

19 October 2018

LONDON STOCK EXCHANGE GROUP plc

TRADING STATEMENT INCLUDING REVENUES AND KPIS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2018 (Q3)

- Good Q3 results – growth across the Group including strong performances from LCH OTC clearing and FTSE Russell
- Q3 reported revenue up 5% and total income up 8% to £522 million; on a like-for-like basis, excluding a £9 million year-to-date accounting change impact on adoption of IFRS15 in Capital Markets, revenue would have been up 7% and total income up 9%
- Reported revenue up 9% and total income up 10% on a nine-month year-to-date basis (including effects of IFRS 15)
- LSEG acquiring up to a further 15.1% stake in LCH Group, expected to take majority ownership to over 80%; completion targeted by end of Q4

Q3 summary

- Information Services: revenues up 17% (up 9% on an organic and constant currency basis) – with reported double-digit growth at FTSE Russell
- Post Trade: LCH income up 15% (up 15% at constant currency), driven by 12% revenue growth in OTC clearing, with strong volumes at SwapClear and ForexClear also contributing to 49% growth in net treasury income
- Capital Markets: like-for-like revenues up 2% (up 2% at constant currency); adjusting for IFRS 15, Capital Markets reported revenues are 8% lower than the comparative Q3 unadjusted period in the prior year

Commenting on performance in Q3, David Schwimmer, Chief Executive, said:

“The Q3 results show continued momentum across the Group, reflecting another period of operational execution and investment in the business. Information Services and LCH both delivered good year on year growth. We also announced today that we are in the process of acquiring up to a further 15.1% stake in LCH, which is expected to take our majority ownership of this valuable strategic business to over 80%, reflecting our continued confidence in LCH’s opportunities for further growth as it develops its business in partnership with its customers.

“Since I joined LSEG in August my initial impressions of the Group’s strengths have been reinforced as I have spent time with our businesses and met with key stakeholders. The Group has world class assets, a strong financial position and a proven strategic approach. As today’s results show, we have a great platform from

which to grow and develop further opportunities as we navigate the evolving economic and regulatory landscape ahead.”

Organic growth is calculated in respect of businesses owned for at least 9 months in either period and so excludes ISPS, The Yield Book and Citi Fixed Income Indices, MillenniumIT ESP and Exactpro. The Group's principal foreign exchange exposure arises from translating our European based Euro and US based USD reporting businesses into Sterling.

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

- LSEG expected to increase its stake in LCH Group to over 80%, acquiring up to an additional 15.1% stake following reductions in holdings by a number of minority shareholders. Targeting completion before end Q4 2018
- LCH ForexClear launched FX options clearing, with connected settlement through CLS settlement
- LCH SwapClear cleared its first Secured Overnight Financing Rate (SOFR) swaps
- SEDOL Masterfile expanded its Fixed Income coverage to include 1.5 million US Municipal and US Corporate Bonds with data from Mergent, part of FTSE Russell
- MTS and Johannesburg Stock Exchange opened South Africa's first electronic government bonds trading platform powered by MTS
- LSEG and National Stock Exchange of India signed a MoU to create a dual listing route for Masala bonds and an agreement to look at launching ELITE in India

Financial Position

The Group's financial position continues to be strong with a good level of funding flexibility in place. As at 30 September 2018, the Group had available committed facility headroom of c.£500 million having paid the interim dividend to shareholders and other normal course payment obligations. On a pro forma basis, assuming the acquisition of up to a further 15.1% stake in LCH Group for up to c.€438 million, the Group's net debt:EBITDA would be towards the top end of our target leverage range, though should reduce quickly as the Group continues to generate strong cash flows.

Credit ratings are unchanged since 30 June 2018, with S&P maintaining a positive outlook around its A- long term rating of LSEG plc and its A+ long term rating of LCH Ltd and LCH SA. Moody's rates LSEG long term A3 with a stable outlook.

The euro strengthened by 1% and the US dollar weakened by 6% against sterling compared with the same period last year. To illustrate our exposure to movements in exchange rates, a €0.05 change in the average Euro: Sterling rate would have resulted in a change to continuing operations total income of £2 million for Q3, while a US\$0.05 move would have resulted in a £2 million change.

IFRS 15 accounting change

Since issuing its Interim Report on 2 August 2018, the Group has received clarification guidance from the IFRS Interpretations Committee (IFRIC) regarding the impact of adopting IFRS 15 on admission and listing services provided by the Group's Primary Markets businesses within the Capital Markets segment.

On conversion to the new standard, with effect back dated to 1 Jan 2018, the Group now treats the initial admission and the continual and ongoing listing service as one performance obligation and recognises revenue from initial admissions and further issues over the period the Group has provided the listing service. In the majority of cases this is estimated to be between 4 and 11 years, dependent on the nature of the listing and the service provided. The net £9 million revenue reduction taken in Q3 reflects the impact for the 9 months year-to-date.

All new and further listing fees will continue to be billed and cash collected at the point when the service is first provided. Revenues deferred as at 1 January 2018 will result in a recovery of tax paid at the prevailing rate on adoption of IFRS 15 by means of a reduction in the corporation tax payable due to the relevant tax authorities. The Group will subsequently incur corporation tax charge as the deferred revenues from initial admission and further issue fees are recognised in the income statement.

Further information is available from:

London Stock Exchange	Gavin Sullivan/Lucie	+44 (0) 20 7797 1222
Group plc	Holloway/Ramesh Chhabra – Media	
	Paul Froud – Investor Relations	+44 (0) 20 7797 3322

A conference call for analysts and investors will be held at 8:30 (UK time) on Friday 19 October. On the call will be David Warren (CFO) and Paul Froud (Head of Investor Relations).

To access the telephone conference call dial 0800 376 7922 or +44 (0) 2071 928 000

Conference ID: 6477 558

Q3 Revenue Summary

Revenues for three months and nine months ended 30 September 2018 refer to continuing operations, with comparatives against performance for the same period last year, are provided below. Growth rates for both Q3 and year to date performance are also expressed on an organic and constant currency basis. All figures are unaudited.

	Three months ended			Organic and constant currency variance ¹	Nine months ended			Organic and constant currency variance ¹
	30 September				30 September			
	2018	2017	Variance		2018	2017	Variance	
	£m	£m	%	%	£m	£m	%	%
Continuing operations:								
Revenue								
Information Services	212	182	17%	9%	624	537	16%	9%
Post Trade Services - LCH	120	114	5%	6%	357	321	11%	11%
Post Trade Services - CC&G and Monte Titoli	25	26	(7%)	(5%)	77	82	(6%)	(7%)
Capital Markets	89	97	(8%)	(7%)	305	286	6%	6%
Technology Services	16	23	(32%)	15%	48	64	(26%)	17%
Other	2	1	-	-	7	5	-	-
Total revenue	464	443	5%	4%	1,418	1,295	9%	8%
Net treasury income through CCP businesses	57	42	36%	35%	160	117	37%	37%
Other income	1	1	-	-	4	20	-	-
Total income	522	486	8%	7%	1,582	1,432	10%	10%
Cost of sales	(57)	(56)	1%	12%	(163)	(158)	3%	12%
Gross profit	465	430	8%	6%	1,419	1,274	11%	9%

¹ Organic growth is calculated in respect of businesses owned for at least 9 months in either period and so excludes ISPS, The Yield Book and Citi Fixed Income Indices, MillenniumIT ESP and Exactpro. The Group's principal foreign exchange exposure arises from translating our European based Euro and US based USD reporting businesses into Sterling.

Note: Variances in all tables are calculated from underlying numbers

More detailed revenues by segment are provided in tables below:

Information Services

	Three months ended 30 September			Organic and constant currency variance ¹ %	Nine months ended 30 September			Organic and constant currency variance ¹ %
	2018	2017	Variance		2018	2017	Variance	
	£m	£m	%		£m	£m	%	
Revenue								
FTSE Russell Indexes	162	135	20%	9%	471	396	19%	9%
Real time data	23	23	1%	1%	70	70	(1%)	(1%)
Other information services	27	24	13%	13%	83	71	18%	21%
Total revenue	212	182	17%	9%	624	537	16%	9%
Cost of sales	(17)	(15)	15%	-	(52)	(45)	15%	5%
Gross profit	195	167	17%	9%	572	492	16%	9%

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

Post Trade Services - LCH

	Three months ended 30 September			Constant currency variance %	Nine months ended 30 September			Constant currency variance %
	2018	2017	Variance		2018	2017	Variance	
	£m	£m	%		£m	£m	%	
Revenue								
OTC - SwapClear, ForexClear & CDSClear	65	59	12%	12%	196	171	14%	16%
Non-OTC - Fixed income, Cash equities and Listed derivatives	34	33	2%	2%	101	99	2%	1%
Other	21	22	(5%)	(6%)	60	51	19%	18%
Total revenue	120	114	5%	6%	357	321	11%	11%
Net treasury income	46	31	49%	47%	128	87	48%	49%
Other income	0	(1)	-	-	0	6	-	-
Total income	166	144	15%	15%	485	414	17%	17%
Cost of sales	(31)	(23)	36%	36%	(83)	(63)	32%	31%
Gross profit	135	121	11%	11%	402	351	15%	15%

¹ Pass through of LIBOR data fees Cost of sales have now been netted off against Other income, 2018 Q3 impact £2m 9 months impact £7m

Post Trade Services - CC&G and Monte Titoli

	Three months ended			Constant currency variance	Nine months ended			Constant currency variance
	30 September				30 September			
	2018	2017	Variance		2018	2017	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Clearing	10	9	5%	9%	31	30	5%	4%
Settlement, Custody & other	15	17	(13%)	(13%)	46	52	(12%)	(14%)
Total revenue	25	26	(7%)	(5%)	77	82	(6%)	(7%)
Net treasury income	11	11	1%	2%	32	30	6%	4%
Total income	36	37	(4%)	(3%)	109	112	(3%)	(4%)
Cost of sales	(2)	(4)	(58%)	(58%)	(5)	(13)	(61%)	(61%)
Gross profit	34	33	3%	4%	104	99	5%	3%

¹ Pass through of T2S costs, Cost of sales have now been netted off against Settlement, Custody & other, 2018 Q3 impact £2m, 9 months impact £7m

Capital Markets

	Three months ended			Constant currency variance	Nine months ended			Constant currency variance
	30 September				30 September			
	2018	2017	Variance		2018	2017	Variance	
	£m	£m	%	£m	£m	%	%	
Revenue								
Primary Markets	20	30	(32%)	(32%)	83	77	7%	6%
Secondary Markets - Equities	39	39	1%	1%	128	123	4%	4%
Secondary Markets - Fixed income, derivatives and other	30	28	6%	7%	94	86	9%	9%
Total revenue	89	97	(8%)	(7%)	305	286	6%	6%
Cost of sales	(4)	(4)	(3%)	(3%)	(13)	(13)	1%	-
Gross profit	85	93	(8%)	(8%)	292	273	7%	6%

IFRS 15 changes

Adoption of IFRS 15 has reduced Q3 2018 Primary Markets revenues by £9m, compared to the previous treatment of revenues. On like-for-like basis, adding back the £9m, Capital Markets revenues in Q3 would have been 2% higher than Q3 2017.

If the adjustment had been made on 1 January 2018, the Q1, Q2, & Q3 adjustment to the quarterly revenue would have been a £3m decrease (2017: £1m increase), £5m decrease (2017: £3m decrease) and £1m decrease (2017: £5m decrease) respectively.

Primary Markets	<u>2018</u>			Nine months ended
	Q1	Q2	Q3	30 September
	£m	£m	£m	<u>2018</u>
Revenue (as previously reported)	29	33	30	<u>92</u>
IFRS 15 deferral adjustment	(3)	(5)	(1)	<u>(9)</u>
Revenue – revised for IFRS 15	26	28	29	83

The Group has chosen to adopt the modified retrospective approach and is therefore not required to restate financial statement issued prior to 1 January 2018 for the impact of IFRS 15. However for information purposes the P&L impact of IFRS 15 for the year ended 31 December 2017 would have been:

Primary Markets	<u>2017</u>				
	Q1	Q2	Q3	Q4	<u>2017</u>
	£m	£m	£m	£m	£m
Revenue (as previously reported)	21	26	30	33	110
IFRS 15 deferral adjustment	1	(3)	(5)	(6)	(13)
Revenue – revised for IFRS 15	22	23	25	27	97

Technology Services

	Three months ended			Organic and constant currency variance ¹	Nine months ended			Organic and constant currency variance ¹
	30 September				30 September			
	2018	2017	Variance		2018	2017	Variance	
Revenue	£m	£m	%	%	£m	£m	%	%
MillenniumIT & other technology	16	23	(32%)	15%	48	64	(26%)	17%
Cost of sales	(2)	(9)	(77%)	(24%)	(8)	(22)	(65%)	38%
Gross profit	14	14	(4%)	24%	40	42	(5%)	14%

¹ Excludes MillenniumIT ESP and Exactpro (disposed Q4 2017 and Q1 2018 respectively)

Basis of Preparation

Results for the period ended 30 September 2018 have been translated into Sterling using the average exchange rates for the period. Constant currency growth rates have been calculated by translating prior period results at the average exchange rate for the current period.

	Average rate 9 months ended 30 September 2018	Closing rate at 30 September 2018
GBP : EUR	1.13	1.12
GBP : USD	1.35	1.30

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

Appendix – Key performance indicators

Information Services

	As at		Variance %
	30 September		
	2018	2017	
ETF assets under management benchmarked (\$bn)			
FTSE	396	345	15%
Russell Indexes	267	227	18%
Total	663	572	16%

Terminals

UK	68,000	69,000	(1%)
Borsa Italiana Professional Terminals	107,000	116,000	(8%)

Post Trade Services - LCH

	Three months ended		Variance %	Nine months ended		Variance %
	30 September			30 September		
	2018	2017		2018	2017	
OTC derivatives						
SwapClear						
IRS notional cleared (\$tn)	236	197	20%	812	666	22%
SwapClear members	110	105	5%	110	105	5%
Client trades ('000)	332	313	6%	1,117	923	21%
CDSClear						
Notional cleared (€bn)	139	147	(5%)	464	445	4%
CDSClear members	15	13	15%	15	13	15%
ForexClear						
Notional value cleared (\$bn)	4,282	3,097	38%	12,946	7,943	63%
ForexClear members	32	28	14%	32	28	14%
Non-OTC						
Fixed income - Nominal value (€tn)	25.1	22.3	13%	74.1	65.2	14%
Listed derivatives (contracts m)	36.4	33.7	8%	113.3	110.1	3%
Cash equities trades (m)	179	194	(8%)	593	613	(3%)
Average cash collateral (€bn)	86.2	82.1	5%	86.0	85.0	1%

Post Trade Services - CC&G and Monte Titoli

	Three months ended			Nine months ended		
	30 September		Variance %	30 September		Variance %
	2018	2017		2018	2017	
CC&G Clearing						
Contracts (m)	23.8	22.6	5%	86.3	82.7	4%
Initial margin held (average €bn)	12.0	9.4	28%	10.5	11.6	(9%)
Monte Titoli						
Settlement instructions (trades m)	10.3	10.1	2%	34.3	33.0	4%
Custody assets under management (average €tn)	3.30	3.30	0%	3.30	3.26	1%

Capital Markets - Primary Markets

	Three months ended			Nine months ended		
	30 September		Variance %	30 September		Variance %
	2018	2017		2018	2017	
New Issues						
UK Main Market, PSM & SFM	17	18	(6%)	55	60	(8%)
UK AIM	13	25	(48%)	49	53	(8%)
Borsa Italiana	12	11	9%	25	22	14%
Total	42	54	(22%)	129	135	(4%)
Money Raised (£bn)						
UK New	2.0	2.6	(23%)	3.9	5.0	(22%)
UK Further	3.1	3.6	(14%)	13.8	12.0	15%
Borsa Italiana new and further	0.6	0.9	(33%)	3.1	13.1	(76%)
Total (£bn)	5.7	7.1	(20%)	20.8	30.1	(31%)

Capital Markets - Secondary Markets

	Three months ended			Nine months ended		
	30 September		Variance %	30 September		Variance %
	2018	2017		2018	2017	
Equity						
Totals for period						
UK value traded (£bn)	329	327	1%	1,098	1,010	9%
Borsa Italiana (no of trades m)	15.4	15.1	2%	54.8	52.6	4%
Turquoise value traded (€bn)	180	225	(20%)	644	781	(18%)
SETS Yield (basis points)	0.65	0.63	3%	0.63	0.63	0%
Average daily						
UK value traded (£bn)	5.1	5.1	0%	5.8	5.3	9%
Borsa Italiana (no of trades '000)	240	237	1%	288	275	5%
Turquoise value traded (€bn)	2.8	3.5	(20%)	3.4	4.1	(17%)
Derivatives (contracts m)						
LSE Derivatives	1.1	1.5	(27%)	5.2	4.7	11%
IDEM	7.5	6.6	14%	28.2	27.1	4%
Total	8.6	8.2	5%	33.4	31.8	5%
Fixed Income						
MTS cash and BondVision (€bn)	670	733	(9%)	2,558	2,635	(3%)
MTS money markets (€bn term adjusted)	21,134	17,385	22%	65,098	58,740	11%

Total Income – Quarterly

£ millions	<u>2017</u>				<u>2017</u>	<u>2018</u>		
	Q1	Q2	Q3	Q4		Q1	Q2	Q3
Primary Markets	21	26	30	33	110	29	33	20
Secondary Markets - Equities	42	42	39	40	163	45	44	39
Secondary Markets - Fixed income, derivatives & other	31	28	28	31	118	33	31	30
Capital Markets	94	96	97	104	391	107	108	89
Clearing	11	9	9	10	39	10	12	10
Settlement, Custody & other	17	18	17	18	70	18	12	15
Post Trade Services - CC&G and Monte Titoli	28	27	26	28	109	28	24	25
OTC - SwapClear, ForexClear & CDSClear	57	55	59	60	231	66	64	65
Non OTC - Fixed income, Cash equities & Listed derivatives	33	33	33	34	133	33	34	34
Other	16	13	22	17	68	19	21	21
Post Trade Services - LCH	106	101	114	111	432	118	119	120
FTSE Russell Indexes	127	134	135	150	546	150	159	162
Real time data	23	24	23	24	94	24	23	23
Other information	24	23	24	25	96	27	29	27
Information Services	174	181	182	199	736	201	211	212
Technology Services	20	21	23	27	91	13	19	16
Other	1	4	1	3	9	3	2	2
Total Revenue	423	430	443	472	1,768	470	483	464
Net treasury income through CCP:								
CC&G	10	10	11	11	42	10	11	11
LCH	24	31	31	34	120	38	45	46
Other income	4	14	1	6	25	2	1	1
Total income	461	485	486	523	1,955	520	540	522
Cost of sales	(51)	(51)	(56)	(57)	(215)	(56)	(50)	(57)
Gross profit	410	434	430	466	1,740	464	490	465

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