

31 July 2020

LONDON STOCK EXCHANGE GROUP PLC INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 JUNE 2020

Unless otherwise stated, all figures below refer to continuing operations for the six months ended 30 June 2020 (H1 or H1 2020). Comparative figures are for continuing operations for the six months ended 30 June 2019 (H1 2019).

- Good financial and operational performance in H1 drives 11% increase in AEPS
- Further good income growth in Information Services and Post Trade; resilient underlying result in Capital Markets
- Strong operational resilience across the Group's trading, clearing and data platforms during unprecedented period; majority of employees continue to work remotely
- Group in strong financial position; confidence in future prospects supports increase in the interim dividend (up 16%) to 23.3 pence per share
- Good progress with foreign investment, antitrust and other regulatory approvals for the Refinitiv transaction, and integration planning is well developed; the Group expects to close the transaction by the end of the year or in early 2021

H1 Summary

- Total Revenue up 4% to £1,058 million (H1 2019: £1,018 million); total income up 8% to £1,235 million (H1 2019: £1,140 million)
- FTSE Russell revenue up 5% to £330 million (H1 2019: £315 million) with growth in subscription revenues and flat asset-based revenues reflecting lower ETF AUM levels
- Post Trade revenue up 9% to £372 million (H1 2019: £342 million), driven by strong growth in LCH; record activity in CDS, FX and cash equities clearing; total income up 19% to £548 million (H1 2019: £462 million), mainly reflecting higher cash margin held
- Capital Markets revenue down 4% on a reported basis to £217 million, and up 12% on a like-for-like basis excluding the one-off benefit of an IFRS 15 adjustment in prior year
- Adjusted operating expenses, before depreciation and amortisation¹, were up 8% (up 5% on a constant currency basis) and up 1% compared with H2 2019
- Adjusted operating profit¹ up 8% to £575 million (H1 2019: £533 million); operating profit was down 2% at £391 million (H1 2019: £399 million); profit before tax of £362 million (H1 2019: £363 million); profit after tax of £261 million (H1 2019: £265 million)
- Adjusted EBITDA¹ margin broadly unchanged at 54.6% (2019 H1: 54.5%)
- Adjusted EPS¹ up 11% to 112.0 pence (H1 2019: 100.6 pence); basic EPS down 9% at 64.6 pence (H1 2019: 70.7 pence)
- Strong balance sheet position with leverage at 1.4 times net debt: pro forma EBITDA

Commenting on performance for the period, David Schwimmer, CEO said:

“The Group has delivered a good financial performance and demonstrated strong operational resilience. During this unprecedented period, we have focused on ensuring the welfare of our employees and on continuity of services to our customers, maintaining access to our markets and clearing venues, with record volumes executed across our services.

“We are making good progress on the proposed transaction with Refinitiv, securing a number of regulatory approvals and engaging constructively with authorities on remaining approvals. We also continue to make good progress on integration planning to ensure we are ready to deliver the benefits of the transaction to our shareholders, customers and other stakeholders. We expect to close the transaction by the end of the year or in early 2021.”

Organic growth combined with new product development and investment continued throughout the period. Highlights include:

Information Services

- FTSE Russell announced a 10-year extension to a global index derivatives agreement with Cboe Global Markets to develop and list options based on FTSE Russell indices
- FTSE Russell launched a series of co-branded fixed income indices in partnership with Johannesburg Stock Exchange and new index derivatives launched by Singapore Stock Exchange using FTSE Russell indices

Post Trade

- LCH SwapClear became the first clearing house to clear Singapore Dollar swaps benchmarked to alternative reference rate Singapore Overnight Rate Average (SORA)
- LCH EquityClear went live with a new LSEG Technology post trade platform, processing record equity clearing volumes in March 2020
- UnaVista approved by ESMA to be a trade repository under Securities Financing Transactions Regulation (SFTR)

Capital Markets

- £19.8 billion equity capital raised across new and further issues up 29%, with 17% increase in value traded across venues
- China Pacific Insurance Group (CPIC) listed GDRs in London on Shanghai-London Stock Connect, the largest capital raise via an admission to London Stock Exchange in 2020 to date, raising US\$2 billion
- London Stock Exchange celebrated the 25th anniversary of AIM, the London Stock Exchange’s growth market, with over 3,800 companies admitted since launch, raising £118 billion in equity capital

*¹ Before amortisation and impairment of purchased intangible assets and goodwill and non-underlying items
The Group’s principal foreign exchange exposure arises from translating and revaluing its foreign currency earnings, assets and liabilities into LSEG’s reporting currency of Sterling.*

London Stock Exchange Group uses non-GAAP performance measures as key financial indicators as the Board believes these better reflect the underlying performance of the business. As in previous years, adjusted operating expenses, adjusted operating profit, adjusted profit before tax, adjusted earnings before interest, tax, depreciation and amortisation, adjusted EBITDA margin and adjusted earnings per share all exclude amortisation and impairment of purchased intangible assets and goodwill and non-underlying items.

Further information is available from:

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Additional information on London Stock Exchange Group can be found at www.lseg.com

The Group will host a conference call for analysts and investors today at 08:30am (UK time). On the call to discuss the H1 results will be David Schwimmer (CEO), David Warren (CFO) and Paul Froud (Group Head of Investor Relations).

To access the telephone conference call please pre-register using the following link and instructions below: <https://cossprereg.btc.com/prereg/key.process?key=P7C9K8NDA>

- **Please register in advance of the conference using the link above.** Upon registering with your full name, company name and email address, you will be provided with the information required to join the conference, including dial-in numbers and passcodes
- In the 10 minutes prior to the call start time, please use the conference access information provided in the email received at the point of registering

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

Chief Executive's Statement

Overview of H1

The Group has produced a good half-year financial and operational performance against the backdrop of unprecedented conditions and with the majority of our employees around the world working on a remote basis. Throughout the period, we demonstrated strong operational resilience, maintaining orderly markets and managing market risk through our post trade services, with record volumes executed on our trading venues and at our clearing houses.

We have continued to develop and invest in the business during this period, successfully launching a new equity clearing platform at LCH in March during the peak of the equity market volatility, listing a second GDR through Shanghai-London Stock Connect and developing a number of new indices and winning new contracts in the Information Services division. Our commitment to open access and customer partnership is at the heart of our business model, offering systemically important services on an open, non-discriminatory basis and developing new products with our customers to support global markets.

Total income for the half-year increased 8%, reflecting good growth across many parts of the Group. This is particularly notable given the strong prior year comparative period inclusion of a one-off £32 million benefit from an IFRS 15 change in estimate, without which income would have risen 11%. Adjusted operating expenses before depreciation and amortisation were 8% higher, but increased 1% compared with H2 2019, demonstrating good underlying cost control. Adjusted operating profit increased 8% to £575 million, and adjusted EPS rose 11% to 112.0 pence per share. The Group's adjusted EBITDA margin has remained broadly unchanged at 54.6% (2019 H1: 54.5%).

We remain in a strong financial position, with good cash generation supporting investment and product development while leverage remained stable at 1.4 times net debt to pro forma EBITDA. In line with our progressive dividend policy, and reflecting both the good H1 performance and confidence in future prospects, the interim dividend is increased by 16%, to 23.3 pence per share.

In August last year, we announced the proposed acquisition of Refinitiv, a leading global provider of data, analytics and financial markets solutions. We are making good progress on integration planning to ensure we are ready to deliver the benefits of the transaction immediately following completion. The Group continues to make good progress with foreign investment, merger control and other regulatory filings. Foreign investment approvals have been received in the US and Germany. Unconditional merger control clearances have been received in Botswana, Germany, Japan, Jersey, Kenya, Morocco, Pakistan, Russia, Saudi Arabia, Taiwan and Ukraine, and merger reviews are underway in several other jurisdictions, including in Singapore, Australia, US and Canada. The European Commission commenced a Phase II merger review in June and the Group continues to engage constructively with the case team. Today the Group confirms that it has commenced exploratory discussions which may result in a sale of LSEG's interest in MTS or potentially the Borsa Italiana group as a whole. The Group expects to complete the transaction by the end of the year or in early 2021.

Further commentary on the Group's performance in the six-month period is provided below.

Operational Performance

Information Services delivered a 5% increase in revenue, to £437 million (up 3% on an organic and constant currency basis). FTSE Russell revenue increased by 5% to £330 million, and 3% on a constant currency basis. Subscription revenue grew 8% to £218 million, while asset-based revenue was flat at £112 million despite a considerable drop in AUM values due to market volatility during the period. ETF AUM benchmarked to FTSE Russell indices at the end of the period fell by 3% to US\$669 billion compared to the end of H1 2019, but up 15% from the end of Q1 2020 as the market recovered. Revenue from real time data grew 8% with strong new business to £52 million while other information services grew 4% to £55 million. Cost of sales was flat at £36 million, with 6% growth in gross profit at £401 million.

The Post Trade division, which incorporates LCH, CC&G, Monte Titoli and UnaVista since the start of the year, grew revenue by 9% to £372 million (up 8% on a constant currency basis). LCH grew 10% to £293 million, with a strong contribution from Non-OTC, which increased 16% to £80 million, with record levels of clearing activity in cash equity and listed derivatives arising from COVID-19 related volatility. OTC clearing revenue increased 6% to £157 million, largely due to growth in client clearing in SwapClear as the number of trades increased by 24%. The period also saw record volumes at ForexClear and CDSClear, and strong growth from client clearing in both services as they develop further. Other revenue at LCH grew 14% to £56 million due to higher levels of non-cash collateral. Post Trade Italy grew 3% to £53 million with strong activity at CC&G as contracts cleared increased 35% in the period to 67.5 million and at Monte Titoli with settlement instructions up 22% to 26.3 million.

LCH net treasury income (NTI) rose 56% to £149 million as average cash collateral increased 26% to €116.3 billion, and CC&G NTI increased 12% to £27 million as initial margin held increased 5% to €14.7 billion. NTI is mainly comprised of income from collateral handling fees, calculated on an agreed basis point spread for the collateral collected. This component is generally predictable and recurring income, typically making up two-thirds of NTI. The remaining one-third component of NTI is the return on investment of the cash collateral over the level returned to members. This element of NTI benefitted from the increased quantum of cash to invest in the period and also received a short-term benefit from the rapid reduction in central bank interest rates. Assuming no change in market environment, total NTI is expected to be lower in H2 and closer to the income reported in H2 2019, as cash collateral levels normalised by the end of H1 and short-term investments will reflect the now lower interest rates.

Total income for Post Trade rose 19% to £548 million (up 18% on a constant currency basis). Cost of sales grew 23% to £80 million, reflecting the strong growth at LCH and in NTI, leading to an 18% increase in gross profit, to £468 million.

Capital Markets revenue fell by 4% on a reported and constant currency basis due to the comparison with H1 2019 revenue for Primary Markets which included a one-off IFRS 15 benefit of £32 million. Excluding this impact, Primary Markets' revenue grew 12% to £65 million. In Secondary Markets, equities trading revenue increased 23% to £91 million, as volumes grew with the strong volatility in March as the market reacted to COVID-19. Equity value traded on London Stock Exchange increased by 21% and the number of trades at Borsa Italiana rose by 57%. Fixed income, derivatives and other trading revenue fell by 2% to £61 million, as activity in these asset classes was more subdued. Cost of sales was £2 million in the period, with reported gross profit falling 3% to £215 million.

Technology Services revenue was unchanged at £30 million. Lower cost of sales of £3 million meant overall gross profit increased 3% to £27 million.

Financial Summary

Unless otherwise stated, all figures below refer to continuing operations for the six months ended 30 June 2020 (H1 2020). Comparative figures are for continuing operations for the six months ended 30 June 2019 (H1 2019). Variances are also provided on an organic and constant currency basis, accounting for the acquisition of Beyond Ratings in 2019 H1.

	Six months ended 30 June			Organic and constant currency
	2020 £m	2019 £m	Variance %	variance ¹ %
Continuing operations				
Revenue				
Information Services	437	416	5%	3%
Post Trade	372	342	9%	8%
Capital Markets	217	226	(4%)	(4%)
Technology	30	30	-	-
Other revenue	2	4	-	-
Total revenue	1,058	1,018	4%	3%
Net treasury income through CCP businesses	176	120	47%	46%
Other income	1	2	-	-
Total income	1,235	1,140	8%	8%
Cost of sales	(121)	(109)	11%	10%
Gross profit	1,114	1,031	8%	7%
Adjusted operating expenses before depreciation, amortisation and impairment	(438)	(406)	8%	5%
Underlying depreciation, amortisation and impairment	(99)	(88)	13%	13%
Adjusted operating expenses ²	(537)	(494)	9%	6%
Share of loss after tax of associate	(2)	(4)	-	-
Adjusted operating profit ²	575	533	8%	9%

Add back underlying depreciation, amortisation and impairment	99	88	13%	13%
Adjusted earnings before interest, tax, depreciation, amortisation and impairment ²	674	621	9%	9%
Amortisation and impairment of purchased intangible assets and goodwill and non-underlying items ³	(184)	(134)	38%	37%
Operating profit	391	399	(2%)	(1%)
Earnings per share				
Basic earnings per share (p)	64.6	70.7	(9%)	
Adjusted basic earnings per share (p) ²	112.0	100.6	11%	
Dividend per share (p)	23.3	20.1	16%	

¹ Organic growth is calculated in respect of businesses owned for at least 6 months in either period and so excludes Beyond Ratings

² Before amortisation and impairment of purchased intangible assets and goodwill and non-underlying items

³ Includes transaction costs and restructuring costs

Note: Variances in all tables are calculated from unrounded numbers.

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

Revenue increased 4% to £1,058 million (H1 2019: £1,018 million), and up 3% on an organic and constant currency basis. As described in the operational performance section above, many parts of the Group have delivered good results, particularly in Post Trade and Information Services. Total income rose 8% to £1,235 million (H1 2019: £1,140 million) on a reported and organic and constant currency basis. Cost of sales increased 11% to £121 million, (10% on an organic and constant currency basis) primarily as a result of the growth in LCH and FTSE Russell, with gross profit increasing 8% to £1,114 million (H1 2019: £1,031 million).

Adjusted operating expenses before depreciation, amortisation and impairment grew 8% on a reported basis and up 5% on a constant currency basis. Underlying depreciation and amortisation at £99 million was 13% higher than last year, reflecting investments in previous periods. The Group continues to invest in new products and efficiency projects, to increase sales and to develop the Group's infrastructure. Adjusted operating expenses before depreciation and amortisation in H2 are expected to remain similar to H1 2020.

Adjusted operating profit for the period, before amortisation and impairment of purchased intangible assets and goodwill and non-underlying items, increased 8% to £575 million (H1 2019: £533 million). Operating profit was down 2% at £391 million (H1 2019: £399 million) dampened by an increase in amortisation and impairment of intangible assets and goodwill and non-underlying items primarily relating to the Refinitiv transaction.

Adjusted net finance costs were £22 million (H1 2019: £36 million) reflecting a lower blended rate of interest on our debt following the refinancing of Bonds that were due in October 2019. Profit before tax was £362 million (H1 2019: £363 million). The effective underlying tax rate was 23.6%, and 22.5% for H1 with the inclusion of one-off and previous year adjustments (year ended 31 December 2019: 23.7%). The reported tax rate expected for H2 is 23.0%.

Adjusted basic EPS, before amortisation and impairment of purchased intangible assets and goodwill and non-recurring items, increased 11% to 112.0 pence (H1 2019: 100.6 pence) while basic EPS was 64.6 pence (H1 2019: 70.7 pence).

Net cash inflow from operating activities was £448 million (H1 2019: £400 million), the increase reflecting strong underlying performance, partly offset by a timing-related increase in tax outflows. Capital expenditure in the period amounted to £89 million (H1 2019: £89 million). Looking ahead, we expect capex to run at a higher level in H2 as we continue to invest in further product development and other projects to enhance efficiency. Net cash generated after capex, other investing activities and dividends, was £165 million (H1 2019: £122 million). Discretionary free cash flow per share on the same basis was 98.0 pence (30 June 2019: 89.7 pence).

At 30 June 2020, operating net debt (after setting aside £1,337 million of cash for regulatory and operational support purposes) increased to £1,905 million, from £1,755 million at year end. During the period, the Group increased the amount of cash set aside by £80 million following regulatory guidance on COVID-19 requirements. Cash generated by the business funded the Group's investment outflows, dividend payments, tax payments and regular debt servicing. Operating net debt: pro forma EBITDA remained stable at 1.4 times (from 1.4 times at 31 December 2019), reflecting strong earnings growth balanced against the increase in operating net debt.

Standard & Poor's maintained its long-term ratings of LSEG at A and LCH Limited and LCH SA at AA-. Moody's maintained its A3 rating of LSEG. Both agencies maintained their negative outlooks in anticipation of the impact of the Refinitiv acquisition on net leverage. Both agencies are positive about the strategic rationale for the transaction and reference the Group's clearly positioned de-leveraging plans. The Group had net assets of £4,133 million at 30 June 2020 (31 December 2019: £3,801 million), including £1,641 million in cash and cash equivalents (31 December 2019: £1,493 million).

The Group's principal foreign exchange exposure arises as a result of translating and revaluing its foreign currency earnings, assets and liabilities into LSEG's reporting currency of Sterling. For the 6 months to 30 June 2020, the main translation exposures for the Group were its Euro reporting businesses (accounting for 29% of Group income and 30% of Group expenses) and its US dollar reporting businesses (accounting for 29% of income and 19% of expenses). A 10 cent movement in the average £/€ rate for the six months would have changed the Group's operating profit for the period before amortisation of purchased intangible assets and non-recurring items by approximately £21 million. A 10 cent movement in the average £/US\$ rate for the six months would have changed the Group's operating profit by approximately £8 million. The Group continues to manage its translation risk exposure by matching the currency of its debt (including debt effectively issued in one currency and swapped into a different currency) to the currency of its earnings, where possible, to ensure its key financial ratios are protected from material foreign exchange rate volatility.

Response to COVID-19

The first half of the year has brought unprecedented challenges to our employees, customers, suppliers and the communities we operate in. We have been focused on the welfare of our employees and the orderly conduct of business for our customers worldwide. Our systemic role and responsibility to provide continuity of service to our customers and support financial stability has never been clearer.

During the period, we have demonstrated our operational resilience against a backdrop of strong volumes at our trading venues and clearing houses, alongside the additional challenge of running operations with the majority of employees around the world operating on a remote basis. We continue to monitor the development of the pandemic globally. We expect the majority of our employees to work remotely for the remainder of 2020 with up to 30% gradually returning to the office in some locations where public health, government guidelines and the local status of the pandemic supports this approach. We continue to engage directly with employees to support their physical and mental well-being with a variety of bespoke programmes introduced to support their adaptation to new working environments.

Recognising the impact COVID-19 has on the communities in which we operate in around the world, we have made a number of financial donations and partnered with global and local organisations to further support those directly affected by the pandemic. LSEG Foundation used its Emergency Fund to support coronavirus relief efforts in the UK, Italy, Sri Lanka, France, Romania and the United States. These initial efforts were focused on emergency medical supplies and supporting hospitals and front line workers. Since then, the Group has focused on longer term recovery efforts in the UK and Italy, including supporting SME businesses to recover from economic impacts of the pandemic. Together, LSEG and the LSEG Foundation have donated £3.3 million to date.

Interim Dividend

In line with the Group's dividend policy, the interim dividend is calculated as one-third of the prior full year dividend. Accordingly, the Directors have declared an interim dividend of 23.3 pence per share, an increase of 16% (H1 2019: 20.1 pence per share). The interim dividend will be paid on 22 September 2020 to shareholders on the register on 21 August 2020.

Outlook

The Group has delivered a good financial performance in the first half of 2020 against the backdrop of unprecedented circumstances. The full impact of COVID-19 on working patterns, customer behaviour and product development is difficult to anticipate but have demonstrated we can adapt quickly and successfully across the Group. Despite the challenges, we are well positioned to continue to develop and to make further progress on our strategic plans, including closing the Refinitiv transaction.

David Schwimmer - Group CEO
31 July 2020

Operating Performance – Key statistics

To assist investors in understanding the underlying performance of the Group, percentage changes are also presented on an organic and constant currency basis.

Information Services

The Information Services division consists of global indices products, real time data products and a number of other discrete businesses including desktop and workflow products.

	Six months ended 30 June		Variance %	Organic and constant currency
	2020 £m	2019 £m		Variance ¹ %
Revenue				
Index - Subscription	218	203	8%	6%
Index - Asset based	112	112	-	(2%)
FTSE Russell	330	315	5%	3%
Real time data	52	48	8%	7%
Other information services	55	53	4%	3%
Total revenue	437	416	5%	3%
Cost of sales	(36)	(36)	-	(2%)
Gross profit	401	380	6%	4%

¹ Organic growth is calculated in respect of businesses owned for at least 6 months in either period so excludes Beyond Ratings (acquired June 2019)

Note: UnaVista and some other minor items (previously reported in Other information services), are now included in Post Trade

Information Services

	As at 30 June		Variance %
	2020	2019	
ETF assets under management benchmarked (\$bn)			
FTSE	404	406	-
Russell Indexes	265	284	(7%)
Total	669	690	(3%)

Terminals

UK	64,000	66,000	(3%)
Borsa Italiana Professional Terminals	97,000	100,000	(3%)

Note: FTSE ETF assets under management benchmarked KPI has been rebased to remove previously reported active ETFs. The previous year comparator has also been adjusted, with a change of \$15 billion

Post Trade

The Post Trade division comprises the Group's clearing houses LCH and CC&G, settlement and custody businesses and UnaVista.

	Six months ended 30 June		Variance %	Constant currency variance %
	2020 £m	2019 £m		
Revenue				
OTC - SwapClear, ForexClear & CDSClear	157	148	6%	6%
Non-OTC - Fixed income, Cash equities & Listed derivatives	80	69	16%	16%
Other	56	49	14%	14%
Total LCH revenue	293	266	10%	10%
Clearing	22	22	3%	3%
Settlement, Custody & other	31	29	3%	2%
Total Post Trade Italy revenue	53	51	3%	3%
UnaVista	26	25	4%	4%
Total revenue	372	342	9%	8%
LCH - Net treasury income	149	96	56%	54%
CC&G - Net treasury income	27	24	12%	12%
Total income	548	462	19%	18%
Cost of sales	(80)	(65)	23%	22%
Gross profit	468	397	18%	18%

Post Trade - LCH

	Six months ended 30 June		Variance %
	2020	2019	
LCH OTC derivatives			
SwapClear			
IRS notional cleared (\$tn)	643	660	(3%)
SwapClear members	122	120	2%
Client trades ('000)	997	807	24%
CDSClear			
Notional cleared (€bn)	1,398	696	101%
CDSClear members	26	26	-
ForexClear			
Notional value cleared (\$bn)	9,844	8,767	12%
ForexClear members	35	34	3%
LCH Non-OTC			
Fixed income - Nominal value (€tn)	102.7	105.6	(3%)
Listed derivatives contracts (m)	191.5	146.0	31%
Cash equities trades (m)	1,047	699	50%
LCH average cash collateral (€bn)	116.3	92.7	26%

Note: CDSClear notional cleared and LCH Non-OTC volumes have been rebased to count both sides of each cleared trade. This aligns with how activity is reported on LCH's website. The previous year comparator has also been adjusted

Post Trade - Italy

	Six months ended		Variance %
	30 June		
	2020	2019	
CC&G Clearing			
Contracts (m)	67.5	50.1	35%
Initial margin held (average €bn)	14.7	14.0	5%
Monte Titoli			
Settlement instructions (trades m)	26.3	21.5	22%
Custody assets under management (average €tn)	3.31	3.30	-

Capital Markets

Capital Markets comprises the Group's Primary Markets activities, providing access to capital for corporates and others, and the Secondary Market trading of cash equities, derivatives and fixed income.

	Six months ended		Variance %	Constant currency variance %
	30 June			
	2020 £m	2019 £m		
Revenue				
Primary Markets ¹	65	90	(28%)	(28%)
Secondary Markets - Equities	91	74	23%	23%
Secondary Markets - Fixed income, derivatives and other	61	62	(2%)	(2%)
Total revenue	217	226	(4%)	(4%)
Cost of sales	(2)	(3)	(38%)	(38%)
Gross profit	215	223	(3%)	(4%)

¹ Primary Markets revenue increased by £32 million in H1 2019 due to a change in estimate relating to IFRS 15. This is due to a reduction in the length of time initial admissions and further issue revenues are required to be recognised.

Capital Markets - Primary Markets

	Six months ended		Variance %
	30 June		
	2020	2019	
New Issues			
UK Main Market & PSM	20	28	(29%)
UK AIM	10	15	(33%)
Borsa Italiana	4	15	(73%)
Total	34	58	(41%)
Money Raised (£bn)			
UK new	2.1	2.7	(22%)
UK further	17.0	10.8	57%
Borsa Italiana new and further	0.7	1.9	(63%)
Total (£bn)	19.8	15.4	29%

Capital Markets - Secondary Markets

	Six months ended		Variance
	30 June		
Equity	2020	2019	%
Totals for period			
UK value traded (£bn)	704	583	21%
Borsa Italiana (no of trades m)	48.7	31.1	57%
Turquoise value traded (€bn)	295	311	(5%)
SETS Yield (basis points)	0.69	0.69	-
Average daily			
UK value traded (£bn)	5.6	4.7	21%
Borsa Italiana (no of trades '000)	387	249	55%
Turquoise value traded (€bn)	2.3	2.5	(6%)
Derivatives			
Contracts (m)	14.1	18.4	(23%)
Fixed Income			
MTS cash and BondVision (€bn)	1,702	1,650	3%
MTS money markets (€bn term adjusted)	55,842	57,749	(3%)

Note: The H1 2019 number of derivative contracts includes 1.6 million from LSE Derivatives. This service no longer accepted new trades from November 2019

Technology Services

Technology Services comprises technology connections and data centre services for clients of London Stock Exchange and Borsa Italiana, plus the MillenniumIT software business, based in Sri Lanka, which provides technology for the Group as well as third party sales.

	Six months ended		Variance	Constant currency variance
	30 June			
	2020	2019	%	%
	£m	£m		
Total revenue	30	30	-	-
Cost of sales	(3)	(4)	(13%)	(13%)
Gross profit	27	26	3%	3%

Basis of Preparation

Results for the European and US businesses have been translated into Sterling using the exchange rates set out below. Constant currency growth rates have been calculated by translating prior period results at the average exchange rate for the current period.

	Average rate 6 months ended 30 June 2020	Closing rate at 30 June 2020	Average rate 6 months ended 30 June 2019	Closing rate at 30 June 2019
GBP : EUR	1.14	1.09	1.15	1.12
GBP : USD	1.26	1.23	1.29	1.27

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2020			Six months ended 30 June 2019		
		Unaudited			Unaudited		
Continuing operations		Underlying items £m	Non-underlying items £m	Total £m	Underlying items £m	Non-underlying items £m	Total £m
			4				
Revenue	2	1,058	-	1,058	1,018	-	1,018
Net treasury income from CCP clearing business	2	176	-	176	120	-	120
Other income	2	1	-	1	2	-	2
Total income		1,235	-	1,235	1,140	-	1,140
Cost of sales	2	(121)	-	(121)	(109)	-	(109)
Gross profit		1,114	-	1,114	1,031	-	1,031
Expenses							
Operating expenses before depreciation, amortisation and impairment	3	(438)	(88)	(526)	(406)	(48)	(454)
Share of loss after tax of associates		(2)	-	(2)	(4)	-	(4)
Earnings before interest, tax, depreciation, amortisation and impairment		674	(88)	586	621	(48)	573
Depreciation, amortisation and impairment		(99)	(96)	(195)	(88)	(86)	(174)
Operating profit/(loss)	2	575	(184)	391	533	(134)	399
Finance income		10	-	10	7	-	7
Finance expense		(32)	(7)	(39)	(43)	-	(43)
Net finance expense	5	(22)	(7)	(29)	(36)	-	(36)
Profit/(loss) before tax		553	(191)	362	497	(134)	363
Taxation	6	(124)	23	(101)	(120)	22	(98)
Profit/(loss) for the period		429	(168)	261	377	(112)	265
Profit/(loss) attributable to:							
Equity holders		392	(166)	226	350	(104)	246
Non-controlling interests		37	(2)	35	27	(8)	19
Profit/(loss) for the period		429	(168)	261	377	(112)	265
Earnings per share attributable to equity holders							
Basic earnings per share	7			64.6p			70.7p
Diluted earnings per share	7			63.8p			69.5p
Adjusted basic earnings per share	7			112.0p			100.6p
Adjusted diluted earnings per share	7			110.7p			98.9p
Dividend per share in respect of the financial period							
Dividend per share paid during the period	8			49.9p			43.2p
Dividend per share declared for the period	8			23.3p			20.1p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020 Unaudited £m	2019 Unaudited £m
Profit for the period	261	265
Other comprehensive income:		
Items that will not be subsequently reclassified to profit or loss		
Defined benefit pension scheme remeasurement gains	24	7
Gain on equity instruments at fair value through other comprehensive income	1	-
Income tax relating to above items	(9)	(2)
	16	5
Items that may be subsequently reclassified to profit or loss		
Net losses on net investment hedges	(152)	(1)
Debt instruments at fair value through other comprehensive income (FVOCI):		
- Net gains from changes in fair value	20	11
- Gains reclassified to the consolidated income statement on disposal	(3)	(4)
Exchange gains/(losses) on translation of foreign operations	356	(1)
Income tax relating to above items	(3)	(3)
	218	2
Other comprehensive income, net of tax	234	7
Total comprehensive income for the period	495	272
Total comprehensive income attributable to:		
Equity holders	437	256
Non-controlling interests	58	16
Total comprehensive income for the period	495	272

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2020 Unaudited	31 December 2019
	Notes	£m	£m
Assets			
Non-current assets			
Property, plant and equipment		273	288
Intangible assets	9	4,604	4,421
Investment in associates		28	28
Deferred tax assets		43	49
Investments in financial assets	10	326	266
Retirement benefit assets		91	66
Trade and other receivables	10	18	19
		5,383	5,137
Current assets			
Trade and other receivables	10	593	566
Derivative financial instruments	10	8	2
Clearing member financial assets		819,877	729,094
Clearing member cash and cash equivalents		85,234	67,118
Clearing member assets	10	905,111	796,212
Current tax		84	160
Investments in financial assets	10	64	81
Cash and cash equivalents	10	1,641	1,493
		907,501	798,514
Total assets		912,884	803,651
Liabilities			
Current liabilities			
Trade and other payables	10	487	620
Contract liabilities		265	157
Derivative financial instruments	10	-	1
Clearing member liabilities	10	905,034	796,102
Current tax		20	127
Borrowings	10, 11	474	512
Provisions		12	19
		906,292	797,538
Non-current liabilities			
Borrowings	10, 11	1,663	1,573
Derivative financial instruments	10	80	39
Contract liabilities		89	88
Deferred tax liabilities		454	432
Retirement benefit obligations		17	17
Other non-current payables	10	143	150
Provisions		13	13
		2,459	2,312
Total liabilities		908,751	799,850
Net assets		4,133	3,801
Equity			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital		24	24
Share premium		967	967
Retained earnings		773	668
Other reserves		1,981	1,796
Total shareholders' funds		3,745	3,455
Non-controlling interests		388	346
Total equity		4,133	3,801

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months ended 30 June	
		2020 Unaudited £m	2019 Unaudited £m
Cash flow from operating activities			
Cash generated from operations	13	600	485
Interest received		3	3
Interest paid		(25)	(32)
Corporation tax paid		(130)	(54)
Royalties paid		-	(2)
Net cash inflow from operating activities		448	400
Cash flow from investing activities			
Purchase of property, plant and equipment		(5)	(15)
Purchase of intangible assets		(84)	(74)
Proceeds from sale of business ¹		-	1
Acquisition of business ²	14	-	(12)
Investment in financial assets classed as FVOCI ³	10	-	(246)
Investment in government bonds		(16)	-
Net cash outflow from investing activities		(105)	(346)
Cash flow from financing activities			
Dividends paid to shareholders	8	(175)	(151)
Dividends paid to non-controlling interests		(3)	(39)
Purchase of non-controlling interests ⁴	10	-	(9)
Proceeds from exercise of employee share options		-	3
Purchase of own shares by the employee benefit trust		(4)	(5)
Principal element of lease payments		(21)	(20)
Investment in convertible debt ³		-	(4)
Proceeds from the issue of commercial paper	11, 12	173	-
Repayment of commercial paper	12	(274)	-
Additional drawdowns from bank facilities	12	170	150
Repayments made towards bank credit facilities	12	(129)	(24)
Net cash outflow from financing activities		(263)	(99)
Decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period		1,493	1,510
Exchange gains/(losses) on cash and cash equivalents		68	(15)
Cash and cash equivalents at end of period		1,641	1,450

The Group's net cash inflow from operating activities of £448 million is after deduction of £41 million of expenses related to non-underlying items.

¹ There were no disposals of businesses during the period. Proceeds from the disposal of business in the prior period related to deferred consideration received on the disposal of Exactpro Systems Limited and its subsidiaries in 2018.

² There were no acquisitions during the period. Acquisition of business in the prior period related to Beyond Ratings in May 2019.

³ There were no investments in financial assets classed as FVOCI during the period. Investment in financial assets classed as FVOCI in the prior period included investments of £244 million in Euroclear Holding SA/NV and £2 million in Nivaura Limited. The Group additionally invested £4 million in convertible debt from the latter.

⁴ There was no purchase of non-controlling interest during the period. Purchase of non-controlling interest in the prior period related to the remaining interest in EuroTLX SIM S.p.A. for £9 million (€10 million) in 2019.

Group cash flow does not include cash and cash equivalents held by the Group's Post Trade operations on behalf of its clearing members for use in its operations as manager of the clearing and guarantee systems.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders						
	Ordinary share capital	Share premium	Retained earnings	Other reserves	Total attributable to equity holders	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
31 December 2018 (as previously presented)	24	965	424	1,930	3,343	355	3,698
Impact of the adoption of IFRS 16 ¹	-	-	(23)	-	(23)	-	(23)
1 January 2019 (restated)	24	965	401	1,930	3,320	355	3,675
Profit for the period	-	-	246	-	246	19	265
Other comprehensive income for the period	-	-	11	(1)	10	(3)	7
Issue of shares	-	2	-	-	2	-	2
Final dividend relating to the year ended 31 December 2018 (Note 8)	-	-	(151)	-	(151)	-	(151)
Dividend payments to non-controlling interests	-	-	-	-	-	(43)	(43)
Employee share scheme expenses	-	-	19	-	19	-	19
Tax in relation to employee share scheme expenses	-	-	6	-	6	-	6
Purchase of non-controlling interests	-	-	2	-	2	(1)	1
30 June 2019 (Unaudited)	24	967	534	1,929	3,454	327	3,781
31 December 2019	24	967	668	1,796	3,455	346	3,801
Profit for the period	-	-	226	-	226	35	261
Other comprehensive income for the period	-	-	26	185	211	23	234
Final dividend relating for the year ended 31 December 2019 (Note 8)	-	-	(175)	-	(175)	-	(175)
Dividend payments to non-controlling interests	-	-	-	-	-	(16)	(16)
Employee share scheme expenses	-	-	21	-	21	-	21
Tax in relation to employee share scheme expenses	-	-	7	-	7	-	7
30 June 2020 (Unaudited)	24	967	773	1,981	3,745	388	4,133

¹After issuing the Group's Interim Report on 1 August 2019, the Group reassessed the impact of adopting IFRS 16 'Leases' and recognised an additional £7 million adjustment to equity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Interim Report for the London Stock Exchange Group plc (the 'Group' or the 'Company') for the six months ended 30 June 2020 was approved by the Directors on 31 July 2020.

1. Basis of preparation and accounting policies

The interim condensed consolidated financial statements of London Stock Exchange Group plc and its subsidiaries (collectively, the 'Group') for the six months ended 30 June 2020 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard 34 (IAS 34), 'Interim Financial Reporting' as adopted by the European Union (EU).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

Comparative amounts presented for the condensed consolidated balance sheet relate to the Group's position as at 31 December 2019. All other comparative amounts presented relate to the six months ended 30 June 2019.

All notes to the financial statements include amounts for continuing operations, unless otherwise stated.

The Company is a public company, incorporated and domiciled in England and Wales. The address of its registered office is 10 Paternoster Square, London, EC4M 7LS.

The principal accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of amended standards effective as of 1 January 2020. None of the amendments adopted on 1 January 2020 have had a material impact on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standards, amendments or interpretations that have been issued but are not yet effective.

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the interim condensed consolidated financial statements. Although these estimates and assumptions are based on management's best judgement at the date of the interim condensed consolidated financial statements, actual results may differ from these estimates. A further assessment has been included in relation to the impact of COVID-19 below.

The statutory financial statements of London Stock Exchange Group plc for the year ended 31 December 2019, which carried an unqualified audit report, have been delivered to the Registrar of Companies and did not contain a statement under section 498 of the Companies Act 2006.

The interim condensed consolidated financial statements are unaudited but have been reviewed by the auditors and their review opinion is included in this report.

The interim condensed consolidated financial statements do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

The Group has realigned its segmental reporting to reflect management structure changes so that all Post Trade Services are now combined in one operating segment. The new operating segment includes the previous segments of LCH Group and the Post Trade businesses in Italy, Monte Titoli and CC&G, as well as the results of UnaVista, which were previously included in the Information Services Division. There has been no impact on the allocation of goodwill and the cash generating units of LCH Group and Post Trade Services in Italy remain separate. The segmental results for the comparative period have been re-presented to align with the new structure. There is no change to the overall result.

COVID-19

The ongoing impact of COVID-19 on the Group has been considered in the preparation of these interim condensed financial statements. The Directors have reviewed liquidity and covenant forecasts, regulatory capital, and critical accounting estimates and judgements for the Group. The Directors have also considered sensitivities including any potential impairments as a result of changes in cash flow forecasts. At the reporting date, no material short-term impacts have crystallised and the Group remains confident about its long-term future performance but remains vigilant in monitoring day to day changes as the global situation evolves. Staff and customer safety remain the paramount concerns of the Group and the Group has adapted successfully to the new ways of working.

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. A number of areas have been impacted by COVID-19 when exercising judgements and estimates and these have been identified below:

Impairment of intangible assets and goodwill - these assets form a significant part of the balance sheet and are key assets for the cash generating business in the Group. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance and estimates of the return required by investors to determine an appropriate discount rate. The Group has reviewed the impact of COVID-19 on future cash flows along with the impact on the weighted average cost of capital applied to each cash generating unit and long-term growth rates. The analysis has focused on geographical impacts to each of the flows and rates. Following this review there was no direct impact to any cash generating units for COVID-19.

Defined benefit pension asset or liability - determined based on the present value of future pension obligations using assumptions determined by the Group with advice from an independent qualified actuary. The value of the liabilities within the scheme have increased as the discount rates have fallen due to the global impact of COVID-19 on bond rates, but this has been offset by the growth in the assets leading to an overall growth in the Group's pension surplus.

Expected credit losses - the Group has factored into impairment reviews of financial assets the expectations of future events including COVID-19. The measured lifetime expected credit losses associated with these assets have not been materially impacted. The Group continues to monitor events and review whether additional provisions will be required in future periods.

Contingent liabilities and provisions - The Group has reviewed its businesses for any contingent liabilities and provisions that may have arisen due to COVID-19. While no items have been identified, the Group continues to actively monitor the business for any potential exposure.

Going concern

After making enquiries and assessing the risks associated with the COVID-19 pandemic and its impact so far, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements. The financial risk management objectives and policies of the Group and the exposure of the Group to capital, credit and concentration, country, liquidity and market risk are discussed on pages 158 to 163 of the Annual report for the Group for the year ended 31 December 2019.

2. Segmental information

Segmental disclosures for the six months ended 30 June 2020 are as follows:

	Information Services	Post Trade Services	Capital Markets	Technology Services	Other	Eliminations	Group
Unaudited	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	437	372	217	30	2	-	1,058
Inter-segmental revenue	-	-	-	11	-	(11)	-
Revenue	437	372	217	41	2	(11)	1,058
Net treasury income from CCP clearing business	-	176	-	-	-	-	176
Other income	-	-	-	-	1	-	1
Total income	437	548	217	41	3	(11)	1,235
Cost of sales	(36)	(80)	(2)	(3)	-	-	(121)
Gross profit	401	468	215	38	3	(11)	1,114
Share of loss after tax of associates	-	-	-	-	(2)	-	(2)
Earnings before interest, tax, depreciation, amortisation and impairment	253	308	120	(2)	(4)	(1)	674
Underlying depreciation, amortisation and impairment	(28)	(46)	(16)	(6)	(6)	3	(99)
Operating profit/(loss) before non-underlying items	225	262	104	(8)	(10)	2	575
Amortisation and impairment of goodwill and purchased intangible assets							(96)
Other non-underlying items							(88)
Operating profit							391
Net finance expense							(29)
Profit before tax							362

Net treasury income from the CCP businesses of £176 million comprises gross interest income of £478 million less gross interest expense of £302 million.

The Group's revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the six months ended 30 June 2020 is shown below:

Unaudited	Information Services	Post Trade Services	Capital Markets	Technology Services	Other	Group
	£m	£m	£m	£m	£m	£m
Revenue from external customers						
Major product & service lines						
FTSE Russell Indexes - subscription	218	-	-	-	-	218
FTSE Russell Indexes - asset based	112	-	-	-	-	112
Real time data	52	-	-	-	-	52
Other information services	55	-	-	-	-	55
Clearing	-	315	-	-	-	315
Settlement, custody and other	-	31	-	-	-	31
UnaVista	-	26	-	-	-	26
Primary capital markets	-	-	65	-	-	65
Secondary capital markets - equities	-	-	91	-	-	91
Secondary capital markets - fixed income, derivatives and other	-	-	61	-	-	61
Capital markets software licences	-	-	-	30	-	30
Other	-	-	-	-	2	2
Total revenue from contracts with customers	437	372	217	30	2	1,058
Timing of revenue recognition						
Services satisfied at a point in time	3	357	144	1	-	505
Services satisfied over time	434	15	73	29	2	553
Total revenue from contracts with customers	437	372	217	30	2	1,058

Re-presented segmental disclosures for the six months ended 30 June 2019 are as follows:

	Information Services	Post Trade Services	Capital Markets	Technology Services	Other	Eliminations	Group
Unaudited	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	416	342	226	30	4	-	1,018
Inter-segmental revenue	-	-	-	10	-	(10)	-
Revenue	416	342	226	40	4	(10)	1,018
Net treasury income from CCP clearing business	-	120	-	-	-	-	120
Other income	-	-	-	-	2	-	2
Total income	416	462	226	40	6	(10)	1,140
Cost of sales	(36)	(65)	(3)	(4)	(1)	-	(109)
Gross profit	380	397	223	36	5	(10)	1,031
Share of loss after tax of associates	-	-	-	-	(4)	-	(4)
Earnings before interest, tax, depreciation, amortisation and impairment	240	241	134	9	-	(3)	621
Underlying depreciation, amortisation and impairment	(21)	(37)	(15)	(13)	(4)	2	(88)
Operating profit/(loss) before non-underlying items	219	204	119	(4)	(4)	(1)	533
Amortisation and impairment of goodwill and purchased intangible assets							(86)
Other non-underlying items							(48)
Operating profit							399
Net finance expense							(36)
Profit before tax							363

Segmental results for the prior period have been re-presented showing the new segments (note 1). The total result is unaffected.

Net treasury income from the CCP businesses of £120 million comprises gross interest income of £655 million less gross interest expense of £535 million.

The Group's revenue from contracts with customers disaggregated by segment, major product and service line, and timing of revenue recognition for the six months ended 30 June 2019 is shown below:

Unaudited	Information Services £m	Post Trade Services £m	Capital Markets £m	Technology Services £m	Other £m	Group £m
Revenue from external customers						
Major product & service lines						
FTSE Russell Indexes - subscription	203	-	-	-	-	203
FTSE Russell Indexes - asset based	112	-	-	-	-	112
Real time data	48	-	-	-	-	48
Other information services	53	-	-	-	-	53
Clearing	-	288	-	-	-	288
Settlement, custody and other	-	29	-	-	-	29
UnaVista	-	25	-	-	-	25
Primary capital markets	-	-	90	-	-	90
Secondary capital markets - equities	-	-	74	-	-	74
Secondary capital markets - fixed income, derivatives and other	-	-	62	-	-	62
Capital markets software licences	-	-	-	30	-	30
Other	-	-	-	-	4	4
Total revenue from contracts with customers	416	342	226	30	4	1,018
Timing of revenue recognition						
Services satisfied at a point in time	4	327	156	1	4	492
Services satisfied over time	412	15	70	29	-	526
Total revenue from contracts with customers	416	342	226	30	4	1,018

The revenue information has been re-presented to reflect the changes in segment reporting in 2020 (note 1). There is no change to the overall Group result.

The Group's revenue from contracts with customers disaggregated by geographical location is shown below:

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	£m	£m
UK	583	584
Italy	173	160
France	80	68
USA	202	185
Other	20	21
Total	1,058	1,018

3. Expenses by nature

Expenses comprise the following:

	Six months ended 30 June	
	2020	2019
	Unaudited £m	Unaudited £m
Employee costs	279	270
Short-term lease costs	-	1
IT costs	73	68
Lease costs for low value items	1	1
Foreign exchange losses/(gains)	5	(2)
Other costs	80	68
Underlying operating expenses before depreciation, amortisation and impairment	438	406
Non-underlying operating expenses before amortisation and impairment	88	48
Total operating expenses before depreciation, amortisation and impairment	526	454

4. Non-underlying items

	Six months ended 30 June	
	2020	2019
	Unaudited £m	Unaudited £m
Amortisation and impairment of goodwill and purchased intangible assets	96	86
Transaction costs	86	22
Restructuring costs	2	24
Integration costs	-	2
Total affecting operating profit	184	134
Finance expense	7	-
Total affecting profit before tax	191	134
Tax effect on items affecting profit before tax		
Deferred tax on amortisation of purchased intangible assets	(11)	(13)
Current tax on amortisation of purchased intangible assets	(3)	(6)
Tax effect on other items affecting profit before tax	(9)	(3)
Total tax effect on items affecting profit before tax	(23)	(22)
Total non-underlying charge to income statement	168	112

Transaction costs comprise charges incurred for services relating to anticipated merger and acquisition transactions.

Restructuring costs comprise amounts arising from the cost savings programme in 2019.

During the period the Group incurred a £86 million amortisation charge in relation to purchased intangible assets, which includes £10 million accelerated amortisation in relation to Mergent, and the Group impaired goodwill of £10 million in relation to Mergent (note 9).

5. Net finance expense

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	£m	£m
Finance income		
Bank deposit and other interest income	2	5
Expected return on defined benefit pension scheme assets	1	1
Other finance income	7	1
Underlying finance income	10	7
Finance expense		
Interest payable on bank and other borrowings	(28)	(38)
Lease interest expense	(2)	(2)
Other finance expenses	(2)	(3)
Underlying finance expense	(32)	(43)
Non-underlying finance expense (note 4)	(7)	-
Net finance expense	(29)	(36)

Bank deposit and other interest income includes negative interest earned on the Group's borrowings. Interest payable includes amounts where the Group earns negative interest on its cash deposits.

6. Taxation

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	£m	£m
Taxation charged to the income statement		
Current tax:		
UK corporation tax for the period	39	53
Overseas tax for the period	73	57
Adjustments in respect of previous years	-	(2)
	112	108
Deferred tax:		
Deferred tax for the period	1	3
Adjustments in respect of previous years	(1)	-
Deferred tax liability on amortisation of purchased intangible assets	(11)	(13)
	(11)	(10)
Taxation charge	101	98

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	£m	£m
Taxation on items not recognised in the income statement		
Current tax credit:		
Tax allowance on share options/awards in excess of expense recognised	(12)	(5)
	(12)	(5)
Deferred tax expense/(credit):		
Tax allowance on defined benefit pension scheme remeasurements	9	2
Tax allowance on share options/awards in excess of expense recognised	5	(1)
Tax on movement in value of investments in financial assets	3	3
	17	4
	5	(1)

Factors affecting the tax charge for the period

The income statement tax charge for the period differs from the standard rate of corporation tax in the UK of 19% (30 June 2019: 19%) as explained below:

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	£m	£m
Profit before taxation	362	363
Profit multiplied by standard rate of corporation tax in the UK	69	69
Expenses not deductible	7	12
Overseas earnings taxed at higher rate	29	16
Adjustments in respect of previous years	(1)	(2)
Deferred tax assets (recognised) / no longer recognised	(3)	3
Taxation charge	101	98

The tax rate applied as at 30 June 2020 is the expected rate for the full financial year.

On 22 July 2020, Finance Act 2020 received Royal Assent enacting the UK corporation tax rate would remain at 19% from 1 April 2020 onward instead of reducing to 17%, the previously enacted rate. This has impacted the valuation of UK deferred tax balances giving rise to an increase in deferred tax assets of £2 million.

EU State Aid

The Group continues to monitor developments in relation to EU State Aid investigations. On 25 April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company (CFC) regime was published. It concludes that the UK legislation up to December 2018 does partially represent illegal State Aid.

Both the Group, among a number of other UK PLC's, and the UK Government have submitted appeals to the EU General Court to annul the EU Commission's findings.

The UK Government is required to continue the process of recovering the State Aid whilst the decision is under appeal. HMRC issued its first round of determinations in December 2019, focusing on the financial year 2015 due to the expiry of statutory time limits. One of these determinations was issued to the Group and required one of its two affected subsidiaries to pay over £1.2 million to HMRC. At the same time the Group appealed to HMRC against the determination. As at 30 June 2020, no further determinations have been received.

The appeal against the determination to HMRC is likely to be stayed until the final outcome of all appeals to the EU Courts in respect of the EU Commission's original decision are known.

In light of appeals made by UK PLC's (including the Group), the UK Government's own appeal, and in consideration of management's own internal view, the Group does not believe that any provision is required in relation to the investigation. Additionally, and in accordance with the provisions of IFRIC 23, the Group has continued to recognise a receivable against the HMRC determination paid in January 2020.

As previously disclosed, the Group has made claims under the CFC regime and considers that the maximum potential amount of additional tax payable excluding compound interest remains between nil and £65 million depending on the basis of calculation.

7. Earnings per share

Earnings per share attributable to equity holders of the parent company of the Group, London Stock Exchange Group plc (the 'Company') is presented on four bases: basic earnings per share; diluted earnings per share; adjusted basic earnings per share; and adjusted diluted earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on conversion or vesting of share options and share awards under the Group share option and award schemes. Adjusted basic earnings per share and adjusted diluted earnings per share exclude amortisation and impairment of purchased intangible assets, goodwill and non-underlying items and to enable a better comparison of the underlying earnings of the business with prior periods.

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Basic earnings per share	64.6p	70.7p
Diluted earnings per share	63.8p	69.5p
Adjusted basic earnings per share	112.0p	100.6p
Adjusted diluted earnings per share	110.7p	98.9p

Profit and adjusted profit for the financial period attributable to the Company's equity holders

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	£m	£m
Profit for the financial period attributable to the Company's equity holders	226	246
Adjustments:		
Non-underlying items (Note 4)	168	112
Non-underlying items and taxation attributable to non-controlling interests	(2)	(8)
Adjusted profit for the financial period attributable to the Company's equity holders	392	350
Weighted average number of shares - million	350	348
Effect of dilutive share options and awards - million	4	6
Diluted weighted average number of shares - million	354	354

The weighted average number of shares excludes those held in the employee benefit trust. The Group holds no treasury shares at the reporting date.

In the prior period, the weighted average number of shares excluded those held in the employee benefit trust and treasury shares held by the Group.

8. Dividends

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	£m	£m
Final dividend for 31 December 2018 paid 29 May 2019: 43.2p per Ordinary share	-	151
Final dividend for 31 December 2019 paid 27 May 2020: 49.9p per Ordinary share	175	-
	175	151

Dividends are only paid out of available distributable reserves.

The Board has proposed an interim dividend in respect of the six-month period ended 30 June 2020 of 23.3p per share, amounting to an estimated £82 million, to be paid in September 2020. This is not reflected in these interim condensed consolidated financial statements.

9. Intangible assets

	<u>Purchased intangible assets</u>					Total £m
	Goodwill	Customer and supplier relationships	Brands	Software, licenses and intellectual property	Software, contract costs and other	
	£m	£m	£m	£m	£m	
Cost:						
1 January 2020	2,357	1,826	980	568	1,023	6,754
Additions	-	-	-	-	95	95
Disposals	-	-	-	-	(10)	(10)
Foreign exchange	146	100	49	19	56	370
30 June 2020 (Unaudited)	2,503	1,926	1,029	587	1,164	7,209
Accumulated amortisation and impairment:						
1 January 2020	515	752	232	318	516	2,333
Impairment	10	-	-	-	-	10
Amortisation charge for the period	-	55	20	11	65	151
Disposals	-	-	-	-	(10)	(10)
Foreign exchange	28	40	10	9	34	121
30 June 2020 (Unaudited)	553	847	262	338	605	2,605
Net book values:						
30 June 2020 (Unaudited)	1,950	1,079	767	249	559	4,604
31 December 2019	1,842	1,074	748	250	507	4,421

Goodwill and purchased intangible assets

During the period, the fair value of the goodwill and purchased intangibles relating to the acquisition of Beyond Ratings were finalised, and considered no adjustment required to the goodwill recognised (note 14).

During the period an impairment of £10 million of goodwill has been recognised in relation to Mergent due to lower forecast cash flows driven by continued pressures on revenue.

The value in use of the Mergent CGU is equal to its carrying value. The impact of reasonable changes in the assumptions on Mergent's value in use is set out below:

	<u>Impact on value in use of:</u>			
	5% reduction in revenues	5% increase in costs	0.5% reduction in long-term growth rate	0.5% increase in pre-tax discount rate
Cash generating unit	£m	£m	£m	£m
Mergent	(21)	(20)	(7)	(7)

Following a reassessment of useful economic lives £10 million accelerated amortisation has been recognised in Customer and Supplier relationships in relation to Mergent, resulting in a carrying value of £6 million as at 30 June 2020.

Software, contract costs and other

During the period, additions included £83 million in relation to internally generated software (30 June 2019: £92 million).

During the period, the Group capitalised £2 million (30 June 2019: £3 million) of incremental contract costs in respect of revenue generating contracts with customers and recognised a £3 million (30 June 2019: £3 million) amortisation charge relating to contract cost assets. No impairment was recognised in period in relation to contract cost assets.

10. Financial assets and financial liabilities

Financial instruments by category

The financial instruments of the Group at 30 June 2020 are categorised as follows:

Financial assets

30 June 2020 Unaudited	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit or loss £m	Total £m
Clearing member business assets				
– Clearing member trading assets	130,612	-	654,731	785,343
– Other receivables from clearing members	2,677	-	-	2,677
– Other financial assets	-	31,857	-	31,857
– Clearing member cash and cash equivalents	85,234	-	-	85,234
Clearing member business assets	218,523	31,857	654,731	905,111
Trade and other receivables	530	-	5	535
Cash and cash equivalents	1,641	-	-	1,641
Investments in financial assets - debt instruments	-	131	-	131
Investments in financial assets - equity instruments	-	259	-	259
Derivative financial instruments	-	-	8	8
Total financial assets	220,694	32,247	654,744	907,685

There were no transfers between categories during the period.

Prepayments and contract assets within trade and other receivables are excluded as they are not financial instruments.

Financial assets measured at fair value

30 June 2020 Unaudited	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total fair value £m
Clearing member business assets				
- Derivative instruments	5,620	195,090	-	200,710
- Non-derivative instruments	18	454,003	-	454,021
- Other financial assets	31,857	-	-	31,857
Fair value of clearing member business assets	37,495	649,093	-	686,588
Investments in financial assets - debt instruments	131	-	-	131
Investments in financial assets - equity instruments	-	-	259	259
Trade and other receivables - convertible loan notes	-	-	5	5
Derivatives not designated as hedges				
- Foreign exchange forward contracts	-	8	-	8
Total financial assets at fair value	37,626	649,101	264	686,991

Movements in Level 3 investments

1 January 2020

246

Revaluation of investment recognised in other comprehensive income	1
Effect of foreign exchange	17
30 June 2020	264

Financial liabilities

30 June 2020 Unaudited	Amortised cost £m	Fair value through profit or loss £m	Total £m
Clearing member business liabilities:			
– Clearing member trading liabilities	130,612	654,731	785,343
– Other payables to clearing members	119,691	-	119,691
Clearing member business liabilities	250,303	654,731	905,034
Trade and other payables	607	-	607
Borrowings	2,137	-	2,137
Derivative financial instruments	-	80	80
Total financial liabilities	253,047	654,811	907,858

There were no transfers between categories during the period.

Social security and other taxes within trade and other payables are excluded as they are not financial instruments.

Financial liabilities measured at fair value

30 June 2020 Unaudited	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total fair value £m
Clearing member trading business liabilities				
- Derivative instruments	5,620	195,090	-	200,710
- Non-derivative instruments	18	454,003	-	454,021
Fair value of clearing member business liabilities	5,638	649,093	-	654,731
Derivatives designated as hedges				
Cross-currency interest rate swaps	-	80	-	80
Total financial liabilities at fair value	5,638	649,173	-	654,811

The financial instruments of the Group at 31 December 2019 were categorised as follows:

Financial assets

31 December 2019	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit or loss £m	Total £m
Clearing member business assets:				
- Clearing member trading assets	122,299	-	574,889	697,188
- Other receivables from clearing members	8,330	-	-	8,330
- Other financial assets	-	23,576	-	23,576
- Clearing member cash and cash equivalents	67,118	-	-	67,118
Clearing member business assets	197,747	23,576	574,889	796,212
Trade and other receivables	521	-	5	526
Cash and cash equivalents	1,493	-	-	1,493
Investments in financial assets - debt instruments	-	106	-	106
Investments in financial assets - equity instruments	-	241	-	241
Derivative financial instruments	-	-	2	2
Total financial assets	199,761	23,923	574,896	798,580

There were no transfers between categories during the period.

Prepayments and contract assets within trade and other receivables are excluded as they are not financial instruments.

Financial assets measured at fair value

31 December 2019	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total fair value £m
Clearing member business assets				
- Derivative instruments	11,492	3,061	-	14,553
- Non-derivative instruments	3	560,333	-	560,336
- Other financial assets	23,576	-	-	23,576
Fair value of clearing member business assets	35,071	563,394	-	598,465
Investments in financial assets - debt instruments	106	-	-	106
Investments in financial assets - equity instruments	-	-	241	241
Trade and other receivables - convertible loan notes	-	-	5	5
Derivatives not designated as hedges				
- Foreign exchange forward contracts	-	2	-	2
Total financial assets at fair value	35,177	563,396	246	598,819

Financial liabilities

31 December 2019	Amortised cost £m	Fair value through profit or loss £m	Total £m
Clearing member financial liabilities:			
– Clearing member trading liabilities	122,299	574,889	697,188
– Other payables to clearing members	98,914	-	98,914
Clearing member financial liabilities	221,213	574,889	796,102
Trade and other payables	747	-	747
Borrowings	2,085	-	2,085
Derivative financial instruments	-	40	40
Total financial liabilities	224,045	574,929	798,974

There were no transfers between categories during the prior period.

Social security and other taxes within trade and other payables are excluded as they are not financial instruments.

Financial liabilities measured at fair value

31 December 2019	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total fair value £m
Clearing member business liabilities				
- Derivative instruments	11,492	3,061	-	14,553
- Non-derivative instruments	3	560,333	-	560,336
Fair value of clearing member business liabilities	11,495	563,394	-	574,889
Derivatives designated as hedges				
- Cross-currency interest rate swaps	-	39	-	39
Derivatives not designated as hedges				
- Foreign exchange forward contracts	-	1	-	1
Total financial liabilities at fair value	11,495	563,434	-	574,929

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities classified as Level 1, the fair value is based on market price quotations at the reporting date.

For assets and liabilities classified as Level 2, the fair value is calculated using one or more valuation techniques (e.g. the market approach or the income approach) with market observable inputs. The selection of the appropriate valuation techniques may be affected by the availability of the relevant inputs as well as the reliability of the inputs. The inputs may include currency rates, interest rate and forward rate curves and net asset values.

When observable market data is not available, the Group uses one or more valuation techniques (e.g. the market approach or the income approach) for which sufficient and reliable data is available. Inputs used in estimating the fair value of Level 3 financial instruments include expected timing and level of future cash flows, timing of settlement, discount rates and net asset values of certain investments.

There have been no transfers between levels during the current period. In 2019, the investment in Euroclear was transferred from Level 2 to Level 3; there were no other transfers.

The Group determines whether a transfer between levels has occurred by reviewing the categorisation of assets and liabilities at the end of each reporting period, based on the lowest level input that is significant to the valuation.

With the exception of Group borrowings, management has assessed that the fair value of financial assets and financial liabilities recognised at amortised cost approximates to their carrying values. The fair value of the Group's borrowings is disclosed in Note 11.

The nature and composition of the CCP clearing business assets and liabilities are explained in the accounting policies note in the Group's annual consolidated financial statements for the year ended 31 December 2019.

As at 30 June 2020, there were no provisions for impairment in relation to any of the CCP financial assets (31 December 2019: nil) and none of those assets are past due (31 December 2019: nil).

Investment in equity instruments

Investments in equity instruments are recognised at fair value through other comprehensive income, given the intended long-term nature of these investments. The convertible loan notes with Nivaura are treated as fair value through profit or loss as they contain a derivative option. The equity investment in Euroclear was recognised as a Level 2 investment on acquisition but reassessed as Level 3 as at 31 December 2019. The investments in Nivaura are both classified as Level 3.

In the absence of any relevant third-party data on the fair value of Euroclear or Nivaura, the Group undertakes its own internal valuations. The Group regularly reviews the financial information of its investments which is available publicly or received as a shareholder.

The value of the investments is calculated primarily using a discounted cash flow forecast using a terminal growth rate of 2%. A risk adjusted discount rate of 9% was used for Euroclear and 30% for Nivaura. These valuations may then be benchmarked against other available models, such as the dividend discount model, regression analysis, and trading multiples.

As at 30 June 2020, the Group estimates the fair value of its investment in Euroclear to be €280 million (£256 million) and in Nivaura to be £3 million in equity and £5 million in the convertible loan notes. Movements in the value of the investments in the period are shown above.

The fair value shown in the Group's results for Euroclear also includes the effects of the retranslation of the euro investment into sterling.

Hedging activities and derivatives

As at 30 June 2020, non-current derivative financial liabilities of £80 million (31 December 2019: £39 million) represent the fair value of €700 million cross-currency interest rate swaps designated as hedges.

For the period ended 30 June 2020, the Group recognised a net £111 million revaluation loss on euro and USD dollar borrowings (30 June 2019: £10 million gain) and a £41 million loss on the €700 million of cross-currency interest rate swaps (30 June 2019: £3 million loss) in reserves. No amounts have been reclassified to the income statement during the period (30 June 2019: £nil).

Foreign exchange forward contracts were arranged during the period to hedge euro and US dollar denominated exposures. The fair value of foreign exchange forward contracts at 30 June 2020 was £8 million of assets (31 December 2019: £2 million of assets and £1 million of liabilities). These derivatives are not designated as hedging instruments.

11. Borrowings

	30 June 2020 Unaudited £m	31 December 2019 £m
Current		
Bank borrowings	301	256
Commercial paper	173	256
	474	512
Non-current		
Bonds	1,663	1,573
	1,663	1,573
Total	2,137	2,085

The Group has the following committed bank facilities and unsecured notes:

Unaudited Type	Expiry Date	Notes/Facility £m	Carrying value at	Interest rate
			30 June 2020 £m	percentage at 30 June 2020 %
Committed bank facilities				
Dual-currency bridge credit facility ¹	Jan 2022	10,853	(8)	LIBOR + 0.3
Multi-currency revolving credit facility	Nov 2022	600	167	LIBOR + 0.45
Multi-currency revolving credit facility	Dec 2024	600	142	LIBOR + 0.3
Total drawn bank facilities			301	
Commercial paper	Jul 2020	173	173	(0.3) ²
Unsecured notes				
£300 million bond issued November 2012	Nov 2021	300	299	4.75
€500 million bond issued September 2017	Sep 2024	457	456	0.875
€500 million bond issued December 2018	Dec 2027	457	454	1.75
€500 million bond issue September 2017	Sep 2029	457	454	1.75
Total unsecured notes			1,663	
Total borrowings			2,137	

¹ Terminates at the earlier of 12 months after the acquisition of Refinitiv or the end of January 2022

² The Commercial paper interest rate reflected is the average interest rate achieved on outstanding issuances.

The fair value of the Group's borrowings at 30 June 2020 was £2,249 million (31 December 2019: £2,188 million).

There have been no significant changes in the Group's non-current borrowing arrangements in the period.

Notes outstanding under the Group's Commercial Paper Programme at 31 December 2019 were completely repaid in April 2020. Notes to the value of €189 million (£173 million) were reissued in June 2020.

12. Analysis of net debt

	30 June 2020 Unaudited £m	31 December 2019 £m
Due within one year		
Cash and cash equivalents	1,641	1,493
Bank borrowings	(301)	(256)
Commercial paper	(173)	(256)
Derivative financial assets	8	2
Derivative financial liabilities	-	(1)
	1,175	982
Due after one year		
Bonds	(1,663)	(1,573)
Derivative financial liabilities	(80)	(39)
Total net debt	(568)	(630)

Reconciliation of net cash flow to movement in net debt

	30 June 2020 Unaudited £m	31 December 2019 £m
Increase in cash in the period/year	80	57
Proceeds from the issue of commercial paper	(173)	-
Repayment of commercial paper	274	-
Additional drawdowns from bank credit facilities	(170)	(261)
Repayments made towards bank credit facilities	129	35
Repayment of bonds	-	250
Change in net debt resulting from cash flows	140	81
Foreign exchange	(43)	14
Movement on derivative financial assets and liabilities	(34)	9
Bond valuation adjustment	(1)	(2)
Movement in bank credit facility arrangement fees	-	8
Net debt at the start of the period/year	(630)	(740)
Net debt at the end of the period/year	(568)	(630)

13. Net cash flow generated from operations

	Notes	Six months ended 30 June	
		2020 Unaudited £m	2019 Unaudited £m
Profit before tax		362	363
Adjustments for depreciation, amortisation and impairment of fixed assets:			
Depreciation and amortisation		185	164
Impairment of intangible assets		-	9
Impairment of purchased intangibles and goodwill	9	10	-
Impairment of property, plant and equipment		-	1
Adjustments for other non-cash items:			
Profit on disposal of fixed assets		-	(1)
Share of loss of associates		2	4
Net finance expense	5	29	36
Royalties		-	1
Share scheme expense		26	19
Movement in pensions and provisions		(7)	18
Net foreign exchange differences		34	(13)
Movements in working capital:			
Increase in trade and other receivables		(8)	(77)
Decrease in trade and other payables		(100)	(80)
Movements in other assets and liabilities related to operations:			
Increase in clearing member financial assets		(52,135)	(97,650)
Increase in clearing member financial liabilities		52,208	97,704
Movement in derivative assets and liabilities		(6)	(13)
Cash generated from operations		600	485

14. Business combinations

Acquisitions in the period to 30 June 2020

There were no acquisitions during the period.

Acquisition in the period to 30 June 2019

The Group made one acquisition in the period ended 30 June 2019.

On 31 May 2019, the Group acquired Beyond Ratings for £14 million cash consideration. At 30 June 2019, £12 million had been paid with a further £2 million paid in the second half of the year.

The Group has completed its fair value review of the business acquired and considers that the fair value of the assets acquired was immaterial and has therefore concluded that the total value of the consideration should be regarded as goodwill. The business is highly complementary to the Group's existing business and there is expected to be future cash flow growth from the combined business.

15. Commitments and contingencies

The Group has commitments of £18 million for professional fees relating to the proposed merger with Refinitiv. The amounts are payable on the successful completion of the merger (31 December 2019: nil).

If merger clearances are not obtained or there is material delay in reaching agreement on remedies to facilitate the Refinitiv Transaction, LSEG will pay a termination fee of £198 million to the Refinitiv Shareholders.

In the normal course of business, the Group receives legal claims in respect of commercial, employment and other matters. Where a claim is more likely than not to result in an economic outflow of benefits from the Group, a provision is made representing the expected cost of settling such claims.

16. Events after the reporting period

The European Commission commenced a Phase II merger review in June of the proposed acquisition of Refinitiv, a leading global provider of data, analytics and financial markets solutions. As part of this process, the Group has commenced exploratory discussions which may result in a sale of LSEG's interest in MTS or potentially the Borsa Italiana group as a whole. The Group expects to complete the transaction by the end of the year or in early 2021.

Principal Risks

The management of risk is fundamental to the Group's day-to-day operations and the successful execution of its Strategic Plan.

LSEG's Enterprise-wide Risk Management Framework (ERMF) is designed to allow management and the Board to identify, assess and manage LSEG's risks and to ensure better decision taking in the execution of its strategy. It also enables the Board and executive management to maintain and attest to the effectiveness of the systems of internal control and to manage principal risks as set out in the UK Corporate Governance Code. Additional details can be found in our risk management oversight supplement. Please visit: www.lseg.com/about-london-stock-exchange-group/risk-management-oversight for the year ended 31 December 2019.

There have been some changes to the principal risks and uncertainties set out on pages 60-73 of the Group's Annual Report for the year ended 31 December 2019 as a result of COVID-19. A summary of the principal risks and uncertainties which may affect the Group in the second half of the financial year, including those relating to COVID-19, are as described below:

Strategic Risks

Global Economy

As a diversified markets infrastructure business, we operate in a broad range of equity, fixed income and derivative markets servicing clients who increasingly seek global products and solutions. If the global economy underperforms, lower activity in our markets may lead to lower revenue.

The widening geographical footprint of the Group has had the dual effect of increasing the proportion of the Group's earnings that are in foreign currency, leading to greater foreign exchange risk, but also improving the geographical diversification of the Group's income streams.

The COVID-19 virus has turned into a global pandemic since emerging as a risk to the global economy in early 2020. Emergency interest rate cuts and unprecedented fiscal measures have supported global economies and financial markets. The scale of the impact to the global economy is not yet known, however, data collected for the first and second quarters confirmed consecutive quarters of negative global GDP growth and therefore technical recessions across all major developed economies.

In addition to COVID-19, other geopolitical tensions add uncertainty in the markets and may impact investor confidence and activity levels. Specifically, the UK's exit from the EU leaves significant uncertainty with respect to the UK's future relationship with the EU and other trading partners post transition period. Trade tensions between the US and its major trading partners, and more specifically China, also continues to unsettle global markets. All of these risks could impact the global capital markets and as such could affect the financial performance of the Group.

LSEG monitors the potential impact of macroeconomic and political events on its operating environment and business model and the Group is an active participant in international and domestic regulatory debates.

Regulatory Change

LSEG is a global business operating in multiple regulatory environments that reflect the diversity of products and the jurisdictions in which it operates. The Group is exposed to risks associated with the management of changes to these regulatory requirements. Regulation increases the compliance risk of the Group's global operations and also creates operational risks as the Group implements processes to meet the new regulations.

Brexit

The terms on which the UK withdraws from the EU will likely have a marked impact on economic conditions in both the UK and the EU. The UK's future relationship with the EU and the rest of the world could take a number of years to resolve, this has the potential to cause a prolonged period of economic uncertainty and could affect the Group's businesses, operations, financial condition and cash flows. While negotiations between the UK and EU continue, the process has been somewhat disrupted by the COVID-19 pandemic. For clearing services to EU members, LCH Ltd remains an EMIR Article 14 authorised CCP and is looking to be recognised as a Tier 2 third country CCP by ESMA. Additionally, the European Commission has indicated that it will extend this temporary equivalence agreement, as necessary.

In the event of a hard 'no deal' Brexit, LSEG business will not necessarily be able to rely on respective access between the UK and the EU, including equivalence decisions for all services provided between the EU and the UK. Accordingly, the Group is executing contingency plans to maintain continuity of service to customers and orderly functioning of its markets. These plans include setting up authorised entities in the EU27 and in the UK for certain Group businesses, as well as submitting applications for recognition following the adoption of the relevant equivalence. However, the complexity and the lack of clarity of the application of a hard Brexit and approaches to equivalence decisions may decrease the effectiveness or applicability of some of these contingency plans. As is the case with all change, these contingency plans introduce some execution risk. In addition, the Group also has a structured Brexit programme to engage with UK, EU and US Brexit policy leads to advise on financial market infrastructure considerations. LSEG's key objectives are maintaining London's position as a global financial hub and providing continuity of stable financial market infrastructure services.

Any of these risks could adversely affect the Group's business, results of operations, financial condition and cash flows.

Refinitiv Transaction

On 1 August 2019, LSEG announced that it had agreed definitive terms to acquire Refinitiv (the Transaction). Completion of the Transaction is subject to a number of conditions which may not be satisfied or waived, or which may not be capable of satisfaction without the imposition of undertakings, conditions or divestments, which could be material. Delay in completion may result in a prolonged period of uncertainty for LSEG and both delay and failure to complete may result in the accrual of additional and, in the case of a failure to complete, wasted costs.

The success of the Transaction will be dependent upon LSEG's ability to integrate the businesses of LSEG and Refinitiv; there will be challenges associated with the integration and the delivery of synergies and/or the benefits expected as a result of the Transaction may not be achieved as anticipated or at all. An Integration Management Office (IMO) for the transaction has been established to manage the overall integration planning process.

There are also further risks in relation to the Transaction, existing risks to LSEG that will be impacted by the Transaction and new risks to LSEG as a result of the Transaction which are each described in the shareholder circular related to the Transaction dated 6 November 2019.

Competition

The competitive environment in which LSEG operates has undergone, and continues to undergo, transformational changes triggered by market participants, investors, infrastructure operators and regulators, as well as intensifying competition. Continued consolidation has fuelled competition including between groups in different geographies.

- Our **Capital Markets** operations face continuing risk from competitors' commercial and technological offerings. There is strong competition for primary listings and capital raising from other global exchanges and regional centres with the increasing take-up of new funding models such as private equity, direct investment, crowd-funding and crypto-currencies.
- The Group's **Information Services** business faces competition from a variety of sources, most notably from index and benchmark providers as well as others that offer market data and analytics relating to securities that are traded on the Group's markets.
- In **Post Trade Services**, we continue to see increased clearing activity across a number of asset classes, in particular OTC derivatives products, reflecting the attractiveness of the Group's current customer offering and open access philosophy. The competition within the post trade environment has intensified due to a general industry move towards inter-operability of CCPs (where participants on trading platforms are offered a choice of CCPs), strengthened by regulatory developments, including MiFID II and MiFIR.
- In **Technology Services**, there is intense competition across all our current activities and in some of our growth areas as well as from incumbent providers. New entrants are increasing from both within and outside of our traditional competition base and some consolidation is evident.

Competitive markets are, by their very nature, dynamic, and the effects of competitor activity can never be fully mitigated. Senior management and a broad range of customer-facing staff in all business areas are actively engaged with clients to understand their evolving needs and motivations. We have established a Group Relationship Programme to co-ordinate this across Group businesses globally. Commercial initiatives are aligned with our clients and this is complemented by an ongoing focus on technology operations and innovation.

Transformation Risk

The Group is exposed to transformation risks (risk of loss or failure resulting from change/transformation) as it continues to grow rapidly both organically and inorganically. The size and complexity of acquisitions in recent years have increased the Group's change management and transformation risks. However, they have also increased its opportunities to compete on a global scale and diversified its revenue footprint by industry, geography and customer base.

LSEG's Enterprise-wide Risk Management Framework ensures appropriate risk management across the Group, and the governance of the ever-growing Group is aligned and strengthened as appropriate. The Group performs regular reporting of change performance, including ongoing alignment activity. Each major initiative is overseen by a Steering Committee which monitors the associated risks closely. Regular reports are submitted to the Executive Committee, the Board Risk Committee and the Board.

Reputation/Brand/IP

Several of the Group's businesses have iconic national brands that are well known at both national and international levels. Any events or actions that damage the reputation or brands of the Group, such as those propagated via social media, or caused by misuse, could adversely affect its business, financial condition, reputational and operating results.

Failure to protect the Group's Intellectual Property adequately (which may arise in its products and services, including software, data and brands) could result in costs for the Group (including defence costs), negatively impact the Group's reputation and affect the ability of the Group to compete effectively. This could adversely impact the Group's businesses, financial condition and operating results.

LSEG has policies and procedures in place which are designed to ensure the appropriate usage of the Group's brands and to maintain the integrity of the Group's reputation. LSEG actively monitors the usage of its brands and other Intellectual Property in order to prevent or identify and address any infringements. The Group protects its Intellectual Property by relying upon a combination of trademark laws, copyright laws, patent laws, trade secret protection, database rights, confidentiality agreements and other contractual arrangements with its affiliates, clients, suppliers, strategic partners and others.

Financial Risks

Credit Risk

The Group's CCPs manage the credit risk of clearing counterparties by imposing stringent membership requirements, analysing member credit quality by means of an internal rating system and via variation margin, initial margins and additional margins. COVID-19 has the potential to introduce new, significant pressure to the performance of companies to which LSEG has a direct financial exposure.

Investment Risk

CCPs and other parts of LSEG Group are exposed to credit risk as a result of placing money with investment counterparties on both a secured and unsecured basis. Losses may occur due to the default of either the investment counterparty or of the issuer of bonds bought outright or received as collateral. The Group's credit risk also relates to its customers and counterparties being unable to meet their obligations to the Group either in part or in full.

Under the ERMF, CCP investments must be made in compliance with the LSEG Financial Risk Policy (as well as the Policies of the CCPs themselves). These Policies stipulate a number of Risk Management standards including investment limits (secured and unsecured) as well as liquidity coverage ratios. Committees overseeing CCP investment risk meet regularly. CCP counterparty risk including liquidity management balances and counterparty disintermediation risk is consolidated daily at the Group level and reported to the Executive Committee, including limits and status rating. Requirements for investments by other members of the Group are set out in the Group's Board approved Treasury Policy.

Market Risk (non-clearing)

The Group is exposed to foreign exchange risk through its broadening geographical footprint, and interest rate risk through borrowing activities and treasury investments. Non-clearing market risk is monitored and managed closely and is under the oversight of the Group's Treasury Committee.

Latent Market Risk (clearing)

The Group's CCPs assume the counterparty risk for all transactions that are cleared through their markets. There is a risk that one of the parties to a cleared transaction defaults on their obligation; in this circumstance the CCP is obliged to honour the contract on the defaulter's behalf and thus an unmatched risk position arises. The CCP may suffer a loss in the process of work-out (the 'Default Management Process') if the market moves against the CCP's positions.

All of the Group's CCPs have been EMIR certified and are compliant with the EMIR requirements regarding margin calculations, capital and default rules. Under the ERMF, CCP latent market risk must be managed in compliance with the Group Financial Risk Policy as well as policies of the CCPs themselves.

Liquidity Risk (clearing)

There are two distinct types of risk commonly referred to as liquidity risk. Market liquidity risk is the risk that it may be difficult or expensive to liquidate a large or concentrated position. Funding liquidity risk is the risk that the CCP may not have enough cash to pay for physically settled securities delivered by a non-defaulter that cannot be sold to a defaulter.

The Group's CCPs collect clearing members' margin and/or default fund contributions in cash and/or in highly liquid securities. To maintain sufficient ongoing liquidity and immediate access to funds, cash deposits received are placed in highly liquid and secure investments, such as central bank deposits, sovereign bonds and reverse repos, as mandated under EMIR; securities deposited by clearing members are therefore held in dedicated accounts with Central Securities Depositories (CSDs) and/or International Central Securities Depositories (ICSDs). The Group's CCPs also hold a small proportion of their investments in unsecured bank and money market deposits. The successful operation of these investment activities is contingent on general market conditions and there is no guarantee that such investments will not suffer market losses. Furthermore, there is a risk that a counterparty default could lead to losses to the Group. Such a loss may occur due to the default of an issuer of bonds in which funds may be invested or the default of a bank in which funds are deposited.

The Group's CCPs manage their exposure to credit and concentration risks arising from such investments by maintaining a diversified portfolio of high-quality liquid investments. The Group relies on established policies with minimum counterparty credit criteria, instructions, rules and regulations, as well as procedures specifically designed to actively manage and mitigate credit risks. There is no assurance, however, that these measures will be sufficient to protect the Group's CCPs from a counterparty default.

Group CCPs have put in place regulatory compliant liquidity plans for day-to-day liquidity management, including contingencies for stressed conditions. Group CCPs have multiple layers of defence against liquidity shortfalls including; minimum cash balances, access to contingent liquidity arrangements, and, for certain CCPs, access to central bank liquidity.

Capital Management

Principal risks to managing the Group's capital include: capital adequacy compliance risk and capital reporting compliance risk (in respect of regulated entities); commercial capital adequacy and quality risk and investment return risk (in respect of regulated and unregulated entities) and availability of debt or equity.

The Group's Capital Management Policy provides a framework to ensure the Group maintains suitable capital levels (both at Group and individual subsidiaries levels), and effectively manages the risks thereof. The Group's Treasury Policy recognises the need to observe regulatory requirements in the management of the Group's resources. The Risk Appetite approved by the Board includes components related to the Group's leverage ratios and other capital risk metrics; Key Risk Indicators are monitored regularly, and this risk is mitigated by the fact that the Group is strongly profitable and cash generative. The Group regularly assesses debt and equity markets and seeks to maintain access to new capital at reasonable cost.

Model Risk

The Group defines model risk as the potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of models, due to errors in the development, implementation or use of such models.

As part of the model validation framework, LSEG businesses have in place industry standard model risk control and governance pillars, including a Model Risk Policy, model inventory tools, documentation templates and standards. The Model Risk Committee provides oversight for all model activities across the Group and reports to the Board Risk Committee.

Operational Risks

Operational Resilience

LSEG invoked its pandemic business continuity plans during Q1 in response to the COVID-19 threat to the safety of its people and to its operations.

The rapid transition to 99% of its staff and of the majority of its key third party service providers to working from home was successfully managed and businesses have proven resilient under these remote arrangements, gradual return to office plans have been developed, however will not be fully executed until there is a cure or treatments available for COVID-19 or it is eradicated. The Group has also developed detailed back-up plans for all its key employees and put in place additional controls to safeguard access to its systems and assets and the overall effectiveness of its activities.

As LSEG employees and those of its key supplier of services and of its customers or members continue to work from home while the rate of new COVID-19 infections remains high, there is a risk to the wellbeing of its key employees, to the effectiveness of its operations or its continuity which could have a significant adverse impact on the Group's business, its financial condition and its reputation.

Technology

LSEG is highly dependent on the development and operation of its sophisticated technology and advanced information systems and those of its third-party service providers. Technology failures may impact our clients and the orderly running of our markets, potentially leading to system outages. Our reliance on technology has further increased through the periods of high volatility and protracted remote working experienced across all of our geographies during the COVID-19 pandemic.

The Group is reliant on outsourced service providers for key technology services and data provision and actively manages relationships with strategic technology suppliers to avoid a breakdown in service provision. The Group also actively monitors new technological developments and opportunities for innovation. Through the use of new tools, platforms and technology the group has programmes in place to continually improve its resilience.

The Group's technology teams mitigate the risk of resource over-stretch by ensuring prioritisation of key development and operations activities, and resource utilisation and allocation are kept under constant review. LSEG Technology's systems are designed to be software and hardware fault tolerant and alternative systems are available in the unlikely event of multiple failures from which the system is unrecoverable.

The Group actively manages relationships with key strategic technology providers.

Change Management

The considerable change agenda exposes the Group to the risk that change is either misaligned with the Group's strategic objectives or not managed effectively within time, cost, risk and quality criteria and could impact the resilience of its operations. This risk could be exacerbated by the current remote working arrangements by the Group's employees, of its key third-party service providers and of its customers/members. The volume of change is driven by both internal and external factors. Internal factors include the diversification strategy of the Group and its drive for technology innovation, consolidation and operational resilience. External factors include the changing regulatory landscape and requirements which necessitate changes to our systems and processes.

Appropriate governance and executive oversight are exercised over individual programmes and projects based on the scale, complexity and impact of the change to confirm compliance with the approved project management policy and to manage budget, resource, escalations, risks, issues and dependencies. For software specific development, software design methodologies, testing regimes and test environments are continuously being enhanced to minimise implementation risk.

Security Threats

Public and private organisations continue to be targeted by increasingly sophisticated cyber-attacks. Cyber-attacks have the potential to adversely impact LSEG businesses.

Threats such as ransomware, theft of customer data and distributed denial of service attacks remain increasingly significant to the financial services industry. Further, COVID-19 has introduced additional cyber threats which look to exploit remote working arrangements, such as COVID-19 themed phishing attempts, and attacks on video conferencing facilities. Data or information loss through any form of cyber-attack could have a significant, negative reputational or financial impact on the Group. Additionally, new emerging technologies for the Group such as cloud computing and AI could impact our cyber security risk profile.

The Group continues to invest in and enhance its information security control environment, cyber defences and operational processes, including its recovery capability, as it delivers its Board approved Cyber Security Strategy. Extensive IT measures aligned to the National Institute of Standards and Technology (NIST) control framework are in place to prevent, detect and respond to cyber security threats. Effective vetting and monitoring and security training and awareness of our third-party service providers and people remain key components of the control framework. The Group monitors intelligence and liaises closely with global Government agencies, industry forums and regulators to help improve our ability to respond to the evolving threats faced by us and our industry.

Settlement and Custodial Risks

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

The Group provides routing, netting and settlement and custody services through its CSD to ensure that securities are settled in a timely and secure manner. There are operational risks associated with such services, particularly where processes are not fully automated. Operational risk is minimised via highly automated processes reducing administrative activities while formalising procedures for all services.

The operations of the settlement service are outsourced to the European Central Bank (TARGET2-Securities).

The CSD mitigates IT risks by providing for redundancy of systems, daily backup of data, fully updated remote recovery sites and SLAs with outsourcers.

Compliance Risks

There is a risk that one or more of the Group's entities may fail to comply with the laws and regulatory requirements (including GDPR) to which it is, or becomes, subject. In this event, the entity in question may be subject to censures, fines and other regulatory or legal proceedings.

The Group continues to maintain systems and controls to mitigate compliance risk and compliance policies and procedures are regularly reviewed.

Data Governance

Through various Group entities, LSEG collects, owns, licenses, calculates, transforms, and distributes data in many forms. Failure to govern the Group's data effectively, could result in those data being unfit for purpose with respect to availability, completeness, accuracy, validity, usage, entitlement and timeliness. This could result in the Group or its customers and stakeholders placing reliance on inadequate data when making strategic or operational decisions which could adversely affect the Group's business, financial condition and operating results.

The LSEG Chief Data Office (CDO) defines the Group's data standards. The standards identify the various data held across the Group, access rights/entitlements, any legal or regulatory restrictions which may apply and how such data is used, and the intended future uses. The framework sets out the principles to ensure Group Data is of the highest quality and meets the highest standards, while highlighting key characteristics of data in relation to measurement, oversight, and governance.

Employees

The calibre and performance of our leaders and colleagues is critical to the success of the Group. The Group's ability to attract and retain key talent is dependent on a number of factors. This includes (but not exclusively) organisational culture and reputation, prevailing market conditions, compensation packages offered by competitors, and any regulatory impact thereon. In the context of the Refinitiv Transaction, there is a risk that some current and prospective employees experience uncertainty about their future roles within the combined business impacting the ability to retain or recruit key talent.

It is therefore critical that the Group continues to have appropriate variable remuneration and retention arrangements in place. These are necessary to drive strong business performance and alignment to long-term shareholder value and returns, impact the size of the local labour force with relevant experience, and the number of businesses competing for such talent. While the Group focuses very carefully on the attraction and retention of talent, if unsuccessful, it may adversely affect the Group's ability to conduct its business through an inability to execute business operations and strategies effectively.

Cultivating a diverse talent pool and an inclusive culture is of great importance to the Group to reflect the societies we serve, both for the innovation benefits that diversity of thought help to promote, but also in light of increased industry-wide expectations for ESG transparency. If the Group were unable to attract, support and retain diverse talent, it may have an adverse impact on the Group's ability to deliver its strategic objectives and its reputation.

The risk of loss of critical personnel temporarily or permanently has increased during the COVID-19 pandemic and so mitigation measures have been strengthened. Employee wellbeing and support are of primary importance for the Group.

Emerging Risks

The emerging risks to which the Group is exposed are detailed on pages 60 to 73 of the 2019 Annual Report.

Directors

The Directors of London Stock Exchange Group plc at 30 June 2020 were as follows:

Don Robert
David Schwimmer
David Warren
Raffaele Jerusalmi
Jacques Aigrain
Marshall Bailey OBE
Professor Kathleen DeRose
Dominic Blakemore
Cressida Hogg CBE
Stephen O'Connor
Dr Val Rahmani
Professor Andrea Sironi

Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, the interim condensed consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and that the interim report herein includes a fair review of the information required by the Financial Conduct Authority's Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the interim condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the current financial year and any material changes in the related party transactions described in the last annual report.

By order of the Board

David Schwimmer
Group CEO

David Warren
Group CFO

31 July 2020

INDEPENDENT REVIEW REPORT TO LONDON STOCK EXCHANGE GROUP PLC

Introduction

We have been engaged by London Stock Exchange Group plc (the “Group”, the “Company”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020, which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and related explanatory notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’ issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’ issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Ernst & Young LLP

London
31 July 2020

Notes:

1. The maintenance and integrity of the London Stock Exchange Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FINANCIAL CALENDAR

Ex-dividend date for interim dividend	20 August 2020
Interim dividend record date	21 August 2020
Interim dividend payment date	22 September 2020
Q3 Trading Statement (revenues only)	October 2020
Financial year end	31 December 2020
Preliminary results	March 2021
Annual General Meeting	April/May 2021

The financial calendar is updated on a regular basis throughout the year. Please refer to our website <http://www.lseg.com/investor-relations> and click on the shareholder services section for up-to-date details.

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Visit the investor relations section of our website for up-to-date information including the latest share price, announcements, financial reports and details of analysts and consensus forecasts <http://www.lseg.com/investor-relations>

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