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London Stock Exchange Group plc

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

**Proposed all share acquisition of Refinitiv  
to create a Financial Markets Infrastructure leader of the future**

London Stock Exchange Group plc (“**LSEG**”) announces that it has agreed definitive terms with a consortium including certain investment funds affiliated with Blackstone as well as Thomson Reuters (together the “**Refinitiv Shareholders**”) to acquire the Refinitiv business (“**Refinitiv**”) in an all share transaction for a total enterprise value of approximately US\$27 billion (the “**Transaction**”). Blackstone’s consortium includes an affiliate of Canada Pension Plan Investment Board (“**CPPIB**”), an affiliate of GIC and certain co-investors (the “**Blackstone Consortium**”). The Transaction will result in the Refinitiv Shareholders ultimately holding an approximate 37 per cent economic interest in LSEG and less than 30 per cent of the total voting rights of LSEG.

The Transaction brings together two highly complementary businesses (the “**Combined Business**”) to create a leading, UK headquartered, global financial markets infrastructure (“**FMI**”) provider with a leading data and analytics business, significant capital markets capabilities across multiple asset classes, and a broad post-trade offering, well positioned for future growth in a fast evolving landscape.

The Transaction will enhance LSEG’s existing customer offering by bringing together:

- LSEG’s diversified global business focused on: Information Services through its financial indexing, benchmarking and analytical services, FTSE Russell; Post-Trade services through its leading global multi-asset CCPs, LCH and CC&G, and custody and settlement business; and Capital Markets through its broad range of international equity, fixed income and derivatives markets; and
- Refinitiv’s market data, analytics and execution capabilities are across asset classes and focus on four core customer segments; trading, investment and advisory, wealth, and risk management. In Data and Analytics, where Refinitiv is a leading provider of company, economic, deal, pricing and reference data, low latency real-time data and desktop analytics; in Venues, including the FXall and Matching Foreign Exchange (“**FX**”) trading platforms and the Tradeweb fixed income trading platform (in

which Refinitiv owns a majority interest); and in Risk, where a range of products supports compliance and regulatory needs for a broad number of financial and corporate clients.

The Combined Business will be well positioned in all key geographies and will offer significant customer benefits across the full range of LSEG's businesses by: extending its trading capabilities across asset classes; expanding its data content, management and distribution capabilities; increasing its global footprint and range of customer offerings; and enabling LSEG, Refinitiv and their customers to benefit from future data and technology-enabled innovation and growth opportunities.

Together, LSEG and Refinitiv generated combined annual revenue of over £6 billion in 2018 <sup>(1,3)</sup>, which would have made the Combined Business the largest listed global FMI provider by revenue last year.

### **Strategic highlights**

The LSEG board (the "**Board**") believes the Transaction will:

- Transform LSEG's position as a leading global FMI group, strengthening its global footprint and accelerating its strategy;
- Significantly enhance LSEG's customer proposition in data and analytics, accelerating opportunities using intellectual property ("**IP**") to provide innovative new services;
- Create a global multi-asset capital markets business with the addition of high-growth foreign exchange and fixed income venues; and
- Deepen and expand LSEG's and Refinitiv's shared core principles of customer partnership and open access.

### **Financial highlights and outlook** <sup>(2,4)</sup>

- Combined Business targeting delivery of revenue compound annual growth rate ("**CAGR**") of 5 to 7 per cent over the first three years following completion of the Transaction ("**Completion**"), achieved through the continued performance of LSEG's current businesses, the completion of the ongoing transformation of Refinitiv, future growth drivers across both businesses and targeted annual run-rate revenue synergy benefits in excess of £225 million by the end of year five following Completion.
- Improved business mix with recurring revenue increasing from approximately 40 per cent for LSEG standalone to around 70 per cent for the Combined Business based on combined annual revenue for 2018.
- Targeting annual run-rate cost synergies in excess of £350 million by the end of year five following Completion, and significant additional benefits from refinancing Refinitiv's existing debt.
- Targeting combined adjusted EBITDA margin of around 50 per cent in the medium term following Completion.
- Enhanced returns for LSEG shareholders, with expected returns on invested capital in excess of investment criteria in the third year following Completion and expected adjusted earnings per share accretion of over 30 per cent in the first full year following Completion, increasing in years two and three.
- High level of recurring revenue and strong cash generation to support the maintenance of LSEG's progressive dividend per share policy, balanced by a focus on returning LSEG's leverage to its target range of 1.0-2.0x in the 24 to 30 months following Completion, consistent with LSEG's existing capital management policy.

## Other Key Transaction Terms

### *Governance and management*

- The Combined Business will be chaired by Don Robert, LSEG’s Chairman, and led by David Schwimmer as Chief Executive Officer, with David Warren as Chief Financial Officer. David Craig will join LSEG’s Executive Committee and continue as Chief Executive Officer of Refinitiv.
- Refinitiv Holdings Ltd (“**Refinitiv Holdings**”), which is a company owned by the Refinitiv Shareholders and that currently owns Refinitiv, will be entitled to nominate, subject to, among other considerations, certain regulators not having objected to the proposed nominees:
  - (i) three non-executive Board members (any such nominee being a “**Refinitiv Director**”) for as long as they hold at least 25 per cent of LSEG;
  - (ii) two Refinitiv Directors for as long as they hold at least 17.5 per cent but less than 25 per cent of LSEG; and
  - (iii) one Refinitiv Director for as long as they hold at least 10 per cent but less than 17.5 per cent of LSEG.

For so long as the Refinitiv Shareholders are entitled to nominate three Refinitiv Directors, one such nominee will be a representative of Thomson Reuters. The other two nominees will be representatives of Blackstone. LSEG will remain in compliance with the UK Corporate Governance Code following Completion.

- LSEG’s global business will continue to be headquartered in London with a premium listing on the official list of the FCA (the “**Official List**”) and traded on the London Stock Exchange’s Main Market for listed securities as London Stock Exchange Group plc under ticker symbol LSE.L.

### *Lock-up and standstill*

- The Transaction will result in Refinitiv Holdings and BCP York Holdings (Delaware) L.P. (“**ConsortiumCo**”), a vehicle owned by the Blackstone Consortium, ultimately holding an economic interest in LSEG equal to approximately 37 per cent and less than 30 per cent of the total voting rights of LSEG <sup>(5)</sup>.
- The Refinitiv Shareholders will, through their interests in Refinitiv Holdings, have an important investment in the Combined Business and will be supportive long-term shareholders after Completion. Accordingly, Refinitiv Holdings and ConsortiumCo have agreed to be subject to a lock-up for the first two years following Completion. The lock-up arrangements will apply to all of the consideration shares issued by LSEG, with the exception of 5,781,285 shares, which will be tradeable at any time after 30 days from Completion to allow the Refinitiv Shareholders to fund certain Transaction-related expenses. In each of years three and four following Completion, Refinitiv Holdings and ConsortiumCo will become entitled to sell in aggregate one-third of the shares issued to them. The lock-up arrangement will terminate on the fourth anniversary of Completion. Once Refinitiv Holdings and ConsortiumCo are released from the lock-up, any disposals of shares will be subject to orderly marketing restrictions. A standstill restriction will also apply to Refinitiv Holdings, ConsortiumCo and the Refinitiv Shareholders (under which they will agree not to, among other matters, acquire further shares in, or make a takeover offer for, LSEG) until the third anniversary of Completion (and thereafter for so long as Refinitiv Holdings and ConsortiumCo hold 10 per cent or more of LSEG or have a Refinitiv Director appointed to the Board). For the duration of the standstill, Refinitiv Holdings and ConsortiumCo have committed to vote in line with the Board’s recommendation on resolutions to be voted on by LSEG shareholders at a general meeting (including an annual general meeting) subject to certain exceptions.

### *Steps to Completion*

- The Transaction is conditional, among other things, upon:
  - (i) approval of the Transaction by LSEG shareholders (by ordinary resolution) at a general meeting (the “**General Meeting**”) of LSEG;
  - (ii) given the Transaction is classified as a Reverse Takeover under the Listing Rules of the FCA, the publication by LSEG of a prospectus (the “**Prospectus**”) and the FCA and London Stock Exchange agreeing to admit LSEG’s enlarged ordinary share capital to the premium listing segment of the Official List and to trading on the London Stock Exchange’s Main Market for listed securities;
  - (iii) there having been no breach of the representations and warranties that has had a material adverse effect on LSEG or Refinitiv between signing and Completion;
  - (iv) relevant competition approvals being obtained, including in the EU and the US; and
  - (v) relevant financial regulatory approvals being obtained, including in the UK, France, Italy and the US.
- The approval of LSEG shareholders will be sought at the General Meeting, which will be convened before the end of 2019. Completion is expected to occur during the second half of 2020.

#### **Commenting on the Transaction, Don Robert, Chairman, LSEG, said:**

*“This transaction is a defining moment for LSEG in terms of its strategic importance. It will create substantial value for our shareholders and important benefits for our customers, employees and other stakeholders. The Board and I look forward to welcoming Blackstone and Thomson Reuters as supportive, long-term shareholders as we work together to realise the compelling benefits of this transaction.”*

#### **Commenting on the Transaction, David Schwimmer, CEO, LSEG, said:**

*“With the acquisition of Refinitiv, we will transform our position as a leading global Financial Markets Infrastructure group. Refinitiv brings highly complementary capabilities in data and capital markets, as well as deep customer relationships across a truly global business. We share a commitment to open access and to partnering with our customers to deliver innovative solutions across the financial markets value chain. Our shareholders and customers will benefit from attractive top line growth prospects, substantial cost and revenue synergies, as well as ongoing efficiency initiatives, and this transaction will ensure we are well positioned for future growth in an evolving landscape.”*

#### **Commenting on the Transaction, Martin Brand, Senior Managing Director at Blackstone, said:**

*“Refinitiv has been an outstanding performer for Blackstone and our partners Thomson Reuters, CPPIB, and GIC. We believe the combination announced today creates a strongly positioned leader in financial markets infrastructure, and we are excited about the continued prospects of Blackstone’s investment as a long-term partner of LSEG.”*

#### **Commenting on the Transaction, David Craig, CEO, Refinitiv, said:**

*“LSEG’s business is highly complementary with Refinitiv’s leading global data platform, transaction and distribution network. Our aim is to capture the opportunity of data which we believe is driving unprecedented change in the global financial community. The combined business will allow us to better serve customers across all regions. Our two companies both have strong heritages, a shared approach to open access and partnership, and we are excited to work with the LSEG team to create a leading financial markets infrastructure group and to continue to invest in our business.”*

## Conference call details

LSEG will host a conference call for investors and analysts today at 09:30am (UK time).

To access the telephone conference call please pre-register using the following link and instructions below:  
<http://emea.directeventreg.com/registration/5664169>

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

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

Participants will be able to access the presentation slides by going to LSEG's website using the following link:  
<https://www.lseg.com/investor-relations/financial-reports-and-key-documents>

A recording of the conference call will be available later today, after the conclusion of the call, available on the same section of LSEG's website as above.

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This announcement is made on behalf of LSEG by Lisa Condron, the Group Company Secretary of LSEG.

## **Proposed all share acquisition of Refinitiv to create a Financial Markets Infrastructure leader of the future**

### **Introduction**

LSEG announces that it has agreed definitive terms with the Refinitiv Shareholders to acquire Refinitiv in an all share transaction for a total enterprise value of US\$27 billion. The Transaction will result in the Refinitiv Shareholders ultimately holding an approximate 37 per cent economic interest in LSEG and less than 30 per cent of the total voting rights of LSEG <sup>(5)</sup>.

Refinitiv is a leading global provider of financial data and infrastructure, delivering data, insight and analytics tailored to strategic workflows across its four core customer segments; trading, investment and advisory, wealth, and risk management. Refinitiv serves over 40,000 customer institutions across 190 countries including buy and sell-side firms, market infrastructure companies, governments, financial technology firms and corporations. The Refinitiv Data Platform has over 150,000 data sources, and is a leading provider of real-time pricing, reference data, private and public company information and events, commodity, economic, quantitative and research data, Reuters News and over 10,000 other news sources. Following Completion, Reuters News will continue to provide news and editorial content to Refinitiv pursuant to a 30-year agreement entered into last year.

- The Refinitiv Data Platform provides multi-point access to feeds and data management solutions, providing pre-trade, trading and post trading data and workflow including cross-asset class execution management systems (EMS) and order management systems (OMS), and portfolio analytics, covering 65 million instruments.
- Refinitiv's trading venues business includes the FXall and Matching FX trading platforms and the Tradeweb fixed income trading platform (in which Refinitiv owns a majority interest), among others. With average daily trading volume of over US\$400 billion in FX and over US\$500 billion in fixed income, Refinitiv provides access to leading sources of liquidity in FX trading markets and fixed income, enabling clients to transact electronically in an efficient manner across asset classes and end markets.
- Refinitiv's Risk business includes the World-Check suite of products containing over three million records, serving the compliance and regulatory needs of customers, in particular screening and know-your-customer compliance, client on-boarding and other financial crime risk management programs.

On 30 January 2018, the Blackstone Consortium announced the acquisition of a 55 per cent interest in Thomson Reuters' Financial & Risk business, which was renamed Refinitiv after the transaction closed on 1 October 2018. Thomson Reuters retained a 45 per cent interest in Refinitiv. Refinitiv has been pursuing a number of revenue-enhancing, operating efficiency and strategic initiatives designed to support the future growth of the business. Revenue-enhancing initiatives include the expansion of Refinitiv's content and platform strategy, the increased commercialisation of assets through its open data platform, and increased salesforce and customer service effectiveness supported by a more focused capital expenditure policy as a standalone company. In addition, Refinitiv is targeting efficiency initiatives that are expected to generate annual run-rate cost savings of US\$650 million (the "**Target Cost Savings**") by the end of 2020. Refinitiv's transformation is well progressed and ahead of schedule: as at 30 June 2019 Refinitiv had achieved annual run rate cost savings of US\$380 million and expects to achieve over two-thirds of the Target Cost Savings by 31 December 2019 <sup>(6)</sup>.

### **Background to and reasons for the acquisition**

#### ***LSEG strategy***

LSEG is a global Financial Markets Infrastructure business that sits at the centre of the world's financial community. Operating on an open access basis in partnership with customers, LSEG focuses on three core

strategic areas: Information Services, Post-Trade and Capital Markets, supported by technology and a commitment to operational excellence.

LSEG has grown rapidly through organic and inorganic initiatives, delivering consistently high growth (over 12 per cent revenue CAGR between financial year-ends 31 March 2014 and 31 December 2018)<sup>(4)</sup> and strong total shareholder returns of around 220 per cent over the past five years<sup>(7)</sup>.

LSEG has successfully diversified from a domestic exchange group to a global Financial Markets Infrastructure provider offering leading information services, including global indexes, capital markets and post-trade services to customers, while maximising its ability to respond to evolving customer needs and macroeconomic, regulatory and technology trends in an evolving landscape.

LSEG is committed to enhancing its performance as an innovative, customer-focused and collaborative organisation, offering high value products and services across the financial markets value chain to its global customers. While pursuing the many growth opportunities in each of its core business areas of Information Services, Post-Trade and Capital Markets, it is also pursuing group-wide opportunities to deliver new and enhanced value and solutions to customers. To deliver on these objectives, LSEG is growing its global footprint, with further focus in North America, Asia and emerging markets, in addition to maintaining its well-established presence in the UK and Europe.

### ***Reasons for the acquisition***

LSEG has a strong track record of adapting to and creating opportunities from trends that are shaping customer behaviour and its operating environment, including geopolitical, regulatory and economic change, as well as technological advancements, as evidenced by LSEG's growth in information services with FTSE Russell as well as over-the-counter (OTC) derivatives in LCH.

The Board continually monitors global investment trends and the evolving regulatory landscape to anticipate future needs of customers. The digital transformation of the FMI landscape, together with the increased potential for innovation, is driving customer demand for sophisticated data content and analytics provided on flexible and open platforms. Against this backdrop, the Board has built conviction that a leading Financial Markets Infrastructure provider must operate globally and across asset classes, with data management, analytics and distribution capabilities that can serve customers across asset classes and geographies. As the financial landscape evolves, data content, management and analytics are increasingly becoming market infrastructure in their own right.

The Board therefore believes that the Transaction represents a compelling opportunity to acquire one of the leading global providers of financial data and trading venues across asset classes, and to combine Refinitiv's best-in-class data management capabilities with LSEG's deep market infrastructure expertise. LSEG and Refinitiv have a successful existing relationship, including a data partnership in Information Services. During this engagement, LSEG has observed significant improvements to Refinitiv's operating model and commercial strategy, including the increased importance of the open platform model. LSEG believes that its combination with Refinitiv will accelerate the execution of LSEG's strategy across the financial markets value chain and position it well for future growth.

Together, LSEG and Refinitiv will offer capital formation and multi-asset execution; leadership in data, indexes, and analytics; and be a trusted partner for risk management, collateral, and processing solutions globally. The Combined Business will be well positioned to adapt to the highly dynamic financial industry landscape and respond to customers' evolving needs through innovation.



The Board believes the Transaction:

***Transforms LSEG's position as a leading global Financial Markets Infrastructure group, strengthening its global footprint and accelerating its strategy***

The Board believes that the Transaction represents an attractive opportunity to accelerate LSEG's strategic ambitions and significantly expand LSEG's position as a leading global FMI group.

Refinitiv brings proprietary content and extensive data management capabilities to LSEG. The combination provides significant opportunities to expand LSEG's index business, particularly in fixed income, FX and alternative indexes, brings significant new capabilities in high value analytics and the tools to unlock value from LSEG's extensive post-trade data in partnership with its customers. Following Completion, Reuters News will continue to provide news and editorial content to Refinitiv pursuant to a 30-year agreement entered into last year. The combination also brings together global multi-asset trading and execution venues, adding leading FX trading and execution capabilities and enhancing LSEG's offering in fixed income. The Combined Business's multi-asset capabilities in trading, data and post-trade will expand LSEG's ability to address customer needs across the evolving financial markets landscape.

At Completion, LSEG is expected to become the largest publicly-listed FMI company by revenue globally with significantly enhanced customer capabilities.

LSEG currently has a strong international footprint with 61 per cent of revenue generated outside of the UK. Refinitiv's highly complementary businesses will provide access to over 40,000 customers in 190 countries, expanding and diversifying LSEG's overall geographic footprint and customer reach, particularly in the United States, Asia and global emerging markets. The Combined Business would have generated approximately 77 per cent of 2018 revenue outside the UK, with North America, Europe and Emerging markets and Other representing approximately 36 per cent, 21 per cent and 20 per cent of combined 2018 revenue respectively.

***Significantly enhances LSEG's customer proposition in data and analytics, accelerating opportunities in valuable IP and innovative new services***

The Board believes that enhanced capabilities in data will enable LSEG to innovate across evolving financial markets and deliver the next phase of growth across LSEG's businesses, expanding its range of high value data and analytics services. The ability for market participants to access data and benefit from sophisticated data management, distribution and solutions is a key aspect of financial markets infrastructure services today and will be increasingly important in a future, technology-driven industry.

Refinitiv's leading multi-asset class data content, management and solutions capabilities are highly complementary to LSEG's well-established global index, data and analytics businesses and will further expand its ability to support customers in relation to the growth of passive investment and development of multi-asset investment strategies. This includes the ability to create new indexes and analytics products in new emerging areas such as environmental, social and governance (ESG) benchmarks leveraging Refinitiv's data sets and LSEG's best-in-class analytics capabilities.

The Transaction will significantly enhance LSEG's product innovation capabilities and enable LSEG to complement its recent acquisitions in data and analytics, including The Yield Book, Mergent and Beyond Ratings. Refinitiv's expertise in data management and enrichment will allow LSEG to create significant value for customers from existing data sets within the Group, in particular from Post-Trade services, including regulatory reporting. These capabilities will allow LSEG to deliver a wider suite of solutions to meet the fast-evolving needs of the investment community.

In addition to increased IP and new products, the Combined Business will benefit from enhanced distribution capabilities, leveraging its open platform model with 400,000 end users and a global salesforce of 2,400 FTEs. The strength of these combined multi-channel distribution capabilities will facilitate access to an expanded range of content by a broader group of customers.

***Creates a global multi-asset capital markets business with the addition of high-growth foreign exchange and fixed income venues***

The Transaction provides a significant opportunity to create a global multi-asset class capital markets business. The Board believes that the trading landscape is becoming increasingly technology driven and that investors' shift to multi-asset portfolios and increased direct participation in capital markets provide significant opportunities for those FMI firms with global capabilities across asset classes.

FX and fixed income are the largest two securities trading markets globally. The Transaction diversifies LSEG's trading capabilities across both these markets through high-growth FX and fixed income businesses with the addition of Refinitiv's execution venues, including the FXall and Matching platforms and the Tradeweb trading platform (in which Refinitiv owns a majority interest). This is highly complementary to LSEG's existing position as an operator of leading listing and trading venues across fixed income, equities, ETFs and derivatives. FX and fixed income are asset classes at the intersection of multiple secular growth trends, including the electronification of markets, the shift from active to passive and the increased direct role played by buy-side firms in the market. LSEG believes opportunities exist for technology-driven product innovations across asset classes and that the Combined Business will be well-positioned to support customers as they seek opportunities around these trends.

***Deepens and expands LSEG and Refinitiv's shared core principles of customer partnership and open access***

LSEG and Refinitiv share a long-standing commitment to open access and a customer partnership approach which delivers innovation and choice to their customers. The Combined Business will provide access to multiple markets and products and distribute proprietary and third party content, offering customers flexibility to receive and distribute content across a wide range of applications and platforms. LSEG and Refinitiv believe that long-term value is best created by aligning with the interests of customers, and the Combined Business will maintain this partnership approach through the use of APIs and open platform access.

The Transaction will materially increase LSEG's presence as a data, analytics and workflow solutions provider to the corporate, wealth and risk markets, providing access to a new group of customers which the Combined Business is well placed to serve. The combination of a significantly expanded and diversified global customer base, open data platform strategy and markets infrastructure expertise will provide a robust foundation for innovation and future expansion of customer offerings for the Combined Business.

***Improves business mix and generates attractive revenue growth*** <sup>(2,4)</sup>

The combination of LSEG and Refinitiv creates an attractive revenue profile for the Combined Business, with strong expected revenue growth and a high level of recurring, diversified revenue streams. On a Combined Business basis, excluding recoveries, 2018 revenue would have been comprised of a large proportion of recurring subscription-based revenue (around 70 per cent), a significant increase compared to LSEG standalone (around 40 per cent) and would have been well-diversified across products and geographies.

The Combined Business is targeting delivery of a revenue CAGR of 5 to 7 per cent over the first three years following Completion. This is expected to be achieved through the continued performance of LSEG's current businesses, the continued strong growth of Refinitiv's FX trading platforms and Tradeweb, the accelerating revenue growth of Refinitiv resulting from its ongoing transformation, and the realisation of target revenue synergies as a Combined Business. Revenue initiatives for Refinitiv include the expansion of Refinitiv's content and platform strategy, the increased commercialisation of assets through its open data platform, and increased salesforce and customer service effectiveness supported by a more focused capital expenditure policy since becoming a standalone company.

Revenue growth in the early years following Completion is expected to be predominantly driven by LSEG's continued growth profile and Refinitiv's growing revenue base as the result of its existing transformation programme. Revenue synergies from new and enhanced products and distribution are anticipated to drive additional growth in later years. LSEG believes significant revenue opportunities exist in enhancing existing products, developing and launching new products, and cross-selling opportunities from the Combined

Business's improved distribution capabilities. LSEG is targeting annual run-rate revenue synergies in excess of £225 million, with target run-rate phasing of 60 per cent and 100 per cent in year three and five following Completion, respectively. LSEG considered dis-synergies that could arise from the Transaction and, while not significant, these were taken into account in deriving a net synergy position. The cost to achieve these revenue synergies is expected to be approximately £180 million and mainly consists of development capex and investment in the distribution capabilities of the Combined Business. LSEG believes that significant potential upsides exist in addition to the quantified revenue synergies, to be derived from innovations in Capital Markets and Post-Trade where market and regulatory-driven change will create further opportunities for growth.

***Generates significant value creation through cost synergies***

LSEG and Blackstone have track records for delivering shareholder value from complex transactions. LSEG expects material cost synergies in excess of £350 million, with target run-rate phasing of 25 per cent, 70 per cent, and 100 per cent in year one, three and five from Completion, respectively. These synergies are expected to be achieved by removing duplication in corporate functions, streamlining data, infrastructure and information technology, consolidating property footprint and removing overlap in development activities. To achieve these synergies, LSEG expects to incur approximately £550 million of cash implementation costs in aggregate, the majority of which will be incurred in the first two years following Completion.

These synergies are separate from and in addition to Refinitiv's previously announced and ongoing US\$650 million cost savings programme, and could not be achieved independently of the Transaction. In addition, the refinancing at lower costs of the existing Refinitiv debt, which was contracted at the time of the acquisition of Refinitiv by the Blackstone Consortium, is expected to materially reduce the future pre-tax interest expense of the Combined Business. LSEG has arranged underwritten bridge financing of approximately US\$13.5 billion to refinance the Refinitiv notes and term loans in full following Completion.

LSEG is targeting a combined adjusted EBITDA margin of around 50 per cent in the medium term following Completion<sup>(2)</sup>, driven by the strong expected revenue growth, significant cost synergies and completion of the Refinitiv cost savings programme.

***Delivers attractive returns for shareholders, with strong expected returns on invested capital and adjusted earnings per share accretion<sup>(2)</sup>***

The Board expects the Transaction to deliver attractive financial returns to shareholders. The Transaction is expected to be adjusted earnings per share accretive by over 30 per cent in the first year after Completion, increasing in years two and three. The Transaction is expected to deliver returns on invested capital in excess of LSEG's investment criteria in the third year following Completion.

***Delivers high cash generation which supports deleveraging and future dividend policy<sup>(2)</sup>***

The Board has considered the future capital management policy for the Combined Business. At Completion it is expected that the leverage of the Combined Business will be around 3.5x net debt to adjusted EBITDA<sup>(8)</sup>. The high cash generating profile of the Combined Business is expected to result in rapid deleveraging with combined leverage expected to reduce to within LSEG's current 1.0 – 2.0x target in the 24 to 30 months following Completion, consistent with LSEG's existing capital management policy. Supported by a high level of recurring revenue and strong cash generation, LSEG will maintain its progressive dividend per share policy, balanced by a focus on returning LSEG's leverage to its target range. The Combined Business will maintain LSEG's current capital management framework and target a strong investment grade credit rating.

## Key Terms of the Transaction

### *Stock Purchase Agreement and consideration structure*

LSEG and Refinitiv Holdings have today entered into a stock purchase agreement (the “**Stock Purchase Agreement**”). Under the terms of the Stock Purchase Agreement, at Completion LSEG will acquire the whole of Refinitiv from Refinitiv Holdings and, in exchange, Refinitiv Holdings will receive (i) 114,093,064 ordinary voting LSEG shares (“**LSEG Ordinary Shares**”) and (ii) 65,657,676 exchangeable shares in a subsidiary of LSEG (the “**HoldCo**”) that will hold the Combined Business’s interest in Tradeweb and certain other assets (the “**Exchangeable Shares**”). In addition, 30 days after Completion (the “**PIK Redemption Date**”), ConsortiumCo will receive a further 24,615,845 LSEG Ordinary Shares at the time of settlement of certain existing payment-in-kind shares in Refinitiv Holdings’s capital structure.

Therefore, at the PIK Redemption Date, Refinitiv Holdings and ConsortiumCo will hold in aggregate 204,366,585 LSEG Ordinary Shares and Exchangeable Shares (the “**Consideration Shares**”) that, based on LSEG’s issued share capital (excluding shares held in treasury) as at the date immediately preceding the date of this announcement <sup>(5)</sup>, would (i) amount to an economic interest in LSEG equal to approximately 37 per cent and (ii) carry less than 30 per cent of the total voting rights of LSEG.

Based on the LSEG Ordinary Share price volume weighted average price (“**VWAP**”) of US\$71.1154 (£56.8570 at daily US\$/£ FX rate) for the period from 1 July to 26 July 2019, the value of the Consideration Shares is approximately US\$14.5 billion and the Transaction values the whole of Refinitiv (inclusive of Refinitiv’s net debt of approximately US\$12.5 billion <sup>(8)</sup>, and other adjustments as at 30 June 2019) at approximately US\$27 billion.

At any time after Completion, Refinitiv Holdings will be entitled to exchange some or all of the Exchangeable Shares into LSEG Ordinary Shares on a one for one basis. If the exchange of any Exchangeable Shares into LSEG Ordinary Shares would result in Refinitiv Holdings and ConsortiumCo’s aggregate holding of LSEG Ordinary Shares exceeding 29 per cent of the total voting rights in LSEG, Refinitiv Holdings will be issued LSEG Ordinary Shares up to such limit and non-voting ordinary shares in LSEG for the balance (the “**Non-Voting LSEG Shares**”). The Non-Voting LSEG Shares will rank *pari passu* with the LSEG Ordinary Shares, except that they will not carry voting rights, and will be convertible by Refinitiv Holdings at any time into LSEG Ordinary Shares provided that Refinitiv Holdings and ConsortiumCo’s resulting holding of LSEG Ordinary Shares does not exceed 29 per cent of the total voting rights in LSEG at the time. The Non-Voting LSEG Shares will not be admitted to listing or trading.

The Exchangeable Shares (i) will carry the right to receive the same dividend per share as paid on the LSEG Ordinary Shares, and (ii) will not carry any voting rights in relation to HoldCo (except in the case of a proposed liquidation of HoldCo) or LSEG. The Exchangeable Shares will not otherwise be transferable or be admitted to listing or trading.

The Stock Purchase Agreement contains representations and warranties, covenants and undertakings given by, and termination rights in favour of, each of Refinitiv Holdings and LSEG that are customary for a transaction of this nature. The representations and warranties given by Refinitiv Holdings and LSEG in the Stock Purchase Agreement will not be actionable by either party against the other after Completion (except in the case of fraud). However, LSEG has obtained representation and warranty insurance cover in respect of the representations and warranties given by Refinitiv Holdings in the Stock Purchase Agreement.

Completion is subject to, among other matters:

- (i) approval of the Transaction by LSEG shareholders (by ordinary resolution) at a General Meeting of LSEG;
- (ii) given the Transaction is classified as a Reverse Takeover under the Listing Rules of the FCA, the publication by LSEG of the Prospectus and the FCA and London Stock Exchange agreeing to admit LSEG Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange’s Main Market for listed securities;
- (iii) there having been no breach of the representations and warranties that has had a material adverse effect on LSEG or Refinitiv between signing and Completion;

- (iv) relevant competition approvals being obtained, including in the EU and the US; and
- (v) relevant financial regulatory approvals being obtained, including in the UK, France, Italy and the US.

Completion is not conditional on investor or shareholder approvals in respect of Refinitiv Holdings.

Large market infrastructure transactions are highly complex and subject to close regulatory scrutiny, which can result in material remedies. While the activities of LSEG and Refinitiv are complementary, there are certain aspects of the businesses of LSEG and Refinitiv that will need to be reviewed by the relevant merger control authorities. Whilst it is expected that merger clearances will be obtained, one or more divestments, which could be material, may be required in order for the Transaction to be approved. If merger clearances are not obtained for the Transaction LSEG will pay a termination fee of £198.3 million to Refinitiv Holdings. Merger clearances are not expected to be received until shortly before Completion and accordingly the outcome of the merger control process will not be known at the time of the General Meeting.

The Stock Purchase Agreement contains other customary protective termination rights. The Stock Purchase Agreement will be capable of termination if Completion has not occurred on or before 31 May 2021.

The General Meeting will be convened before the end of 2019. If the Board changes its recommendation that LSEG shareholders vote in favour of the Transaction, then either Refinitiv Holdings or LSEG will be entitled to terminate the Stock Purchase Agreement and LSEG will pay a termination fee of £198.3 million to Refinitiv Holdings. This fee is also payable if LSEG adjourns the General Meeting beyond 31 December 2019 if Refinitiv Holdings terminates the Stock Purchase Agreement in such circumstances. LSEG has agreed to pay Refinitiv Holdings a £25 million expenses fee if the LSEG shareholders vote against the Transaction. LSEG has agreed to customary non-solicit commitments in relation to alternative transactions (with customary exceptions in the period up to the General Meeting). Completion is expected to occur during the second half of 2020.

#### *Relationship Agreement*

At Completion, LSEG, Refinitiv Holdings and ConsortiumCo will enter into a relationship agreement governing the relationship between them (the “**Relationship Agreement**”). The principal terms of the Relationship Agreement are referred to below.

The Relationship Agreement will set out Refinitiv Holdings’s rights to appoint the Refinitiv Directors as set out in the section headed “Governance and Management” below. The Refinitiv Directors will also be appointed to the Board’s nomination committee. In addition, the Refinitiv Shareholders will be represented on an integration committee to be established by LSEG for integration purposes (the “**Integration Committee**”). The Integration Committee will be led by LSEG Chief Executive Officer, David Schwimmer, and will not be a Board committee.

Subject to certain customary and other exceptions including for the sale of up to 5,781,285 LSEG Ordinary Shares at any time after the PIK Redemption Date, Refinitiv Holdings and ConsortiumCo will be subject to a lock-up for the first two years following Completion during which they will not be permitted to sell the Consideration Shares. In each of years three and four following Completion, Refinitiv Holdings and ConsortiumCo will become entitled to sell one-third of the Consideration Shares (in year four, together with any Consideration Shares not sold pursuant to this entitlement in the previous year), and after the end of the fourth year the lock-up restrictions will end. Any disposals of shares by Refinitiv Holdings or ConsortiumCo once released from lock-up will be subject to orderly marketing restrictions, including certain restrictions on the frequency of disposals. A standstill restriction will also apply to Refinitiv Holdings, ConsortiumCo and each of the Refinitiv Shareholders (under which they will agree not to, among other matters, acquire further shares in, or make a takeover approach for, LSEG) until the third anniversary of Completion (and thereafter for so long as Refinitiv Holdings and ConsortiumCo hold (assuming the exchange of all Exchangeable Shares) 10 per cent or more of the issued share capital of LSEG or have a Refinitiv Director appointed to the Board) (the “**Restricted Period**”).

Under the Relationship Agreement, Refinitiv Holdings and ConsortiumCo have agreed that during the Restricted Period they will vote all LSEG Ordinary Shares held by them in line with the Board's recommendation on any resolution proposed at a general meeting (including an annual general meeting), other than (i) a resolution required by Chapter 10 of the Listing Rules of the FCA, (ii) a resolution relating to a non-pre-emptive share issue outside of the customary approval given at each annual general meeting or (iii) a resolution to approve a recommended takeover offer. On account of this voting commitment, the UK Panel on Takeovers and Mergers has confirmed that as a technical matter it will treat the LSEG directors as acting in concert with Refinitiv Holdings and ConsortiumCo for so long as the voting commitment is in place.

#### *Takeover Code*

A Rule 9 waiver will not be sought for the Transaction, reflecting the fact that the Exchangeable Shares and Non-Voting LSEG Shares cannot be exchanged for, or converted into, LSEG Ordinary Shares if: (i) such exchange or conversion would result in Refinitiv Holdings and ConsortiumCo's holding of LSEG Ordinary Shares exceeding 29 per cent of the total voting rights in LSEG at any time; or (ii) to do so would result in Refinitiv Holdings and ConsortiumCo and any person presumed to be acting in concert with either of them, being required to make a mandatory offer for LSEG under Rule 9 of the City Code on Takeovers and Mergers (the "Code"). Accordingly, the Transaction is not subject to the Code and consequently the provisions of the Code applicable to a "whitewash transaction" will not apply.

#### *Structure*

The Stock Purchase Agreement provides for LSEG to acquire Refinitiv from Refinitiv Holdings in exchange for LSEG Ordinary Shares and Exchangeable Shares to be issued by a subsidiary of LSEG as described above. However, in certain circumstances, the Stock Purchase Agreement provides instead that LSEG will acquire Refinitiv in exchange for a combination of LSEG Ordinary Shares and Non-Voting LSEG Shares also to be issued by LSEG. The Refinitiv Shareholders will have the same overall economic interest and voting interest in LSEG in either structure.

In addition, although it is expected that LSEG will only issue LSEG Ordinary Shares and Exchangeable Shares to acquire Refinitiv, LSEG has the option to settle up to US\$2.5 billion of the consideration in cash by reference to the VWAP of the LSEG Ordinary Shares in the 30 days prior to Completion. If this option is exercised then the number of Consideration Shares issued would reduce accordingly.

#### **Governance and Management**

LSEG will be headquartered in London with a premium listing on the Official List and traded on the London Stock Exchange's Main Market for listed securities as London Stock Exchange Group plc. The Combined Business will be chaired by LSEG's Chairman Don Robert and led by LSEG's Chief Executive Officer David Schwimmer, with David Warren as Chief Financial Officer. Upon Completion David Craig will join LSEG's Executive Committee and continue as Chief Executive Officer of Refinitiv.

Refinitiv Holdings will be entitled to nominate, subject to, among other considerations, certain regulators not having objected to the proposed nominees:

- (i) three Refinitiv Directors for as long as they hold at least 25 per cent of LSEG;
- (ii) two Refinitiv Directors for as long as they hold at least 17.5 per cent but less than 25 per cent of LSEG; and
- (iii) one Refinitiv Director for as long as they hold at least 10 per cent but less than 17.5 per cent of LSEG.

For so long as Refinitiv Holdings is entitled to nominate three Refinitiv Directors, one such nominee will be a representative of Thomson Reuters. The other two nominees will be representatives of Blackstone. LSEG will remain in compliance with the UK Corporate Governance Code following Completion.

In this announcement, where any rights or obligations of the Refinitiv Shareholders are stated to be by reference to percentage interests in LSEG, such percentages are calculated on the assumption that all Exchangeable Shares had been exchanged into LSEG Ordinary Shares (or, where relevant, Non-Voting LSEG Shares).

### **Integration Planning**

LSEG and Blackstone are both organisations with strong track records in delivering large-scale transformation, as evidenced by the acquisitions by LSEG of LCH, FTSE, Frank Russell Company and The Yield Book, and the carve out of Refinitiv from the remaining Thomson Reuters business.

The Integration Committee will be established following Completion, led by LSEG Chief Executive Officer David Schwimmer with representation from LSEG and Refinitiv. An Integration Committee will set out the key integration steps following Completion with a view to safeguarding clients' interests and minimising disruption during the integration process, retaining key talent and taking on the best from both organisations in developing new practices for the Combined Business.

### **Steps to Completion**

The Transaction will require the approval of LSEG's shareholders by ordinary resolution. A shareholder circular (the "**Circular**") containing further details of the Transaction, the Board's recommendation in respect of the Transaction, the notice of General Meeting and the resolutions required to approve the Transaction is expected to be sent to shareholders in the fourth quarter of 2019.

It is proposed that following Completion LSEG will continue to be listed with a premium listing on the Official List and traded on the London Stock Exchange's Main Market for listed securities as London Stock Exchange Group plc under ticker symbol LSE.L. The Combination is classified as a Reverse Takeover for LSEG under the Listing Rules of the FCA and applications will need to be made in due course to the FCA and the London Stock Exchange for the enlarged ordinary voting share capital of the Combined Business to be admitted to the Official List and to trading on the London Stock Exchange, respectively ("**Admission**").

The eligibility of the Combined Business to be re-admitted to the Official List following Completion has not yet been agreed with the FCA, although a submission regarding eligibility shall be made in due course. It is expected that Admission will become effective and that dealings, for normal settlement, of the Combined Business's securities will commence on the day of Completion.

Should the Transaction proceed, a Prospectus will be required to be published in relation to the application for Admission. The Prospectus will be published by LSEG closer to the expected Completion date. In accordance with the Listing Rules and the Prospectus Rules of the FCA, the Prospectus will include audited financial statements of Refinitiv. It is possible that the financial information contained in any such Prospectus may differ from the financial information for Refinitiv set out in this announcement.

### **Summary Information on LSEG**

LSEG is a global Financial Markets Infrastructure business. Its diversified global business focuses on Information Services, Risk and Balance Sheet Management and Capital Formation. The Group supports global financial stability and sustainable economic growth by enabling businesses and economies to fund innovation, manage risk and create jobs. The Group can trace its history back to 1698.

In Capital Markets, the Group operates a broad range of international equity, ETF, bond and derivatives markets, including London Stock Exchange; Borsa Italiana; MTS (a European fixed income market); and Turquoise (a pan-European equities MTF). Through its platforms, LSEG offers market participants unrivalled access to Europe's capital markets.

In Information Services, through FTSE Russell, the Group is a global provider of financial indexing, benchmarking and analytics services with approximately US\$15 trillion benchmarked to its indexes. The

Group also provides customers with an extensive range of data services, research and analytics through The Yield Book, Mergent, SEDOL, UnaVista, XTF and RNS.

Post Trade and risk management services are a significant part of the Group's business operations. In addition to majority ownership of LCH, a multi-asset global CCP operator, LSEG owns CC&G, the Italian clearing house and Monte Titoli, a leading European custody and settlement business.

LSEG Technology develops and operates high performance technology solutions, including trading, market surveillance and post trade systems for over 40 organisations and exchanges, including the Group's own markets.

LSEG operates an open access model, offering choice and partnership to customers across all of its businesses. Headquartered in the United Kingdom, with significant operations in North America, Italy, France and Sri Lanka, the Group employs approximately 4,500 people.

Further information on LSEG can be found at [www.lseg.com](http://www.lseg.com). The Group's ticker symbol is LSE.L.



## Appendix I – Additional Financial Information

### *Summary audited US GAAP financial information*

On 30 January 2018, the Blackstone Consortium announced the acquisition of a 55 per cent interest in Thomson Reuters’ Financial & Risk business (the “**2018 Transaction**”), which was renamed Refinitiv after the transaction closed on 1 October 2018. Thomson Reuters retained a 45 per cent interest in Refinitiv. The 2018 Transaction was effected by an acquisition of the Financial & Risk business by Refinitiv Holdings on 1 October 2018. For the purpose of financial information in this statement, the term “Refinitiv” refers to (i) prior to 1 October 2018, the Financial & Risk business of Thomson Reuters and (ii) on and after 1 October 2018, Refinitiv Holdings and its subsidiaries. The historical combined Refinitiv Holdings financial statements for the 12 months to 31 December 2018 (the “**Refinitiv 2018 Financial Statements**”) were prepared on a stand-alone basis and were derived from the historical consolidated financial statements and accounting records of Thomson Reuters and Refinitiv. The Refinitiv 2018 Financial Statements reflect the combined historical results of operations, financial position and cash flows of the Financial & Risk business, as if such businesses had been run during the entire period as a stand-alone business, in conformity with US GAAP.

US\$ million <i>US GAAP</i>	Nine months ended 30 September 2018	Three months ended 31 December 2018	Twelve months ended 31 December 2018 <sup>(1)</sup>
<b>Revenue</b>	<b>4,737</b>	<b>1,550</b>	<b>6,287</b>
<b>Income/(loss) from operations</b>	<b>877</b>	<b>(376)</b>	<b>501</b>
Depreciation and amortization	663	471	1,134
<b>EBITDA <sup>(9)</sup></b>	<b>1,540</b>	<b>95</b>	<b>1,635</b>
<b>Total assets</b>			<b>23,482</b>
<b>Net debt <sup>(8)</sup></b>			<b>12,225</b>

The revenue and EBITDA provided in the Refinitiv 2018 Financial Statements reflect the perimeter of the Transaction with the exception of three non-material businesses (the “**Businesses not Transferred**”) which were ultimately not transferred from Thomson Reuters to Refinitiv, and an estimate by Refinitiv of costs relating to certain centralised support functions provided and allocated by Thomson Reuters to the businesses within Refinitiv for the nine months ended 30 September 2018.

The Refinitiv 2018 Financial Statements, including the basis of presentation of the financial figures referred to above, are available at <https://www.refinitiv.com/investor-updates.html>

The financial information on Refinitiv in this announcement is provided for background information only and has not been independently verified by LSEG.

### *Summary unaudited financial information*

The revenue and EBITDA figures derived from the Refinitiv 2018 Financial Statements are not adjusted for:

- (i) one-off set up costs incurred by Refinitiv prior to the 2018 Transaction amounting to US\$79 million;

- (ii) approximately US\$390 million of one-off 2018 Transaction, separation, and severance costs associated with the business re-engineering programme referred to below and other one-off items that would be classified as non-underlying under LSEG's accounting policies; and
- (iii) the Businesses not Transferred included in the Refinitiv 2018 Financial Statements, which were ultimately not transferred from Thomson Reuters to Refinitiv and are therefore not part of the acquisition perimeter. For the twelve months ended 31 December 2018 the Businesses not Transferred had US GAAP revenue of US\$83 million and EBITDA of US\$50 million.

The tables below show adjusted revenue and adjusted EBITDA if these unaudited adjustments had been made to the reported 2018 revenue and EBITDA. This financial information is provided for background information only, has not been independently verified by LSEG and does not represent the final numbers that will be reported in the Circular and Prospectus under IFRS and LSEG's accounting policies.

<b>US\$ million</b> <i>US GAAP</i>	<b>Year ended</b> <b>31 December 2018</b> <sup>(1)</sup>
<b>Revenue (audited)</b>	<b>6,287</b>
Adjustments:	
Businesses not Transferred	(83)
<b>Adjusted revenue</b>	<b>6,204</b>

<b>US\$ million</b> <i>US GAAP</i>	<b>Year ended</b> <b>31 December 2018</b> <sup>(1)</sup>
Income from operations (audited)	501
Depreciation and amortization (audited)	1,134
<b>EBITDA</b> <sup>(9)</sup>	<b>1,635</b>
Adjustments:	
Refinitiv set up costs	79
Non-underlying costs	390
Businesses not Transferred	(50)
<b>Adjusted EBITDA</b>	<b>2,054</b>

Furthermore, upon the announcement of the 2018 Transaction Refinitiv announced efficiency initiatives that are expected to generate annual run-rate cost savings of US\$650 million by the end of 2020, as well as significant operational benefits. As at 30 June 2019, Refinitiv had achieved annual run rate cost savings of US\$380 million and expects to achieve over two-thirds of the Target Cost Savings by 31 December 2019<sup>(6)</sup>.

The 2018 depreciation and amortisation charge for Refinitiv includes the purchase price allocation of purchased intangibles and the fair valuing of IP assets at the point they were carved out from Thomson Reuters on 1 October 2018. Under LSEG's IFRS accounting policies this fair valuing would be re-performed at the

date of acquisition of Refinitiv and any amortisation related to the purchased intangibles and IP will be treated as non-underlying and therefore excluded from LSEG's adjusted operating profit and adjusted EPS. LSEG expects that the underlying level of depreciation and amortisation in relation to Refinitiv will initially be slightly below Refinitiv's 2017 depreciation and amortisation charge on tangible assets and computer software, and will grow through the period of integration in line with the levels of investment.

In accordance with the Listing Rules, the Circular and Prospectus when published will include full audited historic three year financial information on Refinitiv under IFRS, in a form consistent with the accounting policies adopted by LSEG in its own annual consolidated accounts. Such IFRS financial information will differ from the unaudited financial information on Refinitiv set out above.

#### ***Additional unaudited financial information on Refinitiv***

The following additional financial information on Refinitiv's business has been extracted from unaudited financial information of Refinitiv.

#### *Refinitiv adjusted revenue growth*

<b>US\$ million</b> <i>US GAAP</i>	<b>Year ended 31 December 2017</b>	<b>Year ended 31 December 2018<sup>(1)</sup></b>	<b>Growth %</b>	<b>Constant Currency Growth %</b>
<b>Revenue</b>	<b>5,997</b>	<b>6,287</b>	<b>4.8%</b>	<b>2.5%</b>
- Businesses not Transferred	(111)	(83)		
<b>Adjusted revenue</b>	<b>5,886</b>	<b>6,204</b>	<b>5.4%</b>	<b>2.6%</b>
- Recoveries	(474)	(461)		
<b>Adjusted revenue excluding recoveries</b>	<b>5,412</b>	<b>5,743</b>	<b>6.1%</b>	<b>3.0%</b>

#### *Refinitiv revenue by business line*

<b>US\$ million</b> <i>US GAAP</i>	<b>Year ended 31 December 2018<sup>(1)</sup></b>
Data, distribution, analytics and workflow	4,280
Venues and transactions	1,117
Risk and other	346
<b>Adjusted revenue excluding recoveries</b>	<b>5,743</b>
Recoveries	461
<b>Adjusted revenue</b>	<b>6,204</b>

#### ***Audited IFRS financial information on Refinitiv***

In accordance with the Listing Rules, the Circular and Prospectus when published will include full audited historic three year financial information on Refinitiv under IFRS, in a form consistent with the accounting

policies adopted by LSEG in its own annual consolidated accounts. Such IFRS financial information will differ from the summary financial information on Refinitiv set out in this announcement. The material differences identified are in respect of pension liabilities, where under IFRS there are limitations on the extent to which pension surpluses can be recognised, and equity/debt, where certain preferred shares recognised as equity under US GAAP would be reclassified as debt under IFRS. The impact of these adjustments would be to reduce the US GAAP reported net assets as at 31 December 2018 by US\$1,381 million, comprising an increase in the net pension liabilities of US\$431 million, an increase in debt of US\$999 million, and a reduction of other liabilities of US\$49 million. There would be a corresponding increase in net income by US\$36 million in the income statement for the year ended 31 December 2018, comprising an increase in interest expense of US\$36 million and a reduction in pension expenses of US\$72 million.

In addition to the above, the goodwill reported by Refinitiv at 31 December 2018 under US GAAP would be assessed for impairment under IFRS on a different basis. The reported non-controlling interest (“NCI”) balance could also be measured using a different methodology under IFRS if LSEG were to elect to do so, resulting in a further change in the value of goodwill. However, given that both goodwill and NCI would be replaced by the new goodwill and NCI arising from the proposed transaction, these areas have not been further assessed.

As noted in Note 1, certain LSEG forward-looking statements in relation to the Transaction in this announcement (notably in relation to combined financials including combined earnings accretion, ROIC and leverage) have been based on non-IFRS financial projections of Refinitiv. These statements may be subject to amendment by LSEG in the Circular and Prospectus when such statements are based on Refinitiv financial projections under IFRS or IFRS-consistent accounting policies adopted by LSEG in its own internal Group projections.

#### *Illustrative unaudited financial information on the Transaction*

The financial information below in relation to LSEG has been extracted from the Group’s audited IFRS consolidated accounts for the year ended 31 December 2018. The financial information below in relation to Refinitiv has been extracted from US GAAP unaudited management financial information for the year ended 31 December 2018.

#### *Illustrative revenue and EBITDA for LSEG and Refinitiv*

	<b>Year ended 31 December 2018</b>		
	<b>Refinitiv<sup>(1,9)</sup></b> <i>US\$ million</i> <i>US GAAP</i>	<b>Refinitiv<sup>(1,3,9)</sup></b> <i>GBP million</i> <i>US GAAP</i>	<b>LSEG<sup>(4)</sup></b> <i>GBP million</i> <i>IFRS</i>
<b>Revenue</b>	<b>6,287</b>	<b>4,692</b>	<b>2,135</b>
<b>EBITDA</b>	<b>1,635</b>	<b>1,220</b>	<b>1,045</b>
<b>Adjusted revenue excluding recoveries</b>	<b>5,743</b>	<b>4,286</b>	<b>2,135</b>
<b>Adjusted EBITDA</b>	<b>2,054</b>	<b>1,533</b>	<b>1,066</b>
<i>Adjusted EBITDA margin (%)</i>	<i>36%</i>	<i>36%</i>	<i>50%</i>
<i>Recurring revenue (%)</i>	<i>83%</i>	<i>83%</i>	<i>39%</i>

Combining the revenue from both parties would mean the enlarged group would have illustrative combined revenue of over £6 billion <sup>(1,3)</sup>, after adjusting for Businesses not Transferred and excluding recoveries.

*Illustrative revenue by client domicile excluding recoveries*

%	Year ended 31 December 2018		
	<b>LSEG</b>	<b>Refinitiv <sup>(1)</sup></b>	<b>Combined</b>
	%	%	%
North America	29%	39%	36%
UK	39%	15%	23%
Other Europe	28%	18%	21%
Emerging markets and Other	5%	27%	20%

In accordance with the Listing Rules, the Circular and Prospectus when published will include pro forma financial information on the Combined Business based on IFRS. Such information will differ from the illustrative pro forma information set out above.

## Appendix II – Key Notes

1. Refinitiv financials for the twelve months ended 31 December 2018 are calculated as the addition of the financials for the nine months ended 30 September 2018 and the three months ended 31 December 2018.
2. This statement is based on non-IFRS financial projections on Refinitiv. This statement may be subject to amendment by LSEG in the Circular and Prospectus when based on Refinitiv financial projections under IFRS and / or IFRS-consistent accounting policies adopted by LSEG in its own internal Group projections.
3. Refinitiv financials for the 12 months to 31 December 2018 have been converted from USD to GBP using an FX rate of 1.34 US\$/£, average exchange rate for the year as per LSEG Annual Report 2018.
4. Refinitiv revenue excludes recoveries and Businesses not Transferred. LSEG revenue includes net treasury income and other income.
5. Based on 349,702,276 LSEG Shares in issue (excluding 949,747 shares held in treasury) as at the close of business on 31 July 2019, being the last Business Day prior to the date of this announcement.
6. Source: Thomson Reuters Reports Second-Quarter 2019 Results, available at: <https://www.thomsonreuters.com/en/press-releases/2019/august/thomson-reuters-reports-second-quarter-2019-results.html>
7. Source: Eikon, Share price performance excluding dividends over the period 25 July 2014 to 26 July 2019.
8. Net debt calculated as debt, including unamortised debt issuance costs and current maturities, less cash and cash equivalents, excluding Refinitiv's 14.5% Preferred Shares.
9. Refinitiv EBITDA calculated as income from operations after reversing the effect of depreciation and amortisation.

## IMPORTANT NOTICE

Goldman Sachs International (“**Goldman Sachs**”), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting as lead financial adviser to LSEG and no one else in connection with the Transaction and the matters set out in this announcement. In connection with such matters, Goldman Sachs, its affiliates, and its or their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the Transaction or the contents of this announcement or any other matter referred to herein.

Morgan Stanley & Co. International plc (“**Morgan Stanley**”), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting as lead financial adviser to LSEG and no one else in connection with the matters set out in this announcement. In connection with such matters, Morgan Stanley, its affiliates, and its or their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the contents of this announcement or any other matter referred to herein.

Robey Warshaw LLP (“**Robey Warshaw**”), which is authorised and regulated by the Financial Conduct Authority is acting as lead financial adviser to LSEG and no one else in connection with the matters set out in this announcement and will not be responsible to anyone other than LSEG for providing the protections afforded to its clients or for providing advice in relation to the contents of this announcement or any other matter referred to herein.

Barclays Bank PLC, acting through its investment bank (“**Barclays**”), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting as sponsor, corporate broker and financial adviser to LSEG and no one else in connection with the matters set out in this announcement and will not be responsible to anyone other than LSEG for providing the protections afforded to clients of Barclays nor for providing advice in relation to the contents of this announcement or any other matter referred to herein.

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Completion of the Transaction is subject to the satisfaction of a number of conditions as more fully described in this announcement. Consequently there can be no certainty that completion of the Transaction will be forthcoming.

This announcement is not a prospectus and has been prepared solely for the Transaction referred to in this announcement. A Circular and a Prospectus will be published by LSEG in connection with the Transaction in due course.

Certain figures contained in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly with the total figure given.



Except as explicitly stated in this announcement, none of the contents of LSEG's, the Refinitiv Shareholders' or Refinitiv's websites, nor any website accessible by hyperlinks on LSEG's, the Refinitiv Shareholders' or Refinitiv's websites, is incorporated in, or forms part of, this announcement.