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If you sell or have sold or otherwise transferred all your LSEG Shares, please send this document, together with the accompanying documents, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or otherwise transferred only part of your holding of LSEG Shares, you should retain these documents.

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London
Stock Exchange Group

London Stock Exchange Group plc

*(Incorporated under the Companies Act 1985 and registered in England and Wales
with registered number 05369106)*

Revised recommended cash offer by London Stock Exchange (C) Limited (a wholly owned subsidiary of London Stock Exchange Group plc) for LCH.Clearnet Group Limited

New Circular to LSEG Shareholders and Notice of Further General Meeting

The whole document should be read. Your attention, in particular, is drawn to the risk factors set out in Part 2 and the letter from the LSEG Board that is set out in Part 1 and which recommends you to vote in favour of the LSEG Resolution to be proposed at the Further LSEG Meeting referred to below. You should not rely solely on the information summarised in Part 1.

Notice of the Further LSEG Meeting to be held at the offices of Freshfields Bruckhaus Deringer LLP at the Northcliffe House entrance, 26 – 28 Tudor Street, London, EC4Y 0BQ at 11.00 a.m. on 27 March 2013 is set out at the end of this document. The Form of Proxy for use at the Further LSEG Meeting accompanies this document and, to be valid, should be completed and returned in accordance with the instructions set out thereon to the Registrars, so as to arrive as soon as possible, but in any event so as to be received by no later than 11.00 a.m. on 25 March 2013. Completion and return of the Form of Proxy will not preclude LSEG Shareholders from attending and voting in person at the Further LSEG Meeting, should they so wish.

Morgan Stanley is acting exclusively for LSEG plc as sponsor and for LSEG plc and LSEC as financial adviser and for no one else in connection with the Revised Offer and other matters described herein and will not be responsible to anyone other than LSEG plc and LSEC for providing the protections afforded to clients of Morgan Stanley, nor for providing advice to any other person in relation to the Revised Offer, the contents of this document or any other matter referred to herein.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document, including information included or incorporated by reference in this document, may contain "forward-looking statements" concerning LSEG and the LCH.Clearnet Group. All statements other than statements of historical fact included in this document may be forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "will", "may", "targets", "plans", "continue", "believes", "expects", "intends", "anticipates", "aims", "estimates" or words or terms of similar substance or the negative thereof identify forward-looking statements. Forward-looking statements include statements relating to the following: (a) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (b) business and management strategies and the expansion and growth of LSEG's, the LCH.Clearnet Group's or the Enlarged Group's operations; and (c) the effects of regulation on LSEG's, the LCH.Clearnet Group's or the Enlarged Group's business.

These forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of LSEG plc or of LCH.Clearnet. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of any such person, or industry results, to be materially different from any results, performance or achievements expressed or implied to differ materially from those expressed in the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to LSEG plc or LCH.Clearnet or any of their members or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included in this document are based on information available to the relevant parties on the date hereof. Neither LSEG plc, LCH.Clearnet nor their directors undertakes any obligation in respect of, and do not intend to update or revise any forward-looking statements, except as required by the Listing Rules and Disclosure and Transparency Rules (and/or any regulatory requirements) or pursuant to applicable law.

GENERAL

This document is dated 8 March 2013.

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REVISED EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Expected time/date	Event
7 March 2013	Announcement of Revised Offer in respect of the Majority Acquisition
8 March 2013	Expected posting of the New Offer Document to LCH.Clearnet Shareholders
9.00 a.m. on 25 March 2013	Deadline for receipt of Form of Proxy for the Further LCH.Clearnet Meeting
11.00 a.m. on 25 March 2013	Deadline for receipt of the Form of Proxy or CREST proxy instruction for the Further LSEG Meeting
6.00 p.m. on 25 March 2013	Record date for determining LSEG Shareholders entitled to vote at the Further LSEG Meeting
9.00 a.m. on 27 March 2013	Further LCH.Clearnet Meeting
11.00 a.m. on 27 March 2013	Further LSEG Meeting
Second quarter of 2013	Completion of Majority Acquisition
Second quarter of 2013	Completion of LCH.Clearnet Capital Raise

Each of the times and dates in the above timetable is based on the Board's current expectations and is subject to change.

PART 1 : CHAIRMAN'S LETTER

London Stock Exchange Group plc
(Registered in England No. 05369106)



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Andrea Munari, Non-Executive Director
Massimo Tononi, Non-Executive Director and Chairman of Borsa Italiana
Robert Webb Q.C., Non-Executive Director

8 March 2013

To holders of London Stock Exchange Group plc ordinary shares

Dear LSEG Shareholder,

REVISED RECOMMENDED CASH OFFER FOR LCH.CLEARNET GROUP LIMITED

1. INTRODUCTION

It was announced on 7 March 2013 that LCH.Clearnet Group Limited (*LCH.Clearnet*) and London Stock Exchange Group plc (*LSEG plc*) have reached agreement on the terms of a revised recommended cash offer to be made by London Stock Exchange (C) Limited (*LSEC*), a wholly-owned subsidiary of LSEG plc, for the LCH.Clearnet Issued Share Capital. On Completion, LSEG plc will become the majority owner of LCH.Clearnet, holding up to 57.8 per cent.¹ of the LCH.Clearnet Issued Share Capital.

Since the general meeting on 3 April 2012, at which LSEG Shareholders approved the acquisition detailed in the circular published by LSEG plc on 16 March 2012 (the *Old Circular*), the regulatory capital framework for CCPs, including LCH.Clearnet, has changed substantially. In December 2012 the European Commission adopted recommendations from ESMA and the EBA regarding new regulatory technical standards which included the detailed requirements for European CCPs to satisfy in order to become authorised for the purposes of EMIR and the regulatory capital requirements for

¹ LSEG plc already holds 2.3 per cent. of the LCH.Clearnet Issued Share Capital so will acquire up to 55.5 per cent. of the LCH.Clearnet Issued Share Capital pursuant to the Revised Offer which will result in a total shareholding of up to 57.8 per cent.. Subsequent to the issue to NASDAQ of new LCH.Clearnet Shares representing 3.7 per cent. of the LCH.Clearnet Issued Share Capital pursuant to an agreement dated 14 August 2012 described in Part 9 of this document, a shareholding of 57.8 per cent. of the LCH.Clearnet Issued Share Capital equates to a holding of an equivalent number of LCH.Clearnet Shares as would have been acquired to hold the 60 per cent. maximum holding under the Original Offer.

such CCPs. These regulatory technical standards were published in the Official Journal on 23 February 2013 and will become effective on 15 March 2013. As a result of the additional capital requirements set out in the regulatory technical standards, LCH.Clearnet and LSEG plc have reached agreement on the Revised Offer as detailed in this circular and have agreed that the Original Offer will lapse. Further, LSEG plc and LCH.Clearnet have also reached agreement on the terms of, and LSEG plc's participation in, the Capital Raise (to satisfy such additional capital requirements), which will take place shortly following Completion.

Under the Revised Offer, accepting LCH.Clearnet Shareholders will receive €15 per LCH.Clearnet Share acquired, comprising:

- (a) cash consideration of €14 per LCH.Clearnet Share payable by LSEC at Completion; and
- (b) deferred consideration of €1 per LCH.Clearnet Share payable in cash by LSEC on 30 September 2017 (subject to acceleration or delay in certain limited circumstances), which will be reduced as a result of any Relevant Claim(s). Further details of the Deferred Consideration are included in paragraph 5 below and in Part 7.

The total implied value of 100 per cent. of the LCH.Clearnet Issued Share Capital under the terms of the Revised Offer is €633 million (£544 million).

In addition to the Majority Acquisition, LCH.Clearnet will, shortly following Completion, undertake the Capital Raise to raise €320 million (£275 million), in which LSEG will participate pro rata to its post-Completion shareholding in LCH.Clearnet. Following the Majority Acquisition (subject to the level of acceptances in the Revised Offer), LSEG will own up to 57.8 per cent. of LCH.Clearnet Issued Share Capital. LSEG has committed to participate for its pro rata share of up to €185 million (£159 million) in the Capital Raise.

The maximum cash consideration to be paid by LSEC at Completion assuming LSEC acquires 55.5 per cent. (in addition to the 2.3 per cent. stake already held by LSEG) of the LCH.Clearnet Issued Share Capital will be €328 million (£282 million), with up to a further €23 million (£20 million)² payable as Deferred Consideration.

Therefore, the maximum total investment to be made by LSEG in connection with the Transaction will be €536 million (£461 million). LSEG will finance its initial investment of up to €513 million (£441 million) from existing cash resources and bank facilities.

As was the case for the Original Offer, in view of the size of LCH.Clearnet in relation to LSEG, the Transaction requires the approval of LSEG Shareholders. Given the new terms of the Majority Acquisition and LSEG's participation in the Capital Raise, a notice of the Further LSEG Meeting to be held on 27 March 2013, at which your approval will be sought for the Transaction, is set out at the end of this document. The LSEG Board unanimously considers that the LSEG Resolution is in the best interests of LSEG plc and recommends that LSEG Shareholders vote in favour of the LSEG Resolution as the LSEG Board have undertaken to do in respect of their own LSEG Shares.

The purpose of this document is to provide details of the Transaction, to provide you with information on the LCH.Clearnet Group and the effect of the Transaction on LSEG, to explain why the LSEG Directors believe that the Transaction is in the best interests of LSEG and LSEG Shareholders as a whole and to seek the consent of LSEG Shareholders to the Transaction. The whole document should be read. Your attention, in particular, is drawn to the risk factors set out in Part 2. You should not rely solely on the information summarised in this Part 1.

² In addition, LSEG plc may be required to pay up to €0.6 million (£0.5 million) in contingent consideration to the seller of the 2.3 per cent. stake already held by LSEG plc - see Part 9 for a summary of the relevant agreement pursuant to which the shares were acquired.

2. BACKGROUND TO AND REASONS FOR THE TRANSACTION

LSEG plc continues to consider developing LSEG's post trade capabilities, especially in clearing, to be a key priority for LSEG. This priority recognises the importance of providing customers with an efficient and attractive service offering across each stage of the value chain in trading, clearing and settlement. The Majority Acquisition meets LSEG plc's strategic objective to continue to build upon its existing assets and to seek new opportunities, particularly in the post trade arena, accelerating diversification and growth for the Enlarged Group.

The financial services industry and, in particular, the capital markets infrastructure sector, continues to evolve rapidly, demonstrating high growth in a number of specific areas. Ongoing regulatory developments and an industry increasingly focused on transparency and risk management are driving important structural changes in the sector, including heightened customer demand for post trade services and the expected new regulatory requirements for central clearing, including in OTC derivatives. These developments are occurring in the context of strong historical growth in volumes in listed and OTC derivatives; specifically, trading volumes in global exchange traded derivatives grew by circa 12 per cent. (CAGR) in terms of number of contracts between 2000 and 2012 and trading volumes in global OTC derivatives grew by circa 17 per cent. (CAGR) in terms of notional outstanding value between 2000 and 2012. These dynamics present significant potential opportunities for LSEG, in line with its stated ambition to diversify LSEG activities.

The Majority Acquisition will enable LSEG to develop its current product and service offering, broadening LSEG's international clearing capabilities and in particular allowing LSEG to:

- form a leading global partnership in multi-asset, multi-venue clearing and risk management services, providing customers with operational and capital efficiencies;
- develop deeper relationships with customers and other venues around the world through partnership, prioritisation of product development, innovation and responsiveness to customer needs;
- secure a long-term, leading role in important pan-European and global market infrastructure;
- provide strong, competitive, customer-focused European and global clearing operations, building on the existing clearing and risk management services of both the LCH.Clearnet Group and LSEG;
- with the support of the LCH.Clearnet Group's customers, take advantage of global growth opportunities, including the growing importance of multi-asset CCPs, the increased need for post trade services (including in OTC derivatives) and the general market and regulatory trends for enhanced risk management; and
- benefit from exciting new opportunities for innovation, including, for example, the opportunity to seek to develop a new listed fixed income derivatives business.

Through this Majority Acquisition, LSEG plc will acquire a majority stake in LCH.Clearnet to form a leading global partnership in multi-asset, multi-venue clearing and risk management services, building on both the LCH.Clearnet Group's and LSEG's existing clearing and risk management services. Together, LCH.Clearnet and LSEG will also be better positioned to respond to the growing demand for multi-asset CCPs and the increased need for post trade services.

The Enlarged Group will build on the combined strengths of the LCH.Clearnet Group and LSEG, namely:

- the LCH.Clearnet Group's strong reputation and open, horizontal model: preferred by customers, this client-focused model features stakeholder-focused advisory committees in respect of different asset classes;
- the experience and reputation of LCH.Clearnet and LSEG plc in owning and successfully developing regulated, systemically important businesses, including the LCH.Clearnet Group's clearing and risk management services and LSEG's post trade businesses, CC&G and Monte Titoli (a settlement provider and central securities depository);
- shared open and trusted dialogue and relationships with regulators;
- LSEG's expertise in operating business models in partnership with customers (e.g. Turquoise and MTS);
- LSEG's experience of successful execution and growth in previous transactions (Borsa Italiana, MillenniumIT, Turquoise, FTSE) and LSEG's proven success in driving cost efficiencies;
- the international reach and expertise of both organisations (Amsterdam, Brussels, Colombo, Hong Kong, London, Milan, New York, Paris, Porto and Rome); and
- the strong global brands of the LCH.Clearnet Group and LSEG.

The Majority Acquisition highlights the LCH.Clearnet Group's and LSEG's continued commitment to the provision of customer-focused products and services. Following Completion, the decision of where products will be cleared will be driven by customer choice and commercial considerations. Following Completion, LCH.Clearnet Shareholders other than LSEG, including many major customers of LCH.Clearnet, will own at least 42.2 per cent. of the LCH.Clearnet Issued Share Capital and will maintain a strong ongoing interest in LCH.Clearnet. A shared commitment to an open, non-discriminatory clearing model will be enshrined in LCH.Clearnet's constitution as a Core Operating Principle from Completion. The Core Operating Principles are summarised in further detail in Part 7.

On 26 and 27 September 2012, the EBA and ESMA published the advice that they had provided to the European Commission in connection with new regulatory technical standards for the regulatory requirements for European CCPs under EMIR. These recommendations differed considerably from the initial proposals published in March 2012, which were included in the risk factors section of the Old Circular. The recommendations were subsequently endorsed by the European Commission in December 2012 and the final regulatory technical standards were published in the Official Journal on 23 February 2013. Most of these standards will become effective on 15 March 2013. EU CCPs, such as LCH.Clearnet Limited and LCH.Clearnet S.A. will have six months from the date the relevant standards become effective to apply for authorisation under EMIR. In order to obtain authorisation a CCP will need to meet the regulatory capital requirements established by the regulatory technical standards. Although the precise application of the regulatory technical standards published on 23 February 2013 remains subject to discussion with the relevant regulators, they will have implications on the regulatory capital requirements for LCH.Clearnet. As a result of the new regulatory technical standards, LCH.Clearnet has determined, in discussions with regulators, to increase its regulatory capital by raising a further €320 million (£275 million) of new share capital, which LCH.Clearnet intends to have in place by the end of the second quarter of the calendar year of 2013. The Revised Offer being made by LSEG plc reflects the renegotiation by LCH.Clearnet and LSEG plc of certain terms of the Original Offer as further described in this circular to take into account LCH.Clearnet's new capital requirements.

Since the general meetings on 3 April 2012, at which LSEG and LCH.Clearnet shareholders approved the Original Offer on the basis set out in the circulars published by LSEG and LCH.Clearnet on 16 March 2012, the Majority Acquisition has received antitrust approval from the Office of Fair Trading in the United Kingdom, the Spanish competition authority (Comisión Nacional de la Competencia)

and the Portuguese competition authority (Autoridade da Concorrência). Regulatory approvals and letters of non-objection have been received from the French regulators, the ACP (Autorité de Contrôle Prudentiel) and the AMF (Autorité des Marchés Financiers), the Dutch National Bank and the Dutch AFM (Autoriteit Financiële Markten) in respect of the Original Offer. The Transaction is also subject to receipt of confirmation of non-objection from the FSA, which is in progress.

The LSEG Board recognises that it previously asked LSEG Shareholders to approve the acquisition of a majority stake in LCH.Clearnet as originally structured for the Original Offer. In light of the revised terms of the Majority Acquisition and the Capital Raise, LSEG plc considers it necessary to ask LSEG Shareholders to refresh their vote on the Transaction, including the Revised Offer and the Capital Raise, at the Further LSEG Meeting. The LSEG Board continues to recommend the Transaction and views it as positive for both the LCH.Clearnet Group and LSEG.

3. FINANCIAL EFFECTS OF THE TRANSACTION

Information on the expected effect of the Transaction on the assets and liabilities of the Enlarged Group is set out in the unaudited pro forma statement of the combined net assets of the Enlarged Group in Part 4.

The LSEG Board believes that the Transaction will deliver enhanced growth and substantial revenue synergies, as well as creating the opportunity for cost savings. The Transaction is expected to be immediately earnings accretive for LSEG plc.

Revenue synergies and cost savings

Following preliminary analysis undertaken by LSEG and LCH.Clearnet management, a number of opportunities for revenue synergies and cost savings have been identified. The LSEG Board believes that the Transaction between LSEG plc and LCH.Clearnet will create the opportunity to achieve recurring gross revenue synergies of up to €40 million (£34 million) p.a. with run rate cost savings of approximately €25 million (£21 million) p.a.. The LSEG Board expects the synergy and saving realisation to take place progressively in order to achieve full aggregate run rate synergies and savings of €65 million (£56 million) p.a. by the end of the fifth year after Completion.

The LSEG Board believes that the Transaction will provide a significant opportunity to achieve recurring revenue synergies, which enhance the strategic logic and shareholder value creation opportunity arising from the Transaction. These synergies are expected to be generated across a range of areas, by offering new products and services to, and delivering efficiencies for, the Enlarged Group's customers. For example, LSEG will seek opportunities to generate incremental trading, clearing and information services revenues by improving operational efficiencies for customers of listed products and responding quickly to customer demand for new products and services. LSEG will also seek to develop its listed fixed income and equity derivatives franchise (including equity index and fixed income derivatives). In addition, by utilising the Enlarged Group's combined sales and marketing distribution channels and its expanded geographical presence, it is hoped that the opportunities for cross-selling of products and services will be enhanced.

Realisation of the total run rate recurring revenue synergies would take place progressively, whereby approximately €20 million (£17 million) would be realised by the end of the third year after Completion, rising to approximately €40 million (£34 million) by the end of the fifth year after Completion.

In addition to the revenue synergies, the LSEG Board believes that the Transaction would also deliver cost savings which are expected to arise largely from efficiencies in IT (including procurement savings, data centre and outsourcing rationalisation and other operating efficiencies), particularly where there is currently duplication of functions. Further cost savings are also expected through measures including leveraging Enlarged Group talent, property rationalisation, efficiency and non-IT procurement savings.

Of the cost savings, it is expected that run rate savings of approximately €2 million (£2 million) would be realised by the end of the first 12 months after Completion, rising to a run rate of approximately €5 million (£4 million) by the end of the second year after Completion with the run rate cost savings expected to reach €23 million (£20 million) by the end of the third year after Completion rising to run rate cost savings of €25 million (£21 million) by the end of the fifth year after Completion.

It is expected that realisation of these synergies and savings would result in non-recurring costs of €28 million (£24 million), of which approximately €5 million (£4 million) would be incurred in the first 12 months after Completion, with €10 million (£9 million) in the second year after Completion and the remainder in the third year after Completion.

Return on invested capital is expected to meet LSEG's long-term WACC in year four and exceed thereafter as the Enlarged Group benefits from full synergies and growth in the Enlarged Group's business.

The incremental cost savings and the revenue synergies are expected to accrue partly in LCH.Clearnet and partly in LSEG and will thereby benefit continuing LCH.Clearnet Shareholders as well as LSEG Shareholders and could not be achieved independently of the Transaction.

As at the date of this document, an outline post Completion programme is being developed. The output of that plan will be an agreed definition of programme scope, quantified objectives, and processes and procedures in place to ensure realisation of maximum commercial and operational opportunities.

Xavier Rolet, LSEG CEO and Ian Axe, LCH.Clearnet Group CEO will be joint sponsors of the post Completion programme, and David Warren, LSEG CFO, will be appointed as Chair to the post Completion programme. The programme will be supported by senior management from both LSEG and LCH.Clearnet, and will oversee the delivery of the proposed initiatives. It is envisaged that the Enlarged Group will establish a programme management team, bringing together the best relevant capabilities of both businesses, to ensure that commercial opportunities and associated financial synergies are maximised.

LCH.Clearnet cost savings

LCH.Clearnet's current strategy includes delivery of increased efficiencies, de-duplication of technologies and enhanced risk and collateral management services enabled through the implementation of the Transformation Plan.

LSEG supports LCH.Clearnet's strategy and endorses LCH.Clearnet's commitments to reducing costs, which will remain a key priority for the Enlarged Group's business following Completion. LSEG expects that its own successful experience in driving cost and other efficiencies will assist LCH.Clearnet in delivering its strategy. LSEG expects that further efficiencies will be achieved through scale benefits (including through the sharing of some internal support services), further enhancing IT project management and through a joint purchasing approach in areas such as IT.

LCH.Clearnet has achieved savings previously identified in the Transformation Plan and full annualised benefits of related savings will be realised during 2013, following the close of the Transformation Plan project in December 2012. One-off implementation costs incurred by LCH.Clearnet for the implementation of the Transformation Plan were €38.5 million (£33.1 million).

4. FINANCING OF THE TRANSACTION

The maximum consideration to be paid by LSEC at Completion in relation to the Majority Acquisition, assuming LSEC acquires 55.5 per cent.³ of the LCH.Clearnet Issued Share Capital, will be €328 million (£282 million).

Assuming LSEG will own 57.8 per cent. of the LCH.Clearnet Issued Share Capital post Completion of the Revised Offer, LSEG's participation under the Capital Raise will be €185 million (£159 million). Therefore, the maximum total investment to be paid by LSEG in connection with the Transaction will be €536 million (£461 million), of which €351 million (£302 million)⁴ is the maximum payable in connection with the Majority Acquisition and €185 million (£159 million) is the maximum payable in connection with the Capital Raise. LSEG will finance its initial investment of up to €513 million (£441 million) from existing cash resources and bank facilities.

The terms of LSEG plc's debt arrangements permit the maintenance of acquired debt instruments if these are maintained specifically for regulatory purposes and consequently the Enlarged Group is permitted to retain LCH.Clearnet's existing balance of €177.9 million Preferred Securities. The issued Preferred Securities receive 50 per cent. equity credit from S&P's.

Taking account of the Transaction, Net Debt⁵/Adjusted EBITDA (based on pro forma (as set out in note 5 of Part 4) Enlarged Group Net Debt of £1,181 million and Adjusted EBITDA of £584 million) would be 2.0 times.

5. SUMMARY OF THE TRANSACTION

Conditions of the Revised Offer

The Revised Offer is subject to the conditions set out in Part 5 which include, *inter alia*:

- (a) the Acceptance Condition;
- (b) the Minimum Rollover Condition;
- (c) the LCH.Clearnet Resolution Condition;
- (d) the Regulatory Approvals Condition;
- (e) the Regulatory Licences Condition;
- (f) the FHC Condition; and
- (g) the Regulatory MAC Condition.

³ LSEG plc already holds 2.3 per cent. of the LCH.Clearnet Issued Share Capital, so requires to purchase 55.5 per cent. of the LCH.Clearnet Issued Share Capital pursuant to the Revised Offer to reach a total shareholding of 57.8 per cent.. Subsequent to the issue to NASDAQ of new LCH.Clearnet Shares representing 3.7 per cent. of the LCH.Clearnet Issued Share Capital pursuant to an agreement dated 14 August 2012 described in Part 9 of this document, a shareholding of 57.8 per cent. of the LCH.Clearnet Issued Share Capital equates to a holding of an equivalent number of LCH.Clearnet Shares as would have been acquired to hold the 60 per cent. maximum holding under the Original Offer.

⁴ In addition, LSEG plc may be required to pay up to €0.6 million (£0.5 million) in contingent consideration to the seller of the 2.3 per cent. stake already held by LSEG plc- see Part 9 for a summary of the relevant agreement pursuant to which the shares were acquired.

⁵ Pro forma Enlarged Group Net Debt is calculated on the basis of (i) an acquisition of 55.5 per cent. of the LCH.Clearnet Issued Share Capital, amounting to €328 million (£282 million) plus LCH.Clearnet's Net Debt of €179 million (£146 million), LSEG plc's existing Net Debt of £594 million (€728 million) and LSEG plc's pro rata share of the Capital Raise of €185 million (£159 million); and (ii) the assumptions set out in Part 4.

In addition, completion of the Revised Offer is conditional on the Capital Raise Condition and the Capital Contribution Condition. The Capital Contribution Condition, which is non-waivable, is discussed further in paragraph 11 of this letter.

Regulatory approvals (or, where applicable, confirmations of non-objection) have been received from the ACP, the AMF, the Dutch National Bank and the AFM in respect of the Original Offer. The Transaction is also subject to receipt of confirmation of non-objection from the FSA, which is in progress.

All merger control clearances or approvals required pursuant to the Original Offer have been obtained.

The conditions are expected to be satisfied (or waived) and the Revised Offer declared unconditional in the second quarter of this calendar year.

Terms of the Majority Acquisition

Under the terms of the Majority Acquisition, accepting LCH.Clearnet Shareholders will receive:

For each LCH.Clearnet Share acquired	€15
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comprising:

- (a) cash consideration of €14 per LCH.Clearnet Share payable by LSEC at Completion; and
- (b) deferred consideration of €1 per LCH.Clearnet Share payable in cash by LSEC, which will be reduced as a result of any Relevant Claim(s).

The LCH.Clearnet Shares acquired pursuant to the Revised Offer will be acquired fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other third party rights or rights of any nature whatsoever and together with all rights now and hereafter attaching to them.

The Revised Offer is not subject to the Takeover Code.

Deferred Consideration

The Deferred Consideration will be paid to accepting LCH.Clearnet Shareholders on 30 September 2017 (subject to acceleration or delay in certain limited circumstances). The aggregate amount of the Deferred Consideration will be reduced as a result of any Relevant Claim(s) (in each case after insurance recoveries and taking account of the tax effect of any such payments).

The LCH.Clearnet Group is currently engaged in correspondence regarding concerns raised by administrators in relation to a past default management exercise which could give rise to a Relevant Claim. Such claim, if made, could be for a significant amount. While the LCH.Clearnet Group would defend such a claim vigorously and maintains insurance in relation to such matters, the possibility of a claim being successful and resulting in liability for the LCH.Clearnet Group, cannot be excluded. Attention is drawn to the further information with respect to the risks arising from default management set out in the risk factor on pages 27 and 28.

By allocating the agreed value of €15 per LCH.Clearnet Share acquired between consideration of €14 per LCH.Clearnet Share acquired under the Revised Offer payable in cash by LSEC at Completion and €1 per LCH.Clearnet Share in Deferred Consideration (which will be reduced as a result of any Relevant Claim(s) as described above) payable by LSEC, the effect is that LSEG will be compensated against the net of insurance and tax cost to LCH.Clearnet of any Relevant Claim(s) up to €42.2 million (£36.3 million). If no Relevant Claim(s) are successfully made, the total proceeds received by accepting LCH.Clearnet Shareholders as a result of the Majority Acquisition will be €15 per

LCH.Clearnet Share. The maximum amount of Deferred Consideration payable under the Revised Offer is €23 million (£20 million)⁶. Further details of the Deferred Consideration, including the basis on which the Deferred Consideration is reduced as a result of Relevant Claims, are set out in Part 7.

The Deferred Consideration arrangement under the Revised Offer replaces the Special Dividend arrangement under the Original Offer.

Revised Offer Mechanics

LCH.Clearnet Shareholders will be asked to conditionally accept the Revised Offer in respect of some or all of their LCH.Clearnet Shares.

If acceptances are received in respect of LCH.Clearnet Shares representing more than 55.5 per cent. of the LCH.Clearnet Issued Share Capital, acceptances will be scaled back in accordance with scaleback and allocation principles. In summary, the scaleback and allocation principles provide as follows: conditional acceptances to the Revised Offer received from Smaller Shareholders shall be satisfied in full such that LSEC shall acquire all such LCH.Clearnet Shares. Thereafter, to the extent acceptances are received for shares in respect of Offer Shares, LCH.Clearnet and LSEG plc will scale back such acceptances of Offer Shares with the general intention of doing so pro rata to the existing holdings of LCH.Clearnet Shareholders (other than Smaller Shareholders), save where LCH.Clearnet and LSEG plc in their sole discretion consider it appropriate to do otherwise, having regard to the need to achieve a successful outcome for the Capital Raise, the target of balanced ownership amongst continuing User Shareholders, and such other factors as LCH.Clearnet and LSEG plc deem appropriate (including, but not limited to, flow contribution by LCH.Clearnet Shareholders).

Implementation of the Revised Offer

LCH.Clearnet, LSEG plc and LSEC have entered into the New Implementation Agreement to record their respective obligations with respect to the implementation of the Transaction. A summary of certain key provisions of the New Implementation Agreement (including the circumstances in which the New Implementation Agreement may be terminated) is set out in Part 8.

Terms of the Capital Raise

As mentioned above, due to changes in the regulatory capital framework for CCPs, LCH.Clearnet is required to increase its capital base. In order to satisfy this increase, LCH.Clearnet will conduct a pre-emptive offering of new LCH.Clearnet shares to raise €320 million (£275 million) at a price of €10 per LCH.Clearnet Share shortly after Completion. LSEG plc will subscribe to the Capital Raise pro rata to its post-Completion shareholding (being up to 57.8 per cent. of the total Capital Raise).

It is a condition of the Majority Acquisition that, prior to Completion, LCH.Clearnet secures binding commitments from continuing LCH.Clearnet Shareholders, or such other parties as LSEG and LCH.Clearnet may agree, to subscribe in aggregate for such percentage of the Capital Raise as is not subscribed for by LSEG plc (such condition being the ***Capital Contribution Condition***). This condition is non-waivable. If sufficient undertakings to subscribe for the Capital Raise are not received from continuing LCH.Clearnet Shareholders in order to satisfy the Capital Contribution Condition, the Revised Offer will lapse and Completion will not occur.

LCH.Clearnet will seek binding commitments to subscribe for new LCH.Clearnet Shares from continuing shareholders prior to Completion in order to satisfy the Capital Contribution Condition. A description of the non-binding support received from certain LCH.Clearnet Shareholders for the Capital Raise is set out in paragraph 11 below.

⁶ In addition, LSEG plc may be required to pay up to €0.6 million (£0.5 million) in contingent consideration to the seller of the 2.3 per cent. stake already held by LSEG plc - see Part 9 for a summary of the relevant agreement pursuant to which the shares were acquired

6. POST TRANSACTION SHAREHOLDING STRUCTURE

On Completion, LSEG plc will own between 50 per cent. plus one LCH.Clearnet Share and 57.8 per cent. of the LCH.Clearnet Issued Share Capital. The balance of LCH.Clearnet Shares not held by LSEG plc will be held by existing LCH.Clearnet Shareholders which retain some or all of their LCH.Clearnet Shares and any new Venue partners agreed by LSEG plc and LCH.Clearnet which wish to acquire LCH.Clearnet Shares.

NASDAQ has agreed to increase its stake in LCH.Clearnet from 3.7 per cent. of the LCH.Clearnet Issued Share Capital to 5.0 per cent. of the issued share capital of LCH.Clearnet as enlarged by the Capital Raise broadening its relationship with LCH.Clearnet, which includes the forthcoming launch of NLX, an interest rate derivatives platform in London. It is proposed that Bob Greifeld, the CEO of NASDAQ, will join the LCH.Clearnet Board with effect from completion of the Transaction. Further details of the NASDAQ Placing Agreement are set out in Part 9.

It is possible that LCH.Clearnet could enter into commercial arrangements with trading venues and/or market infrastructure providers that may involve an issue of LCH.Clearnet Shares or a transfer of LCH.Clearnet Shares. If one or more additional trading venues and/or market infrastructure providers does subscribe for LCH.Clearnet Shares as part of the Capital Raise the amount of funding required from continuing LCH.Clearnet Shareholders (other than LSEG) will be reduced accordingly.

7. GOVERNANCE, MANAGEMENT, SHAREHOLDING STRUCTURE AND OTHER ONGOING ARRANGEMENTS BETWEEN THE LCH.CLEARNET GROUP AND LSEG

Details of the proposed governance arrangements and management structure of the LCH.Clearnet Group (including of the composition of the LCH.Clearnet Board), the shareholding structure and other ongoing arrangements between the LCH.Clearnet Group and LSEG plc following Completion are set out in Part 7.

The governance arrangements relating to the LCH.Clearnet Group will reflect its ownership structure following Completion, the need for appropriate stakeholder representation, the requirements arising from the regulated status of the LCH.Clearnet Group companies and LSEG plc's requirements for appropriate controls as the majority LCH.Clearnet Shareholder. It should be noted that such arrangements may be subject to change, depending on the finalisation of new regulatory requirements. In particular, the governance arrangements that will be implemented as part of the Majority Acquisition with respect to board composition may need to be amended to bring them into line with the final requirements of regulators under EMIR and Dodd-Frank.

The governance and management arrangements, together with the shareholding structure and other ongoing arrangements between the LCH.Clearnet Group, LSEG plc and LSEC are principally set out in the New LCH.Clearnet Articles and the new Relationship Agreement. In light of the horizontal model which LCH.Clearnet and LSEG are safeguarding through the Majority Acquisition and to support LCH.Clearnet's planned international expansion, flexibility has been maintained in the governance structure to incorporate any future Venue partners, which may be invited to propose a director for appointment to the LCH.Clearnet Board as a Venue Director. As set out in paragraph 6 above, Bob Greifeld will join the LCH.Clearnet Board as a Venue Director with effect from completion of the Transaction.

The Business Plan and the Budget will set out strategy and financial matters in relation to the management of LCH.Clearnet. In addition, certain terms of reference and policies will, pursuant to the terms of the New Implementation Agreement, be adopted with effect from Completion.

Although LSEG plc will not be entitled to appoint a majority of the directors on the LCH.Clearnet Board, LSEG plc has appropriate controls as the majority shareholder of LCH.Clearnet in order to safeguard its interests, through certain consent mechanisms detailed in Part 7 and through the right to appoint and remove up to four directors to the LCH.Clearnet Board, including the Chief Executive

Officer of LCH.Clearnet. In addition, the LCH.Clearnet Group will be operated in accordance with the Core Operating Principles agreed between LCH.Clearnet and LSEG plc.

Ian Axe, the current CEO, and Jacques Aigrain, the current independent Non-Executive Chairman of LCH.Clearnet, will remain in their existing roles following Completion. In addition, LSEG has invited Jacques Aigrain to join its board and Ian Axe to join its executive committee, in each case from Completion. Other than Jacques Aigrain's appointment, no material changes have been made to the governance arrangements between LCH.Clearnet and LSEG plc save for those required as a result of regulatory requirements.

Provisions regulating the operation of the clearing business of the LCH.Clearnet Group and LSEG following Completion are contained in the Relationship Agreement and summarised in Part 7.

The SwapClear, ForexClear and CDSClear Banks have governance rights with respect to the SwapClear, ForexClear and CDSClear Businesses, including the ability to appoint a majority of members of the governing committees that oversee the SwapClear, ForexClear and CDSClear Businesses. They also have certain rights in relation to the SwapClear, ForexClear and CDSClear Businesses if there is a change of control of LSEG plc. Further details are available in Part 6.

No significant changes are currently anticipated to the approach taken to the regulation of the LCH.Clearnet Group and LSEG by their respective regulators as a result of the Majority Acquisition. LCH.Clearnet will continue to be lead-regulated by the ACP and LSE plc by the FSA (and from 1 April 2013, the Financial Conduct Authority).

8. EMPLOYEES

The LSEG Board attaches great importance to the skills and experience of management and employees in the Enlarged Group and believes that they will be an important factor for its continuing success. The LSEG Board believes that employees will generally have greater opportunities arising from the Majority Acquisition owing to the enhanced growth prospects of the Enlarged Group. The LSEG Board is also pleased to note that positive opinions in relation to the Original Offer were received from LCH.Clearnet S.A.'s French works council and its Dutch employee representative body on 12 December 2011 and 15 December 2011 respectively and they have since been notified of the key changes to the Original Offer.

9. INFORMATION ON THE LCH.CLEARNET GROUP

The LCH.Clearnet Group is a leading CCP group, serving major international trading venues and customers, as well as a range of OTC markets. It clears and manages risk across a broad range of asset classes including securities, exchange traded derivatives, commodities, energy, freight, interest rate swaps, CDS, FX, bonds and repos and works with market participants and exchanges to identify and develop clearing services for new asset classes.

LCH.Clearnet is a private limited company, registered in the UK. It is a holding company created as part of the merger of London Clearing House and Clearnet S.A. in 2003 and oversees its three wholly owned operating subsidiaries, LCH.Clearnet Limited (incorporated in the UK), LCH.Clearnet S.A. (incorporated in France) and LCH.Clearnet LLC (organised in the US State of Delaware) (LCH.Clearnet LLC is wholly owned by LCH.Clearnet (US) LLC, another wholly owned subsidiary of LCH.Clearnet) which was acquired by LCH.Clearnet in August 2012. LCH.Clearnet Limited is a Recognised Clearing House regulated by the FSA. LCH.Clearnet S.A. is a credit institution and clearing house regulated by a regulatory college of central banks and market regulators from France, Netherlands, Belgium and Portugal. LCH.Clearnet LLC is regulated as a DCO by the CFTC. LCH.Clearnet Limited and LCH.Clearnet S.A. are subject to regulation by a number of other regulators and/or central banks in many of the jurisdictions in which they operate. In other jurisdictions, LCH.Clearnet Limited and/or LCH.Clearnet S.A. have been granted exemptions from local licensing requirements, notably in Germany. Another subsidiary of LCH.Clearnet,

LCH.Clearnet (Luxembourg) S.à.r.l., serves as a holding company for the LCH.Clearnet Group's intellectual property.

As a CCP, the relevant LCH.Clearnet Group company registers and processes trades and assumes the counterparty risk involved when two parties (or members) trade and clear the trade through the relevant LCH.Clearnet Group company. When the trade is registered with the relevant LCH.Clearnet Group company, it (and in certain cases a CCP that is interoperable with the relevant LCH.Clearnet Group 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 Group company, it 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 Group company's risk management processes, which involve the assessment of a member's positions and market risk on at least a daily basis. Should members default on their obligations under a trade, the relevant LCH.Clearnet Group 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 Group company. In extreme situations, where the defaulter's own collateral and default fund contributions prove inadequate, the relevant LCH.Clearnet Group company's own funds and the default fund contributions of other members will be exposed. The LCH.Clearnet Group has successfully managed a number of high profile defaults in recent years without recourse to non-defaulters' default fund contributions or to the LCH.Clearnet Group's own funds. For further discussion of the risks inherent in clearing businesses, see Part 2.

By assuming the counterparty risk, the LCH.Clearnet Group underpins many important financial markets, facilitating trading and increasing confidence within the market.

The LCH.Clearnet Group performs clearing and risk management services for a broad range of asset classes (including equity securities; commodities; fixed income products, such as euro and sterling denominated bonds and repos; energy, freight, metals contracts and exchange traded derivatives; and OTC derivatives, including interest rate swaps and CDSs) and works closely with market participants and trading venues to identify and develop clearing and risk management services for new asset classes. In particular, the LCH.Clearnet Group has strong CCP offerings in:

- OTC Derivatives (23.4 per cent. of 2012 net revenues⁷): SwapClear is a global service which clears a significant proportion of the current relevant OTC interest rate swaps market. The LCH.Clearnet Group also provides a clearing and risk management service relating to European CDS contracts and FX products;
- Fixed Income (30.0 per cent. of 2012 net revenues⁷): the LCH.Clearnet Group is one of the largest clearers of fixed income and repo products in the world, offering a broad set of services, including classic repos, buy-sell back repos and cash bonds;
- Commodities, comprising metals and freight and energy (9.9 per cent. of 2012 net revenues⁷): the LCH.Clearnet Group provides clearing and settlement services for both the exchange traded and OTC commodity markets;
- Listed Derivatives (24.4 per cent. of 2012 net revenues⁷): the LCH.Clearnet Group provides clearing, risk management and support services for listed derivatives (NYSE Liffe and NYSE Euronext); and
- Cash Equities (12.3 per cent. of 2012 net revenues⁷): the LCH.Clearnet Group is a leading European equity CCP, providing clearing and risk management services to clients for equities and equity equivalents, including ETFs and REITs.

⁷ Percentages are calculated on net revenues excluding unrealised net investment income which is not allocated to businesses.

In these areas, the LCH.Clearnet Group is well positioned to benefit from continued growth in existing markets and, in certain cases, from expansion into new markets. The LCH.Clearnet Group has developing operations in the following growth areas: contracts for difference, energy, precious metals, iron ore, steel, agricultural commodities and environmental risk management products.

LCH.Clearnet also plans to extend its current interdealer index CDS clearing services to a client clearing and single names clearing service in 2013.

LCH.Clearnet has achieved savings previously identified in the Transformation Plan and full annualised benefits of related savings will be realised during 2013, following the close of the Transformation Plan project in December 2012. The savings have been reinvested in hiring new talent, expanding the OTC businesses, meeting regulatory requirements, improving the governance structure, creating 'one firm' and meeting strategic objectives. One-off implementation costs incurred by LCH.Clearnet for the implementation of the Transformation Plan were €38.5 million (£33.1 million).

Following Completion, LCH.Clearnet intends to continue to operate an efficient, client-focused, for-profit model, delivering tangible benefits to stakeholders. In particular, LCH.Clearnet's ongoing client-focused business model is intended to provide revenue growth opportunities through greater product innovation for customers, whilst managing costs and preserving User interests. It is intended that this will be achieved through improved service, quality and responsiveness, as well as increased efficiencies (in particular, subject to applicable regulatory requirements, through cross-margining and risk management across asset classes for customers and market participants). The SwapClear, ForexClear and CDSClear Banks have contractual arrangements with LCH.Clearnet under which they commit to bear various costs and receive commensurate governance and surplus-sharing rights, as described in Part 6.

The historical financial information of the LCH.Clearnet Group covering the financial periods ended 31 December 2012, 2011 and 2010 is set out in Part 3.

10. CURRENT TRADING AND PROSPECTS

LSEG

On 24 January 2013, LSEG plc released an interim management statement for both the quarter ending 31 December 2012 and for the first nine months of the current financial year. LSEG plc reported year to date total income of £632.5 million (€787.5 million) (a year-on-year increase of 9 per cent.).

For the year to date, LSEG business performed as follows:

- **Capital Markets:** overall revenues, which include both primary and secondary market activities, decreased by 14 per cent. to £196.0 million (€244.0 million) (down 11 per cent. on an organic and constant currency basis), reflecting subdued derivatives and cash equities trading, partially offset by strong admission fee revenues and increased fixed income (repo and retail bond markets) trading in the third quarter;
- **Post Trade Services:** total income, including net treasury income, decreased 1 per cent. to £162.3 million (€202.1 million) (up 7 per cent. on an organic and constant currency basis). This was driven the subdued trading levels in certain Italian secondary markets with resulting weakness in the clearing and settlement businesses, largely offset by an increase in net treasury income;
- **Information Services:** delivered a 58 per cent. increase in revenue to £223.6 million (€278.4 million) (up 2 per cent. on an organic and constant currency basis), reflecting the nine month impact of the consolidation of FTSE (following the acquisition of the remaining 50 per cent.

stake in December 2011) and growth in other, non real time, information products and services; and

- Technology Services: delivered a 4 per cent. increase in revenue to £39.3 million (€48.9 million) (up 11 per cent. on a constant currency basis). MillenniumIT performed strongly, with revenues increasing 21 per cent. to £18.1 million (€22.5 million) following migration to MillenniumIT systems by a number of third parties, including Johannesburg Stock Exchange, Bursa Malaysia and the Mongolian Stock Exchange.

In November 2012, LSEG plc successfully issued a £300 million, 4.75 per cent. 9-year sterling fixed rate bond on LSEG plc's ORB platform, providing it with a more diversified source of longer term financing and extending average debt maturities to over six years.

At the end of December 2012, LSEG plc net debt had reduced to £394 million (€483 million) (or £594 million (€728 million) after setting aside the cash held for regulatory and operational support purposes).

At the time of releasing the third quarter interim management statement, LSEG plc stated that while early in the new quarter, the Capital Markets businesses (referred to above) have made a positive start to the fourth quarter of the financial year (to end 31 March 2013): in primary markets there are good indications of forthcoming new and further capital raising activity; secondary markets, cash equity, derivative and fixed income trading in Italy is ahead of the same period in 2012 and UK equity trading is above prior quarter average levels. Any continued improvement in Italian secondary markets should be beneficial for post trade operations.

Net treasury income is expected to reduce in the fourth quarter as CC&G takes steps to move cash margin into secured investments, as it gradually adapts its investment policy in advance of the mandatory enforcement of the ESMA recommendations in relation to deposits of collateral. These recommendations are expected to further reduce net treasury income in the group's financial year ended 31 March 2014. At the start of January 2013, €4.9 billion was invested on a fully collateralised basis. At the same date, unsecured deposits amounted to €6.8 billion.

LSEG is well placed to develop and capitalise on its diversified asset base and continues to evaluate opportunities to increase its scope and extend its reach.

LCH.Clearnet Group

In February 2013, LCH.Clearnet released its financial results for the year ended 31 December 2012. The financial track record in Part 3 restates LCH.Clearnet's reported financial information to align to LSEG's accounting policies and presentational convention. LCH.Clearnet's total income for 2012 was €426.2 million (£345.6 million), up 24 per cent. year-on-year and operating profit before impairment and non-recurring items was €130.5 million (£105.8 million), up 95 per cent. year-on-year. Operating costs before impairment and non-recurring items rose by 7 per cent. to €295.7 million (£239.7 million), driven by the growth in OTC businesses and partially offset by savings from the delivery of the transformation programme. After excluding the unrealised net investment gain of €34.7 million (£28.1 million) (2011: unrealised net investment loss of €39.3 million (£34.1 million)) Adjusted EBITDA was €120.3 million (£97.5 million), down 7 per cent. year-on-year.⁸

For the full year 2012, the LCH.Clearnet's business performed as follows:

- OTC Derivatives:
 - Interest Rate Swaps: SwapClear, the world's leading interest rate swap clearing service, cleared more than half of all global interest rate swaps and more than 90 per

⁸ The numbers in this paragraph have been extracted from Part 3 of this document without material adjustment.

cent. of cleared swap trades for a broad range of end user client types including asset managers, hedge funds, pension funds and banks, as market participants adopted central clearing ahead of mandatory clearing due to come into effect in 2013. \$11.9 trillion of client notional was cleared on SwapClear, with \$339.9 trillion of notional outstanding. Clearing generated revenues of €59.8 million (£48.5 million), up 36 per cent. year-on-year, driven by the increase in new clearing members, existing clearing members progressing from the introductory to the standard tariff and the growth of client clearing. SwapClear redefined its clearing membership criteria, default fund construct and default management process as required under the global open access mandate. Consequently, the clearing membership increased in 2012 from 61 to 72, with a strong 2013 pipeline;

- Credit Default Swaps: in 2012 CDS Clear expanded its service from a pure domestic model through the launch of an international CDS clearing service, and delivered several industry leading enhancements in order to be well positioned to benefit from the evolving regulatory environment. Contracts cleared stood at €104.2 billion (£84.5 billion) in gross notional, representing a 77 per cent. year-on-year increase, accompanied by €12.0 billion (£9.7 billion) open interest;
- Foreign Exchange: ForexClear was launched in March 2012, clearing interbank FX non-deliverable forwards (*NDF*) in six currencies. ForexClear covers 11 currencies and is accordingly able to clear up to 95 per cent. of the NDF market to be cleared and is recognised as the leading FX clearing offering, with 24-hour OTC FX clearing service five days a week. Since launch, it has delivered continuous volume growth, with \$444.1 billion of notional value in FX NDF trades in 2012. With 14 clearing members at year end, the service had a pipeline of new applicants keen to take advantage of ForexClear's leading risk management framework, while preparing for the mandatory FX clearing deadline in the US in 2013;
- Fixed Income: LCH.Clearnet is Europe's largest clearer of fixed income instruments, playing an important role in the facilitation of interbank liquidity and improvement of risk management during an unprecedented sovereign risk crisis. LCH.Clearnet acquired 13 new clearing members in 2012 as demand for fixed income clearing rose due to an increased focus on counterparty risk and liquidity. Nominal volumes cleared in 2012 were down 7 per cent. to €142.4 trillion (£115.5 trillion), with a 9 per cent. year-on-year increase in numbers of trades cleared. Clearing revenues fell by 9 per cent. to €38.9 million (£31.5 million) broadly consistent with the market as a whole, which witnessed a general reduction in repo activity. Despite the volume reduction, market participants continued to favour clearing to mitigate risk in a volatile market environment;
- Commodities and Listed Derivatives: LCH.Clearnet has consolidated its role as an independent provider of clearing services to derivatives trading venues, providing an alternative to vertically integrated operators. Clearing revenues were affected by challenging market conditions, though the division's asset class diversification limited the fall in income. Revenues were flat at €105.2 million (£85.3 million), while overall volumes fell by 26 per cent. The diversity of clearing services mitigated the general fall in volumes as the reduced activity in the NYSE markets was offset by strong growth in LME markets (17.6 per cent. year-on-year volume growth), Nodal Exchange (76 per cent. year-on-year volume growth), OTC coal options and 65 per cent. market share in OTC freight service. During 2012, LCH.Clearnet negotiated an extension to the NYSE continental European listed derivatives contract to March 2014 and started clearing for Turquoise, LSEG's derivatives platform;
- Cash Equities: as a leading provider of clearing services for many of the primary European listed cash equities markets, LCH.Clearnet continues to be at the forefront of industry initiatives to introduce competition and provide cost efficiencies for users through the implementation of interoperable arrangements with other CCPs. LCH.Clearnet experienced a

steady growth in interoperable business on venues including BATS Chi-X Europe and Turquoise partially offsetting a general reduction in activity in European markets which impacted LCH.Clearnet Group wide cash equities clearing volumes. LCH.Clearnet volumes for equities fell by 14 per cent. year-on-year to €369.9 million and clearing revenues fell 13 per cent. year-on-year to €38.2 million (£31.0 million). LCH.Clearnet reached an agreement to extend the contract to provide clearing services for the NYSE Euronext continental cash equities markets until the end of 2018. Under this contract, technology investment decisions taken in 2010 will allow LCH.Clearnet S.A. to introduce fee reductions for clearing members of 20 per cent. in 2013 without compromising service levels; and

- Net Treasury Income through Collateral and Liquidity Management: the average level of collateral held by LCH.Clearnet in 2012 increased by 13 per cent. to €83.6 billion (£67.8 billion). Net realised treasury income through CCP business decreased by 5 per cent. to €132.3 million (£107.3 million) due to lower market interest rates. Unrealised net treasury income on the treasury portfolio was €34.7 million (£28.1 million).

In May 2010, NYSE Euronext announced that it intended to establish its own clearing house for its European cash equities and derivatives markets by year end 2012 and served a termination notice on LCH.Clearnet with respect to those businesses. NYSE Euronext has since extended its clearing contract with LCH.Clearnet to March 2014 in respect of the continental European derivatives business and until the end of December 2018 in respect of the European cash equities business.

On 29 June 2012, NYSE Euronext served a termination notice on LCH.Clearnet with respect to the derivatives business of NYSE Liffe (London), as a result of which the contract is set to expire at the end of June 2013. On 20 December 2012, Intercontinental Exchange Inc. (*ICE*) and NYSE Euronext announced that ICE Clear Europe Limited will provide clearing services to NYSE Liffe (London).

In 2012, LCH.Clearnet's revenues related to NYSE Euronext European cash equity markets were €33.6 million (£27.2 million), while revenues related to NYSE Euronext continental European derivatives markets were equal to €56.3 million (£45.6 million). Revenues related to NYSE Liffe's (London) business were €36.5 million (£29.6 million). It should be noted that these historic figures may not be a reliable indication of the impact of a withdrawal of the NYSE Euronext businesses on LCH.Clearnet due to the uncertainties related to any potential restructuring and associated costs which may result thereafter. However, LCH.Clearnet and LSEG believe that it is possible that the costs associated with these businesses may be able to be substantially reduced or utilised in supporting alternative business flows.

In December 2011, LME announced that it intended to establish its own CCP and launch its own clearing services. In December 2012, the acquisition of LME Holdings Limited, the parent company of LME was completed by Hong Kong Exchanges & Clearing Limited (*HKEX*). HKEX operates three CCPs and has publicly confirmed that it is supportive of LME's intention to establish its own CCP. LCH.Clearnet has no knowledge of the stage of development of LME's proposed clearing house. LME has not served a termination notice on LCH.Clearnet and therefore continues to clear its business with LCH.Clearnet. LCH.Clearnet remains fully prepared to continue to serve the LME as a key client and member. The minimum notice period for such a termination notice, if served, is 12 months without incurring any break costs.

The total equity of LCH.Clearnet Group increased during the year by €91.0 million (£73.8 million) to €424.1 million (£346.1 million). The total available regulatory capital of LCH.Clearnet, at €403.7 million (£329.5 million), continues to exceed the minimum "Pillar 1" requirements of €70.3 million (£57.4 million), and the combined "Pillar 1" and "Pillar 2" requirement of €251.1 million (£204.9 million) - paragraph 29 of Part 3 provides more detail on the "Pillar 1" and "Pillar 2" requirements. LCH.Clearnet's tier 1 capital ratio was 39.6 per cent. and the total capital ratio was 46.1 per cent. Within this, LCH.Clearnet's issued Preferred Securities of €177.9 million (£145.2 million) are partly eligible for treatment as Tier 1 regulatory capital (limited to 35 per cent. of total Tier 1) with the balance eligible for treatment as Tier 2 regulatory capital as long as Tier 2 regulatory capital does not

exceed 100 per cent. of Tier 1 regulatory capital. Although the new regulatory framework for the issued Preferred Securities has yet to be finalised, LCH.Clearnet has prudently subjected these securities to a straight line 10 year amortisation beginning 1 January 2013 in light of potential rule changes that may make such securities ineligible as capital. LCH.Clearnet will continue to review its capital structure in the context of the Capital Raise and a changing regulatory capital environment.

The LCH.Clearnet Group's S&P's rating of 'A+' has been placed on creditwatch negative following the Old Announcement in March 2012. In December 2012 this status was maintained and S&P stated that the creditwatch placement "reflects the possibility of us lowering the long-term rating on LCH.Clearnet by up to four notches if its acquisition by LSEG goes ahead, although S&P may affirm them". S&P also stated that "the most important part of our review will be to assess whether LCH.Clearnet is an "insulated" subsidiary, as our criteria define this term, such that we would be confident that its creditworthiness could remain resilient even if LSEG's creditworthiness declined."

11. LCH.CLEARNET SHAREHOLDER SUPPORT

LCH.Clearnet Resolution

The Transaction requires a special resolution (75 per cent. majority) (the *LCH.Clearnet Resolution*) to be approved by the LCH.Clearnet Shareholders. In addition, the Revised Offer is conditional, amongst other things, on (i) LSEC receiving valid conditional acceptances in respect of at least 50 per cent. plus one LCH.Clearnet Share of the current LCH.Clearnet Issued Share Capital, and (ii) irrevocable binding commitments having been received from continuing LCH.Clearnet Shareholders and other participants in the Capital Raise (the *Capital Contribution Condition*).

On the basis of a Capital Raise of €320 million (£275 million) and assuming that LSEG's shareholding following completion of the Revised Offer is 57.8 per cent., irrevocable binding commitments in respect of new LCH.Clearnet Shares will be required to the value of €135 million (£116 million) in order to satisfy the Capital Contribution Condition.

Core LCH.Clearnet Shareholders were consulted in respect of the Transaction in January 2013, before the amount to be raised pursuant to the Capital Raise had been finalised. Core LCH.Clearnet Shareholders were asked to indicate their intentions with respect to the above matters on the basis of a series of assumptions, including an assumed Capital Raise amount of €300 million (£258 million). That shareholder consultation process demonstrated that core LCH.Clearnet Shareholders were supportive of the Transaction and the assumed Capital Raise amount would have been fully covered, as set out below.

Pursuant to the shareholder consultation process, LSEG and LCH.Clearnet received non-binding letters of support and indications of intent, subject to certain assumptions and in varying terms, from core LCH.Clearnet Shareholders (representing in aggregate 72.9 per cent. of the LCH.Clearnet Issued Share Capital) setting out their intentions as follows:

- a) to vote LCH.Clearnet Shares representing 72.9 per cent. in aggregate of the current LCH.Clearnet issued share capital in favour of the LCH.Clearnet Resolution;
- b) to conditionally accept the Revised Offer in respect of LCH.Clearnet Shares representing 58.6 per cent. in aggregate of the current LCH.Clearnet issued share capital (subject to the scaleback and allocation pursuant to the terms of the Revised Offer); and
- c) to participate in the Capital Raise (including in a number of cases in excess of their pro rata entitlement under the Capital Raise offer) in an amount up to €134 million (£115 million).

In addition to the letters of support and indications of intent, NASDAQ has agreed to increase its stake in LCH.Clearnet from 3.7 per cent. of the LCH.Clearnet Issued Share Capital to 5.0 per cent. of

the issued share capital of LCH.Cleartnet as enlarged by the Capital Raise, pursuant to the terms of the NASDAQ Placing Agreement.

Although the indications to participate in the Capital Raise in respect of €134 million is less than the required €135 million on the basis of a €320 million Capital Raise, the shareholder consultation process was undertaken on the basis of a €300 million assumed Capital Raise, and LSEG plc and LCH.Cleartnet expect that some core LCH.Cleartnet Shareholders will be willing to commit to subscribe for more than they indicated in the shareholder consultation process.

On this basis, LSEG plc and LCH.Cleartnet are confident that there will be sufficient LCH.Cleartnet shareholder support to proceed with the Transaction.

12. FURTHER LSEG MEETING

Although LSEG Shareholders approved the Original Offer at the original general meeting held on 3 April 2012, the material changes to the terms of the Revised Offer require the Transaction to be conditional upon, amongst other things, the approval of LSEG Shareholders at a general meeting. Set out at the end of this document is a notice convening the Further LSEG Meeting to be held at the offices of Freshfields Bruckhaus Deringer LLP at the Northcliffe House entrance, 26-28 Tudor Street, London, EC4Y 0BQ at 11.00 a.m. on 27 March 2013. At the Further LSEG Meeting an ordinary resolution will be proposed to approve the Transaction.

The members of the LSEG Board holding LSEG Shares have undertaken to vote in favour of the LSEG Resolution to be proposed at the Further LSEG Meeting in respect of their own beneficial holdings of, in aggregate, 313,342 LSEG Shares, representing approximately 0.12 per cent. of the issued share capital of LSEG plc as at 6 March 2013, being the last practicable day before the publication of this document.

13. FURTHER INFORMATION

Your attention is drawn to the further information set out in Parts 2 to 9 (inclusive). In particular, your attention is drawn to the risks relating to LSEG, the LCH.Cleartnet Group and the Enlarged Group and the Transaction and the other risk factors set out in Part 2.

14. ACTION TO BE TAKEN

You will find enclosed with this document a Form of Proxy for use at the Further LSEG Meeting. Whether or not you propose to attend the Further LSEG Meeting in person, you are asked to complete the Form of Proxy and return it to the Registrars at Equiniti, 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 11.00 a.m. on 25 March 2013.

Alternatively, if you would prefer to appoint a proxy or proxies electronically, you may do so via the website run by the Registrars at www.sharevote.co.uk using the number provided on the yellow 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 Further LSEG 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 Further LSEG Meeting in person if you so wish. Further details relating to voting by proxy are set out in the notes to the Notice of Further LSEG Meeting at the end of this document.

15. RECOMMENDATION

The LSEG Board, which has received financial advice from Morgan Stanley, considers the terms of the Transaction to be fair and reasonable. In providing such financial advice to the LSEG Board, Morgan Stanley has relied on the LSEG Board's commercial assessment of the Transaction.

The LSEG Board believes the Transaction and the LSEG Resolution to be in the best interests of the LSEG Shareholders as a whole and, accordingly, unanimously recommends that the LSEG Shareholders vote in favour of the LSEG Resolution to be proposed at the Further LSEG Meeting, as they intend to do in respect of their own beneficial holdings of, in aggregate, 313,342 LSEG Shares, representing approximately 0.12 per cent. of the issued share capital of LSEG as at 6 March 2013, being the last practicable day before the publication of this document.



Chris Gibson-Smith
Chairman

PART 2 : RISK FACTORS

Prior to making any decision to vote in favour of the LSEG Resolution at the Further LSEG Meeting, you should carefully consider, together with all other information contained in this document, the specific risks and uncertainties described below.

The LSEG Directors consider the following to be the material risk factors to which the Enlarged Group is exposed as a result of the Transaction. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties and are not set out in any particular order of priority. Additional risks and uncertainties that are not presently known to the LSEG Directors, or which they currently deem immaterial, may also have an adverse effect on the Enlarged Group's operating results, financial condition and prospects. The information given is as of the date of this document and, except as required by the FSA, the London Stock Exchange, the Listing Rules and Disclosure and Transparency Rules (and/or any regulatory requirements) or applicable law, will not be updated.

If any of the following risks are realised, the Enlarged Group's businesses, financial condition, capital resources, results and/or future operations could be materially affected. In such case, the price of the Enlarged Group's ordinary shares could decline and investors may lose some or all of their investment.

1. Risks relating to the Transaction

The Transaction 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 approvals and the requisite approvals of LCH.Clearnet Shareholders and LSEG Shareholders (some of whom hold a significant number of LSEG Shares and are therefore able to exert considerable influence over the outcome of the LSEG Resolution). In addition, Completion is conditional upon irrevocable binding commitments being received in respect of the funding of that percentage of the Capital Raise which will not be funded by LSEG (being the Capital Contribution Condition). This condition is non-waivable. Although LSEG plc and LCH.Clearnet have both agreed to use reasonable endeavours to satisfy each condition by the Longstop Date, there is no guarantee that these (or other) conditions will be satisfied (or waived if applicable) either at or before the Longstop Date, in which case the Transaction will not be completed. This is particularly the case with respect to the Acceptance Condition, the LCH.Clearnet Resolution Condition, the Capital Contribution Condition and the FHC Condition, which, if not satisfied, will not be waived by LSEG plc and/or LSEC.

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

The Enlarged Group may not realise the expected benefits and synergies from the Majority Acquisition or may encounter difficulties or higher costs in achieving those expected benefits and synergies. Realisation of the expected benefits of the Majority Acquisition will depend largely on the success of the LCH.Clearnet Group management in implementing its strategy. That success may not be realised, or may only be realised in part, if, among other things, the LCH.Clearnet Group: (a) is unable to retain LCH.Clearnet senior management and/or other key employees critical to the implementation of LCH.Clearnet management's strategy; or (b) suffers a reduction in revenue but is unable to reduce its cost base because of the LCH.Clearnet Group's fixed cost structure. Any failure to realise the increased earnings, cost savings and enhanced growth opportunities for the LCH.Clearnet Group described in the Initial Business Plan, Initial Budget and elsewhere in this document could have a material adverse effect on the LCH.Clearnet Group's business and financial condition and, accordingly, the Enlarged Group's results of operations.

The value of the LCH.Clearnet Shares purchased by LSEG plc may be less than the consideration paid by LSEG plc.

Until Completion, it is possible that there could be an adverse event affecting the LCH.Clearnet Group which would not give rise to a right of LSEG plc to terminate the Majority Acquisition. In such an event, the value of the LCH.Clearnet Shares purchased by LSEG plc may be less than the consideration paid by LSEG plc and, accordingly, the net assets of the Enlarged Group could be reduced. This could have an adverse effect on the business, financial condition and operating results of the Enlarged Group.

Share issuances by LCH.Clearnet may dilute LSEG's shareholding in LCH.Clearnet.

LCH.Clearnet continues to explore strategic opportunities to strengthen its business and may issue new LCH.Clearnet Shares in connection with the exploitation of such opportunities. LCH.Clearnet and LSEG have agreed customary restrictions on share issuances by LCH.Clearnet both prior to and following Completion. LCH.Clearnet and LSEG plc have also agreed anti-dilution protection to enable LSEG to maintain its majority interest in LCH.Clearnet.

2. Risks relating to the clearing industry and financial markets

The post trade business of the Enlarged Group will be subject to the impact of market and economic, political, legal, regulatory and social conditions which are beyond the Enlarged Group's control.

The revenue of the Enlarged Group's post trade businesses will be substantially dependent on the clearing volumes of the Enlarged Group's clearing businesses (and, by extension, on the trading volumes on the trading venues operated by the trading platform customers of the Enlarged Group's clearing businesses and trading volumes in OTC products). Many of the factors that influence trading and clearing volumes will be beyond the control of the Enlarged Group, but have the potential to adversely affect the business, financial condition and operating results of the Enlarged Group. As shown during recent financial crises including but not limited to the current economic difficulties being experienced by the subset of European countries who have adopted the euro (the ***Eurozone***) such factors 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;
- macro-economic changes in global or regional demand or supply shifts in fixed income, OTC products, commodities and capital markets;
- changes in the financial standing of members of the Enlarged Group's post trade businesses who are based in the Eurozone and in the liquidity of the Eurozone financial markets;
- changes in government, fiscal and monetary policies;
- macro-economic changes in global or regional demand for equities, fixed income and other capital markets products and services;
- legislative and regulatory changes, including any direct or indirect restrictions on (or increased costs associated with) trading and clearing in relevant markets; and

- any change or development in global, national or regional political conditions, external events such as acts of terrorism or any outbreak of hostilities or war and natural disasters.

The Enlarged Group may be subject to risks associated with the Eurozone debt crisis.

The Enlarged Group has a substantial proportion of its assets, liabilities and expenses denominated in euro and revenue and income arising from customers and products who are either based in, or have exposure to, the Eurozone and euro-denominated securities and, accordingly, it is exposed to risks in connection with the current Eurozone debt crisis.

The strains on financial institutions resulting from the crisis both inside and outside the Eurozone increase the risks to the Enlarged Group, in particular, the risk that its clearing business will experience defaults amongst its clearing members. The risk that a defaulting clearing member's positions cannot be successfully closed out without recourse to the financial resources of those entities in the Enlarged Group that operate clearing businesses may be further increased where there is heightened volatility in the market values for Eurozone government and bank debt instruments and related derivatives. In addition, a default of a Eurozone member country or a lack of market confidence in euro-denominated securities (in particular, euro-denominated government debt instruments) may lead to adverse effects on fixed income trading and associated clearing volumes. There is a risk that this would adversely affect the financial condition of the Enlarged Group.

If the Eurozone debt crisis is not resolved, there is a possibility that one or more countries may default and/or leave the euro and re-establish their own national currency or that the European monetary union may collapse. There is no pre-ordained process for managing any such outcome and, were any such outcome to occur, it is likely that there would be significant, extended and generalised market dislocation with unpredictable and materially adverse consequences for all participants in the world's financial markets, including members of the Enlarged Group. Of particular concern in such a situation would be the Enlarged Group's clearing subsidiaries, all of which have significant euro-denominated exposures with corresponding euro-denominated rights, margin, collateral and other investments denominated in euro. Redenomination of the euro in a country (in particular, a country in which a clearing subsidiary is actually located) could possibly result in exposures (but not the corresponding rights or collateral) or the rights (but not the corresponding exposures or collateral) or simply just the collateral, being redenominated into a currency other than the euro. This could give rise to a potentially significant FX risk to the CCP which would not be passed on to any other person and could significantly adversely affect the solvency of the CCP. Either localised or a more general exit of countries from the Eurozone would be likely to affect the full recoverability of euro-denominated debts and other obligations from counterparties in the affected countries and could result in multiple defaults at a time when there is a general market dislocation, making realising collateral (irrespective of its currency of denomination) at acceptable prices very difficult.

Further, were any of the Eurozone countries in which those subsidiaries are incorporated to leave the euro it is possible that such a move would be accompanied by exchange control and mandatory payment laws which might materially and adversely affect the subsidiary's ability to meet its obligations to clearing customers from other jurisdictions, significantly increasing the risk that the relevant subsidiary defaults on its obligations, triggering cross-default provisions in agreements to which it, or other Enlarged Group members, are a party.

The policy of the ECB on Eurozone clearing may negatively impact the Enlarged Group.

In November 2011, the ECB stated in a policy paper that CCPs clearing euro-denominated instruments should be located in the Eurozone. A significant proportion of instruments cleared by LCH.Clearnet Limited, which is located in the United Kingdom, is denominated in euro. The UK government is challenging the ECB's policy on the basis that it amounts, *inter alia*, to a breach of the principles of the Single Market. The outcome of that action has yet to be determined. There is a risk that if the ECB successfully pursues this policy, the Enlarged Group will be required to restructure its operations and businesses so as to locate the clearing operations of certain of its businesses (to the

extent that they relate to euro-denominated products) in the Eurozone. The Enlarged Group faces the risk that euro-denominated clearing volumes will migrate to alternative CCPs if LCH.Clearnet S.A. is unable to fully respond to LCH.Clearnet customer requirements. In addition, such restrictions may reduce liquidity in euro outside of the Eurozone. The risks could materially adversely affect the Enlarged Group's business, financial condition and operating results.

The adverse effect of any financial transaction tax (see the risk factor entitled "The Enlarged Group may be affected by the proposed introduction of an EU financial transaction tax") would be significantly increased to the extent that clearing of euro-denominated products needs to be moved from outside the Eurozone into the Eurozone.

The ECB and other Eurozone Central Banks have stated further that they will not, in relation to swaps transactions they enter into, become members of a CCP which does not have access to central bank liquidity. It is likely that the ECB will use this position to encourage CCPs located in the Eurozone, to the extent they do not already, to compete for euro-denominated interest rate or other swaps business (it is its policy to have such swaps cleared in the Eurozone). This could materially adversely restrict the ability of the Enlarged Group to compete for the clearing of such products to the extent that LCH.Clearnet Limited clears such products.

Performance of rights and duties as a CCP could expose the Enlarged Group to liability to clearing members.

Default Management

Under the terms of their agreements with clearing members (including their rulebooks), the LCH.Clearnet 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, have usually to be exercised in situations of great uncertainty and market volatility, and default management exercises typically have to be implemented under extreme time pressure and on the basis of imperfect information, and in such circumstances, disputes and errors may occur.

Under the terms of their agreements with clearing members (including rulebooks), the LCH.Clearnet Group's CCPs may be liable for any losses only if, or to the extent that they are determined to have been negligent in managing the default or to have acted in bad faith, though the scope of the liability is limited.

The LCH.Clearnet Group carries insurance which contains customary terms and exclusions. Since there is a possibility that a claim relating to a default management exercise (or any other claim) may not be fully covered by insurance (or at all), the LCH.Clearnet Group seeks to manage its capital levels in excess of regulatory capital requirements to provide an adequate precautionary buffer.

The LCH.Clearnet Group has not received any claim or express threat of any claim in respect of any default management exercise or alleged negligence or bad faith in respect of any past default. However, the LCH.Clearnet Group is currently engaged in correspondence regarding concerns raised by administrators in relation to a past default management exercise, which could give rise to a Relevant Claim. Such claim, if made, could be for a significant amount. While the LCH.Clearnet Group would defend such a claim vigorously and maintains insurance in relation to such matters, the possibility of such a claim being successful and resulting in a liability for the LCH.Clearnet Group cannot be excluded. Such claim could be made at any time until all insolvency proceedings in relation to the relevant defaults have been completed and the Enlarged Group may not have sufficient insurance or other resources available to meet the claim. Such claim could adversely affect the financial and trading prospects of the Enlarged Group (including potential diminution of the Enlarged Group's regulatory capital) and could have a negative impact on the Enlarged Group's reputation.

The LSEG Board has taken legal advice in relation to these risks and has concluded that they should not be material for LSEG Shareholders. Given the terms and effect of the Deferred Consideration, the effect is that LSEG will be compensated for the net of insurance and tax cost to the LCH.Clearnet Group of any Relevant Claim(s) up to €42.2 million.

Other Matters

LSEG Shareholders should also be aware that LCH.Clearnet successfully applied in November 2012 to become a party (as a defendant) to ongoing proceedings between MF Global and MF Global Inc. in respect of claims to ownership of certain assets and/or proceeds arising out of their sale, some of which are held by LCH.Clearnet, in connection with the liquidation of MF Global. Similar claims have been made on behalf of MF Global Holdings, of which MF Global Inc. is a subsidiary. LCH.Clearnet's voluntary application to join the proceedings was made in order to make representations about and protect its interests in relation to the various claims. As matters currently stand, the LCH.Clearnet Directors believe there is a prospect that the claims by MF Global Inc. against MF Global will be resolved on an amicable basis and the application proceedings then dismissed and that, in the course of that process, the claims of MF Global Inc., MF Global Holdings and MF Global, in so far as they concern LCH.Clearnet, will be resolved and settled without any material adverse effect on LCH.Clearnet. However the position has not yet been clarified or resolved.

LSEG, having made enquiries of LCH.Clearnet, does not expect that the proceedings are likely to have a significant effect on LCH.Clearnet's financial position or profitability. However, the possibility of a claim being successfully brought against LCH.Clearnet in relation to the above matters cannot be excluded and any claim, if pursued, could have a negative impact on the Enlarged Group's reputation.

Competition within the post trade environment in which the Enlarged Group operates is expected to continue to intensify.

It is expected that competition will continue to intensify within the post trade environment in which the Enlarged Group operates, especially in light of: (i) a general industry move towards interoperability of 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 under EMIR and Dodd-Frank; and (iv) other reforms of, and regulatory initiatives within (for example, the Target2-Securities initiative from the ECB), the financial services industry.

The competitive landscape developing from such changes may create new business opportunities for the Enlarged Group's European post trade facilities (LCH.Clearnet S.A., LCH.Clearnet Limited, Monte Titoli and CC&G). However, in order to benefit from such new business opportunities, the Enlarged Group may be required to respond to competitive third-party post trade offerings, including by introducing new post trade offerings in relation to underlying instruments (such as OTC derivatives), which could lead to an increase in the costs associated with the Enlarged Group's financial risk management. Such increased costs could have a negative impact on the Enlarged Group's business, financial condition and operating results.

3. Risks relating to regulation of the Enlarged Group

Regulatory restrictions will apply to the Enlarged Group's post trade and other businesses.

The Enlarged Group and its CCPs and other regulated entities operate in increasingly regulated markets and are 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 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, including LCH.Clearnet and the holding company/ies of LCH.Clearnet 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 a risk that one or more of the Enlarged Group’s regulated entities may fail to comply with new laws and regulatory conditions and obligations to which it may become subject in the future. In order to mitigate this risk, LSEG plc expects to maintain adequate systems and controls for compliance with such conditions and 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.

The Enlarged Group may be subject to more intensive regulatory scrutiny (including over previously unregulated areas of the Enlarged Group’s business) and such scrutiny could impact the Enlarged Group disproportionately.

The Enlarged Group could be subject to increased regulatory scrutiny in the future. The multi-market environment, difficult global economic conditions and the increasing systemic importance of CCPs may lead to more intensive regulation of the Enlarged Group’s business by regulators in the jurisdictions in which the Enlarged Group operates and may in future operate, including the UK, France, Italy, Europe more generally and the US. Such increased regulatory scrutiny could affect the business of the Enlarged Group disproportionately in comparison to those of its competitors which may comprise a different mix of businesses and which may therefore be subject to less onerous regulatory requirements and restrictions. This could increase the cost of complying with regulations and co-operating adequately with regulatory bodies, could reduce the scope for, and success of, new products and strategy of the Enlarged Group, and could have an adverse effect on the business, financial condition and operating results of the Enlarged Group.

Changes in applicable regulations or requirements may have a negative impact on 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 Enlarged Group will operate. However, LSEG cannot be certain whether, or in what form, regulatory changes will take place and cannot predict with certainty their impact on the Enlarged Group’s businesses and operations. Regulatory changes could require the Enlarged Group to change the manner in which its exchanges, CCPs and authorised firms conduct their respective businesses or govern themselves. In addition, such changes could extend regulatory restrictions to areas of the Enlarged Group’s businesses that to date have not been regulated. This section provides an overview of certain key regulatory developments. Regulatory developments affecting regulatory capital are addressed in the risk factor “Change in regulatory capital requirements may negatively affect the Enlarged Group” below.

Whilst LSEG believes that these measures provide opportunities for the Enlarged Group's businesses, a number of the measures (including EMIR and Dodd-Frank) include provisions which could materially affect its business, including, in the case of the LCH.Clearnet Group, the SwapClear, ForexClear and CDSClear Businesses and LCH.Clearnet LLC. It is not possible at this stage to assess the precise implication of these changes for the LCH.Clearnet Group or its customers and market structure and whether and to what extent they will require changes to regulations, procedures and other arrangements to which LCH.Clearnet is a party, because of the lack of final rules and the lack of clarity in the interpretation and application of rules which have been published in final form.

Such changes (and other regulatory developments) could extend regulatory restrictions and/or impose regulatory requirements on areas of the Enlarged Group's businesses that to date have not been regulated, including by imposing governance and ownership restrictions or requirements, and this may all give rise to significant compliance and operational costs being incurred by the Enlarged Group. Such changes may also make it more difficult for the Enlarged Group to operate its 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 Enlarged Group's business, financial condition and operating results.

MiFIR, Short Selling Regulation and CSD Regulation

Within Europe, there are a number of developments that will introduce changes to the regulatory environment, including the proposed amendments to MiFID, the proposal for a Regulation of the European Parliament and of the Council on markets in financial instruments and amending EMIR (**MiFIR**), the Regulation of the European Parliament and of the Council on short selling and certain aspects of Credit Default Swaps which is in force (**Short-Selling Regulation**) and the proposal for a Regulation of the European Parliament and of the Council on CSDs and on the harmonisation of certain aspects of securities settlement in the EU (**CSD Regulation**).

Clearing of OTC Derivatives

Following the September 2009 G20 agreement on the mandatory clearing of certain OTC derivatives, legislators in different jurisdictions have proposed various measures to address such requirements and have proposed changes in, and additions to, the rules and regulations affecting European, US and other CCPs. In Europe, EMIR was adopted on 4 July 2012 and came into force on 16 August 2012. Many of the obligations in EMIR are further developed by the regulatory technical standards and will apply from the date those standards take effect. Some of the regulatory technical standards will take effect on 15 March 2013 and others will take effect subsequently. EMIR provides for the mandatory clearing of specified OTC derivative contracts and the regulation of CCPs and trade repositories. In the US, on 13 December 2012, the CFTC adopted regulations to establish a clearing requirement under the Commodity Exchange Act in respect of certain classes of interest rate swaps and credit default swaps, including products for which the LCH.Clearnet Group's DCOs provide clearing services.

EMIR

EMIR includes a number of requirements which may have a significant impact on the Enlarged Group's business and operations, including: (i) imposing transparency requirements in respect of process, fees charged and rebates offered; (ii) imposing independence requirements in respect of the board of directors of CCPs and risk management committees; (iii) requiring CCPs to have adequate regulatory capital, access to adequate liquidity and appropriate investment policies; and (iv) requiring CCPs to offer different levels of position and collateral segregation to their members and their customers, all of which could increase operational costs for CCPs. Following on from the advice it received from the EBA and ESMA in September 2012, the European Commission announced on 19 December 2012 that it had adopted a number of regulatory technical standards for the regulatory requirements for European CCPs under EMIR. The period for the European Council and Parliament to object to the regulatory technical standards expired on 19 February 2013 and the regulatory

technical standards were published in the Official Journal on 23 February 2013. Some of the regulatory technical standards will come into effect on 15 March 2013, 20 days after they are published in the Official Journal, and others will come into effect subsequently.

LCH.Clearnet Ltd and LCH.Clearnet S.A. will have 6 months from 15 March 2013, the date the relevant regulatory technical standards come into effect, to submit applications to the FSA (or, from 1 April 2013, the Bank of England) and the ACP respectively for authorisation as CCPs under EMIR. The relevant regulators must, in conjunction with other members of the relevant CCPs' college of regulators, decide whether to grant authorisation within 6 months of receipt of a complete application from the relevant CCP.

Dodd-Frank

In the US, Dodd-Frank and the implementing regulations promulgated thereunder by the CFTC will continue to have a significant impact on the OTC derivatives market infrastructure applicable to trading and clearing, amongst other things. A number of the rules under Dodd-Frank may materially impact LCH.Clearnet and the Enlarged Group, in particular those imposing restrictions and requirements on the ownership and governance of DCOs (such as LCH.Clearnet Limited and LCH.Clearnet LLC) and their holding or parent companies. In particular, the governance arrangements that will be implemented as part of the Transaction with respect to board composition may need to be amended to bring them into line with the final requirements under Dodd-Frank and EMIR and the requirements of regulators, and the current contractual arrangements governing the operation of the SwapClear, ForexClear and CDSClear Businesses may need to be amended (and there is a risk that the Enlarged Group may not be able to reach agreement with the relevant parties in respect of such amendments). There can be no certainty that such restrictions and requirements will not operate to further limit LSEG's ability to exercise influence over the LCH.Clearnet Group. This could result in the Enlarged Group no longer being able to consolidate the LCH.Clearnet Group for IFRS accounting purposes, which could materially adversely affect the Enlarged Group's results of operations.

In addition, pursuant to Dodd-Frank and regulations thereunder, DCOs, including the DCOs that are part of the LCH.Clearnet Group, are prohibited from imposing a minimum net capital requirement for clearing members in excess of \$50 million. Consequently, LCH.Clearnet may be required to accept clearing members with smaller balance sheets and financial resources than it has in the past. This may result in the Enlarged Group being required to cater for a larger number of smaller clearing members. This may also result in a greater risk of clearing member defaults and may have an adverse effect on the financial resources of the Enlarged Group. An increase in the number of clearing members may also give rise to increased costs, as well as increased operational risks and, if such risks materialise, they may adversely affect the Enlarged Group's business, financial condition and operating results. Although the Enlarged Group may seek or be required to adjust its risk management policies and procedures as a result, the costs related thereto may need to be borne by the Enlarged Group. There may also be increased risk in monitoring and managing daily, and intra day, margin requirements with a much larger number of clearing members, and this may require changes to be made to systems and operations of the Enlarged Group and accordingly result in significant costs being incurred. Such risks, should they materialise, may have a significant adverse effect on the results and operations of the Enlarged Group.

Dodd-Frank also contains detailed risk management rules that may lead DCOs to impose higher margin requirements. Increased margin requirements may reduce liquidity and volume, leading to less demand for the Enlarged Group's clearing services.

Financial firms active in the US swaps market may also be required under Dodd-Frank to register as Swap Dealers or Major Swap Participants. Registration may be required even when a firm's principal swaps activities are outside the US. Registration as a Swap Dealer or Major Swap Participant will impose significant costs on regulatory obligations on registrants. It is possible that financial firms may seek to avoid such regulatory burdens by reducing their derivatives-related activities, or by

shifting operations to less-regulated marketplaces, leading to reduced demand for the Enlarged Group's services.

Increased liquidity requirements for CCPs and a more restrictive investment policy may adversely affect the Enlarged Group's CCPs.

Both EMIR and Dodd-Frank call for liquidity requirements for CCPs. Pursuant to Dodd-Frank US regulators have adopted rules that will require DCOs to have and maintain financial resources in more liquid forms than they were previously required to hold. The regulatory technical standards adopted by the European Commission in December 2012 and published in the Official Journal on 23 February 2013 set out detailed rules on liquidity requirements for CCPs under EMIR. As a result of the introduction of these requirements, LCH.Clearnet will be required to hold more liquid financial resources and these requirements will restrict the range of investments which LCH.Clearnet can hold as collateral or in which it can invest. This may, in turn, limit the extent to which additional investment income can be earned on collateral held by (and/or investments of) the CCPs in the Enlarged Group. For example, the CFTC has adopted rules that establish restrictions on the ability of DCOs to invest customer collateral in order to minimise the risk of loss or delay in realising the value of such collateral. The lower return which the CCPs in the Enlarged Group may earn as a result of these changes required by EMIR (and Dodd-Frank) may adversely affect the financial results of the Enlarged Group.

Under EMIR, LCH.Clearnet Limited and LCH.Clearnet S.A. will be required to have access to committed banking facilities (which are not currently relied upon across the LCH.Clearnet Group) or other similar arrangements. If LCH.Clearnet Limited and LCH.Clearnet S.A. do not have access to such facilities on commercially reasonable terms, there is a risk that LCH.Clearnet Limited and LCH.Clearnet S.A. may not be able to access these facilities in stressed circumstances and as a consequence may not be able to meet its obligations as a CCP, which could require LCH.Clearnet Group to terminate the relevant CCP operations.

LCH.Clearnet Limited and LCH.Clearnet S.A. will be required to put in place these facilities in order to obtain authorisation under EMIR, although in practice this may be required at the time the application for authorisation is made.

Changes to regulatory capital requirements may negatively affect the Enlarged Group.

The Enlarged Group operates within various defined regulatory capital regimes and certain of the regulated entities within the Enlarged Group are and will be subject to minimum regulatory capital requirements. The regulatory capital regimes vary by jurisdiction and form of regulatory status and in some cases, entities within the Enlarged Group benefit from customised regulatory capital regimes which differ from those of credit institutions, broker-dealers or other investment firms, while certain other firms in the Enlarged Group are subject to the regulatory capital requirements applicable to credit institutions and investment firms established by the EU Capital Requirements Directive. Many of these regulatory capital regimes are subject to change (as mentioned below). There is a risk that, as a result of changes to the regulatory capital requirements applicable to the Enlarged Group or to one or more entities within the Enlarged Group, increased capital requirements for one or more entities within the Enlarged Group may be applied. This may adversely affect the Enlarged Group's financial condition, operations and results as a whole.

Proposed regulatory changes include:

CRD IV

Under "CRD IV" (the EU implementation of Basel III), the regulatory capital requirements applicable to credit institutions will be increased. CRD IV, which comprises a new directive and a new regulation, was due to come into force on 1 January 2013 but its implementation is now subject to delay. Following a transitional period, full application of the new rules is not expected until 2019. It

is not clear at this stage how some of these requirements will apply to LCH.Clearnet S.A., which is both a credit institution and a CCP (and, in particular, having regard to any bespoke capital arrangements which may have been agreed with regulators) and LCH.Clearnet Group Limited. However, it is possible, given the relative uncertainty of the requirements, that LCH.Clearnet S.A. and/or LCH.Clearnet Group Limited may be required to hold additional regulatory capital as a result of these requirements.

In addition, certain preferred securities issued by LCH.Clearnet will no longer qualify as eligible regulatory capital under Basel III, although it will have the benefit of certain grandfathering provisions. There is a risk that the Enlarged Group will be required to inject additional regulatory capital, or take other steps, if it is required to replace these preferred securities as regulatory capital and is unable to retain profits.

EMIR capital requirements

EMIR, which will increase the capital requirements for the European CCP entities within the Enlarged Group, contemplates that CCPs will be required to hold sufficient capital on a solo, rather than an Enlarged Group, basis. As noted above the European Commission has adopted the regulatory technical standards for the regulatory requirements for European CCPs under EMIR and these have recently been published in the Official Journal. The regulatory technical standards will increase the capital requirements for CCP entities within the Enlarged Group. For example, the regulatory technical standards require the capital of a CCP to be at least equal to the sum of (i) its gross operational expenses for winding-down or restructuring over an appropriate time span, subject to a floor of six months and (ii) the capital required to cover overall operational and legal risks, credit, counterparty credit and market risks stemming from certain activities and business risk (the EBA had originally indicated that a CCP would be required to hold capital at least equal to the higher of (i) and (ii)). The regulatory technical standards will also require a CCP to notify its regulator if it holds less than 110 per cent. of its capital requirement. Additionally, the regulatory technical standards provide, among other things, that a CCP will be required to hold an additional amount of its own resources equal to 25 per cent. of its minimum capital requirement, which it must use before using the default fund contribution of non-defaulting clearing members to cover losses arising from the default of a clearing member.

Dodd-Frank capital requirements

Dodd-Frank may also increase the amount of financial resources required to be held by the LCH.Clearnet Group. DCOs are required to have financial resources exceeding the total amount that would be required for it to meet its financial obligations to its clearing members if the clearing member creating its largest financial exposure were to default in extreme but plausible market conditions. A DCO's own capital and other permitted financial resources must also exceed the amount that would enable it to cover its operating costs for one year. For the purpose of covering operating costs for one year, the only acceptable financial resources are the DCO's own capital and any other resource deemed acceptable by the CFTC. The CFTC has also established detailed rules governing a DCO's margin requirements, including new minimum standards for the systems used to set initial margin requirements, regular review and validation of the systems by qualified and independent persons, and compliance by the DCO and its futures commission merchant clearing members with the segregation requirements of the CEA.

Financial Resource Requirements for Recognised Bodies

The financial resource requirements for UK Recognised Bodies (UK Recognised Investment Exchanges and UK Recognised Clearing Houses), on which the FSA published a policy statement in July 2012, will introduce a more uniform approach to assessment which may, in some cases, impose higher regulatory capital requirements. The revised guidance came into force on 1 February 2013. The financial resource requirements apply to LCH.Clearnet Limited. LCH.Clearnet Group Limited entered into a facility agreement in January 2013, the facility was fully drawn on 30 January 2013 and

the proceeds were contributed by LCH.Clearnet Group Limited to LCH.Clearnet Limited through a share subscription. Accordingly, LCH.Clearnet Limited now meets the financial resource requirements. It is anticipated that part of the proceeds raised pursuant to the Capital Raise will be used to repay in full the amount due under this facility agreement. The facility agreement is described in more detail in paragraph 6 of Part 9.

Principles for Financial Market Infrastructures

The new Principles for Financial Market Infrastructures dated April 2012 issued by the Committee on Payment and Settlement Systems (established under the auspices of the Bank for International Settlements (the ***Committee on Payment and Settlement Systems***) and the International Organisation of Securities' Commissions (***IOSCO***)), which replaces the Recommendations for Central Counterparties dated November 2004 could lead to a need for increased capital in order for a CCP to be eligible for "Qualifying CCP" status under the new Basel III regime, which will allow for (relatively) lower capital requirements for clearing members' exposures to such CCPs. In December 2012, the Committee on Payment and Settlement Systems and IOSCO issued a report on the assessment methodology for determining compliance with these principles.

Implications of changes to regulatory capital requirements

As noted in the Chairman's Letter above, the changes to the regulatory capital regime for CCPs to be introduced by the regulatory technical standards under EMIR adopted by the European Commission and recently published in the Official Journal will have implications for LCH.Clearnet and will require a substantial increase in the capital of LCH.Clearnet Limited.

Given the uncertainty relating to the interpretation and application of (and in some cases, the final form of) the amendments of the various regulatory capital regimes which may be applicable to the Enlarged Group, it is not possible to fully assess at this stage what other impacts such changes may have on the Enlarged Group. If other increases in the capital requirements for one or more entities within the Enlarged Group or for the Enlarged Group as a whole are significant (particularly given the prudent levels of regulatory capital resources already maintained within the Enlarged Group), the relevant regulated entities and/or Enlarged Group may be required to raise further capital by an equity issuance or other appropriate financing. LSEG plc considers the risk of itself having to undertake such an equity issuance as a result of the increase in regulatory capital requirements (beyond those contemplated under the EMIR regulatory technical standards) applicable either to LSEG plc itself or to any of its regulated entities as highly unlikely, and in particular LSEG plc considers that the existing resources and projected retained profits of the Enlarged Group are likely to be sufficient to meet any such proposed increased regulatory requirements which may arise within the next 12 months. However, there is a risk that beyond 12 months the Enlarged Group may be required to undertake an equity issuance and the prevailing economic and market conditions may prevent the Enlarged Group from completing any such financing within any time frame required. Any failure to do so may lead to the relevant entity or the Enlarged Group being subject to regulatory sanctions and may adversely affect the Enlarged Group's reputation, financial condition, operations and results.

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

Increased capital requirements for clearing members

Under CRD IV, it is proposed that credit institutions and investment firms will be required to hold capital against their exposures to CCPs (ie exposure under clearing contracts to a CCP will be required to be treated as a risk-weighted asset). Clearing members will be required to hold increased levels of regulatory capital as a result and there is a risk that in order to mitigate the cost of doing so, clearing members will reduce the volume of transactions cleared through the Enlarged Group which, as a result, may adversely impact the financial condition of the Enlarged Group.

In addition, 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. The model applied to determine the capital requirement for default fund contributions from clearing members' attempts to factor in the probability of the default fund being used (ie upon a clearing member's default): broadly speaking higher capital requirements are likely to arise if the levels of initial margin and of the CCP's own resources available for use prior to non-defaulting clearing members' default funds being used are comparatively low in comparison to members' exposures under clearing contracts (after taking account of variation margin) because, again broadly speaking, recourse to the non-defaulting members' default funds is more probable.

As a consequence, the size and structure of the default waterfall provided by a CCP will have a significant impact on the capital requirement applied to clearing member firms subject to CRD IV due to their exposures to, and default fund contributions or obligation to contribute to, the default fund of that CCP.

Accordingly, the way that CRD IV could calculate clearing members' capital requirements based on the existing structure of the default waterfall provided by LCH.Clearnet Limited and LCH.Clearnet S.A. may result in significant capital requirements for clearing members that, dependent on the approach taken by the Enlarged Group's competitors, may discourage clearing members from clearing through the CCPs of the Enlarged Group. There is a risk that, as a result, there could be a migration of activity towards competitors and a corresponding reduction in revenues and profitability (or, in a case of extreme migration, closure of the service due to a lack of liquidity).

In addition to the requirements under CRD IV described above, Swap Dealers and Major Swap Participants are required under Dodd-Frank to be subject to certain minimum capital requirements. However, the implementing regulations establishing such capital requirements have not yet been finalised.

For a general description of the operation of the default fund upon a clearing member's default (referred to above as payment under the "default waterfall"), please see the Glossary.

Segregation of clearing member customer accounts

EMIR requires a clearing member to offer its clients two levels of segregation: omnibus client segregation (pursuant to which assets and positions held for the account of its clients in aggregate are segregated from the assets and positions of the clearing member) and individual client segregation (pursuant to which assets and positions held for the account of an individual client are segregated from assets and positions held for the account of its other clients, as well as the assets and positions of the clearing member). A CCP is in turn required by EMIR to offer accounts to clearing members which enable the clearing member to offer its clients omnibus client segregation and individual client segregation.

The comparable regime in the U.S. under the CFTC's Part 22 Rules, which are currently in effect, requires that cleared swaps customer collateral be segregated from the assets of FCMs and DCOs in "legally-segregated, operationally commingled" (*LSOC*) accounts. These LSOC accounts are designed to prevent "fellow customer risk" by prohibiting the value of collateral held by an FCM or DCO on behalf of one cleared swaps customer from being used to margin, guarantee or otherwise secure the obligations of any other cleared swaps customer. The Part 22 Rules for cleared swaps customer collateral operate alongside, but separately from, the existing CFTC segregation and secured amount customer protection regimes for futures traded on US and non-US exchanges, respectively. It is possible that the CFTC may extend LSOC or similar requirements to futures accounts in the future.

In Europe, although some CCPs offer individual client segregated accounts, it is current practice for clearing members not to provide individual client segregation and for margin to be called from clearing clients on a gross basis but placed with the CCP on a net basis either overall or for each

product cleared. The operational and funding costs and obligations in connection with offering individual client segregation or complying with LSOC or similar U.S. segregation requirements could lead to increased operational costs for clearing members, potentially reducing demand for clearing services in the Enlarged Group.

Increased costs for clearing members

Regulatory changes and developments, including those described below, may increase costs for clearing members. This could also result in an associated loss of treasury income for the clearing member due to the loss of netting efficiencies at the CCP level and loss of the ability of a clearing member to earn income on gross margins. There is a risk that any increased costs of acting as a clearing member may reduce the attractiveness of doing so unless these costs can be passed on to customers. The increased costs to customers may accordingly reduce the overall volume of transactions being cleared and the financial condition of the Enlarged Group may be negatively impacted as a result.

If a result of regulatory change is that acting as a clearing member becomes less attractive, there may be a move by some clearing customers to become clearing members themselves (in particular, in cases where new regulations require that clearing customer to clear its transactions with a CCP). Although this would bring some benefits to the Enlarged Group's CCPs through increased risk diversification and a larger overall pool of margin, it would also be likely to increase the costs and operational risks of the Enlarged Group's CCPs, which may adversely affect the results or financial condition of the Enlarged Group's CCPs.

Other regulatory developments bring further risk of changes to the regulatory environment in which the Enlarged Group will operate.

The creation of three new European supervisory authorities with greater powers and the ability to produce binding regulatory technical standards, as well as the revised UK regulatory structure under the Financial Services Act 2012 which comes into effect on 1 April 2013 (with the replacement of the FSA with the Prudential Regulation Authority and the Financial Conduct Authority and the Bank of England assuming responsibility for the supervision of CCPs) brings further risk of changes to the regulatory environment in which the Enlarged Group will operate.

Resolution regimes

In the UK, from 1 April 2013, the special resolution regime under the Banking Act 2009 will be amended by the Financial Services Act 2012 to provide the Bank of England with certain resolution powers in respect of UK incorporated CCPs. The Bank of England will have the power to transfer all or part of the business of a UK CCP to a private sector purchaser or a bridge bank owned by the Bank of England, as well as a power to transfer ownership of a UK CCP to any person. These powers will also be exercisable in respect of a company which is in the same group as a UK CCP, although HM Treasury has indicated that it intends to limit these powers to cover group companies only within the lowest level of the group above the UK CCP. As a result, it is likely that LCH.Clearnet Group Limited (as the immediate parent of LCH.Clearnet Limited) would be subject to these group company powers but not other companies within the Enlarged Group.

In addition to this, in January 2013 HM Treasury initiated a consultation on proposals to require UK CCPs to have in place a set of loss allocation rules which may require clearing members to bear losses and/or provide additional funding to prevent the CCP from failing. The proposal sets out no further details and it is expected that the nature and extent of the arrangements will be for agreement between the CCP and the Bank of England (from 1 April 2013, the Bank of England will assume responsibility from the FSA for the supervision of UK CCPs - HM Treasury has indicated that the loss allocation rules are likely to enter into effect after this point in time).

In July 2012, the Committee on Payment and Settlement Systems and IOSCO issued a consultative report on recovery and resolution regimes for financial market infrastructures (including CCPs). The report could eventually lead to European and national legislative proposals to implement such regimes (including, in the case of the UK, amendments to the proposed resolution powers and loss allocation rules described above). This could result in increased prudential requirements, loss allocation mechanisms and systems to mitigate the effects of infrastructure failure.

In June 2012, the European Commission issued a legislative proposal for a Recovery and Resolution Directive (**RRD**) in order to establish an EU recovery and resolution framework for credit institutions and certain investment firms. As LCH.Clearnet S.A. is both a CCP and a credit institution, it is not clear whether it could fall within the scope of the RRD. Among other things, the RRD will provide regulators with expanded powers to intervene at an early stage, including the power to require an entity to implement measures under its recovery plan. Resolution authorities will also be provided with a number of resolution tools, including powers to (i) sell all or part of a business to a commercial purchaser, (ii) transfer a business to a “bridge” institution, and (iii) transfer certain assets into an asset management vehicle. Additionally, resolution authorities will have a “bail-in” tool pursuant to which they will have the power to impose losses on a credit institution or investment firm’s shareholders and certain unsecured creditors. It is currently expected that the RRD will come into force on 1 January 2015, with the exception of the bail-in tool, which is expected to come into force on 1 January 2018.

However, in October 2012, the European Commission issued a working consultation document on a possible recovery and resolution framework for financial institutions other than banks which would include CCPs. Among other things, the document considers the introduction of requirements for recovery and resolution plans and providing authorities with resolution powers (including the power to override rights of shareholders of an entity in resolution), reorganisation tools and loss allocation and refinancing tools (including conversion of debt into equity on resolution) in respect of CCPs and CSDs. The European Commission is also considering whether a resolution regime for CCPs and CSDs should be applied to the whole group to which a CCP or CSD is part of. The European Commission is yet to provide an update or a response to the consultation document but it has indicated that a formal proposal will be a priority and will be adopted by Q2 2013 to allow it to complete its passage through the legislative process before the parliamentary elections in 2014.

New regulatory powers under the Financial Services Act 2012

The Financial Services Act 2012 will provide the Bank of England with certain new regulatory powers over UK CCPs.

The Bank of England will have a power to direct a CCP (with a head office or registered office in the UK) if this is necessary having regard to certain public interest objectives, including financial stability and the financial resilience of the CCP. HM Treasury has stated that the power could be used to prevent the closure of a business line for critical clearing services which could have systemic consequences, in particular where there are no obvious substitutes. The Bank of England will have a number of other new powers, including the ability to impose a financial penalty or public censure on a CCP which fails to comply with the regulatory recognition requirements.

The Bank of England will also have the power to issue directions to certain unregulated parent companies of a CCP where it considers this desirable in order to advance the regulation of the CCP. It is likely that LSEG plc, LSEC and LCH.Clearnet will fall within the scope of this power in their capacities as parent companies of LCH.Clearnet Limited.

There may be conflicts between regulatory regimes in countries in which the Enlarged Group or its customer or target customers are located.

The Enlarged Group operates, and offers its services to customers located, in a number of different countries. To the extent that existing or new regulations are implemented, there can be no assurance that the regulations will be consistent between different countries, which may adversely affect the

ability of the Enlarged Group to access customers in those countries, or make doing so considerably more expensive. This could adversely affect its future plans and/or its revenues.

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

LSEG plc has held discussions with the ACP and the FSA regarding the application of the group consolidation requirements under the Banking Consolidation Directive and Capital Adequacy Directive to the Enlarged Group following the Majority Acquisition. Under both Directives group consolidation and group capital requirements will apply to LSEG should it become a financial holding company (compagnie financière) as defined in Article 517-1 of the French code monétaire et financier or in the laws, rules or regulations of any other EU Member State transposing Article 4 of Directive 2006/48/EC or Article 3 of Directive 2006/49/EC (a Financial Holding Company or FHC). The tests under both Directives are broadly the same and 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 Directives indicating the basis upon which the assessment is to be made and regulators have some discretion over their interpretation.

The FSA has said that, based on an assessment of the information provided to the FSA by LSEG plc in relation to the projected balance of financial and non-financial business in the Enlarged Group, completion of the Majority Acquisition will not lead to a change in the FSA's approach to group supervision. The FSA has indicated that a key factor in supporting this conclusion is its assessment that any additional group risks created by the Majority Acquisition could be addressed by changes that could be applied by the FSA to the financial arrangement of the individual FSA-regulated entities within the Enlarged Group (particularly the exchange and CCP businesses, which must meet solo financial resources under the FSA's Handbook for Recognised Investment Exchanges and Recognised Clearing Houses: requirements applying to recognised bodies). The views expressed by the ACP also indicate that LSEG plc should not be treated as an FHC.

In any event, the test is an ongoing one and there is a risk that LSEG plc 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 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 ACP (and any successor authorities) and FSA (and, from 1 April 2013, the FCA and any successor authorities) in applying these requirements.

If LSEG becomes an FHC this will result in significantly increased regulatory capital requirements for the Enlarged Group (and potentially the application of other regulatory requirements to LSEG plc, 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). Should the Majority Acquisition proceed, to the extent that the Enlarged Group divests any of its interest in LCH.Clearnet in response to this or other regulatory developments (or for any other reason), there is a risk that this would materially adversely affect the extent of control that the Enlarged Group has over the LCH.Clearnet Group, the Enlarged Group's operating results and the costs of the Enlarged Group's operations (including with respect to VAT imposed by the Value Added Tax Act 1994 and legislation and regulations supplemental thereto and other tax costs).

4. Risks relating to the Enlarged Group

The revenues and profits of the Enlarged Group's post trade businesses may be adversely affected if it is unable to retain its current customers or attract new customers.

The success of the Enlarged Group's post trade businesses will depend on its ability to maintain and increase its clearing volume. To do so, the Enlarged Group must maintain and expand its product offerings, customer base and clearing and settlement facilities. The Enlarged Group's success will

also depend on its ability to offer attractive prices and services in an increasingly competitive industry. It may not be able to continue to expand its product lines, or retain its current customers or attract new customers.

LSEG plc and LCH.Clearnet have committed to run the LCH.Clearnet Group's clearing businesses on an open, non-discriminatory and horizontal model. Accordingly, the LCH.Clearnet Group will need to attract, as clearing customers, other trading platforms and execution venues and those who trade on them. Although it is LSEG plc's view that the horizontal model on which LCH.Clearnet and LSEG plc have committed to run LCH.Clearnet's clearing businesses positions LCH.Clearnet well to respond to customer demand, there is also a risk that it will adversely affect the Enlarged Group's business by making it easier for other clearing platforms to compete with the LCH.Clearnet Group.

Following Completion the revenues and profits of the Enlarged Group's post trade businesses will form a greater proportion of the overall revenues and profits of the Enlarged Group, which will therefore be more susceptible to factors that may impact the success of such businesses.

The Enlarged Group's post trade businesses and revenues will be adversely affected if it: (a) fails to maintain or increase its clearing volume; (b) fails to expand its product offerings and clearing facilities; (c) loses and fails to replace a substantial number of its current customers or a subset of customers representing a significant percentage of clearing volume; or (d) is unable to attract new customers.

In particular, the LCH.Clearnet Group's non-OTC business revenue has historically been concentrated amongst a small number of venues, a large proportion of which is derived from the provision of clearing services to the NYSE Euronext group and to LME, and accordingly to their respective customers.

NYSE Euronext has announced that it intends to establish its own CCP in London for its London and continental derivatives markets by migrating the CCP clearing services from LCH.Clearnet Limited by June 2013 in respect of its London derivatives markets and from LCH.Clearnet S.A. in Paris by the first quarter of 2014 in respect of its continental derivatives business traded in Amsterdam, Brussels, Lisbon and Paris. NYSE Euronext has announced that it intends to terminate the current outsourcing arrangements between LCH.Clearnet Limited and NYSE Liffe in June 2013 in the areas of default management, risk management, collateral, treasury activities, banking and payment systems. On 20 December 2012, Intercontinental Exchange and NYSE Euronext announced a definitive agreement for Intercontinental Exchange to acquire NYSE Euronext in a stock-and-cash transaction and on the same day NYSE Euronext further announced that ICE Clear Europe will provide clearing services to the London market of Liffe. On 24 December 2012 NYSE Euronext and LCH.Clearnet S.A also announced that they had reached agreement on the main terms and conditions of a six year clearing contract, a long term clearing arrangement running through 2018 for NYSE Euronext's continental cash equities market. The possible termination of elements of this relationship (and the failure to replace it with relationships of a similar individual or aggregate value) and/or the failure of the LCH.Clearnet Group to identify future opportunities would have a negative impact on the LCH.Clearnet Group's (and accordingly the Enlarged Group's) ability to maintain its current revenues or to generate additional revenues.

In December 2011, LME announced that it intended to establish its own CCP and launch its own clearing services, expected to go live in 2014. In December 2012 the acquisition of LME Holdings Limited, the parent company of LME, was completed by HKEX. HKEX operates three CCPs and has previously indicated that it is supportive of LME's intention to establish its own CCP. The termination of LME's CCP clearing service agreement with the LCH.Clearnet Group (absent replacement with relationships of a similar individual or aggregate value or any compensating changes in LCH.Clearnet's strategy) would have a material adverse effect on the LCH.Clearnet Group's (and accordingly the Enlarged Group's) ability to maintain its current revenues or to generate additional revenues. To date, LME has not served a termination notice to LCH.Clearnet and continues to clear its business with LCH.Clearnet.

There is no guarantee that the OTC initiatives of the Enlarged Group will be successful.

The Enlarged Group's goal is to provide a comprehensive multi-asset class clearing solution to the market for maximum operational ease and the capital efficiency that may flow from connecting to the single CCP. It offers clearing services for cleared OTC derivatives, including credit default swaps, FX (non deliverable forwards) and interest rate swaps. Its strategy also includes extending its OTC services into other asset classes. Under the terms of the Majority Acquisition, LSEG plc has agreed that it will not introduce OTC interest rate swaps, OTC FX trades or OTC CDS trades onto its exchange or other execution platforms without the approval of the SwapClear, ForexClear and CDSClear Businesses' governing committees, subject to applicable regulation not mandating electronic trading in such products and subject to compliance with all applicable competition laws.

Although Dodd-Frank and EMIR may create new opportunities for the Enlarged Group to expand its OTC services, the impact and timing of future legislation and regulation remain uncertain. Any changes to the regulatory environment for the trading and clearing of OTC derivatives may also affect demand for the Enlarged Group's services and change the competitive environment. As noted above, the Enlarged Group's trading or clearing members may not support any OTC initiatives, which may further limit the Enlarged Group's opportunities to expand its OTC services.

The Enlarged Group's OTC clearing businesses are subject to particular risk.

SwapClear, ForexClear and CDSClear are subject to specific risks arising from the SwapClear, ForexClear and CDSClear Agreements entered into with the SwapClear, ForexClear and CDSClear Banks for the establishment of the SwapClear, ForexClear and CDSClear Businesses. The SwapClear, ForexClear and CDSClear Banks can, after an initial period, terminate any of the SwapClear, ForexClear and CDSClear Agreements on one year's notice, and obtain certain rights in respect of the IT systems and intellectual property of the relevant SwapClear, ForexClear and CDSClear Businesses. If there is a change of control of LSEG, there is also a specific termination right. Termination of the SwapClear, ForexClear and CDSClear Agreements could materially adversely affect the value of the Enlarged Group's investment in the LCH.Clearnet Group and the Enlarged Group's future financial performance.

The markets for certain OTC products tend to be less liquid than is the case for exchange traded products, though the extent of liquidity differs between products and at different stages in the term of an OTC product, which may be very liquid initially but become less so during its term: the market value of such products may be more volatile and it may therefore be harder to assess the risk inherent in those products and accordingly the appropriate level of initial and variation margin that clearing members should provide in relation to them. Where products are illiquid, it may also make it harder to close out a defaulting member's positions in them, increasing the risk that the margin and default fund contributions held could prove inadequate to protect the clearing businesses against incurring unrecoverable financial cost as a result of such default.

The scale of the risks undertaken in relation to illiquid and volatile products is likely to increase as regulatory authorities require more OTC transactions to be cleared. LCH.Clearnet Limited has put in place measures for SwapClear, RepoClear and ForexClear to mitigate against unlimited risk. It should be noted that prior to invoking these new liability limitation measures, LCH.Clearnet Limited could still have to pay up to £20 million out of its own resources (referred to as "skin in the game") for each defaulting clearing member in relation to any of its clearing services (such amount may increase due to EMIR). Pursuant to the new liability limitation measures for RepoClear, SwapClear and ForexClear, the relevant default fund waterfall now provides for, amongst other things, funded and unfunded contributions from non-defaulters followed by capped loss distributions that may be allocated to non-defaulting clearing members. In extremis, if those resources are insufficient then any further losses from a defaulter are absorbed by a service closure mechanism for the relevant business line, which limits and mitigates (but may not eliminate) LCH.Clearnet's exposure beyond its £20m skin in the game commitment. Notwithstanding these measures, LCH.Clearnet Limited could still have to pay up to £20 million out of its own resources for each defaulting clearing member in relation

to any of its clearing services prior to invoking those new liability limitation measures (such amount may increase due to EMIR). It is also proposed to put in place additional liability limitation measures (similar to those put in place for SwapClear, RepoClear and ForexClear) in relation to LCH.Clearnet Limited's other businesses with the aim of reducing risk.

An increased concentration of value in the clearing of fixed income will magnify any adverse impact of changes to the trading and clearing of fixed income products.

Following Completion, the proportion of the Enlarged Group's post trade businesses relating to fixed income will increase. In the event that wider commercial, regulatory or business factors adversely affect the trading and clearing volumes of fixed income products, such increased concentration of value in the clearing of fixed income will magnify any such adverse impacts on the Enlarged Group.

The Enlarged Group's enlarged clearing activities will form a greater proportion of the Enlarged Group's total business and the Enlarged Group's aggregate exposure to the particular risks run by CCPs will increase accordingly.

The Glossary explains the principal activities of CCPs and the role played by initial and variation margin and by default funds to minimise the risk incurred by the CCP itself if any of its clearing members default. The Enlarged Group will be subject to an increase in these risks from the increase in its clearing businesses.

The Enlarged Group's post trade operations provide CCP services to multiple trading venues on a broad range of asset classes (such as cash equities, ETFs, equity, fixed income and energy derivatives, closed-end funds, investment companies and government, corporate and convertible bonds and money market repos). This includes providing CCP services for the Enlarged Group's markets and for markets outside the Enlarged Group. Clearing providers hold margin and/or default funds comprising contributions of cash and highly liquid securities by clearing members.

In particular, the Enlarged Group's clearing providers assume the counter-party risks (as principal) in relation to the settlement of 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 unfavourable market conditions reduce the value of collateral posted by clearing members at the time of the default. Exposure to clearing members is closely monitored and addressed by setting strict membership requirements, holding prudent levels of collateral in the form of margin deposits from clearing members and by maintaining significant default funds comprised of clearing members' contributions as well as having in place default management procedures which may require losses to be borne by clearing members following exhaustion of the relevant default fund. In addition, credit lines have been arranged with a number of high quality commercial banks to cover the immediate liquidity requirements of the clearing provider. Furthermore, LCH.Clearnet S.A. has access to the re-financing facility of the European Central Bank and it is expected that CC&G will also have access in the near future.

Each of the CCPs has default rules which set out its powers to manage the default of a clearing member with a view to minimising losses resulting from the default of a clearing member. There can be no assurance that the operation of these procedures will result in a successful management of a defaulting clearing member's positions and could be pro-cyclical, making the position worse. If the defaulting clearing member's margin and default contribution(s) are insufficient to meet losses caused by that clearing member's default, the default fund waterfall may (and under EMIR is required to) provide for the remaining losses, or some of them, to be borne out of the CCP's capital which is required to form part of the default fund waterfall (also known as the CCP's "skin in the game"); depending on the default waterfall, this may be (and under EMIR is required to be) before using the default fund contributions of other (non-defaulting) clearing members or (until such time as the CCP is required to be EMIR compliant) after no default fund contributions or other contributions from third parties remain available to be used, or both.

Although the CCPs within the Enlarged Group are separate legal entities, with limited liability for their members, to the extent that a default results in any of the funds of the CCP being at risk, this would result in a loss of value of the affected CCP, including its ability to continue providing clearing services.

Any or all of the above could adversely affect the business, financial condition and operating results of the Enlarged Group, including its ability to continue providing clearing services.

Although the overall risk profile of the Enlarged Group will not change as a result of the Transaction, the Enlarged Group's exposure to the particular risks faced by CCPs will increase, including the various risks set out below.

The Enlarged 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 Enlarged Group's cash accounts.

Pricing and Model Risks

In determining the amount of initial margin and the default fund contribution required from clearing members, the CCPs operated by the Enlarged Group rely on a variety of complex models to calculate the level of margin and default fund contribution required to cover losses that may arise in the event of the default of a clearing member. There is a risk that such models will not reflect the actual conditions prevailing at the time of, and following, a default and therefore there is a risk that such models may result in the CCP holding a level of collateral that is less than the amount required to cover the defaulting clearing member's losses. To the extent that the model results in the CCP holding less collateral than is required, the Enlarged Group's business, financial condition and operating results may be adversely affected.

In determining the amount of variation margin required to be provided, CCPs will have regard to market prices and valuations of clearing positions and collateral provided from a number of sources. To the extent that those prices are not correct, there is a risk that insufficient variation margin may have been provided by a clearing member; if that clearing member defaults at such a time, the amount of collateral provided by it may be insufficient, making it more likely that the CCP's own funds will be at risk and the Enlarged Group's business, financial condition and operating results may be adversely affected.

Liquidity Risk

CCPs operated by the Enlarged Group may invest in investments, or be provided with collateral in the form of securities, which it needs to sell in order to fund losses arising from a default. One of the risks is that there can be no assurance that it will be able to sell such investments either at a price which is acceptable to it or at all. To the extent it is unable to do so, it may suffer a liquidity shortfall and unless there are other arrangements in place (such as access to central bank funding or to third party liquidity lines) it may be unable to perform its obligations, which may adversely affect the business, financial condition and operating results of the Enlarged Group.

Liquidity risk also arises where a defaulting clearing member fails to settle securities being cleared by the CCP. There can be no assurance that the CCP will be able to secure sufficient securities to settle the corresponding transaction within the relevant timeframe of the original agreement and this may result in the CCP not meeting its obligations and consequently give rise to a loss to the CCP.

In the case of LCH.Clearnet Limited, initial margin may be posted, inter alia, as cash or provided by way of granting a security interest in eligible securities. Where margin is provided by way of the grant of a security interest in securities, those securities (if provided by clearing members other than

the defaulting clearing member) are unlikely to be available to provide liquidity to LCH.Clearnet Limited as it is not permitted to use those securities (e.g. to raise cash under a repo agreement) as if it were the owner of them (though it may appropriate the securities posted as collateral of a defaulting clearing member). The collateral mix of initial margin will affect the liquidity position of LCH.Clearnet Limited and to the extent that more securities are provided as collateral, the liquidity position of LCH.Clearnet Limited will be adversely affected.

Market Risk

With respect to the clearing exposures of clearing members and the collateral provided by clearing members (but not investments made by the CCP out of that collateral or out of its own funds) CCPs do not generally have market risk as either they have matching exposures or a fall in the value of collateral results in the clearing member providing that collateral having to top it up. However, once a clearing member defaults, the latent market risk becomes real market risk and exposes the CCP to the risk that the value of exposures will increase or the value of collateral falls giving rise to a larger loss in default than arose at the moment of default. Such adverse movements may materially and adversely affect the business, financial condition and operating results of the Enlarged Group.

To the extent that a CCP operated by the Enlarged Group invests its assets (including out of funds or collateral provided as initial margin or as default fund contributions), those assets are likely to be subject to market risk; a fall in the value of these assets may adversely affect the business, financial condition and operating results of the Enlarged Group.

Counterparty Risk

Each CCP will also be exposed to counterparty credit and other risks, in particular: (a) credit risk in respect of its clearing members; (b) risk of other CCPs with which it has interoperability arrangements if that third party CCP is unable to meet its obligations under the interoperability arrangements (for example if the third party CCP is in financial difficulties); (c) risk of default on its investments, including those posted as collateral (for example as initial margin or in respect of the default fund) or out of its own resources; (d) risk of default by any third party financial institution which has provided any letter of credit, performance bond or other similar instrument accepted as margin; and (e) risk of a default by any custodian, central security depository or international central security depository holding the assets of the CCP or involved in the settlement of securities being cleared by the CCP. Any such defaults may adversely affect the business, financial condition and operating results of the Enlarged Group.

Legal Risk

The CCPs operated by the Enlarged Group operate in a complex, multi-jurisdictional legal environment; to successfully manage a default the CCP is likely to have to, inter alia, be able to enforce, close-out, transfer or otherwise deal with clearing transactions with the defaulting clearing member, obtain set-off and enforce security against defaulting clearing members in cases where they may be in insolvency or administration or subject to analogous proceedings. An insolvency practitioner or other third party, or the laws of the jurisdiction in which the CCP or the clearing member is located or operating, may attempt to restrict or prevent the exercise of, or avoid, the CCP's rights. One of the risks is that if the CCP's rights are restricted, prevented from being exercised or avoided the consequences, including there being insufficient collateral provided by the defaulting member (or, in the case of the default fund, non-defaulting members) to which financial condition and operating results.

The governance structure of the LCH.Clearnet Group post-Completion will restrict the control exercisable by LSEG plc over the LCH.Clearnet Group's activities, and LSEG plc may need to take corrective action to ensure that it continues, for Listing Rules purposes, to control the majority of LSEG assets.

Although LSEG plc will be the majority shareholder of the LCH.Clearnet Group following Completion, LSEG plc and LCH.Clearnet have agreed that the LCH.Clearnet Group's businesses will be operated on a horizontal, User-inclusive model so as to provide CCP and clearing services to their respective clearing members on a fair, reasonable, open, and non-discriminatory basis. Accordingly, LSEG plc has agreed to restrict some of the direct statutory and customary rights for a majority shareholder in LSEG plc's position and therefore the governance structure limits the direct control that LSEG plc will have over the LCH.Clearnet Group's activities in certain areas.

LSEG plc will have significant high-level governance rights, including appointment and removal rights in respect of a significant proportion of the LCH.Clearnet Board as well as consent rights over certain matters that are core to the LCH.Clearnet Group. In addition, the LCH.Clearnet Board must operate the LCH.Clearnet Group businesses in accordance with the Business Plan and the Budget and the Core Operating Principles, which safeguard the interests of LSEG and the other LCH.Clearnet Shareholder constituencies. Furthermore, certain matters which are core to the LCH.Clearnet Group will require Minority Shareholder Approval (as explained in Part 7) with the consequence that LSEG will not be able to control the actions of the LCH.Clearnet Group with regard to such matters. However, the LCH.Clearnet Group will continue to have a diverse shareholder base, and key shareholders and communities of shareholders other than LSEG plc will have material representation on the LCH.Clearnet Board. LCH.Clearnet Shareholders other than LSEG plc, including those with LCH.Clearnet Board representation rights, may not always have interests that are aligned with those of LSEG plc, the Enlarged Group or LSEG Shareholders. Accordingly, notwithstanding LSEG's governance rights, in certain circumstances LSEG plc may be unable to exercise direct or indirect control over the actions of the LCH.Clearnet Group and this may adversely affect the business, financial operations and revenues of the Enlarged Group.

There can be no certainty that regulatory trends, in particular the developing regulatory framework proposed under EMIR and Dodd-Frank, will not operate to further limit LSEG's ability to exercise influence over the LCH.Clearnet Group (or in fact to limit LCH.Clearnet's ability to exercise influence over its own subsidiary undertakings) in the best interests of the Enlarged Group and the LSEG Shareholders.

Furthermore, LCH.Clearnet operates the SwapClear, ForexClear and CDSClear Businesses, which are significant to the LCH.Clearnet Group's future growth prospects. Under the SwapClear, ForexClear and CDSClear Agreements, the SwapClear, ForexClear and CDSClear Banks are able to exercise commercial and operational influence over those activities. Accordingly, although LCH.Clearnet cannot be required by the SwapClear, ForexClear and CDSClear Banks to take steps that would expose LCH.Clearnet to increased financial, legal or reputational risk, in the case of these businesses LSEG plc's ability to exercise influence will be limited.

Immediately following Completion, LSEG plc's interest in LCH.Clearnet will not currently constitute a majority of its assets, but as a result of the governance structure described above there may be future circumstances in which LSEG plc may be deemed, for Listing Rules purposes, not to control the majority of its assets as required by those rules. In such circumstances, LSEG plc would need to take corrective action. If LSEG plc is not reasonably able to take effective corrective action, LSEG plc may cease to be eligible for a premium listing on the Official List or its listing could be suspended in accordance with the Listing Rules. LSEG plc will monitor its control over LSEG assets via an

agreed adjusted profits after tax test as a proxy for market value⁹ to ensure ongoing compliance with the Listing Rules.

The Enlarged 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 transactions in financial instruments between financial institutions where at least one party to the transaction is established in a Member State. Subsequently, on 14 February 2013, the European Commission presented a revised proposal for a financial transaction tax to be implemented by 11 Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). Although this revised proposal is to be implemented by fewer Member States than the original proposal, it extends the scope of the financial transaction tax presented by the European Commission on 28 September 2011. Given the lack of certainty surrounding the proposed financial transaction tax and its implementation, it is not possible to predict what effect the proposed financial transaction tax might have on the business of the Enlarged Group. The tax could materially adversely affect the business of the Enlarged Group, as it might, for example, increase costs of trading or clearing in the markets in which the Enlarged 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 Enlarged Group's clearing services. Taxes on financial transactions and high frequency trading which have been introduced, or may in future be introduced, in individual Member States may similarly affect the business of the Enlarged Group.

The Enlarged Group may be affected by changes in US tax law.

From time to time, including in legislation introduced in 2010 and 2011 in the US Congress, proposals to impose a transaction tax or User fee on futures trading and other financial transactions have been put forth and discussed as a means to fund the CFTC or to reduce the budget deficit. In the past, efforts to implement a transaction tax or User fee have not been successful. Although not specified, if enacted, such a tax or User fee may apply to transactions effected on regulated futures exchanges and swap execution facilities and increase the costs of doing business on such platforms. This may discourage institutions and individuals from using futures and/or swap contracts to manage their risks which could adversely impact the Enlarged Group's trading volumes, revenues and profits and may also adversely impact its ability to compete on an international level. A transaction tax or User fee in one jurisdiction, such as the US, may also cause market participants to increase their derivatives trading in jurisdictions which do not impose a comparable cost.

The current tax treatment for futures trading allows dealers to pay a blend of taxes on their gains and losses from trading futures and options with 60 per cent. at long-term capital gains rates and 40 per cent. at ordinary tax rates. The 2012 US Presidential budget proposed the elimination of such tax treatment which would require that such gains or losses be treated as ordinary in character. In the context of broader tax reform efforts, the Chairman of the House Ways and Means Committee announced a similar proposal in January 2013 which may lead to the introduction of legislation. While that change was not adopted, any repeal of 60-40 tax treatment would impose a substantial increase in tax rates applicable to the individuals who are most responsible for creating liquid and efficient markets.

The Enlarged Group will be highly dependent on the development and operation of sophisticated technology and advanced information systems.

The provision of platforms for the execution, clearing and settlement, as applicable, of trades on the Enlarged Group's markets and for the collection and aggregation of trade and price information predominantly depends on technology that is secure, resilient and delivers high levels of availability

⁹ This test is a key financial indicator that excludes the effect of impairment of goodwill, amortisation of purchased intangible assets, non-recurring items and unrealised net investments losses and gains.

and performance. Although the Enlarged Group operates sophisticated technology platforms and service management processes in conjunction with external suppliers, its markets do not rely upon third party suppliers for the majority of their IT development. However, there is a risk that such use of internal resources to meet the requirements of the Enlarged Group and those of third parties may result in resource over-stretch and an adverse effect on the results of operations of the Enlarged Group as a whole.

To compete effectively, the Enlarged Group must be able to anticipate and respond, in a timely and effective manner, to the need for new and enhanced technology. The areas in which the Enlarged 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 Enlarged Group's systems are unable to expand to meet increased demand, are disrupted or otherwise fail to perform, the Enlarged Group's reputation, business and operating results could be materially adversely affected.

Major IT projects, whether internally or externally resourced, have risks associated with them, particularly with regards to migrating existing operations to new technological platforms. Major IT projects and technology migrations are often associated with significant capital investment and there is no guarantee that such migrations will be completed successfully or in line with allocated budgets. New or upgraded trading platforms may not perform as intended or deliver the expected benefits, including, where relevant, increased trading volumes and lower operating costs. In such circumstances, the Enlarged Group's ability to respond to customer needs for services may be hampered and consequently its profitability, reputation, markets and technology brands may suffer. The strategic flexibility of the Enlarged Group and its ability to respond to customer needs for services could consequently be hampered.

Systems failures, capacity constraints or security breaches may materially harm the Enlarged Group's ability to conduct its operations and execute its business strategy and may mean that it is subjected to significant costs and liabilities.

The Enlarged Group will be heavily dependent on the capacity, reliability and security of the computer and communications systems and software supporting its operations.

LSEG and LCH.Clearnet Group have incident and disaster recovery and business continuity plans and procedures to minimise and mitigate the risk of an interruption of, or failure to, their critical IT operations and to manage and recover from such an event should one occur. However, the Enlarged Group cannot entirely eliminate the risk of a system failure or interruption occurring. 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, cause reputational damage, impact operating results and lead to customer claims, litigation and regulatory sanctions.

As with all IT dependent companies, 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 of the Enlarged Group's markets and data provision as well as the Enlarged Group's reputation and business more generally.

The Enlarged Group will depend on a number of third party suppliers.

The Enlarged Group will depend on a number of third party suppliers such as IT service providers for elements of trading and clearing and other systems, providers of communications including telecommunication companies and networking services and equipment, banking and clearing settlement organisations, and administration service providers and data processors, over which it has no control beyond the contractual arrangements it has agreed with such suppliers.

These third party suppliers may not be able to provide these services or products without interruption and in an efficient, cost-effective manner. They also may not be able to adequately expand their services or develop their products to meet the Enlarged Group's needs.

Any interruption in the Enlarged Group's ability to rely on the services of these third parties, deterioration in their performance or errors experienced could impair the timing and quality of delivery of the Enlarged Group's services and could damage the Enlarged Group's business. Furthermore, if the contractual arrangements put in place with any of these third party providers are terminated, the Enlarged Group may not find an alternative outsource provider on a timely basis or on equivalent terms. The occurrence of any of these events could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition. The costs of rectifying administrative errors could be significant, and may not be fully recoverable from outsource providers.

The Enlarged Group may not be able to protect its intellectual property rights, which may materially harm its business.

The Enlarged Group will derive a significant proportion of its revenues from its information products and services and information technology operations. Consequently, challenges to the intellectual property belonging to or licensed by the Enlarged Group and/or claims or allegations of infringement by the Enlarged Group of third party intellectual property on which the Enlarged Group will rely for revenue and which are specifically configured for the Enlarged Group's use could, individually or in aggregate, have an adverse effect on the Enlarged Group's business, financial condition, operating results and reputation.

LSEG and LCH.Clearnet Group protect their intellectual property by relying upon a combination of statutory and common law trade mark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with its affiliates, customers, strategic partners and others. Such protection may be inadequate to deter misappropriation or misuse of the Enlarged Group's proprietary information and other intellectual property rights, and there can be no assurance that the Enlarged Group's registered intellectual property rights will not be successfully challenged. 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 harm the Enlarged Group's reputation and affect the ability of the Enlarged Group to compete effectively. Further, defending or enforcing the Enlarged Group's intellectual property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect the Enlarged Group's business, financial condition and operating results.

Any infringement by the Enlarged Group of the patent rights of others could result in litigation and adversely affect its ability to provide the Enlarged Group's products and services.

In addition to using its own intellectual property rights, the Enlarged Group will license a variety of intellectual property rights 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 Enlarged Group or its customers. Any such litigation could be lengthy and costly. If determined in favour of a third party, it could result in a financial penalty and other remedies being awarded against 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 guarantee 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 Enlarged Group.

Any reduction in the Enlarged Group's credit rating could impact the availability and cost of funding from the capital markets.

LSEG plc is currently rated investment grade by Standard and Poor's Rating Services - a division of McGraw Hill International (UK) Limited (**S&P**) and by Moody's Investors Service Limited

(*Moody's*). These ratings are based on a number of factors, including the Enlarged Group's financial strength as well as factors not entirely within its control, such as conditions affecting the macro economic environment and financial services industry generally. In light of the difficulties in the financial services industry and the financial markets over the last few years, there can be no assurance that the LCH.Clearnet Group or LSEG plc will maintain an investment grade rating by S&P and Moody's, particularly as LCH.Clearnet's rating is on creditwatch negative with S&P and LSEG plc's ratings are currently on creditwatch negative and have a negative outlook from Moody's.

In addition, on 10 October 2012 S&P released a research update maintaining LSEG plc's 'A-' credit rating and confirming that it remained on creditwatch negative. However, as part of this update S&P noted the possibility of lowering LSEG plc's rating by up to two notches on the basis of (amongst other factors) completion of the acquisition of a majority interest in LCH.Clearnet under the terms of the Original Offer and subject to the form, extent and manner of funding any capital contribution by LSEG plc in LCH.Clearnet. Such a downgrade, should it eventually materialise, would bring the credit rating with S&P in line with that already given by Moody's and is therefore unlikely to have material financial consequences for LSEG plc. A one-notch ratings downgrade from Moody's would not impact LSEG plc's current facility agreements other than through an increase of 25 basis points (or 0.25 per cent) per annum to the rate paid on previously issued bonds (if Moody's, with a lower rating, downgrade LSEG plc).

However, a failure beyond this to maintain investment grade credit ratings would potentially limit the availability of new funding and adversely affect the terms of such new funding (including higher borrowing costs). If new funding is not available to the extent it is currently, this may limit the extent to which the Enlarged Group can grow.

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

In connection with its previous acquisitions and investments, and in accordance with generally accepted accounting practice, the Enlarged Group has recorded goodwill and identifiable intangible assets. The Enlarged Group assesses goodwill and intangible assets for impairment on an annual basis, or more frequently if indicators of impairment arise, and utilises recoverable amounts of the relevant cash generating units, which 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 Enlarged Group may experience future events over which the Enlarged Group has little or no control that result in impairments, including in relation to its investments in its subsidiaries (including, if the Majority Acquisition proceeds, LCH.Clearnet). The risk of impairment losses may increase to the extent the market capitalisation and earnings of the Enlarged Group decline. An impairment of the value of the Enlarged Group's existing goodwill and intangible assets could have a significant negative impact on its future operating results.

The Enlarged Group will be exposed to FX rate fluctuations.

The Enlarged Group will be subject to risks associated with exchange rate fluctuations. The Enlarged Group will report its results in sterling but generate its revenues and incur its costs in a mixture of currencies, including pounds sterling, euro and United States dollars. There can be no assurance that the Enlarged Group will be successful in mitigating the impact of such potential risks associated with the volatility in foreign currency rates (particularly in the case of the collapse, or full or partial termination, of European monetary union). Changes to foreign currency rates could have an adverse effect on the sterling value of the Enlarged Group's financial covenant ratios, operating results and financial condition.

In addition, collateral and default fund contributions provided by clearing members may be in different currencies to the exposures of such clearing member; in a default of such clearing member

the relevant CCP operated by the Enlarged Group is exposed to the risk of adverse FX movements which could have an adverse effect on the value of the Enlarged Group's operating results and financial condition.

The Enlarged Group will be exposed to interest rate fluctuations.

The Enlarged Group will be subject to risks associated with interest rate fluctuations. It will hold a portion of its borrowings and deposit cash and cash equivalents at floating rates of interest.

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

CCPs may pay interest on cash collateral and default fund contributions; there can be no assurance that they will be able to invest such cash within the same period as their interest obligations arise (in particular in the case of intra day margin calls) or at the same rate(s) as they are required to pay on such cash collateral or default fund contributions and may therefore generate insufficient revenue to cover such interest costs. Such interest rate risk could have an adverse effect on the Enlarged Group's results and financial condition.

The funding status of the Enlarged Group's pension arrangements may change.

The Enlarged Group will maintain defined benefit pension schemes and defined contribution pension schemes or sections. The defined benefit schemes, by their nature, are deemed to carry an increased funding risk and, although the relevant schemes are closed to new members. LSEG plc closed its group defined benefit scheme to future accruals on 31 March 2012 and LCH.Clearnet Group is currently considering the outcome of a consultation with employees to close its defined benefit section to future accruals. As at 30 September 2012, LSEG plc had a net pension liability of £21.4 million. A recovery plan was put in place for the LCH.Clearnet Group's funding deficit, as calculated at the last trustee funding valuation on 30 June 2010 and the total contributions required under this recovery plan have been paid, but there can be no assurance that: (a) the current expectations of the growth in value of the defined benefit liabilities is accurate; (b) an increase in liabilities will be matched by the growth in value of the assets; or (c) the assets are sufficiently well invested to cover projected liabilities. The next formal valuation of the LCH.Clearnet Group's scheme is on 30 June 2013. As at 31 December 2012, LCH.Clearnet Group had a net pension liability of €0.4 million under International Accounting Standard 19. A significant shortfall in the value of assets versus liabilities could have a material adverse effect on the financial prospects of the Enlarged Group.

The UK Pensions Regulator has powers under legislation to make orders for financial support to be given to a UK defined benefit pension scheme from parties who are (or have been) "connected" or "associated" with an employer of that scheme. The concept of "connected" or "associated" is broad and entities in LSEG will be potentially subject to the Pensions Regulator's powers to seek financial support (in the form of a contribution notice or financial support direction) in relation to the LCH.Clearnet Group's pension scheme following Completion. Liability is not automatic. Various conditions prescribed in legislation would need to be met, such as the employer being deemed to be "insufficiently resourced" and the Pensions Regulator would also need to consider it reasonable in the circumstances to seek financial support for the scheme from entities in LSEG.

PART 3 : FINANCIAL INFORMATION RELATING TO THE LCH.CLEARNET GROUP

This Part 3 contains:

- in Part A, an accountant's report in respect of the consolidated historical financial information of the LCH.Clearnet Group for the financial periods ended 31 December 2012, 2011 and 2010.
- in Part B, consolidated historical financial information relating to the LCH.Clearnet Group for the financial periods ended 31 December 2012, 2011 and 2010. This consolidated historical financial information has been prepared in accordance with the accounting policies of LSEG.



Part A

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

Morgan Stanley & Co. Limited
25 Cabot Square
Canary Wharf
London E14 4QA

8 March 2013

Dear Sirs

London Stock Exchange Group plc (the “Company”)

We report on the financial information set out in Part 3b (the “**Historical Financial Information of LCH.Clearnet Group Limited**”) of the Company’s Class 1 Circular dated 8 March 2013 (the “**Circular**”). The Historical Financial Information of LCH.Clearnet Group Limited has been prepared for inclusion in the Circular on the basis of the accounting policies set out in note 1 of the Historical Financial Information of LCH.Clearnet Group Limited. 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 Historical Financial Information of LCH.Clearnet Group Limited 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 Historical Financial Information of LCH.Clearnet Group Limited gives a true and fair view, for the purposes of the 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 which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, 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 person as a result of, arising out of, or in accordance 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, consenting to its inclusion in the 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. 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

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information and whether the accounting policies are appropriate to the Company'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.

Opinion

In our opinion, the Historical Financial Information of LCH.Clearnet Group Limited gives, for the purposes of the Circular dated 8 March 2013, a true and fair view of the state of affairs of LCH.Clearnet Group Limited as at the dates stated and of its profits and losses, cash flows and changes in equity and recognised income and expense for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Part B

Historical financial information of the LCH.Clearnet Group

Consolidated income statements

	Note	Year ended 31 December 2010			Year ended 31 December 2011			Year ended 31 December 2012		
		Before impairment of intangibles and non-recurring items	Impairment of intangibles and non-recurring items	Total	Before impairment of intangibles and non-recurring items	Impairment of intangibles and non-recurring items	Total	Before non-recurring items	Non-recurring items	Total
		€m	€m	€m	€m	€m	€m	€m	€m	€m
Continuing operations										
Revenue	4	249.0	-	249.0	276.2	-	276.2	296.3	-	296.3
Net treasury income through CCP business	4	76.1	-	76.1	68.4	-	68.4	129.9	-	129.9
Other income	4	-	-	-	-	-	-	-	-	-
Total income		325.1	-	325.1	344.6	-	344.6	426.2	-	426.2
Expenses										
Operating expenses	5,7	(277.8)	(4.4)	(282.2)	(277.6)	(23.1)	(300.7)	(295.7)	(31.1)	(326.8)
Operating profit/(loss)		47.3	(4.4)	42.9	67.0	(23.1)	43.9	130.5	(31.1)	99.4
Finance income		9.2	-	9.2	11.8	-	11.8	13.0	-	13.0
Finance expense		(19.7)	-	(19.7)	(20.6)	-	(20.6)	(21.1)	-	(21.1)
Net finance expense	8	(10.5)	-	(10.5)	(8.8)	-	(8.8)	(8.1)	-	(8.1)
Profit/(loss) before taxation		36.8	(4.4)	32.4	58.2	(23.1)	35.1	122.4	(31.1)	91.3
Taxation	9	(14.5)	1.2	(13.3)	(20.0)	6.1	(13.9)	(38.0)	6.4	(31.6)
Profit/(loss) for the financial year		22.3	(3.2)	19.1	38.2	(17.0)	21.2	84.4	(24.7)	59.7
Profit/(loss) attributable to equity holders		22.3	(3.2)	19.1	38.2	(17.0)	21.2	84.4	(24.7)	59.7
Basic and diluted earnings per share (cents)		<i>Note 10</i>		47.0			52.2			144.9
Adjusted basic and diluted earnings per share (cents)		<i>Note 10</i>		84.5			190.9			120.6
Dividend per share paid during the year (cents)		<i>Note 11</i>		-			-			-

Consolidated statements of comprehensive income

		For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012
	Note	€m	€m	€m
Profit for the financial year		19.1	21.2	59.7
Other comprehensive income				
Exchange differences on retranslation of foreign operations		-	-	(1.3)
Defined benefit pension scheme actuarial gain/(loss)	15	(5.8)	(11.4)	3.5
Tax related to items not recognised on income statement	9	1.5	3.3	(0.6)
Total other comprehensive (expense)/income		(4.3)	(8.1)	1.6
Total comprehensive income for the financial year		14.8	13.1	61.3
Attributable to equity holders		14.8	13.1	61.3

Consolidated statements of financial position

		As at 31 December 2010	As at 31 December 2011	As at 31 December 2012
	<i>Note</i>	€m	€m	€m
Assets				
Non-current assets				
Property, plant and equipment	12	9.3	12.2	18.5
Intangible assets	13	177.2	170.3	198.3
Trade and other receivables	16	37.5	30.7	84.2
Deferred tax assets	14	15.5	29.0	14.8
		239.5	242.2	315.8
Current assets				
Trade and other receivables	16	22.6	60.8	33.7
Derivative financial instruments	17	1.4	1.0	-
CCP financial assets	17	497,271.1	520,314.8	469,361.4
CCP cash and cash equivalents		15,360.5	19,738.6	25,751.8
CCP clearing business assets		512,631.6	540,053.4	495,113.2
Current tax		4.0	2.1	12.1
Other current assets	17	-	229.7	161.5
Cash and cash equivalents	18	408.8	445.7	432.1
		513,068.4	540,792.7	495,752.6
Total assets		513,307.9	541,034.9	496,068.4
Liabilities				
Current liabilities				
Trade and other payables	19	126.5	295.1	187.8
Derivative financial instruments	17	26.8	60.8	35.4
CCP clearing business liabilities	17	512,631.6	540,053.4	495,113.2
Current tax		-	1.9	-
Repurchase agreements and other borrowings	20	0.3	68.1	69.0
		512,785.2	540,479.3	495,405.4
Non-current liabilities				
Borrowings	20	177.6	178.0	179.0
Trade and other payables	19	15.0	28.9	51.8
Retirement benefit obligation	15	10.1	15.6	8.1
		202.7	222.5	238.9
Total liabilities		512,987.9	540,701.8	495,644.3
Net assets		320.0	333.1	424.1
Equity				
Capital and reserves attributable to equity holders				
Share capital	22	40.6	40.6	42.2
Share premium		-	-	28.1
Retained earnings		204.6	217.7	280.3
Other reserves		74.8	74.8	73.5
Total equity		320.0	333.1	424.1

Consolidated cash flow statements

		For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012
	<i>Note</i>	€m	€m	€m
Cash flow from operating activities				
Cash generated from operations	23	63.2	21.8	55.2
Corporation tax paid		(50.3)	(20.5)	(29.9)
Interest received		1.2	2.7	1.6
Interest paid		(11.9)	(12.2)	(11.9)
Net cash inflow/(outflow) from operating activities		2.2	(8.2)	15.0
Cash flow from investing activities				
Purchase of property, plant and equipment		(4.9)	(8.3)	(10.6)
Purchase of intangible assets		(21.9)	(15.3)	(17.7)
Net cash outflow from investing activities		(26.8)	(23.6)	(28.3)
Cash flow from financing activities				
Proceeds/(repayment) of repurchase agreements	17	-	67.8	(67.8)
Proceeds from borrowings	20	-	-	68.6
Repayment of borrowings		(0.2)	(0.2)	(0.3)
Net cash inflow/(outflow) from financing activities		(0.2)	67.6	0.5
(Decrease)/increase in cash and cash equivalents		(24.8)	35.8	(12.8)
Cash and cash equivalents at beginning of year		432.5	408.8	445.7
Exchange (loss)/gain on cash and cash equivalents		1.1	1.1	(0.8)
Cash and cash equivalents at end of year	18	408.8	445.7	432.1

The LCH.Clearnet Group cash flow does not include cash and cash equivalents held by the LCH.Clearnet Group on behalf of its clearing members for use in its operations as manager of the clearing and guarantee system. These balances represent margin and default funds held for counterparties for short periods in connection with this operation.

Consolidated statements of changes in equity

	Attributable to equity holders				Total equity €m
	Ordinary share capital	Share premium	Retained earnings	Other Reserves	
	€m	€m	€m	€m	
1 January 2010	40.6	-	189.8	74.8	305.2
Total comprehensive income for the year	-	-	14.8	-	14.8
31 December 2010	40.6	-	204.6	74.8	320.0
Total comprehensive income for the year	-	-	13.1	-	13.1
31 December 2011	40.6	-	217.7	74.8	333.1
Issue of shares	1.6	28.1	-	-	29.7
Total comprehensive income for the year	-	-	62.6	(1.3)	61.3
31 December 2012	42.2	28.1	280.3	73.5	424.1

Share capital

The balance classified as share capital includes the total nominal value in issue of equity share capital, comprising 42,193,814 ordinary €1 shares.

On 15 August 2012, LCH.Clearnet issued 1,561,171 ordinary shares with an agreed fair value of €19.00 each to NASDAQ, to acquire 100 per cent. ownership of IDCG (since renamed LCH.Clearnet (US) LLC).

Share premium

The share premium account represents the difference between the fair value of consideration received for shares issued and their nominal value.

Other reserves

Capital reserve

The balance of €15.3 million (2011: €15.3 million; 2010: €15.3 million) on this reserve represents the difference between the called up share capital of LCH.Clearnet Group Limited and the called up share capital, share premium account and capital redemption reserve of LCH.Clearnet Limited at 19 December 2003, when LCH.Clearnet Group Limited was formed, less the amount transferred in 2007 as part of the court approved capital restructuring.

Capital redemption reserve

The balance of €59.5 million (2011: €59.5 million; 2010: €59.5 million) on this reserve represents the nominal value of the ordinary shares that have been repurchased and cancelled.

Translation reserve

The negative balance of €1.3 million (2011: nil; 2010: nil) represents the retranslation of the assets of foreign subsidiaries at the statement of financial position date.

Notes to the financial information

1. Basis of preparation and accounting policies

The consolidated financial information is prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) and endorsed by the EU effective for 2012 reporting and with those parts of the Companies Act applicable to companies reporting under IFRSs. The consolidated financial information has been prepared under the historical cost convention, as modified by the valuation of financial assets and liabilities held at fair value through profit and loss. A summary of significant accounting policies, which is consistent with the policies adopted by LSEG in the latest consolidated annual financial statements, is set out below, together with an explanation of changes to previous policies on the adoption of new accounting standards.

The consolidated financial information is presented in euros, which is the functional currency of LCH.Clearnet Group Limited. All values are rounded to the nearest €100,000 except where otherwise indicated.

LCH.Clearnet Group Limited is a private limited company incorporated and domiciled in England and Wales whose shares are owned primarily by its users and the exchanges for which it clears. The address of its registered office is Aldgate House, 33 Aldgate High Street, London, EC3N 1EA, UK.

Going concern

The directors have made an assessment of the LCH.Clearnet Group's ability to continue as a going concern and to meet current and future regulatory capital requirements and are satisfied that it has the resources to continue in business for the foreseeable future, being at least 12 months from the date of this document. Contracts for the majority of the exchanges for which the LCH.Clearnet Group clears have a notice period of at least one year. It has a large number of clearing members and is not unduly reliant on any single clearing member or group of clearing members. The LCH.Clearnet Group is working towards being compliant with EMIR and will apply for registration during 2013. Furthermore, the directors are not currently aware of any material uncertainties that may cast significant doubt upon the LCH.Clearnet Group's ability to continue as a going concern.

Change of estimate of useful economic life of strategic assets

During 2010, the LCH.Clearnet Group revised the estimated useful economic life from 3 to 5 years for certain elements within the costs capitalised as self-developed software which are now expected to remain in use for the longer duration. This reduced the amortisation charge, and increased profit before tax and net assets, by €2.5 million in 2010.

Recent accounting developments

New and amended standards adopted by the LCH.Clearnet Group during 2012

Below is a list of standards/interpretations that have been issued and are effective for period starting on 1 January 2012. There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2012 that have had a material impact on the results of the LCH.Clearnet Group.

Amendments to IFRS 7, Financial Instruments: Disclosures, on derecognition

Amendment to IAS 12, Income Taxes, on deferred tax

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

The following standards, amendments and interpretations have been issued by the IASB and IFRIC with an effective date, subject to EU endorsement, that does not impact on the LCH.Clearnet Group's financial information. The directors do not expect adoption of these standards to have a material effect on the results of the LCH.Clearnet Group.

	Effective for periods beginning on or after:
Amendment to IAS 1, Presentation of Financial Statements regarding other comprehensive income	1 July 2012
Amendments to IAS 19, Employee Benefits	1 January 2013
Amendments to IAS 32 Financial Instruments: Presentation regarding offsetting financial assets and financial liabilities	1 January 2014
Amendments to IFRS 7 on Financial Instruments asset and liability offsetting	1 January 2013
Annual improvements 2011	1 January 2013**
IFRS 9, Financial Instruments	1 January 2015**
IFRS 10, Consolidated Financial Statements and amended IAS 27 Separate Financial Statements	1 January 2013*
IFRS 11 Joint Arrangements and amended IAS 28 Investments in Associates and Joint Ventures	1 January 2013*
IFRS 12, Disclosures of Interests in Other Entities	1 January 2013*
IFRS 13, Fair Value Measurement	1 January 2013
Amendments to IFRS 10, IFRS 12 & IAS 27	1 January 2014**

*Endorsed by the EU on 11 December 2012 and to be implemented, at the latest, for periods beginning on or after 1 January 2014.

**Subject to endorsement by the EU.

Accounting Policies

Consolidation

The consolidated financial information included in this, Part B of Part 3, comprises the financial information of LCH.Clearnet Group Limited and its subsidiaries (the LCH.Clearnet Group) with all inter-company 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.

Revenue and other income

Clearing fee income and associated rebates, together with other fee income, is recognised on a transaction by transaction basis in accordance with the LCH.Clearnet Group's fee scales.

Income earned on the acceptance of non-cash collateral, generated from member clearing activity is recorded within revenue. This revenue is based on LCH.Clearnet Group's fee scales as a product of the value of non-cash collateral lodged.

Net interest income through CCP business is the income earned on the cash and other financial assets held that have been generated from clearing member activity, less interest paid to clearing members on their margin and other monies lodged with the LCH.Clearnet Group. Interest income or expense is recorded using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

The LCH.Clearnet Group operates a number of arrangements, under which it undertakes to develop and operate clearing platforms for a syndicate of clearing members. Such arrangements involve LCH.Clearnet Group developing and/or upgrading and operating the platforms for a specified period of time. The syndicate controls the development and/or upgrading of the platforms.

The LCH.Clearnet Group accounts for income and costs relating to development and/or upgrading services in the income statement, as costs are incurred and these services are provided to the syndicate of clearing members. Certain arrangements provide for pre-funding by the syndicate members for the development and/or upgrading services. Where this is the case, a liability for deferred income is recognised, which is released to the income statement as these services are provided.

The LCH.Clearnet Group consider the services for the development and/or upgrading of these specific clearing platforms as incidental to its main revenue-generating activities of clearing transactions (i.e. not LCH.Clearnet Group's principal business activity).

The LCH.Clearnet Group acts as principal in clearing transactions using the platforms developed for the syndicate. The LCH.Clearnet Group accounts for revenue relating to operating services in accordance with IAS 18.

Non-recurring items

Items of income and expense that are material by size and/or nature and are non-recurring are classified as non-recurring items on the face of the income statement within their relevant category. The separate reporting of these items together with impairment of goodwill and intangible assets helps give an indication of the LCH.Clearnet Group's underlying performance.

Foreign currencies

The LCH.Clearnet Group's financial statements are presented in euros, which is the functional currency of the parent company. Items included in the financial statements of each of the

LCH.Clearnet Group's entities are measured using their functional currency.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into euros at the rates of exchange ruling on the consolidated statement of financial position date. Transactions in foreign currencies are recorded at the prevailing FX rates at the date of the transaction. Exchange differences arising on the retranslation of LCH.Clearnet LLC are recorded in the translation reserve and recognised in other comprehensive income. All other exchange differences are recorded in the income statement.

Property, plant and equipment

Property, plant and equipment is initially recognised at cost and capitalised in the consolidated statement of financial position and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on current prices, of each asset over its expected useful life as follows:

Leasehold land and buildings	-	over the term of the lease (up to a maximum of ten years)
Computer equipment and purchased software	-	over three years
Office equipment and other fixed assets	-	between three and five years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Goodwill

Goodwill arising on an acquisition is initially measured at cost (being the excess of the consideration for the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities) and is capitalised in the consolidated statement of financial position within intangible assets and not amortised but is tested for impairment annually and if there are indications that the carrying value may not be recoverable. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets other than goodwill

Intangible assets other than goodwill are initially recognised at cost and are capitalised on the consolidated statement of financial position. Following initial recognition, the assets are amortised at rates calculated to write off their cost on a straight-line basis over their estimated useful lives as follows:

- self-developed software between three and five years

An internally generated intangible asset arising from the LCH.Clearnet Group's business development is created if the asset can be identified, its cost measured reliably, and it is probable that it will generate future economic benefits. Amortisation is charged from the date the developed product, service, process or system is available for use.

Amortisation of intangible assets other than goodwill is recognised as part of operating expenses in the income statement.

Impairment of goodwill, intangible assets, and property, plant and equipment

Goodwill and intangible assets in the course of development are subject to an annual impairment review, or a more frequent review if there are events or changes in circumstances that indicate that the carrying amount of the asset may not be fully recoverable. Other intangible assets and property, plant and equipment are subject to an impairment review if there are events or changes in circumstances that indicate that the carrying amount of the asset may not be fully recoverable.

For the purpose of impairment testing, goodwill and other assets are allocated to cash-generating units monitored by management, usually at statutory company or business segment level as the case may be. The impairment review involves a comparison of the carrying amount of the goodwill or other asset allocated to the related cash-generating units, with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of, less the costs associated with the sale. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis. The carrying values of goodwill, intangible assets or property, plant and equipment are written down by the amount of any impairment and this loss is recognised in the income statement in the year in which it occurs.

Current and deferred taxation

Deferred and current tax assets and liabilities are only offset when they arise in the same reporting tax group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income tax relating to items recognised directly in other comprehensive income is also recognised in other comprehensive income and not the income statement.

Current tax

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to relevant taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the consolidated statement of financial position date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes using tax rates and laws enacted or substantively enacted by the consolidated statement of financial position date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised except where it is not probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Financial Instruments

The LCH.Clearnet Group classifies its financial instruments into the following categories: financial assets and liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables. Management determines the classification of its financial assets at initial recognition.

The LCH.Clearnet Group establishes fair value using recognised valuation techniques. These include the use of externally available market prices, discounted cash flow analysis and other valuation

techniques commonly used by market participants. Where discounted cash flow analysis and other valuation techniques are used, assumptions are validated against market observable inputs.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial instruments which are either acquired for trading purposes, or as designated by management. Financial instruments held in this category are initially recognised and subsequently measured at fair value, with transaction costs taken directly to the income statement. Changes in fair value are recorded within net interest income. Interest earned or incurred is accrued in interest income or expense, or finance income or cost according to the purpose of the financial instrument.

Balances with clearing members (with the exception of receivables and liabilities from repurchase transactions which are classified as loans and receivables) are included in this category upon initial recognition, and are recorded on a settlement date basis.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Other financial assets include government backed certificates of deposit issued by banks, notes and treasury bills directly issued by state or national governments. These assets were initially recognised and subsequently measured at fair value with fair value movements accounted for through profit and loss.

Where derivative financial instruments are used, such as interest rate swaps and foreign currency forward exchange contracts, they reduce exposure to interest rate movements and foreign currency movements. The change in fair value of these instruments is recognised in the income statement. The LCH.Clearnet Group does not hold derivative financial instruments for trading purposes. Derivatives are accounted for as trading instruments and are initially recognised and subsequently measured at fair value.

Loans and receivables

Loans and receivables include receivables from repurchase transactions and non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition at fair value loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment.

Securities sold under agreements to repurchase at a specified future date are not derecognised from the consolidated statement of financial position as the LCH.Clearnet Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability, reflecting the transaction's economic substance as a loan to the LCH.Clearnet Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method. Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the consolidated statement of financial position. The consideration paid, including accrued interest, is recorded in the consolidated statement of financial position, reflecting the transaction's economic substance as a loan by the LCH.Clearnet Group. The difference between the purchase and resale prices is recorded in interest income and is accrued over the life of the agreement using the effective interest rate method.

Cash and short-term deposits comprise cash in hand and current balances with banks and similar institutions which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents are as defined above, but with an

original maturity of three months or less, net of bank overdrafts (which are included within interest bearing loans and borrowings in current liabilities on the consolidated statement of financial position). Funds received as a result of entering into repurchase agreements are not considered part of cash equivalents.

Interest bearing loans and other borrowings, including preferred securities, and default funds are initially recorded at fair value. Subsequent measurement is at amortised cost using the effective interest method, and amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

Held-to-maturity financial assets

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the LCH.Clearnet Group has the intention and ability to hold to maturity. After initial measurement held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate, less impairment. The amortisation of any premium or discount is included in interest income.

If the LCH.Clearnet Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the LCH.Clearnet Group would then be prohibited from classifying any financial asset as held-to-maturity during the following two years.

Trade Receivables

Trade receivables are non-interest bearing and are stated at their fair value. A provision for impairment of trade receivables is established when there is objective evidence that the LCH.Clearnet Group 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 financial reorganisation and default or delinquency in payments 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.

In relation to the arrangements under which the LCH.Clearnet Group undertakes to develop and operate clearing platforms for a syndicate of clearing members, LCH.Clearnet Group recognises a financial asset to the extent that it has an unconditional right to receive cash or another financial asset from the syndicate, for providing services for the development or upgrading of the platforms. Financial assets recognised as a result of these arrangements are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial asset is accounted for at amortised cost in accordance with IAS 39 *Financial instruments: Recognition and measurement*. Financial assets arising from these arrangements are included within "trade and other receivables".

Derecognition of financial assets and financial liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

Borrowing costs

Borrowing costs are recognised as a finance expense when incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Finance income and finance costs

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

Finance income is income earned on the LCH.Clearnet Group's own cash and financial assets balances and is also recognised on a time-apportioned basis.

Finance expense is recorded using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial instrument.

For defined benefit schemes the expected return on scheme assets and interest cost from unwinding of the discount on scheme obligations are included as finance income and finance expense respectively.

Leases

The LCH.Clearnet Group is a lessee. Leases of property, plant and equipment where substantially all the risks and rewards of ownership have passed to the LCH.Clearnet Group are capitalised in the consolidated statement of financial position as property, plant and equipment. Finance leases are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The capital element of future obligations under finance leases is included as a liability in the consolidated statement of financial position. The interest element of rental obligations is charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful economic life of the asset or the lease term.

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged in the consolidated income statement on a straight-line basis over the lease term. Lease incentives are recognised over the lease term.

Pension costs

The LCH.Clearnet Group operates a defined benefit pension scheme for its UK employees (the LCH.Clearnet Pension Scheme), which requires contributions to be made to a separate trustee administered fund. This was closed to new members from 30 September 2009.

The LCH.Clearnet Group has also committed to assume obligations in respect of certain staff in the Euronext defined benefit pension scheme in Amsterdam who transferred their employment to LCH.Clearnet S.A. in 2004. The obligations in respect of certain staff in an independent defined benefit scheme in Porto were assumed in 2006.

A full actuarial valuation of the LCH.Clearnet Pension Scheme was carried out at 30 June 2010 and updated to 31 December 2012 by a qualified independent actuary. The other schemes were subject to a full valuation at 31 December 2012. Major assumptions used by the actuary are included within note 15.

The cost of providing benefits under the defined benefit plans is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit

obligations) and is based on actuarial advice. When a settlement or a curtailment occurs, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement. Losses are measured at the date that the employer becomes demonstrably committed to the transaction, and gains are measured when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in the present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate based on high quality bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximately the terms of the pension obligation, to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement within net finance costs.

Actuarial gains and losses are recognised in full in the statement of other comprehensive income in the period in which they occur. The defined benefit pension liability in the consolidated statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published mid-market price.

The LCH.Clearnet Group also has obligations in respect of unfunded early retirement plans in Paris. This is in compliance with a 2001 agreement with Euronext Paris personnel. Movements in these provisions are included in employee costs. They have been calculated by an independent actuary.

The LCH.Clearnet Group also operates a defined contribution pension plan in the UK which has been open since January 2010 for new staff. The contribution payable to a defined contribution plan is in proportion to the services rendered to LCH.Clearnet Limited by the employees and is recorded as an expense in the income statement within employee benefits.

Share capital

Called up share capital comprises ordinary shares.

Share premium

The share premium reserve represents the difference between the fair value of ordinary shares issued and their nominal value.

Preference shares

Other capital instruments are classified as liabilities if there is an obligation to transfer economic benefits. The finance cost recognised in the income statement in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate based on the carrying amount.

Segmental reporting

The LCH.Clearnet Group's operating segments are determined by reference to the underlying legal entities of the LCH.Clearnet Group. LCH.Clearnet Limited is one segment and it is based in the UK, with a branch in New York. LCH.Clearnet S.A. is another segment and is based in mainland Europe with its main operations in France, branches in Belgium and The Netherlands and a representative office in Portugal. The final segment comprises other group companies including LCH.Clearnet Group Limited (the main LCH.Clearnet Group holding company), LCH.Clearnet (Luxembourg)

S.à.r.l (which holds most of the LCH.Clearnet Group's intellectual property), LCH.Clearnet (US) LLC (the newly acquired US company) and other head office holding companies.

These segments reflect the way LCH.Clearnet Group's directors and management monitor results and determine resource allocation within the LCH.Clearnet Group. Directly attributable costs are allocated to the appropriate segment. Where costs are not directly attributable, the relevant portion is allocated on a reasonable basis to each segment. Assets that are jointly used by two or more segments are allocated to segments only where the related revenues and expenses are also allocated to those segments. Transfer pricing between segments is set on an arm's length basis in a manner similar to transactions with third parties.

2. Financial risk management

Introduction

The LCH.Clearnet Group's activities expose it to a number of financial risks – principally market risk (FX risk, interest rate risk, volatility in financial markets), settlement risk, credit risk and liquidity risk.

The LCH.Clearnet Group manages these risks through various control mechanisms and its approach to risk management is to be prudent yet responsive to changes in the risk environment.

Overall responsibility for risk management rests with the LCH.Clearnet Group's Board. Day to day responsibility is delegated to the executives in the operating subsidiaries, on the basis of policies that are discussed and agreed in risk committees and/or boards as appropriate. The individual application of policies, within the operating subsidiaries, is undertaken by dedicated resources within the subsidiary risk management departments who control and manage the exposures to members and banks on the basis of policies adopted by each of the subsidiary boards. These policies are harmonised across the LCH.Clearnet Group where relevant. The continued appropriateness of risk policies is reviewed by the committees and boards, and audits of processes within the risk management departments are undertaken on a regular basis.

Foreign exchange risk

This risk arises from the fact that the presentation currency of the LCH.Clearnet Group and the functional currency of the majority of the companies within the LCH.Clearnet Group is euros. The functional currency of LCH.Clearnet Limited is euros. The functional currency of LCH.Clearnet LLC is US dollars. The LCH.Clearnet Group is exposed to FX risk primarily with respect to sterling and US dollars in the translation of monetary assets and liabilities denominated in foreign currency. The LCH.Clearnet Group also has transactional exposure to US dollars and sterling. The LCH.Clearnet Group converts FX balances to euros on a regular basis based upon agreed thresholds which minimises the effect exchange rate fluctuations will have on overall LCH.Clearnet Group net assets. The LCH.Clearnet Group may also hedge future currency cash flows where they can be reasonably anticipated. Any exchange differences on translation of net assets and liabilities that remain are recorded in the income statement, and the LCH.Clearnet Group does not view this as a material risk.

Interest rate risk

The LCH.Clearnet Group is exposed to interest rate risk with the cash and investment balances it holds, the initial margin and default fund balances it holds from members and the loans and borrowings it has issued.

The interest bearing assets are generally invested for a longer term than the interest bearing liabilities, whose interest rate is reset daily; this makes the associated revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures are managed within defined risk appetite parameters against which sensitivities are monitored on a daily basis.

Financial market volatility (latent market risk)

The level or volatility of financial markets in which the LCH.Clearnet Group operates can adversely affect its earnings and its ability to meet its business objectives. Indeed, in the event of a default by a counterparty, the LCH.Clearnet Group faces market risk which is correlated to member positions and market conditions. The market and credit risk management policies of the LCH.Clearnet Group are approved by its risk committees and boards. A variety of measurement methodologies, including stress testing and scenario analysis, are used to quantify and assess the levels of credit and market risk to which the LCH.Clearnet Group is exposed under both normal and extreme, but plausible, market conditions.

As a CCP the LCH.Clearnet Group has a balanced position in all cleared contracts and runs no market risk unless a clearing member defaults. This potential market risk is reduced by collecting variation margin on marked-to-market positions and by establishing initial margin requirements which are the LCH.Clearnet Group's estimate of likely future market risk under normal market conditions. Both variation and initial margin are collected daily and, if necessary, replenished intra-day. The operating subsidiaries also maintain default funds to be used should the initial margin of a defaulted clearing member not fully cover close-out costs, and also have access to supplementary financial resources, including their own capital, to ensure the continuity of ongoing operations.

The LCH.Clearnet Group accepts both cash and high quality non-cash collateral to cover margin requirements; the list of acceptable non-cash collateral is restricted, haircuts are set for each security type, taking into account market, credit, country and liquidity risks. All non-cash collateral is, where appropriate, revalued daily.

Additionally, members must meet strict financial and operational criteria before access to clearing membership is granted, and this is regularly reviewed as part of the LCH.Clearnet Group's risk policies.

Credit risk

Credit risk is the risk that a counterparty of the LCH.Clearnet Group will be unable or unwilling to meet a financial commitment that it has entered into with the Group.

The LCH.Clearnet Group has credit risk exposure as a direct result of the reinvestment of the cash it holds which is primarily a result of its CCP activities. This cash portfolio is invested within the confines of clear risk policies which aim to secure a significant portion of the cash portfolio via tri-party repo receiving high quality government and government related securities as collateral or by investing directly in such securities.

Securities received as collateral are subject to a haircut on their market value daily. The small proportion of cash not secured in this way is deposited in the money markets on an unsecured, short-term basis only to high quality banking institutions, or in government backed assets.

Concentration risk

Concentration risk may arise through having large connected individual exposures and significant exposures to groups of counterparts whose likelihood of default is driven by common underlying factors. Direct concentration risk arises in several areas of the LCH.Clearnet Group's activities, and in order to avoid excessive concentrations of risk, the LCH.Clearnet Group maintains a diversified portfolio of treasury assets, and uses a diversified range of payment and settlement banks and agents.

Indirect concentration risks, conditional upon a member default, are managed within risk policy through various means, including restrictions on certain non-cash collateral issuers and the monitoring of exposures by member groups.

Liquidity risk

Liquidity risk is the risk that the LCH.Clearnet Group is unable to meet its payment obligations when they fall due, in particular to meet obligations to pay margin or physical settlement monies due to clearing members or in case it needs to manage a clearing member default.

Liquidity risk exists as a result of day to day operational flows such as repayments of cash collateral to members, provision of liquidity to facilitate settlement and cash flows resulting from investment activity. In the case of a clearing member default the LCH.Clearnet Group has to close out the defaulting member's portfolio which may require additional liquidity during the execution of the default management procedure, while concurrently meeting that member's settlement obligations until the portfolio is closed out or transferred.

Liquidity risk is managed by ensuring that the operating clearing houses in the LCH.Clearnet Group have sufficient available cash to meet their payment obligations and by the provision of facilities to meet short-term imbalances between available cash and payment obligations. The LCH.Clearnet Group has identified two scenarios to evaluate the need for liquidity; a daily operational liquidity need, based on the maximum relevant liquidity outflow observed from an extensive data history; and the default liquidity need which aims to evaluate the liquidity requirement on the day of a default and subsequent days so that the LCH.Clearnet Group can meet its obligations to members as a CCP.

The LCH.Clearnet Group's liquidity management is subject to strict minimum liquidity targets that are set by the risk executive and reviewed by the boards and risk committees and which are kept under regular review. On a day to day basis the treasury team is tasked with ensuring that the LCH.Clearnet Group can meet its financing needs at all times, in particular to ensure the business continues to operate smoothly in the event of a clearing member default.

The ability to access liquidity under extreme market conditions is modelled daily. Liquid resources include available cash balances, secured financing facilities and for LCH.Clearnet S.A., which is a bank within the Eurozone, access to central bank funds.

The following tables sets out the maturity profile of the LCH.Clearnet Group's financial liabilities, based on contractual, undiscounted payments:

At 31 December 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	€m	€m	€m	€m
Borrowings	80.6	11.8	215.5	-
Retirement benefit obligations	-	-	-	8.1
Trade and other payables	179.3	-	51.8	-
CCP liabilities	495,113.2	-	-	-
Derivative financial instruments	6.7	7.2	21.5	-
Repurchase agreements and other borrowings	69.0	0.3	0.9	-
Total	495,448.8	19.3	289.7	8.1

At 31 December 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	€m	€m	€m	€m
Borrowings	11.8	11.8	35.6	191.8
Retirement benefit obligations	-	-	-	15.6
Trade and other payables	288.0	-	28.9	-
CCP liabilities	540,053.4	-	-	-
Derivative financial instruments	12.4	12.1	36.3	-
Repurchase agreements and other borrowings	68.2	0.2	0.4	-
Total	540,433.8	24.1	101.2	207.4
At 31 December 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	€m	€m	€m	€m
Borrowings	11.8	11.8	35.5	203.7
Retirement benefit obligations	-	-	-	10.1
Trade and other payables	126.5	-	15.0	-
CCP liabilities	512,631.6	-	-	-
Derivative financial instruments	4.7	5.5	16.6	-
Repurchase agreements and other borrowings	0.4	0.2	0.5	-
Total	512,775.0	17.5	67.6	213.8

Settlement risk

Settlement risk is the risk that the LCH.Clearnet Group makes a payment or delivery without simultaneously receiving the delivery or payment from the counterparty.

The LCH.Clearnet Group fully mitigates this risk through the use of guaranteed and irrevocable DvP mechanisms where available.

Settlement bank risk

The LCH.Clearnet Group is exposed to the risk that a settlement bank could fail, creating credit losses and liquidity pressures for the LCH.Clearnet Group.

The LCH.Clearnet Group uses a combination of central bank, payment agent and commercial settlement bank models. The Treasury policy is to maintain only minimal balances at commercial settlement banks overnight, placing the majority at the Bank of England and Banque de France. If the payment agent or commercial settlement bank is not able to transfer funds to the LCH.Clearnet Group, the clearing members remain liable for the fulfilment of their payment obligations.

Custody risk

Custody risk is the risk of loss on securities in safekeeping as a result of the custodian's insolvency, negligence, misuse of assets, poor administration or inadequate record keeping.

Although the risk of insolvency of central securities depositories, international central securities depositories, or custodian banks (subject to minimum credit rating) used by the LCH.Clearnet Group is low the LCH.Clearnet Group mitigates this risk through appropriate legal arrangements and dedicated processes, in addition to minimum eligibility requirements and regular reviews dictated by policy.

Other risk management

In addition to the financial risks above the LCH.Clearnet Group is also exposed to operational, pension, compliance, legal and reputational risk.

Operational risk

Operational risk is the risk of loss arising through failures associated with personnel, processes or systems, or from external events. It is inherent in every business organisation and covers a wide spectrum of issues. First line operational risk is managed through systems and procedures in which processes are documented, authorisation is independent, and transactions are monitored and reconciled.

The LCH.Clearnet Group has adopted a framework, supported by tailored enterprise-wide software, systematically to identify, assess, monitor and manage operational risks. This is achieved through departments' self-assessment of risks and controls, the collection and analysis of loss data, and the development of key risk indicators as appropriate, enabling the embedding of operational risk awareness within the corporate culture.

Business operations are subject to a programme of internal audit reviews, which are independent of line management, and the results are reported directly to the LCH.Clearnet Group's management (including the LCH.Clearnet Group Chief Executive Officer) and audit committees. Following each review, management will put in place an action plan to address any issues identified. Internal audit evaluates the adequacy and effectiveness of the LCH.Clearnet Group's systems of internal control, as well as the level of compliance with policies, and reports, in addition to management's own combined assurance reporting, to the audit committees and senior management. Any significant weaknesses are reported to the boards.

The LCH.Clearnet Group maintains contingency facilities to support operations and ensure business continuity. These facilities are regularly and frequently tested.

Pension risk

Pension risk arises from the potential deficit in the LCH.Clearnet Group's defined benefit pension plans due to a number of factors, such as mortality rates or changes in inflation assumptions.

The main scheme in the LCH.Clearnet Group is the LCH.Clearnet Pension scheme in the UK and it is governed under the relevant laws and managed by the trustees who are required to undertake a formal funding valuation every three years and, where assets are deemed to be insufficient, to agree a schedule of contributions to be paid by LCH.Clearnet Limited to make good any shortfall over a period of time. More details of the pension scheme and assumptions used in valuing their assets and liabilities are included in note 15.

Compliance, legal and reputational risk

Compliance or regulatory risk arises from a failure or inability to comply with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance can lead to fines, public reprimands, enforced suspensions of services, or in extreme cases, withdrawal of authorisation to operate.

The LCH.Clearnet Group is subject to various authorisation and regulatory requirements regimes. CCPs attract specific interest from regulators as they are a critical part of the market infrastructure. Specific resources and expertise are applied to meet the various regulatory requirements.

A key part of the role of the legal function is to identify and, in conjunction with management, manage the legal risks of the LCH.Clearnet Group. Legal risk is managed by use of internal and external legal advisers.

The maintenance of the LCH.Clearnet Group's strong reputation is key to its continued profitability and is the responsibility of the LCH.Clearnet Board, management and staff. In particular the efficiency, reliability and effectiveness of the day to day operations of the LCH.Clearnet Group are paramount to its reputation.

3. Significant judgements and estimates

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of goodwill and other intangible assets, the estimated useful economic life of assets and measurement of defined benefit pension obligations and accounting for income and costs incurred to create or upgrade existing clearing systems which are funded under arrangements with certain clearing members. The LCH.Clearnet Group determines whether indefinite life goodwill is impaired on an annual basis and this requires an estimation of the value in use of cash generating units to which the goodwill is allocated. Other assets are assessed when an indication of impairment arises. This requires the estimation of future cash flows and choosing a suitable discount rate. The LCH.Clearnet Group regularly reviews its estimate of useful economic lives to ensure it fairly reflects the period over which the LCH.Clearnet Group expects to derive economic benefits from its assets.

The latest review of the LCH.Clearnet pension scheme took place in 2010. Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation as well as mortality rates, the expected return on assets and the choice of a suitable discount rate.

The LCH.Clearnet Group judged that the arrangements in respect of the funded creation or upgrading of clearing systems convey control of the systems to those providing the funding, and consequently LCH.Clearnet Group does not recognise an intangible asset in respect of the systems. Rather, LCH.Clearnet Group recognises a receivable and has also judged this activity to be incidental to the LCH.Clearnet Group's main activities.

4. Segmental information

For management purposes the LCH.Clearnet Group is organised into business units based on legal entities and has three reportable operating segments: LCH.Clearnet Limited; LCH.Clearnet S.A.; and other (comprising LCH.Clearnet Group Limited, LCH.Clearnet (Luxembourg) S.à.r.l, LCH.Clearnet LLC and other group holding companies).

LCH.Clearnet Limited and LCH.Clearnet S.A. derive revenues through their activities as clearing houses. They provide CCP services in respect of a broad range of cash and derivative products traded on or through various exchanges and trading platforms in the United Kingdom (LCH.Clearnet Limited), Europe (LCH.Clearnet S.A.) and the US (LCH.Clearnet Limited), or traded in OTC markets. LCH.Clearnet (Luxembourg) S.à.r.l earns royalties from LCH.Clearnet Group companies who use the intellectual property held by it in their operations, and LCH.Clearnet earns revenue from the operating subsidiaries in the form of management fees. LCH.Clearnet LLC did not earn any revenue for the LCH.Clearnet Group in 2012, but should begin trading in 2013.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segmental disclosures for the year ended 31 December 2012 are shown below:

	Ltd	S.A.	Other	Total
	€m	€m	€m	€m
Revenue	187.3	117.6	40.9	345.8
Inter-segmental revenue	(0.5)	(8.1)	(40.9)	(49.5)
Revenue from external customers	186.8	109.5	-	296.3
Net treasury income through CCP business	51.1	78.8	-	129.9
Total income	237.9	188.3	-	426.2
Expenses				
Depreciation and software amortisation	(7.5)	(5.8)	(11.2)	(24.5)
Other recurring (expenses)/income	(198.8)	(85.6)	13.2	(271.2)
Operating profit before non-recurring items	31.6	96.9	2.0	130.5
Non-recurring items				(31.1)
Operating profit				99.4
Net finance expense				(8.1)
Profit before taxation				91.3

Segmental disclosures for the year ended 31 December 2011 are shown below.

	Ltd	S.A.	Other	Total
	€m	€m	€m	€m
Revenue	164.8	114.0	29.3	308.1
Inter-segmental revenue	-	(2.6)	(29.3)	(31.9)
Revenue from external customers	164.8	111.4	-	276.2
Net treasury income through CCP business	60.2	8.2	-	68.4
Total income	225.0	119.6	-	344.6
Expenses				
Depreciation and software amortisation	(7.0)	(5.4)	(10.5)	(22.9)
Other recurring (expenses)/income	(167.4)	(88.6)	1.3	(254.7)
Operating profit / (loss) before non-recurring items	50.6	25.6	(9.2)	67.0
Non-recurring items				(23.1)
Operating profit				43.9
Net finance expense				(8.8)
Profit before taxation				35.1

Segmental disclosures for the year ended 31 December 2010 are shown below.

	Ltd	S.A.	Other	Total
	€m	€m	€m	€m
Revenue	150.1	107.3	22.6	280.0
Inter-segmental revenue	(0.7)	(7.7)	(22.6)	(31.0)
Revenue from external customers	149.4	99.6	-	249.0
Net treasury income through CCP business	36.3	39.8	-	76.1
Total income	185.7	139.4	-	325.1
Expenses				
Depreciation and software amortisation	(8.2)	(4.8)	(4.4)	(17.4)
Other recurring expenses	(168.3)	(91.0)	(1.1)	(260.4)
Operating profit / (loss) before impairment and non-recurring items	9.2	43.6	(5.5)	47.3
Non-recurring items				(4.4)
Operating profit				42.9
Net finance expense				(10.5)
Profit before taxation				32.4

Net interest income through CCP business of €129.9 million (2011: €68.4 million; 2010: €76.1 million) comprises gross interest income of €266.5 million (2011: €423.1 million; 2010: €274.1 million) less gross interest expense of €136.6 million (2011: €354.7 million; 2010: €198.0 million). Included within gross interest expense is a negative amount of €24.8 million (2011: nil; 2010: nil) which arises due to negative rates being applied to members' cash balances.

Within the operating results of the business is the net of gross other income of €58.4 million (2011: €42.1 million; 2010: €35.4 million) less gross other expense of €58.4 million (2011: €42.1 million; 2010: €35.4 million) resulting from the development of clearing systems for new products or upgrading existing systems.

The non-cash collateral income included in revenue amounts to €37.1 million (2011: €31.7 million; 2010: €27.5 million).

Geographical disclosure

	2010	2011	2012
	€m	€m	€m
Total income			
UK	185.7	225.0	237.9
Europe	139.4	119.6	188.3
Total	325.1	344.6	426.2

Revenue is based on the location of the entity which earns the revenue.

Assets and Liabilities

	2010	2011	2012
	€m	€m	€m
Total assets			
UK	289,829.1	310,043.4	263,557.0
Europe	223,478.8	230,991.5	232,461.3
USA	-	-	50.1
Total	513,307.9	541,034.9	496,068.4

	2012			
	Ltd	S.A.	Other	Total
	€m	€m	€m	€m
Assets and liabilities				
Total assets	263,489.8	232,419.2	159.4	496,068.4
Total liabilities	(265,792.3)	(229,606.6)	(245.4)	(495,644.3)
Other segment information				
Capital expenditure	11.3	3.3	14.5	29.1
Non-cash items:				
Fair value loss/(gain) on financial instruments	1.4	(36.1)	-	(34.7)
Depreciation of property, plant and equipment	4.3	0.8	-	5.1
Amortisation	3.2	5.0	11.2	19.4
2011				
	Ltd	S.A.	Other	Total
	€m	€m	€m	€m
Assets and liabilities				
Total assets	310,043.2	230,952.2	39.5	541,034.9
Total liabilities	(309,900.6)	(230,626.6)	(174.6)	(540,701.8)
Other segment information				
Capital expenditure	7.8	12.9	2.9	23.6
Non-cash items:				
Fair value loss/(gain) on financial instruments	(0.1)	39.4	-	39.3
Loss on disposal of property, plant and equipment within non-recurring items	0.7	-	-	0.7
Write-off of intangible items	3.4	-	-	3.4
Depreciation of property, plant and equipment	4.0	0.4	0.1	4.5
Amortisation	3.0	5.0	10.4	18.4
2010				
	Ltd	S.A.	Other	Total
	€m	€m	€m	€m
Assets and liabilities				
Total assets	289,829.1	223,376.6	102.2	513,307.9
Total liabilities	(289,696.4)	(223,092.4)	(199.2)	(512,987.9)
Other segment information				
Capital expenditure	8.3	10.2	9.5	28.0
Non-cash items:				
Fair value loss on financial instruments	1.3	10.7	-	12.0
Impairment of intangible assets	3.4	-	-	3.4
Depreciation of property, plant and equipment	5.7	0.5	-	6.2
Amortisation	2.5	4.3	4.4	11.2

5. Expenses by nature

Expenses comprise the following:

	Note	2010 €m	2011 €m	2012 €m
Employee costs	6	109.7	119.1	142.2
Depreciation and software amortisation		17.4	22.9	24.5
Impairment of intangibles and non-recurring items	7	4.4	23.1	31.1
IT costs		65.2	41.5	45.0
Other costs		85.5	94.1	84.0
Total		282.2	300.7	326.8

Foreign exchange gains or losses included in the income statement are immaterial.

6. Employee costs

Employee costs comprise the following:

	Note	2010 €m	2011 €m	2012 €m
Salaries and other short term benefits		82.2	89.6	109.0
Social security costs		15.1	17.5	21.4
Pension costs	15	12.4	12.0	11.8
Total		109.7	119.1	142.2

	2010		2011		2012	
	Average	Year end	Average	Year end	Average	Year end
The number of employees in the LCH.Clearnet Group was:						
UK	500	475	504	520	541	536
Europe	213	217	214	214	194	204
USA	-	-	-	-	32	38
Total	713	692	718	734	767	778

7. Impairment of intangibles and non-recurring items

		2010	2011	2012
	Note	€m	€m	€m
Impairment/write off of intangible assets		(3.4)	(3.4)	-
Non-recurring: Loss on disposal of intangible assets & loss on disposal and write-off of property, plant & equipment		(1.0)	(1.3)	-
Transformation plan costs		-	(13.6)	(24.1)
Transaction costs		-	(4.8)	(7.0)
Total affecting operating profit		(4.4)	(23.1)	(31.1)
Total affecting profit before tax		(4.4)	(23.1)	(31.1)
Total tax effect on non-recurring items affecting profit before tax	10	1.2	6.1	6.4
Total charge to income statement		(3.2)	(17.0)	(24.7)

Transformation plan costs consist of costs incurred as part of the ongoing restructuring of the LCH.Clearnet Group's business and include redundancy costs, professional fees and other related costs.

Transaction costs for 2012 and 2011 principally relate to advisor costs on the proposed transaction with LSEG.

8. Net finance expense

		2010	2011	2012
	Note	€m	€m	€m
Finance income				
Bank deposit and other interest income		1.2	2.8	1.6
Expected return on defined benefit pension scheme assets	15	8.0	9.0	9.0
Other financial income		-	-	2.4
Total finance income		9.2	11.8	13.0

		2010	2011	2012
	Note	€m	€m	€m
Finance expense				
Preferred Securities		(12.3)	(12.3)	(12.3)
Interest on bank loans and overdrafts and finance leases repayable within 5 years		(0.1)	(0.4)	(0.3)
Interest payable on bank and other borrowings		(12.4)	(12.7)	(12.6)
Defined benefit pension scheme interest cost	15	(7.3)	(7.9)	(8.5)
Total finance expense		(19.7)	(20.6)	(21.1)
Net finance expense		(10.5)	(8.8)	(8.1)

9. Taxation

		2010	2011	2012
	Note	€m	€m	€m
Taxation (charged)/credited to the income statement				
Current tax:				
UK Corporation tax for the year		(0.2)	0.3	(0.8)
Overseas tax for the year		(16.9)	(24.2)	(17.7)
Adjustments in respect of previous years		(1.7)	(0.1)	0.5
Current tax (charged) / credited to the income statement		(18.8)	(24.0)	(18.0)
Deferred tax for the current year		5.9	10.9	(12.8)
Impact of changes in tax rate		(0.4)	(0.8)	(0.8)
Deferred tax credited / (charged) to the income statement	14	5.5	10.1	(13.6)
Taxation charge		(13.3)	(13.9)	(31.6)

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns agreed with relevant tax authorities.

Taxation on items not charged to income statement

	2010	2011	2012
	€m	€m	€m
Deferred tax charge relating to actuarial loss on overseas schemes	0.2	0.4	1.2
Deferred tax relating to actuarial losses / (gains) on UK scheme	1.3	2.9	(1.8)
Deferred tax on Defined benefit pension scheme actuarial losses / (gains)	1.5	3.3	(0.6)

Factors affecting the tax charge for the year

The reconciling items between the profits multiplied by the UK rate of corporation tax rate and the income statement tax charge for the year is explained below:

	2010	2011	2012
	€m	€m	€m
Profit before taxation	32.4	35.1	91.3
Profit multiplied by the UK rate of corporation tax	(9.0)	(9.3)	(22.4)
Expenses not deductible/income not taxable	(0.4)	(0.6)	(1.6)
Overseas earnings taxed at different rate	(2.0)	(1.6)	(8.3)
Adjustments in respect of previous years	(1.7)	(0.1)	0.5
Impact of change in tax rates	(0.4)	(0.8)	(0.8)
Other tax adjustments	0.2	(1.5)	1.0
Taxation charge	(13.3)	(13.9)	(31.6)

The UK statutory corporation tax rate was 28 per cent. in 2010. A gradual reduction in the UK corporation tax rate from 28 per cent. to 24 per cent. over four years was announced in the Emergency Budget of 22 June 2010. The Finance Bill published on 1 July 2010 included the first of the 1 per cent. rate reductions with effect from April 2011, with subsequent reductions to be dealt

with by future legislation. The movement to 27 per cent. has been accounted for in the deferred tax asset in 2010.

The UK statutory corporation tax rate was reduced from 28 per cent. to 26 per cent. in April 2011 (rather than 27 per cent. as previously announced). This was part of a wider policy to reduce the UK corporation tax rate to 23 per cent. by April 2014 through annual reductions of 1 per cent.. The Finance Bill reducing the corporation tax rate to 25 per cent. from April 2012 was substantively enacted on 5 July 2011. This reduction has therefore been accounted for in the LCH.Cleynet Group's deferred tax asset carried forward in 2011.

In 2011, it was announced that the UK statutory corporation tax rate would reduce from 26 per cent. to 24 per cent. (rather than 25 per cent. as previously announced) from April 2012 with further falls to 22 per cent. by April 2014.

The Finance Bill 2012 was substantively enacted on 3rd July 2012. The reduction to the standard rate of corporation tax from 24 per cent. to 23 per cent. will be effective from 1 April 2013. Accordingly the deferred tax balances at 31 December 2012 have been stated at 23 per cent..

A further rate reduction of 2 per cent. has been announced on 5 December 2012 which will reduce the tax rate to 21 per cent. in 2014. This additional change will be enacted separately.

Exchange differences have arisen on the translation of the closing sterling tax payable which is payable to the UK tax authority.

10. Earnings per LCH.Cleynet Group Limited Share

Earnings per LCH.Cleynet Group Limited share is presented on two bases: basic earnings per share and adjusted basic earnings per share. Basic earnings per share are in respect of all activities. Adjusted basic earnings per share exclude impairment/write off of goodwill and intangible assets, non-recurring items and net unrealised marked to market movements on bonds and interest rate swaps, to enable a comparison of the underlying earnings of the business with prior periods. Further details are provided in Note 30.

	2010	2011	2012
Basic and diluted earnings per LCH.Cleynet Share (€ cents)	47.0	52.2	144.9
Adjusted basic and diluted earnings per LCH.Cleynet Share (€ cents)	84.5	190.9	120.6
	2010	2011	2012
	€m	€m	€m
Profit for the financial year attributable to equity holders	19.1	21.2	59.7
Adjustments:			
Impairment/write off of goodwill and intangible assets	3.4	3.4	-
Loss on disposal of intangible assets and loss on write-off of property, plant & equipment	1.0	1.3	-
Transformation plan costs	-	13.6	24.1
Transaction costs	-	4.8	7.0
Tax effect of non-recurring items	(1.2)	(6.1)	(6.4)
Unrealised net investment loss/(gain)	12.0	39.3	(34.7)
Adjusted profit for the financial year attributable to equity holders	34.3	77.5	49.7
Weighted average number of shares - million	40.6	40.6	41.2
Effect of dilutive share options and awards - million	-	-	-
Diluted weighted average number of shares - million	40.6	40.6	41.2

11. Dividends

No dividends were declared by the LCH.Cleartnet Group Limited board or paid in the financial years ended 31 December 2012, 2011 and 2010.

12. Property, plant & equipment

	Land and buildings Leasehold	Computer equipment, purchased software and office equipment	Total
	€m	€m	€m
Cost			
1 January 2010	7.3	26.1	33.4
Additions	1.3	4.8	6.1
Disposals	(2.2)	-	(2.2)
31 December 2010	6.4	30.9	37.3
Additions	3.4	4.9	8.3
Disposals	(2.0)	(3.2)	(5.2)
31 December 2011	7.8	32.6	40.4
Additions	4.4	7.0	11.4
31 December 2012	12.2	39.6	51.8
Depreciation			
1 January 2010	4.3	19.3	23.6
Charge for the year	0.7	5.5	6.2
Disposals	(1.7)	(0.1)	(1.8)
31 December 2010	3.3	24.7	28.0
Charge for the year	0.7	3.8	4.5
Disposals	(1.4)	(2.9)	(4.3)
31 December 2011	2.6	25.6	28.2
Charge for the year	1.0	4.1	5.1
31 December 2012	3.6	29.7	33.3
Net book values			
31 December 2012	8.6	9.9	18.5
31 December 2011	5.2	7.0	12.2
31 December 2010	3.1	6.2	9.3

Assets with a net book value of €0.8 million (2011:€ 0.5 million; 2010: €0.9 million) are held under finance leases and included within computer equipment.

13. Intangible assets

	Goodwill	Self-developed software	Total
	€m	€m	€m
Cost			
1 January 2010	503.8	136.0	639.8
Additions	-	21.9	21.9
Disposals & write-off	-	(2.4)	(2.4)
31 December 2010	503.8	155.5	659.3
Additions	-	15.3	15.3
Disposals & write-off	-	(8.4)	(8.4)
31 December 2011	503.8	162.4	666.2
Additions	29.7	17.7	47.4
Disposals & write-off	-	(1.9)	(1.9)
31 December 2012	533.5	178.2	711.7
Amortisation and accumulated impairment			
1 January 2010	393.4	75.9	469.3
Amortisation charge for the year	-	11.2	11.2
Impairment	-	3.4	3.4
Disposals	-	(1.8)	(1.8)
31 December 2010	393.4	88.7	482.1
Amortisation charge for the year	-	18.4	18.4
Disposals and write-off	-	(4.6)	(4.6)
31 December 2011	393.4	102.5	495.9
Amortisation charge for the year	-	19.4	19.4
Disposals	-	(1.9)	(1.9)
31 December 2012	393.4	120.0	513.4
Net book values			
31 December 2012	140.1	58.2	198.3
31 December 2011	110.4	59.9	170.3
31 December 2010	110.4	66.8	177.2

The portion of capitalised self-developed software costs disclosed above that relates to software not currently brought into use amounted to €25.9 million (2011: €14.5 million; 2010: €23.5 million). No amortisation has been charged during the year against these assets (2011: €nil; 2010: €nil). The LCH.Cleartnet Group impaired some software assets in 2010 where a review indicated there was no prospect of some components being used in production.

Self-developed software costs not recognised as assets, but which are expensed directly to the income statement are disclosed as part of IT Costs in note 5, and amounted to €14.9 million (2011: €12.7 million; 2010: €37.1 million).

Additions to goodwill

On 15 August 2012, the LCH.Cleartnet Group acquired 100 per cent. ownership of IDCG (since renamed LCH.Cleartnet (US) LLC), a US company, for consideration of €29.7 million. The consideration was met by the issue of 1,561,171 ordinary shares of LCH.Cleartnet with an agreed fair value of €19 each.

The acquisition will enable the LCH.Clearnet Group to operate a US domiciled CCP, subject to regulatory approval. The transaction reinforces the LCH.Clearnet Group's commitment to the US marketplace, where it already operates interest rate swap clearing through its SwapClear service.

There were no assets acquired as part of the transaction and no separately identifiable intangible assets have been recognised. The LCH.Clearnet Group believes that the €29.7 million goodwill recognised on acquisition is reasonable and represents the future potential growth of the LCH.Clearnet Group's business in the US. The goodwill is not expected to be tax deductible.

The US business has not traded, and as such has not earned any revenue or profits in the year of acquisition. The business will begin trading during 2013.

Impairment testing of intangible assets

Goodwill

Goodwill is carried in relation to the acquisition of LCH.Clearnet S.A. and LCH.Clearnet (US) LLC, both wholly-owned subsidiaries. The recoverable amounts associated with these subsidiaries are determined based on value-in-use calculations. These calculations use cash flow projections derived from financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated long-term growth rate of 2.0 per cent. (2011: 2.0 per cent.; 2010: 2.0 per cent.). This long-term growth rate is in line with the long-term average growth rate for the markets that LCH.Clearnet S.A. clears.

In preparing the forecasts, management has made certain assumptions. Among these, growth in SwapClear, cash equity and fixed income clearing volumes and tariff levels are the most important; they are also inter-related. Cash flows are discounted using a pre-tax discount rate of 12.2 per cent. (2011: 12.7 per cent.; 2010: 13.0 per cent.), which reflects the specific risks relating to the relevant segments. In addition, having performed a sensitivity analysis, management believe that no reasonably possible change in any of the key assumptions would cause the carrying value of the goodwill to exceed its recoverable amount.

14. Deferred taxation

The movements in deferred tax assets and liabilities during the year are shown below.

	Accelerated accounting depreciation	Provisions and other temporary differences	Total
	€m	€m	€m
At 1 January 2010	4.7	3.9	8.6
Tax credited to income statement	3.8	1.7	5.5
Tax credited to other comprehensive income:			
- defined benefit pension scheme actuarial loss	-	1.5	1.5
Other movements	-	(0.1)	(0.1)
31 December 2010	8.5	7.0	15.5
Tax (charged)/ credited to income statement	(1.8)	11.9	10.1
Tax credited to other comprehensive income:			
- defined benefit pension scheme actuarial loss	-	3.3	3.3
Other movements	-	0.1	0.1
31 December 2011	6.7	22.3	29.0
Tax credited/(charged) to income statement	1.4	(15.0)	(13.6)
Tax credited to other comprehensive income:			
- defined benefit pension scheme actuarial gain	-	(0.6)	(0.6)
31 December 2012	8.1	6.7	14.8

Deferred tax asset and liability balances at each year end are shown below.

	Accelerated accounting depreciation	Provisions and other temporary differences	Total
	€m	€m	€m
Assets at 31 December 2012	8.5	6.3	14.8
Liabilities at 31 December 2012	-	-	-
Net deferred tax assets at 31 December 2012	8.5	6.3	14.8
Assets at 31 December 2011	6.7	22.3	29.0
Liabilities at 31 December 2011	-	-	-
Net deferred tax assets at 31 December 2011	6.7	22.3	29.0
Assets at 31 December 2010	8.5	7.0	15.5
Liabilities at 31 December 2010	-	-	-
Net deferred tax assets at 31 December 2010	8.5	7.0	15.5

Other movements are principally due to exchange on the underlying sterling deferred tax asset in the UK. Deferred tax assets are recognised to the extent that the realisation of the related tax benefits through future taxable profits is probable. There are no unrecognised deferred tax assets.

15. Retirement benefit asset/obligation

Net liability shown in the consolidated statement of financial position

	2010	2011	2012
	€m	€m	€m
Deficit for funded plans	6.4	11.8	2.7
Other European retirement provisions	3.7	3.8	5.4
Total	10.1	15.6	8.1

Pension commitments

The LCH.Clearnet Group operates the LCH.Clearnet Pension Scheme in the UK, which was closed to new members from 30 September 2009. In addition, the LCH.Clearnet Group has obligations in respect of certain staff in a Euronext defined benefit pension scheme in Amsterdam and an independent defined benefit scheme in Porto. The UK scheme has 259 active members, 525 inactive members and 119 pensioners. The Amsterdam scheme has 12 active and 7 inactive members, whilst the Porto scheme has only 4 active members. The following disclosure represents the consolidated position of these arrangements.

The valuations of the UK scheme conducted for financial reporting purposes are based on the triennial actuarial valuation. The other schemes were subject to a full valuation at 31 December 2012. A summary of the triennial valuation for the UK scheme, as at 30 June 2010, is as follows:

Actuarial method used	Projected unit
Rate of investment returns per annum – pre-retirement	6.00%
Rate of investment returns per annum – post-retirement	4.625%
Increase in earnings per annum	5.20%
Scheme assets taken at market value	€133.0 million
Wind-up funding level	67%

Amounts recognised in the income statement are as follows:

	2010		2011		2012	
	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans
	€m	€m	€m	€m	€m	€m
Defined contribution schemes	(0.5)	-	(1.1)	-	(1.5)	-
Defined benefit scheme - current service cost	(10.4)	(0.2)	(9.6)	(0.2)	(9.3)	(0.2)
Amendments	-	-	(0.7)	-	-	-
Other employee benefit costs	-	(1.3)	-	(0.4)	-	(0.8)
Total pension charge included in employee costs (see note 6)	(10.9)	(1.5)	(11.4)	(0.6)	(10.8)	(1.0)

	2010		2011		2012	
	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans
	€m	€m	€m	€m	€m	€m
Finance income and expense						
Interest cost	(7.1)	(0.2)	(7.7)	(0.2)	(8.3)	(0.2)
Expected return on assets	7.9	0.1	8.9	0.1	8.8	0.2
Net finance income/(expense)	0.8	(0.1)	1.2	(0.1)	0.5	-
Total recognised in the income statement	(10.1)	(1.6)	(10.2)	(0.7)	(10.3)	(1.0)

Defined benefit assets/(obligations) for pension schemes

	2008	2009	2010	2011	2012
	€m	€m	€m	€m	€m
Fair value of assets:					
Equities	46.3	69.9	94.2	93.2	107.7
Bonds	19.7	23.2	44.8	46.9	68.7
Property and cash	7.2	30.9	7.2	22.8	17.3
Total fair value of assets	73.2	124.0	146.2	162.9	193.7
Present value of funded obligations	(95.1)	(125.3)	(152.6)	(174.7)	(196.4)
Deficit	(21.9)	(1.3)	(6.4)	(11.8)	(2.7)

The main actuarial assumptions are set out below:

	2010		2011		2012	
	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans
	€m	€m	€m	€m	€m	€m
Inflation rate - RPI	3.5%	2.0%	3.10%	2.00%	3.00%	2.00%
Inflation rate - CPI	-	-	2.30%	-	2.20%	-
				3.50%/		3.50%/
Rate of increase in salaries	5.0%	3.5%	4.60%	3.00%	4.50%	3.00%
Rate of increase in pensions in payment	3.3%	1.5%	2.80%	0.50%	2.80%	0.50%
Discount rate	5.3%	4.8%	4.75%	5.00%	4.50%	3.00%
Expected return on assets as at the start of the year						
- equities	6.7%	6.70%/ 8.90%	6.15%	7.20%	6.25%	6.90% / 0.83%
- bonds	5.0%	3.50%/ 3.52%	3.15%	3.90%	3.25%	2.92% / 1.79%
- property	6.7%	n/a / 6.40%	6.15%	4.10%	6.25%	4.50% / 0.95%
Life expectancy from age 60 (Years)						
- Retired male member	28.8		29.1		29.1	
- Retired female member	31.7		31.1		31.1	

The discount rate for the UK scheme has been determined from a curve of AA corporate bond rates by duration which is consistent with the profile of the scheme's liabilities at around 25 years.

The assumptions for the Amsterdam and Porto schemes as detailed above are identical other than where indicated. Scheme assets are stated at their market value at the respective consolidated statement of financial position dates. The expected rate of return on assets is determined based on the market prices prevailing at that date.

Sensitivities

The sensitivities regarding the principal assumptions used to measure the scheme obligations are:

Assumption	Change in assumption	Impact on scheme obligations (€m)
Inflation rate	Decrease/Increase by 0.25%	Decrease by 10.8/ Increase by 11.9
Discount rate	Decrease/Increase by 0.25%	Increase by 13.0/Decrease by 12.1
Mortality rate	Decrease by 1 year	Decrease by 3.8

Movement in defined benefit obligation during the year

	2010		2011		2012	
	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans
	€m	€m	€m	€m	€m	€m
1 January	122.0	3.3	149.3	3.3	171.2	3.5
Current service cost	10.4	0.2	9.6	0.2	9.3	0.2
Interest expense	7.1	0.2	7.7	0.2	8.3	0.2
Benefits paid	(6.5)	-	(3.3)	(0.1)	(3.3)	-
Actuarial (gain)/loss	12.3	(0.3)	2.1	(0.1)	(0.4)	2.7
Foreign exchange	4.0	(0.1)	5.0	-	4.7	-
Amendments	-	-	0.8	-	-	-
31 December	149.3	3.3	171.2	3.5	189.8	6.6

Movement in fair value of UK and overseas plan assets during the year

	2010		2011		2012	
	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans
	€m	€m	€m	€m	€m	€m
1 January	121.3	2.6	143.2	3.0	159.5	3.4
Expected return on assets	7.9	0.1	8.9	0.1	8.8	0.2
Contributions received	9.5	0.3	15.1	0.5	13.0	0.6
Benefits paid	(6.5)	-	(3.3)	-	(3.3)	-
Actuarial gain / (loss)	7.0	-	(9.5)	(0.2)	7.1	0.1
Foreign exchange	4.0	-	5.1	-	4.3	-
31 December	143.2	3.0	159.5	3.4	189.4	4.3

The actual return on plan assets was €16.2 million (2011: loss of €0.6 million; 2010: €15.1 million).

Defined benefit actuarial gains and losses recognised

The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income:

	2010			2011			2012		
	UK Pension	Amsterdam /Porto plans	Other European	UK Pension	Amsterdam /Porto plans	Other European	UK Pension	Amsterdam /Porto plans	Other European
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Recognised up to 1 January	5.5	(0.1)	-	10.8	(0.4)	0.8	22.4	(0.3)	0.4
Net actuarial (gain)/loss recognised in the year	5.3	(0.3)	0.8	11.6	0.1	(0.4)	(7.5)	2.6	1.4
Cumulative amount recognised at 31 December	10.8	(0.4)	0.8	22.4	(0.3)	0.4	14.9	2.3	1.8

The cumulative amount of actuarial losses recognised in the statement of changes in equity since the LCH.Clearnet Group adopted IFRS on 1 January 2004 is €19.0 million (2011: €22.5 million; 2010: €11.2 million)

Contributions

The LCH.Clearnet Group expects to contribute €7.1 million (2011: €8.2 million 2010: €9.8 million) to its defined benefit pension plans in 2013. The contributions in 2012 included a one-off additional payment of €5.1 million (2011: €6.4 million) into the LCH.Clearnet Pension Scheme in December 2012. The LCH.Clearnet Pension Scheme was closed to new members from 1 September 2009. New employees in LCH.Clearnet Limited have had the possibility to join a new defined contribution scheme since 1 January 2010.

The LCH.Clearnet Group pays fixed contributions to the defined contribution scheme and there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the LCH.Clearnet Group in a fund under the control of the trustees. The total expense charged to the income statement of €1.5 million (2011: €1.1 million; 2010: €0.5 million) represents contributions payable to the plan by LCH.Clearnet at rates specified in the rules of the plan.

Other European retirement provisions

Included in the employee benefits is a long service award scheme of €5.3 million (2011: €3.6 million; 2010: €3.4 million) and €0.1 million (2011: €0.2 million; 2010: €0.3 million) in respect of early retirement in compliance with an agreement with Euronext Paris personnel dated 19 December 2001. These provisions have been calculated by an independent actuary based on changes in the workforce (turnover, seniority and participation in the early retirement scheme). The charge to the income statement for the year in respect of the long service award commitment was €0.8 million (2011: €0.4 million; 2010: €1.3 million) and the charge in the early retirement scheme was €nil (2011: €nil; 2010: €nil). The amount recognised directly in other comprehensive income relating to actuarial losses is €1.4 million (2011: €0.4 million gain; 2010: €0.8 million).

The LCH.Clearnet Group estimates the present value of the duration of defined benefit obligations on average fall due over 20 years.

History of experience gains and losses for UK scheme

	2007	2008	2009	2010	2011	2012
Experience adjustments arising on scheme assets						
Gain/(loss) (€m)	2.0	(27.7)	10.7	7.0	(9.7)	7.2
Percentage of scheme assets	2.0%	(38.0%)	9.0%	5.0%	(6.0%)	4.0%
Experience adjustments arising on scheme liabilities						
Experience loss (€m)	-	(11.3)	-	(2.7)	(2.0)	(8.6)
Percentage of scheme liabilities	-	(9.0%)	-	(2.0%)	(1.0%)	(4.0%)

16. Trade and other receivables

	2010	2011	2012
	€m	€m	€m
Trade and other receivables	43.5	78.1	100.1
Prepayments and accrued income	16.6	13.4	17.8
Total	60.1	91.5	117.9

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 increase in other receivables in 2012 and 2011 is principally due to amount recoverable from members relating to the development of clearing systems.

Included in other receivables is €96.1 million (2011: €72.7 million; 2010: €37.5 million) relating to arrangements where the LCH.Clearnet Group initially funds the development and/or upgrade of clearing platforms for a syndicate of clearing members. In 2012, €84.2 million (2011: €30.7 million; 2010: €37.5 million) of other receivables are non-current. There were no impairment losses incurred during 2010, 2011 and 2012.

The carrying amounts of the LCH.Clearnet Group's trade and other receivables are denominated in the following currencies:

	2010	2011	2012
	€m	€m	€m
Sterling	8.1	7.9	15.4
Euro	52.0	83.2	102.5
Other Currencies	-	0.4	-
Total	60.1	91.5	117.9

17. Financial Instruments

The financial instruments of the LCH.Clearnet Group are categorised as follows:

31 December 2012	Loans and receivables	Held to Maturity	Assets at fair value through profit or loss	Total
	€m	€m	€m	€m
Financial assets				
Financial assets of the CCP clearing business				
- CCP trading assets	-	-	3,770.0	3,770.0
- Receivables for repurchase transactions	446,783.3	-	-	446,783.3
Total CCP trading assets and repurchase transaction receivables	446,783.3	-	3,770.0	450,553.3
- Other receivables from clearing members	4,810.8	-	-	4,810.8
Total member balances⁽¹⁾	451,594.1	-	3,770.0	455,364.1
- Financial assets held at fair value	-	-	11,748.8	11,748.8
- Financial assets held to maturity	-	2,248.5	-	2,248.5
- Cash and cash equivalents of clearing members	25,751.8	-	-	25,751.8
Financial assets of the CCP clearing business	477,345.9	2,248.5	15,518.8	495,113.2
Trade and other receivables	94.1	-	-	94.1
Other current assets*	161.5	-	-	161.5
Cash and cash equivalents	432.1	-	-	432.1
Derivative financial assets	-	-	-	-
Total	478,033.6	2,248.5	15,518.8	495,800.9

*Other current assets principally consist of surplus margin monies of €60.1 million arising from the close out of the positions of a defaulting member, MF Global, which is payable to their administrators (refer to note 19), €68.7 million relating to other loans (refer to note 20) and €32.7 million relating to margin monies.

31 December 2012	Other financial liabilities	Liabilities at fair value through profit or loss	Total
	€m	€m	€m
Financial liabilities			
Financial liabilities of the CCP clearing business			
- CCP trading liabilities	-	3,770.0	3,770.0
- Liabilities under repurchase transactions	446,783.3	-	446,783.3
- Other payables to clearing members	44,559.9	-	44,559.9
Financial liabilities of the CCP clearing business	491,343.2	3,770.0	495,113.2
Trade and other payables	231.1	-	231.1
Borrowings	248.0	-	248.0
Derivative financial liabilities	-	35.4	35.4
Total	491,822.3	3,805.4	495,627.7

31 December 2011	Loans and receivables	Held to Maturity	Assets at fair value through profit or loss	Total
	€m	€m	€m	€m
Financial assets				
Financial assets of the CCP clearing business				
- CCP trading assets	-	-	5,869.7	5,869.7
- Receivables for repurchase transactions	491,410.0	-	-	491,410.0
Total CCP trading assets and repurchase transaction receivables	491,410.0	-	5,869.7	497,279.7
- Other receivables from clearing members	4,285.7	-	-	4,285.7
Total member balances⁽¹⁾	495,695.7	-	5,869.7	501,565.4
- Financial assets held at fair value	-	-	11,197.3	11,197.3
- Financial assets held to maturity	-	7,552.1	-	7,552.1
- Cash and cash equivalents of clearing members	19,738.6	-	-	19,738.6
Financial assets of the CCP clearing business	515,434.3	7,552.1	17,067.0	540,053.4
Trade and other receivables	78.1	-	-	78.1
Other current assets*	229.7	-	-	229.7
Cash and cash equivalents	445.7	-	-	445.7
Derivative financial assets	-	-	1.0	1.0
Total	516,187.8	7,552.1	17,068.0	540,807.9

* Other current assets consist of surplus margin monies of €161.9 million arising from the close out of the positions of a defaulting member, MF Global, which is payable to their administrators; and cash received as a result of a repurchase agreement.

During 2011, the LCH.Clearnet Group entered into a repurchase agreement with a large European financial institution, whereby the LCH.Clearnet Group pledged €100 million of a particular security in the treasury portfolio in exchange for €67.8 million of liquid funds. This position was closed during 2012.

31 December 2011	Other financial liabilities	Liabilities at fair value through profit or loss	Total
	€m	€m	€m
Financial liabilities			
Financial liabilities of the CCP clearing business			
- CCP trading liabilities	-	5,869.7	5,869.7
- Liabilities under repurchase transactions	491,410.0	-	491,410.0
- Other payables to clearing members	42,773.7	-	42,773.7
Financial liabilities of the CCP clearing business	534,183.7	5,869.7	540,053.4
Trade and other payables	316.9	-	316.9
Borrowings	246.1	-	246.1
Derivative financial liabilities	-	60.8	60.8
Total	534,746.7	5,930.5	540,677.2

31 December 2010	Loans and receivables	Held to Maturity	Assets at fair value through profit or loss	Total
	€m	€m	€m	€m
Financial assets				
Financial assets of the CCP clearing business				
- CCP trading assets	-	-	6,758.9	6,758.9
- Receivables for repurchase transactions	473,828.0	-	-	473,828.0
Total CCP trading assets and repurchase transaction receivables	473,828.0	-	6,758.9	480,586.9
- Other receivables from clearing members	2,266.8	-	-	2,266.8
Total member balance⁽¹⁾	476,094.8	-	6,758.9	482,853.7
- Financial assets held at fair value	-	-	11,438.0	11,438.0
- Financial assets held to maturity	-	2,979.4	-	2,979.4
- Cash and cash equivalents of clearing members	15,360.5	-	-	15,360.5
Financial assets of the CCP clearing business	491,455.3	2,979.4	18,196.9	512,631.6
Trade and other receivables	43.5	-	-	43.5
Cash and cash equivalents	408.8	-	-	408.8
Derivative financial assets	-	-	1.4	1.4
Total	491,907.6	2,979.4	18,198.3	513,085.3

31 December 2010	Other financial liabilities	Liabilities at fair value through profit or loss	Total
	€m	€m	€m
Financial liabilities			
Financial liabilities of the CCP clearing business			
- CCP trading liabilities	-	6,758.9	6,758.9
- Liabilities under repurchase transactions	473,828.0	-	473,828.0
- Other payables to clearing members	32,044.7	-	32,044.7
Financial liabilities of the CCP clearing business	505,872.7	6,758.9	512,631.6
Trade and other payables	141.5	-	141.5
Borrowings	177.9	-	177.9
Derivative financial liabilities	-	26.8	26.8
Total	506,192.1	6,785.7	512,977.8

Financial instruments exclude prepayments, other taxes and accrued income which are not considered financial assets and other taxes and social security and deferred income which are not considered financial liabilities.

⁽¹⁾Total member balances

Balances with clearing members form the largest component of the LCH.Clearnet Group's consolidated statement of financial position. The balances due from clearing members recorded in the consolidated statement of financial position of €455,364.1 million (2011: €501,565.4 million; 2010: €482,853.7 million) are fully secured by collateral held by the LCH.Clearnet Group. All outstanding RepoClear transactions are fully collateralised after appropriate haircutting. To date this collateral has not been utilised.

Fixed income transactions form by far the largest component of balances with clearing members, as they are recorded according to their economic substance as collateralised loans. At 31 December 2012, the total of fully collateralised loans in respect of fixed income transactions was €446,783.3 million (2011: €491,410 million; 2010: €473,828 million). This collateral has in turn, been passed on to fixed income counterparties to secure the LCH.Clearnet Group's liabilities in respect of fixed income contracts.

At 31 December 2012, the total net amount of non-cash collateral (including in respect of initial margin) relating to other balances due from clearing members was €33,506.0 million (2011: €37,758.0 million; 2010: €31,891.0 million) and the total amount of guarantees held was €2,387.4 million (2011: €2,456.4 million; 2010: €3,163.0 million). To date this collateral has not been utilised.

The largest concentration of treasury exposures of the total investment portfolio as at 31 December 2012 was 12.7 per cent. to the European Central bank (2011: 8.8 per cent. and 2010: 11.1 per cent. to UK Government backed securities).

Default funds

The purpose of the default funds is to fund any losses incurred by the LCH.Clearnet Group in the event of a clearing member default if the margin collateral is insufficient to cover the management and close out of the positions of the defaulting clearing member.

Fair value hierarchy

The LCH.Clearnet 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 that have a significant effect on the recorded fair value are observable either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data. The LCH.Clearnet Group has no financial instruments in this category.

As at 31 December 2012, the LCH.Clearnet Group held the following financial instruments measured at fair value:

	2012	Level 1	Level 2
	€m	€m	€m
Assets measured at fair value			
Fair value of transactions with clearing members	3,770.0	3,770.0	-
Treasury bills	7,448.6	7,448.6	-
Government backed, bank issued certificates of deposit	4,300.2	-	4,300.2
Total	15,518.8	11,218.6	4,300.2
Liabilities measured at fair value			
Fair value of transactions with clearing members	(3,770.0)	(3,770.0)	-
Interest rate swap liability	(35.4)	-	(35.4)
Total	(3,805.4)	(3,770.0)	(35.4)

As at 31 December 2011, the LCH.Clearnet Group held the following financial instruments measured at fair value:

	2011	Level 1	Level 2
	€m	€m	€m
Assets measured at fair value			
Fair value of transactions with clearing members	5,869.7	5,869.7	-
Treasury bills	2,631.6	2,631.6	-
Government backed, bank issued certificates of deposit	8,431.2	-	8,431.2
Bank issued certificates of deposit	134.5	-	134.5
Interest rate swap asset	-	-	-
Foreign exchange forward contract	1.0	1.0	-
Total	17,068.0	8,502.3	8,565.7
Liabilities measured at fair value			
Fair value of transactions with clearing members	(5,869.7)	(5,869.7)	-
Interest rate swap liability	(60.8)	-	(60.8)
Total	(5,930.5)	(5,869.7)	(60.8)

As at 31 December 2010, the LCH.Clearnet Group held the following financial instruments measured at fair value:

	2010	Level 1	Level 2
	€m	€m	€m
Assets measured at fair value			
Fair value of transactions with clearing members	6,758.9	5,786.8	972.1
Treasury bills	3,158.6	3,158.6	-
Government backed, bank issued certificates of deposit	7,008.2	-	7,008.2
Government backed, bank securities	1,204.5	-	1,204.5
Bank issued certificates of deposit	66.7	-	66.7
Interest rate swap asset	1.4	-	1.4
Total	18,198.3	8,945.4	9,252.9
Liabilities measured at fair value			
Fair value of transactions with clearing members	(6,758.9)	(5,786.8)	(972.1)
Interest rate swap liability	(26.8)	-	(26.8)
Total	(6,785.7)	(5,786.8)	(998.9)

Credit risk

Financial assets are neither past due nor impaired. There were no impairment losses incurred during 2010, 2011 and 2012. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the consolidated statement of financial position date. Credit risk in the LCH.Clearnet Group principally arises from cash and cash equivalents and exposures to member balances. The LCH.Clearnet Group only makes treasury deposits with banks and financial institutions with a credit rating of at least "A" and also by reference to counterparty limits with respect to concentration and maturity. The LCH.Clearnet Group's exposure to member balances and the treasury portfolio are managed through the LCH.Clearnet Group's risk policies. Members are subject to strict eligibility criteria which are monitored on a regular basis and, in addition, are required to contribute to the default funds as well as depositing initial margin and daily variation margin when entering into clearing contracts.

The table below shows the LCH.Clearnet Group's CCP trading assets and repurchase transaction receivables and treasury portfolio by reference to the credit rating of the counterparty. The treasury portfolio includes cash at bank and other financial assets.

	2010	2011	2012
	€m	€m	€m
CCP trading assets and repurchase transaction receivables			
(Ratings as measured by Fitch)			
Members rated AAA	14,981.9	16,292.2	16,529.3
AA+	13,753.9	34,259.0	-
AA	75,546.3	71,728.5	2,711.9
AA-	134,781.6	91,562.4	73,616.9
A+	82,630.2	102,574.8	62,243.8
A	36,540.6	118,326.9	174,279.0
A-	5,740.3	13,790.1	74,577.0
BBB+	10.8	26,736.7	678.9
BBB	102,004.1	1,330.1	14,642.4
BBB-	-	-	0.3
BB+	-	-	1,534.1
Unrated	14,597.2	20,679.0	29,739.7
Total	480,586.9	497,279.7	450,553.3

	2010	2011	2012
	€m	€m	€m
LCH.Clearnet Group treasury portfolio			
(Ratings assigned with reference to major agencies)			
AAA/AA+/AA- Government backed	15,179.6	22,163.2	21,476.8
AA/AA+/AAA Secured	2,671.7	-	1,382.4
AA/AA+/AAA Unsecured	772.6	439.3	-
A+/AA- Secured	11,261.5	16,195.4	16,880.9
A+/AA- Unsecured	301.3	365.5	602.6
Total	30,186.7	39,163.4	40,342.7

The LCH.Clearnet Group treasury portfolio includes CCP cash and cash equivalents, cash and cash equivalents, other current assets, financial assets held at fair value and financial assets held to maturity.

Liquidity and interest rate risk

The following table sets out the maturity profile of the LCH.Clearnet Group's financial assets and liabilities based on contractual, undiscounted receipts and payments:

31 December 2012	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Cash and short-term deposits	432.1	-	-	-	-	432.1
Other current assets	161.5	-	-	-	-	161.5
Treasury portfolio	593.6	-	-	-	-	593.6
Transactions with clearing members - asset	1,481.5	461,278.0	-	-	-	462,759.5
Initial margin and other member balances - asset	15,032.5	9,739.5	5,431.9	2,149.8	-	32,353.7
Transactions with clearing members - liability	-	(450,460.1)	-	-	-	(450,460.1)
Initial margin and other member balances - liability	-	(39,058.0)	-	-	-	(39,058.0)
Default Fund	-	-	-	(5,595.1)	-	(5,595.1)
Net balance with members	16,514.0	(18,500.6)	5,431.9	(3,445.3)	-	-
Trade and other receivables	9.9	-	-	84.2	-	94.1
Trade and other payables	(179.3)	-	-	(51.8)	-	(231.1)
Preferred securities	-	-	(11.8)	(227.3)	-	(239.1)
Interest rate swaps – net outflows	-	(0.1)	(6.6)	(28.7)	-	(35.4)
	(169.4)	(0.1)	(18.4)	(223.6)	-	(411.5)

31 December 2011	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Cash and short-term deposits	445.7	-	-	-	-	445.7
Other current assets	229.7	-	-	-	-	229.7
Repurchase agreement borrowing	(67.8)	-	-	-	-	(67.8)
Treasury portfolio	607.6	-	-	-	-	607.6
Transactions with clearing members - asset	-	514,613.5	-	-	-	514,613.5
Initial margin and other member balances - asset	2,435.3	13,631.3	5,578.0	3,795.3	-	25,439.9
Transactions with clearing members - liability	-	(497,262.0)	-	-	-	(497,262.0)
Initial margin and other member balances - liability	-	(40,747.7)	-	-	-	(40,747.7)
Default Fund	-	-	-	(2,043.7)	-	(2,043.7)
Net balance with members	2,435.3	(9,764.9)	5,578.0	1,751.6	-	-
Trade and other receivables	78.1	-	-	-	-	78.1
Trade and other payables	(288.0)	-	-	(28.9)	-	(316.9)
Preferred securities	-	-	(11.8)	(47.4)	(191.8)	(251.0)
Interest rate swaps – net outflows	-	(1.8)	(10.6)	(48.4)	-	(60.8)
Foreign exchange forward contract	-	1.0	-	-	-	1.0
	(209.9)	(0.8)	(22.4)	(124.7)	(191.8)	(549.6)

31 December 2010	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Cash and short-term deposits	408.8	-	-	-	-	408.8
Other financial assets	-	-	-	-	-	-
Treasury portfolio	408.8	-	-	-	-	408.8
Transactions with clearing members - asset	-	495,947.3	-	-	-	495,947.3
Initial margin and other member balances - asset	2,932.9	3,295.8	4,102.3	6,353.3	-	16,684.3
Transactions with clearing members - liability	-	(480,572.1)	-	-	-	(480,572.1)
Initial margin and other member balances - liability	-	(30,030.2)	-	-	-	(30,030.2)
Default Fund	-	-	-	(2,029.3)	-	(2,029.3)
Net balance with members	2,932.9	(11,359.2)	4,102.3	4,324.0	-	-
Trade and other receivables	46.9	-	-	-	-	46.9
Trade and other payables	(126.5)	-	-	-	(15.0)	(141.5)
Preferred securities	-	-	(11.8)	(47.3)	(203.7)	(262.8)
Interest rate swaps – net outflows	-	(0.4)	(4.3)	(20.7)	-	(25.4)
	(79.6)	(0.4)	(16.1)	(68.0)	(218.7)	(382.8)

The financial liabilities, with the exception of the preferred securities, are based upon rates set on a daily basis.

Certificates of deposit (both bank issued and government backed) are all carried at fair value. For assets not marked to market, there is no material difference between the carrying value and fair value.

Based on market prices at 31 December 2012, the fair value of the preferred securities is approximately €144.0 million (2011: €120.6 million; 2010: €126.0 million) at the year-end compared to the amortised cost carrying value of €177.9 million (2011: €177.4 million; 2010: €176.9 million).

Interest rate sensitivity analysis

The LCH.Clearnet Group's exposure to interest rate fluctuations is minimal. Any exposure is predominantly due to the mismatch between the LCH.Clearnet Group's interest bearing assets, net of interest rate swaps and interest bearing member liabilities. Since the return paid on member liabilities is generally reset to prevailing market interest rates on an overnight basis, the LCH.Clearnet Group is only exposed for the time it takes to reset the interest rates on its investments. The maximum fixed exposure on any asset in the treasury portfolio is six months and is subject to an overall interest rate limit.

The following table shows the estimated impact on consolidated profit after tax and the effect on retained earnings within shareholders' equity for each category of financial instrument held at the consolidated statement of financial position date:

	2010	2010	2010	2011	2011	2011	2012	2012	2012
	€m	€m	€m	€m	€m	€m	€m	€m	€m
	+25bp of interest rate	+50bp of interest rate	+100bp of interest rate	+25bp of interest rate	+50bp of interest rate	+100bp of interest rate	+25bp of interest rate	+50bp of interest rate	+100bp of interest rate
Net exposure of cash and member margin balances	(22.4)	(45.3)	(91.2)	(20.3)	(43.0)	(88.5)	(13.2)	(26.4)	(52.7)
Interest rate swaps	19.1	38.1	76.3	16.4	32.7	65.4	7.7	15.3	30.7
	(3.3)	(7.2)	(14.9)	(3.9)	(10.3)	(23.1)	(5.5)	(11.1)	(22.0)
Tax effect of above	0.9	1.9	4.2	1.0	2.7	6.1	1.3	2.7	5.4
Impact on profit after tax	(2.4)	(5.3)	(10.7)	(2.9)	(7.6)	(17.0)	(4.2)	(8.4)	(16.6)

	2010	2010	2010	2011	2011	2011	2012	2012	2012
	€m	€m	€m	€m	€m	€m	€m	€m	€m
	-25bp of interest rate	-50bp of interest rate	-100bp of interest rate	-25bp of interest rate	-50bp of interest rate	-100bp of interest rate	-25bp of interest rate	-50bp of interest rate	-100bp of interest rate
Net exposure of cash and member margin balances	20.2	39.7	78.8	2.3	36.5	72.5	13.2	26.4	52.7
Interest rate swaps	(19.1)	(38.1)	(76.3)	(0.1)	(32.7)	(65.4)	(7.7)	(15.3)	(30.7)
	1.1	1.6	2.5	2.2	3.8	7.1	5.5	11.1	22.0
Tax effect of above	(0.3)	(0.4)	(0.7)	(0.6)	(1.0)	(1.8)	(1.3)	(2.7)	(5.4)
Impact on profit after tax	0.8	1.2	1.8	1.6	2.8	5.3	4.2	8.4	16.6

Foreign exchange sensitivity

The LCH.Clearnet Group converts or hedges surplus FX balances or cash flows to euros on a regular basis, which minimises the effect exchange rate fluctuations will have on overall LCH.Clearnet Group net assets and liabilities. There are immaterial amounts of FX exposure in the parent company, LCH.Clearnet S.A. and LCH.Clearnet (Luxembourg) S.à.r.l.

The table below summarises the FX exposure on the net monetary position of LCH.Clearnet Limited, which is expressed in euros (the LCH.Clearnet Group's presentational currency), and the effect of a reasonable shift of the relevant exchange rates on the LCH.Clearnet Group's net profit, shareholders' equity and net assets. The reasonable shift in exchange rates is calculated as the average movement over the past two years.

	2010	2010	2011	2011	2012	2012		
	£	\$	£	\$	£	\$		
	€m	€m	€m	€m	€m	€m		
Net exposure	(11.4)	7.2	(37.2)	9.2	(18.5)	1.5		
Reasonable shift			5.7%	5.8%	3.1%	4.4%	2.8%	0.6%
Total effect on profit/net assets of positive movements			0.6	(0.4)	1.2	(0.4)	0.5	-
Total effect on profit/net assets of negative movements			(0.6)	0.4	(1.2)	0.4	(0.5)	-

Amounts included in the income statement in relation to financial instruments

	2010	2011	2012
	€m	€m	€m
Interest income on assets held at fair value	177.8	250.8	102.1
Interest income on assets held at amortised cost	108.3	211.6	129.7
Net gain/(loss) on revaluation of other financial assets held at fair value included in net interest income	(1.7)	(3.9)	9.3
Net gain/(loss) on interest rate swaps	(10.3)	(35.4)	25.4
Total revaluation gains/(losses)	(12.0)	(39.3)	34.7
Interest income	274.1	423.1	266.5
Interest expense on liabilities held at amortised cost	(198.0)	(354.7)	(136.6)
Total net treasury income	76.1	68.4	129.9
Finance income on assets held at amortised cost	1.2	2.8	4.0
Expected return on defined benefit pension scheme assets	8.0	9.0	9.0
Finance costs on overdrafts and finance leases held at amortised cost	(0.1)	(0.4)	(0.3)
Finance costs on loans and borrowings held at amortised cost	(12.3)	(12.3)	(12.3)
Defined benefit pension scheme interest cost	(7.3)	(7.9)	(8.5)
Net finance cost	(10.5)	(8.8)	(8.1)

All financial assets held at fair value are designated as such at initial recognition by the LCH.Clearnet Group.

18. Cash and cash equivalents

	2010	2011	2012
	€m	€m	€m
Cash at bank	33.2	78.7	114.8
Short term deposits	375.6	367.0	317.3
Total	408.8	445.7	432.1

€312.7 million (2011: €354.3 million; 2010: €361.9 million) of short-term deposits are fully collateralised by sovereign and investment grade corporate securities in accordance with eligibility criteria approved by the LCH.Clearnet Group's risk committee. LCH.Clearnet Limited held cash and cash equivalents of €77.6 million (£63.0 million) as at 31 December 2012 for regulatory purposes (2011: €60.1 million (£49.9 million); 2010: €52.8 million (£45.4 million)) and LCH.Clearnet Limited's liquid financial assets were measured as €159.5 million (£129.6 million) (2011: €139.7 million (£116.0 million); 2010: €129.4 million (£111.3 million)) after deduction of the own capital contribution to a member default fund in 2012 of €24.6 million (£20.0 million) and its net capital as €206.5 million (£167.8 million) (2011: €164.8 million (£136.8 million); 2010: €153.3 million (£131.9 million)).

19. Trade and other payables

	2010	2011	2012
	€m	€m	€m
Trade payables	9.3	8.0	12.9
Other payables including social security and other taxes	25.8	34.8	35.8
Amount owing to the administrators of MF Global	-	161.9	60.1
Accruals and deferred income	106.4	119.3	130.8
Total	141.5	324.0	239.6

The carrying amounts of trade and other payables are reasonable approximations of fair value. €51.8 million (2011: €28.9 million; 2010: €15.0 million) included in accruals and deferred income relate to certain arrangements where the development and/or upgrading services in relation to clearing platforms are pre-funded by the syndicate members. In 2012, €51.8 million (2011: €28.9 million; 2010: €15.0 million) of accruals and deferred income is non-current.

20. Loans, repurchase agreements and other borrowings

	2010	2011	2012
	€m	€m	€m
Current			
Other loans	-	-	68.7
Repurchase agreements	-	67.8	-
Finance leases	0.3	0.3	0.3
Total	0.3	68.1	69.0
Non-current			
Preferred Securities	176.9	177.4	177.9
Finance leases	0.7	0.6	1.1
Total	177.6	178.0	179.0

Repurchase agreement

During 2011, the LCH.Clearnet Group entered into a repurchase agreement with a large European financial institution, whereby the LCH.Clearnet Group pledged €100 million of a particular security in the treasury portfolio in exchange for €67.8 million of liquid funds. This position was closed during 2012.

Other loans

The Group has an \$80.0 million (€60.6 million) term facility from JP Morgan Chase International Financing Ltd. This is being used to fund the LCH.Clearnet LLC default fund ahead of the launch of the clearing service in that subsidiary when it will be replaced by clearing members' default fund contributions. Interest is charged monthly at USD LIBOR + 1.1 per cent., although it is currently being charged to the clearing service development cost and is recoverable under agreements with certain clearing members.

The Group has an €8.0 million loan from OTC Derivnet Limited which is repayable by 13 February 2014 or with one month's notice, whichever is the sooner. Interest is charged monthly at a rate of EURIBOR + 1.1 per cent. and is added to the outstanding loan balance. The current outstanding balance is €8.1 million.

Preferred securities

The LCH.Clearnet Group issued €200 million non step-up preferred securities on 18 May 2007. Interest is payable annually in arrears at a fixed rate of 6.576 per cent. until 18 May 2017. From 18 May 2017 interest is payable at 2.1 per cent. above three month EURIBOR. The preferred securities are redeemable in whole at the option of the LCH.Clearnet Group on the 10th anniversary of issue, or any distribution date thereafter. The preferred securities are listed on the Dublin Stock Exchange and are held through Freshwater Finance.

The LCH.Clearnet Group repurchased some of these preferred securities in the market with a nominal value of €20 million in January 2009. These were repurchased at a cost of €10.5 million.

Bank overdrafts

In order to assist with day-to-day liquidity management, the LCH.Clearnet Group maintains a number of uncommitted money market and overdraft facilities with a number of major banks. Effective interest rates on these facilities vary depending on market conditions.

Fair values

The fair and carrying values of the LCH.Clearnet Group's borrowings, repurchase agreements and other borrowings are as follows:

	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	2010	2010	2011	2011	2012	2012
	€m	€m	€m	€m	€m	€m
- within one year	0.3	0.3	68.1	68.1	69.0	69.0
- after more than one year	177.6	126.7	178.0	121.2	179.0	145.1
Total	177.9	127.0	246.1	189.3	248.0	214.1

	2010			2011			2012		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective	Drawn	Swapped	Effective
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Currency									
Sterling	0.9	-	0.9	0.9	-	0.9	1.4	-	1.4
US Dollars	-	-	-	-	-	-	60.6	-	60.6
Euro	177.0	-	177.0	245.2	-	245.2	186.0	-	186.0
Total	177.9	-	177.9	246.1	-	246.1	248.0	-	248.0

21. Analysis of net funds

	2010	2011	2012
	€m	€m	€m
Due within one year			
Cash and cash equivalents	408.8	445.7	432.1
Finance lease	(0.3)	(0.3)	(0.3)
Repurchase agreements and other borrowings	-	(67.8)	(68.7)
Derivative financial assets	1.4	1.0	-
Derivative financial liabilities	(26.8)	(60.8)	(35.4)
	383.1	317.8	327.7
Due after one year			
Finance lease	(0.7)	(0.6)	(1.1)
Preferred securities	(176.9)	(177.4)	(177.9)
Total net funds	205.5	139.8	148.7

Reconciliation of net cash flow to movement in net funds

	2010	2011	2012
	€m	€m	€m
(Decrease)/increase in cash in the year	(23.7)	36.9	(13.6)
Finance lease repayment	0.2	0.2	0.3
(Reduction)/increase in net funds resulting from cash flows	(23.5)	37.1	(13.3)
Movement on derivative financial assets and liabilities	(10.3)	(34.4)	24.4
Finance lease purchases	(1.2)	(0.1)	(0.8)
Repurchase agreement	-	(67.8)	67.8
Interest bearing loans	-	-	(68.6)
Non-cash movements on borrowings	(0.4)	(0.5)	(0.6)
Net funds at start of year	240.9	205.5	139.8
Net funds at end of year	205.5	139.8	148.7

22. Share capital

	2010		2011		2012	
	millions	€m	millions	€m	millions	€m
Authorised						
100,916,003 Ordinary shares of €1 each	100.9	100.9	100.9	100.9	100.9	100.9
200,000 Non-cumulative callable preference shares of €1 each	0.2	0.2	0.2	0.2	0.2	0.2
Issued						
Ordinary shares of €1 each	40.6	40.6	40.6	40.6	42.2	42.2

Ordinary share capital: The balance classified as ordinary share capital includes the total nominal value in issue of LCH.Clearnet Group Limited's equity share capital, comprising €1 ordinary shares. The total number of ordinary shares in issue as at 31 December 2012 was 42,193,814 (including three non-voting shares) (2011: 40,632,643; 2010: 40,632,643). During the year LCH.Clearnet issued 1,561,171 shares at €19 per share to NASDAQ as consideration for the acquisition of IDCG (since renamed LCH.Clearnet (US) LLC).

Non-cumulative callable preference shares (NCPS)

LCH.Clearnet Group Ltd has 200,000 NCPS of €1 each that can only be issued in the event that the LCH.Clearnet Group's capital ratios fall below the minimum required by the relevant regulatory authority for a period of six months. During 2010, 2011 and 2012, no NCPS have had to be issued.

23. Net cash flow generated from operations

	2010	2011	2012
	€m	€m	€m
Profit before taxation	32.4	35.1	91.3
Depreciation and amortisation	17.4	22.9	24.5
Intangible impairment	3.4	3.4	-
Loss on disposal of property, plant and equipment	0.4	0.6	-
Loss on disposal of intangible assets	0.6	0.7	-
Net finance expense	10.5	8.8	8.1
Increase in trade and other receivables	(38.4)	(33.1)	(23.9)
Increase/(decrease) in trade and other payables	25.9	184.8	(83.8)
Net (increase)/decrease in CCP financial assets	(66,696.6)	(27,427.6)	44,940.2
Net increase/(decrease) in CCP liabilities	66,483.7	27,427.5	(48,482.6)
(Increase)/decrease in other current assets	-	(229.7)	68.2
Net increase / (decrease) in default funds	209.9	(5.7)	3,551.4
Loss/(gain) on financial instruments	12.0	39.3	(34.7)
Defined benefit pension obligation – contribution shortfall/(excess) of expense charged	2.0	(5.2)	(3.5)
Cash generated from operations	63.2	21.8	55.2

24. Commitments and contingent liabilities

The LCH.Clearnet Group is currently engaged in correspondence regarding concerns raised by administrators in relation to a past default management exercise which could give rise to a claim against it. The amount and success of any such claim, if made, is currently uncertain and accordingly no provision for any liability has been made in the consolidated financial information.

Supplier agreements

In June 2005, the LCH.Clearnet Group entered into a new 10 year agreement with Atos Origin in relation to the operation and development of certain technology applications. This agreement was amended from July 2009 to reduce the on-going costs. The estimated maximum value of the remaining commitment is €32.0 million (2011: €56.0 million, 2010: €76.0 million), assuming no early termination. The LCH.Clearnet Group has the right to terminate this agreement with one year's notice under certain conditions.

Treasury assets supporting operational facilities

The LCH.Clearnet Group had assets and collateral in support of the following operational facilities:

	2010	2011	2012
	€m	€m	€m
Central bank activity	10,309.5	11,694.0	6,149.2
Concentration bank services	582.2	910.8	615.4
Fixed Income settlement*	20,100.0	15,800.0	19,900.0
Total	30,991.7	28,404.8	26,664.6

*LCH.Clearnet Limited holds highly rated collateral as security against tri-party cash loans as well as government debt and government backed bank issued debt, which is used to support RepoClear settlement activity.

25. Leases

The LCH.Clearnet Group leases various office properties under non-cancellable operating leases. The total future minimum lease payments due under non-cancellable operating leases are due as follows:

Operating Leases	Property		
	2010	2011	2012
	€m	€m	€m
Less than one year	9.8	8.4	11.6
More than one year and less than five years	19.3	13.7	21.2
More than five years	24.3	24.0	28.6
Total	53.4	46.1	61.4

Operating lease payments of €10.4 million (2011: €9.9 million; 2010: €9.3 million) were charged to the income statement in the year in relation to property and €0.3 million (2011: €0.3 million; 2010: €0.9 million) in the year in relation to equipment. The property rentals relate primarily to the lease of offices (i) in London, which expires in 2026, (ii) in Paris, where there is an exit clause in 2015 and (iii) in New York, which expires in 2022. The previous London lease, which was due to expire in 2016, was extended during 2010.

Finance Leases

The LCH.Clearnet Group has finance leases for various items of computer equipment.

	2010		2011		2012	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	€m	€m	€m	€m	€m	€m
Within one year	0.4	0.3	0.4	0.3	0.4	0.3
In two to five years	0.7	0.7	0.6	0.6	1.2	1.1
Total minimum lease payments	1.1	1.0	1.0	0.9	1.6	1.4
Less future financing charges	(0.1)	-	(0.1)	-	(0.2)	-
Total	1.0	1.0	0.9	0.9	1.4	1.4

26. Principal subsidiaries

LCH.Clearnet Group Limited's principal subsidiaries are as follows:

Country of incorporation	Company name	Percentage held
England and Wales	LCH.Clearnet Limited	100%
France	LCH.Clearnet S.A.	100%
USA	LCH.Clearnet (US) LLC	100%*
Luxembourg	LCH.Clearnet (Luxembourg) S.à r.l	100%*
England and Wales	LCH.Clearnet Funding LP	100%
England and Wales	LCH.Clearnet GP Limited	100%*
England and Wales	LCH.Clearnet PLP Limited	100%*
Ireland	Freshwater Finance plc	**

*Indirect holding through LCH.Clearnet's other subsidiaries or limited partnership interest

**Holding relates only to LCH.Clearnet Group's issued preferred securities and is through limited partnership interest.

The principal activity of LCH.Clearnet Limited and LCH.Clearnet S.A. is the provision of clearing, CCP and other services to clearing members, trade matching organisations and exchanges. LCH.Clearnet LLC will offer similar services in the USA once it has received the required regulatory approval. This is expected in early 2013.

The country of incorporation is also the principal area of operation. LCH.Clearnet S.A. also operates in the Netherlands, Belgium, and Portugal. LCH.Clearnet Ltd also has a branch in the USA. LCH.Clearnet (Luxembourg) S.à.r.l has been set up to hold the LCH.Clearnet Group's intellectual property. LCH.Clearnet Funding LP, LCH.Clearnet GP Limited, LCH.Clearnet PLP Limited and Freshwater Finance have been set up as intermediate holding and financing companies to hold the LCH.Clearnet Group's preferred securities issued in May 2007.

27. Transactions with related parties

Key management compensation

Compensation for directors of LCH.Clearnet and key personnel who have authority for planning, directing and controlling the LCH.Clearnet Group:

	2010	2011	2012
	€m	€m	€m
Salaries and other short term benefits	7.0	10.2	12.2
Pensions	0.1	0.2	0.3
Total	7.1	10.4	12.5

Key personnel comprise the Group Executive Committee and the directors of LCH.Clearnet Group Limited.

LCH.Clearnet Directors' emoluments

LCH.Clearnet Directors' emoluments comprise the following:

	2010	2011	2012
	€m	€m	€m
Salary and fees	1.9	3.5	3.5
Total	1.9	3.5	3.5

During the year, 1 LCH.Clearnet Director (2011: 1 and 2010: nil) had retirement benefits accruing under defined contribution schemes and no LCH.Clearnet Director (2011 and 2010: nil) had retirement benefits accruing under a defined benefit scheme. No LCH.Clearnet Directors are accruing retirement benefits under a defined benefit scheme.

Details of the emoluments of the highest paid director are as follows:

	2010	2011	2012
	€m	€m	€m
Ongoing remuneration	0.6	1.5	2.1
Compensation for loss of benefits from previous employment	-	0.9	-
Total	0.6	2.4	2.1

28. Other statutory information

Auditors' remuneration payable to Ernst & Young LLP and its associates comprise the following:

	2010	2011	2012
	€m	€m	€m
Audit of parent company and consolidated accounts	0.1	0.1	0.1
Audit of subsidiary companies	0.6	0.4	0.6
Other fees:			
- Other assurance services	-	0.2	1.9
Total	0.7	0.7	2.6

29. Capital management

The Group is lead regulated by the ACP in Paris as a Compagnie Financiere under French law and is subject to standard capital adequacy rules under Basel II. LCH.Clearnet S.A. is regulated as a credit institution by the ACP and as a CCP and an investment service provider by the AMF and is subject to standard capital adequacy rules under Basel II. LCH.Clearnet S.A. is also regulated as a Recognised Overseas Clearing House by the FSA under the Financial Services and Markets Act 2000.

LCH.Clearnet Limited is regulated by the FSA as a Recognised Clearing House under the Financial Services and Markets Act 2000 and by the CFTC as a DCO. LCH.Clearnet Limited is also regulated by the Bank of England as a Recognised Payment System. LCH.Clearnet (US) LLC is regulated by the CFTC as a DCO.

The Group and its subsidiaries have been fully compliant with the respective regulations throughout 2012. In 2013 both LCH.Clearnet S.A. and LCH.Clearnet Limited will be required to be compliant with new capital requirements coming into effect under the EMIR. This will require the Group to raise extra capital in 2013 to ensure the individual CCPs are compliant with the new regulations.

The LCH.Clearnet Group's total regulatory capital is comprised of Tier 1 and Tier 2 capital.

- Tier 1 capital consists of share capital, additional paid-in capital, retained earnings and a portion of the perpetual preferred securities issued in May 2007, less goodwill and other intangible assets.
- Tier 2 capital consists of the remaining portion of the perpetual preferred securities issued in May 2007 and partly redeemed in January 2009.

The amount of subordinated debt that may be included in Tier 2 capital is limited to 50 per cent. of Tier 1 capital; the total recognised Tier 2 capital is limited to 100 per cent. of Tier 1 capital; and the amount of perpetual preferred securities that can be recognised as Tier 1 capital is limited to 35 per cent. of the total amount of Tier 1 capital.

In accordance with the Basel II Pillar 1 framework, the LCH.Clearnet Group is required to maintain a ratio of total capital to risk weighted assets that cannot fall under a threshold of 8 per cent. and a ratio of Tier 1 capital to risk-weighted assets that must always exceed a threshold of 4 per cent.

As well as the Pillar 1 capital requirement, the LCH.Clearnet Group uses its internal capital adequacy assessment process to identify additional risks and to assess extra capital under Pillar 2, which is not covered within the Pillar 1 framework.

The table below sets out the LCH.Clearnet Group's total capital and relevant ratios which exceed requirements:

	2010	2011	2012
	€m	€m	€m
Regulatory capital			
Share capital	40.6	40.6	42.2
Share premium	-	-	28.1
Other reserves/capital reserves	74.8	74.8	74.8
Retained earnings	204.5	217.7	279.0
Perpetual preferred securities (Limited to 35 % of Tier 1)	76.8	87.7	121.6
Goodwill	(110.4)	(110.4)	(140.1)
Intangible assets	(66.8)	(59.9)	(58.2)
Tier 1 capital	219.5	250.5	347.4
Perpetual preferred securities (remainder)	100.1	89.7	56.3
Tier 2 capital	100.1	89.7	56.3
Total regulatory capital	319.6	340.2	403.7
Capital requirement			
Credit risk requirement	22.6	15.5	9.8
Market risk requirement	1.6	4.0	4.1
Operational risk requirement	81.1	72.9	56.3
Counterparty risk	-	0.2	0.1
Total capital requirement (Pillar 1)	105.3	92.6	70.3
Latent market risk	22.8	24.0	44.6
Concentration risk	72.2	81.4	123.9
Pension risk	12.3	12.3	12.3
Pillar 2 capital requirement	107.3	117.7	180.8
Total Pillar 1 and Pillar 2 capital requirement	212.6	210.3	251.1
Excess capital over Pillar 1 capital requirement	214.3	247.6	333.4
Excess capital over Pillar 1 and Pillar 2 capital requirement	107.0	129.9	152.6
Risk weighted assets	1,316.3	1,154.2	876.2
Risk asset ratios			
Tier 1 ratio	16.7%	21.7%	39.6%
Total capital ratio	24.2%	29.5%	46.1%

Risk weighted assets are as defined in the 2009 solvency ratio methodology guide issued by the Autorité de Contrôle Prudentiel.

The LCH.Clearnet Group's 'A+' rating from S&P was reaffirmed during the year. However, the rating is on negative watch following the announcement of the potential acquisition of a majority stake in the LCH.Clearnet Group by LSEG, which currently has a lower rating.

30. Non GAAP Measures

EBITDA, Adjusted EBITDA and adjusted profit after tax for the LCH.Clearnet Group is presented and reconciled below:

		2010	2011	2012
	Note	€m	€m	€m
Operating profit		42.9	43.9	99.4
Depreciation and software amortisation	5	17.4	22.9	24.5
EBITDA (before exclusion of non-recurring items and unrealised net investment loss)		60.3	66.8	123.9
Unrealised net investment loss/(gain) (see note below)	4	12.0	39.3	(34.7)
Non-recurring items affecting profit before tax	7	4.4	23.1	31.1
Adjusted EBITDA (after excluding non-recurring items and unrealised net investment loss)		76.7	129.2	120.3
Profit before tax		32.4	35.1	91.3
Unrealised net investment loss/(gain) (see note below)		12.0	39.3	(34.7)
Non-recurring items affecting profit before tax	7	4.4	23.1	31.1
		48.8	97.5	87.7
Taxation charged to the income statement	9	(13.3)	(13.9)	(31.6)
Tax effect on unrealised net investment (loss)/gain		(3.4)	(10.5)	8.5
Tax effect on non-recurring items	10	(1.2)	(6.1)	(6.4)
Adjusted tax charge		(17.9)	(30.5)	(29.5)
Adjusted profit after tax		30.9	67.0	58.2

Unrealised net investment gains and losses:

A key principle of the LCH.Clearnet Group's investment policy is that it will only invest in high quality assets, typically high grade government issued bonds. During 2012, the LCH.Clearnet Group ceased making longer term investments. Where investments were made in longer term fixed rate assets, the LCH.Clearnet Group hedged the interest rate risk that arose from receiving a fixed rate of return and paying clearing members a floating rate of return by taking out interest rate swaps. The remaining interest rate swaps and underlying instruments will be held to expiry.

The LCH.Clearnet Group marks to market both the underlying investment and interest rate swap and under the LCH.Clearnet Group's accounting policy, the full impact of any mark to market movement is reflected through the income statement.

At times of stress in the financial markets, the yield curves of the underlying investments and the interest rate swap may become dislocated reflecting the difference in credit risk perceived by the market between the bonds and the swaps. These are part of the unrealised fair value credit or charge that is recorded in the income statement as an "Unrealised net investment loss" within "Net interest income through CCP business". These are non cash adjustments for accounting purposes.

During the year, the net mark to market adjustment on bonds and related interest rate hedging instruments resulted in a credit to the income statement of €34.7 million (2011: charge of €39.3 million; 2010: charge of €12.0 million), representing 0.3 per cent. movement on the portion of the portfolio that is subject to fair value adjustment (2011: 0.3 per cent. ; 2010: 0.1 per cent.). These amounts are reflected as adjustments in the table above.

At 31 December 2012, the total unrealised fair value gain contained in the statement of financial position was €3.6 million (2011: € 31.1 million loss; 2010: €8.2 million gain). These fair value losses related to an investment portfolio of €11.7 billion (2011: €11.2 billion; 2010: €11.4 billion) the bonds and swaps within which are individually due to mature between 2013 and 2014.

31. Subsequent events

LCH.Clearnet Group Limited entered into a loan agreement with a syndicate of banks on 28 January 2013 for €100 million. LCH.Clearnet Group Limited subscribed for shares of LCH.Clearnet Limited with the proceeds of this loan. LCH.Clearnet Group Limited repaid the \$80.0 million (€60.6 million) term facility from JP Morgan Chase International Financing Ltd on 15 February 2013.

PART 4 :UNAUDITED PRO FORMA STATEMENT OF THE COMBINED NET ASSETS OF THE ENLARGED GROUP



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8 March 2013

Dear Sirs

London Stock Exchange Group plc (the “Company”)

We report on the unaudited pro forma statement of net assets (the “Pro forma statement of net assets”) set out in Part 4 of the Company’s “Class 1” Circular dated 8 March 2013 (the “Circular”) which has been prepared on the basis described in the notes to the Pro forma statement of net assets, for illustrative purposes only, to provide information about how the proposed acquisition by the Company of certain of the issued share capital of LCH.Clearnet Group Limited (the “**Majority Acquisition**”) and the proposed capital raise proposed by LCH.Clearnet Group Limited (the “**Capital Raise**”) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the interim financial statements for the period ended 30 September 2012. This report is required by item 13.3.3R of the Listing Rules issued by the Financial Services Authority (the “**Listing Rules**”) and is given for the purpose of complying with that Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma statement of net assets in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules as to the proper compilation of the Pro forma statement of net assets 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 statement of net assets, 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.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, 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 person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the

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purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the 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 statement of net assets 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 statement of net assets has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- a) the Pro forma statement of net assets has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

UNAUDITED PRO FORMA STATEMENT OF THE COMBINED NET ASSETS OF THE ENLARGED GROUP

The unaudited pro forma statement of net assets of the Enlarged Group set out below has been prepared for illustrative purposes only in accordance with Annex II of the PD Regulation and on the basis of the notes set out below. The unaudited pro forma statement of net assets has been prepared to illustrate the effect of consolidating the net assets of LSEG plc as at 30 September 2012 with the net assets of LCH.Clearnet Group as at 31 December 2012. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not represent LSEG's or the Enlarged Group's actual financial position. The pro forma financial information has been prepared under IFRS adopted by the EU and on the basis of the accounting policies of LSEG plc. Shareholders should read the whole of this circular and not rely on the summarised financial information in this Part 4.

Unaudited pro forma statement of net assets

	LSEG plc As at 30-Sept-12 (note 2) £m	LCH.Clearnet Group As at 31-Dec-12 (note 3) £m	Adjustments		Pro Forma Enlarged Group £m
			Elimination of LCH.Clearnet goodwill and acquired intangible assets (note 4 (a)(iii)) £m	Other adjustments (note 4 (a)(i), (ii),(iv), (b), (c), (d)) £m	
Assets					
Non-current assets					
Property, plant and equipment	79.9	15.1			95.0
Intangible assets	2,016.4	161.8	(161.8)	207.9	2,224.3
Investments in associates	11.4	-		(10.9)	0.5
Deferred tax assets	17.4	12.1			29.5
Other non-current receivables	-	68.7			68.7
Derivative financial instruments	18.9	-			18.9
Available for sale investments	0.4	-			0.4
Other non-current assets	0.2	-			0.2
	2,144.6	257.7	(161.8)	197.0	2,437.5
Current assets					
Inventories	1.7	-			1.7
Trade and other receivables	162.1	27.5			189.6
Derivative financial instruments	0.2	-			0.2
Clearing financial assets	120,617.0	383,058.4			503,675.4
Clearing cash and cash equivalents	7,448.0	21,016.7			28,464.7
Clearing business assets	128,065.0	404,075.1			532,140.1
Assets held at fair value	5.9	-			5.9
Current tax	15.6	9.9			25.5
Other current assets	-	131.8			131.8
Cash and cash equivalents	231.5	352.6		275.2	859.3
	128,482.0	404,596.9	-	275.2	533,354.1
Total assets	130,626.6	404,854.6	(161.8)	472.2	535,791.6

	LSEG plc as at 30-Sept-12 (note 2) £m	LCH.Clearnet Group as at 31-Dec-12 (note 3) £m	Adjustments		Enlarged Group Pro Forma £m
			Elimination of LCH.Clearnet goodwill and acquired intangible assets (note 4 (a)(iii)) £m	Other adjustments (note 4(a)(i), (ii),(iv), (b), (c), (d)) £m	
Current liabilities					
Trade and other payables	201.1	153.3		27.3	381.7
Derivative financial instruments	-	28.9			28.9
Clearing business liabilities	128,043.0	404,075.1			532,118.1
Current tax	48.0	-			48.0
Borrowings	203.2	-			203.2
Repurchase agreements and other borrowings	-	56.3			56.3
Provisions	2.5	-			2.5
	128,497.8	404,313.6	-	27.3	532,838.7
Non-current liabilities					
Borrowings	510.0	146.1		440.8	1,096.9
Other non-current payables	2.7	42.3			45.0
Deferred tax liabilities	110.1	-			110.1
Retirement benefit obligation	21.4	6.6			28.0
Provisions	26.3	-		20.6	46.9
	670.5	195.0	-	461.4	1,326.9
Total liabilities	129,168.3	404,508.6	-	488.7	534,165.6
Net assets	1,458.3	346.0	(161.8)	(16.5)	1,626.0

See accompanying notes to the unaudited pro forma statement of net assets.

Notes:

1. BASIS OF PREPARATION

The unaudited pro forma statement of net assets has been prepared using underlying interim financial information prepared in accordance with IFRS as applied by LSEG plc and reflects the Transaction to create an Enlarged Group. The financial information has been extracted without material adjustment.

For accounting purposes, the Transaction has been treated as an acquisition, with LSEG plc as the acquirer and LCH.Clearnet Group as the acquiree. LSEG already holds 2.3 per cent. of the LCH.Clearnet Issued Share Capital so will acquire up to 55.5 per cent. of the LCH.Clearnet Issued Share Capital pursuant to the Revised Offer which will result in a total shareholding of up to 57.8 per cent. A shareholding of 57.8 per cent. of the LCH.Clearnet Issued Share Capital equates to a holding of an equivalent number of LCH.Clearnet Shares that would have been acquired to hold the 60.0 per cent. maximum holding under the Original Offer.

For the unaudited pro forma statement of net assets, the LCH.Clearnet Group statement of financial position as at 31 December 2012 and the LSEG plc statement of financial position as at 30 September 2012 have been combined. As a result of the statement of financial positions being combined, reflecting consolidation in accordance with IAS 27, the pro forma statement of net assets reflects 100 per cent. of the LCH.Clearnet Group assets and liabilities. In compliance with IFRS, non-controlling interests, representing 42.2 per cent. of the LCH.Clearnet Group balance, are disclosed as part of the equity section of the statement of financial position and have therefore not been disclosed as part of the pro forma statement of net assets.

The unaudited pro forma statement of net assets of the Enlarged Group is presented for illustrative purposes only and is not intended to reflect the financial position which would have actually resulted had the Transaction been effected on any of the dates indicated. No account has been taken of the trading activity or other transactions of LSEG for the period since 30 September 2012 and LCH.Clearnet Group for the period since 31 December 2012.

The unaudited pro forma statement of net assets has been prepared in order to meet the requirements of Annex II of the PD Regulation and associated guidance issued in the European Securities and Markets Authority recommendations.

2. LSEG FINANCIAL INFORMATION AS AT 30 SEPTEMBER 2012

The financial information for LSEG plc was extracted without material adjustment from the interim financial statements of LSEG plc as at 30 September 2012 prepared in accordance with IFRS as adopted by the EU and issued on 16 November 2012.

3. LCH.CLEARNET GROUP FINANCIAL INFORMATION AS AT 31 DECEMBER 2012

The financial information for the LCH.Clearnet Group used in the unaudited pro forma statement of net assets was extracted without material adjustment from Part 3. A rate of exchange of €1.2253= £1 prevailing at 31 December 2012 has been used to convert the financial information into sterling.

The financial information of the LCH.Clearnet Group as at 31 December 2012 has been prepared on a basis consistent with LSEG plc's accounting policies. These accounting policies are consistent with those used to prepare the financial information in Part 3 and are not reproduced here.

4. PRO FORMA ADJUSTMENTS

- (a) Estimated purchase consideration and the related excess of purchase consideration over book value of net assets for the resultant 57.8 per cent. of the LCH.Clearnet Group acquired (as calculated in accordance with IFRS 3 revised) are as follows:

Estimated excess of purchase consideration over net assets for the resultant 57.8 per cent. of the LCH.Cleartnet Group acquired **£m** **Notes**

Estimated purchase consideration for the resultant 57.8 per cent. of the LCH.Cleartnet Group	314.4	i
<u>Less:</u> book value of net assets acquired (after taking into account the deduction of acquired goodwill and intangible assets (57.8 per cent.))	(106.5)	iii
Excess of purchase consideration over book value of net assets acquired	207.9	iv

- (i) For the purposes of the pro forma statement of net assets, the purchase consideration for the resultant 57.8 per cent. of the LCH.Cleartnet Issued Share Capital has been assumed. The Offer values each LCH.Cleartnet Share at €15, comprising €14 of cash consideration payable under the Revised Offer and €1 of Deferred Consideration. The total estimated purchase consideration is £314.4 million (€365.7 million).¹⁰

The Revised Offer will require the payment by LSEC of up to £281.8 million (€327.7 million), being the cash consideration payable for 55.5 per cent. of the LCH.Cleartnet Issued Share Capital. The payment amount above is based on an exchange rate of €1.1631= £1, being the exchange rate at 5 March 2013, and does not include the €1 per share of Deferred Consideration.

The consideration of £281.8 million (€327.7 million) will be financed through the existing LSEG plc financing facilities. As a result, for the purposes of the pro forma statement of net assets, “Borrowings” has been adjusted by this amount;

- (ii) The Deferred Consideration will be paid to accepting LCH.Cleartnet Shareholders on 30 September 2017 (subject to acceleration or delay in certain limited circumstances). At €1 (£0.86) per LCH.Cleartnet Share, the maximum amount of the Deferred Consideration is £20.1 million (€23.4 million). In addition, for the purposes of the pro form statement of net assets, an amount equal to £0.5 million (€0.6 million) has been assumed to be payable to MF Global under the MF Global Agreement. As a result, “Non-current provisions” has been adjusted by £20.6 million (€24.0 million). The aggregate amount of the Deferred Consideration and payment to MF Global will be reduced as a result of any Relevant Claims (in each case after insurance recoveries and taking account of the tax effect of any such payments) in accordance with the Deferred Consideration calculation set out in Part 7. There are currently no relevant claims, therefore for the purposes of this pro forma statement of net assets, the full deferred consideration has been included in the adjustment.
- (iii) IFRS 3 revised requires an acquirer to deduct from the net assets certain items recognised by the acquired entity that may not be recognised by the acquirer. The total net assets per the LCH.Cleartnet Group balance sheet amounts to £346.0 million. For the purposes of the pro forma financial information, the total goodwill and acquired intangible assets of the LCH.Cleartnet Group of £161.8 million (€198.3 million) have been deducted from the total net assets of the LCH.Cleartnet Group. This results in the total value of the identifiable net assets being £184.2 million (€225.7 million). The £161.8 million (€198.3 million) consists of goodwill of £114.3 million (€140.1 million) and £47.5 million (€58.2 million) of definite life intangible assets. For the purposes of calculating the excess of purchase consideration over book value of net assets acquired, 57.8 per cent. of the identifiable net assets of

¹⁰ For the purpose of determining the excess of purchase consideration over book value of net assets acquired, the total estimated purchase consideration is derived by valuing the 2.3 per cent. of the LCH.Cleartnet Issued Share Capital that LSEG plc already holds at €15 per share (being the total consideration per share payable under the Revised Offer) and adding this to implied value of the Revised Offer (being the purchase of 55.5% of the LCH.Cleartnet Issued Share Capital for €15 per share).

£184.2 million (€225.7 million) has been included in the table above to reflect the amount attributable to the Acquisition. This amounts to £106.5 million (€130.5 million).

- (iv) the difference of £207.9 million between the “book value of net assets acquired” and the estimated consideration has been presented as a single value in goodwill. Following Completion, the assets (including acquired intangibles) and liabilities of LCH.Cleartnet Group will be subject to fair value restatement.
- (b) The estimated non-recurring Transaction related costs that will ultimately be incurred by LSEG plc prior to the Transaction completing are £37 million (€43 million), of which £6 million (€7 million) was recognised as a payable in the statement of financial position of LSEG plc as at 30 September 2012 and £11 million (€13 million) of which had been paid prior to 30 September 2012.

The estimated non-recurring Transaction related costs that will ultimately be incurred by the LCH.Cleartnet Group prior to the Transaction completing are £14.7 million (€17.1 million), of which £0.7 million (€0.8 million) was recognised as a payable in the statement of financial position of the LCH.Cleartnet Group as at 31 December 2012 and £6.7 million (€7.8 million) of which had been paid prior to 31 December 2012.

As a result “trade and other payables” have been adjusted by £27.3 million.

- (c) As set out in the terms of the New Implementation Agreement, the LCH.Cleartnet minority shareholders are required to have committed to their share of the Capital Raise, before completion of the Majority Acquisition. The Capital Raise will complete shortly after completion of the Majority Acquisition and is for illustrative purposes assumed to have taken place for the purpose of the pro forma statement of net assets.

LSEG plc’s portion of the Capital Raise (57.8 per cent.), amounting to £159.0 million (€184.9 million), will be financed through the existing LSEG plc financing facilities. As a result, for the purposes of the pro forma statement of net assets, “Borrowings” has been adjusted by this amount. “Cash and cash equivalents” has been adjusted by the full amount of the Capital Raise of £275.2 million (€320.0 million).

- (d) 2.3 per cent. of the LCH.Cleartnet Issued Share Capital that LSEG owned at 30 September 2013 was accounted for as an investment. Subsequent to the Transaction, the financial information for the LCH.Cleartnet Group will be consolidated by LSEG in accordance with IAS 27. The existing investment of £10.9 million (€13.6 million) has therefore been removed for the purpose of the pro forma statement of net assets.

5. OTHER NOTES

Refer to paragraph 3 of Part 1 for the statement on the effect of the Transaction on earnings.

- (a) The information in the tables below has been sourced directly without material adjustment from the interim financial statements of LSEG plc for the period ended 30 September 2012, the LSEG plc annual report for the year ending 31 March 2012, the interim financial statements of LSEG plc for the period ended 30 September 2011, the LSEG plc third quarter interim management statement issued on 24 January 2013 and Part 3.

	LSEG Last 12 months for the period ended ⁽¹⁾ 30-Sept-12 £m	LCH.Clearnet Group 31-Dec-12 £m	Transaction debt £m	Enlarged Group £m
Memorandum items				
Total revenues	852.0 ⁽¹⁾	345.6	-	1,197.6
Adjusted EBITDA	486.4 ⁽¹⁾⁽²⁾	97.5 ⁽⁴⁾	-	583.9
Net debt	(594.0) ⁽³⁾	(146.3) ⁽⁵⁾	(440.8) ⁽⁶⁾	(1,181.1)
<i>Net debt / Adjusted EBITDA(x)</i>	<i>1.2</i>			<i>2.0</i>

Notes:

- (1) The information relating to LSEG plc for the last 12 months has been calculated using the interim financial statements of LSEG plc for the period ended 30 September 2012, the LSEG plc annual report for the year ending 31 March 2012 and the interim financial statements of LSEG plc for the period ended 30 September 2011 as follows:

30 September 2012 Last 12 months calculation

	LSEG 6 months ending 30-Sept-11 (A) £m	LSEG 12 months ending 31-Mar-12 (B) £m	LSEG Last 6 months ending 31-Mar-12 (B)-(A) £m	LSEG 6 months ending 30-Sept-12 £m	LSEG Last 12 months ending 30-Sept-12 £m
Total revenues	386.5	814.8	428.3	423.7	852.0
Adjusted EBITDA ⁽²⁾	233.0	482.3	249.3	237.1	486.4

- (2) Adjusted EBITDA is calculated using information sourced directly without material adjustment from within the interim financial statements of LSEG for the period ended 30 September 2012, the LSEG plc annual report for the year ending 31 March 2012, and the interim financial statements of LSEG plc for the period ended 30 September 2011.
- (3) The net debt presented is as at 31 December 2012 and is sourced directly without material adjustment from page 2 of the LSEG plc third quarter interim management statement issued on 24 January 2013. At 31 December 2012, LSEG plc net debt amounted to £594 million (£394 million before setting aside £200 million cash held for regulatory and operational support purposes).
- (4) The LCH.Clearnet Adjusted EBITDA amount for the period ended 31 December 2012 is sourced directly from Part 3 of this document without material adjustment. The exchange rate of €1.2334 = £1, being the average prevailing rate during 2012 has been used to convert the financial information into sterling.

The amount is calculated using LCH.Clearnet Group operating profit of £80.6 million (€99.4million) excluding:

- non- recurring items of £25.2million (€31.1 million);
- unrealised net investment gains of £28.1 million (€34.7 million); and
- depreciation and amortisation of £19.8 million (€24.5 million).

- (5) For the purpose of this illustrative unaudited pro forma statement of net assets, it has been assumed that following the Capital Raise, LCH.Clearnet will have no excess free cash after setting aside the cash held for regulatory purposes. Net debt has therefore been assumed to be equal to the total of the preferred securities of £145.2 million (€177.9 million), plus the current and non-current finance leases of £1.1 million (€1.4 million). These amounts have been sourced without material adjustment from Part 3 of this document.
- (6) This amount comprises LCH.Clearnet acquisition debt of £281.8 million (€327.7 million) assuming 55.5 per cent of the LCH.Clearnet Shares are acquired for €14 per share, plus the £159.0 million (€184.9 million) increase in net debt relating to LSEG's pro forma entitlement to 57.8 per cent. of the Capital Raise.

PART 5 : CONDITIONS TO THE REVISED OFFER

- 1.1 The Revised Offer is subject to the following conditions:
- (a) LSEC receiving, on or prior to the Closing Date, valid conditional acceptances of the Revised Offer in respect of (or it or any other member of LSEG's Group otherwise acquiring) LCH.Clearnet Shares in aggregate equal to or greater than (when taken together with the LCH.Clearnet Shares which LSEG plc already holds at the date of the New Implementation Agreement) 50 per cent. plus one share of the LCH.Clearnet Issued Share Capital (the **Acceptance Condition**);
 - (b) LCH.Clearnet and LSEG plc determining that, on the basis of valid conditional acceptances to the Revised Offer (and the application, if any, of LCH.Clearnet's and LSEG plc's discretion with respect to the allocation and scaleback of LCH.Clearnet Shares validly conditionally assented to the Revised Offer), at Completion, LCH.Clearnet Shareholders as at the date of the New Announcement will continue to hold LCH.Clearnet Shares representing, in aggregate, at least 42.2 per cent. of the LCH.Clearnet Issued Share Capital, being 17,814,229 LCH.Clearnet Shares (the **Minimum Rollover Condition**);
 - (c) the New LCH.Clearnet Circular being despatched on or before 31 March 2013, unless the failure so to despatch the New LCH.Clearnet Circular is attributable to any action or omission of the party seeking to invoke this Condition so as to cause the Revised Offer not to proceed, to lapse or to be withdrawn;
 - (d) this document being despatched on or before 31 March 2013, unless the failure so to despatch this document is attributable to any action or omission of the party seeking to invoke this Condition so as to cause the Revised Offer not to proceed, to lapse or to be withdrawn;
 - (e) the LCH.Clearnet Resolution being passed by no later than 30 days after the date for the Further LCH.Clearnet Meeting specified in the New LCH.Clearnet Circular or such later date as LSEG plc, LSEC and LCH.Clearnet may agree (the **LCH.Clearnet Resolution Condition**);
 - (f) the LSEG Resolution being passed by no later than 30 days after the date for the Further LSEG Meeting specified in this document or such later date as LSEG plc, LSEC and LCH.Clearnet may agree;
 - (g) formal regulatory approvals in respect of the Majority Acquisition (or, where applicable, confirmations of non-objection or confirmations of approvals in respect of the acquisition pursuant to the Original Offer remaining effective in respect of the Revised Offer) having been received from the ACP, the AMF, the Dutch National Bank, the AFM and any other Regulatory Body (including the FSA) whose approval (or non-objection or confirmation of approval remaining effective) in respect of the Majority Acquisition (i) is required prior to Completion, or (ii) LCH.Clearnet and LSEG plc agree to be desirable (the **Regulatory Approvals Condition**);
 - (h) no material Regulatory Licences held by the LCH.Clearnet Group or LSEG at the date of the New Announcement:
 - (i) being withdrawn; or
 - (ii) becoming subject to regulatory conditions or requirements as a result of the Transaction,

in each case if such withdrawal, condition or requirement has had or would reasonably be expected to have a material adverse effect in the context of the Transaction, on the LCH.Clearnet Group and/or LSEG as the case may be (the **Regulatory Licences Condition**);

- (i) confirmation from the relevant regulators on terms reasonably satisfactory to LSEG plc, including the FSA and ACP, that the Transaction will not result in LSEG plc becoming an FHC (the **FHC Condition**);
- (j) in so far as a notification is made under the HSR and the waiting period applicable to the consummation of the Majority Acquisition has expired or been terminated:
 - (i) neither LCH.Clearnet nor LSEG plc being subject to any order or injunction of a court of competent jurisdiction in the US that prohibits the Majority Acquisition; and
 - (ii) neither LCH.Clearnet nor LSEG plc having received any indication of threatened antitrust litigation or an antitrust investigation by the US Federal Trade Commission or Antitrust Division of the US Department of Justice concerning the Majority Acquisition, including by issuance of a Civil Investigative Demand or subpoena from the US Federal Trade Commission or Antitrust Division of the US Department of Justice;
- (k) no material breach by LCH.Clearnet of any of (i) the LCH.Clearnet Pre-Completion Obligations or (ii) the LCH.Clearnet Pre-Completion Obligations under, and as defined in, the Old Implementation Agreement;
- (l) no material breach by LSEG of any of the (i) the LSEG Pre-Completion Obligations or (ii) the LSEG Pre-Completion Obligations under, and as defined in, the Old Implementation Agreement;
- (m) no regulatory development occurring between the date of the New Announcement and Completion which has had, or would reasonably be expected to have, a material adverse effect in the context of the Transaction on the LCH.Clearnet Group and/or LSEG as the case may be; and
- (n) irrevocable binding subscription commitments in relation to funding of the Capital Raise Amount (other than the LSEG Capital Raise Amount) having been received (in a form reasonably satisfactory to LSEG plc) from current LCH.Clearnet Shareholders (other than LSEG) and any other parties as LSEG plc and LCH.Clearnet may agree (the **Capital Contribution Condition**); and
- (o) the aggregate amount of the Capital Raise not exceeding €320 million (the **Capital Raise Condition**); and
- (p) no consent, approval, confirmation of satisfaction or other fulfilment of a Merger Control Condition having been qualified by the relevant antitrust authority, revoked, varied or amended in any material adverse way in relation to the Revised Offer and neither LCH.Clearnet nor LSEG being subject to any order or injunction of a court or tribunal of competent jurisdiction that prohibits or suspends closing of the Transaction.

1.2 The following shall not result in a failure to satisfy the conditions at paragraphs 1.1(h) and 1.1(m):

- (a) the imposition of regulatory conditions or requirements that, prior to the date of the New Announcement, have been:
 - (i) announced;
 - (ii) formally publicly proposed (provided that the party relying on the condition would reasonably be expected to be aware of such formal public proposal); or
 - (iii) otherwise communicated directly to the party seeking to rely on the condition;

- (b) the withdrawal of any Regulatory Licence in connection with the winding-down by any member of the LCH.Clearnet Group or LSEG of any of their business lines or their businesses in any jurisdiction, provided such winding-down is not restricted by any of the LCH.Clearnet Pre-Completion Obligations; or
- (c) the withdrawal of any Regulatory Licence if such Regulatory Licence is replaced by a Regulatory Licence that permits the same business to be conducted as under the original Regulatory Licence.

1.3 LSEG plc and/or LSEC reserves the right (but shall be under no obligation) to waive the following conditions, in whole or in part: 1.1(c), (e), (k) and (to the extent that the material adverse effect is on the LCH.Clearnet Group) (m). LCH.Clearnet reserves the right to waive the following conditions, in whole or in part 1.1(d), (f), (l) and (to the extent that the material adverse effect is on LSEG) (m). The remaining conditions may be waived by mutual written agreement between LCH.Clearnet and LSEG plc, other than the Condition at 1.1(n) which may not be waived by either or both parties.

1.4 With respect to the process for declaring the Revised Offer unconditional, the following provisions shall apply:

- (a) on the second Business Day following the date on which the last of conditions 1.1(a) to 1.1(g), 1.1(i) and 1.1(n) has been fulfilled, declared fulfilled or waived in accordance with the New Offer Document, LSEG plc and LCH.Clearnet shall, at that point (the *Testing Date*), assess whether or not the remaining conditions (the *Protective Conditions*) remain satisfied (and can therefore, proceed to posting of the Capital Raise Circular as contemplated in the New Implementation Agreement). LSEG plc and LCH.Clearnet shall not be entitled to delay such Testing Date unless they otherwise agree;
- (b) if LSEG plc and LCH.Clearnet determine that the Protective Conditions do remain satisfied, such Protective Conditions shall be declared satisfied or waived by LCH.Clearnet and LSEG plc simultaneously with the posting of the Capital Raise Circular (thereby triggering the unconditional date and Completion) provided:
 - (i) no new intervening event has occurred since the Testing Date which would mean that one or more of the Protective Conditions no longer remains satisfied; and
 - (ii) save as LSEG plc may otherwise agree, the Capital Raise Circular includes the capital raise recommendation in the form agreed between LSEG plc and LCH.Clearnet without modification, qualification or amendment and LCH.Clearnet has confirmed to LSEG plc that there is no current, fact, matter or circumstance which might reasonably lead to a modification, qualification or variation;
- (c) if it is determined by LSEG plc or LCH.Clearnet that a Protective Condition is no longer satisfied either on the Testing Date or thereafter in the period prior to the publication of the Capital Raise Circular, the party seeking to rely on the relevant Protective Condition shall, subject to any remedies that the non-invoking party might have, promptly terminate the New Implementation Agreement in accordance with its terms and/or lapse the Revised Offer by invoking the relevant Protective Condition and Completion shall not occur; and
- (d) if the Capital Raise Circular does not include the capital raise recommendation in the form agreed between LSEG plc and LCH.Clearnet and/or LCH.Clearnet does not provide the confirmation set out in 1.4(b)(ii) above, LSEG plc shall not be required to declare the Revised Offer unconditional.

1.5 The Revised Offer will lapse if:

- (a) the conditions have not been satisfied or waived by the Longstop Date; or
- (b) the New Implementation Agreement is validly terminated by LSEG plc and/or LCH.Clearnet in accordance with its terms.

1.6 If the Revised Offer lapses, LCH.Clearnet Shareholders who have accepted the Revised Offer and LSEC shall then cease to be bound by acceptances of the Revised Offer.

PART 6 : SWAPCLEAR, FOREXCLEAR AND CDSCLEAR BUSINESSES

Introduction

SwapClear anticipated the recent changes in the regulatory landscape mandating clearing of certain OTC derivatives trading through CCPs. In order to make SwapClear a compelling and viable offering, LCH.Clearnet harnessed the expertise and the financial resources of certain banks (which are a party to the SwapClear Framework Agreement) to develop SwapClear. More recently, LCH.Clearnet has undertaken similar initiatives to develop equivalent services for FX products and CDS. In summary, LCH.Clearnet has developed arrangements for each of the SwapClear, ForexClear and CDSClear Businesses with the SwapClear, ForexClear and CDSClear Banks, under which the great majority of the cost of developing and operating the SwapClear, ForexClear and CDSClear Businesses is borne by the SwapClear, ForexClear and CDSClear Banks, and accordingly governance and financial returns from the SwapClear, ForexClear and CDSClear Businesses are shared with them.

SwapClear, ForexClear, and CDSClear are all now in operation. With the strong regulatory impetus to have a much higher proportion of OTC transactions centrally cleared, the prospects for the SwapClear, ForexClear and CDSClear Businesses are strong and LSEG expects them to become an increasingly significant part of the LCH.Clearnet Group's operations and financial performance. In addition, achieving cross margining offsets as between different clearing houses will be a critical area of development over coming years for the SwapClear, ForexClear and CDSClear Business and efforts are already underway to explore how that might be achieved in the US for SwapClear.

The SwapClear, ForexClear, and CDSClear Agreements

The terms of the SwapClear Framework Agreement (most recently entered into in 2012), the ForexClear Agreement (entered into in 2010) and the CDSClear Agreement (entered into in 2012) are substantially similar:

- (a) the SwapClear, ForexClear, and CDSClear Banks, through the companies established by them, have the right to oversee the development and operation of the SwapClear, ForexClear, and CDSClear Businesses and, as a part of this right, each SwapClear, ForexClear, and CDSClear Business has a contractually established governing committee, the majority of which is nominated by the SwapClear, ForexClear, and CDSClear Banks. These governing committees have governance rights over their respective SwapClear, ForexClear, and CDSClear Businesses, save that LCH.Clearnet does not have to implement decisions which would adversely affect its credit standing or its risk management, cause a breach of its rulebook or of any law or regulation, or expose it to legal or reputational risk;
- (b) the governing committees are not permitted to take certain actions without the consent of the LCH.Clearnet representatives on the governing committees;
- (c) LCH.Clearnet has established separate business units for each of the SwapClear, ForexClear, and CDSClear Businesses, each with their own Chief Executives and core staffing team, supported by certain central services provided by LCH.Clearnet. All such teams report to the governing committee for the relevant SwapClear, ForexClear, and CDSClear Business, with the exception of the risk teams (which report to the LCH.Clearnet Group Head of Risk) and the IT teams (which report jointly to the LCH.Clearnet Head of IT and their respective service Chief Executive Officer);
- (d) the SwapClear, ForexClear, and CDSClear Banks directly or indirectly finance or underwrite most of the development and operating costs for the SwapClear, ForexClear, and CDSClear Businesses, although LCH.Clearnet in some cases does need to fund cash outflows until they are reimbursed for a period before the reimbursement is made. There is also an agreed basis

for funding development and operating cost over-runs (which does expose LCH.Clearnet to the risk of some irrecoverable expense);

- (e) there are detailed provisions for the calculation and allocation of annual surpluses earned by LCH.Clearnet in respect of the SwapClear, ForexClear, and CDSClear Businesses set out in the SwapClear, ForexClear, and CDSClear Agreements, the cash flow impact of which is described under the heading "Cash Flow Allocation from SwapClear, ForexClear, and CDSClear Businesses" below; and
- (f) in each case, the SwapClear, ForexClear, and CDSClear Banks are able to terminate the SwapClear, ForexClear, and CDSClear Agreements on one year's notice after an initial period, but in respect of the SwapClear Framework Agreement and the ForexClear Agreement the earliest effective date of termination in some circumstances is 2016 and 2014, respectively. There are also customary rights of termination for material breach on the part of both parties, including on a change of control. Where any of the SwapClear, ForexClear, and CDSClear Agreements are terminated, the SwapClear, ForexClear, and CDSClear Banks are entitled to a duplicate license of the software systems used by LCH.Clearnet in favour of another provider. In addition, each of the SwapClear, ForexClear, and CDSClear Agreements contain provisions entitling the SwapClear, ForexClear, and CDSClear Banks to terminate the relevant agreement with immediate effect on a change of control of LCH.Clearnet. In such circumstances, LCH.Clearnet may have either to reimburse the relevant counterparty for capital expenditure costs incurred (being the position under the CDSClear Agreement) or, alternatively, be unable to recover capital expenditure costs incurred by it on behalf of the relevant counterparty (being the position under the SwapClear Framework Agreement and the ForexClear Agreement). See also below in relation to the modification of the change of control termination rights in the SwapClear, ForexClear, and CDSClear Agreements.

Cash flow allocation from the SwapClear, ForexClear, and CDSClear Businesses

Cash flows generated from the operation of the SwapClear, ForexClear, and CDSClear Businesses are used to:

- pay LCH.Clearnet a priority profit share; and
- repay sums invested in developing the business in question;

and thereafter they are allocated between the SwapClear, ForexClear, and CDSClear Banks (reflecting their bearing the risk of underwriting the development and operating costs of the relevant business) and LCH.Clearnet. LCH.Clearnet is currently in discussions with the banks that are parties to the SwapClear Framework Agreement which may result in a change to how such cash flows are used.

Recent changes to the SwapClear, ForexClear, and CDSClear Businesses arrangements

Separate default funds have now been established for the SwapClear, ForexClear, and CDSClear Businesses and RepoClear. As part of this process, LCH.Clearnet has also introduced loss distribution and service closure mechanisms with the agreement of the members of these services which limit the amount of resources that LCH.Clearnet Limited or LCH.Clearnet S.A. themselves (as applicable) is required to make available in the event of a default in any of the SwapClear, ForexClear, and CDSClear Businesses, beyond their "skin in the game" requirements.

Proposed changes to the SwapClear, ForexClear, and CDSClear Businesses arrangements

Subject to the Core Operating Principles (set out in Part 7), changes may be made to the SwapClear, ForexClear, and CDSClear Businesses arrangements to ensure compliance with applicable law and regulation, including most recently EMIR and its underlying technical standards, and to reflect any

other changes (including commercial and financial terms) as may be agreed between LCH.Clearnet and the SwapClear, ForexClear, and CDSClear Banks from time to time.

Termination rights if there is a change of control of LCH.Clearnet or LSEG plc

LSEG plc and LCH.Clearnet have also agreed with the SwapClear, ForexClear, and CDSClear Banks to slightly amend the existing change of control provisions in the SwapClear, ForexClear, and CDSClear Agreements to provide that if there is, during the term of the relevant SwapClear, ForexClear, and CDSClear Agreement, a change of control of LCH.Clearnet, including as a result of there being a change of control of LSEG plc, pursuant to which LCH.Clearnet comes under control of an exchange or other equivalent market operator, the SwapClear, ForexClear, and CDSClear Banks will be entitled to terminate all or any of the SwapClear, ForexClear, and CDSClear Agreements. The SwapClear, ForexClear, and CDSClear Banks have agreed to waive their rights under these provisions in the SwapClear, ForexClear, and CDSClear Agreements in relation to the Transaction.

PART 7 : SUMMARY OF GOVERNANCE, MANAGEMENT, SHAREHOLDING STRUCTURE AND OTHER ONGOING ARRANGEMENTS BETWEEN LCH.CLEARNET AND LSEG

INTRODUCTION

The governance arrangements relating to the LCH.Clearnet Group will reflect its ownership structure following Completion, the need for appropriate stakeholder representation, the requirements arising from the regulated status of the LCH.Clearnet Group companies and LSEG plc's requirements for appropriate controls as the majority LCH.Clearnet Shareholder.

The governance and management arrangements together with certain ongoing relationship matters are principally set out in the New LCH.Clearnet Articles and the Relationship Agreement. The Business Plan and the Budget will set out strategy and financial matters in relation to the management of LCH.Clearnet. In addition, certain terms of reference and policies will, pursuant to the terms of the New Implementation Agreement, be adopted with effect from Completion.

Set out below is a summary of the key governance, management, shareholding structure and ongoing relationship matters. The summary below captures the material terms of each of the Relationship Agreement and the New LCH.Clearnet Articles under headings relating to various aspects of the arrangements, noting the source of the relevant provisions where appropriate.

GOVERNANCE AND MANAGEMENT

Following Completion, the following governance and management arrangements will apply to the LCH.Clearnet Group:

LCH.Clearnet Board

The New LCH.Clearnet Articles and the Relationship Agreement provide that the LCH.Clearnet Board will initially comprise 17 directors, consisting of:

- the current independent Non-Executive Chairman of LCH.Clearnet, Jacques Aigrain;
- the current Chief Executive Officer of LCH.Clearnet, Ian Axe;
- four LCH.Clearnet Independent Directors;
- five User Directors nominated by the LCH.Clearnet Nomination Committee in accordance with the Nomination Terms of Reference and subject to approval by LSEG plc;
- three directors appointed by LSEG plc, one of whom will be the current Chief Executive Officer of LSEG, Xavier Rolet; and
- three Venue Directors (note that LSEG plc may nominate LSEG Independent Directors for appointment to the LCH.Clearnet Board in substitution for such Venue Directors if there are insufficient Venue Shareholders which LSEG plc considers appropriate to appoint as a Venue Director).

The existing director appointment rights of NYSE Euronext contained in the current LCH.Clearnet articles of association will be retained unless otherwise agreed with NYSE Euronext. The appointment rights contain, inter alia, minimum shareholding criteria. Any director appointed pursuant to such rights would reduce the number of Venue Directors positions referred to above by one.

Pursuant to the NASDAQ Placing Agreement, it is proposed that Bob Greifeld will join the LCH.Clearnet Board as a Venue Director with effect from completion of the Transaction. LSEG plc has pre-consented to his appointment to the LCH.Clearnet Board and agreed to vote to confirm Mr Greifeld's appointment at LCH.Clearnet's next annual general meeting, as required under the New LCH.Clearnet Articles

The Relationship Agreement provides that the composition of the LCH.Clearnet Board will also be subject to changes required from time to time as a result of regulatory requirements, including to the extent that the CFTC requires directors representing LCH.Clearnet's customers to be appointed to the Board.

Under the proposed arrangements:

- LSEG plc will be entitled to appoint and remove up to four directors to the LCH.Clearnet Board, including the Chief Executive Officer of LCH.Clearnet (such appointment rights being set out in both the New LCH.Clearnet Articles and the Relationship Agreement);
- in appointing a Non-Executive Chairman, the LCH.Clearnet Nomination Committee will consult with LSEG plc with regards to the suitability of the short-listed candidates being considered for appointment (which is reflected in the Nomination Terms of Reference to be adopted at Completion);
- in relation to the appointment of the five User Directors, appointments will be carried out pursuant to procedures set out in the Nomination Terms of Reference which will require that the relevant appointees have to be approved by LSEG plc;
- in relation to the appointment of the three Venue Directors, such appointees will have to be approved by LSEG plc (in accordance with the Relationship Agreement);
- in relation to the appointment of the LSEG Independent Directors, appointments will be made in accordance with the Nomination Terms of Reference; and
- in relation to the appointment of the four LCH.Clearnet Independent Directors, appointments will be made in accordance with the Nomination Terms of Reference.

If Customer Directors are to be appointed to the LCH.Clearnet Board such appointments will be carried out subject to the approval of LSEG plc.

In order to facilitate the composition of the LCH.Clearnet Board to be compliant with relevant regulatory requirements which may be in force from time to time, LSEG plc has agreed with LCH.Clearnet that (i) until such time as LSEG plc notifies LCH.Clearnet to the contrary and (ii) to the extent that LSEG considers it practicable in the context of available candidates, up to two of the three LSEG Directors which LSEG plc is entitled to appoint to the LCH.Clearnet Board will be independent non-executive directors in accordance with the certification process for the purposes of the independence criteria set out in the terms of reference for the Nomination Committee from time to time. However, LCH.Clearnet has acknowledged that none of the LSEG Directors appointed to the LCH.Clearnet Board at Completion will fulfil such independence criteria. Following Completion, LSEG plc has agreed to use its reasonable endeavours to identify appropriate candidates to meet such independence criteria with a view to having such appointments in place prior to the effective date for the anticipated CFTC rules.

The Nomination Terms of Reference may not be amended without the consent of LSEG plc or without Minority Shareholder Approval.

Pursuant to the Relationship Agreement, LSEG plc has agreed with LCH.Clearnet that:

- LSEG will not exercise its statutory voting rights to remove directors (other than the Chief Executive Officer, the three additional directors appointed by LSEG, the Venue Directors and the LSEG Independent Directors) from the LCH.Clearnet Board in circumstances where it would not be reasonable to do so;
- LSEG plc will consult with the LCH.Clearnet Board (except in exceptional circumstances) before removing any Chief Executive Officer; and
- notwithstanding any changes to the composition of the LCH.Clearnet Board required from time to time as a result of any regulatory requirements, LCH.Clearnet and LSEG plc shall procure that, to the greatest extent possible, the balance of the categories of directors on the LCH.Clearnet Board set out above will remain the same until such time as the LCH.Clearnet Board determines otherwise, with LSEG plc's consent, save that if the CFTC requires one or more Customer Directors to be appointed to the LCH.Clearnet Board, no rebalancing would take place as a result.

Under the New LCH.Clearnet Articles:

- subject to any regulatory requirements, the quorum for any LCH.Clearnet Board meeting shall be at least one LCH.Clearnet Independent Director (or the Non-Executive Chairman of LCH.Clearnet), two directors nominated by LSEG plc and one User Director;
- LCH.Clearnet Board decisions will be by the majority of votes of directors present and eligible to vote or by written resolution and every director will have one vote; and
- the Non-Executive Chairman will not have a casting vote.

LCH.Clearnet committees

Under the New LCH.Clearnet Articles, the establishment of the LCH.Clearnet Board committees and their terms of reference will be at the discretion of the LCH.Clearnet Board. Following Completion, it is contemplated that there will be audit, nomination and remuneration committees.

Subject to regulatory requirements, the composition for each of the LCH.Clearnet Board committees shall be at least one LCH.Clearnet Independent Director, one User Director and one director of LCH.Clearnet appointed by LSEG or one LSEG Representative, in the case of the nomination committee, one director of LCH.Clearnet appointed by LSEG (or other LSEG NomCom Representative), in the case of the audit committee, one director of LCH.Clearnet appointed by LSEG (or following the appointment of one independent non-executive director by LSEG to the LCH.Clearnet Board, one LSEG Audit Representative) or, in the case of the remuneration committee, one independent non-executive director of the LSEG Board (who may be but is not required to be a director of LCH.Clearnet appointed by LSEG) and ideally will be a member of the LSEG remuneration committee.

LCH.Clearnet Remuneration committee

It is not expected that there will be a standardised approach to remuneration structures and levels as between the LCH.Clearnet Group and LSEG. However, the respective chairmen of the remuneration committees of LCH.Clearnet and LSEG will consult with each other on a regular basis in respect of their remuneration policies and principles, and changes to the remuneration of the Chief Executive Officer of LCH.Clearnet and any member of the LCH.Clearnet executive committee (save for the heads of any SwapClear, ForexClear and CDSClear Business, whose remuneration is determined by the relevant SwapClear governance committee) will be made in accordance with an agreed process and be subject to the consent of the LSEG remuneration committee. These provisions are set out in the Relationship Agreement.

LSEG may appoint to the remuneration committee one independent non-executive director of the LSEG Board (who may be but is not required to be a director of LCH.Clearnet appointed by LSEG) and who ideally will be a member of the LSEG remuneration committee.

Subsidiary boards

The following provisions relating to the subsidiary boards of significant operating subsidiaries of LCH.Clearnet are set out in the Relationship Agreement:

The LCH.Clearnet Limited board will initially comprise up to 11 directors, consisting of:

- the current independent Non-Executive Chairman of LCH.Clearnet, Jacques Aigrain;
- the current Chief Executive Officer of LCH.Clearnet, Ian Axe;
- the Chief Risk Officer of LCH.Clearnet;
- three LCH.Clearnet Independent Directors;
- two User Directors;
- one director nominated by LSEG plc; and
- up to two Venue Directors or, if appointed in substitution for the Venue Directors (see “LCH.Clearnet Board” above), LSEG Independent Directors,

and such number of additional LCH.Clearnet Independent Directors or Customer Directors as may be required from time to time to ensure that the LCH.Clearnet Limited board includes an adequate proportion of LCH.Clearnet Independent Directors or Customer Directors to comply with any regulatory requirement and good governance principles.

The LCH.Clearnet S.A. board will initially comprise up to 14 directors, consisting of:

- a chairman, who is expected to be resident in France;
- the current independent Non-Executive Chairman of LCH.Clearnet, Jacques Aigrain;
- the current Chief Executive Officer of LCH.Clearnet, Ian Axe;
- the Chief Risk Officer of LCH.Clearnet;
- the current Chief Executive Officer of LCH.Clearnet S.A.;
- four LCH.Clearnet Independent Directors;
- two User Directors;
- one director nominated by LSEG plc; and
- up to two Venue Directors or, if appointed in substitution for the Venue Directors (see “LCH.Clearnet Board” above), LSEG Independent Directors,

and such number of additional LCH.Clearnet Independent Directors or Customer Directors as may be required from time to time to ensure that the LCH.Clearnet S.A. board includes an adequate proportion of LCH.Clearnet Independent Directors or Customer Directors to comply with any regulatory requirement.

The LCH.Clearnet LLC board will initially comprise up to 12 directors, consisting of:

- the current independent Non-Executive Chairman of LCH.Clearnet, Jacques Aigrain;
- the current Chief Executive Officer of LCH.Clearnet, Ian Axe;
- the current Chief Executive Officer of LCH.Clearnet LLC;
- the Chief Risk Officer of LCH.Clearnet;
- three LCH.Clearnet Independent Directors;
- up to two User Directors;
- one director nominated by LSEG plc; and
- two Customer Directors,

and such number of additional LCH.Clearnet Independent Directors or Customer Directors as may be required from time to time to ensure that the LCH.Clearnet LLC board includes an adequate proportion of LCH.Clearnet Independent Directors or Customer Directors to comply with any regulatory requirement.

LCH.Clearnet and LSEG plc intend that the board of directors (and any committees of such boards) of any significant operating subsidiary undertaking of LCH.Clearnet (other than LCH.Clearnet Limited, LCH.Clearnet S.A. and LCH.Clearnet LLC) from time to time shall reflect the balance of directors on the boards (and board committees) of LCH.Clearnet Limited effective from Completion. Notwithstanding any changes to the LCH.Clearnet Limited board, LCH.Clearnet S.A. board or LCH.Clearnet LLC board (and any committees of such boards) or any other significant operating subsidiary undertaking of LCH.Clearnet required from time to time as a result of any regulatory requirements, the balance of the categories of directors on such boards (and committees of such boards) will remain the same until such time as the LCH.Clearnet Board determines otherwise, with LSEG plc's consent.

Subsidiary committees

The boards of LCH.Clearnet Limited, LCH.Clearnet S.A and LCH.Clearnet LLC. currently have risk management committees. Pursuant to the Relationship Agreement, LSEG plc is entitled to appoint the vice-chairman, or such other person as LSEG plc chooses, to the risk management committees of LCH.Clearnet Limited, LCH.Clearnet S.A and LCH.Clearnet LLC and LCH.Clearnet (if a LCH.Clearnet risk management committee is established). Each of LCH.Clearnet Limited, LCH.Clearnet S.A. and LCH.Clearnet LLC has an audit committee which is independent of the LCH.Clearnet audit committee.

If any significant operating subsidiary undertaking of the LCH.Clearnet (including LCH.Clearnet Limited, LCH.Clearnet S.A. and LCH.Clearnet LLC):

- (a) establishes its own nomination committee, such committee shall adopt terms of reference on substantially similar terms to the terms of reference of the LCH.Clearnet nomination committee. LSEG shall be entitled to appoint a director, who must be a director appointed by LSEG to the board of any LCH.Clearnet Group company, to the relevant nomination committee;
- (b) has or established its own audit committee, such committee shall adopt terms of reference on substantially similar terms to the terms of reference of the LCH.Clearnet audit committee. LSEG shall be entitled to appoint a director (or, following the appointment by LSEG of one

independent non-executive director to the LCH.Clearnet Board, an LSEG Audit Representative) to the relevant audit committee; or

- (c) establishes its own remuneration committee, such committee shall adopt terms of reference on substantially similar terms to the terms of reference of the LCH.Clearnet remuneration committee, and LSEG shall be entitled to appoint one independent non-executive director of the board of LSEG (who may also be, but is not required to be, an LSEG Director) to the remuneration committee. Ideally such independent non-executive director of the board of LSEG would also be a member of LSEG's remuneration committee,

although in each case, the terms of reference are subject to any applicable law, regulation or regulatory approval, including as regards composition, and are without prejudice to the rights conferred under the SwapClear, Forex Clear and CDSClear Agreements.

Management of LCH.Clearnet

Pursuant to the Relationship Agreement, the day-to-day management of the LCH.Clearnet Group and implementation of the Business Plan and the Budget will be delegated by the LCH.Clearnet Board to the Chief Executive Officer of LCH.Clearnet on the terms of the Executive Delegation. The Executive Delegation is subject to the LCH.Clearnet Board Reserved Matters, the New LCH.Clearnet Articles and the other terms of the Relationship Agreement.

Under the terms of the Executive Delegation, the Chief Executive Officer of LCH.Clearnet is authorised to:

- (a) approve any item of expenditure or the incurrence of a liability (including expenditure or liability in excess of any specifically budgeted amount) by any LCH.Clearnet Group company without further reference to the LCH.Clearnet Board if such expenditure or liability does not: (i) exceed £10 million; and (ii) result in the total limit on spending or costs set out in the Business Plan and the Budget exceeding the budgeted level by more than 10 per cent.;
- (b) take all decisions and steps to agree and execute all such documents and take such other actions on behalf of LCH.Clearnet as may be necessary, expedient and proper in connection with any matter that is not an LCH.Clearnet Board Reserved Matter; and
- (c) pursue exploratory discussions for transactions that may involve expenditure or the incurrence of any liability by any LCH.Clearnet Group company that is in excess of the amount set out in sub-paragraph (a) above, or is not for a purpose that the Chief Executive Officer of LCH.Clearnet is authorised to approve pursuant to sub-paragraph (b), provided that no commitment is entered into without the approval of the LCH.Clearnet Board and the LCH.Clearnet Board is kept informed of the content of such discussions.

Pursuant to the Relationship Agreement, the Chief Executive Officer of LCH.Clearnet is permitted to appoint his own management team including the head of the LCH.Clearnet Group's risk management function.

Under the New LCH.Clearnet Articles, the direction and supervision of LCH.Clearnet's business will be the responsibility of the LCH.Clearnet Board, subject to the LSEG Consent Matters, the Push Matters and the Minority Protection Reserved Matters (each as contemplated by the New LCH.Clearnet Articles and the Relationship Agreement). In addition, as contemplated by the New LCH.Clearnet Articles, the LCH.Clearnet Group will be operated in accordance with the Core Operating Principles to be adopted by the LCH.Clearnet Board at Completion.

Pursuant to the Relationship Agreement, the Business Plan and the Budget will, subject to the LSEG Consent Matters and the Push Matters, be prepared annually by the Chief Executive Officer for approval by the LCH.Clearnet Board and will look forward for the next five financial years.

Core Operating Principles

The Core Operating Principles are summarised below:

- operation of safe and trusted clearing venues so as to comply with the LCH.Clearnet Group's legal and regulatory obligations at all times;
- operation of the LCH.Clearnet Group as a fully commercial and for-profit business;
- preservation of the SwapClear, ForexClear and CDSClear Businesses structure, operating models and arrangements (for a description of which, see Part 6) without change, including in relation to governance, pricing, management and control (unless otherwise agreed between the parties to the relevant SwapClear, ForexClear and CDSClear Agreement, LCH.Clearnet and LSEG);
- services offered on terms that are fair, reasonable, open and non-discriminatory and on a basis such that LCH.Clearnet's risk is adequately controlled;
- an agreed dividend policy, which would allow the LCH.Clearnet Board to calculate at semi annual intervals the amount of distributable profits available for paying dividends, taking into account prescribed factors (including regulatory requirements), with LSEG having the ability to determine whether, and to what extent, to distribute that amount;
- preservation of the RepoClear operating model and arrangements in all material respects; and
- arm's length contractual arrangements between any LCH.Clearnet Group company and any LSEG company.

The Core Operating Principles will be adopted by the LCH.Clearnet Board at Completion and may only be amended with LSEG plc's consent (as described below). Material amendments to the Core Operating Principles may only be made by special resolution and with Minority Shareholder Approval. The determination of whether a proposed amendment to the Core Operating Principles is material shall be made by a majority decision of the LCH.Clearnet Independent Directors.

Product level governance

With regard to product level governance, LCH.Clearnet has, or intends to put in place, arrangements for each divisional managing director to be supported by an advisory committee for each major product line within LCH.Clearnet. It is anticipated that these advisory committees will provide specialist input and advice to the relevant divisional managing director, in relation to the relevant product line. It is intended that the advisory committee for each product line will consist of at least eight members, including both members of the LCH.Clearnet executive team and Clearing Participants, although the detailed scope and composition of each advisory committee may vary depending on User feedback. LCH.Clearnet has recently introduced a Derivatives Operations User Group and will soon introduce an Equities Product Advisory Group. Notwithstanding the product governance proposals and arrangements described above, the current product governance in relation to the SwapClear, ForexClear and CDSClear Businesses will be preserved without change and in relation to RepoClear will be preserved in all material respects, save to the extent that any applicable laws or regulations require the governance or models to be altered from time to time.

LCH.Clearnet Shareholder meetings

Under the New LCH.Clearnet Articles, the quorum for an LCH.Clearnet Shareholder meeting shall be at least two LCH.Clearnet Shareholders, one of which shall be a member of LSEG (for so long as LSEG has the ability to exercise at least 20 per cent. of the voting rights of LCH.Clearnet).

LSEG Consent Matters

The LSEG Consent Matters are set out in the Relationship Agreement. Under the New LCH.Clearnet Articles, the LSEG Consent Matters 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.

In summary, LSEG Consent Matters are:

- material acquisitions and disposals;
- material borrowings;
- material IT investments;
- settlement of certain litigation;
- adoption of, material variation of, or departures from the Business Plan or the Budget;
- any transaction which LCH.Clearnet is aware would constitute for LSEG plc a significant transaction under Listing Rule 10 or a related party transaction under Listing Rule 11 (in order to ensure that LCH.Clearnet is aware of such matters, it is agreed in the Relationship Agreement that LCH.Clearnet will co-operate with LSEG plc with respect to the identification of such transactions and to provide relevant information for such purposes (including for any relevant shareholder circular));

and any matters which:

- would represent a change to, or divergence from, the Core Operating Principles or Executive Delegation;
- would be reasonably likely to cause a material change in the regulatory obligations or regulatory capital requirements applicable to business of the LCH.Clearnet Group or LSEG;
- would reasonably be expected to constitute:
 - o a material increase in the risk profile of the investment policy or the collateral management policy; or
 - o a change in the liquidity policy which would result in a material decrease in liquidity resources available to the LCH.Clearnet Group; or
- would represent a material change to, or divergence from, the Business Plan and/or the Budget (other than to the extent that the relevant matter is executed within the limits contained in the Executive Delegation).

LSEG Consent Matters will not require the consent described above if the matter is:

- (a) set out in reasonable detail in the Business Plan and/or the Budget or in, or in the attachments to, the New LCH.Clearnet Disclosure Letter and is executed within the financial and other parameters and/or limits contained in such plan, budget, letter or attachments; or
- (b) required by any applicable laws or regulations.

The New LCH.Clearnet Disclosure Letter sets out certain matters in relation to LCH.Clearnet and the Transaction.

No matter which LCH.Clearnet is required to undertake in order to comply with its obligations under a SwapClear, ForexClear and CDSClear Agreement shall constitute an LSEG Consent Matter.

Push Matters

The Push Matters are set out in the Relationship Agreement, which sets out the approval arrangements for Push Matters. Material amendments to the Push Matters can only be made by special resolution and with Minority Shareholder Approval.

Under the Push Matter regime, LSEG plc or any of the directors appointed by LSEG plc (which, for the avoidance of doubt, does not include the Venue Directors and the LSEG Independent Directors) may require that a resolution be put to LCH.Clearnet Shareholders which:

- (a) has already been decided upon by the LCH.Clearnet Board; or
- (b) LSEG plc wishes to be put to resolution by the LCH.Clearnet Board, but which the LCH.Clearnet Board has failed to consider or on which it is unable to reach agreement, in each case within such reasonable period of time as may be allowed by LSEG plc.

Push Matters elevated to LCH.Clearnet Shareholders will require the approval of LCH.Clearnet Shareholders in a general meeting. For such a Push Matter to be validly approved, at least: (a) 60 per cent. of the votes attaching to the LCH.Clearnet Shares cast by LCH.Clearnet Shareholders; and (b) 25 per cent. of the votes attaching to the LCH.Clearnet Shares cast by User Shareholders, in each case, on the relevant resolution must be in favour.

In summary, Push Matters are:

- expansion into new geographies;
- introduction of new Venues;
- adoption of, material variation of, or departures from, the Business Plan or the Budget;
- any material matter relating to LCH.Clearnet's IT strategy;
- material acquisitions and disposals;
- material borrowings; and
- entry into, termination or material variation of any material contract.

A matter shall not be capable of being a Push Matter if approval of the relevant matter would result in LCH.Clearnet not complying with a requirement of any applicable laws or regulations.

No matter which LCH.Clearnet is required to undertake in order to comply with its obligations under a SwapClear Agreement shall constitute a Push Matter.

Minority Protection Reserved Matters

Pursuant to the Relationship Agreement, Minority Protection Reserved Matters (which are set out in the Relationship Agreement) will require the approval of LCH.Clearnet Shareholders holding at least 80 per cent. of the votes attaching to the LCH.Clearnet Shares cast on the relevant resolution at an LCH.Clearnet Shareholder meeting. Minority Protection Reserved Matters may also be approved by written resolution. In addition, pursuant to the New LCH.Clearnet Articles, Minority Protection Reserved Matters that are required to be approved by LCH.Clearnet Shareholders pursuant to the

Relationship Agreement shall not occur or be implemented unless they have also been approved by special resolution.

In summary, Minority Protection Reserved Matters are:

- altering the constitutional documents of LCH.Clearnet;
- a material change in the Core Operating Principles;
- a change to the share capital of LCH.Clearnet on a non pre-emptive basis, subject to any share issues: required in order to maintain sufficient regulatory capital or introduce new Venues; in connection with acquisitions approved as Push Matters; or for cash, conducted pursuant to the LCH.Clearnet Board's standing authority in the New LCH.Clearnet Articles as refreshed by special resolution from time to time;
- any proposal to wind up LCH.Clearnet or any material LCH.Clearnet Group company or other voluntary proceedings seeking liquidation, administration, reorganisation, readjustment or other relief under any bankruptcy, insolvency or similar law or the appointment of a trustee, receiver, administrator, liquidator or similar officer; and
- any material amendment to the Relationship Agreement (save for any amendment(s) pursuant to any legal or regulatory requirement).

However, the following matters will not require the approval described above:

- (a) any proposal to wind up LCH.Clearnet or any material LCH.Clearnet Group company as described in the Minority Protection Matter set out above which the LCH.Clearnet Directors, in the proper exercise of their fiduciary duties, determine shall not require such approval; and
- (b) any matter which the LCH.Clearnet Independent Directors reasonably determines is not material to the User Shareholders.

Appointment of Jacques Aigrain to LSEG Board

With effect from Completion, Jacques Aigrain, the current independent non-executive Chairman of LCH.Clearnet will join the board of LSEG plc as a non-executive director.

SHAREHOLDING ARRANGEMENTS

Shareholding structure

Pursuant to the terms of the Revised Offer, on Completion LSEG plc will own between 50 per cent. plus one LCH.Clearnet Share and 57.8 per cent. of the LCH.Clearnet Issued Share Capital. The balance of LCH.Clearnet Shares not held by LSEG plc will be held by existing LCH.Clearnet Shareholders which retain some or all of their LCH.Clearnet Shares and any new Venue partners agreed by LSEG plc and LCH.Clearnet which wish to acquire LCH.Clearnet Shares.

Under the Relationship Agreement, LSEG plc and LSEC have agreed that LSEG plc will not dispose of its LCH.Clearnet Shares for a period of 12 months following Completion, subject to any sale to new Venues that does not reduce LSEG plc's shareholding in LCH.Clearnet below 50 per cent. plus one LCH.Clearnet Share.

Under the New LCH.Clearnet Articles, all ordinary shares will rank *pari passu* including as to dividends and other distributions, voting and return of capital.

Under the New LCH.Clearnet Articles, subject to all relevant laws and regulations, an ownership cap will prevent LCH.Clearnet Shareholders from holding, directly or indirectly, 10 per cent. or more of the issued share capital of LCH.Clearnet (or, in the case of enumerated entities, 5 per cent. or more of the issued share capital of LCH.Clearnet) and the voting rights of LCH.Clearnet Shareholders will be capped at 5 per cent. These caps will not apply to LSEG for so long as it maintains an interest of 10 per cent. or more in LCH.Clearnet. The voting rights attaching to LCH.Clearnet Shares in excess of the 5 per cent. cap are exercised by the company secretary of LCH.Clearnet in accordance with the recommendation of the LCH.Clearnet Board.

New LCH.Clearnet Shareholders

Under the New LCH.Clearnet Articles, any new LCH.Clearnet Shareholders will need to be: interdealer brokers, clearing members which are party to clearing arrangements with LCH.Clearnet, buy-side institutions (including asset managers), exchanges, trading platforms and settlement facility providers or any other legitimate market participant (subject to LSEG plc's consent), provided in each case that the number of the relevant entity's contracts or trades cleared by the LCH.Clearnet Group is considered by the LCH.Clearnet Board to be significant or the relevant entity otherwise demonstrates a mutual business relationship or interest to the satisfaction of the LCH.Clearnet Board (and the LCH.Clearnet Board may take into account the regulatory good standing of such entity when determining whether it is so satisfied).

Under the New LCH.Clearnet Articles, any new Venues must be approved by the LCH.Clearnet Board.

Issues of LCH.Clearnet Shares

Under the New LCH.Clearnet Articles, the LCH.Clearnet Board will be granted a standing authority to allot up to one third of the existing share capital of LCH.Clearnet and to make annual non pre-emptive issues for cash of up to five per cent. of the existing share capital of LCH.Clearnet, subject to any such issues in any three year period representing no more than 7.5 per cent. of the existing share capital of LCH.Clearnet. The LCH.Clearnet Board will also be permitted to allot LCH.Clearnet Shares for cash on a non pre-emptive basis to new Venue partners, and to LSEG plc, in relation to any allotment to LSEG plc, either: (a) for the purposes of maintaining sufficient regulatory capital; or (b) if, in conjunction with the Capital Raise, LCH.Clearnet issues any LCH.Clearnet Shares through a Placing which would result in LSEG (excluding LCH.Clearnet and its subsidiary undertakings) having a holding at Completion and/or following the completion of the Capital Raise of less than the initial post Completion shareholding of LSEG (assuming the relevant Placing had not taken place) (the ***Initial Percentage***), LSEC shall subscribe at €10 per LCH.Clearnet Share in the form of a placing to LSEG for such number of LCH.Clearnet Shares as will preserve its Initial Percentage.

Under the New LCH.Clearnet Articles, the allotment of LCH.Clearnet Shares shall be subject to the consent of LSEG plc.

Under the Relationship Agreement, for the 12 months immediately following Completion, any issue of LCH.Clearnet Shares in order to facilitate the introduction of new Venue Shareholders shall be made at a subscription price of no less than €12.5 per LCH.Clearnet Share unless otherwise agreed between the LCH.Clearnet Board and LSEG plc.

Under the New LCH.Clearnet Articles, on any share issue which would result in:

- (a) LSEG plc's shareholding falling below 50 per cent. plus one LCH.Clearnet Share, 40 per cent., 20 per cent. or 10 per cent., prior to such issue LSEG plc will be entitled to subscribe on the same or equivalent terms in order to maintain a shareholding percentage of LCH.Clearnet Shares of 50 per cent. plus one LCH.Clearnet Share, 40 per cent., 20 per cent. or 10 per cent. (as appropriate); or

- (b) the User Shareholders aggregate shareholding falling below 25 per cent. or, if it is already below 25 per cent. prior to such issue, below 20 per cent., the User Shareholders will be entitled to subscribe on the same or equivalent terms in order to maintain an aggregate shareholding percentage of LCH.Clearnet Shares of 25 per cent. or 20 per cent. (as appropriate).

Under the articles of LCH.Clearnet Limited, LCH.Clearnet S.A. and LCH.Clearnet LLC the allotment of shares in such companies shall be subject to the consent of LSEG.

Pursuant to the LCH.Clearnet Resolution, LCH.Clearnet is seeking authority to issue new LCH.Clearnet Shares in conjunction with the Capital Raise (as more fully described in this document). Pursuant to arrangements set out in the New Implementation Agreement, LSEG will subscribe for its pro rata share in such Capital Raise and accordingly its percentage shareholding in LCH.Clearnet before and after the Capital Raise will remain unchanged.

Transfers of LCH.Clearnet Shares

The following provisions are set out in the New LCH.Clearnet Articles.

Subject to the discretion of the LCH.Clearnet Board to approve any transfer of LCH.Clearnet Shares if it considers that the interests of LCH.Clearnet would be best served by the LCH.Clearnet Shares being transferred on a non pre-emptive basis to a particular entity, on a transfer of LCH.Clearnet Shares:

- (a) by an LCH.Clearnet Shareholder which is not a Venue Shareholder; and
- (b) by LSEG plc other than to a Venue eligible to be an LCH.Clearnet Shareholder and approved by the LCH.Clearnet Board,

the remaining LCH.Clearnet Shareholders will have a right of first refusal on a *pro rata* basis.

On a transfer of LCH.Clearnet Shares by a Venue Shareholder, LSEG plc will have a right of first refusal. The LCH.Clearnet Board's discretion described above will not apply to the extent that, in exercising such right, LSEG's percentage holding of LCH.Clearnet Shares would not exceed its percentage holding immediately after Completion. However, if LSEG plc does not exercise such right, or if LSEG plc exercises such right but there are excess LCH.Clearnet Shares that it is not entitled to acquire, the remaining LCH.Clearnet Shareholders will have a right of first refusal on a *pro rata* basis in respect of the LCH.Clearnet Shares the Venue Shareholder wishes to transfer or the excess LCH.Clearnet Shares (as applicable).

LSEG plc will be able to transfer LCH.Clearnet Shares on a non pre-emptive basis to any Venue eligible to be an LCH.Clearnet Shareholder and approved by the LCH.Clearnet Board.

On a pre-emptive offer, any share transfer shall be conditional on the relevant transferor being able to transfer the minimum number of LCH.Clearnet Shares specified by such transferor to the other LCH.Clearnet Shareholders. If this condition is not met the relevant transferor shall be entitled to transfer such LCH.Clearnet Shares on a non pre-emptive basis.

Sale of LSEG's interest / impact of dilution

Under the New LCH.Clearnet Articles and the Relationship Agreement, on a sale by LSEG plc of its entire (direct or indirect) interest in LCH.Clearnet, or of more than 50 per cent. of the issued share capital of LCH.Clearnet, to a single purchaser, such purchaser shall adhere to the Relationship Agreement. On a transfer (direct or indirect) of more than 50 per cent. of the issued share capital of LCH.Clearnet by LSEG plc, if LCH.Clearnet, LSEG plc and the purchaser wish to materially vary the rights and obligations that would apply to the purchaser, LCH.Clearnet and LSEG plc must obtain Minority Shareholder Approval.

In the event that LSEG sells part of its interest in LCH.Clearnet or does not exercise its anti-dilution protections, its governance rights and protections will be scaled back in accordance with the provisions of the New LCH.Clearnet Articles and the Relationship Agreement. 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 plc no longer holds 40 per cent. or more of the issued share capital of LCH.Clearnet.

Cessation of LSEG rights

In certain limited circumstances, LSEG plc's rights under the Relationship Agreement will cease (and LSEG plc will be treated as a "Dormant Member" under the New LCH.Clearnet Articles with the result that it will no longer be able to exercise the voting rights attached to its LCH.Clearnet Shares and LCH.Clearnet may redeem such LCH.Clearnet Shares at a price of €10 per LCH.Clearnet Share or require them to be sold at fair market value). These circumstances include:

- (a) the termination by LSEG of its clearing agreement with LCH.Clearnet other than for cause;
- (b) the termination by LCH.Clearnet of its clearing agreement with LSEG as a result of a termination event triggered by LSE plc's insolvency or the termination of LSE plc's Recognised Investment Exchange status (provided that, in the latter case, LSEG plc's rights shall be reinstated if LSE plc regains Recognised Investment Exchange status); and
- (c) except where LSEG plc has done no more than exercise its rights of appointment or removal, or to give or withhold consent to the appointment of directors to the LCH.Clearnet Board, as provided for in the Relationship Agreement, the New LCH.Clearnet Articles or the Nomination Terms of Reference, if LSEG plc exercises its statutory voting rights to appoint directors to, or remove directors from, the LCH.Clearnet Board such that LSEG plc obtains an overall majority on the LCH.Clearnet Board unless:
 - (i) LCH.Clearnet has materially breached the Relationship Agreement and the breach remains unremedied for a period of 30 days;
 - (ii) (A) if LCH.Clearnet has given notice to LSEG to restore the balance of the LCH.Clearnet Board, the balance has been restored within 30 days; or (B) LCH.Clearnet has given no such notice to LSEG; or
 - (iii) LCH.Clearnet and LSEG have been in dispute as to whether LCH.Clearnet has been in material breach as described in (i) and there has been an agreement or final judicial or arbitral determination that LCH.Clearnet has not been in material breach, and the balance of the LCH.Clearnet Board as existed prior to LSEG (or any LSEG company) exercising its voting rights has been restored within 30 days of the date of such agreement or determination.

OTHER ONGOING RELATIONS BETWEEN LCH.CLEARNET AND LSEG

Independence

Subject to the other provisions of the Relationship Agreement as described above, the Relationship Agreement provides that the LCH.Clearnet business will be carried on independently of LSEG. LCH.Clearnet will have its own management team which will be responsible for day to day running of the business.

The New LCH.Clearnet Articles and the Relationship Agreement provide that, notwithstanding that directors on the LCH.Clearnet Group boards may have a conflict of interest in respect of a particular matter as a result of their directorship of, or employment by, a member of LSEG or another member of the LCH.Clearnet Group, such directors will be entitled to attend and vote at any meeting at which that matter is to be discussed and are entitled to receive information relating to that matter (including in relation to any conflicts of interest arising as a result of Jacques Aigrain's appointment to the LSEG Board, which are also governed by a separate agreed conflicts memorandum of understanding for Jacques Aigrain). However, if the LCH.Clearnet Independent Directors determine that there is a conflict of interest between:

- (a) an LCH.Clearnet Shareholder that has appointed a director and a member of the LCH.Clearnet Group due to a dispute, or the entry into, material variation or termination of a contract, between the two parties; or
- (b) an LCH.Clearnet Shareholder (other than any member of LSEG) that has appointed a director and a member of the LCH.Clearnet Group in relation to any other matter,

then the relevant director will, subject to the discretion of the LCH.Clearnet Independent Directors, be prevented from attending and voting at any meeting at which that matter is to be discussed and from receiving confidential information in relation to that matter.

Also under the New LCH.Clearnet Articles, if the LCH.Clearnet Independent Directors determine that, in order to prevent breach of applicable competition law or regulation, a director appointed or nominated for appointment by a particular shareholder should not have access to certain competitively sensitive information, the relevant director shall not be entitled to receive such information, attend any part of a meeting at which such information is discussed, or participate in discussions or vote on any resolution at meetings of the LCH.Clearnet Board or any committee of the LCH.Clearnet Board relating to such information, unless a majority of the LCH.Clearnet Independent Directors agrees otherwise.

Related party transactions

Under the Relationship Agreement, it is provided that any dealings or contracts between the LCH.Clearnet Group 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.Clearnet Board consisting solely of LCH.Clearnet Independent Directors and, when determined appropriate by the LCH.Clearnet Independent Directors, directors not associated with LSEG.

Operating arrangements

The following arrangements are set out in the Relationship Agreement.

With effect from Completion, LCH.Clearnet and LSEG plc have agreed that they will each 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, including with respect to LSEG's post trade technology business, CC&G's operations in Italy and certain other specified jurisdictions, CC&G's services for Italian customers and certain geographies where LCH.Clearnet

and LSEG have agreed to operate in accordance with their individual business requirements, LSEG intends to conduct all of its CCP services through LCH.Clearnet. In addition, in the event of an acquisition by LSEG plc of a clearing business as part of a merger or acquisition, LSEG plc is obliged, subject to certain exceptions, to offer it for sale to LCH.Clearnet.

These arrangements will terminate on the earlier of five years after Completion or LSEG plc ceasing to hold 40 per cent. of the issued share capital of LCH.Clearnet.

SwapClear, ForexClear and CDSClear Businesses

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 applicable regulation not mandating electronic trading in such products and subject to compliance with all applicable antitrust laws. LSEG will not be bound to observe this obligation in respect of those products relating to a SwapClear, ForexClear and CDSClear Business whose associated SwapClear, ForexClear and CDSClear Agreement has been validly terminated.

Provision of information

Under the Relationship Agreement, LCH.Clearnet undertakes to provide LSEG plc with sufficient financial and other information reasonably required by LSEG plc to meet any applicable reporting requirements or standards and for LSEG plc's budgeting and forecasting processes in a timely fashion.

Similarly, LSEG plc undertakes to provide LCH.Clearnet with sufficient financial and other information to meet any applicable reporting requirements in relation to LCH.Clearnet's listed debt securities.

LCH.Clearnet undertakes (save where prohibited by applicable law and regulation) to provide (on a confidential basis and subject to certain restrictions) to LSEG plc such risk information as LSEG plc reasonably requires to monitor its group risks (including for the avoidance of doubt those arising as a result of the clearing businesses owned and operated by LSEG plc from time to time) to the extent required by LSEG's regulators and/or applicable law or regulation from time to time.

Deferred consideration

The Deferred Consideration arrangements are set out in the New Offer Document. Pursuant to the Relationship Agreement LCH.Clearnet has agreed to conduct matters with respect to the Deferred Consideration as set out in the paragraphs below.

The Deferred Consideration will be paid in cash by LSEC on 30 September 2017, or (i) a later date if a Relevant Claim is in fact threatened or made and has not been determined or settled by 30 September 2017 (or if an associated insurance claim has not been determined or settled by such date), or (ii) an earlier date as contemplated in the next paragraph. LCH.Clearnet has agreed that it shall keep LSEG plc informed with respect to any developments in relation to any Relevant Claims and conduct the defence of any Relevant Claim expeditiously having regard to the interests of accepting LCH.Clearnet Shareholders in a manner which shall not prejudice the terms of any applicable insurance. A determination to extend the payment date in the circumstances described above shall be made by the LSEG Board, acting reasonably and having consulted with the LCH.Clearnet Independent Directors (and take into account their reasonable views). Where there is such a delay, the Deferred Consideration will be paid one week after the date on which the final determination or binding agreement of the final Relevant Claim (or any associated claim) has been made. The payment date may be extended by up to one month at the election of either LSEG plc or LCH.Clearnet (acting by the LCH.Clearnet Independent Directors) to enable the Relevant Claim Amount to be agreed or

determined for the purposes of the calculation of the amount of Deferred Consideration per LCH.Clearnet Share to be paid.

Payment of the Deferred Consideration may be made sooner if (i) a Relevant Claim or Claims is/are finally determined or settled within the period prior to 30 September 2017, or (ii) there is not a reasonable likelihood of further Relevant Claims or costs arising, so that the remaining amount of the deferred consideration can be safely paid out to accepting LCH.Clearnet Shareholders, the LCH.Clearnet Independent Directors have requested that such early payment be made and the LSEG Board has agreed. In order for a request for early payment under (ii) above to be made, the LCH.Clearnet Independent Directors must determine in good faith and having taken legal advice that there is not a reasonable likelihood of further Relevant Claims arising. Following such request, the LSEG Board shall consider such request and advice (acting reasonably and on the basis of legal advice if relevant), and, if thought fit, approve such request and set the earlier payment date. The maximum amount of Deferred Consideration payable under the Revised Offer is €23 million¹¹. If the Relevant Claim Amount equals or exceeds €42,193,811 no Deferred Consideration will be paid.

The €1 per LCH.Clearnet Share amount of Deferred Consideration will be reduced if there are Relevant Claims. The reduction shall be calculated by deducting the Relevant Claim Amount from €42,193,811 and dividing the resulting amount by the number of LCH.Clearnet Shares in issue at the date of this document, being 42,193,811 LCH.Clearnet Shares, to produce a revised amount of Deferred Consideration per LCH.Clearnet Share. Accordingly, the Deferred Consideration compensates LSEG for the net cost to LCH.Clearnet of any Relevant Claim(s) up to €42,193,811.

The LCH.Clearnet Group is currently engaged in correspondence regarding concerns raised by administrators in relation to a past default management exercise which could give rise to a Relevant Claim. Such claim, if made, could be for a significant amount. While the LCH.Clearnet Group would defend such a claim vigorously and maintains insurance in relation to such matters, the possibility of a claim being successful and resulting in liability for the LCH.Clearnet Group, cannot be excluded. Attention is drawn to the further information with respect to the risks arising from default management set out in the risk factor on pages 27 and 28.

Special Dividend

The Deferred Consideration arrangement under the Revised Offer replaces the Special Dividend arrangement under the Original Offer.

Other provisions of the Relationship Agreement

In addition to the points summarised above, the Relationship Agreement includes conventional boilerplate provisions, such as those relating to confidentiality, announcements, notices and costs.

Amendments to the Relationship Agreement

Any material amendment to the Relationship Agreement (other than any amendment(s) pursuant to any legal or regulatory requirement) are a Minority Protection Reserved Matter and must also be approved by special resolution.

Further information

Further information on the ongoing relations between LCH.Clearnet and LSEG plc is set out in the New LCH.Clearnet Articles and the Relationship Agreement, which will be available for inspection as described in paragraph 14 of Part 9.

¹¹ In addition, LSEG may be required to pay up to €0.6 million (£0.5 million) in contingent consideration to the seller of the 2.3 per cent. stake already held by LSEG - see Part 9.

PART 8 : NEW IMPLEMENTATION AGREEMENT

LSEG plc and LCH.Clearnet have entered into a New Implementation Agreement. The Old Implementation Agreement dated 9 March 2012 entered into by LSEG plc and LCH.Clearnet has been terminated in accordance with its terms and, accordingly, the Original Offer has lapsed. In connection with the lapsing of the Original Offer, LSEG plc and LCH.Clearnet have agreed that:

- (a) the Special Dividend is not and shall not become payable to LCH.Clearnet Shareholders on the basis that the condition for the payment of the Special Dividend by the LCH.Clearnet Board shall not be satisfied; and
- (b) the Regulatory Capital Subscription Agreement shall be terminated in accordance with its terms.

The principal matters covered by the New Implementation Agreement are: implementation of the Transaction, conduct of business between New Announcement and Completion, non-solicitation, the circumstances in which the New Implementation Agreement may be terminated, the Capital Raise and certain actions to be taken at or immediately prior to Completion.

Conduct of LCH.Clearnet business between the date of the New Announcement and Completion

LCH.Clearnet has agreed to conduct its business in a certain way during the period between the New Announcement and Completion, including (but not limited to):

- (a) carrying on its business in the ordinary course;
- (b) without the prior consent of LSEG plc, not:
 - (i) acquiring or disposing of any going concern undertakings or businesses;
 - (ii) undertaking any material commitment or entering into any material contract; or
 - (iii) acquiring or disposing of any material assets or liabilities;
- (c) maintaining LCH.Clearnet Licences and using reasonable endeavours to obtain any new LCH.Clearnet Licences already applied for as at the date of the New Implementation Agreement or as provided for in the Initial Business Plan and the Initial Budget;
- (d) maintaining certain agreed capital positions; and
- (e) not performing a number of further actions without LSEG plc's prior consent, including: changing the material general terms of employment of its employees; adopting or materially amending any employee benefit, bonus or profit sharing scheme; declaring a dividend; issuing shares; or otherwise taking any action which LCH.Clearnet knows would, or might reasonably be expected to, prejudice the likelihood of Completion.

Non-solicitation

Both LCH.Clearnet and LSEG plc have agreed not to solicit offers for 30 per cent. or more of the voting rights of their respective shares. In addition, LCH.Clearnet has agreed not to solicit offers for a material acquisition or disposal outside the ordinary course of business and LSEG has agreed not to solicit offers for an acquisition or disposal which would require the approval of LSEG Shareholders as a Class 1 transaction under Chapter 10 of the Listing Rules and which would be likely to make Completion materially more difficult.

Following the Further LSEG Meeting, LSEG plc may take any steps to implement or execute an offer for 30 per cent. or more of the voting rights of its shares if it has received an unsolicited *bona fide*

approach and the LSEG Board has determined in good faith (based on appropriate external financial and legal advice) that it constitutes, or could reasonably be expected to result in, a proposal worthy of consideration by LSEG Shareholders.

In addition, LSEG plc may take steps to implement or execute a Class 1 transaction of the type described above provided that LSEG plc obtains LCH.Clearnet's consent (not to be unreasonably withheld or delayed) for such a transaction prior to LSEG committing to proceed with the transaction.

Termination

The New Implementation Agreement may be terminated:

- (a) as agreed in writing between the parties;
- (b) by either LCH.Clearnet or LSEG plc:
 - (i) if the Acceptance Condition has not been satisfied on or before the Closing Date; and/or
 - (ii) if, at any time, it determines, acting reasonably, having taken legal advice and having consulted with the other party, that any regulatory approval (or, where applicable, confirmations of non-objection) required in respect of the Majority Acquisition will not, or would not reasonably be expected to, be obtained; and/or
 - (iii) if, at any time, a consent, approval, confirmation of satisfaction or other fulfilment of a Merger Control Condition has been qualified by the relevant antitrust authority, revoked, varied or, amended in any material adverse way in relation to the Revised Offer; and/or
 - (iv) if the LCH.Clearnet Recommending Directors withdraw, qualify or adversely modify for whatever reason the terms of their recommendation of the Transaction (or fail to give such recommendation or give notice that such recommendation will not be given); and/or
 - (v) if the LSEG Board withdraws, qualifies or adversely modifies for whatever reason the terms of its recommendation of the Transaction (or fails to give such recommendation or gives notice that such recommendation will not be given);
- (c) by LCH.Clearnet:
 - (i) if the LSEG Resolution is not passed at the Further LSEG Meeting;
 - (ii) if the Further LSEG Meeting is not held within 30 days of the date for the Further LSEG Meeting specified in this document;
 - (iii) if any Regulatory Licence held by any member of the LCH.Clearnet Group or LSEG at the date of the New Announcement is withdrawn or would become subject to further conditions or requirements as a result of the Transaction (together, a ***Licence Event***) and
 - (A) in the case of a Licence Event which relates to a Regulatory Licence held by the LCH.Clearnet Group, if LCH.Clearnet determines (acting reasonably, having taken legal advice and having consulted with LSEG plc) that such event has had, or would reasonably be expected to have, a material adverse effect in the context of the Transaction on the LCH.Clearnet Group and/or LSEG, unless such Licence Event has arisen as a result of a deliberate act or omission by any member of the LCH.Clearnet Group; or

- (B) in the case of a Licence Event which relates to a Regulatory Licence held by LSEG, if LCH.Clearnet determines (acting reasonably, having taken legal advice and having consulted with LSEG plc) that such event would reasonably be expected to have a material adverse effect in the context of the Transaction on the LCH.Clearnet Group, unless such Licence Event has arisen as a result of a deliberate act or omission by any member of the LCH.Clearnet Group;
 - (iv) if, at any time, it determines, acting reasonably, having taken legal advice and having consulted with LSEG, that a regulatory development has occurred which has had, or would reasonably be expected to have, a material adverse effect on the LCH.Clearnet Group or LSEG (but in the case of a material adverse effect on LSEG, only if it would be reasonably expected to have a material adverse effect on the LCH.Clearnet Group post-Completion);
 - (v) if LSEG plc (i) commits a material breach of the LSEG Pre-Completion Obligations or (ii) has committed a material breach of the LSEG Pre-Completion Obligations under, and as defined in, the Old Implementation Agreement;
 - (vi) on publication of a formal offer announcement (pre-conditional or otherwise) under Rule 2.7 of the Takeover Code relating to an acquisition of LSEG plc which is not at a discount to the closing middle market price of the LSEG Shares as at the trading day prior to such announcement, provided that in the case of a unilateral offer, such offer would justify, in the good faith judgement of the LCH.Clearnet Board (taking account of appropriate external financial and legal advice) exercise of its termination right in order to comply with its fiduciary duties; or
 - (vii) if this document has not been despatched on or before 31 March 2013, unless the failure so to despatch this document is attributable to any action or omission of LCH.Clearnet;
- (d) by LSEG:
- (i) if the LCH.Clearnet Resolution is not passed at the Further LCH.Clearnet Meeting;
 - (ii) if the Further LCH.Clearnet Meeting is not held within 30 days of the date for the Further LCH.Clearnet Meeting specified in the New LCH.Clearnet Circular;
 - (iii) if any Regulatory Licence held by any member of the LCH.Clearnet Group or LSEG at the date of the New Announcement is subject to a Licence Event if LSEG plc determines (acting reasonably, having taken advice and having consulted with LCH.Clearnet) that such an event has had, or would reasonably be expected to have, a material adverse effect in the context of the Transaction on the LCH.Clearnet Group and/or LSEG, unless such Licence Event has arisen as a result of a deliberate act or omission by any member of LSEG;
 - (iv) if, at any time, it determines, acting reasonably, having taken legal advice and having consulted with the other party, that a regulatory development has occurred which has had, or would reasonably be expected to have, a material adverse effect on the LCH.Clearnet Group or LSEG;
 - (v) if, at any time, it determines, acting reasonably, having taken legal advice and having consulted with LCH.Clearnet, that confirmation from the relevant regulators (including the FSA and ACP) that the Transaction will not result in LSEG plc becoming an FHC will not, or would not reasonably be expected to, be obtained on terms reasonably satisfactory to LSEG plc;

- (vi) LCH.Clearnet (i) commits a material breach of the LCH.Clearnet Pre-Completion Obligations (ii) has committed a material breach of the LCH.Clearnet Pre-Completion Obligations under, and as defined in, the Old Implementation Agreement (iii) commits a breach of the LCH.Clearnet Pre-Completion Obligation in relation to the issue of shares by LCH.Clearnet (save where such breach results from the issue by a member of the LCH.Clearnet Group of a de minimis number of shares to one or more of its directors to comply with legal requirements) or (iv) commits a breach of the LCH.Clearnet Pre-Completion Obligation in relation to the maintenance of certain capital reserves;
 - (vii) if the New LCH.Clearnet Circular has not been despatched on or before 31 March 2013, unless the failure so to despatch the New LCH.Clearnet Circular is attributable to any action or omission of LSEG plc or LSEC; or
 - (viii) the aggregate amount of the Capital Raise sought by LCH.Clearnet from the LCH.Clearnet Shareholders exceeds €320 million; or
- (e) if Completion has not occurred by the Longstop Date.

Break fee

Under the terms of the New Implementation Agreement, no break fee is payable by either party.

Special Dividend

As part of the Original Offer, the Old Implementation Agreement provided for the declaration of the Special Dividend to be payable by LCH.Clearnet on the fifth anniversary of the date on which the Original Offer became or was declared wholly unconditional in all respects. The New Implementation Agreement provides that the Original Offer has now lapsed and that the Special Dividend is not and shall not become payable to LCH.Clearnet Shareholders on the basis that the Revised Offer is not a revision, variation, extension or renewal of the Original Offer and that therefore the condition for the payment of the Special Dividend by the LCH.Clearnet Board shall not be satisfied.

The Deferred Consideration arrangement under the Revised Offer replaces the Special Dividend arrangement under the Original Offer. Details of the Deferred Consideration arrangements are set out in Part 7.

Subscription right

Pursuant to the Revised Offer, LSEG plc will acquire LCH.Clearnet Shares representing (when taken together with the LCH.Clearnet Shares which LSEG plc already holds at the date of the New Implementation Agreement) between 50 per cent. plus one LCH.Clearnet Share and 57.8 per cent. of the LCH.Clearnet issued share capital as at Completion. It is possible that, prior to the completion of the Capital Raise, LCH.Clearnet will identify other placees for the purposes of raising capital. In such circumstances, LSEG plc shall subscribe for new LCH.Clearnet Shares on the following basis in order to ensure that its post Capital Raise holding of LCH.Clearnet Shares is maintained at the Initial Percentage.

Under the terms of the New Implementation Agreement, if, in conjunction with the Capital Raise, LCH.Clearnet issues any LCH.Clearnet Shares through one or more non-pre-emptive placings, (consent for which is required from LSEG) (each, a ***Placing***) which would result in LSEG having a holding at Completion and/or following the completion of the Capital Raise of less than the Initial Percentage, LSEC shall subscribe at €10 per LCH.Clearnet Share (in the form of a placing) for such number of LCH.Clearnet Shares as will preserve its Initial Percentage (and LCH.Clearnet shall take all necessary steps required for such subscription to be made in conjunction with the Capital Raise). The overall investment by LSEG plc pursuant to the Capital Raise and this catch up mechanism shall

not exceed the investment that LSEG plc would have made had the relevant Placing(s) and the related LSEG plc subscription not taken place and it had subscribed for its pro rata share under the Capital Raise (on the basis that the amount raised by any Placings and any LSEG plc catch up placing shall reduce the amount of the pre-emptive offer part of the Capital Raise and thereby reduce LSEG plc's pre-emptive funding requirement under such part of the Capital Raise).

Capital Raise

Under the terms of the New Implementation Agreement, LCH.Clearnet has agreed to implement the Capital Raise in accordance with the Capital Raise Circular and the Timetable.

In the context of implementing the Capital Raise, LCH.Clearnet has agreed, as promptly as reasonable practicable and where applicable in line with the Timetable, to;

- (a) subject to (f), finalise the "pathfinder" Capital Raise Circular and related Pre-Committed Shareholder Subscription Form and provide LSEG plc with the opportunity to review and comment on subsequent versions prior to their publication to Core User Shareholders on the basis that such documents shall be agreed between them (with each other's consent to the contents of such documents not to be unreasonably withheld or delayed provided that it shall be reasonable to withhold consent in the context of terms and conditions where the relevant matters (or omission of matters) would be detrimental to the certainty of completion of the Capital Raise);
- (b) following finalisation under (a) above, provide to Core User Shareholders the "pathfinder" Capital Raise Circular and Pre-Committed Shareholder Subscription Form on or before 28 March 2013 (or such other date as the parties may agree), provided that the LSEG Resolution and the LCH.Clearnet Resolution have each been passed;
- (c) for the purposes of satisfying the Capital Contribution Condition, take all reasonable steps to solicit Pre-Committed Shareholder Subscription Forms addressed to LCH.Clearnet and LSEG plc/LSEC from the Core User Shareholders to subscribe, in aggregate, for that part of the Capital Raise not funded by LSEG or any committed placee;
- (d) keep LSEG plc updated on a regular basis with respect to the progress towards satisfaction of the Capital Contribution Condition (including providing copies of executed Pre-Committed Shareholder Subscription Forms as they are received by LCH.Clearnet and/or its advisers);
- (e) not, at any time, agree to the amendment, variation, revocation or qualification of any Pre-Committed Shareholder Subscription Form without the prior written consent of LSEG;
- (f) subject to (g), finalise the Capital Raise Circular and related Shareholder Subscription Form and provide LSEG plc with the opportunity to review and comment on subsequent versions prior to their publication to LCH.Clearnet Shareholders on the same basis set out in (a) above;
- (g) not include in the "pathfinder" Capital Raise Circular or the Capital Raise Circular any material new information relating to the Capital Raise, LCH.Clearnet and its business (and the risks associated with it) which was not included in this document, other than in relation to developments that have taken place or been discovered between the date of posting of (i) this document and (ii) the "pathfinder" Capital Raise Circular and/or the Capital Raise Circular (as the case may be), in which case such changes to be approved by LSEG plc;
- (h) accept responsibility for the information contained in the Capital Raise Circular (noting that it is a requirement that the Capital Raise Circular includes the agreed form capital raise recommendation in order for the Revised Offer to be declared unconditional and proceed to Completion);

- (i) LSEG plc having confirmed its readiness to declare the Capital Contribution Condition satisfied and the Revised Offer unconditional, promptly post the Capital Raise Circular and the Shareholder Subscription Form in the agreed terms and including the agreed form Capital Raise recommendation;
- (j) when paid by LSEG plc (which shall be within 10 Business Days of Completion), take receipt from LSEG plc of the consideration due to Core User Shareholders who have submitted a Pre-Committed Shareholder Subscription Form of the committed Euro amount specified in their respective Pre-Committed Shareholder Subscription Forms (*Core User Shareholder Recycled Funds*);
- (k) following receipt under (j) above, direct such Core User Shareholder Recycled Funds to be held by LCH.Clearnet Limited and then for the period until completion of the Capital Raise procure that LCH.Clearnet Limited invests the Core User Shareholder Recycled Funds in accordance with the LCH.Clearnet treasury policy;
- (l) following the end of the subscription period for the Capital Raise as set out in the Shareholder Subscription Forms, allocate (in consultation with LSEG plc) subscription shares pursuant to the Capital Raise in accordance with the capital raise allocation principles described below and collect funds (other than the Core User Shareholder Recycled Funds, which shall be collected in accordance with (m) below) from participating LCH.Clearnet Shareholders promptly following allocation;
- (m) prior to completion of the Capital Raise, sell, transfer or redeem the investments into which the Core User Shareholder Recycled Funds were invested and apply the cash principal resulting from such sale, transfer or redemption to fund the relevant LCH.Clearnet Shareholder's subscription obligations under the Capital Raise (with any balance amount being paid to the relevant LCH.Clearnet Shareholder within 10 business days following completion of the Capital Raise);
- (n) procure that completion of all components of the Capital Raise (including any Placing and any subscription by LSEG in accordance with its subscription rights) occurs on the same Business Day; and
- (o) if an agreement is entered into with respect to a Placing (consent for which is required from LSEG), not, at any time, agree to the amendment, variation, revocation or qualification of such agreement without the prior written consent of LSEG.

LSEG plc has agreed to subscribe, when requested to do so by LCH.Clearnet under the Capital Raise, for LCH.Clearnet Shares with an aggregate subscription price up to a maximum of the LSEG Capital Raise Amount and shall not revoke, amend, vary or qualify such subscription.

LSEG plc shall fund the LSEG Capital Raise Amount only when subscription proceeds to fund the Capital Raise (other than the LSEG Capital Raise Amount) have been received by LCH.Clearnet.

Capital Raise Allocation Principles

The Capital Raise allocation principles are as follows. New LCH.Clearnet Shares shall be allocated on the basis of the following:

- (a) to each qualifying LCH.Clearnet Shareholder which has validly applied for its pro rata share entitlement (or less than its pro rata share entitlement);
- (b) thereafter, excess capital raise shares shall be allocated so as to satisfy in full each preferred subscriber's excess share election, save that if there are insufficient excess capital raise shares

to satisfy all such elections, excess capital raise shares shall be allocated pro rata to the respective proportions of those preferred subscriber's excess share elections;

- (c) if, after allocation of excess capital raise shares to preferred subscribers, there remain excess capital raise shares to be allocated, such remaining shares shall be allocated to other qualifying LCH.Clearnet Shareholders which made an excess share election (the ***Remaining Shareholders***), with the general intention of doing so pro-rata to the equity proportion of the Remaining Shareholders, save where LCH.Clearnet and LSEG plc in their sole discretion consider it appropriate to do otherwise, having regard to the need to achieve a successful outcome for the Capital Raise and such other factors as LCH.Clearnet and LSEG plc reasonably consider appropriate (including, but not limited to, expressions of wishes made by such LCH.Clearnet Shareholders),

provided in each case that no LCH.Clearnet Shareholder shall be allocated more than the maximum number of LCH.Clearnet Shares that it has indicated it is willing to accept and no LCH.Clearnet Shareholder shall be required to pay more than the maximum aggregate amount it has indicated it is willing to pay for such LCH.Clearnet Shares.

Observer Seat

In the context of the Capital Raise, the CEO of LSEG plc has observer status on the board of LCH.Clearnet for the period until Completion insofar as the LCH.Clearnet Board is considering matters in relation to the regulatory capital position of LCH.Clearnet.

PART 9 : ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

LSEG plc and the LSEG Directors, whose names are set out below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of LSEG plc and the LSEG Directors (who have taken all reasonable care to ensure that such is the case), the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. LSEG PLC INFORMATION

LSEG 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 LSEG plc is at 10 Paternoster Square, London EC4M 7LS. The telephone number is 020 7797 1000.

The principal legislation under which LSEG plc operates is the Companies Act.

3. LSEG DIRECTORS

The LSEG Directors and their respective functions are as follows:

Chris Gibson-Smith (Chairman)

Paolo Scaroni (Deputy Chairman and Senior Independent Director)

Xavier Rolet (Chief Executive Officer)

David Warren (Chief Financial Officer)

Raffaele Jerusalmi (Executive Director, Chief Executive Officer of Borsa Italiana and Director of Capital Markets)

Baroness (Janet) Cohen (Non-Executive Director)

Sergio Ermotti (Non-Executive Director)

Gay Huey Evans (Non-Executive Director)

Paul Heiden (Non-Executive Director)

Andrea Munari (Non-Executive Director)

Massimo Tononi (Non-Executive Director and Chairman of Borsa Italiana)

Robert Webb Q.C. (Non-Executive Director)

The registered address of LSEG plc is 10 Paternoster Square, London EC4M 7LS, United Kingdom which is also the business address of each of the LSEG Directors.

4. INTERESTS IN LSEG PLC

As at the latest practicable date prior to publication of this document, LSEG plc had been notified of the following holdings of interests in the capital of LSEG plc or voting rights (as defined in the Disclosure and Transparency Rules) directly or indirectly in respect of three per cent. or more of LSEG plc's issued share capital as set out in the table below:

<i>Name</i>	<i>% of issued LSEG share capital</i>	<i>Number of LSEG Shares</i>
Borse Dubai Limited	21.0	56,966,856
Qatar Investment Authority	15.4	41,700,652
FIL Limited	5.2	14,181,223

5. LSEG DIRECTORS' INTERESTS

As at the close of business on the latest practicable date prior to publication of this document:

- (a) the interests of the LSEG Directors and any of their connected persons (within the meaning of section 346 of the Companies Act) in LSEG Shares were as follows:

<i>Name</i>	<i>Number of LSEG Shares</i>	<i>% of issued LSEG share capital</i>
Chris Gibson-Smith	63,757	0.0235
Paolo Scaroni	-	-
Xavier Rolet	191,840	0.0708
David Warren	-	-
Raffaele Jerusalmi	46,929	0.0173
Baroness (Janet) Cohen	6,616	0.0024
Sergio Ermotti	-	-
Gay Huey Evans	-	-
Paul Heiden	3,000	0.0011
Andrea Munari	-	-
Massimo Tononi	-	-
Robert Webb Q.C.	1,200	0.0004

- (b) the interests of the LSEG Directors in options or awards over LSEG Shares under the LSEG Share Schemes were as follows:

Shareholder	Share Scheme	Maximum no. of LSEG Shares under award / option ⁽¹⁾	Option price (£)	Date of award / grant	Final vesting date
Xavier Rolet	LTIP – performance share awards	138,674	-	19 June 2012	19 June 2015
	LTIP – matching share awards	67,097	-	21 June 2012	21 June 2015
	LTIP – performance share awards	139,031	-	3 June 2011	3 June 2014
	LTIP – matching share awards	63,380	-	8 July 2011	8 July 2014
	LTIP – performance share awards	142,857	-	14 September 2010	14 September 2013
	LTIP – matching share awards	92,073	-	27 September 2010	27 September 2013
Total		643,112			
Raffaele Jerusalmi	LTIP – performance share awards	61,633	-	19 June 2012	19 June 2015
	LTIP – performance share awards	51,493	-	3 June 2011	3 June 2014
	LTIP – performance share awards	71,428	-	14 September 2010	14 September 2013
Total		184,554			
David Warren	LTIP – performance share awards	84,661	-	2 July 2012	2 July 2015
Total		84,661			

Notes:

- (1) The number of LSEG Shares over which the award may vest is subject to the achievement of performance conditions based on absolute TSR growth and absolute earnings per share growth.

LSEG's existing shareholding in LCH.Clearnet

On 13 April 2012, LSEG plc exercised an option to acquire 970,656 LCH.Clearnet Shares from MF Global (in special administration) conferred by a written agreement between, amongst others, LSEG plc and MF Global (the ***MF Global Agreement***). Accordingly, LSEG plc now holds 2.3 per cent. of the LCH.Clearnet Issued Share Capital. As a term of the MF Global Agreement, LSEG plc agreed that if an offer by LSEG plc for the majority of LCH.Clearnet completed within a year of the exercise of the option, LSEG would pay to MF Global a price per MF Global Share of 60 per cent. of any difference between €14 and the price payable by LSEG per LCH.Clearnet Share under the offer (within five business days after such consideration is due). Accordingly, if Completion occurs within a year of the exercise of the option, within five business days after 30 September 2017 (or such other date as any Deferred Consideration becomes due and payable), LSEG plc will pay to MF Global the amount of 60 per cent. of any Deferred Consideration payable per share (as reduced by any Relevant Claims) multiplied by 970,656.

6. MATERIAL CONTRACTS

Material contracts of LSEG

Set out below is a summary of each contract entered into by any member of LSEG outside of the ordinary course of business: (a) within the two years immediately preceding the date of this document and which is or may be material to LSEG; or (b) which contains any provision under which any member of LSEG has any obligation or entitlement which is material to LSEG as at the date of this document.

New Implementation Agreement

On 24 December 2012, LCH.Clearnet entered into an agreement with LSEG plc and LSEC to extend the Old Implementation Agreement to a new longstop date of 31 January 2013. The parties subsequently extended the Old Implementation Agreement again by (i) an agreement dated 31 January 2013 to a new longstop date of 28 February 2013; and (ii) by an agreement dated 28 February 2013 to a new longstop date of 7 March 2013.

The Old Implementation Agreement has now been terminated in accordance with its terms and LSEG plc and LCH.Clearnet have entered into a New Implementation Agreement. On termination of the Old Implementation Agreement, the Original Offer (as set out in the Old Circular) was lapsed. Further details of the terms of the New Implementation Agreement are provided in Part 8.

Regulatory Capital Subscription Agreement

This agreement was entered into by LSEG plc and LCH.Clearnet pursuant to which LCH.Clearnet could, subject to LCH.Clearnet Board approval, and for a period of 18 months from completion of the Original Offer, call for LSEG plc or LSEC to subscribe for further LCH.Clearnet Shares for regulatory capital purposes. It was signed by the parties on 9 March 2012 in respect of the Original Offer but has now been terminated in accordance with its terms.

Notes

LSEG plc has issued the following notes:

- (a) 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:

- (i) 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);
- (ii) 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;
- (iii) 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.;
- (iv) 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;
- (v) 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
- (vi) 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.

- (b) 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:
 - (i) 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);
 - (ii) 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;
 - (iii) 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.;

- (iv) 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;
- (v) 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
- (vi) 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.

Retail Bond Issue

2021 Retail Bonds - on 2 November 2012, LSEG plc issued £300 million sterling denominated 4.75 per cent. bonds due 2 November 2021 under its £1,000 million 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 9 years;
- (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 plc, the 2021 Retail Bonds will mature on 2 November 2021 and will be repayable by LSEG plc 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 plc 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 plc at the face value of the 2021 Retail Bonds together with accrued interest;
 - (ii) in the event that LSEG plc 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 plc 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 plc or if LSEG 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), then a holder of 2021 Retail Bonds would have the option to require LSEG plc 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 plc'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 plc in order to refinance its indebtedness and for LSEG plc'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.

Facility agreements

LSEG plc has the following facility agreements:

- (a) £250 million Facility Agreement dated 24 July 2008 between LSEG plc, Lloyds TSB Bank plc, Bayerische Hypo- und Vereinsbank AG, London Branch and Intesa Sanpaolo S.p.A. as Mandated Lead Arrangers, the Original Lenders referred to therein and Lloyds TSB Bank plc as Agent, as amended by an Amendment Agreement dated 7 February 2012, whereby a 5-year, £250 million multicurrency revolving loan facility was made available to LSEG by a syndicate of international banks on normal market terms, including:
 - (i) borrowings bear interest at a floating rate (EURIBOR/LIBOR) plus a fixed margin and mandatory costs (if any) and a commitment fee is payable on undrawn commitments;
 - (ii) repayment of the 2008 Facility Agreement is by way of a single lump sum repayment of any amounts drawn on the final maturity date;
 - (iii) provisions relating to mandatory prepayment and cancellation on a change of control of LSEG plc;
 - (iv) customary covenants which restrict LSEG plc, and in certain cases its subsidiaries, from time to time (subject to agreed exceptions and materiality carve outs) from, amongst other things: (A) creating security; (B) disposing of assets; (C) proposing mergers; (D) substantially changing the general nature of the business of LSEG plc; and (E) incurring subsidiary borrowings; and
 - (v) the usual representations and warranties, information undertakings, general undertakings and events of default for an investment grade credit such as LSEG plc, as well as two financial covenants (leverage and interest cover).
- (b) £250 million Facility Agreement dated 17 November 2010 between LSEG, Barclays Capital, The Royal Bank of Scotland plc., HSBC Bank plc., The Bank of Tokyo Mitsubishi UFJ Limited, Intesa Sanpaolo S.p.A., Lloyds TSB Bank plc and Unicredit Bank AG, London Branch, as Mandated Lead Arrangers and the Original Lenders referred to therein and Lloyds TSB Bank plc as Agent, as amended by an Agreement dated 7 February 2012, whereby a 5 year, £250 million multicurrency revolving loan facility was made available to LSEG by a syndicate of international banks on normal market terms, including:
 - (i) borrowings bear interest at a floating rate (EURIBOR/LIBOR) plus a fixed margin and mandatory costs (if any). In addition, a commitment fee is payable on undrawn

commitments and a utilisation fee is payable calculated on the amount of borrowings under the 2010 Facility Agreement;

- (ii) repayment of the 2010 Facility Agreement is by way of a single lump sum repayment of any amounts drawn on the final maturity date;
 - (iii) provisions relating to mandatory prepayment and cancellation on a change of control of LSEG;
 - (iv) customary covenants which restrict LSEG plc, and in certain cases its subsidiaries, from time to time (subject to agreed exceptions and materiality carve outs) from, amongst other things: (A) creating security; (B) disposing of assets; (C) proposing mergers; (D) substantially changing the general nature of the business of LSEG; and (E) incurring subsidiary borrowings; and
 - (v) the usual representations and warranties, information undertakings, general undertakings and events of default for an investment grade credit such as LSEG plc, as well as two financial covenants (leverage and interest cover).
- (c) £350 million Facility Agreement dated 15 December 2011 between LSEG plc, Lloyds TSB Bank plc., The Royal Bank of Scotland plc., Morgan Stanley Bank International Limited and The Bank of Tokyo-Mitsubishi UFJ, Limited., as Original Lenders and Lloyds TSB Bank plc as Agent, whereby a 2 year, £350 million multicurrency revolving loan facility was made available to LSEG plc on normal market terms, including:
- (i) borrowings bear interest at a floating rate (EURIBOR/LIBOR) plus a fixed margin and mandatory costs (if any) and a commitment fee is payable on undrawn commitments;
 - (ii) repayment of the 2011 Facility Agreement is by way of a single lump sum repayment of any amounts drawn on the final maturity date. However, upon the giving of notice up to one month prior to the final maturity date, LSEG plc can extend the term by a further 12 months upon payment of an extension fee;
 - (iii) provisions relating to mandatory prepayment and cancellation on a change of control of LSEG plc or if LSEG plc definitively decides not to proceed with the Transaction;
 - (iv) customary covenants which restrict LSEG plc, and in certain cases its subsidiaries, from time to time (subject to agreed exceptions and materiality carve outs) from, amongst other things: (A) creating security; (B) disposing of assets; (C) proposing mergers; (D) substantially changing the general nature of the business of LSEG; and (E) incurring subsidiary borrowings; and
 - (v) the usual representations and warranties, information undertakings, general undertakings and events of default for an investment grade credit such as LSEG plc, as well as two financial covenants (leverage and interest cover).
- (d) CC&G credit facility agreements – these are available specifically to CC&G as CCP to the Italian markets to support extreme liquidity requirements that may arise in case of a participant insolvency or in case it is necessary to support CC&G settlement obligations within the settlement cycles. The facilities comprise:
- (i) €750 million of credit lines made available by major Italian commercial banks with terms and conditions appropriate for on-demand facilities and subject to a tripartite framework between CC&G, the commercial banks and Bank of Italy to refinance liquidity provided intra-day by Bank of Italy;

- (ii) €150 million of committed credit lines are provided by major Italian commercial banks to support the short-term liquidity requirements of the CCP.

These credit facilities are rarely called upon, with only one instance of utilisation in the period since the merger between LSEG plc and Borsa Italiana S.p.A..

FTSE SPA

The FTSE SPA, which was signed on 12 December 2011, provided for the acquisition by LSEG plc (or its nominees) of The Financial Times Limited's entire stake in FTSE for a total cash consideration of £450 million. At the date of the entry into the FTSE SPA, LSEG plc held a 50 per cent. stake in FTSE, and therefore the acquisition provided LSEG plc with full control of FTSE. Each of The Financial Times Limited, Pearson plc, LSEG plc and LSEGH were party to the FTSE SPA. The acquisition was completed on 16 December 2011.

The FTSE SPA contains a number of very limited warranties made by The Financial Times Limited, on the one hand, and LSEG plc and LSEGH, on the other hand, to each other. All warranties survived completion of the FTSE SPA. The FTSE SPA also contains certain provisions in relation to the involvement of The Financial Times Limited and Pearson plc (including entities within their respective corporate groups) in an index business and the use of certain trade marks in respect of such index businesses for a specified period following completion of the acquisition. In addition, LSEG plc may be obliged to make a payment to The Financial Times Limited if a binding agreement is entered into with a third party before 16 June 2013 for the sale of all or part of the shares or assets of the FTSE group at a purchase price that exceeds an amount determined by reference to an agreed formula, and any such sale is completed before 16 December 2014.

Trademark Licence and Co-Existence Agreement

The Trade Mark Licence and Co-Existence Agreement, which was signed on 16 December 2011, sets out the basis on which the parties agree that the "FT" and "FTSE" trade marks will co-exist. This includes certain restrictions on the way the respective trade marks are represented and the permitted scope of use of the trade marks. Under this agreement, The Financial Times Limited and Pearson plc confirm their consent to FTSE's continued use of the "FT" trade mark as part of the "FTSE" trade mark subject to these restrictions.

Subject to certain limitations, the Trade Mark Licence and Co-Existence Agreement continues indefinitely. FTSE may terminate for convenience. The Financial Times Limited may only terminate in limited circumstances such as uncured material breach by FTSE.

Material contracts of the LCH.Clearnet Group

Set out below is a summary of each contract entered into by any member of the LCH.Clearnet Group outside of the ordinary course of business: (a) within the two years immediately preceding the date of this document and which is or may be material to the LCH.Clearnet Group; or (b) which contains any provision under which any member of the LCH.Clearnet Group has any obligation or entitlement which is material to the LCH.Clearnet Group as at the date of this document.

New Implementation Agreement

On 24 December 2012, LCH.Clearnet entered into an agreement with LSEG plc and LSEC to extend the Old Implementation Agreement to a new longstop date of 31 January 2013. The parties subsequently extended the Old Implementation Agreement again by (i) an agreement dated 31 January 2013 to a new longstop date of 28 February 2013; and (ii) by an agreement dated 28 February 2013 to a new longstop date of 7 March 2013.

The Old Implementation Agreement has now been terminated in accordance with its terms and LSEG plc and LCH.Clearnet have entered into a New Implementation Agreement. On termination of the Old Implementation Agreement, the Original Offer (as set out in the Old Circular) was lapsed. Further details of the terms of the New Implementation Agreement are provided in Part 8.

Regulatory Capital Subscription Agreement

This agreement was entered into by LSEG plc and LCH.Clearnet pursuant to which LCH.Clearnet could, subject to LCH.Clearnet Board approval, and for a period of 18 months from completion of the Original Offer, call for LSEG plc or LSEC to subscribe for further LCH.Clearnet Shares for regulatory capital purposes. It was signed by the parties on 9 March 2012 in respect of the Original Offer but has now been terminated in accordance with its terms.

SwapClear, ForexClear and CDSClear Agreements

Further details are provided in Part 6.

Deed of Guarantee

LCH.Clearnet 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 on 18 May 2007, LCH.Clearnet provides a subordinated guarantee in favour of the holders of the Preferred Securities issued by LCH.Clearnet Funding LP, in respect of:

- 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;
- payments on redemption of the Preferred Securities; and
- 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, including subordinated liabilities, other than Parity Securities with which the guarantee ranks *pari passu*, and senior only to the holders of the LCH.Clearnet Shares.

FRR Facility Agreement

LCH.Clearnet entered into a €100 million Facility Agreement dated 28 January 2013 between LCH.Clearnet, the Original Lenders referred to therein and J.P. Morgan Europe Limited as Facility Agent whereby a 364 day, €100 million term loan facility was made available to LCH.Clearnet. The purpose of the facility was to fund the subscription by LCH.Clearnet for ordinary shares in its wholly owned subsidiary, LCH.Clearnet Limited, to enable LCH.Clearnet Limited to meet and maintain the Financial Services Authority's financial resources requirement regime for Recognised Bodies. The loan was made available by a syndicate of international banks, each of which is a shareholder of LCH.Clearnet, on normal market terms, including:

- (a) borrowings bear interest at a floating rate (EURIBOR) plus a fixed margin and mandatory costs (if any);

- (b) repayment of the FRR Facility Agreement is by way of a single lump sum repayment of the drawn term loan on the final maturity date (it is also possible to voluntarily repay the sum due in whole or in part on 3 business days notice);
- (c) provisions relating to mandatory prepayment and cancellation including: (A) on a change of control of LCH.Clearnet (other than in connection with the Majority Acquisition); (B) following the loss of a licence required in relation to clearing activities by a member of the LCH.Clearnet Group; (C) in the event that certain subsidiaries of LCH.Clearnet fail to maintain default funds at specified levels; and (D) in the event that the credit rating of LCH.Clearnet by S&P falls below BBB-;
- (d) customary covenants which restrict the LCH.Clearnet Group, from time to time (subject to agreed exceptions and materiality carve outs) from, amongst other things: (A) creating security; (B) disposing of assets; (C) proposing mergers; (D) making acquisitions; (E) making distributions; (F) substantially changing the general nature of the business of the LCH.Clearnet Group; and (G) incurring borrowings; and
- (e) the usual representations and warranties, information undertakings, general undertakings and events of default for an investment grade credit such as LCH.Clearnet, as well as an interest cover financial covenant.

It is anticipated that part of the proceeds raised pursuant to the Capital Raise will be used to repay in full the amount due under this FRR Facility Agreement.

IDCG Merger Agreement

LCH.Clearnet entered into a merger agreement dated 14 August 2012 between International Derivatives Clearing Group, LLC (**IDCG**), LCH.Clearnet, The NASDAQ OMX Group, Inc. (**NASDAQ**) and LCH.Clearnet (US) LLC. The purpose of the merger agreement was to acquire from NASDAQ, IDCG and its wholly owned subsidiary International Derivatives Clearing House (**IDCH**) (now known as LCH.Clearnet LLC) which is registered as a DCO with the CFTC and holds a current DCO licence. Following the acquisition, LCH.Clearnet (US) LLC merged into IDCG following which IDCG (now known as LCH.Clearnet (US) LLC) become a wholly-owned subsidiary of LCH.Clearnet.

The consideration of the acquisition was paid by LCH.Clearnet to NASDAQ by way of an issue of its shares at €19 per share which resulted in NASDAQ holding a stake of 3.7 per cent. of the LCH.Clearnet Issued Share Capital. The terms of the merger agreement included governance rights for NASDAQ. These governance rights were the right for NASDAQ to appoint an observer to the LCH.Clearnet board from completion of the acquisition and, once a clearing agreement has been signed and a sufficient level of flow is provided to LCH.Clearnet by a NASDAQ entity, the right to propose a director to the LCH.Clearnet Board, who would constitute a venue director and would replace the observer). NASDAQ currently has an observer on the LCH.Clearnet Board.

IDCG Loan Facility

LCH.Clearnet entered into a \$80 million Facility Agreement dated 14 August 2012 between LCH.Clearnet as borrower, LCH.Clearnet LLC as guarantor, J.P.Morgan Chase International Financing Limited as lender and J.P.Morgan Europe Limited as Facility Agent whereby an 18 month, \$80 million term loan facility was made available to LCH.Clearnet. The purpose of the facility was to downstream the funds to IDCH (now known as LCH.Clearnet LLC) to establish an interim default fund of \$80 million. The loan was made available on normal market terms, including:

- (a) borrowings bear interest at a floating rate (LIBOR) plus a fixed margin and mandatory costs (if any);

- (b) repayment of the facility is by way of a single lump sum repayment of the drawn term loan on the final maturity date;
- (c) provisions relating to mandatory prepayment and cancellation including: (A) on a change of control of LCH.Clearnet (other than in connection with the Majority Acquisition); (B) following the loss of a licence required in relation to clearing activities by a member of the LCH.Clearnet Group (including LCH.Clearnet LLC's DCO licence); (C) in the event that certain subsidiaries of LCH.Clearnet fail to maintain default funds at specified levels;
- (d) customary covenants which restrict the LCH.Clearnet Group, from time to time (subject to agreed exceptions and materiality carve outs) from, amongst other things: (A) creating security; (B) disposing of assets; (C) proposing mergers; (D) making acquisitions; (E) making distributions; (F) substantially changing the general nature of the business of the LCH.Clearnet Group; and (G) incurring borrowings; and
- (e) the usual representations and warranties, information undertakings, general undertakings and events of default for an investment grade credit such as LCH.Clearnet.

This loan has been repaid in full by LCH.Clearnet.

NASDAQ Placing Agreement

On 7 March 2013, LCH.Clearnet, LSEG and NASDAQ entered into an agreement (the *NASDAQ Placing Agreement*), whereby NASDAQ agreed to subscribe, at a price of €10 per share, for shares in the capital of LCH.Clearnet which will result in an increase in its shareholding in LCH.Clearnet from 3.7 per cent. of the LCH.Clearnet Issued Share Capital to 5 per cent. of the enlarged share capital (calculated following the Capital Raise). The maximum amount payable by NASDAQ for the proposed subscription of shares is €21,500,000. Completion of the proposed subscription is subject to the Majority Acquisition becoming wholly unconditional and completion of the Capital Raise occurring no later than 31 October 2013. Under the terms of the NASDAQ Placing Agreement, it is proposed that Bob Greifeld, the CEO of NASDAQ, will join the LCH.Clearnet Board as a Venue Director with effect from completion of the Capital Raise and LSEG has pre-consented to his appointment to the LCH.Clearnet Board and agreed to vote to confirm Mr Greifeld's appointment at LCH.Clearnet's next annual general meeting, as required under the Articles.

7. SERVICE CONTRACTS OF THE LSEG DIRECTORS

Executive Directors

Xavier Rolet

Xavier Rolet entered into a service agreement with LSEG plc on 16 March 2009. The service agreement may be terminated by Mr Rolet or LSEG plc by either party giving not less than 12 months' notice. Alternatively, LSEG plc may terminate the contract by payment in lieu of notice of a sum equal to 12 months' salary and benefits paid in a lump sum or, at the discretion of LSEG plc remuneration committee, on a monthly basis. Instalments will be reduced by any earnings from new employment taken up within 12 months after leaving employment. Mr Rolet's annual salary with effect from 1 April 2012 is £675,000.

Mr Rolet receives benefits in kind, principally health care and life assurance. In addition, Mr Rolet (in common with all LSEG 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 eligible to participate in LSEG annual bonus plan. Cash bonus awards are approved by the LSEG remuneration committee and are based on annual financial targets, strategic objectives and individual performance. Mr Rolet is also eligible to participate in the LSEG LTIP, which comprises conditional performance share awards and matching share awards linked to investment by the participant in LSEG Shares.

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.

Raffaele Jerusalmi

Raffaele Jerusalmi entered into a service contract with each of Borsa Italiana and LSEG Holdings (Italy) Limited Italian Branch on 3 May 2011 effective from 4 May 2011. He has been employed by Borsa Italiana since 1 October 2001 and he is treated as having had continuous employment with each company since that date. 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 Jerusalmi 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 Jerusalmi resigns he is required to give three months' notice. On termination of either employment for any reason, Mr Jerusalmi is entitled to severance payments under Italian law.

Mr Jerusalmi has an entitlement under Italian law to: (a) *trattamento di fine rapporto*, which accrues during his employment and is released or paid into a retirement fund as a lump sum payment when the employment ends and is equal to 7.4 per cent. of all sums paid to Mr Jerusalmi 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 Jerusalmi 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 Jerusalmi's annual salary is €425,000 (being €212,500 under each employment).

Mr Jerusalmi receives health care, life assurance, disability assurance, accident insurance cover, luncheon vouchers and car and fuel benefit. Mr Jerusalmi is eligible to participate in LSEG annual bonus plan. Cash bonus awards are approved by the LSEG remuneration committee and are based on annual financial targets, strategic objectives and individual performance. Mr Jerusalmi is also eligible to participate in the LSEG LTIP, which comprises conditional performance share awards and matching share awards linked to investment by the participant in LSEG Shares.

David Warren

Mr Warren entered into a service agreement with LSEG on 11 June 2012. The service agreement may be terminated by Mr Warren or LSEG on not less than 12 months' written notice. Alternatively, LSEG 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. Instalments will be reduced by one-twelfth of the annual earnings from new employment taken up within 12 months after leaving employment. Mr Warren's annual salary with effect from 11 June 2012 is £425,000.

Mr Warren receives benefits in kind, principally healthcare and life assurance. Mr Warren (in common with all LSEG staff) participates in a flexible benefit plan whereby he receives an allowance equal to 5 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 entitled to an allowance of up to £30,000 to cover the cost of relocating his personal effects from the US to the UK and other related expenses including immigration and visa costs. Each year he is also entitled to tax preparation and filing assistance in the US and the UK. LSEG 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). If Mr Warren purchases a property within the first two years of appointment, he may use the balance of the allowance payable for that period to cover associated costs such as stamp duty or legal costs. LSEG 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.

Mr Warren is eligible to participate in LSEG's annual bonus plan. Cash bonus awards are approved by the LSEG 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 LTIP, which comprises conditional performance share awards and matching share awards linked to the investment by Mr Warren in LSEG shares.

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.

Non-Executive Directors

The terms of appointment of the Non-Executive Directors are described below. None of the Non-Executive Directors is entitled to participate in any incentive or pension arrangement of LSEG.

Chris Gibson-Smith

Chris Gibson-Smith, the Chairman of LSEG plc, has a letter of appointment with LSEG 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.

Mr Gibson-Smith receives an annual fee of £370,000 in his role as Chairman, and the costs of a chauffeur.

Paolo Scaroni

Paolo Scaroni has a letter of appointment with LSEG plc dated 1 October 2010 and was appointed Deputy Chairman with effect from 27 September 2010. The appointment is terminable without notice. Mr Scaroni's appointment continues until 30 September 2013, provided that he is re-elected by shareholders. Mr Scaroni receives a fee of £120,000 in his role as Deputy Chairman of LSEG. Mr Scaroni also receives £5,000 in respect of his membership of the LSEG remuneration committee.

Baroness Janet Cohen

Baroness Janet Cohen has a letter of appointment with LSEG plc dated 1 February 2013. The appointment is terminable without notice. Baroness Cohen's appointment continues until 31 January 2016, provided she is re-elected by shareholders. Baroness Cohen receives a fee of £60,000 in her role as a Non-Executive Director of LSEG. She is also entitled to a fee of €26,000 as a Non-Executive Vice Chairman of Borsa Italiana. Baroness Cohen receives a fee of £5,000 in respect of her membership of the LSEG audit and risk committee.

Sergio Ermotti

Sergio Ermotti has a letter of appointment with LSEG plc dated 1 October 2010. The appointment is terminable without notice. Mr Ermotti's appointment continues until 30 September 2013, provided that he is re-elected by shareholders. Mr Ermotti receives a fee of £60,000 in his role as a Non-Executive Director of LSEG and £5,000 in respect of his membership of the LSEG remuneration committee.

Gay Huey Evans

Gay Huey Evans has a letter of appointment with LSEG plc dated 4 June 2010. The appointment is terminable without notice. Ms Huey Evans's appointment continues until 4 June 2013, provided that she is re-elected by shareholders. Ms Huey Evans receives a fee of £60,000 in her role as a Non-Executive Director of LSEG and £5,000 in respect of her membership of each of the LSEG remuneration committee and the LSEG audit and risk committee.

Paul Heiden

Paul Heiden has a letter of appointment with LSEG plc dated 4 June 2010. The appointment is terminable without notice. Mr Heiden's appointment continues until 4 June 2013, provided that he is re-elected by shareholders. Mr Heiden receives a fee of £60,000 in his role as a Non-Executive Director of LSEG and a fee of £20,000 in his role as Chairman of the LSEG audit and risk committee.

Andrea Munari

Andrea Munari has a letter of appointment with LSEG plc dated 1 October 2010. The appointment is terminable without notice. Mr Munari's appointment continues until 30 September 2013, provided that he is re-elected by shareholders. Mr Munari receives a fee of £60,000 in his role as a Non-Executive Director of LSEG and £5,000 in respect of his membership of the LSEG audit and risk committee.

Massimo Tononi

Massimo Tononi has a letter of appointment with LSEG plc dated 27 September 2010. The appointment is terminable without notice. Mr Tononi's appointment continues until September 2013, provided that he is re-elected by shareholders. Mr Tononi receives a fee of £60,000 in his role as a Non-Executive Director of LSEG and is entitled to a fee of €178,500 as Chairman of Borsa Italiana. He also receives a fee of £5,000 in respect of his membership of the LSEG audit and risk committee.

Robert Webb Q.C.

Robert Webb Q.C. has a letter of appointment with LSEG plc dated 1 February 2013. The appointment is terminable without notice. Mr Webb's appointment continues until 31 January 2016, provided that he is re-elected by shareholders. Mr Webb receives a fee of £60,000 in his role as a Non-Executive Director of LSEG and a fee of £20,000 in his role as Chairman of the LSEG remuneration committee.

Jacques Aigrain

Jacques Aigrain has been invited to join the board of LSEG plc and has agreed to join from Completion.

Jacques Aigrain will enter into a non-executive director letter of appointment with LSEG plc at completion of the Majority Acquisition. Mr Aigrain's appointment will continue for an initial period of three years provided that he is re-elected by shareholders. The appointment will be terminable without notice. Mr Aigrain will receive a fee of £60,000 for his role as a Non-Executive Director of LSEG plc. It is agreed that the remuneration Jacques Aigrain receives from his role on the

LCH.Clearnet Board will be reduced by the amount of remuneration paid by LSEG plc in connection with his appointment to the LSEG Board.

Given the relationship between the two companies the LSEG Board and the LCH.Clearnet Board consider it beneficial for both companies that Mr Aigrain is able to sit on both boards. To facilitate this both boards have approved the situational conflict of Mr Aigrain being a director of both companies. LSEG plc and LCH.Clearnet have agreed via a memorandum of understanding that Mr Aigrain's primary role is as Chairman of LCH.Clearnet and therefore to the extent a conflict arises Mr Aigrain will (to the extent determined appropriate by the LSEG Board) recuse himself from any LSEG Board meeting (or any part thereof) and not receive any relevant confidential LSEG Board information in relation to the matter to which the conflict relates. To the extent such recusal does not sufficiently address the conflict, he will also recuse himself from the LCH.Clearnet Board meeting (to the extent determined by the majority of the independent non executive directors of LCH.Clearnet). To the extent Mr Aigrain is appointed as a director of any subsidiaries of LSEG plc or LCH.Clearnet, these same principles will apply.

8. LITIGATION

LSEG

There are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which LSEG is aware) that, during the 12 month period prior to the publication of this document, may have, or have had in the recent past, significant effects on LSEG plc's or one of its subsidiaries' financial position or profitability.

LCH.Clearnet Group

There are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which LCH.Clearnet is aware) that, during the 12 month period prior to the publication of this document, may have, or have had in the recent past, significant effects on LCH.Clearnet's or one of its subsidiaries' financial position or profitability.

9. WORKING CAPITAL

LSEG plc is of the opinion that, after taking into account the cash and bank facilities available to LSEG, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least the 12 months following the date of this document.

10. RELATED PARTY TRANSACTIONS

The related party transactions between LSEG plc and its subsidiaries that were entered into during the financial periods ended 31 March 2012, 2011 and 2010 are shown in the transactions with related parties notes in the annual reports for the years ended 31 March 2012, 2011 and 2010 on pages 108, 99 - 100 and 99 respectively and are incorporated by reference herein. During the period 1 April 2012 to the latest practicable date prior to publication of this document, there was one new related party transaction between LSEG plc and LSEC and the dis-continuation of another between LSEG plc and Cassa di Compensazione e Garanzia S.p.A. The inter-company loan agreements with subsidiary undertakings as at the latest practicable date prior to publication of this documents are disclosed below:

Loan Counterparty	Amount in millions due from/(owed to) as at		Term	Interest Rate
	6 March 2013	31 March 2012		
LSE plc	£(109.6)m	£(236.5)m	25 years from May 2006 with five equal annual repayments commencing in May 2027	LIBOR plus 2% per annum
London Stock Exchange Employee Benefit Trust	£14.3m	£10.9m	Repayable on demand	Non-interest bearing
London Stock Exchange Group Holdings (Italy) Limited – Italian branch	€450.0m	€450.0m	Five years from March 2009, repayable in full on maturity in March 2014	EURIBOR plus 4.0% per annum
London Stock Exchange Group Holdings (Italy) Limited – Italian branch	€94.5m	€122.0m	20 years from January 2008 with five equal repayments commencing in January 2024.	EURIBOR plus 1.2% per annum
London Stock Exchange Group Holdings Limited	£465.9m	£461.1m	Fifth anniversary of the initial utilisation date which was October 2009.	LIBOR plus 4.0% per annum
London Stock Exchange Group Holdings (R) Limited	£0.6m	£0.6m	Fifth anniversary of the initial utilisation date which was April 2011.	LIBOR plus 1.5% per annum
Cassa di Compensazione e Garanzia S.p.A.	nil	€(40.0)m	One year from initial utilisation date which was January 2012.	EURIBOR plus 1.2% per annum
Monte Titoli S.p.A.	€(31.9)m	€(18.2)m	Six months from 7 February 2013.	EURIBOR plus 1.2% per annum
Societa Mercato Titoli di Stato S.p.A.	€(22.2)m	€(5.7)m	Six months from 1 February 2013.	EURIBOR plus 1.2% per annum
London Stock Exchange (C) Limited	£13.9m	nil	Fifth anniversary of the initial utilisation date which was April 2012.	LIBOR or EURIBOR plus 1.5% per annum

11. MORGAN STANLEY GROUP RELATIONSHIPS WITH LCH.CLEARNET

Morgan Stanley is acting as financial adviser and sponsor to LSEG plc in connection with the Transaction. Other departments within the Morgan Stanley group which are separated from the advisory and sponsor team by information barriers hold 1,581,365 LCH.Clearnet Shares, and Ed McAleer, a Morgan Stanley employee, serves as a director on the LCH.Clearnet Board.

12. CONSENTS

- (a) PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and not withdrawn its written consent to the issue of its accountants' report on the Historical Financial Information of LCH.Clearnet Group Limited in Part 3 and its report concerning the pro forma statement of net assets in Part 4, in the form and context in which they appear and has authorised the contents of those reports for the purposes of item 13.4.1R(6) of the Listing Rules.
- (b) Morgan Stanley has given and 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.

13. SIGNIFICANT CHANGES

- (a) There has been no significant change in the financial or trading position of LSEG since 30 September 2012, save for the issue of a £300 million, 4.75 per cent. 9-year sterling fixed rate bond on LSEG plc's ORB platform as described in paragraph 6 of Part 9.
- (b) There has been no significant change in the financial or trading position of the LCH.Clearnet Group since 31 December 2012, save for:
 - (i) LCH.Clearnet entering into a loan agreement with a syndicate of banks on 28 January 2013 for €100 million (LCH.Clearnet subscribed for shares in LCH.Clearnet Limited with the proceeds of this loan); and
 - (ii) LCH.Clearnet repaying the \$80.0 million (€60.6 million) term facility from JP Morgan Chase International Financing Ltd on 15 February 2013.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection, during usual business hours on any Business Day at the offices of Freshfields Bruckhaus Deringer LLP at 65 Fleet Street, London EC4Y 1HT, from the date of this document up to and including the date of the Further LSEG Meeting:

- (a) the memorandum and articles of association of each of LSEG plc, LSEC and LCH.Clearnet;
- (b) the audited consolidated accounts of LSEG plc for the financial periods ended 31 March 2012, 31 March 2011 and 31 March 2010;
- (c) the audited consolidated accounts of LCH.Clearnet for the financial periods ended 31 December 2012, 31 December 2011 and 31 December 2010;
- (d) the accountant's report from PricewaterhouseCoopers LLP set out in Parts 3 and 4;
- (e) the unaudited pro forma statement of the combined net assets of the Enlarged Group set out in Part 4;

- (f) the service contracts and letters of appointment of the LSEG Directors;
- (g) the written consents referred to in paragraphs 12 of this Part 9;
- (h) the New Offer Document and New Form of Acceptance;
- (i) the New Implementation Agreement;
- (j) the New LCH.Clearnet Articles;
- (k) the Relationship Agreement; and
- (l) this document.

8 March 2013

GLOSSARY

<i>clearing</i>	The business of acting as a CCP.
<i>CCP</i>	<p>A clearing house acting as a central clearing counterparty. It 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.</p> <p>Accordingly, it is exposed to the risk of default by its clearing members and, indirectly in some cases, their clearing customers. It minimises this risk through its membership rules, its default management procedures, by holding margin, and by the establishment of default funds.</p>
<i>membership rules</i>	CCPs set minimum standards which entities must comply with in order to become clearing members (it should be noted however that new regulations may constrain (and reduce) the membership standards, when compared with those under which a CCP operated by the Enlarged Group operates currently).
<i>margin</i>	<p>CCPs hold collateral as margin (whether by way of title transfer to or by creation of a security interest in favour of the CCP). There are various types of margin, as follows:</p> <p><i>initial margin</i>, is an amount which is calculated, using a financial model, and collected from each clearing member at least daily and which is intended to protect a CCP against the risk of that clearing member's default. The level of initial margin may take into account factors such as market risk, credit risk and product specific risk and concentration limits within certain business lines. Initial margin is generally calculated for each separate category of products cleared (rather than for all a clearing member's positions). Initial margin is provided in the form of acceptable collateral, being cash and eligible securities (broadly, securities of, or guaranteed by, certain appropriately rated governments, though the Enlarged Group currently proposes to expand acceptable collateral to include gold, to a limited extent, and some corporate bonds); and</p> <p><i>variation margin</i>, which is an amount calculated by a CCP at least daily to reflect the change in value of a clearing member's cleared contracts with the CCP and is either credited to, or debited from the clearing member. Variation margin is generally determined by reference to each relevant product category with the relevant CCP and is usually in the form of cash. Variation margin received by the CCP from one clearing member will generally be required to be paid by it to another clearing member as the change in one clearing member's positions will be reflected by an equal and opposite change in another clearing member's positions. The CCP does not therefore earn any investment return on variation margin.</p>
<i>default funds</i>	A CCP will call and hold (or may be entitled to call in the future for) default fund contributions from clearing members to create an appropriately sized default fund which has been stress-tested against adverse market scenarios and which is available to be applied in accordance with a waterfall. The default fund of a defaulting member is generally available to reduce losses which exceed that defaulting member's margin; in the event that the defaulting clearing member's margin and default fund contribution, plus any available other surplus collateral or credit support provided by the defaulting clearing member to the CCP is insufficient to cover the loss, the CCP may then be required to make a contribution to remaining losses from its own resources but only, in the case of some legal entities within a CCP, to the extent that the CCP would then be able to meet all its other liabilities (including the obligation to return cash initial margin

and to repay all members' contributions). Following application of any insurance or analogous arrangement available to the CCP, then non-defaulting members' funded and unfunded default fund contributions may be available to cover the loss. The size and structure of the default fund will vary from CCP to CCP. Some CCPs may have a separate default fund dedicated to a particular business line or business lines. Some CCPs may be able to require or request that default funds for some business lines which have been used, be replenished by non-defaulting members. There may be further adjustments and payments for some business lines to eliminate any remaining shortfall. For some business lines, the CCP may then be required to cover any remaining losses from its own resources but only, in the case of some legal entities within a CCP, to the extent that the CCP would then be able to meet all its other liabilities including the obligation to return cash initial margin and to repay all members contributions.

***interoperability
agreements***

An agreement between two or more CCPs which enables their respective clearing members to trade with one another and to clear their respective obligations through the CCP of which they are a member. In addition to becoming a counterparty to their respective clearing members, the interoperating CCPs also become counterparty to one another and are therefore exposed to counterparty risks in respect of the other CCP. Initial margin and default fund requirements are generally different between CCPs under interoperability agreements.

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

<i>Acceptance Condition</i>	has the meaning given in paragraph 1.1(a) of Part 5;
<i>ACP</i> or <i>Autorité de Contrôle Prudentiel</i>	means <i>Autorité de Contrôle Prudentiel</i> , the French banking and financial supervisory body as defined and regulated in articles 612-1 and seq. of the French monetary and financial code;
<i>Adjusted EBITDA</i>	means earnings before interest, tax, depreciation, amortisation and non-recurring items. For LCH.Clearnet this excludes unrealised net investment gains/(losses);
<i>AFM</i>	means Autoriteit Financiële Markten, the Dutch financial market authority;
<i>Agreed Form</i>	means, in relation to a document, the form of that document as initialled and dated the date of the New Implementation Agreement for the purpose of identification by or on behalf of LSEG plc and LCH.Clearnet (in each case with such amendments as may be agreed by them or on their behalf);
<i>Allocation Calculation Date</i>	means the date on which it is determined whether and to what extent any allocations of LCH.Clearnet Shares and scaleback of conditional acceptances are to be made pursuant to the terms of the Revised Offer, being no more than 10 Business Days after the Closing Date;
<i>AMF</i> or <i>Autorité des Marchés Financiers</i>	means the French Autorité des Marchés Financiers;
<i>Banque de France</i>	means the French central bank established pursuant to article 142-1 of the French monetary and financial code;
<i>Basel II</i>	means the “International Convergence of Capital Measurement and Capital Standards: A Revised Framework (Comprehensive Version: June 2006)” published by the Basel Committee on Banking Supervision;
<i>Basel III</i>	means the comprehensive set of reform measures issued by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector, including “Basel III: A global regulatory framework for more resilient banks and the banking system, December 2010 (as amended)” and “Basel III: International framework for liquidity risk management, standards and monitoring, December 2010”;
<i>BATS Chi-X Europe</i>	means the brand name of BATS Trading Limited;
<i>Board</i>	means the board of the LSEG Directors or the

	LCH.Clearnet Directors as the context requires;
<i>Borsa Italiana</i>	means Borsa Italiana S.p.A., a company incorporated in Italy and a subsidiary of LSEG;
<i>Budget</i>	means the Initial Budget and, in relation to years commencing after 31 December 2013, the then current annual budget of LCH.Clearnet, as acknowledged or approved by the LCH.Clearnet Board;
<i>Business Day</i>	means a day (other than a Saturday or Sunday) on which banks in the City of London and Paris are generally open for business;
<i>Business Plan</i>	means the Initial Business Plan and, in relation to years commencing after 31 December 2013, the then current business plan of LCH.Clearnet, as acknowledged or approved by the LCH.Clearnet Board;
<i>Capital Contribution Condition</i>	has the meaning given in paragraph 1.1(n) of Part 5;
<i>Capital Raise</i>	means the capital raise to be carried out by LCH.Clearnet to raise the Capital Raise Amount by way of (i) subscription by LCH.Clearnet Shareholders for new LCH.Clearnet Shares at a price of €10 per LCH.Clearnet Share; (ii) if applicable, one or more Placings; and (iii) if there are any such Placings under (ii), any catch up placing by LSEG plc in accordance with the New Implementation Agreement;
<i>Capital Raise Amount</i>	means €320 million or such lesser amount as may be agreed between LSEG plc and LCH.Clearnet (having discussed the same with relevant regulators);
<i>Capital Raise Circular</i>	means the circular to be published by LCH.Clearnet and sent to LCH.Clearnet Shareholders setting out details of the Capital Raise and, if applicable, any related Placing and inviting such shareholders to participate in the Capital Raise;
<i>Capital Raise Condition</i>	has the meaning given in paragraph 1.1(o) of Part 5;
<i>CAGR</i>	means compound annual growth rate;
<i>CC&G</i>	means Cassa di Compensazione e Garanzia S.p.A., a company incorporated in Italy and a subsidiary of LSEG;
<i>CCP</i>	has the meaning given in the Glossary;
<i>CDS</i>	means credit default swap;
<i>CDSClear</i>	means the clearing service that LCH.Clearnet is establishing for clearing over-the-counter credit default swap trades;
<i>CDSClear Agreement</i>	means the agreement dated 9 May 2012 entered into between LCH.Clearnet S.A., CreditDerivClear Limited

	and certain financial institutions in relation to CDSClear, as amended by a letter of variation dated 19 July 2012;
<i>CEA</i>	means the Commodity Exchange Act;
<i>CEO</i>	means chief executive officer;
<i>CFO</i>	means chief financial officer;
<i>CFTC</i>	means the Commodity Futures and Trading Commission;
<i>Clearing Participants</i>	means those persons other than LSEG who are or, pursuant to the New LCH.Clearnet Articles, will be eligible to be LCH.Clearnet Shareholders;
<i>Closing Date</i>	means the First Closing Date, or such later date to which the Revised Offer may be extended in accordance with the terms of the New Implementation Agreement and the New Offer Document;
<i>Committee on Payment and Settlement Systems</i>	means the Committee on Payment and Settlement Systems established under the auspices of the Bank for International Settlements;
<i>Companies Act</i>	means the Companies Act 2006 (as amended or re-enacted from time to time);
<i>Companies Act 1985</i>	means the Companies Act 1985, including any statutory modification or re-enactment thereof;
<i>Completion</i>	means completion of the sale and purchase of the relevant LCH.Clearnet Shares pursuant to the Revised Offer;
<i>Core Operating Principles</i>	means the core operating principles set out in Schedule 4 of the Relationship Agreement and summarised in Part 7;
<i>Core User Shareholders</i>	means those User Shareholders which hold the 17 largest User Shareholder holdings of LCH.Clearnet Shares, provided in each case that such LCH.Clearnet Shareholders are deemed to promote the success of LCH.Clearnet, whether by contributing flow or otherwise, as at the date of the New Announcement and are expected to continue to do so as User Shareholders following Completion;
<i>Core User Shareholder Recycled Funds</i>	has the meaning given in Part 8;
<i>CRD IV</i>	means the European Commission's proposal for a directive and regulation to replace the current Capital Requirements Directives (2006/48 and 2006/49);
<i>CREST</i>	means the system for the paperless settlement of trades in securities and the holding of uncertified securities operated by EUI in accordance with the Regulations;
<i>CSD Regulation</i>	has the meaning given in Part 2;

<i>Customer</i>	has the meaning set out in the US CFTC Rules in force from time to time;
<i>Customer Director</i>	means a director who is nominated by a Customer or who is otherwise connected to a Customer by virtue of his employment or directorship;
<i>DCO</i>	means a derivatives clearing organisation;
<i>Deed of Guarantee</i>	means the deed of guarantee entered into by LCH.Clearnet, dated 18 May 2007, for the benefit of the holders of the Preferred Securities;
<i>Deferred Consideration</i>	means the €1 per LCH.Clearnet Share deferred consideration payable in cash by LSEC on 30 September 2017 (subject to acceleration or delay in certain limited circumstances), which will be reduced as a result of any Relevant Claim(s);
<i>Disclosure and Transparency Rules</i>	means the disclosure and transparency rules made by the FSA under Part VI of FSMA;
<i>Dodd-Frank</i>	means the Dodd-Frank Wall Street Reform and Consumer Protection Act;
<i>DvP</i>	means delivery versus payment;
<i>EBA</i>	means European Banking Authority;
<i>EBITDA</i>	means earnings before interest, tax, depreciation, and amortisation;
<i>ECB</i>	means the European Central Bank;
<i>EMIR</i>	means the European Markets Infrastructure Regulation, Council Regulation (EC) No 648/2012;
<i>Enlarged Group</i>	means LSEG as enlarged by the Majority Acquisition;
<i>ESMA</i>	means the European Securities and Markets Authority;
<i>ETF</i>	means exchange traded fund;
<i>EU</i>	means the European Union;
<i>EUI</i>	means Euroclear UK and Ireland Limited;
<i>EURIBOR</i>	means Euro Interbank Offered Rate;
<i>Euronext Paris</i>	means a French market undertaking, in the meaning of article L. 421-2 of the French monetary and financial code, which manages regulated markets in the meaning of article L. 421-1 of the French monetary and financial code;
<i>European Commission</i>	means the Commission of the EU, originally constituted under Article 4 of the Treaty establishing the European

Economic Community, signed in Rome on 25 March 1957;

<i>Eurozone</i>	means the subset of European countries who have adopted the euro;
<i>Executive Delegation</i>	means the terms of reference for delegation from the LCH.Clearnet Board to the Chief Executive Officer of LCH.Clearnet set out in Schedule 8 of the Relationship Agreement and summarised in Part 7;
<i>FCM</i>	means a futures commission merchant under the U.S. Commodity Exchange Act;
<i>FHC Condition</i>	has the meaning given in paragraph 1.1(i) of Part 5;
<i>FHC or Financial Holding Company</i>	means a financial holding company (compagnie financière) as defined in Article 517-1 of the French code monétaire et financier or in the laws, rules or regulations of any other EU Member State transposing Article 4 of Directive 2006/48/EC or Article 3 of Directive 2006/49/EC;
<i>Financial Conduct Authority</i>	means the regulatory authority established as part of regulatory reforms to be introduced by the UK Financial Services Bill, which will be responsible for regulating conduct in retail and wholesale markets, supervising the trading infrastructure that supports those markets, and for the prudential regulation of firms not prudentially regulated by the Prudential Regulation Authority;
<i>First Closing Date</i>	means 6.00 p.m. on the date which is 14 days following the date of the New Offer Document, or such later date and time specified in the New Offer Document as being the first date and time on which the Revised Offer will cease to be open for acceptances;
<i>ForexClear</i>	means the clearing service that LCH.Clearnet has established for clearing over-the-counter foreign exchange trades;
<i>ForexClear Agreement</i>	means the agreement dated 8 December 2010 between LCH.Clearnet, FXGlobalClear Limited and certain financial institutions in relation to ForexClear, as amended by a deed of variation dated 5 October 2011;
<i>Form of Proxy</i>	means the form of proxy to be used at the Further LSEG Meeting, which accompanies this document;
<i>Freshwater Finance</i>	means Freshwater Finance plc;
<i>FSA or Financial Services Authority</i>	means the Financial Services Authority of the UK or any successor authority or authorities (including the Prudential Regulatory Authority and the Financial Conduct Authority);

<i>FSMA</i>	means the Financial Services and Markets Act 2000 (as amended);
<i>FTSE</i>	means FTSE International Limited;
<i>FTSE SPA</i>	means the purchase agreement, dated 12 December 2011, between LSEG plc, LSEGH, The Financial Times Limited and Pearson plc;
<i>Further LCH.Clearnet Meeting</i>	means the general meeting of LCH.Clearnet Shareholders to be convened in connection with the Transaction to consider and, if thought fit, to approve the LCH.Clearnet Resolution, and any adjournment thereof;
<i>Further LSEG Meeting</i>	means the general meeting of LSEG Shareholders to be convened in connection with the Transaction to consider and, if thought fit, to approve the LSEG Resolution, and any adjournment thereof;
<i>FX</i>	means foreign exchange;
<i>G20</i>	means the group of twenty finance ministers and Central Bank Governors from 20 major economies consisting of 19 countries and the European union, which is represented by the President of the European Council and by the European Central Bank;
<i>HKEX</i>	means Hong Kong Exchanges & Clearing Limited;
<i>HSR</i>	means the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
<i>IAS</i>	means International Accounting Standards;
<i>IASB</i>	means the International Accounting Standards Board;
<i>ICE</i>	means Intercontinental Exchange Inc.;
<i>IDCG</i>	means International Derivatives Clearing Group, LLC;
<i>IDCH</i>	means International Derivatives Clearing House (now known as LCH.Clearnet LLC);
<i>Initial Budget</i>	means the budget of LCH.Clearnet for the year ending 31 December 2013, in the Agreed Form and as acknowledged or approved by the LCH.Clearnet Board;
<i>Initial Business Plan</i>	means the medium term financial plan of LCH.Clearnet for the years 2013 to 2017, in the Agreed Form and as acknowledged or approved by the LCH.Clearnet Board;
<i>Initial Percentage</i>	has the meaning given in Part 7;
<i>IFRIC</i>	means the International Financial Reporting Interpretations Committee;

<i>IFRS</i>	means the International Financial Reporting Standards;
<i>Individual LTIP</i>	means the LSEG LTIP for Xavier Rolet;
<i>IOSCO</i>	means International Organisation of Securities' Commissions;
<i>IT</i>	means Information Technology;
<i>LCH.Clearnet</i>	means 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;
<i>LCH.Clearnet Board</i>	means the board of directors of LCH.Clearnet from time to time;
<i>LCH.Clearnet (Luxembourg) S.à.r.l.</i>	means LCH.Clearnet (Luxembourg) S.à.r.l., a company incorporated in Luxembourg (registered number B134342) whose registered office is at 52, rue Charles Martel, Luxembourg, L-2134;
<i>LCH.Clearnet Board Reserved Matters</i>	means the schedule of matters reserved to the LCH.Clearnet Board to be adopted on Completion;
<i>LCH.Clearnet Directors</i>	means the current members of the LCH.Clearnet Board;
<i>LCH.Clearnet Funding LP</i>	means LCH.Clearnet Funding Limited Partnership;
<i>LCH.Clearnet GP Limited</i>	means LCH.Clearnet GP Limited, a company incorporated in England and Wales (registered number 05741274) whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA;
<i>LCH.Clearnet Group</i>	means LCH.Clearnet and its current subsidiaries as at the date of this document;
<i>LCH.Clearnet Independent Directors</i>	means the independent non-executive directors of the LCH.Clearnet Board from time to time;
<i>LCH.Clearnet Issued Share Capital</i>	means the issued share capital of LCH.Clearnet as at the date of the New Announcement;
<i>LCH.Clearnet Limited</i>	means a company incorporated in England and Wales (registered number 25932), whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA;
<i>LCH.Clearnet LLC</i>	means 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);

<i>LCH.Clearnet (US) LLC</i>	means LCH.Clearnet (US) LLC, a company organised in the US State of Delaware (company number 4515991), whose principle executive office is located at The Corporation Trust Company, Corporation Trust Centre 1209 Orange Street, Wilmington, New Castle, Delaware, 19801, USA;
<i>LCH.Clearnet Nomination Committee</i>	means the nomination committee of LCH.Clearnet from time to time, constituted, from Completion, pursuant to the terms of reference set out in the Nomination Terms of Reference;
<i>LCH.Clearnet PLP Limited</i>	means LCH.Clearnet PLP Limited, a company incorporated in England and Wales (registered number 05741275) whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA;
<i>LCH.Clearnet Pre-Completion Obligations</i>	means the pre-Completion obligations of LCH.Clearnet set out in clauses 4, 5 and 7 (which, for the avoidance of doubt, shall include the pre-Completion undertakings set out in Schedule 3) of the New Implementation Agreement;
<i>LCH.Clearnet Recommending Directors</i>	means the LCH.Clearnet Independent Directors;
<i>LCH.Clearnet Resolution Condition</i>	has the meaning given in paragraph 1.1(e) of Part 5;
<i>LCH.Clearnet Resolution</i>	means the resolution of LCH.Clearnet Shareholders to adopt the New LCH.Clearnet Articles conditional on Completion, to grant the directors authority to allot new LCH.Clearnet Shares to implement the Capital Raise and to approve the price of the LCH.Clearnet Shares to be offered to LCH.Clearnet Shareholders pursuant to the pre-emptive element of the Capital Raise, the making of Placings and related matters, in the form set out in the New LCH.Clearnet Circular;
<i>LCH.Clearnet S.A.</i>	means a company incorporated in France as a société anonyme (registered in the commercial and company registry of Paris under number B692032485);
<i>LCH.Clearnet Shareholders</i>	means the holders of LCH.Clearnet Shares from time to time;
<i>LCH.Clearnet Shares</i>	means the ordinary shares of €1.00 each in the capital of LCH.Clearnet;
<i>LCH.Clearnet Written Resolution</i>	means a written resolution of LCH.Clearnet, passed in accordance with the procedure set out in the New LCH.Clearnet Articles;
<i>LIBOR</i>	means London Interbank Offered Rate;
<i>Licence Event</i>	has the meaning given in Part 8;
<i>Listing Rules</i>	means the rules and regulations made by the Financial Services Authority, in its capacity as the UK Listing

Authority under the Financial Services and Markets Act 2000, contained in the UK Listing Authority's publication of the same name;

<i>LME</i>	means The London Metal Exchange Limited, a company incorporated in England and Wales (registered number 2128666), whose registered office is at 56 Leadenhall Street, London EC3A 2DX;
<i>Longstop Date</i>	means 31 July 2013 or such later date as LCH.Clearnet and LSEG may agree in writing;
<i>LSE plc</i>	means London Stock Exchange plc, a company incorporated in England and Wales (registered number 02075721) whose registered office is at 10 Paternoster Square, London EC4M 7LS;
<i>LSEC</i>	means London Stock Exchange (C) Limited, a company incorporated in England and Wales (registered number 07943990) whose registered office is at 10 Paternoster Square, London EC4M 7LS;
<i>LSEG</i>	means LSEG plc and its current subsidiaries as at the date of this document;
<i>LSEG Audit Representative</i>	means the LSEG chief financial officer, the LSEG head of audit or the LSEG risk officer, or any other person of appropriate seniority and expertise as may be agreed from time to time between LSEG and the chairman of LCH.Clearnet to sit on the audit committee;
<i>LSEG Board</i>	means the board of directors of LSEG plc from time to time;
<i>LSEG Capital Raise Amount</i>	means €10 multiplied by the number of the LCH.Clearnet Shares for which LSEG plc is required to subscribe pursuant to the Capital Raise in order to maintain its Initial Percentage;
<i>LSEG Consent Matters</i>	means the matters set out in Schedule 1 of the Relationship Agreement and summarised in Part 7 of this document;
<i>LSEG Directors</i>	means the current members of the LSEG Board;
<i>LSEG Independent Directors</i>	means the independent non-executive directors of the LCH.Clearnet Board from time to time, put forward for appointment by LSEG;
<i>LSEG LTIP</i>	means the LSEG Long Term Incentive Plan 2004;
<i>LSEG NomCom Representative</i>	means any person of appropriate seniority and expertise as may be agreed from time to time between LSEG plc and the chairman of LCH.Clearnet to sit on the nomination committee;

<i>LSEG plc</i>	means London Stock Exchange Group plc, a company incorporated in England and Wales (registered number 05369106) whose registered office is at 10 Paternoster Square, London EC4M 7LS and/or, where the context so requires, LSEC;
<i>LSEG Pre-Completion Obligations</i>	means the pre-Completion obligations of LSEG plc set out in clauses 4, 6 and 8 of the New Implementation Agreement;
<i>LSEG Representative</i>	means any person of appropriate seniority and expertise as may be agreed from time to time between LSEG plc and the chairman of the LCH.Clearnet Board;
<i>LSEG Resolution</i>	means the resolution of LSEG Shareholders to approve the Transaction;
<i>LSEG Share Schemes</i>	means the LSEG LTIP and the Individual LTIP;
<i>LSEG Shareholders</i>	means the holders of LSEG Shares from time to time;
<i>LSEG Shares</i>	means ordinary shares of 6 ⁷⁹ / ₈₆ pence each in the capital of LSEG plc;
<i>LSEGH</i>	means the London Stock Exchange Group Holdings Limited, a company incorporated in England and Wales (registered number 06795362) whose registered office is at 10 Paternoster Square, London EC4M 7LS;
<i>LSOC</i>	has the meaning given in Part 2;
<i>Majority Acquisition</i>	means the direct or indirect acquisition of a majority interest in LCH.Clearnet by LSEG as contemplated in the New Announcement;
<i>Member State</i>	means a member state of the EU;
<i>Merger Control Condition</i>	has the meaning given in paragraph 1.3 of schedule 5 to the Old Implementation Agreement (but shall exclude any notification made under the HSR in respect of the Transaction);
<i>MF Global</i>	means MF Global UK Limited (in special administration);
<i>MF Global Agreement</i>	has the meaning given in Part 9;
<i>MiFID</i>	means the Markets in Financial Instruments Directive 2004/39/EC (as proposed to be amended and restated by the proposal for a Directive of the European Parliament and of the Council 2011/0298);
<i>MiFIR</i>	means the proposal for a Regulation of the European Parliament and of the Council on markets in financial instruments and amending EMIR;

<i>MillenniumIT</i>	means Millennium Information Technologies Limited, a subsidiary of LSEG plc;
<i>Minimum Rollover Condition</i>	has the meaning given in paragraph 1.1(b) of Part 5;
<i>Minority Protection Reserved Matters</i>	means the matters set out in Schedule 3 of the Relationship Agreement and summarised in Part 7;
<i>Minority Shareholder Approval</i>	means the approval of LCH.Clearnet Shareholders holding at least 80 per cent. of votes attaching to the LCH.Clearnet Shares cast on a resolution at an LCH.Clearnet Shareholder meeting (convened in accordance with the New LCH.Clearnet Articles) or by way of an LCH.Clearnet Written Resolution signed by LCH.Clearnet Shareholders holding at least 80 per cent. of vote attaching to the LCH.Clearnet Shares;
<i>Monte Titoli</i>	means Monte Titoli S.p.A., a subsidiary of LSEG plc;
<i>Moody's</i>	means Moody's Investors Service Limited;
<i>Morgan Stanley</i>	means Morgan Stanley & Co. Limited;
<i>MTS</i>	means Società per il Mercato dei Titoli di Stato Borsa Obbligazionaria Europea S.p.A., a subsidiary of LSEG plc and the owner and operator of an electronic trading platform for European fixed income securities;
<i>NASDAQ</i>	means NASDAQ OMX Group, Inc.;
<i>NASDAQ Placing Agreement</i>	has the meaning given in Part 9;
<i>NCPS</i>	means non-cumulative callable preference shares;
<i>NDF</i>	means non-deliverable forwards;
<i>Net Debt</i>	means, for LSEG plc, the sum of its borrowings, less unrestricted cash and cash equivalents and, for LCH.Clearnet, the Preferred Securities and finance leases, less its freely available cash;
<i>New Announcement</i>	means the press announcement setting out the terms of the Revised Offer, dated on the date of this document;
<i>New Form of Acceptance</i>	means the form of acceptance to be sent to LCH.Clearnet Shareholders with the New Offer Document,;
<i>New Implementation Agreement</i>	means the implementation agreement between LCH.Clearnet, LSEG plc and LSEC entered into on or around the date of the New Announcement;
<i>New LCH.Clearnet Articles</i>	means the articles of association of LCH.Clearnet in the Agreed Form to be adopted conditional upon and effective from Completion;
<i>New LCH.Clearnet Circular</i>	means the shareholder circular to be posted to LCH.Clearnet Shareholders in connection with the

	Further LCH.Clearnet Meeting;
<i>New LCH.Clearnet Disclosure Letter</i>	means the letter dated on or around the date of the New Announcement from LCH.Clearnet to LSEG;
<i>New Offer Document</i>	means the document to be sent to LCH.Clearnet Shareholders containing the terms and conditions of the Revised Offer and a letter from the Chairman of LCH.Clearnet which includes the LCH.Clearnet recommendation;
<i>Nomination Terms of Reference</i>	means the terms of reference for the LCH.Clearnet Nomination Committee set out in Schedule 5 of the Relationship Agreement;
<i>Notice of Further LSEG Meeting</i>	means the notice of the Further LSEG Meeting contained in this document;
<i>NYSE Euronext</i>	means a Delaware corporation organised on 22 May 2006 and whose principal executive office is located at 11 Wall Street, New York, New York 10005, USA, or any successor or surviving entity;
<i>NYSE Liffe</i>	means the global derivatives business of the NYSE Euronext group;
<i>Offer Shares</i>	means the LCH.Clearnet Shares conditionally assented to the Revised Offer in accordance with its terms;
<i>Official Journal</i>	means the Official Journal of the European Union;
<i>Official List</i>	means the official list of the FSA;
<i>Old Announcement</i>	means the press announcement setting out the terms of the Original Offer dated 9 March 2012;
<i>Old Circular</i>	means the circular published by LSEG on 16 March 2012 setting out details of the Original Offer;
<i>Old Implementation Agreement</i>	means the implementation agreement entered into by LSEG plc, LSEC and LCH.Clearnet on 9 March 2012 in relation to the Original Offer, now terminated in accordance with its terms;
<i>Original Offer</i>	means the offer intended to be made by LSEC to acquire or procure acquirers for, the LCH.Clearnet Shares, as set out in the Old Announcement;
<i>ORB</i>	means order book for retail bonds;
<i>OTC</i>	means over-the-counter;
<i>Parity Securities</i>	means any preference shares, preferred securities (other than the Preferred Securities) or other securities either: (a) issued directly by LCH.Clearnet and expressed to rank <i>pari passu</i> with LCH.Clearnet's obligations under the guarantee; or (b) issued by LCH.Clearnet Funding LP

or any subsidiary of LCH.Clearnet or other entity and entitled to the benefit of the guarantee, or any other guarantee expressed to rank *pari passu* with LCH.Clearnet's guarantee of the Preferred Securities;

PD Regulation

means Regulation No. 89/2004 stemming from Directive 2003/71/EC;

p.a.

per annum;

Placing

has the meaning given in Part 8;

Pre-Committed Shareholder Subscription Form

means a binding irrevocable commitment form addressed to LCH.Clearnet and LSEG plc relating to the Capital Raise and conditional only upon Completion;

Preferred Securities

means the fixed rate/floating rate guaranteed non-voting non-cumulative perpetual preferred securities, originally issued on 18 May 2007 in denominations of €50,000 each representing an interest in the LCH.Clearnet Funding LP and including any further preferred securities of the LCH.Clearnet Funding LP of the same series issued after 18 May 2007 and ranking *pari passu* with the Preferred Securities as regards participation in the profits and assets of the LCH.Clearnet Funding LP;

Protective Conditions

has the meaning given in Part 5;

Prudential Regulation Authority

means the regulatory authority established as part of regulatory reforms to be introduced by the UK Financial Services Bill, which will be responsible for the prudential regulation of deposit-takers, insurers and certain investment firms which it has designated;

Push Matters

means the matters set out in Schedule 2 of the Relationship Agreement and summarised in Part 7;

Recognised Bodies

means a recognised investment exchange or a recognised clearing house as defined in section 285 of FSMA;

Recognised Clearing House

means a clearing house in relation to which a recognition order is in force pursuant to section 285 of FSMA;

Recognised Investment Exchange

means an investment exchange which is declared by a recognition order pursuant to section 290 of FSMA for the time being in force to be a recognised investment exchange;

Registrars

means Equiniti of Aspect House, Lancing, West Sussex BN99 6DA;

Regulations

means the Uncertificated Securities Regulations 2001 (SI 2001/3755);

Regulatory Approvals Condition

has the meaning given in paragraph 1.1(g) of Part 5;

<i>Regulatory Body</i>	means any governmental, regulatory or licensing authority or any Tax Authority having jurisdiction over any member of the LCH.Clearnet Group or LSEG (as the case may be), including, but not limited to, in the UK: the UK Government, HM Revenue and Customs, the Office of Fair Trading, the FSA; in the USA: the CFTC, the United States Securities and Exchange Commission; in France: the ACP and the AMF, in the EU: the European Commission; and the equivalent regulators in the Netherlands, Belgium, Portugal, Italy, Japan and in any other country in which the LCH.Clearnet Group or LSEG (as the case may be) carries on business including successors thereto;
<i>Regulatory Capital Subscription Agreement</i>	means the subscription agreement entered into by LSEG plc and LCH.Clearnet pursuant to which LCH.Clearnet may, subject to LCH.Clearnet Board approval, and for a period of 18 months from completion of the Original Offer, call for LSEG plc or LSEC to subscribe for further LCH.Clearnet Shares for regulatory capital purposes, now terminated in accordance with its terms;
<i>Regulatory Information Service</i>	means any of the services on the list of Regulatory Information Services maintained by the FSA;
<i>Regulatory Licence</i>	means a material licence, consent, approval or exemption;
<i>Regulatory Licences Condition</i>	has the meaning given in paragraph 1.1(h) of Part 5;
<i>Regulatory MAC Condition</i>	has the meaning given in paragraph 1.1(m) of Part 5;
<i>REIT</i>	means real estate investment trust;
<i>Relationship Agreement</i>	means the relationship agreement to be entered into between LCH.Clearnet, LSEG plc and LSEC, in the Agreed Form (the material terms of which are summarised in Part 7);
<i>Relevant Claim</i>	means any claim received by any LCH.Clearnet Group company alleging that it, or any individual for whose acts or omissions a member of the LCH.Clearnet Group is responsible, has, on or prior to 28 September 2011 (the date on which LCH.Clearnet and LSEG plc entered into their exclusive negotiations which led to the Original Offer), been negligent in the performance of its rights or obligations under its clearing agreements (including but not limited to its clearing rules from time to time) or under applicable laws or regulations, which is successful or which is settled for an amount exceeding €500,000;
<i>Relevant Claim Amount</i>	means the aggregate of the amounts of the LCH.Clearnet Group's liability (including costs incurred) in respect of Relevant Claims less any amount actually received from the insurers to the relevant member of the LCH.Clearnet Group in respect of the Relevant Claims, less the value of any net tax benefit arising to the relevant member of the

LCH.Clearnet Group in consequence of the payment of such Relevant Claim Amounts and the receipt of any insurance proceeds, as agreed between the LCH.Clearnet Independent Directors and LSEG plc;

Remaining Shareholders

has the meaning given in Part 8;

RepoClear

means the clearing service that LCH.Clearnet provides for clearing cash bond and repo trades;

Revised Offer

means the offer to be made by LSEC to acquire, or procure acquirers for, the LCH.Clearnet Shares in issue as at the date of the New Announcement on the terms and subject to the conditions set out in the New Offer Document and New Form of Acceptance;

RRD

means the Recovery and Resolution Directive referred to in Part 2;

Short-Selling Regulation

means the proposal for a Regulation of the European Parliament and of the Council on short selling and certain aspects of Credit Default Swaps 2010/0251 (COD);

Smaller Shareholder

means an LCH.Clearnet Shareholder that has validly accepted the Revised Offer that holds, together with its associates (as defined in the articles of association of LCH.Clearnet as at the date of this document), one per cent. or less of the issued share capital of LCH.Clearnet at the Allocation Calculation Date (or such higher number as may be agreed between LSEG plc, LSEC and LCH.Clearnet);

Special Dividend

means the special interim dividend of €1 per LCH.Clearnet Share which was declared by LCH.Clearnet on 3 April 2012, payment of which was conditional upon completion of the Original Offer and which has been replaced by the Deferred Consideration structure;

subsidiary

shall have the meaning ascribed to it in section 1159 of the Companies Act;

SwapClear

means the clearing service that LCH.Clearnet provides for clearing OTC interest rate swaps;

SwapClear, ForexClear, and CDSClear Agreements

means the SwapClear Framework Agreement, the ForexClear Agreement and the CDSClear Agreement;

SwapClear, ForexClear, and CDSClear Banks

means a group of international investment banks who are clearing members of LCH.Clearnet Limited and LCH.Clearnet S.A. and have entered into the SwapClear, ForexClear, and CDSClear Agreements with them for the development and operation of the SwapClear, ForexClear, and CDSClear Businesses;

SwapClear, ForexClear, and CDSClear

means the OTC derivatives businesses of SwapClear,

<i>Businesses</i>	ForexClear and CDSClear;
<i>SwapClear Framework Agreement</i>	means the agreement dated 10 August 2012 between LCH.Clearnet, OTCDerivnet Limited and certain of the SwapClear, ForexClear, and CDSClear Banks in relation to SwapClear;
<i>S&P</i>	means Standard & Poor's Rating Services - a division of McGraw Hill International (UK) Limited;
<i>Takeover Code</i>	means the City Code on Takeovers and Mergers, as amended from time to time;
<i>Tax Authority</i>	means any taxing or other authority (whether within or outside the United Kingdom) competent to assess or collect any tax;
<i>Testing Date</i>	has the meaning given in Part 5;
<i>Timetable</i>	means the indicative timetable for the Revised Offer set out in Schedule 9 (a) of the New Implementation Agreement as varied in accordance with the terms of this New Implementation Agreement, or (b) as agreed in writing between LCH.Clearnet and LSEG plc;
<i>Trade Mark Licence and Co-Existence Agreement</i>	means the trade mark licence and co-existence agreement, dated 16 December 2011, between LSEG plc, LSEGH, FTSE, The Financial Times Limited and Pearson plc;
<i>Transaction</i>	means, together, the Majority Acquisition and the Capital Raise (and in the context of the LSEG Board recommendation set out in paragraph 15 of Part 1 shall mean the Majority Acquisition and LSEG plc's participation in the Capital Raise);
<i>Transformation Plan</i>	means the LCH.Clearnet Group transformation plan that was closed in December 2012, as disclosed to LSEG plc;
<i>TSR</i>	means total shareholder return;
<i>Turquoise</i>	means Turquoise Global Holdings Limited, a subsidiary of LSEG plc;
<i>UK or United Kingdom</i>	means the United Kingdom of Great Britain and Northern Ireland;
<i>UKLA</i>	means the FSA acting in its capacity as the competent authority for listing in the UK for the purposes of Part VI of FSMA;
<i>US or United States</i>	means the United States of America;
<i>Users</i>	means a Clearing Participant other than a Venue;
<i>User Directors</i>	means directors connected to or associated with User Shareholders and for the avoidance of doubt, excluding

	Customer Directors;
<i>User Shareholders</i>	means LCH.Clearnet Shareholders that are Users;
<i>VAT</i>	means value added tax imposed by the Value Added Tax Act 1994 and legislation and regulations supplemental thereto;
<i>Venue</i>	means a Clearing Participant which is an exchange, trading venue, multilateral trading facility, alternative trading system or similar;
<i>Venue Directors</i>	means a director who is nominated by a Venue Shareholder or who is otherwise connected to a Venue Shareholder by virtue of his employment or directorship;
<i>Venue Shareholders</i>	means LCH.Clearnet Shareholders that are Venues; and
<i>WACC</i>	means weighted average cost of capital care.

All references to legislation in this document are to the legislation of England and Wales, unless the contrary is indicated. Any reference to any provision of any legislation should include any amendment, modification, re-enactment or extension thereof.

The singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

Terms defined in the CREST Manual shall, unless the context otherwise requires, bear the same meanings where used in this document.

Unless otherwise indicated, all references in this document to “sterling”, “pounds sterling”, “GBP”, “£”, “pence”, or “p” are to the lawful currency of the United Kingdom; references to “euro” or “€” are to the official currency of the Eurozone; and references to “US dollars”, “USD” or “\$” are to the lawful currency of the United States.

In this document the sterling to euro exchange rate used is 1.1631, being the exchange rate as at 5 March 2013, unless it is:

- (a) the exchange rate as at 31 December 2012, which is 1.2253;
- (b) the exchange rate for the 2012 calendar year, which is 1.2334;
- (c) the exchange rate for the first nine months of the current LSEG financial year, which is 1.2451;
- (d) the exchange rate for the third quarter of the LSEG financial year ended 31 December 2012, which is 1.2382;

References to time are to London time.

NOTICE OF FURTHER GENERAL MEETING

London Stock Exchange Group plc
(Registered in England No. 05369106)

Notice is hereby given that a general meeting of London Stock Exchange Group plc (the *Company*) will be held at 11.00 a.m. on 27 March 2013 at the offices of Freshfields Bruckhaus Deringer LLP at the Northcliffe House entrance, 26 - 28 Tudor Street, London, EC4Y 0BQ (the *Further 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 (i) acquisition by London Stock Exchange (C) Limited, a wholly-owned subsidiary of the Company (*LSEC*), of a majority interest in LCH.Clearnet Group Limited (*LCH.Clearnet*) as described in the new circular (the *New Circular*) to the shareholders of the Company dated 8 March 2013, substantially on the terms and subject to the conditions set out in the new implementation agreement dated 7 March 2013, and the revised recommended cash offer by LSEC for LCH.Clearnet substantially on the terms and subject to the conditions set out in the offer document posted by the Company on or around 8 March 2013 (the *Majority Acquisition*); and (ii) subsequent participation in the LCH.Clearnet capital raise pro rata to the Company's post-completion shareholding in LCH.Clearnet (the *Capital Raise*) on the basis described in the New Circular (the Majority Acquisition and the Capital Raise are together, the *Transaction*) be and are 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 Transaction 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 Transaction.

By order of the board of directors of the Company

Lisa Condron
Company Secretary

8 March 2013

Registered office:

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

Notes to the Notice of Further 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 p.m. on 25 March 2013 (or, in the event that the Further General Meeting is adjourned, on the register of shareholders 48 hours before the time of any 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 Further General Meeting. A shareholder may appoint more than one proxy in relation to the Further 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 yellow Form of Proxy is enclosed with this Notice of Further General Meeting for use at the Further 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 Registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to arrive no later than 11.00 a.m. on 25 March 2013 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 at www.sharevote.co.uk using the number provided on the yellow 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 Further 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. 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 (ID RA19) by no later than 11.00 a.m. on 25 March 2013. 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 Further 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.

11. As at 6 March 2013 (being the last practicable date prior to the publication of this document) the Company's issued share capital consists of 271,108,651 ordinary shares of 6⁷⁹/₈₆ pence each, carrying one vote each. Therefore, the total voting rights in the Company as at 6 March 2013 are 271,108,651.

12. 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.

13. In accordance with section 311A of the Companies Act 2006, the contents of this Notice of Further General Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Further 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:

<http://www.londonstockexchange.com/investor-relations/investor-relations.htm>.

14. The results of the voting at the Further General Meeting will be announced through a Regulatory Information Service and will appear on our website at:

<http://www.londonstockexchange.com/investor-relations/investor-relations.htm>.

15. Save as provided above, any communication with the Company in relation to the Further General Meeting, including in relation to proxies, should be sent to the Company's Registrars, Equiniti, 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 Further General Meeting or in any related documents (including the Form of Proxy or the Further General Meeting Shareholder Admission Card) to communicate with the Company for any purposes other than those expressly stated.

16. 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/>.