

19 October 2017

LONDON STOCK EXCHANGE GROUP plc

**INTERIM MANAGEMENT STATEMENT
FOR THE PERIOD TO 18 OCTOBER 2017, INCLUDING REVENUES AND KPIs
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2017 (Q3)**

- Another period of delivery against our targets with continued good growth - Q3 total income up 17% to £486 million; and up 19% for 9 months year-to-date, to £1,432 million
- Q3 revenues up 18% to £443 million; up 18% for 9 months year-to-date at £1,295 million
- Strong demonstration of capital deployment to drive growth and returns, including: completion of the Citi Fixed Income Indices and The Yield Book acquisition; increasing our stake in LCH; and, completion of the £200 million share buyback programme

Q3 summary:

- Information Services: revenues up 22% (up 15% on organic and constant currency basis) – with good underlying growth and one month’s inclusion of The Yield Book and Citi Fixed Income Indices
- Post Trade: LCH income up 26% (up 22% at constant currency), with 23% revenue growth in OTC from higher volume of SwapClear client trades; ForexClear continues to see strong volume growth. CC&G and Monte Titoli income up 2% (down 4% at constant currency)
- Capital Markets: revenues up 8% (up 5% on organic and constant currency basis), with record quarterly primary markets revenues in a period of strong equity issuance; Turquoise continues to trade well, with strong growth in the Turquoise Plato Block Discovery service (including a record month in September)
- Technology Services: revenues up 9% (up 7% at constant currency)

Commenting on performance in Q3, Xavier Rolet, Chief Executive, said:

“The Group continues to perform very well, with good revenue growth in our main businesses and a strong period of successful development and delivery. The completion of the acquisition of Citi Fixed Income Indices and The Yield Book is already contributing to the further growth in FTSE Russell while LCH continues to perform strongly and has launched innovative new services. I am also delighted that we are increasing our stake in the LCH Group.

“The Group’s excellent financial performance is reflective of our continued innovation and execution of our growth strategy, enabling us to deliver against our three year financial targets. Together with our proven Customer Partnership and Open Access approach, this positions us strongly to benefit from the introduction of MiFID II in less than three months time.”

Organic growth is calculated in respect of businesses owned for at least 3 months in either period and so excludes The Yield Book and Citi Fixed Income Indices, ISPS, Mergent and SwapMatch. The Group’s principal foreign exchange exposure arises from translating our European based Euro and US based USD reporting businesses into Sterling.

Investment in growth opportunities and new developments continued across the business:

- LSEG will increase its stake in LCH Group to 64.4% (on completion of regulatory processes before the end of 2017), acquiring an additional 6.63% following a sale by certain minority shareholders
- LCH SwapAgent service for non-cleared derivatives now live and has processed its first trades
- LCH RepoClear launched Sponsored Clearing, offering buy-side firms direct access to LCH for repos clearing across 11 government bond markets
- LCH signed binding terms with Euronext N.V. for the continued provision of clearing services for listed financial and commodity derivatives with LCH SA. The agreement is expected to be finalised in Q4 2017
- The Government Pension Investment Fund (GPIF) of Japan selected new FTSE Blossom Japan Index as a core ESG benchmark through its flagship fund
- Good flow of new issues on our UK and Italian markets, with a near doubling in the number of new issues year on year – in early October Borsa Italiana welcomed Pirelli to its market, the largest continental European IPO so far in 2017; together with Allied Irish Bank in the summer, the two largest European IPOs have been on Group markets
- Turquoise Lit Auctions, a pre-trade transparent and MiFID II compliant trading mechanism, received regulatory approval for Q4 2017 launch; and Turquoise Plato Block Discovery delivered record value traded in September (8 times the level of Q3 last year)
- CurveGlobal marked its first year in operation – the platform is building a firm foundation, with 1.5 million lots traded since launch (of which 40% of the volume traded was in the last three months)
- UK’s Financial Conduct Authority approved London Stock Exchange to be authorised as an Approved Publication Arrangement (APA) and an Approved Reporting Mechanism (ARM) – enabling firms to meet their trade and transaction reporting obligations under MiFID II and MiFIR

- Borsa Italiana and IBM announced they are building a blockchain solution to digitise the issuance of securities for small and medium enterprises (SMEs) in Europe
- LSEG Technology completed the go-live of Millennium Exchange through a technology partnership with Caja de Valores S.A., which acts as the technology provider for Bolsas y Mercados Argentinos
- Gatelab has become an approved provider of risk gateway services for Bombay Stock Exchange

Financial Position

Refinancing to extend Group debt maturities was successfully completed in September. The Group issued €500 million 0.875% 2024 bonds and €500 million 1.75% 2029 bonds, of which an aggregate €700 million was immediately swapped into USD to appropriately match Group currency of debt to currency of earnings. The resulting effective blended rate of interest on the bonds is fixed at c2.8% per annum until the first maturity date.

The Group's financial position remains strong, with good cash generation from operations offset by normal course interim dividend and bond coupon payments, and the conclusion of the £200 million share buyback programme. We also continue to invest in projects to support growth initiatives. During the period the Group completed the acquisition of the Citi Fixed Income Indices and The Yield Book, paying US\$685 million. At 30 September 2017, the Group's committed facility headroom was c£700 million, available for general corporate purposes.

The euro and US dollar both strengthened by 8% against sterling compared with the same period last year. To illustrate our exposure to movements in exchange rates, a €0.05 change in the average euro:sterling rate would have resulted in a change to continuing operations total income of c£6.9 million for Q3, while a US\$0.05 move would have resulted in a c£4.8 million change.

Current trading

The Group continues to execute on its successful growth strategy to deliver attractive shareholder returns. All main parts of the Group continue to perform well and investment remains ongoing on a number of initiatives. We are well positioned for the introduction of MiFID II and a broader changing regulatory environment.

The Group released a separate statement this morning regarding succession planning.

Further information is available from:

London Stock Exchange Group plc	Lucie Holloway/Ramesh Chhabra – Media Paul Froud – Investor Relations	+44 (0) 20 7797 1222 +44 (0) 20 7797 3322
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A conference call for analysts and investors will be held at 8:30 (UK time) on Thursday 19 October. On the call will be David Warren (CFO) and Paul Froud (Head of Investor Relations).

To access the telephone conference call dial 0800 694 0257 or +44 (0) 1452 555 566

Conference ID: 8705 3054

Q3 Revenue Summary

Revenues for three months and nine months ended 30 September 2017 refer to continuing operations, with comparatives against performance for the same period last year, are provided below. Growth rates for both Q3 and year to date performance are also expressed on an organic and constant currency basis. All figures are unaudited.

	Three months ended			Organic and	Nine months ended			Organic and
	30 September			constant	30 September			constant
	2017	2016	Variance	currency	2017	2016	Variance	currency
	£m	£m	%	variance ¹	£m	£m	%	variance ¹
Continuing operations:								
Revenue								
Information Services	181.8	148.5	22%	15%	536.7	434.4	24%	14%
Post Trade Services - LCH	113.9	89.5	27%	24%	321.1	256.7	25%	19%
Post Trade Services - CC&G and Monte Titoli	26.2	25.2	4%	(2%)	81.5	73.3	11%	2%
Capital Markets	96.7	89.6	8%	5%	286.3	271.2	6%	1%
Technology Services	22.7	20.8	9%	7%	63.8	58.8	9%	3%
Other	1.4	2.6	-	-	5.9	3.7	-	-
Total revenue	442.7	376.2	18%	13%	1,295.3	1,098.1	18%	11%
Net treasury income through CCP businesses	42.0	35.3	19%	13%	116.8	91.3	28%	18%
Other income	1.4	3.1	-	-	19.4	11.0	-	-
Total income	486.1	414.6	17%	12%	1,431.5	1,200.4	19%	12%
Cost of sales	(55.7)	(44.8)	24%	20%	(157.3)	(121.8)	29%	22%
Gross profit	430.4	369.8	16%	11%	1,274.2	1,078.6	18%	11%

¹ Organic growth is calculated in respect of businesses owned for at least the full 3 or 9 months in either period and excludes The Yield Book and Citi Fixed Income Indices, ISPS, Mergent and SwapMatch. The Group's principal foreign exchange exposure arises from translating our European based euro and US based USD reporting businesses into sterling.

More detailed revenues by segment are provided in tables below:

Information Services

	Three months ended 30 September			Organic and constant currency variance ¹ %	Nine months ended 30 September			Organic and constant currency variance ¹ %
	2017	2016	Variance		2017	2016	Variance	
	£m	£m	%		£m	£m	%	
Revenue								
FTSE Russell Indexes	135.3	102.1	33%	19%	395.8	295.7	34%	17%
Real time data	23.0	23.3	(1%)	(3%)	70.4	67.7	4%	1%
Other information services	23.5	23.1	2%	18%	70.5	71.0	(1%)	11%
Total revenue	181.8	148.5	22%	15%	536.7	434.4	24%	14%
Cost of sales	(15.4)	(13.6)	13%	8%	(45.5)	(38.5)	18%	9%
Gross profit	166.4	134.9	23%	15%	491.2	395.9	24%	14%

¹ Removal of Mergent (acquired Q1 2017) and The Yield Book and Citi Fixed Income Indices (acquired Q3 2017) from FTSE Russell and ISPS from Other information services (disposed Q1 2017)

Post Trade Services - LCH

	Three months ended 30 September			Constant currency variance %	Nine months ended 30 September			Constant currency variance %
	2017	2016	Variance		2017	2016	Variance	
	£m	£m	%		£m	£m	%	
Revenue								
OTC - SwapClear, ForexClear & CDSClear	58.6	47.6	23%	21%	171.2	136.7	25%	19%
Non-OTC - Fixed income, Cash equities and Listed derivatives	33.3	28.3	18%	12%	99.3	85.9	16%	7%
Other	22.0	13.6	62%	59%	50.6	34.1	48%	51%
Total revenue	113.9	89.5	27%	24%	321.1	256.7	25%	19%
Net treasury income	31.1	24.1	29%	23%	86.6	59.1	47%	36%
Other income	(0.5)	1.3	-	-	6.5	5.7	-	-
Total income	144.5	114.9	26%	22%	414.2	321.5	29%	22%
Cost of sales	(22.7)	(15.8)	44%	36%	(63.1)	(39.0)	62%	49%
Gross profit	121.8	99.1	23%	20%	351.1	282.5	24%	18%

Post Trade Services - CC&G and Monte Titoli

	Three months ended			Constant currency variance	Nine months ended			Constant currency variance
	30 September				30 September			
	2017	2016	Variance		2017	2016	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Clearing	8.9	10.0	(11%)	(16%)	29.5	30.7	(4%)	(12%)
Settlement, Custody & other	17.3	15.2	14%	7%	52.0	42.6	22%	12%
Total revenue	26.2	25.2	4%	(2%)	81.5	73.3	11%	2%
Net treasury income	10.9	11.2	(3%)	(8%)	30.2	32.2	(6%)	(14%)
Total income	37.1	36.4	2%	(4%)	111.7	105.5	6%	(3%)
Cost of sales	(4.3)	(3.1)	39%	30%	(12.7)	(8.8)	44%	34%
Gross profit	32.8	33.3	(2%)	(7%)	99.0	96.7	2%	(6%)

Capital Markets

	Three months ended			Organic and constant currency variance ¹	Nine months ended			Organic and constant currency variance ¹
	30 September				30 September			
	2017	2016	Variance		2017	2016	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Primary Markets	29.6	21.1	40%	38%	77.3	65.3	18%	16%
Secondary Markets - Equities	39.0	40.0	(3%)	(4%)	122.9	123.1	(0%)	(2%)
Secondary Markets - Fixed income, derivatives and other	28.1	28.5	(1%)	(6%)	86.1	82.8	4%	(4%)
Total revenue	96.7	89.6	8%	5%	286.3	271.2	6%	1%
Cost of sales	(4.0)	(5.5)	(27%)	(29%)	(12.9)	(17.2)	(25%)	(27%)
Gross profit	92.7	84.1	10%	7%	273.4	254.0	8%	3%

¹ Removal of SwapMatch from Capital Markets (acquired Q3 2016)

Technology Services

	Three months ended 30 September			Constant currency variance	Nine months ended 30 September			Constant currency variance
	2017 £m	2016 £m	Variance %		2017 £m	2016 £m	Variance %	
Revenue								
MillenniumIT & other technology	22.7	20.8	9%	7%	63.8	58.8	9%	3%
Cost of sales	(9.0)	(6.5)	38%	41%	(21.6)	(17.1)	26%	20%
Gross profit	13.7	14.3	(4%)	(8%)	42.2	41.7	1%	(5%)

Basis of Preparation

Results for the period ended 30 September 2017 have been translated into Sterling using the average exchange rates for the period. Constant currency growth rates have been calculated by translating prior period results at the average exchange rate for the current period.

	Average rate 9 months ended 30 September 2017	Closing rate at 30 September 2017
GBP : EUR	1.15	1.13
GBP : USD	1.28	1.34

	Average rate 9 months ended 30 September 2016	Closing rate at 30 September 2016
GBP : EUR	1.25	1.15
GBP : USD	1.39	1.30

Appendix – Key performance indicators

Information Services

	As at		Variance %
	30 September		
	2017	2016	
ETF assets under management benchmarked (\$bn)			
FTSE	345	246	40%
Russell Indexes	227	176	29%
Total	572	422	36%

Terminals

UK	69,000	73,000	(5%)
Borsa Italiana Professional Terminals	116,000	129,000	(10%)

Post Trade Services - LCH

	Three months ended		Variance %	Nine months ended		Variance %
	30 September			30 September		
	2017	2016		2017	2016	
OTC derivatives						
SwapClear						
IRS notional cleared (\$tn)	197	160	23%	666	506	32%
SwapClear members	105	105	0%	105	105	0%
Client trades ('000)	313	232	35%	923	693	33%
CDSClear						
Notional cleared (€bn)	147	106	39%	445	348	28%
CDSClear members	13	12	8%	13	12	8%
ForexClear						
Notional value cleared (\$bn)	3,097	630	392%	7,954	1,206	560%
ForexClear members	28	24	17%	28	24	17%
Non-OTC						
Fixed income - Nominal value (€tn)	22.3	17.1	30%	65.2	52.1	25%
Listed derivatives (contracts m)	33.7	28.5	18%	110.1	98.5	12%
Cash equities trades (m)	194	166	17%	613	511	20%
Average cash collateral (€bn)	82.1	68.9	19%	85.0	63.8	33%

Post Trade Services - CC&G and Monte Titoli

	Three months ended		Variance %	Nine months ended		Variance %
	30 September			30 September		
	2017	2016		2017	2016	
CC&G Clearing						
Contracts (m)	22.6	28.0	(19%)	82.7	96.4	(14%)
Initial margin held (average €bn)	9.4	11.7	(20%)	11.6	11.8	(2%)

Monte Titoli

Settlement instructions (trades m)	10.1	9.4	7%	33.0	32.0	3%
Custody assets under management (average €tn)	3.30	3.17	4%	3.26	3.17	3%

Capital Markets - Primary Markets

	Three months ended			Nine months ended		
	30 September		Variance %	30 September		Variance %
	2017	2016		2017	2016	
New Issues						
UK Main Market, PSM & SFM	18	11	64%	60	36	67%
UK AIM	25	11	127%	53	52	2%
Borsa Italiana	10	5	100%	24	13	85%
Total	53	27	96%	137	101	36%
Money Raised (£bn)						
UK New	2.5	0.3	733%	5.0	2.2	127%
UK Further	3.8	4.0	(5%)	12.2	10.0	22%
Borsa Italiana new and further	0.8	0.8	(2%)	13.7	4.7	191%
Total (£bn)	7.1	5.1	39%	30.9	16.9	83%

Capital Markets - Secondary Markets

	Three months ended			Nine months ended		
	30 September		Variance %	30 September		Variance %
	2017	2016		2017	2016	
Equity						
Totals for period						
UK value traded (£bn)	327	310	5%	1,010	947	7%
Borsa Italiana (no of trades m)	15.1	16.6	(9%)	52.6	57.2	(8%)
Turquoise value traded (€bn)	225	325	(31%)	781	1,085	(28%)
SETS Yield (basis points)	0.63	0.63	0%	0.63	0.63	0%
Average daily						
UK value traded (£bn)	5.1	4.8	6%	5.3	5.0	6%
Borsa Italiana (no of trades '000)	237	255	(7%)	275	298	(8%)
Turquoise value traded (€bn)	3.5	4.9	(29%)	4.1	5.6	(27%)
Derivatives (contracts m)						
LSE Derivatives	1.5	0.9	67%	4.7	3.3	42%
IDEM	6.6	10.2	(35%)	27.1	35.4	(23%)
Total	8.2	11.1	(26%)	31.8	38.7	(18%)
Fixed Income						
MTS cash and BondVision (€bn)	733	982	(25%)	2,635	3,024	(13%)
MTS money markets (€bn term adjusted)	17,385	19,305	(10%)	58,740	63,730	(8%)

Total Income – Quarterly

£ millions	CY 2016				CY 2016	CY 2017		
	Q1	Q2	Q3	Q4		Q1	Q2	Q3
Primary Markets	22.2	22.0	21.1	25.5	90.8	21.3	26.4	29.6
Secondary Markets - Equities	42.2	40.9	40.0	41.8	164.9	42.0	41.9	39.0
Secondary Markets - Fixed income, derivatives & other	28.0	26.3	28.5	29.8	112.6	30.4	27.6	28.1
Capital Markets	92.4	89.2	89.6	97.1	368.3	93.7	95.9	96.7
Clearing	10.6	10.1	10.0	11.8	42.5	10.7	9.9	8.9
Settlement, Custody & other	12.9	14.5	15.2	18.6	61.2	17.0	17.7	17.3
Post Trade Services - CC&G and Monte Titoli	23.5	24.6	25.2	30.4	103.7	27.7	27.6	26.2
OTC - SwapClear, ForexClear & CDSClear	44.6	44.4	47.6	54.0	190.6	56.8	55.8	58.6
Non OTC - Fixed income, Cash equities & Listed derivatives	28.6	29.1	28.3	30.5	116.5	32.9	33.1	33.3
Other	11.1	9.3	13.6	15.4	49.4	16.0	12.6	22.0
Post Trade Services - LCH	84.3	82.8	89.5	99.9	356.5	105.7	101.5	113.9
FTSE Russell Indexes	96.4	97.1	102.1	113.7	409.3	126.7	133.8	135.3
Real time data	22.7	21.8	23.3	23.1	90.9	23.0	24.4	23.0
Other information	22.4	25.5	23.1	23.5	94.5	23.9	23.1	23.5
Information Services	141.5	144.4	148.5	160.3	594.7	173.6	181.3	181.8
Technology Services	16.2	21.9	20.8	29.4	88.3	20.5	20.6	22.7
Other	1.0	0.1	2.6	0.4	4.1	1.4	3.2	1.4
Total Revenue	358.9	363.0	376.2	417.5	1,515.6	422.6	430.1	442.7
Net treasury income through CCP:								
CC&G	10.3	10.7	11.2	10.4	42.6	9.8	9.6	10.9
LCH	17.6	17.4	24.1	23.1	82.2	24.2	31.3	31.1
Other income	0.8	7.1	3.1	5.7	16.7	4.1	13.8	1.4
Total income	387.6	398.2	414.6	456.7	1,657.1	460.7	484.8	486.1
Cost of sales	(35.3)	(41.7)	(44.8)	(53.0)	(174.8)	(50.4)	(51.2)	(55.7)
Gross profit	352.3	356.5	369.8	403.7	1,482.3	410.3	433.6	430.4

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