the accounting policies adopted by LSEG. These accounting policies are consistent with those used to prepare the financial statements of Russell, prepared in accordance with IFRS, set out in Part IX “Financial Information of Russell” of this document and not reproduced here.

For the purposes of the Russell net assets statement “Trade and other receivables” is the combination of “Trade and other receivables” and “Other current assets” and “Other non-current liabilities” is the combination of “Other non-current liabilities” and “Other non-current payables”.

5. Pro forma adjustments

- (a) Estimated purchase consideration and related excess purchase consideration over book value of net assets acquired are as follows:

<u>Estimated Excess of Purchase Consideration over net assets required</u>	<u>£ million</u>	<u>Notes</u>
Estimated Purchase Consideration	1,611.9	(i)
<i>Add:</i> book value of net liabilities acquired	133.0	
<i>Less:</i> debt settled at acquisition	(328.2)	(ii)
Add back: Russell purchased goodwill and intangibles	7.6	(iii)
Excess of purchase consideration over book value of net assets required	1,424.3	(iv)

- (i) Estimated purchase consideration is US\$2,700 million (£1,623.4 million at the 20 August 2014 Spot Exchange Rate), less an anticipated Net Working Capital adjustment of £29.2 million plus an anticipated £17.7 million in respect of non-restricted cash to be acquired, each as contemplated to be adjusted for under the Merger Agreement. The actual amounts of such adjustments will be determined at the Completion Balance Sheet date and will be impacted by future trading results;
- (ii) All Russell borrowings are to be settled on acquisition and therefore these have been adjusted out within the pro forma net assets statement and would therefore reduce the estimated excess purchase consideration over book value of net assets acquired;
- (iii) For the purposes of the pro forma analysis, acquisition goodwill and intangible assets of Russell Group of £7.6 million have been added back to the “book value of net assets acquired”. These balances will then be re-evaluated alongside the acquisition goodwill and intangible assets of the Russell Group as part of the Enlarged Group’s consolidated accounts. The £7.6 million consists of goodwill of £7.0 million, and £0.6 million of definite life customer relationship intangibles; and
- (iv) The gross difference of £1,424.3 million between “the book value of net assets acquired” and the estimated consideration has been presented as a single value in goodwill. Following completion of the Acquisition, the assets and liabilities of Russell will be subject to a fair value purchase price allocation exercise.
- (b) Approximately US\$1,561 million (£938 million at the 20 August 2014 Spot Exchange Rate) of the consideration will be financed from the net proceeds of the Rights Issue. This equates to an additional 74,347,813 LSEG shares at the Issue Price of 1,295 pence per share, which represents a discount of 30.1 per cent. to the theoretical ex-rights price, and after taking into account estimated rights issue costs of approximately £24.3 million;
- (c) LSEG and Russell have incurred transaction-related costs that do not qualify to be capitalised as part of the estimated purchase consideration. None of these items were initially recorded as expenses in the Russell income statement to 31 December 2013 and the LSEG income statement to 31 March 2014. Therefore an adjustment of £32.4 million has been made to include these expenses incurred because the pro forma income statement has been prepared as if the transaction had been completed on 1 April 2013. These expenses are non-recurring in nature and are not expected to have a continuing impact on the consolidated results;
- (d) The pro forma income statement does not include amortisation of intangible assets arising on acquisition as this will not be determined until the purchase price allocation exercise is completed;
- (e) LSEG has entered into a new £600 million RCF facility to partially fund the acquisition of the Russell. It is estimated that £673.4 million will be drawn under this new revolving credit facility and LSEG’s existing revolving credit facility in order to fund the balance of the estimated purchase consideration of £1,611.9 million after deduction of £938.5 million, being the proceeds of the Rights Issue. The new revolving credit facility is priced at 0.6 per cent. above Libor and an interest charge adjustment of £7.2 million has been made in the unaudited pro forma income statement;
- (f) The estimated tax benefits of the above adjustments is £9.5 million in the pro forma income statement for the period covered. The estimate reflects the effective tax rates of LSEG and Russell and tax jurisdictions in which the pro forma adjustments are assumed to occur (UK: 23 per cent., US: 35 per cent.);

- (g) LSEG and Russell have estimated that the total transaction-related costs will be £32.4 million, excluding the estimated expenses in connection with the Rights Issue, of which £21.0 million will be paid post 30 June 2014; and
- (h) Other than transaction related costs, the pro forma income statement and net asset statement do not reflect any performance related costs that crystallise or initiate on acquisition. As described in Part XII “Key Transaction Terms”, all legacy equity-based compensation interests of Russell that are discharged will be adjusted against the merger consideration and consequently do not impact the pro forma net assets statement.

<u>Pro Forma Income by Division</u>	<u>LSEG</u>	<u>Adjustments</u>	<u>Pro Forma Enlarged Group</u>
	<u>Year Ended 31 March 2014</u>	<u>Russell Year Ended 31 December 2013</u>	
	(Note 2) £m	(Note 3) £m	£m
Capital Markets	309.5	—	309.5
Post Trade Services—CC&G and Monte Titoli	146.9	—	146.9
Post Trade Services—LCH.Clearnet	321.7	—	321.7
Information Services	348.7	111.1	459.8
<i>Indexes</i>	174.0	111.1	285.1
<i>Real-time data</i>	90.8	—	90.8
<i>Other</i>	83.9	—	83.9
Technology Services	74.9	—	74.9
Asset Management	—	913.7	913.7
Other	19.7	4.3	24.0
Elimination	(11.8)	—	(11.8)
Total income	<u>1,209.6</u>	<u>1,029.1</u>	<u>2,238.7</u>

- (i) Pro forma income by division has been prepared to illustrate the effect on the divisional income of LSEG as if the proposed acquisition had taken place on 1 April 2013. The year ended 31 March 2014 pro forma income for the combined indices business would have been £285.1 million, US\$445.8 million at a rate of exchange of US\$1.5635 = £1. The sub categorisation of the Information Services division for LSEG is extracted from the financial review section of the London Stock Exchange Group Annual report to 31 March 2014.

6. Pro forma earnings per share

Basic and diluted pro forma earnings per share

Numerator:

Pro forma profit for the financial year attributable to equity holders (£m) 182.1

Denominator:

LSEG weighted-average ordinary shares (million) 270.1

Shares to be issued of LSEG (million) 74.3

Basic pro forma weighted-average ordinary shares (million) 344.4

Effect of diluted share options and awards (millions) 7.0

Diluted pro forma weighted-average ordinary shares (million) 351.4

Basic pro forma earnings per share (pence) 52.9

Diluted pro forma earnings per share (pence) 51.8

SECTION B—ACCOUNTANTS' REPORT ON THE PRO FORMA FINANCIAL INFORMATION



The Directors
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London
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Greenhill & Co. International LLP
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22 August 2014

Dear Sirs

London Stock Exchange Group plc (the “Company”)

We report on the unaudited pro forma financial information (the “**Pro Forma Financial Information**”) set out in Section A of Part X of the Company’s combined prospectus and class 1 circular dated 22 August 2014 (the “**Investment Circular**”) which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed acquisition of Russell and associated rights issue 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 period ended 31 March 2014. This report is required by item 20.2 of Annex I to the PD Regulation and item 13.3.3R of the Listing Rules of the UK Listing Authority (the “**Listing Rules**”) and is given for the purpose of complying with that PD Regulation and Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I to the PD Regulation and item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 20.2 of Annex I to the PD Regulation and item 13.3.3R of the Listing Rules as to the proper compilation of the Pro Forma Financial Information and to report our 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.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH

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.

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 5.5.3R(2)(f) of the Prospectus 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 13.4.1R(6) of the Listing Rules and item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Investment Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. 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 standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Investment Circular and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Investment Circular in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART XI—TAXATION

1. UK TAXATION

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Shares, Nil Paid Rights or Fully Paid Rights. Prospective acquirers of New Shares, Nil Paid Rights or Fully Paid Rights are advised to consult their own professional advisers concerning the tax consequences of the acquisition, ownership and disposition of such shares or rights. The following statements are based on current UK tax legislation and the current published practice of HM Revenue & Customs as at the date of this document, both of which are subject to change at any time, possibly with retroactive effect. They apply only to Shareholders who are resident, and in the case of individuals domiciled, for tax purposes in (and only in) the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or a self-invested personal pension), and who are the absolute beneficial owners of both their Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their New Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

Prospective acquirers of New Shares, Nil Paid Rights or Fully Paid Rights who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

1.1 Taxation of Chargeable Gains

1.1.1 UK tax resident Shareholders

(a) *New Shares acquired pursuant to the Rights Issue*

For the purposes of UK taxation of chargeable gains (“CGT”), the issue of New Shares to existing Shareholders who take up their rights should be regarded as a reorganisation of the share capital of the Company. Accordingly, to the extent that an existing Shareholder takes up all or part of his entitlement under the Rights Issue, he should not be treated as making a disposal of all or part of his holding of Existing Shares and no liability to CGT should arise. Instead, the New Shares acquired and the Existing Shares in respect of which they are issued will, for CGT purposes, be treated as the same asset and as having been acquired at the same time as the Existing Shares. The amount paid for the New Shares will be added to the base cost of the Existing Shares when computing any gain or loss on any subsequent disposal but, for the purposes of calculating the indexation allowance (in the case of corporate shareholders) on a subsequent disposal of Shares, the amount paid will generally be taken into account only from the time that the payment was made. In the case of non corporate Shareholders, indexation allowance is not available.

(b) *Disposals*

If a Shareholder sells or otherwise disposes or is deemed to dispose of all or some of the New Shares allotted to him, or of his rights to subscribe for New Shares, or if he allows or is deemed to have allowed his rights to lapse and receives a cash payment in respect of them, he may, depending on his circumstances and subject to any available exemption or relief, incur a liability to CGT.

If a Shareholder disposes of all or part of his Nil Paid Rights, or allows or is deemed to allow them to lapse and receives a cash payment, then if the proceeds are “small” as compared to the value of the Existing Shares in respect of which the rights arose, the Shareholder should not generally be treated as making a disposal for CGT purposes. Instead, the proceeds will be deducted from the base cost of his holding of Existing Shares for the purpose of computing any chargeable gain or allowable loss on a subsequent disposal. HM Revenue & Customs currently regards a receipt as “small” if its amount or value does not exceed five per cent. of the value of the Existing Shares or is £3,000 or less, whether or not it would also fall within the five per cent. test. This treatment will not apply where such proceeds are greater than the base cost of the holding of Existing Shares for CGT purposes.

1.1.2 Non-UK tax resident Shareholders

A Shareholder who is not resident for tax purposes in the UK will not generally be subject to CGT on the disposal or deemed disposal of New Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent

establishment) in connection with which the New Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has ceased to be resident for tax purposes in the UK or is treated as resident outside the UK for the purposes of a double tax treaty (“Treaty non-resident”) for a period of five years or less (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes Treaty non-resident for a period of less than five tax years) and who disposes of all or part of his New Shares during that period may be liable to CGT on his return to the UK, subject to any available exemptions or reliefs.

1.2 Taxation of Dividends

The Company is not required to withhold tax at source when paying a dividend in respect of New or Existing Shares. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from the Company will generally be entitled to a tax credit equal to one-ninth (2014/2015) of the amount of the dividend received, which is equivalent to 10 per cent. of the aggregate of the dividend received and the tax credit (the “gross dividend”), and will be subject to income tax on the gross dividend. An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy the income tax liability of such a Shareholder in full. Where the tax credit exceeds the Shareholder’s tax liability the Shareholder cannot claim repayment of the tax credit from HM Revenue & Customs.

An individual UK resident Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent. (2014/2015) to the extent that such sum, when treated as the top slice of that Shareholder’s income, exceeds the threshold for higher rate income tax. After taking into account the ten per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

If and to the extent that the gross dividend received by an individual UK resident Shareholder who is subject to income tax at the “additional rate” (which applies to taxable income in excess of £150,000 (2014/2015)), that individual will be subject to tax on the gross dividend at the “dividend additional rate”, currently 37.5 per cent. (2014/2015). In the same way as in relation to a Shareholder who is subject to income tax at the higher rate, the ten per cent. tax credit may be set off against part of his liability. This will have the effect that the Shareholder will have to account for tax equal to 27.5 per cent. of the gross dividend, or approximately 30.6 per cent. of the net dividend, to the extent that the gross dividend exceeds the threshold for the additional rate. So, for example, a cash dividend of £180 will carry a tax credit of £20 and the UK income tax payable on the gross dividend of £200 by an individual Shareholder who is subject to income tax at the dividend additional rate will be 37.5 per cent. of £200, namely £75, less the tax credit of £20, leaving a net tax charge of £55.

UK corporation tax is charged on dividends at the rate applicable to the corporate Shareholder. A UK resident corporate Shareholder (within the charge to UK corporation tax) which is a ‘small company’ for the purposes of the UK taxation of dividends legislation will not generally be subject to UK corporation tax on dividends from the Company.

It is likely that most dividends paid on the Shares to a UK resident corporate Shareholder which is not a ‘small company’ for the purposes of the UK taxation of dividends legislation would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules. Shareholders within the charge to corporation tax should consult their own professional advisers.

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company. Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. A Shareholder resident outside the UK may also be subject to non-UK taxation on dividend income under local law.

1.3 UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

1.3.1 The Rights Issue

No stamp duty or SDRT will be payable on the issue of New Shares pursuant to the Rights Issue, other than as explained in the paragraphs below.

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters or the crediting of Nil Paid Rights to accounts in CREST. Where New Shares represented by such documents or rights are registered in the name of the Shareholder entitled to such shares, or New Shares are credited in uncertificated form to CREST accounts, no liability to stamp duty or SDRT will generally arise.

A purchaser of rights to New Shares represented by Provisional Allotment Letters (whether nil or fully paid) or of Nil Paid Rights or Fully Paid Rights held in CREST on or before the latest time for registration of renunciation will not generally be liable to pay stamp duty, but the purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the value or amount of the consideration given.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the New Shares represented by the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights held in CREST is liable to pay the SDRT and must account for it to HM Revenue & Customs. In the case of transfers within CREST, any SDRT due should be collected through CREST in accordance with the CREST rules.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or Nil Paid Rights or Fully Paid Rights, whether by the original holders or their renounees.

1.3.2 Subsequent transfers

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Shares. A charge to SDRT will also arise on an unconditional agreement to transfer Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

1.3.2.1 Shares held through CREST

Paperless transfers of Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such a transfer is made for a consideration in money or money’s worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

1.3.2.2 Shares held through Clearance Systems or Depositary Receipt Arrangements

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent. Following litigation HM Revenue & Customs have confirmed that they will no longer seek to apply 1.5 per cent. SDRT on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. HM Revenue & Customs’ view is that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. This view is currently being challenged in further litigation. **Accordingly, specific professional advice should be sought before incurring a 1.5 per cent. stamp duty or stamp duty reserve tax charge in any circumstances.**

The statements in this paragraph 1.3.2.2 apply to any holders of Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.

2. United States Federal Income Taxation

The following is a summary based on present law of certain US federal income tax considerations relevant to the receipt, exercise and disposition of Nil Paid Rights pursuant to the Rights Issue as well as the acquisition, ownership and disposition of the New Shares. It addresses only a US Holder that receives the Nil Paid Rights with respect to Existing Shares, will hold the Nil Paid Rights and New Shares as capital assets and uses the US dollar as its functional currency. This discussion does not address the tax treatment of persons subject to special rules, such as financial institutions, regulated investment companies, real estate investment trusts, dealers, traders in securities that elect mark to market treatment, insurance companies, tax exempt entities, persons owning directly, indirectly or constructively 10 per cent. or more of the Company's share capital, US expatriates, investors liable for alternative minimum tax, persons holding Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction or persons holding Shares in connection with a permanent establishment or fixed base outside the United States. It also does not address US federal taxes other than income tax (*e.g.*, estate and gift taxes), US state and local, or non-US tax considerations.

As used in this section, "US Holder" means a beneficial owner of Nil Paid Rights or New Shares that is, for US federal income tax purposes (i) a citizen or individual 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 or its political subdivisions, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in an entity treated as a partnership for US federal income tax purposes that holds Nil Paid Rights or New Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships that hold Nil Paid Rights or New Shares should consult their own tax advisers regarding the specific US federal income tax consequences to their partners from the acquisition, ownership and disposition of Nil Paid Rights or New Shares.

2.1 Rights

2.1.1 Receipt

The tax consequences of the receipt of Nil Paid Rights by a US Holder pursuant to the Rights Issue are not free from doubt. However, based on the particular facts relating to the Nil Paid Rights and in particular, the circumstances of the sale of New Shares by the Underwriters of Nil Paid Rights not taken up by Shareholders, the Company believes that the better view is that a US Holder should treat the receipt of Nil Paid Rights pursuant to the Rights Issue as a non-taxable distribution with respect to such holder's Existing Shares for US federal income tax purposes, and the remainder of this discussion assumes that such receipt will not be treated as a taxable distribution. The US Holder's holding period in the Nil Paid Rights will include its holding period in the Existing Shares with respect to which the Nil Paid Rights were distributed. However, except as discussed below under paragraph 2.3, a US Holder's holding period in Fully Paid Rights will not include the holding period in the Existing Shares with respect to which the Rights were distributed.

If the fair market value of Nil Paid Rights when distributed is less than 15 per cent. of the fair market value of the Existing Shares with respect to which Nil Paid Rights are distributed, the Nil Paid Rights will have a nil tax basis unless the US Holder affirmatively elects to allocate its adjusted tax basis in its Existing Shares to the Nil Paid Rights in proportion to the relative fair market values of the Existing Shares and the Nil Paid Rights distributed (determined on the date Nil Paid Rights are distributed). A US Holder must make this election in a statement attached to its tax return for the taxable year in which the Nil Paid Rights are received, in respect of all Rights received by the US Holder, and, except as discussed below under paragraph 2.1.4, the election is irrevocable.

If the fair market value of Nil Paid Rights when distributed is 15 per cent. or greater than the fair market value of the Existing Shares with respect to which Nil Paid Rights are received, then, except as discussed below under paragraph 2.1.4, a US Holder's adjusted tax basis in its Existing Shares must be allocated between the Existing Shares and the Nil Paid Rights in proportion to their relative fair market values determined on the date Nil Paid Rights are distributed.

A US Holder's basis in a Fully Paid Right will be the amount allocated (if any) as described above, increased by the US dollar value of the pounds sterling exercise price on the acquisition date (or, in the case of cash basis and electing accrual basis taxpayers, the settlement date).

2.1.2 Exercise of Nil Paid Rights and Subscription of New Shares

A US Holder will not recognise taxable income when it receives New Shares by exercising Nil Paid Rights. A US Holder will have a tax basis in the New Shares equal to its tax basis, if any, in the Nil Paid Rights exercised plus the US dollar value of the pounds sterling exercise price of the Nil Paid Rights on the acquisition date (or, in the case of cash basis and electing accrual basis taxpayers, the settlement date). A US Holder that holds Fully Paid Rights as a result of the exercise of Nil Paid Rights will be treated as the owner of the New Shares allocated to the Fully Paid Rights.

A US Holder's holding period in the New Shares generally will begin on the date the Nil Paid Rights are exercised. If a US Holder uses previously acquired pounds sterling to pay the subscription price for the New Shares, any foreign currency gain or loss that it recognises on the exchange of the pounds sterling for New Shares will be US source ordinary income or loss.

2.1.3 Dispositions

Subject to the PFIC rules discussed below, a US Holder will recognise capital gain or loss on the sale or other disposition of Nil Paid Rights in an amount equal to the difference between such holder's tax basis, if any, in the Nil Paid Rights and the US dollar value of the amount realised from the sale or other disposition. Any gain or loss generally will be treated as arising from a US source and will be long-term capital gain or loss if the US Holder's holding period in the Nil Paid Rights exceeds one year. A US Holder's holding period in the Nil Paid Rights will include its holding period in the Existing Shares with respect to which the Nil Paid Rights were distributed.

A US Holder that receives a currency other than US dollars on the disposition of Nil Paid Rights will realise an amount equal to the US dollar value of the currency received at the spot rate on the date of sale or other disposition (or, in the case of cash basis and electing accrual basis US Holders, the settlement date). An accrual basis US Holder that does not elect to determine the amount realised using the spot rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the currency received equal to the US dollar value of the currency received at the spot rate on the settlement date. Any gain or loss on a subsequent disposition or conversion of the currency into US dollars will be US source ordinary income or loss.

2.1.4 Expiration

If a US Holder allows Nil Paid Rights to expire without selling or exercising them, and does not receive any proceeds, the Nil Paid Rights should be deemed to have a nil tax basis and, therefore, such US Holder should not recognise any loss upon the expiration of the Nil Paid Rights and any tax basis from Existing Shares that was allocated to the Nil Paid Rights will be reallocated back to such Existing Shares.

The US federal income tax treatment of a US Holder that receives proceeds as a result of the sale by the Underwriters of Nil Paid Rights not taken up at a premium over the Issue Price is not free from doubt. Generally, such a US Holder will be treated either as having sold the Nil Paid Rights (as described above) or as having exercised the Nil Paid Rights and sold the New Shares. A US Holder that is treated as having sold the New Shares will recognise a short-term capital gain or loss as described below in paragraph 2.2.2. US Holders that receive amounts in respect of lapsed Nil Paid Rights should consult their own tax advisers regarding the US federal income tax treatment of such amounts.

2.2 New Shares

2.2.1 Dividends

Subject to the discussion below under "Passive Foreign Investment Company," distributions on the New Shares should be included in a US Holder's gross income as ordinary dividend income from foreign sources upon receipt to the extent of the Company's current and accumulated earnings and profits. Distributions in excess of any current and accumulated earnings and profits will be treated first as a nontaxable return of capital, which reduces the tax basis in the New Shares to the extent thereof, and then

as capital gain. Because the Company will not maintain books and records that account for its earnings and profits under United States federal income tax principles, US Holders should treat all distributions from the Company as dividends.

Dividends will not be eligible for the dividends-received deduction generally available to US corporations. If the Company is not a PFIC for the year of distribution or the preceding taxable year and the Shares are regularly traded on the London Stock Exchange, dividends on the New Shares will qualify for the reduced rates applicable to qualified dividend income of certain eligible non-corporate US Holders that satisfy a minimum holding period and other generally applicable requirements.

Dividends paid in a currency other than US dollars will be includable in income in a US dollar amount based on the exchange rate in effect on the date of receipt whether or not the currency is converted into US dollars at that time. A US holder's tax basis in the non-US currency will equal the US dollar amount included in income. Any gain or loss on a subsequent conversion of the non-US currency into US dollars for a different amount generally will be US source ordinary income or loss.

2.2.2 Dispositions

Subject to the discussion below under "Passive Foreign Investment Company," a US Holder will recognise capital gain or loss on the sale or other disposition of New Shares in an amount equal to the difference between the US Holder's adjusted tax basis in the New Shares and the US dollar value of the amount realised from the disposition. A US Holder's adjusted tax basis in the New Shares generally will be determined as described above in paragraph 2.1.2. Any gain or loss generally will be treated as arising from US sources and treated as long-term capital gain or loss if the holder has held the New Shares for more than one year. Deductions for capital loss are subject to limitations. A loss may nonetheless be a long-term capital loss regardless of a US Holder's actual holding period to the extent the US Holder receives qualified dividends prior to a sale or other disposition of its New Shares in excess of 10 percent of its basis in the New Shares.

A US Holder that receives a currency other than US dollars on the disposition of New Shares will realise an amount equal to the US dollar value of the currency received at the spot rate on the date of sale or other disposition (or, in the case of cash basis and electing accrual basis US Holders, the settlement date). An accrual basis US Holder that does not elect to determine the amount realised using the spot rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the currency received equal to the US dollar value of the currency received at the spot rate on the settlement date. Any gain or loss on a subsequent disposition or conversion of the currency into US dollars will be US source ordinary income or loss.

2.3 Passive Foreign Investment Company

The Company believes that it is not, and is not likely to become, a PFIC for US federal income tax purposes. A non-US company is a PFIC in any taxable year in which, taking into account a pro rata portion of the income and assets of 25 per cent. or more owned subsidiaries, either (i) at least 75 per cent. of its gross income is passive income or (ii) at least 50 per cent. of the average value of its assets is attributable to assets that produce or are held to produce passive income. Passive income includes interest, dividends, rents, royalties and gains from the sale of property that produces passive income. However, income derived from and gain from transactions in securities held by a securities dealer will not be considered passive income for purposes of the PFIC rules. The Company believes that its trading assets and securities and receivables held in connection with its central counterparty and clearing businesses should be considered active assets held by a securities dealer for purposes of the PFIC rules. No authority directly addresses the activities of a central clearing counterparty or clearing business for purposes of the PFIC rules. Accordingly, it is possible that the US Internal Revenue Service could take a different position and that, if such position were sustained if challenged, the Company would be a PFIC in either the current or future tax years. Whether a non-US company is a PFIC is determined annually, and a company's status could change depending among other things upon changes in the composition and relative value of gross receipts and assets.

If the Company is a PFIC for any taxable year in which a US Holder holds New Shares or Nil Paid Rights, a US Holder will be subject to additional taxes on any excess distribution and any gain realised from the disposition of New Shares (regardless of whether the Company continues to be a PFIC). A US Holder has

an excess distribution to the extent that distributions on New Shares during a taxable year exceed 125 per cent. of the average amount received during the three preceding taxable years (or, if shorter, the US Holder's holding period). To compute the tax on excess distributions or any gain, (i) the excess distribution or gain is allocated ratably over a US Holder's holding period, (ii) the amount allocated to the current taxable year and any year before the Company became a PFIC is taxed as ordinary income in the current year and (iii) the amount allocated to other taxable years is taxed at the highest applicable marginal rate in effect for each year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year. For this purpose, the holding period of a New Share acquired through the exercise of a Nil Paid Right will begin with the holding period of the Nil Paid Right.

If the Company is or becomes a PFIC, a US Holder might be able to avoid some of the tax consequences described above by electing to mark the New Shares to market annually. The election is available only if the New Shares are marketable stock. New Shares are marketable stock if they trade in more than de minimis quantities for at least 15 days during each calendar quarter. Any gain from marking New Shares to market or from disposing of them would be ordinary income. Any loss from marking New Shares to market would be recognised only to the extent of gains previously included in income. Loss from marking New Shares to market would be ordinary, but loss on disposing of them would be capital loss except to the extent of gains previously included in income. A US Holder should ask its tax advisor whether a mark-to-market election is available or desirable. A valid mark-to-market election cannot be revoked without the consent of the IRS unless the New Shares cease to be marketable.

A US Holder cannot avoid the tax consequences described above by electing to treat the Company as a qualified electing fund ("QEF") because it does not intend to provide the information that a US Holder would need to make a QEF election.

US Holders should consult their own tax advisers concerning the Company's PFIC status, the consequences to them if the Company is a PFIC for any taxable year and the possible effects of lower-tier PFICs on their timing and character of income and loss.

2.4 Medicare Tax on Net Investment Income

Certain non-corporate US Holders whose income exceeds certain thresholds generally will be subject to a 3.8 per cent. surtax tax on their "net investment income" (which generally includes, among other things, dividends on, and capital gain from the sale or other taxable disposition of New Shares and from the sale or other taxable disposition of Nil Paid Rights). Non-corporate US Holders should consult their own tax advisers regarding the possible effect of such tax on their ownership and disposition of New Shares and Nil Paid Rights.

2.5 Backup Withholding and Information Reporting

A US Holder's dividends paid in respect of the New Shares and proceeds from the sale or exchange of Nil Paid Rights and New Shares may be reported to the US Internal Revenue Service unless the US Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding at the applicable statutory rate may apply to reportable payments unless the US Holder makes the required certification, including providing its taxpayer identification number or otherwise establishes a basis for exemption. Any amount withheld may be credited against a US Holder's US federal income tax liability or refunded to the extent it exceeds the holder's liability, provided the required information is timely furnished to the US Internal Revenue Service.

Certain US Holders are required to report information with respect to Nil Paid Rights and New Shares 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 advisers about these and any other reporting obligations arising from their Nil Paid Rights and New Shares.

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 ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

PART XII—KEY TRANSACTION TERMS

On 26 June 2014, the Company, Russell, Northwestern Mutual and Merger Sub entered into the Merger Agreement providing for the acquisition of the entire issued share capital of Russell by the Company to be effected pursuant to a merger of Merger Sub with and into Russell, with Russell being the Surviving Corporation of the merger and a wholly-owned indirect subsidiary of the Company.

The Merger Agreement is governed by the laws of New York State, except to the extent that the Washington Business Corporation Act is mandatorily applicable to the Acquisition and the rights of Russell's pre-Completion equity holders.

Consideration

The base merger consideration in respect of the Acquisition is US\$2,700,000,000 (£1,623,376,623 based on the 20 August 2014 Spot Exchange Rate). The payments and adjustments in respect of such base merger consideration are summarised below.

Payments to Holders at Completion

The aggregate merger consideration that will be payable by the Company to Holders is equal to the sum of the preliminary merger consideration paid at Completion and any contingent merger consideration paid after Completion. The calculation of the preliminary merger consideration is set out below. Matters giving rise to contingent merger consideration are described under "Contingent merger consideration" below.

The preliminary merger consideration payable to Holders at Completion shall be equal to:

- (a) the base merger consideration of US\$2,700,000,000, *plus*
- (b) the Estimated Adjustment Amount (as described below), which may be a positive or negative number, *minus*
- (c) the Escrow Amount (as described under "Other payments at Completion" below), *minus*
- (d) the aggregate amount, if any, of any dividend equivalents payable in respect of certain non-legacy equity-based compensation interests outstanding prior to the Acquisition, and *minus*
- (e) an adjustment amount reflecting a decrease, if any, in respect of a revenue run rate derived from certain of Russell's investment advisory clients as of 31 March 2014 (such amount being the Completion Revenue Run Rate Adjustment Amount, the calculation of which is described under "Completion revenue run rate" below).

The Estimated Adjustment Amount referred to above will be equal to:

- (a) the net working capital of the Russell Group as of immediately prior to the Acquisition (as calculated pursuant to the Merger Agreement), *minus*
- (b) certain indebtedness of the Russell Group that is outstanding immediately prior to the Acquisition, *minus*
- (c) the amount paid to redeem all preferred stock of Russell outstanding immediately prior to the Acquisition in accordance with Russell's governing documents, *minus*
- (d) the amount paid to holders of legacy equity-based compensation interests in accordance with the terms of all applicable associate equity incentive plans and legacy stockholder agreements, and *plus*
- (e) the amount of cash and cash equivalents of the Russell Group immediately prior to the Acquisition (other than restricted cash required to satisfy certain regulatory requirements).

Other payments at Completion

On the Completion Date, Russell will (using funds provided by the Company from the base merger consideration):

- (a) redeem all preferred stock of Russell outstanding immediately prior to the Acquisition in accordance with Russell's governing documents;
- (b) discharge all legacy equity-based compensation interests of Russell in accordance with the terms of all applicable associate equity incentive plans and legacy stockholder agreements;

- (c) pay the aggregate amount, if any, of any dividend equivalents payable in respect of certain non-legacy equity-based compensation interests outstanding prior to the Acquisition;
- (d) repay certain indebtedness of the Russell Group; and
- (e) pay US\$121,500,000 (the “*Escrow Amount*”) into an agreed escrow account.

Contingent merger consideration

The following items shall give rise to contingent merger consideration payments following Completion:

1. *Preliminary merger consideration.*
 - (a) Certain components of the preliminary merger consideration (described above), including the Completion Revenue-Run Rate Adjustment Amount, will initially be calculated based on estimates of amounts that cannot be finally determined until after Completion. Such amounts will be subject to a post Completion adjustment to correct any underpayment or overpayment by the Company. If the finally agreed post Completion adjustment reflects an underpayment by the Company at Completion, the amount of such underpayment will be paid by the Company (or by Russell, in its capacity as the Surviving Corporation), to the Holders as contingent merger consideration.
 - (b) If the finally agreed post Completion adjustment reflects an overpayment, if any, by the Company at Completion, such amount will be paid to the Company out of the Escrow Amount (as described under “Liability and limitation on claims” below). If any such overpayment amount relates to the Completion Revenue-Run Rate Adjustment Amount, that amount will first be set off against any amount payable by the Surviving Corporation in respect of the Completion Revenue-Run Rate Adjustment Amount as recalculated 150 days after Completion (as described in paragraph 2 below) and then any remaining overpayment will be paid to the Company out of the Escrow Amount.
2. *Completion Revenue Run Rate Adjustment.* In addition, on the date that is 150 days after Completion, the Completion Revenue Run Rate Adjustment Amount will be recalculated to account for certain of the Russell Group’s investment advisory clients who have, after Completion, given their consent to the change in Russell’s ownership or otherwise have remained clients of the Russell Group. If the Completion Revenue Run Rate Adjustment Amount (as recalculated) is less than the original calculation of the Completion Revenue Run Rate Adjustment Amount used to determine the preliminary merger consideration, then Russell, in its capacity as the Surviving Corporation, will pay the difference (net of any overpayment by the Company at Completion in respect of the Completion Revenue Run Rate Adjustment Amount) to the Holders as contingent merger consideration.
3. *Escrow.* Except with respect to amounts then subject to unresolved indemnity claims asserted by the Company in accordance with the Merger Agreement, the Escrow Amount will be released to the Holders as contingent merger consideration on the date that is the later of (i) one year after Completion and (ii) 60 days after the Company’s receipt of consolidated audited financial statements of the Russell Group for the fiscal year in which Completion occurs. Any amounts retained in escrow beyond such later date will, upon final resolution of such Company claims, be released to the Company and/or to the Holders as contingent merger consideration.
4. *Tax.* After Completion, to the extent certain refunds, credit, offsets or overpayments of taxes of the Russell Group allocable to any pre-Completion period (as described in the Merger Agreement) are received by the Russell Group, such amounts will be initially paid to Northwestern Mutual in an amount equal to the aggregate tax indemnity payments made by Northwestern Mutual to the Company pursuant to the Merger Agreement and the balance, if any, will be paid to the Holders as contingent merger consideration. Moreover, certain refunds (or portions thereof), if any, received by Northwestern Mutual in respect of certain disallowed deductions for Northwestern Mutual’s 2008, 2009 and 2010 consolidated U.S. federal and non-U.S. income tax returns will be paid to the Holders as contingent merger consideration.
5. *Pantheon.* If the sale of certain Russell assets does not occur prior to Completion, then the net after tax proceeds received by Russell as a result of the sale of such assets after the Completion will be paid to the Holders as contingent merger consideration. See further below under “Other terms”.

Conditions

Completion under the Merger Agreement is subject to, and can only be completed upon the satisfaction or waiver of, a number of conditions.

Mutual conditions precedent

Each party's obligation to complete the Acquisition is subject to the satisfaction of the following mutual conditions to Completion:

- (a) receipt of a written consent adopting the Merger Agreement and approving the Acquisition signed by Russell shareholders holding at least two thirds of the votes entitled to be cast by the holders of the outstanding shares of the common stock of Russell;
- (b) receipt of the approval of the Acquisition by Shareholders;
- (c) the absence, as of the Completion, of any (i) order, injunction, decree, statute, rule or regulation by or of any governmental authority that prevents, prohibits or makes illegal the consummation of the Acquisition and (ii) direction made by any governmental authority that requires a party not to proceed with the consummation of the Acquisition; and
- (d) the receipt of certain antitrust and regulatory approvals, clearances and non-objections, including (without limitation) the expiration or termination of the waiting period under the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended (US) and receipt of required merger clearance from the UK Competition and Markets Authority.

As at the date of this document, the written consent referred to in paragraph (a) above has been obtained. In addition, early termination of the applicable waiting period under the HSR Act in respect of the Acquisition has been granted.

Additional conditions precedent to the obligations of the Company and Merger Sub

The obligations of the Company and Merger Sub to complete the Acquisition are also subject to satisfaction or waiver of the following additional Completion conditions, which may be waived in writing by the Company:

- (a) the non-fundamental representations and warranties of Russell being, on the date of the Merger Agreement and, where applicable, the date of Completion as if made as of such time, true and correct in all respects (determined, other than in respect of Russell's representation and warranty regarding the absence of a material adverse effect on Russell, without giving effect to any qualification as to materiality or material adverse effect), except for any failure(s) to be so true and correct that has not had and would not reasonably be expected to have a material adverse effect on the Russell Group taken as a whole;
- (b) the fundamental representations and warranties of Russell in the Merger Agreement being true and correct in all respects (with only such exceptions as are de minimis) on the date of the Merger Agreement and, where applicable, the date of Completion;
- (c) Russell having performed and complied in all material respects with the covenants and agreements required to be performed or complied with by it at or prior to Completion under the Merger Agreement;
- (d) satisfaction of the LSEG Completion Date Conditions;
- (e) receipt of notification (which has not been revoked) from applicable governmental authorities providing reasonable assurance that the Company will not become an FHC solely as a result of consummation of the Acquisition; and
- (f) the Company having received net proceeds from its Rights Issue of not less than US\$1,600 million; and
- (g) the Revenue Run Rate, as of the last business day of the calendar month immediately preceding the month in which Completion occurs, being at least 70 per cent. of the Revenue Run Rate as of the Base Date (without giving effect to market movement between those two dates) (this condition being the "***Revenue Run Rate Condition***").

As at the date of this document, reasonable assurance in writing in respect of (e) above has been obtained. In relation to paragraph (f), assuming the Rights Issue is successfully completed, the parties to the Merger Agreement have agreed that this condition shall be treated as being satisfied notwithstanding that the Rights Issue is expected to raise net proceeds of approximately £938 million (approximately US\$1,561 million based on the 20 August 2014 Spot Exchange Rate). In relation to paragraph (g) above, a description of the process for calculating revenue run rate is set out under “Completion revenue run rate” below.

Additional conditions precedent to the obligations of Russell

The obligation of Russell to complete the Acquisition is also subject to the satisfaction or waiver of the following additional Completion conditions, which may be waived in writing by Russell:

- (a) the representations and warranties of the Company and Merger Sub in the Merger Agreement being, on the date of the Merger Agreement and, where applicable, the date of Completion as if made as of such time, true and correct in all respects (determined without giving effect to any qualification as to materiality or material adverse effect), except for any failure(s) to be so true and correct that has not had and would not reasonably be expected to have a material adverse effect on the ability of each of the Company and Merger Sub to consummate the transactions contemplated by, or to comply with its obligations under, the Merger Agreement in a timely manner;
- (b) the Company and Merger Sub having performed and complied in all material respects with the covenants and agreements required to be performed or complied with by each of them respectively at or prior to Completion under the Merger Agreement; and
- (c) satisfaction of the Russell Completion Date Conditions.

Satisfaction of conditions

The parties to the Merger Agreement have agreed to use certain efforts to obtain satisfaction of the conditions to Completion.

General obligations

During the period from the date of the Merger Agreement until Completion, each party has agreed (on the terms and subject to the conditions set out, and except as specifically provided, in the Merger Agreement and in accordance with applicable law) to use reasonable best efforts to fulfil or obtain the fulfillment of the conditions to Completion as promptly as practicable (taking into account the timing of the General Meeting and the Rights Issue required by the Merger Agreement).

Investment advisory arrangement consents

Under the Merger Agreement, Russell has agreed:

- (a) if a consent to the assignment (or deemed assignment) of an investment advisory arrangement with a non-public fund client of the Russell Group is required by applicable law or the terms of such investment advisory arrangement as a result of the Acquisition, to as soon as reasonably practicable following the date of the Merger Agreement send a notice informing such clients of the Acquisition and requesting such consent in writing; and
- (b) to use its reasonable best efforts to:
 - (i) as promptly as practicable after the date of the Merger Agreement, obtain approval of each of the boards of directors or trustees of each public fund of a new investment advisory arrangement, to be effective as of the Completion date, containing terms, taken as a whole, that are substantially similar to, and economic terms that are no less favourable to the Russell Group than, the terms of the applicable existing investment advisory arrangement; and
 - (ii) request the public funds to obtain, as promptly as practicable, the necessary approval of the stockholders of each public fund of such new investment advisory arrangement.

Completion revenue run rate

The Revenue Run Rate (as defined below) is relevant for both:

- (a) determining whether the Revenue Run Rate Condition is satisfied; and
- (b) calculating the Completion Revenue Run Rate Adjustment Amount.

1. *Revenue Run Rate Condition.* In order to satisfy the Revenue Run Rate Condition, Russell will need to obtain consents to the Acquisition from its non-public fund clients, its public fund clients and the shareholders of its public fund clients. If any of such clients or, in the case of such public fund clients, their shareholders, do not consent to the Acquisition as of the end of the calendar month prior to Completion, the Revenue Run Rate as of the Completion Date will exclude the revenues generated from such clients for the purposes of determining whether this condition is satisfied.
2. *Completion Revenue Run Rate Adjustment Amount.* The preliminary merger consideration payable to Holders at Completion will (as described above under “Consideration”) be reduced by the Completion Revenue Run Rate Adjustment Amount if the Revenue Run Rate (calculated for the purposes of determining adjustments to the preliminary merger consideration as of the Completion Date) attributable to clients who, as of Completion, consent to continuing their investment advisory agreements following the Acquisition (the “closing revenue run rate”) is less than 92.5 per cent. of the Revenue Run Rate as of the Base Date (the “base revenue run rate”) (without giving effect to market movement between those two dates). The “*Completion Revenue Run Rate Adjustment Amount*” is an amount equal to (i) US\$1 billion multiplied by (ii) the excess of (a) 92.5 per cent. over (b) a fraction (expressed as a percentage), the numerator of which is the closing revenue run rate and the denominator of which is the base revenue run rate (provided that such excess shall not exceed 22.5 per cent.).

The “*Revenue Run Rate*” is the aggregate annualised investment advisory, investment management and sub-advisory fees (computed primarily by reference to AUM) that are payable to the Russell Group in respect of all client accounts for which the Russell Group provides investment advisory, investment management or subadvisory services. It is determined by multiplying the applicable portion of the Adjusted AuM (defined below) attributable to each such account by the applicable annual fee rate for such account (save that for Russell clients with investments in certain pooled investment funds, the applicable portion of the Adjusted AuM and the applicable annual fee rates are measured at the fund, and not the client account, level).

The “*Adjusted AuM*” is the amount of AUM of the Russell Group as of the Base Date, adjusted to:

- (a) reflect (i) net cash flows (additions and withdrawals and, with respect to public funds, exclusive of dividends or distributions or reinvestment of dividends or distributions), (ii) new accounts, and (iii) terminated accounts or accounts for which the Russell Group have received a written or other formal notification of termination that has not been withdrawn, from the Base Date until the last business day of the most recently completed calendar month prior to Completion (or until the Completion Date, as the case may be, as described below);
- (b) exclude any increase or decrease in AUM due to market appreciation or depreciation or currency fluctuations during such period; and
- (c) exclude any client accounts that require a public fund consent or a non-public fund consent and with respect to which the Russell Group has not obtained a public fund consent or non-public fund consent, as the case may be.

While, for the purposes of the Revenue Run Rate Condition, such adjustments to AUM are measured from the Base Date until the last business day of the most recently completed calendar month prior to Completion, for the purposes of determining adjustments to the preliminary merger consideration (as described above), such adjustments shall be measured from the Base Date until the Completion Date.

Anti-trust and regulatory approvals

The parties to the Merger Agreement have agreed to cooperate with each other and use their reasonable best efforts to, as promptly as practicable (i) prepare and file, or cause to be prepared and filed, all necessary documentation to effect all applications, notices, petitions and filings with, and (ii) obtain all permits, consents, approvals, waivers and authorisations of, in each case, all governmental authorities and antitrust authorities that are necessary or advisable to timely effect Completion, without any Regulatory Specified Condition or Antitrust Specified Condition, respectively.

The Company has further agreed to use reasonable best efforts to avoid or eliminate any impediment with respect to the Merger Agreement under (i) any antitrust or competition law that may be asserted by any

antitrust authority, and (ii) any regulatory law that may be asserted by any governmental authority, so as to effect Completion as promptly as practicable, save that:

- (a) the Company is not required to offer or agree to any Antitrust Specified Condition or Regulatory Specified Condition; and
- (b) if a condition or remedy proposed to be agreed to in connection with obtaining approval from a governmental authority would require the approval of the Shareholders, the Company's agreement to such remedy is subject to Shareholder approval, and the Russell Group will provide reasonable cooperation and access for the implementation of any relevant remedy as the circumstances require.

An "*Antitrust Specified Condition*" is any of the following:

- (a) the sale, licensing, disposal, or holding separate of any entity, asset or facility of the Company, any of its affiliates, the Surviving Corporation or the combined company with associated revenue of more than US\$50 million individually or in aggregate in the preceding financial year;
- (b) changes to any terms of access to, conditions of use for, or rules of composition for any entity, asset, facility, service or product of the Company, any of its affiliates, the Surviving Corporation or the combined company that would have had a financial impact of more than US\$50 million individually or in aggregate in the preceding financial year (if such changes had been adopted as of the commencement of such financial year); or
- (c) any other actions to be taken, or refrained from, that would individually or in aggregate have resulted in revenues foregone to the Company, any of its affiliates, the Surviving Corporation or the combined company of more than US\$50 million in the preceding financial year (if such actions had been taken or refrained from as of the commencement of such financial year).

A "*Regulatory Specified Condition*" is any of the following:

- (a) the contribution of capital to Russell or any of the Company's or Russell's affiliates in excess of US\$50 million in the aggregate for all such persons; or
- (b) any restriction on Russell, the Company or any of their respective affiliates distributing, transferring or making funds available to any debt or equity holder in an aggregate amount in excess of US\$50 million.

Shareholder approval

The Company has agreed to, as promptly as practicable, (i) prepare, publish and circulate this document and the Notice of General Meeting, (ii) convene, hold and transact the relevant business at the General Meeting (or any adjournment thereof), and (iii) use its reasonable best efforts to cause the resolution of Shareholders to approve the Acquisition and the Resolution to be passed at the General Meeting (or any adjournment thereof).

The Company has agreed that the Board will not at any time withdraw or adversely modify, qualify or amend the recommendation to Shareholders set out in this document, save that it may do so if it has determined in good faith (acting in compliance with its fiduciary duties and/or statutory directors' duties), and subject to certain other conditions, that such recommendation should not be given or should be withdrawn, modified, qualified or amended.

Rights issue implementation

Under the Merger Agreement, the Company has agreed to use its reasonable best efforts to take, or cause to be taken, all appropriate actions and do, or cause to be done, all things necessary, proper or advisable to arrange, and obtain the proceeds of, the Rights Issue in accordance with the terms of the Merger Agreement and the Standby Underwriting Letter.

Russell has agreed to provide certain cooperation and assistance in connection with the Rights Issue.

Termination rights

The Merger Agreement may be terminated prior to Completion by written consent of the Company and Russell or by delivery of written notice by the terminating party as follows (with any termination by the Company also being an effective termination by Merger Sub).

Termination by the Company

1. If there is a breach by Russell of any representation or warranty or any covenant or agreement contained in the Merger Agreement that would, if occurring or continuing on the date of Completion, directly and primarily result in a failure of a mutual condition or a condition to the obligations of the Company and the Merger Sub to effect Completion and which breach cannot be cured or (if curable) has not been cured (to the extent necessary to avoid a failure of such a condition) prior to the Longstop Date. The Company is not entitled to terminate the Merger Agreement in these circumstances if (i) such breach by Russell is cured before the Longstop Date so that the applicable conditions would then be capable of being satisfied, or (ii) the Company or Merger Sub has breached or failed to perform any covenant, obligation or other agreement contained in the Merger Agreement where such breach or failure to perform was the cause of the failure of a condition to Completion.
2. If at any time the Company receives written notice from the applicable governmental authority that it would become an FHC as a result of the transactions contemplated by the Merger Agreement.

Termination by Russell

3. If there is a breach by the Company or Merger Sub of any representation or warranty or any covenant or agreement contained in the Merger Agreement that would, if occurring or continuing on the date of Completion, directly and primarily result in a failure of a mutual condition or a condition to the obligations of Russell to effect Completion and which breach cannot be cured or (if curable) has not been cured (to the extent necessary to avoid a failure of such a condition) on or prior to the Longstop Date. Russell is not entitled to terminate the Merger Agreement in these circumstances if (i) such breach by the Company and/or Merger Sub is cured before the Longstop Date so that the applicable conditions would then be capable of being satisfied or (ii) Russell has breached or failed to perform any covenant, obligation or other agreement contained in the Merger Agreement where such breach or failure to perform was the cause of the failure of a condition to Completion.
4. If (i) the Company has not elected to delay the Rights Issue in accordance with the Merger Agreement (which it has not so elected at the date of this document), (ii) all of the Non-Rights Issue Conditions have been satisfied or waived before 30 November 2014, and (iii) Completion has not occurred by 15 December 2014. Russell is not entitled to terminate the Merger Agreement in these circumstances if at the time it is in breach of its obligations under the Merger Agreement to provide information, co-operation and assistance to the Company in connection with the Rights Issue.

Termination by either the Company or Russell

5. If (i) any final, non-appealable order, injunction or decree of any governmental authority or antitrust authority is in effect that prevents the consummation of the transactions contemplated by the Merger Agreement, or (ii) any statute, rule, direction or regulation has been enacted or made by any governmental authority or antitrust authority that prohibits, makes illegal or otherwise requires any party not to proceed with the consummation of the transactions contemplated by the Merger Agreement.
6. If Completion does not occur by the close of business on the Longstop Date. Neither the Company nor Russell is entitled to terminate the Merger Agreement in these circumstances if it is in material breach of any of its representations, warranties, covenants or agreements contained in the Merger Agreement on the Longstop Date and such breach is the principal cause of, or directly results in, the failure of Completion to occur by the Longstop Date.
7. If the resolution of Shareholders to approve the Acquisition is not passed at the General Meeting.
8. If the Board has effected (and not withdrawn) a withdrawal, or adverse modification, qualification or amendment, of its recommendation of the Acquisition to Shareholders prior to the General Meeting (or any adjournment thereof).

In the event of a termination of the Merger Agreement as set out above, there will be no liability on the part of any party, or any of their respective directors, officers and affiliates under the Merger Agreement, other than (a) liability, in certain circumstances, for the payment of a termination fee as described below and (b) except in circumstances where a US\$86.4 million termination fee is paid, liability arising out of any material breach of any covenant by such party prior to such termination (to the extent a valid proceeding alleging such breach is commenced on or prior to the date that is one year after such termination).

Termination fees

The Company has agreed to pay certain termination fees on the occurrence of certain defined events.

1. If any of the following occurs, the Company has agreed to pay Russell a termination fee of US\$27 million:
 - (a) to the extent Russell does not then have a right to terminate the Merger Agreement in the circumstances described in paragraph 8 under “Termination rights” above, the Company or Russell terminates the Merger Agreement in the circumstances described in paragraph 7 under “Termination rights” above;
 - (b) Russell terminates the Merger Agreement in the circumstances described in paragraph 4 under “Termination rights” above;
 - (c) the Company or Russell terminates the Merger Agreement on or after the Longstop Date at a time when Russell would have had the right to terminate the Merger Agreement in the circumstances described in either of the foregoing paragraphs (a) or (b) of this “Termination fees” section; or
 - (d) the Company or Russell terminates the Merger Agreement on or after the Longstop Date in circumstances where:
 - (i) the Company has elected to delay the Rights Issue in accordance with the Merger Agreement (which it has not so elected at the date of this document);
 - (ii) Russell has on or prior to 15 March 2015 complied, and continues to comply during such period through to the Longstop Date while the Rights Issue is being implemented, in all material respects with its obligations under the Merger Agreement to provide information, co-operation and assistance to the Company in connection with the Rights Issue; and
 - (iii) Completion has not occurred on or prior to the Longstop Date due to a failure of the Company to receive net proceeds from the Rights Issue of not less than US\$1.6 billion.
2. The Company has agreed to pay Russell a termination fee of US\$86.4 million if the Company or Russell terminates the Merger Agreement (a) in circumstances where the Board has withdrawn or adversely modified, qualified or amended its recommendation of the Acquisition to Shareholders or (b) on or after the Longstop Date at a time when Russell would have had the right to terminate the Merger Agreement in the circumstances described in the immediately preceding clause (a). If the Merger Agreement is terminated in accordance with the foregoing and Russell elects to receive such US\$86.4 million termination fee in these circumstances, the receipt of the termination fee will constitute the sole and exclusive remedy of the Russell Group, Northwestern Mutual or any Russell’s pre-Completion equity holders (or any of their respective affiliates, directors, officers and/or other connected persons) against the Company or Merger Sub for all losses and damages suffered as a result of the failure of Completion to occur, the termination of the Merger Agreement or for any breach of or failure to perform under the Merger Agreement.

Warranties

The Merger Agreement contains customary representations and warranties made by Russell to the Company and representations and warranties made by the Company and Merger Sub to Russell. Certain of the representations and warranties that Russell made in the Merger Agreement are qualified by disclosures that Russell delivered to the Company concurrently with the execution of the Merger Agreement. The representations and warranties in the Merger Agreement survive Completion until the date that is the later of (i) one year after the Completion and (ii) 60 days after the Company’s receipt of consolidated audited financial statements of the Russell Group for the fiscal year in which Completion occurs.

Liability and limitations on claims

Liability of the Holders

The Holders will be liable to the Company, the Surviving Corporation and their respective affiliates for any losses and other obligations incurred by them in respect of:

- (a) pre-closing taxes of Russell Group;

- (b) any breach or failure of any representation or warranty made by Russell in the Merger Agreement (other than certain representations or warranties related to post closing tax matters) to be true and correct (which breach or failure, and all related losses, shall (other than with respect to certain identified representations and warranties) be determined without regard to any material adverse effect, materiality or similar exceptions or qualifications contained in such representations or warranties); and
- (c) any breach of any covenant or agreement of Russell (prior to the Completion) under the Merger Agreement required to be performed or complied with by Russell (prior to the Completion).

Escrow

The Escrow Amount remaining from time to time in the escrow account (as described above) will serve as security for and the sole source of payment of any overpayment of the preliminary merger consideration by the Company (as determined in the post closing purchase price adjustment described above) and as the sole source of payment in respect of any liability of the Holders under the Merger Agreement (except for any liability of Northwestern Mutual (and not the other Holders) in respect of pre-closing taxes of Russell Group). In addition, the Company's ability to recover under such liability provisions is subject to certain customary limitations set out in the Merger Agreement, including, with respect to claims for breach of any Russell representation or warranty, a deductible of US\$27 million.

Liability of the Company

The Company will be liable to the Holders and their respective affiliates for any losses and other obligations incurred by them in respect of:

- (a) any breach or failure of any representation or warranty made by the Company or Merger Sub in the Merger Agreement to be true and correct (which breach or failure, and all related losses, shall be determined without regard to any materiality or similar exceptions or qualifications contained in such representations or warranties); and
- (b) any breach of any covenant or agreement of the Company or Merger Sub under the Merger Agreement; and
- (c) any breach of any covenant or agreement of the Surviving Corporation under the Merger Agreement required to be performed or complied with by the Surviving Corporation after the Completion.

Such liability of the Company is subject to similar limitations as described above with respect to Russell's liability under the Merger Agreement, including a maximum aggregate liability to Holder indemnities equal to the Escrow Amount funded at Completion (i.e. US\$121,500,000).

Operation of the Russell business pre-Completion

Russell has agreed that prior to Completion, unless otherwise agreed to in writing by the Company and subject to certain other exceptions, the business of the Russell Group will be conducted in all material respects in the ordinary course. In addition, Russell has agreed to certain customary restrictions regarding the conduct of the business of the Russell Group in the period to Completion.

Russell pre-Completion co-operation

During the period from the date of the Merger Agreement until Completion, Russell is obliged, upon the reasonable request of the Company, to cause the Russell Group (subject to applicable law) to cooperate with the Company and Merger Sub in connection with (i) planning the post Completion integration of the Russell Group with the business operations of the Company and its affiliates, and (ii) the Company's comprehensive review of the positioning and fit of each business segment of the Russell Group with the Company (including, in each case, providing information relating to post Completion cost and revenue synergies).

Other terms

Russell has agreed to use reasonable best efforts prior to Completion to take, or cause to be taken, all actions as may be required to transfer to Northwestern Mutual, and Northwestern Mutual has agreed to accept such transfer and acquire and assume, all rights, title, interests, liabilities and obligations of each member of the Russell Group in and to certain assets and interests relating to Pantheon investments (the

“Pantheon Transfer”). The parties to the Merger Agreement have agreed that if for any reason the Pantheon Transfer is not completed on or prior to Completion, they will each use commercially reasonable efforts to cause the Pantheon Transfer to be completed as soon as practicable after Completion. As described above, if the Pantheon Transfer occurs after Completion, the net, after tax proceeds received by the Company from Northwestern Mutual in respect of such transfer will be contingent merger consideration for the purposes of the Merger Agreement and will be distributed to the existing Russell’s shareholders in accordance with the terms of the Merger Agreement relating to contingent merger consideration. The Merger Agreement contemplates risk allocation and indemnification arrangements pending and following transfer of the Pantheon Interests consistent with such interests being outside the scope of the Acquisition.

Russell has agreed to use reasonable best endeavours to obtain written consents in respect of the Acquisition from the counterparties to certain material contracts in accordance with the terms of those material contracts (including with respect to the direct or indirect change of control of any member of the Russell Group that is a party to such contract).

The Merger Agreement and the Confidentiality Agreement, which survives execution of the Merger Agreement but terminates (other than in respect of Northwestern Mutual’s obligations) upon Completion, set out customary arrangements in relation to confidentiality, disclosure of information and announcements.

Under the Merger Agreement the parties are entitled to specific performance in respect of any breaches of and/or failures to perform under the Merger Agreement and the parties have waived, in any action for specific performance, the defence of adequacy of a remedy at law.

The Merger Agreement also contains certain customary covenants relating to the preparation of this document, the granting of access to information, public announcements with respect to the transactions contemplated by the Merger Agreement, notification in certain events, obligations of Merger Sub and the Surviving Corporation, the termination of certain affiliate agreements prior to Completion, the use of certain Northwestern Mutual trademarks, tax matters, exclusive dealings and third party consents.

Future Employment Arrangements

LSEG recognises the importance of retaining and incentivising the employees of the Russell Group following completion. Pursuant to the Merger Agreement, subject to certain exceptions set out in the Merger Agreement, the Company has agreed to maintain for a period of twelve months following Completion, annual base salaries at the levels in place prior to Completion and severance and benefits for employees of the Russell Group that are substantially comparable in aggregate to those in place prior to Completion. The Company has also broadly agreed to maintain certain incentive opportunities related to calendar years 2014 and 2015, based upon the achievement of applicable performance goals.

The Company has agreed heads of terms with the current Chief Executive Officer of Russell under which following the Acquisition he will continue to be employed in the Enlarged Group. It is expected that the binding service agreement reflecting these heads of terms will be entered into prior to Completion. He will be incentivised through a mix of short-term incentives (based on the achievement of quantitative/financial and qualitative/strategic deliverables) and long-term cash-based incentives (being a combination of term-vested retention and performance-based awards and a participation opportunity which he may elect to take up). The performance-based awards and, if relevant, the participation opportunity are expected to be measured against key growth in value measures. All measures are subject to approval by LSEG’s Remuneration Committee. In the event that his employment is terminated by Russell without cause or he leaves for a defined “good reason”, he will be entitled to a severance package linked to his remuneration and good leaver treatment under the incentive arrangements.

PART XIII—ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear in Paragraph 5 of this Part XIII, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2. Incorporation and registered office

London Stock Exchange Group plc 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 05369106 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 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.

The registered and head office of the Company is 10 Paternoster Square, London EC4M 7LS. The telephone number is 020 7797 1000.

The principal legislation under which the Company operates is the Companies Act.

3. Share capital

3.1 Immediately prior to the publication of this document, the share capital of LSEG was £18,860,714.81, comprised of 272,608,651 Existing Shares of 6⁷⁹/₈₆ pence each, all of which were fully paid or credited as fully paid. The Existing Shares in the share capital of the Company have a nominal value of 6⁷⁹/₈₆ pence each and are listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.

The following changes have occurred in the share capital of the Company since its incorporation:

3.2 On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1.00 each. Of such shares, one ordinary share was taken by the subscriber to the Memorandum of Association and was paid up in full. On 20 October 2005, the subscriber's ordinary share of £1.00 was transferred to an employee of London Stock Exchange. On 5 December 2005, another employee of London Stock Exchange subscribed for one ordinary share of £1.00 in the Company, which was paid up in full.

3.3 On 5 December 2005, resolutions were passed by the shareholders of the Company at that time to increase the authorised share capital from £1,000 to £51,000 by the creation and allotment of one Redeemable Preference Share and to amend the Articles, including the rights associated with the Redeemable Preference Share, and make other changes, in order to effect the re-registration of the Company as a public limited company.

3.4 On 9 March 2006, resolutions were passed at an extraordinary general meeting of Shareholders to increase the authorised share capital of the Company by the creation of: (i) 350,000,000 ordinary shares of £5.00 each; (ii) 260,000,000 B shares of £2.00 each; and (iii) 99,999,900,000 Class A ordinary shares of one pence each; and each of the existing 1,000 ordinary shares of £1.00 each in the capital of the Company was sub divided and reclassified into 100,000 Class A ordinary shares of one pence each. Pursuant to the terms of the resolution under which the B shares were created, shareholders could choose to redeem their B shares semi-annually on 1 June and 1 December each year from the date of their issue until 1 June 2009, when all the remaining B shares would be redeemed by the Company. In total, 256.2 million B shares were issued, and the remaining 1,135,433 redeemable B shares of 200 pence each were redeemed in accordance with their terms on 1 June 2009.

3.5 On 17 March 2006, a resolution was passed at an extraordinary general meeting of Shareholders to the effect that the authorised share capital of the Company was increased by the creation of a further 300,000,000,000 Class A ordinary shares of one pence each, having the rights of ordinary shares set out in the Articles.

3.6 On 13 April 2006, resolutions were passed at an extraordinary general meeting of Shareholders to the effect that, conditional upon a scheme of arrangement with the Company and London Stock Exchange

becoming effective, all ordinary shares of £5.00 each in the capital of the Company were consolidated and sub divided into ordinary shares with a nominal value equal to 6⁷⁹/₁₀₀ pence each and the amount, standing to the credit of the Company's merger reserve resulting from the scheme of arrangement becoming effective, was applied in paying up, in full, Class A ordinary shares in the Company of one pence each, which were then immediately reduced and cancelled and all authorised but unissued Class A ordinary shares were also reduced and cancelled. The scheme of arrangement became effective on 15 May 2006 and the resolutions were effective as at that date.

3.7 On 10 October 2007, 79,499,753 ordinary shares were issued by the Company in accordance with the terms of the merger between the Company and Borsa Italiana.

3.8 On 15 July 2009, a resolution was passed at an extraordinary general meeting of Shareholders to the effect that the authorised share capital of the Company be increased to £31,133,721 by the creation of an additional 100,000,000 ordinary shares of 6⁷⁹/₁₀₀ pence each.

3.9 On 20 October 2009, 464,310 ordinary shares of £1.00 each were issued in consideration for the acquisition of MillenniumIT on 16 October 2009. A further 125,823 ordinary shares of £1.00 each were issued in consideration for MillenniumIT on 3 February 2010.

3.10 On 29 May 2014, 1,300,000 ordinary shares of 6⁷⁹/₁₀₀ pence each were issued by the Company to the trustee of the LSEG Employee Benefit Trust to enable the trustee to satisfy the vesting of certain awards under the Company's Long Term Incentive Plan. A further 200,000 ordinary shares of 6⁷⁹/₁₀₀ pence each were issued by the Company on 2 July 2014 to the trustee of the Employee Benefit Trust to satisfy further awards under the Long Term Incentive Plan.

3.11 As at 20 August 2014 (being the latest practicable date prior to the date of this document), the issued and fully paid share capital of the Company was as follows:

	Existing Shares prior to the Rights Issue ⁽¹⁾		Shares following the Rights Issue ⁽²⁾	
	Number	£	Number	£
Issued	272,608,651	18,860,714.81	346,956,464	24,004,546.06

Notes:

(1) Assuming that no share options are exercised between the date of this document and Admission.

(2) Assuming that the maximum number of New Shares is issued.

The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash and the provisions of section 561 of the Companies Act 2006 (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the issued share capital of the Company which is not the subject of the disapplication approved by the Shareholders in a general meeting of the Company.

3.12 Save as disclosed above, since 2 July 2014 there has been no issue of share capital of the Company, fully or partly paid, either in cash or for other consideration, and (other than in connection with the Rights Issue and the exercise of options or vesting of awards under the Share Schemes) no such issues are proposed. As at the date of this document, the Company does not hold any Shares in treasury.

3.13 Subject to Admission, pursuant to the Rights Issue, 74,347,813 New Shares will be issued at a price of 1,295p per New Share. This will result in the issued ordinary share capital of the Company increasing by approximately 27.3 per cent. Qualifying Shareholders who take up their pro rata entitlement in full will suffer no dilution to their interests in the Company. Qualifying Shareholders who do not take up any of their rights to subscribe for the New Shares will be diluted by 21.4 per cent. following the New Shares Issue (assuming no options granted under the Share Schemes are exercised between 20 August 2014 (being the latest practicable date prior to the publication of this document) and the New Shares Issue).

3.14 At the annual general meeting of the Company held on 16 July 2014, resolutions were passed to authorise the Directors, pursuant to section 551 of the Companies Act, to allot (i) shares up to an aggregate nominal amount of £6,280,000; and (ii) equity securities (as defined in the Companies Act) up to a maximum aggregate nominal amount of £12,560,000 in connection with an offer by way of rights issue. Additionally, a resolution authorising the waiver of pre-emption rights in connection with such allotments was passed, which will be relied upon for the purposes of the Rights Issue.

3.15 The New Shares which are the subject of the Rights Issue will be provisionally allotted (nil paid) to all Qualifying Shareholders by a resolution of a committee of the Board and created in accordance with the laws of England.

3.16 The New Shares will have the same rights in all respects as the Existing Shares (including the right to receive all dividends or other distributions declared after the date of issue of the New Shares).

3.17 The ISIN for the New Shares will be the same as that of the Existing Shares, being GB00B0SWJX34. The ISIN Code for the Nil Paid Rights is GB00BPZ54W45. The ISIN Code for the Fully Paid Rights is GB00BPZ54Y68.

4. Articles of Association and mandatory takeover bids, squeeze-out and sell-out rules

The Articles of Association of the Company (the “Articles”) are also available for inspection and include provisions to the following effect:

4.1 Share rights

Subject to the provisions of the Acts, and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

The Board may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder. Subject to the Articles and to the Acts, the unissued share capital of the Company (whether forming part of the original or any increased capital) is at the disposal of the Board.

4.2 Voting rights

Subject to any rights or restrictions attached to any shares, on a show of hands every member who is present in person or represented by proxy shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

No member shall be entitled to vote at any general meeting unless all moneys presently payable by him in respect of shares in the Company have been fully paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Companies Act 2006 and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the board may, in its absolute discretion at any time thereafter by notice to such member direct that in respect of the shares in relation to which the default occurred the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

4.3 Dividends and other distributions

Subject to the provisions of the Acts, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of calls shall be treated for these purposes as paid on the share.

Subject to the provisions of the Acts, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

The Board may also pay, at intervals determined by it, any dividend at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

The Board may withhold payment from a person of all or any part of any dividend or other moneys payable in respect of shares in the Company if those shares represent at least a 0.25 per cent. interest in the

Company's shares or any class thereof and if, in respect of those shares, such person has been served with a restriction notice after failure (whether by such person or by another) to provide the Company with information concerning interests in those shares required to be provided under the Acts.

Except as otherwise provided by the rights and restrictions attached to any class of shares, all dividends will be declared and paid according to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

The Board may, if authorised by an ordinary resolution of the Company, offer any holder of shares the right to elect to receive shares by way of scrip dividend instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend.

The Company may by ordinary resolution direct that any dividend recommended by the Board and declared at a general meeting, shall be satisfied wholly or partly by the distribution of assets, including, without limitation, paid up shares or debentures of another body corporate.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

4.4 Variation of rights

Rights attached to any class of shares may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class, or the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

4.5 Lien and forfeiture

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to the Company (whether presently or not) in respect of that share. The Company may sell any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board may from time to time make calls on the members in respect of any moneys unpaid on their shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

4.6 Transfer of shares

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may, from time to time, approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

The Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

- (a) is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

- (b) is in respect of one class of share only; and
- (c) is in favour of not more than four persons.

The Board may refuse to register a transfer of shares in the Company by a person if those shares represent at least a 0.25 per cent. interest in the Company's shares or any class thereof and if, in respect of those shares, such person has been served with a restriction notice after failure (whether by such person or by another) to provide the Company with information concerning interests in those shares required to be provided under section 793 of the Companies Act 2006, unless (i) the transfer is an approved transfer (as defined in the Articles), (ii) the member is not himself in default as regards supplying the information requested and certifies that no person in default as regards supplying such information is interested in any of the shares being the subject of the transfer or (iii) the transfer of the shares is required to be registered by the Uncertificated Securities Regulations 2001 (the "Regulations").

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

4.7 Alteration of share capital

Subject to the provisions of the Acts, the Company may by ordinary resolution increase, consolidate or sub-divide its share capital.

4.8 Purchase of own shares

Subject to the Acts and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or above or below par).

4.9 General meetings

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Acts. The Board may call general meetings whenever and at such times and places as it shall determine.

4.10 Mandatory takeover bids, squeeze-out and sell-out rules

Other than as provided by the City Code on Takeovers and Mergers, there are no rules or provisions relating to mandatory bids and/or squeeze-out and/or sell-out rules in relation to the Shares.

4.11 Directors

4.11.1 Appointment of Directors

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two but shall not be subject to any maximum in number. Directors may be appointed by ordinary resolution of Shareholders or by the Board, provided that the appointment has been recommended by the Board or notice has been received by the Board from a member qualified to vote at the meeting between 14 and 35 days before the relevant meeting. A Director appointed by the Board holds office only until the next following annual general meeting and if not re-appointed at such annual general meeting shall vacate office at its conclusion.

4.11.2 No share qualification

A director shall not be required to hold any shares in the capital of the Company by way of qualification.

4.11.3 *Retirement of Directors by rotation*

At every annual general meeting one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. The Directors to retire by rotation shall be, first, those who wish to retire and not be reappointed and, second, those who have been longest in office since their last appointment or re-appointment. In the case of those who were appointed or re-appointed on the same day, those who retire will be (unless they otherwise agree) determined by lot. A retiring Director shall be eligible for re-election.

4.11.4 *Removal of Directors*

Directors can be removed by ordinary resolution of the Shareholders or by a Director if not less than three-quarters of the other Directors sign a notice stating that that person should cease to be a Director.

4.11.5 *Remuneration of Director*

The emoluments of any Director holding executive office for his services provided to the Company as such shall be determined by the Board, and may be of any description.

The ordinary remuneration of the Directors who do not hold executive office (excluding amounts payable under any other provision of these Articles and excluding the Chairman) shall not exceed in aggregate £1.5 million per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day-to-day) at such rate as may from time to time be determined by the Board. In addition, any Director who does not hold executive office but who performs services outside the scope of the ordinary duties of a Director may be paid such extra remuneration as the Board may determine.

In addition to any remuneration to which the Directors are entitled under the Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family or any person who is or was dependent on him.

4.11.6 *Permitted interests of Directors*

Subject to the provisions of the Acts, and provided that such Director has disclosed to the Board the nature and extent of his interest (unless the circumstances referred to in section 177(5) or section 177(6) of the Companies Act 2006 apply, in which case no such disclosure is required), a Director notwithstanding his office:

- (a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company in which the Company is otherwise (directly or indirectly) interested;
- (b) may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;
- (c) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate:
 - (i) in which the Company is (directly or indirectly) interested as a shareholder or otherwise; or
 - (ii) with which he has such a relationship at the request or direction of the Company; and
- (d) shall not, by reason of office, be accountable to the Company for any remuneration or other benefit which he derives from any such office or employment or from any transaction or arrangement or from any interest in any body corporate:
 - (i) the acceptance, entry into or existence of which has been approved by the Board (subject, in any case, to any limits or conditions to which such approval was subject); or

- (ii) which such Director is permitted to hold or enter into by virtue of paragraphs (a), (b) or (c) above;

nor shall the receipt of any such remuneration or other benefit constitute a breach of his or her duty under section 176 of the Companies Act 2006.

4.11.7 *Restrictions on voting*

Unless the Shareholders resolve by ordinary resolution otherwise, a Director shall not vote on any resolution of the Board, or any committee of the Board, concerning a matter in which such Director has an interest, but these prohibitions shall not apply to:

4.11.7.1 the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;

4.11.7.2 the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

4.11.7.3 a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

4.11.7.4 a contract, arrangement, transaction or proposal concerning any other body corporate in which he or any person connected with him is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he and any persons connected with him do not to his knowledge hold an interest representing 1 per cent. or more of either any class of the equity share capital of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of the Articles to be a material interest in all circumstances);

4.11.7.5 a contract, arrangement, transaction or proposal for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and

4.11.7.6 a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include Directors.

4.11.8 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

4.11.9 *Indemnity of officers*

Subject to the provisions of the Acts but without prejudice to any indemnity to which a Director may otherwise be entitled, every Director or other officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

5. Directors and Senior Managers

5.1 Directors

The Directors of the Company are listed below.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Chris Gibson-Smith	68	Chairman
Xavier Rolet	54	Chief Executive Officer
David Warren	60	Chief Financial Officer
Raffaele Jerusalmi	53	Executive Director, Chief Executive of Borsa Italiana and Director of Capital Markets
Robert Webb QC	65	Senior Independent Director
Jacques Aigrain	60	Non-Executive Director
Sharon Bowles	61	Non-Executive Director
Sherry Coutu CBE	50	Non-Executive Director
Paul Heiden	57	Non-Executive Director
Stuart Lewis	48	Non-Executive Director
Andrea Munari	52	Non-Executive Director
Stephen O'Connor	52	Non-Executive Director
Joanna Shields OBE	52	Non-Executive Director
Massimo Tononi	50	Non-Executive Director

The business address of each of the Directors is 10 Paternoster Square, London EC4M 7LS.

It was announced on 15 August 2014 that Sharon Bowles would join the LSEG Board as a Non-Executive Director with immediate effect. Summary biographical details of Sharon Bowles are described in the announcement of 15 August 2014, as described in Part XIV “Documentation Incorporated by Reference” of this document.

Summary biographical details of each of the other Directors are described on pages 54 to 55 of LSEG’s Annual Report and Accounts for 2014, as described in Part XIV “Documentation Incorporated by Reference” of this document.

It was announced on 16 July 2014 that the Board had commenced the process of finding a successor for the Chairman. It is intended that the search and appropriate transition will be completed by the end of December 2015.

Set out below are the directorships and partnerships held by the Directors (other than, where applicable, directorships held in subsidiaries of the Company), in the five years prior to the date of this document:

Name	Current directorships/partnerships	Past directorships/partnerships
Chris Gibson-Smith . . .	Knightsbridge Residents Management Company Limited Partnership Assurance Group plc (and related entities)	The British Land Company Public Limited Company Qatar Financial Centre Authority
Xavier Rolet	None	None
David Warren	None	None
Raffaele Jerusalmi	None	Atlantic Capital Management GMBH
Robert Webb QC	Holdingham Group Limited Charity Projects Darktrace	Argent Group plc (and related entities) Autonomy Corporation Limited (and related entities) BBC Worldwide Limited (and related entities) Sciemus LTD Emerging Health Threats Forum CIC
Jacques Aigrain	Swiss International Air Lines LTD (and related entities) Lyondellbasell Industries N.V. Qatar Financial Centre Authority Deutsche Lufthansa AG WPP plc JA Consulting SA	Resolution Limited
Sharon Bowles	Bowles Horton Partnership ACP Leopold	Readers Court Management Limited
Sherry Coutu CBE	Raspberry Pi (Trading) Limited Oxford Cambridge and RSA Examinations Art Discovery Limited Wayra UNLTD Limited Information Technology Telecommunications and Electronic Association Zoopla Property Group plc Cambridge Temperature Concepts Limited Cambridge Assessment Cambridge University Press Artfinder SVC2U Limited	New Energy Finance Limited The Library House Limited
Paul Heiden	Intelligent Energy Holdings Public Limited Meggitt plc	Glory Global Solutions (Topco) Limited United Utilities Group plc (and related entities)
Stuart Lewis	Deutsche Bank AG	DB Trustee Services Limited
Andrea Munari	Credito Fondario SpA (and related entities)	Association for Financial Markets in Europe
Stephen O'Connor	International Swaps and Derivatives Association Morgan Stanley Derivative Products, Inc.	OTCDerivnet Limited (and related entities)
Joanna Shields OBE . . .	Zesme Limited The American School in London Educational Trust Limited Tech City (UK) Limited	Save the Children Fund (and related entities) Viewerati Limited Shine Vu TalkTalk Telecom Group Plc
Massimo Tononi	Sorin SpA Prysmian SpA Italmobiliare SpA Istituto Atesino di Sviluppo SpA Castello SGR SpA	Goldman Sachs Mittel SpA

5.2 Senior Managers

In addition to the Executive Directors described above, the Company's Senior Managers, and the business and administrative departments they are responsible for, are indicated below.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Suneel Bakhshi	55	Chief Executive Officer, LCH.Clearnet Group
Diane Côté	51	Group Chief Risk Officer
Alexander Justham	46	Chief Executive Officer, London Stock Exchange plc
David Lester	48	Group Director of Corporate Strategy
Mark Makepeace	53	Group Director of Information Services and Chief Executive Officer of FTSE Group
Nikhil Rathi	35	Head of International Development and Chief of Staff
Antoine Shagoury	44	Group Chief Operating Officer and Chief Information Officer

The business address of each member of the Senior Managers is 10 Paternoster Square, London EC4M 7LS.

Summary biographical details of each of the Senior Managers are described on pages 20 to 21 of LSEG's Annual Report and Accounts for 2014, as described in Part XIV "Documentation Incorporated by Reference" of this document.

Set out below are the directorships and partnerships held by the Senior Managers (other than, where applicable, directorships held in subsidiaries of the Company), in the five years prior to the date of this document:

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Suneel Bakhshi . . .	The Invicta Film Partnership No.9, LLP (and related entities)	Royal Ballet School Citigroup Global Markets Inc., Japan
Diane Côté	None	Aviva Insurance Limited (and related entities)
Alexander Justham	None	None
David Lester	None	None
Mark Makepeace . .	None	RM Makepeace LTD
Nikhil Rathi	None	None
Antoine Shagoury .	National Stock Exchange, Inc.	American Stock Exchange, Inc.

There is no family relationship between any of the Company's Directors or Senior Managers.

5.3 As at the date of this document, none of the Directors and the Senior Managers has at any time within the past five years:

- (a) save as disclosed in paragraphs 5.1 and 5.2 above, been a director or partner of any companies or partnerships; or
- (b) had any convictions in relation to fraudulent offences (whether spent or unspent); or
- (c) been adjudged bankrupt or has entered into any individual voluntary arrangements; or
- (d) been a director of any company at the time of or within a 12 month period preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or with any class of creditors of such company; or
- (e) has been partner of any partnership at the time of or within a 12 month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- (f) had his assets the subject of any receivership; or
- (g) been partner of any partnership at the time of or within a 12 month period preceding any assets thereof being the subject of a receivership; or

- (h) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- (i) ever been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company.

5.4 Save for their capacities as persons legally and beneficially interested in Shares, there are:

- (a) no potential conflicts of interest between any duties to the Company of the Directors and the Senior Managers and their private interests and/or other duties; and
- (b) no arrangements or understandings with major Shareholders, members, suppliers or others, pursuant to which any Director or the Senior Managers was selected.

5.5 Corporate Governance Code

The Company recognises the importance of, and is committed to, high standards of corporate governance. The following sections explain how the Company has applied the main and supporting principles set out in the Corporate Governance Code (2012) issued by the Financial Reporting Council. LSEG's compliance with the UK Corporate Governance Code is described on page 57 of LSEG's Annual Report and Accounts for 2014, as described in Part XIV "Documentation Incorporated by Reference" of this document.

5.6 Board Structure

The Company is headed by a Board of Directors, comprising the Chairman, three Executive Directors and 10 Non-Executive Directors, all of whom are determined by the Board to be independent.

The offices of Chairman and Chief Executive are held separately, and both officers have clearly defined roles and responsibilities. A summary of the key responsibilities of the Chairman and Chief Executive is contained on page 59 of LSEG's Annual Report and Accounts for 2014, as described in Part XIV "Documentation Incorporated by Reference" of this document. The Senior Independent Director is Robert Webb QC.

The Board of the Company is responsible for setting the Group's objectives and policies and for the stewardship of the Group's resources. The Board is responsible to the Shareholders for the overall management of the Group.

The Board considers its independent Non-Executive Directors to bring strong judgment and considerable knowledge and experience to the Board's deliberations. The Chairman, Senior Independent Director and Chairman of the Remuneration Committee are available to meet major shareholders, as required.

The Corporate Governance Code requires a company to state its reasons if it determines that a director is independent in certain circumstances, including where a director indirectly has a material business relationship with the Company as a director of a body that has such a relationship with the Company, or has had in the last three years, and where a director has served on the Board for more than nine years. A summary of LSEG's reasons in respect of the Company's Non-Executive Directors being considered independent is contained on pages 60 to 61 of LSEG's Annual Report and Accounts for 2014, as described in Part XIV "Documentation Incorporated by Reference" of this document.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The appointment and removal of the Company Secretary are matters for the Board as a whole. The Board has established a procedure under which any Director, wishing to do so in furtherance of his duties, may take independent advice at the Company's expense.

The Company maintains an appropriate level of directors' and officers' insurance in respect of legal action against the Directors. Indemnity arrangements in respect of Directors/Senior Managers covering costs and expenses suffered from an investigation by a regulatory body are not covered by insurance.

The interests of the Directors in the Shares of the Company are shown on page 95 of LSEG's Annual Report and Accounts for 2014, as described in Part XIV "Documentation Incorporated by Reference" of this document.

The Group's governance structure is designed to ensure that all decisions are made by the most appropriate people, in such a way that the decision making process itself does not unnecessarily delay progress. As envisaged by the Corporate Governance Code, the Board has delegated specific

responsibilities to the Nomination, Remuneration, Audit and Risk Committees, as described below. Each committee has terms of reference that the whole Board has approved. Board and committee papers are circulated in advance of each meeting so that all Directors are fully briefed. Papers are supplemented by reports and presentations to ensure that the Board members are supplied in a timely manner with the information they need.

5.7 Nomination Committee

The Nomination Committee leads the process for Board appointments by making recommendations to the Board about filling Board vacancies and appointing additional persons to the Board. The Committee also considers and makes recommendations to the Board on its composition, balance and membership and on the re-appointment by Shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association. The Nomination Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepares a description of the roles and capabilities required for a particular appointment.

The Nomination Committee's members are Chris Gibson-Smith, Robert Webb QC, Paul Heiden, Stephen O'Connor and Massimo Tononi all of whom are independent Non-Executive Directors. The Nomination Committee has terms of reference, approved by the Board. Further details of the Nomination Committee's remit and activities are contained in the nomination committee report on page 65 of LSEG's Annual Report and Accounts for 2014, as described in Part XIV "Documentation Incorporated by Reference" of this document.

5.8 Remuneration Committee

Responsibility for reviewing Group remuneration strategy and policy, recommending any changes and approving individual remuneration packages for the Chairman, executive directors and other members of the executive management rests with the Remuneration Committee. The Remuneration Committee consists exclusively of Non-Executive Directors and meets on at least two occasions each year. The Remuneration Committee's members are Robert Webb QC, Chris Gibson-Smith, Sherry Coutu CBE and Stuart Lewis, all of whom are independent Non-Executive Directors.

The Remuneration Committee has terms of reference, approved by the Board. Further details of the Remuneration Committee's remit and activities are contained in the remuneration report on pages 70 to 97 of LSEG's Annual Report and Accounts for 2014, as described in Part XIV "Documentation Incorporated by Reference" of this document.

5.9 Audit Committee

The Committee meets at least three times a year to review the Company's accounting and financial reporting practices, the work of the internal and external auditor and compliance with policies, procedures and applicable legislation. The Audit Committee also reviews the half year and annual financial statements before submission to the Board and periodically reviews the scope, remit and effectiveness of the internal audit function and the effectiveness of the Group's internal control systems.

The Audit Committee's members are Paul Heiden, Jacques Aigrain and Massimo Tononi, all of whom are independent Non-Executive Directors. The Audit Committee has terms of reference, approved by the Board. Further details of the Audit Committee's remit and activities are contained in the audit committee report on pages 66 to 68 of LSEG's Annual Report and Accounts for 2014, as described in Part XIV "Documentation Incorporated by Reference" of this document.

5.10 Risk Committee

The Risk Committee meets at least three times a year to advise the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and drawing on guidelines, rules, recommendations and general publications by relevant industry and regulatory bodies. The Risk Committee oversees and advises the Board on the current risk exposures of the Company, emerging risks and future risk strategy

The Risk Committee's members are Stephen O'Connor, Paul Heiden, Stuart Lewis and Andrea Munari, all of whom are independent Non-Executive Directors. The Risk Committee has terms of reference, approved by the Board. Further details of the Risk Committee's remit and activities are contained in the

risk committee report on page 69 of LSEG’s Annual Report and Accounts for 2014, as described in Part XIV “Documentation Incorporated by Reference” of this document.

6. Directors’ and Senior Managers’ interests

6.1 The interests of the Directors and Senior Managers, and their immediate families, in the share capital of the Company (all of which, unless otherwise stated, are beneficial) on the date of this document and as they are expected to be immediately following the New Share Issue including as a percentage of the Enlarged Share Capital (assuming full take up by the Directors and Senior Managers of their entitlements under the Rights Issue and excluding any Shares that may be acquired between 20 August 2014 (being the latest practicable date prior to the publication of this document) and the New Share Issue from the exercise of options granted under the Share Schemes), are as follows:

Name	Shares beneficially held at the date of this document		Shares beneficially held immediately following the New Share Issue	
	No.	%	No.	%
	(to nearest 0.1%)			
Directors				
Chris Gibson-Smith	63,757	0.0	81,145	0.0
Xavier Rolet	329,598	0.1	419,488	0.1
David Warren	—	0.0	—	0.0
Raffaele Jerusalmi	41,721	0.0	53,099	0.0
Robert Webb QC	1,200	0.0	1,527	0.0
Jacques Aigrain	—	0.0	—	0.0
Sharon Bowles	—	0.0	—	0.0
Sherry Coutu CBE	—	0.0	—	0.0
Paul Heiden	3,000	0.0	3,818	0.0
Stuart Lewis	—	0.0	—	0.0
Andrea Munari	—	0.0	—	0.0
Stephen O’Connor	—	0.0	—	0.0
Joanna Shields OBE	—	0.0	—	0.0
Massimo Tononi	—	0.0	—	0.0
Senior Managers				
Suneel Bakhshi	7,938	0.0	10,102	0.0
Diane Côté	10,733	0.0	13,660	0.0
Alexander Justham	13,315	0.0	16,946	0.0
David Lester	56,533	0.0	71,951	0.0
Mark Makepeace	8,143	0.0	10,363	0.0
Nikhil Rathi	—	0.0	—	0.0
Antoine Shagoury	100,032	0.0	127,313	0.0

The Directors and the Senior Managers have the same voting rights as all other Shareholders.

6.2 Details of the Directors' and Senior Managers' non-beneficial interests in the Shares subject to options and awards under the Share Schemes are set out below:

<u>Name</u>	<u>Number of Shares over which options granted as at 20 August 2014⁽¹⁾</u>	<u>Exercise price</u>	<u>Exercisable between</u>
Directors			
Chris Gibson-Smith	—	—	—
Xavier Rolet	560,559	nil	2014-2016
David Warren	138,695	nil	2015-2016
Raffaele Jerusalmi	164,278	nil	2014-2016
Robert Webb QC	—	—	—
Jacques Aigrain	—	—	—
Sharon Bowles	—	—	—
Sherry Coutu CBE	—	—	—
Paul Heiden	—	—	—
Andrea Munari	—	—	—
Stuart Lewis	—	—	—
Stephen O'Connor	—	—	—
Joanna Shields OBE	—	—	—
Massimo Tononi	—	—	—
Senior Managers			
Suneel Bakhshi	114,129	nil	2016
Diane Côté	137,082	nil	2015-2016
Alexander Justham	140,619	nil	2015-2016
David Lester	259,146	nil	2014-2016
Mark Makepeace	409,444	nil	2015-2017
Nikhil Rathi	—	nil	—
Antoine Shagoury	228,434	nil	2014-2016

(1) Further options may be granted to the Directors and other Senior Managers under the London Stock Exchange Group LTIP 2014 or where appropriate the LCH. Cleantnet Group Limited LTIP shortly after publication of this document.

In accordance with the rules of the Share Schemes, the Directors propose to make adjustments to the terms of outstanding options and awards to take account of the New Share Issue. Such adjustments will be made subject to the rules of the Share Schemes.

6.3 Certain options over Ordinary Shares granted to Directors and other Senior Managers in 2011 under the Company's Long-Term Incentive Plan will become exercisable shortly after publication of this document.

6.4 Other than as disclosed in this paragraph and paragraph 10 ("Share Schemes"), there are no other persons to whom any capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option.

6.5 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

6.6 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

6.7 Save as set out in this Part XIII, it is not expected that any Director will have any interest in the share or loan capital of the Company following the New Share Issue and there is no person to whom any capital of any member of the Group is under option or agreed unconditionally to be put under option.

7. Interests of major Shareholders

Insofar as is known to the Company, the name of each person who, directly or indirectly, has an interest in three per cent. or more of the Company's issued share capital, and the amount of such person's interest, as

at 20 August 2014 (being the latest practicable date prior to the publication of this document) are as follows:

<u>Name</u>	<u>Shares</u>	
	<u>No.</u>	<u>%</u>
Borse Dubai	56,966,856	20.9
Qatar Investment Authority	28,080,219	10.3
BlackRock	14,369,709	5.3

Insofar as is known to the Company, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

None of the major Shareholders referred to above has different voting rights from other Shareholders.

Insofar as is known to the Company, immediately following the New Shares Issue, the interests of those persons set out above with an interest in three per cent. or more of the Company's issued share capital, and the amount of such persons' interests, including as a percentage of the Enlarged Share Capital, (assuming full take up by such persons of their entitlements under the Rights Issue and no options granted under the Share Schemes are exercised between 20 August 2014 (being the latest practicable date prior to the publication of this document) and the New Shares Issue), will be as follows:

<u>Name</u>	<u>Shares</u>	
	<u>No.</u>	<u>%</u>
Borse Dubai	72,503,271	20.9
Qatar Investment Authority	35,738,460	10.3
BlackRock	18,288,720	5.3

8. Directors' service agreements and letters of appointment

Xavier Rolet

8.1 Xavier Rolet entered into a service agreement with the Company on 25 February 2009 and was appointed with effect from 16 March 2009. The service agreement may be terminated by Mr Rolet or the Company by either party giving not less than 12 months' notice. Alternatively, the Company may terminate the contract by payment in lieu of notice of a sum equal to 12 months' salary, pension, flexible benefits allowance, life and private medical insurance (but excluding bonus and share incentives) paid in a lump sum or, at the discretion of the Company's remuneration committee, on a monthly basis. If Mr Rolet commences alternative employment, is appointed as a Non-Executive Director or provides services pursuant to a consultancy agreement within 12 months after leaving the Group, 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 Rolet's annual salary with effect from 1 April 2014 is £733,000.

8.2 Mr Rolet receives benefits in kind, principally health care and life assurance. In addition, Mr Rolet (in common with all Group staff) participates in a flexible benefit plan whereby he receives an allowance of £20,000 per annum from which he can purchase additional benefits or receive all or a portion as a cash supplement. This flexible benefit allowance is not used to calculate bonus payments or pension contributions. Mr Rolet is entitled to a cash supplement in lieu of contribution to a pension plan, equal to 25 per cent. of his basic salary.

8.3 Mr Rolet is eligible to participate in the LSEG annual bonus plan. Cash bonus awards are approved by the Company's remuneration committee and are based on annual financial targets, strategic objectives and individual performance. Mr Rolet is also eligible to participate in the LSEG Deferred Bonus Plan, which is described in paragraph 10 below. Mr Rolet has outstanding awards under the London Stock Exchange Group 2004 LTIP and is eligible to participate in the London Stock Exchange Group 2014 LTIP, both of which are described in paragraph 10 below. Mr Rolet has an outstanding option granted under the Group's Save As You Earn (SAYE) Scheme (described in paragraph 10 below).

David Warren

8.4 Mr Warren entered into a service agreement with the Company on 11 June 2012 and was appointed with effect from 2 July 2012. The service agreement may be terminated by Mr Warren or the Company on

not less than 12 months' written notice. Alternatively, the Company may terminate the contract by payment in lieu of notice of a sum equal to 12 months' salary and the pension, flexible benefits and insurance benefits described below (but excluding bonus and share incentives). Any payment in lieu of notice will be paid in 12 monthly instalments from the date of termination. If Mr Warren commences alternative employment, is appointed as a Non-Executive Director or provides services pursuant to a consultancy agreement within 12 months after leaving the Group, 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 Warren's annual salary with effect from 1 April 2014 is £425,000.

8.5 Mr Warren receives benefits in kind, principally health care and life assurance. Mr Warren (in common with all Group staff) participates in a flexible benefit plan whereby he receives an allowance equal to five per cent. of his basic salary capped at £20,000 per annum 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 Warren is eligible to receive a contribution of 25 per cent. of his salary into a pension arrangement. Where such contribution would exceed relevant allowances, a cash equivalent will be paid to Mr Warren.

8.6 Each year Mr Warren is entitled to tax preparation and filing assistance in the US and the UK. The Company will meet the costs of repatriating Mr Warren's effects back to the US if it terminates his employment other than in circumstances such as serious misconduct which would justify summary termination. Mr Warren is entitled to an allowance to cover the cost of renting accommodation in the UK during the first four years of his appointment (£60,000 per annum for each of the first two years and £30,000 per annum for each of the third and fourth years). The Company will cover the cost of up to six return business class flights a year for Mr Warren and his partner or children to travel between London and New York up to an annual cost of £30,000.

8.7 Mr Warren is eligible to participate in the LSEG annual bonus plan. Cash bonus awards are approved by the Company's remuneration committee and are based on annual financial targets, delivery of strategic objectives and individual performance. Mr Warren is also eligible to participate in the LSEG Deferred Bonus Plan, which is described in paragraph 10 below. Mr Warren has outstanding awards under the London Stock Exchange Group 2004 LTIP and is eligible to participate in the London Stock Exchange Group 2014 LTIP, both of which are described in paragraph 10 below.

Raffaele Jerusalemi

8.8 Raffaele Jerusalemi entered into a service contract with Borsa Italiana S.p.A. on 1 October 2001, amended on 3 May 2011, and a service agreement with London Stock Exchange Group Holdings (Italy) Limited Italian Branch, which reflects his period of continuous service from 1 October 2001. On 1 April 2013, Raffaele Jerusalemi's employment contract transferred from London Stock Exchange Group Holdings (Italy) Limited Italian Branch to London Stock Exchange Group Holdings Italia S.p.A.

The terms of his employment with each company are substantially the same. The contracts state that no collective agreement applies to his employment and accordingly the terms applying to the termination of his employment under both contracts are governed by Italian law. If Mr Jerusalemi is dismissed, his notice period will be equal to eight months (if the length of service is between nine and 15 years) or nine months (if the length of service is 15 years or more). If Mr Jerusalemi resigns he is required to give three months' notice. On termination of either employment for any reason, Mr Jerusalemi is entitled to severance payments under Italian law.

8.9 Mr Jerusalemi has an entitlement under Italian law to: (a) *trattamento di fine rapporto*, which Mr Jerusalemi has elected to transfer to his private pension plan on a monthly basis since August 2007 and is equal to 7.4 per cent. (including solidarity tax at the current rate of 0.49 per cent. which does not count towards Mr Jerusalemi's contributions to his private pension plan) of all sums paid to Mr Jerusalemi during his employment; (b) pro-rated supplementary monthly payments (the annual salary is normally paid in 12 instalments plus two supplementary monthly payments); and (c) payment in lieu of untaken holidays, if any. Where no just cause for termination exists, a payment in lieu of notice is payable if the employment is terminated with immediate effect. The payment in lieu of notice is paid in addition to the payments at (a), (b) and (c) above and is equal to the overall salary due to Mr Jerusalemi during the notice period. For these purposes monthly salary includes base salary, the average of any bonuses or commissions paid during the last 36 months of the employment relationship and benefits in kind. Mr Jerusalemi's annual salary is €480,000 (being €240,000 under each employment).

8.10 Mr Jerusalem receives health care, life assurance, disability insurance, accident insurance cover, luncheon vouchers and car and fuel benefit. Mr Jerusalem is eligible to participate in LSEG's annual bonus plan. Cash bonus awards are approved by the Company's remuneration committee and are based on annual financial targets, strategic objectives and individual performance. Mr Jerusalem is also eligible to participate in the London Stock Exchange Group Deferred Bonus Plan, which is described in paragraph 10 below. Mr Jerusalem has outstanding awards under the London Stock Exchange Group 2004 LTIP and is eligible to participate in the London Stock Exchange Group 2014 LTIP, both of which are described in paragraph 10 below.

Non-Executive Directors

8.11 The following Non-Executive Directors' agreements have been entered into:

Chris Gibson-Smith

8.11.1 Chris Gibson-Smith, the Chairman of the Company, has a letter of appointment with the Company dated 18 July 2012. His appointment is for a period of three years, until the annual general meeting in 2015, and is terminable on six months' notice.

8.11.2 Mr Gibson-Smith receives an annual fee of £370,000 in his role as Chairman, and the provision of a chauffeur driven car.

Robert Webb Q.C.

8.11.3 Robert Webb Q.C. has a letter of appointment with the Company dated 1 February 2013. The appointment is terminable without notice. Mr Webb's appointment continues until 31 January 2016, provided he is re-elected by shareholders. Mr Webb receives a fee of £60,000 in his role as a Non-Executive Director of the Company and a fee of £20,000 in his role as Chairman of the Company's remuneration committee and a further £10,000 as a Non-Executive Director of subsidiary companies.

Paul Heiden

8.11.4 Paul Heiden has a letter of appointment with the Company dated 3 June 2013. The appointment is terminable without notice. Mr Heiden's appointment continues until 3 June 2016, provided he is re-elected by shareholders. Mr Heiden receives a fee of £60,000 in his role as a Non-Executive Director of the Company and a fee of £20,000 in his role as Chairman of the Company's audit committee and a fee of £10,000 as a member of the risk committee. Mr Heiden also receives an additional fee of £5,000 for serving as a director of London Stock Exchange plc.

Andrea Munari

8.11.5 Andrea Munari has a letter of appointment with the Company dated 25 September 2013. The appointment is terminable without notice. Mr Munari's appointment continues until 30 September 2016, provided he is re-elected by shareholders. Mr Munari receives a fee of £60,000 in his role as a Non-Executive Director of the Company and £10,000 in respect of his membership of the Company's risk committee. Mr Munari was appointed to the board of Borsa Italiana S.p.A. on 3 July 2014 and receives €20,000 as a director and €6,000 as vice chairman.

Massimo Tononi

8.11.6 Massimo Tononi has a letter of appointment with the Company dated 25 September 2013. The appointment is terminable without notice. Mr Tononi's appointment continues until September 2016, provided he is re-elected by shareholders. Mr Tononi receives a fee of £60,000 in his role as a Non-Executive Director of the Company and £10,000 in respect of his membership of the Company's audit committee. Mr Tononi receives further combined fees of £182,000 for his roles as Chairman and Director of Borsa Italiana S.p.A., Chairman of CC&G, Chairman of EuroTLX and Chairman and Director of London Stock Exchange Group Holdings Italia S.p.A..

Jacques Aigrain

8.11.7 Jacques Aigrain has a letter of appointment with the Company dated 1 May 2013. The appointment is terminable without notice. Mr Aigrain's appointment continues until 30 April 2016, provided he is re-elected by shareholders. Mr Aigrain receives a fee of £60,000 in his role as a Non-Executive Director of the Company and a fee of £10,000 in his role as a member of the Company's audit committee. In addition, Mr Aigrain receives a fee of £380,000 as Chairman of LCH.Clearnet Group.

Sharon Bowles

8.11.8 Sharon Bowles has a letter of appointment with the Company dated 15 August 2014. The appointment is terminable without notice. Ms Bowles' appointment continues until 14 August 2017, provided she is re-elected by shareholders. Ms Bowles receives a fee of £60,000 in her role as a Non-Executive Director of the Company. Ms Bowles will also receive an additional fee of £5,000 for serving as a director of London Stock Exchange.

Sherry Coutu CBE

8.11.9 Sherry Coutu CBE has a letter of appointment with the Company dated 17 January 2014. The appointment is terminable without notice. Ms Coutu's appointment continues until 16 January 2017, provided she is re-elected by shareholders. Ms Coutu receives a fee of £60,000 in her role as a Non-Executive Director of the Company. Ms Coutu also receives a fee of £10,000 in respect of her membership of the Company's remuneration committee.

Stuart Lewis

8.11.10 Stuart Lewis has a letter of appointment with the Company dated 12 June 2013. The appointment is terminable without notice. Mr Lewis' appointment continues until 11 June 2016, provided he is re-elected by shareholders. Mr Lewis receives a fee of £60,000 in his role as a Non-Executive Director of the Company and a fee of £10,000 in his role as a member of the Company's risk committee and £10,000 as a member of the remuneration committee.

Stephen O'Connor

8.11.11 Stephen O'Connor has a letter of appointment with the Company dated 12 June 2013. The appointment is terminable without notice. Mr O'Connor's appointment continues until 11 June 2016, provided he is re-elected by shareholders. Mr O'Connor receives a fee of £60,000 in his role as a Non-Executive Director of the Company and a fee of £20,000 as Chairman of the Company's risk committee and a further £5,000 for serving as a director of London Stock Exchange.

Joanna Shields OBE

8.11.12 Joanna Shields OBE has a letter of appointment with the Company dated 17 January 2014. The appointment is terminable without notice. Ms Shields' appointment continues until 16 January 2017, provided she is re-elected by shareholders. Ms Shields receives a fee of £60,000 in her role as a Non-Executive Director of the Company. Ms Shields also receives an additional fee of £5,000 for serving as a director of London Stock Exchange.

8.12 The aggregate remuneration, including bonuses and benefits in kind, granted by all members of the Group to the Directors in respect of the financial year ending 31 March 2014 was £11,770,000.

8.13 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

9. Directors' and Senior Managers' remuneration

9.1 In addition to the options and awards under the Share Schemes disclosed in paragraph 10 of this Part XIII, the amount of remuneration paid (including any contingent or deferred compensation), and

benefits in kind granted to Directors of the Company for services in all capacities to the Group (including subsidiaries where applicable) by any person for the financial year ended 31 March 2014 was as follows:

Name	Position	Annual Salary (£'000)	Annual Bonus (£'000)	Other Benefits ⁽¹⁾ (£'000)	LTIP ⁽²⁾ (£'000)	Total (£'000)
Chris Gibson-Smith .	Chairman	370		83		453
Xavier Rolet	Chief Executive Officer	705	1,481	236	3,872	6,294
David Warren	Chief Financial Officer	425	600	322	—	1,347
Raffaele Jerusalmi . .	Executive Director, Chief Executive of Borsa Italiana and Director of Capital Markets	360	579	395 ⁽³⁾	985	2,319
Robert Webb QC . .	Non-Executive Director	90	—	—	—	90
Jacques Aigrain ⁽⁴⁾ . .	Non-Executive Director	650	—	8	—	658
Sharon Bowles	Non-Executive Director	—	—	—	—	—
Sherry Coutu CBE . .	Non-Executive Director	13	—	—	—	13
Paul Heiden	Non-Executive Director	92	—	7	—	99
Stuart Lewis	Non-Executive Director	57	—	—	—	57
Andrea Munari	Non-Executive Director	70	—	3	—	73
Stephen O'Connor . .	Non-Executive Director	61	—	39	—	100
Joanna Shields OBE	Non-Executive Director	13	—	—	—	13
Massimo Tononi ⁽⁵⁾ . .	Non-Executive Director	252	—	2	—	254

(1) The Other Benefits figure includes, where applicable, flexible benefits allowance, pension, cash value of private medical, disability and life assurance, Save As You Earn, travelling expenses with associated taxes, luncheon vouchers, car and fuel benefit, chauffeur driven car and expatriate allowance with associated taxes.

(2) Value shown for FY13/14 represents estimated value of share awards granted in 2011 that are expected to vest in June and July 2014. The estimate assumes 100 per cent. vesting and is based on a three-month average share price for 1 January 2014 to 31 March 2014, being £19.13. Value shown for FY12/13 represents the actual vesting of LTIP awards granted in 2010 that vested in September 2013 using the share price on the vesting date, being £16.24 for LTIP Performance shares that vested on 16 September 2013 and £15.66 for Matching shares that vested on 27 September 2013.

(3) The figure includes Trattamento di Fine Rapporto mandatory arrangements calculated on salary, capped benefits, bonus and shares and paid to Mr Jerusalmi's pension plan.

(4) Mr Aigrain received an annualised fee of £530,000 as Chairman of LCH.Clearnet Group. In addition he received a one-off, additional fee of £100,000 for performing the role of interim Executive Chairman in the absence of an LCH.Clearnet Group CEO. In addition to travelling expenses, he was also in receipt of health cover which ceased on 1 April 2014.

(5) Mr Tononi received a combined fee of €214,332 (£177,133) for his roles as Chairman and Director of Borsa Italiana S.p.A., Chairman of CC&G, Chairman of EuroTLX and Chairman and Director of London Stock Exchange Group Holdings Italia S.p.A. Mr Tononi renounced his fees for FY13/14 period as Director of Borsa Italiana S.p.A. and London Stock Exchange Holdings (Italia) on 1 January 2014 and 20 March 2014 respectively.

9.2 In addition to the options and awards under the Share Schemes disclosed in paragraph 10 of this Part XIII, the aggregate remuneration (including any contingent or deferred compensation) and benefits in kind paid or granted to the Senior Managers by the Company and its subsidiaries during the financial year ended 31 March 2014 for services in all capacities was £8,106,391. The Company is not required to, and does not otherwise, disclose publicly remuneration for the Senior Managers on an individual basis.

9.3 Save as disclosed in this Part XIII, none of the members of the administrative, management, or supervisory bodies' service contracts with the Company or any of its subsidiaries provide for benefits upon termination of employment.

10. Shares schemes

The Group currently operates the below employee share plans which provide for the grant of awards or options over Shares to employees of the Group.

10.1 London Stock Exchange Group LTIP 2014 (the "2014 LTIP")

The 2014 LTIP was approved by Shareholders on 16 July 2014 at the Company's annual general meeting.

The 2014 LTIP provides for the grant of awards over Shares which are made subject to performance conditions. The 2014 LTIP replaces the 2004 LTIP (described further below), which was approved by

shareholders in general meeting in July 2004 and expired on 14 July 2014. The 2014 LTIP will be overseen and administered by the Remuneration Committee.

The 2014 LTIP provides for the grant of performance share awards (“*Performance Awards*”) which will vest subject to continued employment with the group and to the extent that specified performance conditions are met over a fixed performance period.

The 2014 LTIP also allows employees (but not executive directors) to be invited to invest their annual cash bonus (or such other income as the Remuneration Committee may permit), in buying shares (“*Invested Shares*”) which will then be matched by the grant of a matching award (“*Matching Award*”) which will vest on the same basis as Performance Awards. Matching Awards will lapse to the extent that any Invested Shares are sold before the vesting date.

The share awards under the 2014 LTIP may take the form of: (a) a nil cost option to acquire Shares; (b) a contingent right to receive Shares; or (c) beneficial ownership of Shares which are subject to forfeiture if the vesting conditions are not met. Phantom share awards (“*Phantom Awards*”) may alternatively be granted to employees which, instead of delivering Shares following vesting, pay out a cash sum to an equivalent value. These types of award would normally only be used for employees in countries where there are unduly onerous legal, tax or other restrictions involved in delivering Shares to individuals.

Eligibility

Any employee or executive director of any member of the Group is eligible to participate in the 2014 LTIP at the discretion of the Remuneration Committee.

Grant of Awards

Awards may be granted within the period of 42 days following: (a) the announcement of the Company’s results for any period; or (b) any day on which the Remuneration Committee resolves that exceptional circumstances have arisen which justify the grant of awards. No awards may be granted after the tenth anniversary of the 2014 LTIP’s adoption.

Individual Limits

The total value of Shares over which a Performance Award (or a Phantom Award) may be granted to any individual in respect of any financial year (other than on recruitment or for specific retention purposes) may not exceed 300 per cent. of the individual’s gross annual basic salary although the Remuneration Committee may in exceptional circumstances grant awards up to 400 per cent. of salary. On recruitment of an executive, a Performance Award (or a Phantom Award) may be granted to compensate the individual for any share incentive arrangements that he may forego from a previous employer, although the value of such an award may not be greater than the value of the awards which are foregone (value for this purpose being determined by the Remuneration Committee). The Remuneration Committee may also, if it considers it appropriate, grant awards over Shares with a value in excess of these limits in order to recruit or retain individuals (not being executive directors of the Company) in connection with any acquisition or disposal of a business.

The total value of Shares over which a Matching Award may be granted to any individual in a financial year may not exceed 300 per cent. of the gross value of the amount paid for the related Invested Shares. The maximum value that may be invested in Shares is 50 per cent. of a participant’s gross annual basic salary.

Performance Conditions

Awards will only vest to the extent that performance conditions set at the time awards are granted are satisfied. The performance conditions will typically be measured over the period of three financial years starting with the beginning of the financial year in which the award is granted or such other period as the Remuneration Committee considers appropriate. The Remuneration Committee may amend the performance conditions if events occur which cause it to consider that an amendment is appropriate, provided that the varied conditions are at least as challenging as the original conditions.

Vesting of Awards

The Remuneration Committee has discretion in specific circumstances to provide for awards to vest in tranches over the vesting period, although the Company would not expect to grant awards to its executive directors on these terms.

Awards will usually vest (and where relevant become exercisable) on the third anniversary of the date of grant (or such date or dates as the Remuneration Committee may specify), subject to the participant remaining employed (and not being under notice) and to the satisfaction of the applicable performance conditions.

Awards that have been granted in the form of options will normally be exercisable for ten years from the date of grant, or such shorter period as the Remuneration Committee may stipulate on the date of grant.

Once a participant's award has vested (or where relevant been exercised) the relevant number of Shares (or relevant amount of cash in the case of a Phantom Award) will be transferred or issued to the participant. All Shares allotted or transferred under the 2014 LTIP will carry the same rights as all other Shares (except for entitlements arising before the date of acquisition by the participant). Where necessary application will be made for Shares to be admitted to listing by the UK Listing Authority and trading on the London Stock Exchange.

Payment of dividend equivalents

On vesting of an award, the participant may receive an amount in cash or Shares equivalent to the dividends which would have accrued in respect of any Shares in respect of which the award ultimately vests.

Malus and Clawback

All awards will be subject to "malus" terms which will allow the Remuneration Committee to exercise a discretion to reduce or cancel any portion of an unvested award in certain circumstances. The Remuneration Committee may also decide at the date of grant that certain awards will be subject to "clawback" terms which will allow the Remuneration Committee to exercise a discretion in certain circumstances to reclaim, or require the repayment of, an award that has already vested. Awards granted to executive directors will be subject to both malus and clawback provisions.

The circumstances in which these provisions may apply include, but are not limited to: (i) material misstatement of the results of the Group; (ii) significant reputational damage to the Group; (iii) a material adverse effect on the Group's business opportunities and prospects for sustained performance or profitability; or (iv) negligence, fraud or serious misconduct by the individual. The Remuneration Committee may exercise its discretion to clawback awards for up to three years after the vesting date or such longer period as the Remuneration Committee may have determined at the date of grant.

Cessation of employment

Awards held by a participant will generally lapse if the participant leaves employment or gives or receives notice before the vesting date. However, if a participant dies or leaves employment in certain circumstances such as injury, disability, ill-health, redundancy or his employing company, or the business in which he is employed, being transferred out of the Group, or for any other reason in the Remuneration Committee's discretion, a participant will be entitled to retain his awards which will vest on the normal vesting date pro rata to the time elapsed between the date of grant and the date of cessation of employment, subject to the satisfaction of the applicable performance conditions measured over the relevant performance period. The Remuneration Committee may, if it considers it appropriate, permit an award to vest at such other date at or after cessation of employment to the extent that the performance conditions are met at such date. It may also determine that an award shall not be subject to time pro-rating or that it will be reduced other than on a time pro-rated basis.

Change of control

If there is a change of control of the Company by way of takeover offer or scheme of arrangement, awards will vest pro rata to the time elapsed between the date of grant and the date of change of control, subject to performance measured on the date of change of control (or the most practicable earlier date having regard to the relevant performance condition). If the circumstances of the change of control so warrant the Remuneration Committee may determine that an award shall not be subject to time pro-rating or that it

will be reduced other than on a time pro-rated basis. Alternatively, awards may be exchanged for equivalent awards over shares in an acquiring company subject to the consent of that company. The Remuneration Committee may, in appropriate circumstances, require that awards automatically be exchanged, rather than vest, on a change of control.

Plan Limits

No award may be granted under the 2014 LTIP which would at the time of grant cause the aggregate number of Shares which have been or may be issued pursuant to that award and other awards or rights granted in the previous 10 years: (i) under the 2014 LTIP and any other discretionary employees' share scheme established by the Company, to exceed five per cent. of the ordinary share capital of the Company in issue immediately before that day; and (ii) under the 2014 LTIP and any other employees' share scheme established by the Company, to exceed 10 per cent. of the ordinary share capital of the Company in issue immediately before that day.

Treasury Shares will be treated for this purpose as if they were issued Shares and will count towards the above limits for as long as institutional shareholder guidance recommends such treatment. Awards may be granted over existing Shares and the percentage limits stated above will not apply to such existing Shares.

Variation of capital

In the event of any variation of the issued share capital of the Company (such as a rights issue, capitalisation issue or dividend in specie) the Remuneration Committee may adjust the number of Shares subject to awards in such manner as it considers appropriate. In the event of a transaction which would affect the value of awards (such as a demerger) the Remuneration Committee may either adjust awards or allow awards to vest on such terms as it considers appropriate in the circumstances.

Amendments

The Remuneration Committee may amend the rules of the 2014 LTIP at any time, provided that no amendment to the advantage of participants may be made to the provisions governing eligibility to participate in the 2014 LTIP, individual participation limits, plan limits, the basis for determining a participant's entitlement to Shares, the terms of the Shares and the consequences of any capitalisation issue, rights issue, sub-division or any other variation of capital without the prior approval of shareholders in general meeting. Shareholders' approval will not be required for minor amendments to benefit the administration of the 2014 LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Company or any subsidiary.

Additional schedules to the rules of the 2014 LTIP can be adopted to operate the 2014 LTIP in any jurisdictions in which employees are situated. These schedules may vary the rules of the 2014 LTIP to take account of any tax, exchange control, securities laws or other regulation. The Shares issued under any additional schedule will count towards the overall limit on the number of Shares that may be issued under the 2014 LTIP.

10.2 LCH.Clearent Group Limited LTIP (the "LCH LTIP")

The Company operates a long-term incentive plan for the benefit of employees of the LCH.Clearent Group. The LCH LTIP was approved by the Remuneration Committee on 15 April 2014. The terms of the LCH LTIP are materially the same as those described above for the 2014 LTIP, save that: (a) only employees or executive directors of a member of the LCH.Clearent Group may participate in the LCH LTIP; (b) awards may not be granted to subscribe for unissued shares or shares transferred from treasury; and (c) the rules of the LCH LTIP may be amended in a way that would adversely and materially affect the existing rights of a participant with that participant's consent or with the consent of 75 per cent. of the participants; and (d) the performance conditions will typically be based on specific LCH.Clearent Group business metrics.

10.3 London Stock Exchange Group LTIP 2004 (the "2004 LTIP")

The 2004 LTIP was approved by shareholders in July 2004 and was closed in respect of new awards with effect on and from 14 July 2014. The 2004 LTIP is similar to the 2014 LTIP, save for the following material differences.

Type of awards

Under the 2004 LTIP, executive directors of the Company were eligible to purchase Invested Shares and to receive Matching Awards.

Individual Limits

The total market value (at the time of grant) of Shares over which a Performance Award could be made in any financial year could not be more than 200 per cent. of the participant's basic salary, or if the Remuneration Committee considered that exceptional circumstances applied to any particular grant, 300 per cent. of the participant's basic salary.

The maximum amount of annual bonus or other income (expressed on a pre-tax basis) which could be used to acquire Invested Shares could not exceed 50 per cent. of a participant's basic annual salary (expressed on a pre-tax basis). A participant who had designated Invested Shares could be granted a matching share award having a value of not more than 200 per cent. of the gross value of the amount invested.

Malus and Clawback

The 2004 LTIP does not contain any "malus" or "clawback" provisions.

Cessation of employment

Awards will normally lapse if the participant ceases to be employed by the Group before vesting. However, an award will vest early in the event of the participant's death or if he or she leaves by reason of injury, disability, ill health, redundancy, or upon a sale of the business or company in which he or she is employed or in other circumstances at the Remuneration Committee's discretion.

The award will vest on the date of death or cessation to the extent that the performance condition is satisfied at that time, but the number of Shares (if any) in respect of which it vests will be reduced, on a time pro-rated basis, to reflect the proportion of the performance period completed prior to the date of death or cessation of employment.

If a participant retires, whether by reason of early or normal retirement, an award will continue until the end of the performance period and will then vest, to the extent that the performance condition is satisfied at the end of the performance period. The Remuneration Committee may, however, allow awards to vest at the time of retirement, in which case, the award will vest to the extent the performance condition is satisfied to the date of retirement and the number of Shares will be reduced on a time pro-rated basis.

10.4 London Stock Exchange Group SAYE Option Scheme 2011 (the "SAYE")

The SAYE is designed to provide share options to employees of the Group who are based in the UK. The scheme was approved by HM Revenue & Customs ("**HMRC**") on 8 August 2011 and the scheme is intended to provide preferential tax treatment to participants under the Income Tax (Earnings and Pensions) Act 2003 ("**ITEPA**").

Eligibility

All employees and directors of any UK company in the Group who have such minimum qualifying period of continuous employment with a Group company as the Remuneration Committee may determine (being a period commencing not earlier than five years prior to the date of grant of an option under the SAYE) are eligible to be invited to apply for options under the SAYE whenever it is operated.

Grant of options

Invitations to participate in the SAYE may be issued within six weeks after the announcement of the Company's results for any period or any day on which the Remuneration Committee determines that exceptional circumstances justify a grant. No options may be granted under the SAYE after the tenth anniversary of its adoption by shareholders.

Savings Contributions

At the time of receiving options, participants must enter into a savings contract with a nominated savings institution under which participants agree to make monthly contributions. The date on which the savings

will be repaid to a participant, which will be fixed at the date of grant, may be three or five years after commencement of the savings contract.

The number of Shares over which a participant may be granted an option will be fixed at the time an option is granted as the number of Shares that can be acquired on the maturity date, at the exercise price, with the savings that have accrued plus an amount calculated to be equivalent to the likely amount of interest payable on the savings.

The maximum monthly contribution is £500 or such higher amount as the Remuneration Committee may specify from time to time.

Exercise price

The exercise price of an option may not be less than 80 per cent. of the middle-market quotation of a Share as derived from the London Stock Exchange Daily Official List for the dealing day immediately prior to the invitation date (or, where the share scheme committee so determines, 80 per cent. of the average of the middle-market quotation of a Share on the three dealing days immediately prior to the invitation date) or 80 per cent. of the middle market quotation of a Share at such other time as may be permitted by HMRC.

Cessation of employment

Options will normally lapse if a participant ceases employment before the options become exercisable. However, an option may be exercised early over the number of Shares that may be acquired using the proceeds of the partially completed savings contract plus any interest that has accrued where the participant leaves employment by reason of death, injury, disability, redundancy, retirement, the business or part of the business in which the participant is employed being transferred to a transferee which is not a member of the Group or any other reason (other than dismissal for gross misconduct, serious breach or non-observance by the participant of his contract of employment or failure or refusal to carry out the duties assigned to him) if the option has been held for at least three years at the date of such cessation.

Variation of share capital

In the event of any capitalisation issue, rights issue, subdivision, consolidation or reduction of the Company's share capital, the number of Shares under option and/or the exercise price may only be adjusted to the extent that the requirements of ITEPA are met.

Dilution Limits

No option may be granted under the SAYE if it would cause the number of Shares issued or issuable pursuant to options and rights granted in the preceding 10 years under any Company employee share plans, or which have been issued in the preceding 10 years under any such plans, to exceed 10 per cent. of the Company's issued share capital at the proposed date of grant.

Options may be granted under the SAYE over Shares, and the percentage limits stated above will not apply to existing shares, except (for so long as institutional shareholder guidelines so recommend) to the extent that they are unissued shares or treasury shares.

Amendments

Similar provisions apply in relation to amendments as those set out above for the 2014 LTIP.

10.5 London Stock Exchange Group International Sharesave Plan (the "International Sharesave Plan")

The International Sharesave Plan was designed to provide share options to employees of the Company who are not based in the UK, on similar terms to those available to UK employees through the SAYE, by granting such employees options to acquire Shares. The scheme is not approved by any tax authority and is not intended to provide any preferential tax treatment to participants.

The material terms of the International Sharesave Plan are the same as the terms of the SAYE as described above. Participants may make their monthly contributions in pounds sterling or, at the discretion of the Remuneration Committee, in a nominated currency. Where savings are made in a nominated currency other than sterling, the rate of exchange will be set at the date the eligible employee is invited to participate but the Remuneration Committee has power to adjust the exchange rate during the savings

period (and allow the savings amount in the nominated currency to be similarly adjusted) if there is a material change in the relevant exchange rate. Alternatively participants may be allowed to top up any savings that have been made in a nominated currency if changes in the exchange rate have reduced the sterling value of the savings at the maturity date. The exercise price of an option under the International Sharesave Plan will normally be expressed in sterling but the Remuneration Committee has the power to express it in a nominated currency.

10.6 London Stock Exchange Group Employee Share Option Plan 2009 (the “ESOP”) and the London Stock Exchange Group Performance Aligned Restricted Share Plan 2010 (the “Performance Aligned RSA Plan”)

The ESOP was approved by the Company’s Remuneration Committee on 1 September 2009 and by HMRC on 3 September 2009.

The Performance Aligned RSA Plan was designed to facilitate the retention of employees of the Group and align the interests of such employees with those of shareholders enabling selected employees, subject to the achievement of corporate performance measures, to receive an award which is conditional on performance conditions being satisfied.

The following common terms apply to each of the ESOP and the Performance Aligned RSA Plan.

Eligibility

Any person who is an employee of the Group, excluding Group directors, selected on a discretionary basis by the Remuneration Committee, is entitled to participate.

Grant of awards

Awards may be granted in the six week period commencing on the date on which the Company announces its financial results for any period or any other date on which the Remuneration Committee determines that exceptional circumstances exist to justify the granting of such awards. For the ESOP only, grants may also be made on any day that any change to legislation affecting the ESOP is proposed or made.

No awards may be granted more than 10 years after the date on which the relevant plan was adopted. No award may be granted to subscribe for unissued Shares or treasury shares.

Cessation of employment

Awards vest and become exercisable normally three years after the date of grant. If a participant ceases employment with the Group before the vesting date by reason of death, injury, disability, ill health, redundancy, retirement (for the ESOP only), the business or part of the business in which the participant is employed being transferred to a transferee which is not a member of the Group or any other reason at the discretion of the Remuneration Committee, awards shall vest to the extent the performance conditions have been satisfied and shall be pro-rated to reflect the proportion of the vesting period for which the participant was employed.

Change of control

In the event of a takeover, demerger, scheme of arrangement or voluntary winding-up of the Company, awards shall vest and, for the ESOP only, options may be exercised for a period of six months following such event, to the extent the performance conditions have been satisfied, but the number of shares the participant receives shall be pro-rated to reflect the proportion of the vesting period that has elapsed between the date of grant and the date of the relevant event. Awards will not become exercisable on an internal reorganisation but will be rolled-over into awards of shares in the new holding company unless the Remuneration Committee determines otherwise.

Variation of capital

Similar provisions apply as set out above in relation to the 2014 LTIP.

Amendments

The Remuneration Committee may amend the ESOP and the Performance Aligned RSA Plan at any time. In relation to the ESOP only, amendments to certain key features must comply with the requirements of ITEPA. Any amendment that would materially prejudice the interests of participants requires such affected participants’ prior written consent.

10.6.1 ESOP

In addition to the terms above, the following terms apply to the ESOP.

Individual Limits

No employee shall be granted an award which would, at the proposed date of grant, cause the value of the employee's subsisting awards granted under the ESOP and any other employee share option plan established by the Company or any associated company of the Company in accordance with Schedule 4 of ITEPA to exceed £30,000.

Vesting and performance conditions

Awards will normally become exercisable on the third anniversary of the date of grant.

The awards are subject to performance conditions which determine the extent to which awards vest.

10.6.2 Performance Aligned RSA Plan

In addition to the terms above, the following additional terms apply to the Performance Aligned RSA Plan.

Vesting and performance conditions

Awards will normally vest on the third anniversary of grant.

The awards are subject to performance conditions which determine the extent to which awards vest.

10.7 London Stock Exchange Group Restricted Share Award Plan 2008 (the "RSA Plan 2008")

The RSA Plan 2008 is designed to give the Group employees either (a) an option to acquire Shares, (b) a contingent right to receive Shares, or (c) an allocation of Shares which is subject to forfeiture.

Eligibility

Any person who is an employee of the Group, excluding Group directors, is entitled to participate.

Grant of Awards

Similar provisions apply as set out above in relation to the Performance Aligned RSA Plan.

Consequence of vesting

On the vesting of an option, the option shall become exercisable on the day on which the award vests. On the vesting of forfeitable shares, the shares shall no longer be at risk of forfeiture. On the vesting of a conditional award, a participant shall become entitled to the release of the Shares.

Cessation of employment

Awards vest upon expiry of a restricted period which is normally one year. If a participant ceases employment with the Group before the vesting date by reason of death, injury, disability, ill health, redundancy or any other reason at the discretion of the Remuneration Committee, the award shall vest in full on the date of death or cessation.

Change of control

In the event of a takeover or a scheme of arrangement, awards shall vest in full on such an event. Alternatively the Remuneration Committee may determine that the participant may agree to exchange his award(s).

In the event of a winding-up, the Remuneration Committee may in its absolute discretion allow some or all awards to vest to such extent and subject to such conditions as the Remuneration Committee may specify.

Variation of capital

Similar provisions apply as set out above in relation to the 2014 LTIP.

10.8 London Stock Exchange Group Deferred Bonus Plan 2014 (the “DBP”)

The DBP was approved by the Remuneration Committee on 15 April 2014.

Awards under the DBP will usually be granted over Shares with a market value of 50 per cent. (or such other percentage as the Remuneration Committee may determine) of the gross of tax amount of the annual bonus that would have been payable to the relevant employee under any of the Company’s annual bonus arrangements.

The first awards to be granted under the DBP will be made in relation to bonuses accrued in respect of the Company’s financial year ending 31 December 2014 and such awards will be granted in 2015.

Awards over Shares under the DBP may be made in the form of: (a) a conditional right to acquire Shares at no cost to the participants (“*Conditional Award*”); or (b) an option to acquire Shares at no cost to the participant (“*Nil-Cost Option*”).

In addition to the above, awards under the DBP may be granted as a conditional right to receive a cash amount at the end of the deferred period (“*Cash Award*”). Conditional Awards, Nil-Cost Options and Cash Awards are together referred to as “*Bonus Awards*”.

Unless the Remuneration Committee decides otherwise, awards under the DBP will be granted in the form of Conditional Awards or Nil-Cost Options. However, if an employee holds Shares with a market value equal to or in excess of the Company’s applicable shareholding guidelines, the employee can notify the Remuneration Committee that his award should be granted:

- (a) as a Cash Award; or
- (b) 50 per cent. as a Conditional Award or Nil-Cost Option and 50 per cent. as a Cash Award.

Bonus Awards may not be granted over unissued Shares or Shares held in treasury and can only be satisfied using Shares purchased in the market.

Eligibility

Any employee or executive director of the Group will be eligible to participate in the DBP.

Grant of Bonus Awards

Bonus Awards may be granted within 42 days following: (a) the announcement of the Company’s results for any period; or (b) any day on which the Remuneration Committee resolves that exceptional circumstances have arisen which justify the grant of awards. No Bonus Awards may be granted after the tenth anniversary of the DBP’s adoption.

Vesting of Bonus Awards

Bonus Awards will normally vest at the end of a two year deferral period, which starts from the last day of the relevant bonus year. The Remuneration Committee has the discretion to set a different deferral period or periods. Bonus Awards granted in the form of a Nil-Cost Option will be exercised automatically on vesting without the participant having to take any action.

The Remuneration Committee may determine on the grant date in respect of Bonus Awards granted in the form of Conditional Awards or Nil-Cost Options that a participant shall be paid on vesting a cash amount equal to the aggregate amount of dividends paid on the number of vested Shares subject to his Bonus Award from the grant date until the date of vesting, or that the participant will receive such number of additional Shares as could have been acquired with such amount.

Cessation of employment

If a participant ceases to be employed by the Group by reason of ill-health, injury, disability, redundancy or the sale of the entity that employs him out of the Group, a participant’s unvested Bonus Award will usually vest on the normal vesting date. The Remuneration Committee has the discretion to vest the Bonus Award on the date of cessation of employment and to pro-rate the Bonus Award on such basis as it considers appropriate.

If a participant is given notice of termination or ceases employment with the Group in any other circumstances, the Bonus Award will lapse unless the Remuneration Committee in its absolute discretion determines that the Bonus Award should not lapse.

Malus and Clawback

Bonus Awards are subject to broadly the same provisions on malus and clawback as awards granted under the 2014 LTIP, save that all Bonus Awards will be made subject to “clawback” terms.

Change of control and variation of capital

In the event of a takeover, scheme of arrangement or voluntary winding-up of the Company, Bonus Awards will usually vest in full. If a variation in share capital occurs (including a demerger or dividend in specie) which, in the opinion of the Remuneration Committee, would have an effect on the current or future value of any Bonus Award, the Remuneration Committee may permit the Bonus Awards to vest in full.

Amendments

The Remuneration Committee may amend the rules of the DBP at any time, provided that no amendment may be made that would adversely and materially affect a participant’s existing rights without that participant’s written consent or the written consent of 75 per cent. of the participants. Written consent will not be required for minor amendments to benefit the administration of the DBP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Company or any member of the Group.

Additional schedules to the rules of the DBP can be adopted to operate the DBP in any jurisdictions in which employees are situated.

10.9 Other London Stock Exchange Group LTIPs

The Group operates a number of other LTIPs for the benefit of selected senior Group employees. The performance targets under these LTIPs may be linked either to the performance of the Group or to specific subsidiaries or business areas within the Group. The terms of each LTIP are similar to the terms of the 2004 LTIP or 2014 LTIP, save that the rules of the plans do not contain express limits on the value of awards that may be granted to individuals. Directors are not eligible to participate in any of these LTIPs. Awards may not be satisfied by the issue of new shares or treasury shares.

Under these LTIPs there is flexibility to allow vesting in tranches over a period of up to five years, subject to the achievement of the relevant performance conditions.

10.10 Employee benefit trust

The London Stock Exchange has established an employee benefit trust (“*EBT*”) which is constituted by a trust deed dated 10 November 2000 and of which Computershare Trustees (Jersey) Limited is the current trustee. London Stock Exchange has the power to appoint and remove the trustee.

The EBT may acquire Shares for the benefit of employees and former employees of the Group and certain of their dependents. Any shares acquired may be used for the purposes of the Share Schemes or other employee share plans established by the Group from time to time. The Group may fund the EBT by loan or gift to acquire shares in the Company.

11. Subsidiaries and corporate structure

11.1 Corporate structure

LSEG was incorporated in 2005 and is the ultimate parent company of the Group, which comprises the Company and its subsidiary undertakings.

11.2 Significant subsidiary and associated undertakings

The significant subsidiary and associated undertakings of LSEG are described on page 125 of LSEG’s Annual Report and Accounts for 2014, as described in Part XIV “Documentation Incorporated by Reference” of this document. During the period from 31 March 2014 to 20 August 2014 (the latest practicable date prior to the publication of this document), there were no new significant subsidiary or subsidiary undertakings.

12. Pension schemes

In relation to the last full financial year, save as described above in paragraph 8 there are no amounts set aside or accrued by the Group to provide pension, retirement or similar benefits to current Directors and Senior Managers.

Details of the Group's pension schemes are included on pages 126 to 127 of LSEG's Annual Report and Accounts for 2014, as described in Part XIV "Documentation Incorporated by Reference" of this document.

13. Banking facilities

13.1 LSEG banking facilities

As at 30 June 2014, LSEG had committed undrawn bank lines of £1,055.5 million. The Group's total available cash on hand (excluding cash required for regulatory purposes) was £162.5 million. Both of LSEG's existing revolving credit facilities are unsecured, multi-currency, facilities available for general corporate purposes and are provided by two syndicates which comprise both UK and international banks. The facilities are documented on consistent terms, customary for companies with a public listing and an investment grade credit rating. The borrowers under both facility arrangements are London Stock Exchange Group plc and London Stock Exchange Group Holdings (Italy) Limited, with a mechanism to introduce additional borrowers, and the facilities are guaranteed by London Stock Exchange Group plc.

13.1.1 2013 Revolving Credit Facility

On 18 July 2013, the Group entered into a £700 million revolving bank facility with The Bank of Tokyo-Mitsubishi UFJ, Ltd, HSBC Bank plc, Morgan Stanley Bank International Limited, The Royal Bank of Scotland plc, Abbey National Treasury Services plc, Barclays Bank PLC and Lloyds TSB Bank plc (the "2013 Revolving Credit Facility") which replaced its existing debt facilities. This facility comprises a £450 million facility tranche for a term of five years with a floating rate of interest based on an interest rate margin of 0.95 per cent. per annum over LIBOR/EURIBOR and a £250 million facility tranche for a term of three years with a floating rate of interest based on an interest rate margin of 0.80 per cent. per annum over LIBOR/EURIBOR.

13.1.2 2014 Revolving Credit Facility

On 25 June 2014 the Group entered into an additional £600 million revolving credit facility with The Bank of Tokyo-Mitsubishi UFJ, Ltd, Abbey National Treasury Services plc, Barclays Bank PLC, HSBC Bank plc, Royal Bank of Canada and The Royal Bank of Scotland plc for a term of two years plus an extension option at LSEG's option of one year with a floating rate of interest based on an interest rate margin of 0.60 per cent. per annum over LIBOR/EURIBOR (the "2014 Revolving Credit Facility"). As at 30 June 2014, net debt EBITDA had reduced to 1.7 times.

13.2 Russell banking facilities

As at 30 June 2014, Russell had committed undrawn bank lines of US\$152.7 million.

13.2.1 Russell Line of Credit Agreement

Russell has a line of credit agreement ("LOC Agreement") with Wells Fargo which provides for borrowings of up to US\$250 million through 15 January 2015. The LOC Agreement, when utilised, accrues interest under two options based on the respective credit note: (a) a fluctuating rate per annum determined by the bank to be the daily one month LIBOR rate plus 0.4 per cent. per annum, or (b) a fixed rate per annum determined to be the daily one month LIBOR rate plus 0.4 per cent. Russell paid an initial commitment fee of US\$0.6 million. Russell is also subject to certain reporting covenants and cross-default provisions under the LOC Agreement. The LOC Agreement may be drawn at Russell's discretion. Northwestern Mutual guarantees the LOC Agreement, and the cross-default provisions under the LOC Agreement would be triggered by certain defaults by Northwestern Mutual. In addition, Russell has available letters of credit under the LOC Agreement of up to US\$20 million. Currently, there is a US\$15 million letter of credit outstanding, leaving approximately US\$5 million of letters of credit available to Russell.

13.2.2 *Russell Term Loan Agreement*

Russell also has a loan agreement (“Term Loan”) with Wells Fargo for US\$65 million, expiring December 2016. The Term Loan accrues interest under two options based on the respective credit note: (a) a fluctuating rate per annum determined by the bank to be the daily one month LIBOR rate plus 0.85 per cent. per annum, or (b) a fixed rate per annum determined to be the daily one month LIBOR rate plus 0.85 per cent. Russell paid an initial commitment fee of 0.25 per cent. of the principal balance on the closing date and will pay additional upfront fees on the first and second anniversaries of the closing date in amounts of 0.15 per cent. and 0.05 per cent. of the principal balance, respectively. Russell is also subject to certain reporting covenants under this agreement. Northwestern Mutual guarantees the Term Loan and the cross-default provisions under the LOC Agreement would be triggered by certain defaults by Northwestern Mutual.

14. Property, plant and equipment

Details of the material properties of the Group are set out below:

<u>Location</u>	<u>Tenure</u>	<u>Rent</u>	<u>Rent review date</u>	<u>Term</u>	<u>Areas (approx sq m)</u>	<u>Uses</u>
Paternoster Square, London	Leasehold	£12,454,630	02/09/2018 02/09/2023	Expiry 01/09/2028	19,781	Mixed tenancy, office-based functions and commercial events suite
Aldgate House, London	Leasehold	£2,190,654	25/03/2016 25/03/2021	Expiry 24/03/2026	5,986	Mixed tenancy, office-based functions
Palazzo Mezzanotte, Milan .	Leasehold	€5,626,866	Annually on 1 January	Expiry 31/12/2017 Automatic renewal for further 6 years, can terminate with one year notice	12,306	Sole tenant, office- based functions and commercial events suite

15. Auditors

15.1 The auditors of LSEG for the period from 12 June 2014 to date have been Ernst & Young LLP, chartered accountants, whose address is at 1 More London Place, London SE1 2AF. Ernst & Young LLP have no material interest in the Company.

16. Underwriting arrangements

16.1 *Underwriting agreement*

Pursuant to an underwriting agreement dated 22 August 2014 between the Company, the Joint Sponsors, the Joint Bookrunners and the Co-Lead Managers, the Underwriters have agreed severally to procure acquirers for, or failing which themselves acquire, New Shares not taken up under the Rights Issue, in each case at the Issue Price.

In consideration of their services under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not having been terminated, the Underwriters will be paid a base commission fee of 2.125 per cent. of the aggregate value at the Issue Price multiplied by the aggregate number of New Shares (less the number of New Shares with respect to which the Underwriters have procured committed sub-underwriting); plus a commission of 1.50 per cent. of the aggregate value at the Issue Price multiplied by the aggregate number of New Shares with respect to which the Underwriters have procured committed sub-underwriting, in each case, whether or not they are called upon to acquire or procure acquirers for any of the New Shares under the Underwriting Agreement. Subject to the Underwriters’ obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not having been terminated, the Company will pay such commissions and the Underwriters will pay any sub-underwriting fees out of such commissions (to the extent that sub-underwriters are or have been procured). The Sole Global Coordinator may arrange sub-underwriting for some, all or none of the New Shares.

The Company shall pay (whether or not the Banks' obligations under the Underwriting Agreement become unconditional) all costs and expenses of, or in connection with, the Rights Issue, the allotment and issue of the New Shares and the Underwriting Agreement including (but not limited to) the Financial Conduct Authority and the London Stock Exchange and trading fees, other regulatory fees and expenses, printing and advertising costs, postage, the Registrar's charges, its own and the Banks' properly incurred legal and other out of pocket expenses (subject in each case to a pre-agreed cap), all accountancy and other professional fees, properly incurred public relations fees and expenses and all stamp duty and stamp duty reserve tax (if any) and other duties and taxes.

The obligations of the Banks under the Underwriting Agreement are subject to certain conditions including, amongst others:

- (a) the warranties in the Underwriting Agreement being true and accurate in all respects and not misleading in any respect;
- (b) the passing without material amendment of the Resolution;
- (c) the Company not being in breach of any of its obligations under the Underwriting Agreement or the terms of the Rights Issue, save for in any respect which the Joint Sponsors, acting in good faith, consider not to be material;
- (d) the condition precedent in the Merger Agreement requiring reasonable assurance in writing that, following the Acquisition, the Enlarged Group is not expected to constitute an FHC being satisfied (and such confirmation not having been revoked) and no other condition precedent to the Merger Agreement having not been satisfied or waived by the time and date it is required to have been satisfied or waived or having become incapable of being satisfied in accordance with the terms of the Merger Agreement and the Merger Agreement not having been terminated;
- (e) no event arising prior to Admission which gives rise to the obligation to publish a supplementary prospectus and which, in the good faith opinion of the Joint Sponsors, is materially adverse;
- (f) in the opinion of the Joint Sponsors, acting jointly, there having been no material adverse change since the date of the Underwriting Agreement (whether or not foreseeable at the date of the Underwriting Agreement);
- (g) the Company having applied to Euroclear for admission of the Nil-paid Rights and Fully Paid Rights to CREST as Participating Securities and no notification having been received from Euroclear on or before Admission becoming effective that such admission has been or is to be refused; and
- (h) Admission occurring no later than 8.00 a.m. on 11 September 2014 or such later time and/or date (not later than 15 September 2014) as the Company and the Joint Sponsors may agree.

Either of the Joint Sponsors may terminate the Underwriting Agreement in certain circumstances including if any statement in the Prospectus is untrue or incorrect in any material respect, or in any respect misleading, for breach of warranty, for material breach of the Underwriting Agreement, for certain material changes in the market which in the opinion of either Joint Sponsor make it impractical or inadvisable to proceed with Admission or the application for Admission being refused by the FCA, but in each case only prior to Admission. The Company has given certain representations and warranties and indemnities to the Banks.

17. Material contracts

17.1 *London Stock Exchange Group*

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group within the two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by the Company or any member of the Group and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this document:

17.1.1 Merger Agreement

For a description of the principal terms of the Merger Agreement, see Part XII "Key Transaction Terms".

17.1.2 Underwriting Agreement

For a description of the principal terms of the Underwriting Agreement, see paragraph 16.1 of this Part XIII “Additional Information”.

17.1.3 The 2013 and 2014 Revolving Credit Facilities

For a description of the Group’s revolving credit facilities, see paragraph 13.1.1 and 13.1.2 of this Part XIII “Additional Information”.

17.1.4 Bond Issuances

LSEG plc has issued the following notes:

2016 Notes—on 4 July 2006 LSEG issued £250 million in aggregate principal amount of 5.875 per cent. notes due on 7 July 2016. The 2016 Notes are constituted by a trust deed dated 7 July 2006 made between LSEG plc and HSBC Trustee (C.I.) Limited and the coupon-holders. The 2016 Notes were issued on the following terms:

- (a) interest on the 2016 Notes is payable semi-annually in arrears in equal amounts on 7 January and 7 July of each year, at the rate of 5.875 per cent. of the principal amount. Under the terms of the 2016 Notes, the interest payable on the 2016 Notes will be increased or decreased in the event of a change in the credit rating assigned to the 2016 Notes (at present the interest payable is at the rate of 6.125 per cent. of the principal amount);
- (b) the 2016 Notes may be redeemed at the option of LSEG plc, in whole but not in part, at any time at a price which is the higher of the principal amount of the 2016 Notes and an amount calculated by reference to the yield of the 4.75 per cent. UK Government Treasury Stock 2015;
- (c) if a change of control in LSEG plc or LSE plc occurs and, within 120 days thereafter, the credit rating of the 2016 Notes is downgraded from an investment grade credit rating to a non-investment grade credit rating or withdrawn, each 2016 Note may be redeemed at the option of each note-holder at a price which is the higher of the principal amount of the 2016 Note and an amount calculated by reference to the yield of the 4.75 per cent. UK Government Treasury Stock 2015, plus 1.18 per cent.;
- (d) the 2016 Notes are unsecured and unsubordinated obligations of LSEG plc and rank equally in right of payment with LSEG plc’s existing and future unsecured and unsubordinated obligations;
- (e) the net proceeds from the issue are to be used by LSEG plc in order to refinance its indebtedness and for LSEG plc’s general corporate purposes; and
- (f) the terms and conditions applicable to the 2016 Notes also contain, *inter alia*, a negative pledge, redemption and purchase provisions and events of default.

The 2016 Notes are governed by English law.

2019 Notes—on 16 June 2009, LSEG plc issued £250 million in aggregate principal amount of 9.125 per cent. notes due on 18 October 2019. The 2019 Notes are constituted by a trust deed dated 18 June 2009 made between LSEG plc and HSBC Corporate Trustee Company (UK) Limited and the coupon-holders. The 2019 Notes were issued on the following terms:

- (a) interest on the 2019 Notes is payable semi-annually in arrears in equal amounts on 18 April and 18 October of each year, at the rate of 9.125 per cent. of the principal amount. Under the terms of the 2019 Notes, the interest payable on the 2019 Notes will be increased or decreased in the event of a change in the credit rating assigned to the 2019 Notes (at present the interest payable is at the rate of 9.125 per cent. of the principal amount);
- (b) the 2019 Notes may be redeemed at the option of LSEG plc in whole but not in part at any time at a price which is the higher of the principal amount of the 2019 Notes and an amount calculated by reference to the yield of the 4.5 per cent. UK Government Treasury Stock 2019;
- (c) if a change of control in LSEG plc or LSE plc occurs and, within 120 days thereafter, the credit rating of the 2019 Notes is downgraded from an investment grade credit rating to a non-investment grade credit rating or withdrawn, each 2019 Note may be redeemed at the option of each note-holder at a price which is the higher of the principal amount of the 2019 Notes and an amount calculated by reference to the yield of the 4.5 per cent. UK Government Treasury Stock 2019 plus 5.15 per cent.;

- (d) the 2019 Notes are unsecured and unsubordinated obligations of LSEG and rank equally in right of payment with LSEG plc's existing and future unsecured and unsubordinated obligations;
- (e) the net proceeds from the issue are to be used by LSEG in order to refinance its indebtedness and for LSEG plc's general corporate purposes; and
- (f) the terms and conditions applicable to the 2019 Notes also contain, *inter alia*, a negative pledge, redemption and purchase provisions and events of default.

The 2019 Notes are governed by English law.

On 2 November 2012, LSEG issued £300 million sterling denominated 4.75 per cent. bonds due 2 November 2021 under its £1 billion Euro Medium Term Note Programme. The 2021 Retail Bonds were issued on the following terms:

- (a) interest on the 2021 Retail Bonds is payable semi-annually in arrears at the rate of 4.75 per cent. each year on the face value of the Bond for a period of nine years from their date of issue;
- (b) the 2021 Retail Bonds 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 of the UKLA with effect from 2 November 2012;
- (c) unless previously repaid or purchased and cancelled by LSEG, the 2021 Retail Bonds will mature on 2 November 2021 and will be repayable by LSEG at their face value;
- (d) the 2021 Retail Bonds may also be repaid early in a number of circumstances and for a number of reasons, including (but not limited to):
 - (i) if LSEG is obliged to pay additional amounts in respect of the 2021 Retail Bonds pursuant to their terms as a result of a change in, or in the application or official interpretation of, United Kingdom tax law, the 2021 Retail Bonds may be repaid early (in whole but not in part) at the option of LSEG at the face value of the 2021 Retail Bonds together with accrued interest;
 - (ii) in the event that LSEG defaults on its obligations under the 2021 Retail Bonds or in certain other circumstances described as 'events of default' in the terms and conditions of the 2021 Retail Bonds, the 2021 Retail Bonds may become due and repayable (in whole but not in part). The amount due will be the face value of the 2021 Retail Bonds together with accrued interest. However, in these circumstances, if LSEG is unable to meet its obligations in full, investors may receive considerably less than the amount they are owed or, in the worst case, may lose all of their investment; and
 - (iii) if, during the life of the 2021 Retail Bonds, another company were to take over, or otherwise assume control of, LSEG or if LSE plc were to be taken over or have control assumed by a company other than LSEG and either change of control had a negative impact on the credit ratings assigned to the 2021 Retail Bonds (for example, if such credit ratings were lowered to certain levels or withdrawn) or meant that LSEG could not obtain a rating for the 2021 Retail Bonds in a pre-defined period, then a holder of 2021 Retail Bonds would have the option to require LSEG to repay early or to purchase the 2021 Retail Bonds of that holder at their face value together with accrued interest;
- (e) the 2021 Retail Bonds are direct, unconditional, unsubordinated and (subject to the provisions therein) unsecured obligations of LSEG 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's existing and future unsecured (subject as aforesaid) and unsubordinated obligations but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights;
- (f) the net proceeds from the issue are to be used by LSEG in order to refinance its indebtedness and for LSEG's general corporate purposes; and
- (g) the terms and conditions applicable to the 2021 Retail Bonds also contain, *inter alia*, a negative pledge.

The 2021 Retail Bonds are governed by English law.

17.1.5 CC&G Credit Facility Agreements

Certain credit facility agreements are provided by commercial banks specifically to CC&G as CCP to the Italian markets. These facilities 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 ICSDs.

The CC&G credit facilities are provided by Intesa San Paolo, BNP Paribas, Unicredit, Mediobanca, Cariparma, and Banco Desio. The facilities comprise an aggregate of €400 million of bi-lateral commitments, with the majority requiring a pledge of government securities as eligible collateral to allow drawings. They are rarely called upon.

17.1.6 LCH.Clearnet Implementation Agreement and Acquisition Offer Document

LSEG and LCH.Clearnet Group entered into an implementation agreement dated 7 March 2013 to regulate the implementation of the acquisition of a majority stake by LSEG in LCH.Clearnet Group, the conduct of business by LCH.Clearnet Group before completion of the acquisition and the related capital raise by LCH.Clearnet Group.

Pursuant to the implementation agreement, LSEG agreed to carry out certain actions in relation to the acquisition, including the publication of an offer document to the LCH.Clearnet Group shareholders and the publication of a circular to LSEG shareholders to approve the acquisition. LCH.Clearnet Group agreed to provide certain information to LSEG for these public documents and also to prepare a circular for its own shareholders to approve the acquisition.

The parties agreed to lapse the previous offer made by LSEG for LCH.Clearnet Group in March 2012 and that a special dividend mechanic forming part of the terms of such offer would therefore not become payable to LCH.Clearnet Group shareholders. Instead, LSEG and LCH.Clearnet Group agreed a deferred consideration mechanic pursuant to which a maximum amount of €23 million would be withheld from the offer consideration and either used to pay certain claims or, if such claims were not threatened or made by September 2017, paid to LCH.Clearnet Group shareholders as deferred consideration.

Pursuant to the terms of the implementation agreement, LCH.Clearnet Group agreed to carry out certain actions in connection with implementation of a capital raise by its shareholders. Such actions include the preparation of a capital raise circular and obtaining irrevocable commitments from LCH.Clearnet shareholders to subscribe in the capital raise in order to satisfy a condition in LSEG's offer that a certain threshold of commitments should be reached. Further, a certain amount of the consideration to be paid by LSEG to LCH.Clearnet Group shareholders would be withheld and recycled to fund the capital raise commitments. LSEG also agreed to subscribe for its pro-rata share of the capital raise provided that the required commitments from other LCH.Clearnet Group shareholders were received. LSEG and LCH.Clearnet Group agreed a set of principles to govern the allocation of shares in the capital raise to LCH.Clearnet Group shareholders.

LSEG published an offer document to LCH.Clearnet Group shareholders on 11 March 2013, pursuant to which one of LSEG's wholly owned subsidiaries offered €14 per LCH.Clearnet Group share payable at completion and €1 of deferred consideration payable on 30 September 2017 (subject to acceleration or delay in certain circumstances). LSEG would acquire up to 57.8 per cent. of LCH.Clearnet Group (including a 2.3 per cent. stake that it already held) subject to certain conditions, including:

- (a) valid acceptances from LCH.Clearnet Group shareholders being received in respect of LCH.Clearnet Group shares representing more than 50 per cent. of LCH.Clearnet Group;
- (b) existing LCH.Clearnet Group shareholders representing 42.2 per cent. of LCH.Clearnet Group shares remaining shareholders at completion of the acquisition;
- (c) certain regulatory approvals being received;
- (d) irrevocable binding subscriptions being received from LCH.Clearnet Group shareholders in respect of the LCH.Clearnet Group capital raise; and
- (e) the aggregate amount of the LCH.Clearnet Group capital raise not exceeding €320 million.

The LSEG offer document to LCH.Clearnet Group shareholders also sets out certain risk factors relating to remaining invested in LCH.Clearnet Group as part of LSEG after completion of the acquisition.

17.1.7 Relationship Agreement with LCH. Clearnet

On 1 May 2013, LSEG and LCH.Cleartnet Group entered into a relationship agreement regarding the governance arrangements of the LCH.Cleartnet group following completion of the acquisition by LSEG of a majority stake in LCH.Cleartnet Group.

The relationship agreement sets out the composition of the board of various companies within the LCH.Cleartnet Group and the rights of LSEG, clearing members and markets that use LCH.Cleartnet Group's clearing services to appoint directors to such boards. LSEG is entitled to appoint and remove up to four directors to the LCH.Cleartnet Group board, including the chief executive officer. The agreement provides that the composition of the LCH.Cleartnet Group boards will also be subject to changes required from time to time as a result of regulatory requirements. Similarly, the relationship agreement sets out the composition of various board committees of LCH.Cleartnet Group and its subsidiaries, including audit, nomination, remuneration and risk committees.

Pursuant to the relationship agreement, the parties agree that LCH.Cleartnet's business will be run independently of LSEG and LSEG has agreed certain restrictions on its rights as a majority shareholder in LCH.Cleartnet Group, including that it will not remove certain directors from the LCH.Cleartnet Group board in circumstances where it would not be reasonable to do so and consulting with the LCH.Cleartnet Group board before removing the chief executive officer. Any dealings or contracts between the LCH.Cleartnet group companies and LSEG will be on bona fide arm's length commercial terms and will be subject to the prior approval of a committee of the LCH.Cleartnet Group board consisting solely of independent directors.

The relationship agreement includes certain provisions on the operation of the LSEG and LCH.Cleartnet businesses:

- (a) LCH.Cleartnet and LSEG will continue to operate their respective CCP services businesses as they exist, and in accordance with their business plans, at that time. Subject to this and to certain exceptions, LSEG intends to conduct all of its CCP services through LCH.Cleartnet;
- (b) in the event of an acquisition by LSEG of a clearing business as part of a merger or acquisition, LSEG is obliged, subject to certain exceptions, to offer it for sale to LCH.Cleartnet Group. These arrangements will terminate on the earlier of five years after completion or LSEG ceasing to hold 40 per cent. of the issued share capital of LCH.Cleartnet Group;
- (c) LSEG has agreed not to introduce any SwapClear, ForexClear and CDSClear business products onto its exchange or other execution platforms without the approval of the governance committee relating to the relevant product, subject to certain exceptions;
- (d) LCH.Cleartnet Group undertakes to provide LSEG with sufficient financial and other information reasonably required by LSEG to meet any applicable reporting requirements or standards and for LSEG's budgeting and forecasting processes in a timely fashion;
- (e) the LCH.Cleartnet Group board must apply certain "Core Operating Principles" in managing the business of LCH.Cleartnet Group relating to compliance with legal and regulatory obligations, the preservation of the SwapClear, ForexClear and CDSClear businesses structure, an agreed dividend policy, preservation of the RepoClear operating model and arrangements in all material respects and arm's length contractual arrangements between any LCH.Cleartnet group company and any Group company;
- (f) the day-to-day management of the LCH.Cleartnet group and implementation of the business plan and the budget will be delegated by the LCH.Cleartnet Group board to the chief executive officer on the terms of the executive delegation, under which the chief executive officer has certain authorities in relation to expenditure not exceeding £10 million and within 10 per cent. of budget, general corporate actions and exploratory discussions for transactions in excess of agreed limits.

The relationship agreement includes various corporate matters that cannot be passed without the consent of certain parties:

- "LSEG Consent Matters" that will require the written consent of LSEG. Material amendments to the LSEG consent matters can only be made by special resolution and with minority shareholder approval;

- “Push Matters” that LSEG or any of the directors appointed by LSEG may require to be put to LCH.Clearnet Group shareholders to be validly approved by at least: (a) 60 per cent. of the votes attaching to the LCH.Clearnet Group shares cast by LCH.Clearnet Group shareholders; and (b) 25 per cent. of the votes attaching to the LCH.Clearnet Group shares cast by user shareholders; and
- “Minority Protection Reserved Matters”, which require the approval of LCH.Clearnet Group shareholders holding at least 80 per cent. of the votes attaching to the LCH.Clearnet Group shares cast on the relevant resolution at an LCH.Clearnet Group shareholder meeting.

LSEG will lose certain of its key rights under the relationship agreement in certain circumstances:

- a number of LSEG’s key rights (including the right to appoint and remove the chief executive officer, the LSEG Consent Matters and the Push Matters) will be lost if LSEG no longer holds 40 per cent. or more of the issued share capital of LCH.Clearnet Group; and
- in certain limited material circumstances such as the termination by LSEG of its clearing agreement with LCH.Clearnet Group other than for cause or if LSEG exercises its statutory voting rights to appoint directors to, or remove directors from, the LCH.Clearnet Group board such that LSEG obtains an overall majority, LSEG’s rights under the Relationship Agreement will cease.

17.1.8 Deed of Guarantee in relation to LCH.Clearnet Preferred Securities

LCH.Clearnet Group entered into a Deed of Guarantee, dated 18 May 2007, for the benefit of the holders of the Preferred Securities issued by LCH.Clearnet Funding LP.

Pursuant to the Deed of Guarantee executed as a deed poll by LCH.Clearnet Group on 18 May 2007, LCH.Clearnet Group provides a subordinated guarantee in favour of the holders of the Preferred Securities issued by LCH.Clearnet Funding LP, in respect of:

- (a) any declared but unpaid non-cumulative distributions in respect of the Preferred Securities which have accrued from the date of issue of the Preferred Securities, being 18 May 2007;
- (b) payments on redemption of the Preferred Securities; and
- (c) any additional amounts the holders are entitled to receive as may be necessary to ensure that the net amount of distributions received by the holders, after applicable withholding or deduction for any UK tax, shall equal the amounts which would have been received in respect of the Preferred Securities in the absence of such withholding or deduction.

The subordinated guarantee ranks junior to all other liabilities of LCH.Clearnet Group, including subordinated liabilities, other than Parity Securities with which the guarantee ranks *pari passu*, and senior only to the holders of the LCH.Clearnet Group Shares.

Currently, LCH.Clearnet Group has €180 million of Preferred Securities outstanding of the initial €200 million, having repurchased €20 million in the market.

17.2 *Russell*

17.2.1 **Russell Banking Facilities**

For a description of Russell’s banking facilities, see paragraph 13.2.1 and 13.2.2 of this Part XIII “Additional Information”.

18. **Related Party Transactions**

The related party transactions between LSEG and its Subsidiaries that were entered into during the financial years ended 31 March 2014, 2013 and 2012 are incorporated into this document by reference to the Annual Report and Accounts for 2014, 2013 and 2012, as described in Part XIV “Documentation Incorporated by Reference” of this document. During the period from 31 March 2014 to 20 August 2014 (the latest practicable date prior to the publication of this document), there were no new related party transactions.

19. Litigation and arbitration proceedings

19.1 *London Stock Exchange Group*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the Company or the Group's financial position or profitability.

19.2 *Russell*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on Russell or the Russell Group's financial position or profitability.

20. Working capital

20.1 The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this document.

20.2 The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the bank and other facilities available to the Enlarged Group, the working capital of the Enlarged Group is sufficient for the Enlarged Group's present requirements, that is for at least 12 months from the date of publication of this document.

21. No significant change

21.1 *London Stock Exchange Group*

There has been no significant change in the financial or trading position of the Group since 30 June 2014, the date to which the latest unaudited interim financial information in relation to the Group was prepared.

21.2 *Russell*

There has been no significant change in the financial or trading position of the Russell Group since 30 June 2014, the date to which the latest unaudited interim financial information in relation to the Russell Group was prepared.

22. Consents

22.1 Barclays, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, has provided financial advice in relation to this transaction and has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

22.2 Greenhill, which is regulated by the Financial Conduct Authority, has provided financial advice in relation to this transaction and has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

22.3 Deutsche Bank, which is authorised under German Banking Law and is regulated by BaFin, Germany's Federal Financial Supervisory Authority, the Financial Conduct Authority and the Prudential Regulation Authority, has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

22.4 J.P. Morgan Cazenove, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

22.5 RBC Capital Markets, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, has not withdrawn its written

consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

22.6 Banca IMI, which is authorised by the Banca d'Italia and Consob and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

22.7 Banco Santander, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

22.8 HSBC, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

22.9 Mitsubishi UFJ Securities, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

22.10 PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of its accountant's report on the historical financial information of Russell in Part IX "Financial Information of Russell" and its report on the unaudited pro forma financial information in Part X "Unaudited Pro Forma Statements of the Enlarged Group" and has authorised the contents of the part of this document which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the Securities Act. As the Shares have not been, and will not be, registered under the US Securities Act, PricewaterhouseCoopers LLP has not filed a consent under Section 7 of the Securities Act.

23. Miscellaneous

23.1 The total costs and expenses payable by the Company in connection with the Rights Issue (including the listing fees of the FCA and the London Stock Exchange, professional fees and expenses and the costs of printing and distribution of documents) are estimated to amount to approximately £24.3 million (including VAT).

23.2 Each New Share is expected to be issued at a premium of 1,288⁷/₈ pence to its nominal value of 6⁷/₈ pence.

24. Documents available for inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to, and for a period of 12 months, following Admission at the offices of Freshfields Bruckhaus Deringer at 65 Fleet Street, London EC4Y 1HS, and will also be available for inspection at the General Meeting for at least 15 minutes prior to and during the meeting:

- (a) the articles of association of the Company;
- (b) the interim financial information for the Group in respect of the three months ended 30 June 2014 and 2013;
- (c) the interim financial information for Russell in respect of the six months ended 30 June 2014 and 2013 and the historical financial information for Russell in respect of the three financial years ended 31 December 2013, 2012 and 2011;
- (d) the consent letters referred to in paragraph 22 of this Part XIII above;
- (e) the report from PricewaterhouseCoopers LLP which is set out in Part X "Unaudited Pro Forma Statements of the Enlarged Group" and the report from PricewaterhouseCoopers LLP which is set out in Part IX "Financial Information of Russell";
- (f) the Merger Agreement;
- (g) the document incorporated by reference into this document as described in the section of this document headed "Relevant Documentation and Incorporation by Reference"; and
- (h) this document.

Dated: 22 August 2014

PART XIV—DOCUMENTATION INCORPORATED BY REFERENCE

The following documentation, which was sent to Shareholders at the relevant time and/or is available as described below, contains information that is relevant to the Rights Issue:

1. The Annual Reports and Accounts of London Stock Exchange Group for 2014, 2013 and 2012

These contain the audited historical financial information of the Company for the financial years ended 31 March 2014, 2013 and 2012, prepared in accordance with IFRS, together with audit reports in respect of each such year.

2. The 30 June 2014 interim financial information announcement

This announcement contains the financial information of the Company for the six month period ended 30 June 2014 and 30 June 2013, together with the review report in respect of such periods.

3. The 15 August 2014 Non-Executive Director Appointed to the Board of Directors of London Stock Exchange Group plc announcement

This announcement contains details of the appointment of Sharon Bowles as a Non-Executive Director of the Company.

4. Other

The table below sets out the various sections of the documents referred to above which are incorporated by reference into this document, so as to provide the information required pursuant to Annex I and Annex III to the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company and of the New Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the New Shares:

Reference document	Information incorporated by reference	Page number in reference document
The 15 August 2014 Non-Executive Director Appointed to the Board of Directors of London Stock Exchange Group plc announcement	Details of the appointment of Sharon Bowles as a Non-Executive Director of the Company	N/A
30 June 2014 interim financial information announcement	Financial information of the Company for the six month period ended 30 June 2014	N/A
Annual Report and Accounts 2014	Executive Management Team	20 – 21
	Segmental Review	23 – 35
	Our Wider Responsibility	36 – 37
	Financial Review	38 – 43
	Risk management oversight	44 – 47
	Principal risks and uncertainties	48 – 53
	Board of Directors	54 – 55
	Corporate Governance Report	56 – 64
	Report of the Nomination Committee	65
	Report of the Audit Committee	66 – 68
	Report of the Risk Committee	69
	Directors' Remuneration Report	70 – 97
	Independent Auditors' Report	102 – 105
	Consolidated income statement	106
	Consolidated statement of comprehensive income	106
	Balance Sheets	107
	Cash flow statements	108
	Statements of changes in equity	109
	Notes to the financial statements	110 – 141

<u>Reference document</u>	<u>Information incorporated by reference</u>	<u>Page number in reference document</u>
Annual Report and Accounts 2013	Segmental Review	19 – 32
	Financial Review	34 – 39
	Independent Auditors' Report	76
	Consolidated income statement	77
	Consolidated statement of comprehensive income	77
	Balance Sheets	78
	Cash flow statements	79
	Statements of changes in equity	80
	Notes to the financial statements	81 – 109
Annual Report and Accounts 2012	Segmental Review	17 – 31
	Financial Review	32 – 35
	Independent Auditors' Report	69
	Consolidated income statement	70
	Consolidated statement of comprehensive income	70
	Balance Sheets	71
	Cash flow statements	72
	Statements of changes in equity	73
	Notes to the financial statements	74 – 109

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document. Parts of the documents incorporated by reference which are not set out above are either not relevant or are covered elsewhere in this document.

PART XV—DEFINITIONS

“20 August 2014 Spot Exchange Rate”	the spot exchange rate of pounds sterling to US dollars as at 5.00 p.m. BST on 20 August 2014, which was US\$1.6632 per £1.00
“Acquisition”	the acquisition of Russell by LSEG by way of the consummation of the merger of Merger Sub with and into Russell, with Russell as the surviving entity, pursuant to the Merger Agreement
“Acts”	has the meaning given in section 2 of the United Kingdom Companies Act 2006
“Adjusted AuM”	has the meaning given in Part XII “Key Transaction Terms”
“Admission”	admission of the New Shares, nil paid, to (a) the Official List, and (b) trading on the London Stock Exchange’s main market for listed securities
“Annual Report and Accounts”	the annual report and accounts prepared by the Company for the financial years ended 31 March 2014, 2013 and 2012
“Antitrust Specified Condition”	has the meaning given in Part XII “Key Transaction Terms”
“Articles” or “Articles of Association”	the articles of association of the Company which are described in paragraph 4 of Part XIII “Additional Information”
“Audit Committee”	the committee described in paragraph 5.9 of Part XIII “Additional Information”
“AUM”	assets under management
“Banca IMI”	Banca IMI S.p.A.
“Banco Santander”	Banco Santander, S.A.
“Banks”	Barclays, Greenhill, RBC Capital Markets, Deutsche Bank, J.P. Morgan Cazenove, Banca IMI, Banco Santander, HSBC and Mitsubishi UFJ Securities
“Barclays”	Barclays Bank PLC
“Base Date”	31 March 2014
“Basel III provisions”	provisions of the international regulatory framework for banks developed by the Basel Committee on Banking Supervision
“Board”	the board of directors, from time to time, of the Company
“Business Days”	a day (other than a Saturday or Sunday) on which banks are open for general business in London
“CAGR”	compound annual growth rate
“CCP”	a central clearing counterparty that intermediates, and therefore takes the risk, of the obligations of transactions between its clearing members (or other CCPs through interoperability arrangements) under the transactions entered into by those clearing members (or by their clearing customers) that are cleared through it
“CCSS”	The CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form (that is, not in CREST)
“Chairman”	the chairman of the Company
“Co-Lead Managers”	Banca IMI, Banco Santander, HSBC and Mitsubishi UFJ Securities

“Company”, “LSEG” or “London Stock Exchange Group”	London Stock Exchange Group plc, a public limited company incorporated under the laws of England and Wales
“Completion”	the closing of the Acquisition pursuant to the Merger Agreement
“Completion Date”	the date of Completion, expected in the late fourth quarter of 2014 or early first quarter 2015
“Completion Revenue Run Rate Adjustment Amount”	has the meaning given in Part XII “Key Transaction Terms”
“Confidentiality Agreement”	the confidentiality agreement dated 13 February 2014 between the Company, Russell and Northwestern Mutual, as amended on 3 June 2014
“Corporate Governance Code”	the principles of good governance and code of best practice appended to the Listing Rules
“CREST”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which Euroclear Limited is the operator (as defined in the CREST Regulations)
“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure, CREST Glossary of Terms and CREST Terms and Conditions (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
“CREST member”	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“CSD”	central securities depositaries
“Deutsche Bank”	Deutsche Bank AG, London Branch
“DIFC”	Dubai International Financial Centre
“Directors” or “Board”	the Executive Directors and Non-Executive Directors of the Company as at the date of this document
“Disclosure and Transparency Rules”	the Disclosure Rules and Transparency Rules of the Financial Conduct Authority
“EBITDA”	earnings before interest, taxes, depreciation, and amortisation
“ECB”	European Central Bank
“EMIR”	the European Markets Infrastructure Regulation, Council Regulation (EC) No 648/2012
“Enlarged Group”	the Group following the Acquisition
“ERISA”	the Employee Retirement Income Security Act of 1974, as amended
“Escrow Amount”	has the meaning given in Part XII “Key Transaction Terms”
“ESMA”	European Securities and Markets Authority
“ESMA Recommendations”	European Securities and Markets Authority update of the Committee of European Securities Regulators recommendations

	for the consistent implementation of the European Commission's Regulation on Prospectuses n° 809/2004
"ETF"	Exchange-traded fund
"EU"	European Union
"Euroclear"	Euroclear & Ireland Limited
"Exchange Act"	United States Exchange Act (1934), as amended
"Excluded Territories"	the Commonwealth of Australia, its territories and possessions, Japan and the Republic of South Africa and any other jurisdiction where the extension into or availability of the Rights Issue would breach any applicable law
"Executive Directors"	the executive Directors of the Company as at the date of this document
"Existing Shares"	the existing Shares in issue immediately preceding the issue of the New Shares
"Ex-Rights Date"	11 September 2014
"Financial Conduct Authority" or "FCA"	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
"Financial Holding Company or FHC"	a financial holding company as defined in Article 4(20) of EU Regulation No.575/2013 on prudential requirements for credit institutions and investment firms
"Form of Proxy"	the form of proxy enclosed with this document for use in connection with the general meeting
"FSMA"	the Financial Services and Markets Act 2000, as amended
"Fully Paid Rights"	rights to acquire New Shares, fully paid
"GAAP"	generally accepted accounting principles reflecting the standard framework of guidelines for financial accounting in the relevant jurisdiction
"General Meeting"	the general meeting of the Company to be held at 9.30 a.m on 10 September 2014, notice of which is set out in this document
"Greenhill"	Greenhill & Co. International LLP
"Group"	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings
"Holders"	the holders of Russell's common stock, holders of warrants issued by Russell and holders of certain non-legacy Russell equity-based compensation interests as at Completion
"HSBC"	HSBC Bank plc
"HSR Act"	the Hart Scott Rodino Antitrust Improvement Act of 1976, as amended
"ICE"	Intercontinental Exchange
"IFRS"	International Financial Reporting Standards
"Investment Company Act"	the US Investment Company Act of 1940, as amended
"IM"	the Russell investment management business
"ISIN"	International Securities Identification Number
"Issue Price"	1,295p
"Joint Bookrunners"	Deutsche Bank, J.P. Morgan Cazenove and RBC Capital Markets
"Joint Sponsors"	Barclays and Greenhill

“J.P. Morgan Cazenove”	J.P. Morgan Securities plc
“Lead Underwriter”	Barclays
“LCH.Clearnet”	means LCH.Clearnet Group and its subsidiaries
“LCH.Clearnet Group”	LCH.Clearnet Group Limited, a company incorporated in England and Wales (registered number 4743602), whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA whose wholly owned subsidiaries include LCH.Clearnet Limited, LCH.Clearnet SA and LCH.Clearnet LLC
“LCH.Clearnet Limited”	LCH.Clearnet Limited, a company incorporated in England and Wales (registered number 25932), whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA
“LCH.Clearnet SA”	LCH.Clearnet SA, a company incorporated in France as a société anonyme (registered in the commercial and company registry of Paris under number B692032485)
“LCH.Clearnet LLC”	LCH.Clearnet LLC, a company organised in the US State of Delaware (company number 4469530) and whose principal executive office is located at The Corporation Trust Company, Corporation Trust Centre 1209 Orange Street, Wilmington, New Castle, Delaware, 19801, USA (wholly owned by LCH.Clearnet (US) LLC
“Listing Rules”	the listing rules of the Financial Conduct Authority
“London Stock Exchange”	London Stock Exchange plc
“Long-Stop Date”	the long-stop date under the Merger Agreement, being 31 March 2015 (or, if the Rights Issue has not been completed by 15 February 2015, 30 April 2015)
“LSEG Completion Date Conditions”	the conditions to the obligations of the Company and Merger Sub to effect Completion that by their nature cannot be satisfied until Completion, being delivery by Russell to the Company of (i) a bring-down certificate (signed by an appropriate officer of Russell) in respect of the conditions described at paragraphs (a), (b) and (c) under “Additional conditions precedent to the obligations of the Company and Merger Sub” in Part XII “Key Transaction Terms”, and (ii) certain certificates, documents and other items required to effect Completion
“Merger Agreement”	the Agreement and Plan of Merger entered into between and among the Company, Russell, Northwestern Mutual and Merger Sub on 26 June 2014, as summarised in Part XII “Key Transaction Terms”
“Merger Sub”	London Stock Exchange Group US Sub, Inc., a wholly-owned indirect subsidiary of the Company incorporated in Washington
“MiFID II”	Markets in Financial Instruments Directive II (Directive 2004/39/EC)
“Mitsubishi UFJ Securities”	Mitsubishi UFJ Securities International plc
“Money Laundering Regulations”	Money Laundering Regulations 2007 (SI 2007/2157)
“MTFs”	Multilateral trading facilities
“New Share Issue”	the issue of the New Shares in connection with the Rights Issue
“New Shares”	the 74,347,813 new Shares which the Company will allot and issue pursuant to the Rights Issue, including, where appropriate, the Provisional Allotment Letters, the Nil Paid Rights and Fully Paid Rights

“Nil Paid Rights”	rights to acquire New Shares, nil paid
“Non-Executive Directors”	the non-executive Directors of the Company as at the date of this document
“Non-Rights Issue Conditions”	all of the mutual conditions to Completion and the conditions to the obligations of the Company and Merger Sub to effect Completion other than the LSEG Completion Date Conditions and the condition relating to receipt of the Rights Issue proceeds
“Northwestern Mutual”	The Northwestern Mutual Life Insurance Company
“Notice of General Meeting”	the notice of General Meeting set out in this document
“Official List”	the Official List of the Financial Conduct Authority
“OTC”	over-the-counter
“Overseas Shareholders”	Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of jurisdictions outside the United Kingdom
“PD Regulation”	Commission Regulation (EC) No 809/2004
“Prospectus” or “this document”	the prospectus and circular issued by the Company in respect of the Rights Issue, together with any supplements or amendments thereto
“Prospectus Rules”	the Prospectus Rules of the Financial Conduct Authority
“Provisional Allotment Letter”	the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders (other than certain Overseas Shareholders)
“QIB”	“qualified institutional buyers” within the meaning of Rule 144A under the US Securities Act
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Shares in uncertificated form
“Qualifying non-CREST Shareholders”	Qualifying Shareholders holding Shares in certificated form
“Qualifying Shareholders”	Shareholders on the register of members of the Company at the Record Date with the exclusion of persons with a registered address or located or resident in an Excluded Territory or (subject to certain exceptions) a Restricted Territory
“RBC Capital Markets”	RBC Europe Limited, trading as RBC Capital Markets
“Receiving Agent”	Equiniti Limited
“Record Date”	close of business on 8 September 2014
“Registrar”	Equiniti Limited
“Regulation S”	Regulation S under the Securities Act
“Regulatory Specified Condition”	has the meaning given in Part XII “Key Transaction Terms”
“Resolution”	the resolution to be proposed at the General Meeting in connection with the Acquisition, notice of which is set out at the back of this document
“Restricted Territories”	Canada, the People’s Republic of China, Kuwait, Qatar, DIFC, Singapore, Switzerland and the United States
“Revenue Run Rate”	has the meaning given in Part XII “Key Transaction Terms”
“Revenue Run Rate Condition”	has the meaning given in Part XII “Key Transaction Terms”
“Rights Issue”	the offer by way of rights to Qualifying Shareholders to subscribe for New Shares, on the terms and conditions set out in

	this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter
“Risk Committee”	the committee described in paragraph 5.10 of Part XIII “Additional Information”
“ROIC”	return on invested capital
“Russell”	Frank Russell Company
“Russell Completion Date Conditions”	the conditions to the obligations of Russell to effect Completion that by their nature cannot be satisfied until Completion, being (i) delivery by each of the Company and Merger Sub to Russell of a bring-down certificate (signed by an appropriate officer of the Company or Merger Sub, as the case may be) in respect of the conditions described at paragraphs (a) and (b) under “Additional conditions precedent to the obligations of Russell” in Part XII “Key Transaction Terms”, and (ii) delivery by the Company to Russell of certain payments, certificates, documents and other items required to effect Completion
“Russell Group”	Russell and its subsidiaries as at Completion
“SDRT”	Stamp Duty Reserve Tax
“Securities Act”	the US Securities Act of 1933, as amended
“SEDOL”	Stock Exchange Daily Official List
“Senior Managers”	Suneel Bakhshi, Diane Côté, Alexander Justham, David Lester, Mark Makepeace, Nikhil Rathi and Antoine Shagoury
“Shareholders”	holders of Shares
“Shares”	ordinary shares of 67 ⁷ / ₆ p each in the capital of the Company having the rights set out in the Articles as described in paragraph 3 of Part XIII “Additional Information”
“Share Schemes”	Schemes described in paragraph 10 of Part XIII “Additional Information”
“Sole Global Coordinator”	Barclays
“Standby Underwriting Letter”	a binding standby underwriting commitment letter in respect of the Rights Issue dated 26 June 2014 entered into between the Company and Barclays (as the underwriter of the Rights Issue) and setting out in an appendix the substantially agreed form of the Underwriting Agreement
“Surviving Corporation”	Russell following the Acquisition
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “in uncertificated form”	recorded on the register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“Underwriters”	the Co-Lead Managers, the Joint Bookrunners and the Sole Global Coordinator
“Underwriting Agreement”	the underwriting arrangements described in paragraph 16 of Part XIII “Additional Information”
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

NOTICE OF GENERAL MEETING

London Stock Exchange Group plc

(registered in England and Wales under the Companies Act 1985 with registered number 5369106)

Notice is hereby given that a general meeting of London Stock Exchange Group plc (the *Company*) will be held at 9.30 a.m. on 10 September 2014 at the offices of J.P. Morgan, 60 Victoria Embankment, London EC4Y 0JP (the *General Meeting*) to consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

THAT:

1. (a) the proposed acquisition by the Company of Frank Russell Company by way of a merger of a wholly-owned indirect subsidiary of the Company with and into Frank Russell Company, as described in the combined prospectus and circular to the shareholders of the Company dated 22 August 2014, substantially on the terms and subject to the conditions set out in the Merger Agreement dated 26 June 2014 (the *Acquisition*) be and is hereby approved; and
- (b) the directors of the Company (the *Directors*) (or any duly constituted committee thereof) be and are hereby authorised to take all necessary or appropriate steps and to do all necessary or appropriate things to implement, complete or to procure the implementation or completion of the Acquisition and give effect thereto with such modifications, variations, revisions, waivers or amendments (not being modifications, variations, revisions, waivers or amendments of a material nature) as the Directors (or any duly authorised committee thereof) may deem necessary, expedient or appropriate in connection with the Acquisition.

By order of the board of directors of the Company

Lisa Condron
Company Secretary
22 August 2014

Registered office:
London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

Notes to the Notice of General Meeting

1. The right to attend and vote at the meeting is determined by reference to the Company's register of shareholders. Only a shareholder entered in the register of shareholders at 6.00 pm on 8 September 2014 (or, in the event that the General Meeting is adjourned, on the register of shareholders at 6.00 pm two days prior to the adjourned meeting) is entitled to attend and vote at the meeting and a shareholder may vote in respect of the number of ordinary shares registered in that shareholder's name at that time. Changes to the entries in the register of shareholders after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the General Meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A Form of Proxy is enclosed with this Notice of General Meeting for use at the General Meeting.
3. **To be valid, a Form of Proxy, duly completed, signed or sealed (as appropriate) and dated, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be returned to the Company's Registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to arrive no later than 9.30 am on 8 September 2014 or not less than 48 hours before the time of any adjourned meeting or the taking of a poll at which the person named in the Form of Proxy proposes to vote.**
4. The Form of Proxy must be executed by the shareholder or his or her attorney duly authorised in writing and (in the case of an individual) must be signed by the individual or his or her attorney duly authorised in writing or (in the case of a corporation) either executed under its common seal or signed on its behalf by a duly authorised officer or attorney of the corporation.
5. In the case of joint registered holders, the signature of one holder will be accepted and the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority will be determined by the order in which the names stand on the register of shareholders of the Company in respect of the relevant joint holding.
6. Alternatively a shareholder may appoint a proxy or proxies electronically either via the website run by Equiniti Limited at www.sharevote.co.uk using the number provided on the Form of Proxy or, if such shareholder is a CREST member, by using the procedure described in paragraph 7 below.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual, which can be viewed at www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA19) by no later than 9.30 a.m. on 8 September 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting

service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. Any corporation which is a shareholder may appoint one or more corporate representatives who may exercise on its behalf all of its powers provided that they do not exercise their powers differently in relation to the same shares.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a *Nominated Person*) may have a right, under an agreement between him or her and the shareholder by whom he or she was nominated, to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statements of the rights of shareholders in relation to the appointment of proxies in paragraphs 2 to 7 above do not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by shareholders of the Company.

As at 20 August 2014 (being the last practicable date prior to the publication of this document) the Company's issued share capital consists of 272,608,651 ordinary shares of 6⁷⁹/₈₆p each, carrying one vote each. Therefore, the total voting rights in the Company as at 20 August 2014 are 272,608,651.

11. Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
12. In accordance with section 311A of the Companies Act 2006, the contents of this Notice of General Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice are available to view and to download on the Company's website at: www.lseg.com.

The results of the voting at the General Meeting will be announced through a Regulatory Information Service and will appear on the Company's website at: www.lseg.com.

13. Save as provided above, any communication with the Company in relation to the General Meeting, including in relation to proxies, should be sent to the Company's Registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. No other means of communication will be accepted. In particular, you may not use any electronic address provided either in this Notice of General Meeting or in any related documents to communicate with the Company for any purposes other than those expressly stated.
14. In order to access shareholder documents from the Company on the website, you will need to have access to a PC or Mac with: (i) Microsoft Internet Explorer version 6.0 (or later version) which can be downloaded from the Microsoft website at: <http://windows.microsoft.com/en-gb/windows/downloads>, or equivalent alternative web browser software; and (ii) Adobe Acrobat Reader which can be downloaded free from the Adobe website at: <http://get.adobe.com/uk/reader/>.

