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26 June 2014

For Immediate Release

LONDON STOCK EXCHANGE GROUP PLC

PROPOSED ACQUISITION OF FRANK RUSSELL COMPANY AND FULLY UNDERWRITTEN RIGHTS ISSUE

Summary

- London Stock Exchange Group plc announces the proposed acquisition of the entire issued share capital of Frank Russell Company from Northwestern Mutual and other minority shareholders of Russell for total cash consideration of US$2,700 million (£1,590 million)[1]

- The Directors believe the Acquisition is a rare opportunity to acquire a high quality US business with a leading global brand providing index and investment management services
    - Combination of Russell's index business with FTSE creates a global leader in index services and the No. 2 player in US-listed ETFs
    - Brings together US$5.2 trillion of assets benchmarked to Russell and an estimated US$4.0 trillion of equities benchmarked to FTSE
    - Further develops LSEG's intellectual property portfolio
    - Accelerates LSEG's diversification strategy and enhances its Information Services offering, particularly in the US
    - Allows LSEG to capitalise further on key industry trends such as strong growth in multi-asset solutions and passive investment strategies
    - Strengthens and deepens LSEG's relationships with global clients and other stakeholders

- Russell's investment management business is one of the leading providers of multi-asset class investment solutions to institutional and retail investors worldwide
    - With US$256 billion[2] AUM, the business is a highly regarded investment platform poised for continued growth in a large and growing market

- The business utilises the integration of five distinct investment capabilities: portfolio construction, capital market insights, manager research, indices and portfolio implementation
- Russell's approach and capabilities are positioned to focus on outcome-orientated investment solutions

- LSEG will undertake a comprehensive review of Russell's investment management business to determine its positioning and fit with the Group
    - LSEG is committed to maintaining a clear focus on client service, fund performance and management and employee stability, whilst ensuring appropriate standalone governance

- Russell's President and Chief Executive Officer, Len Brennan, will join the Executive Committee of LSEG at Completion

- Approximately US$1,600 million (£942 million)[1] of the consideration will be financed from the net proceeds of the Rights Issue, with the remaining approximately US$1,100 million (£648 million)[1] financed from existing and new LSEG bank debt facilities

- The Directors expect the Acquisition will deliver highly attractive financial returns
    - Annual run-rate cost synergies of US$78 million (£46 million)[1] by the end of year three, and annual run-rate revenue benefits of US$30 million (£18 million)[1] and US$48 million (£28 million)[1] by the end of years three and five, respectively
    - Earnings accretive in the first full year on an aggregate basis, with Russell's index business accretive from year two on a standalone basis[3,4]
    - ROIC that meets LSEG's hurdle rate in year three and exceeds it thereafter, on an aggregate and standalone index business basis[3,4]

- Pro forma leverage is expected to be approximately 2.4x net debt to EBITDA as at Completion and is expected to reduce to 2.0x or below in the 12 months following Completion[3,4]

- The Acquisition is classified under the Listing Rules as a Class 1 transaction and accordingly is conditional on the approval of Shareholders which is anticipated in September 2014

- The Rights Issue is expected to be launched in September 2014, after the approval of the Acquisition by Shareholders.

Commenting on the Acquisition, Xavier Rolet, Chief Executive of LSEG, said:

"The acquisition of Russell is another significant milestone for LSEG. It sits squarely with our diversification strategy, builds on one of our core strengths in intellectual property and provides another key driver of growth by growing our presence in the US, the largest global financial services market. Russell's index management business is a strong strategic fit with FTSE. With this acquisition we are strongly positioned for the changing dynamics in the global indices market with a best in class offering, which we believe will help deliver outstanding returns for our shareholders. We will work with Len and his team to review the investment management business and determine its fit with the Group. This is a very high quality business with a track record of innovation and a world-class client and employee base, and we are committed to preserving the qualities that have attracted these clients and employees to the firm."

Len Brennan, President and Chief Executive Officer of Russell, said:

"LSEG and Russell are two of the most highly respected financial services firms in the world, and this joining of the two organisations offers many strategic benefits. The combination of our index business with FTSE creates a truly global index leader, with a highly complementary fit of products and distribution capabilities and a unique position as a leader in major domestic market benchmarks as well as international equities. Russell's investment management business has been a pioneer in innovation in the areas of passive management and smart beta and incorporating such strategies into our multi-asset solutions, and we are committed to maintaining the highest standards of client continuity and service."

This summary should be read in conjunction with the full text of this announcement.

Conference call and webcast details

An analyst and investor call will be held at 9.00 a.m. (BST) today. Details of the call are as follows:

UK: 0800 694 0257
International: +44 (0)145 255 5566

Participants should ask to join the LSEG call - ID: 60043814

Participants will be able to access the presentation slides from 8:00 a.m. today by going to our website using the following link:

http://www.lseg.com/investor-relations

A replay of the conference call will be available later this morning, after the conclusion of the call, available on the same section of our website as above.

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This announcement has been issued by and is the sole responsibility of LSEG.

This announcement is not a prospectus but an advertisement and investors should not acquire any Nil Paid Rights, Fully Paid Rights or New Shares referred to in this announcement except on the basis of the information contained in the Prospectus to be published by LSEG in connection with the Rights Issue. The information contained in this announcement is for background purposes only and does not purport to be full or complete. The information in this announcement is subject to change.

A copy of the Prospectus when published will be available from the registered office of LSEG and on LSEG's website at www.lseg.com provided that the Prospectus will not, subject to certain exceptions, be available (whether through the website or otherwise) to Shareholders in the United States or any other Excluded Territory.

Neither the content of LSEG's website nor any website accessible by hyperlinks on LSEG's website is incorporated in, or forms part of, this announcement. The Prospectus will give further details of the New Shares, the Nil Paid Rights and the Fully Paid Rights being offered pursuant to the Rights Issue.

This announcement is for information purposes only and is not intended to and does not constitute or form part of any offer or invitation to purchase or subscribe for, or any solicitation to purchase or subscribe for, Nil Paid Rights, Fully Paid Rights or New Shares or to take up any entitlements to Nil Paid Rights in any jurisdiction. No offer or invitation to purchase or subscribe for, or any solicitation to purchase or subscribe for, Nil Paid Rights, Fully Paid Rights or New Shares or to take up any entitlements to Nil Paid Rights will be made in any jurisdiction in which such an offer or solicitation is unlawful. The information contained in this announcement is not for release, publication or distribution to persons in any Excluded Territory, and should not be distributed, forwarded to or transmitted in or into any jurisdiction, where to do so might constitute a violation of local securities laws or regulations.

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This announcement does not constitute a recommendation concerning any investor's options with respect to the Rights Issue. The price and value of securities can go down as well as up. Past performance is not a guide to future performance. The contents of this announcement are not to be construed as legal, business, financial or tax advice. Each Shareholder or prospective investor should consult his, her or its own legal adviser, business adviser, financial adviser or tax adviser for legal, financial, business or tax advice.

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No person has been authorised to give any information or to make any representations other than those contained in this announcement and, when published, the Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by LSEG or Barclays, Greenhill and RBC Capital Markets. Subject to the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority, the issue of this announcement shall not, in any circumstances, create any implication that there has been no change in the affairs of LSEG since the date of this announcement or that the information in it is correct as at any subsequent date.

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Cautionary statement regarding forward-looking statements

This announcement may contain certain forward-looking statements, beliefs or opinions, with respect to the financial condition, results of operations and business of LSEG, Russell and the Enlarged Group.

These statements, which contain the words “anticipate”, “believe”, “intend”, “estimate”, “expect”, “may”, “will”, “seek”, “continue”, “aim”, “target”, “projected”, “plan”, “goal,” “achieve” and words of similar meaning, reflect the Company's beliefs and expectations and are based on numerous assumptions regarding the Company’s present and future business strategies and the environment the Company and the Enlarged Group will operate in and are subject to risks and uncertainties that may cause actual results to differ materially. No representation is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of the Company or the Enlarged Group to be materially different from those expressed or implied by such forward looking statements. Many of these risks and uncertainties relate to factors that are beyond the Company's or the Enlarged Group’s ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of regulators and other factors such as the Company's or the Enlarged Group’s ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company or Russell operates or in economic or technological trends or conditions. Past performance of the Company or Russell cannot be relied on as a guide to future performance. As a result, you are cautioned not to place undue reliance on such forward-looking statements. The list above is not exhaustive and there are other factors that may cause the Company’s or the Enlarged Group’s actual results to differ materially from the forward-looking statements contained in this announcement Forward-looking statements speak only as of their date and the Company, its parent and subsidiary undertakings, the subsidiary undertakings of such parent undertakings, Barclays, Greenhill and RBC Capital Markets and any of such person’s respective directors, officers, employees, agents, affiliates or advisers expressly disclaim any obligation to supplement, amend, update or revise any of the forward-looking statements made herein, except where it would be required to do so under applicable law.

You are advised to read this announcement and, once published, the Prospectus in their entirety for a further discussion of the factors that could affect LSEG's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this announcement may not occur.

No statement in this announcement is intended as a profit forecast or a profit estimate and no statement in this announcement should be interpreted to mean that earnings per share of LSEG for the current or future financial years would necessarily match or exceed the historical published earnings per share of LSEG.

LONDON STOCK EXCHANGE GROUP PLC

PROPOSED ACQUISITION OF RUSSELL AND FULLY UNDERWRITTEN RIGHTS ISSUE

1. Introduction

London Stock Exchange Group plc today announces the proposed acquisition of the entire issued share capital of Frank Russell Company from Northwestern Mutual and other minority shareholders of Russell for total consideration in cash of US$2,700 million (£1,590 million)[1]. The Directors believe the Acquisition is a rare opportunity to acquire a high quality US business with a leading global brand.

Russell's index business is the No.1 provider of benchmarks to US-focused equity funds and also provides customised and highly innovative index solutions for clients. The business is a clear strategic fit for the Group and the combination with FTSE and the resulting synergies provides the opportunity for attractive financial returns that should significantly enhance Shareholder value.

Russell's investment management business, with US$256 billion[2] of assets under management and a leading client implementation services business, is one of the leading providers of multi-asset class investment solutions to institutional and retail investors worldwide. The business is poised for continued growth in a large and growing market. Further details in relation to investment management are set out in section 6 below.

As described in section 9 below, LSEG proposes to undertake a Rights Issue to raise approximately US$1,600 million (£942 million)[1] of net proceeds to part fund the cash consideration for Russell. The Rights Issue is expected to be launched in September 2014, following the approval of the Acquisition by Shareholders at the General Meeting.

In view of its size in relation to LSEG, the Acquisition is classified under the Listing Rules as a Class 1 transaction and accordingly is conditional on the approval of Shareholders.

2. Background to and reasons for the Acquisition and Rights Issue

2.1 LSEG strategy

LSEG is a leading diversified financial markets infrastructure and capital markets group that sits at the heart of the world's financial community. LSEG seeks to enhance Shareholder value and achieve attractive financial returns by focusing on:

- **Building best-in-class capabilities**: LSEG aims to provide the best possible service to clients with a focus on operational excellence and investments in product innovation, skills, infrastructure and technology while maintaining a disciplined approach to costs.

- **Creating a global business**: Increasing its global reach allows LSEG to further extend its high quality systems, sales and distribution capabilities and offer innovative products to new clients and new geographies, including in attractive emerging markets. It also enables LSEG to provide improved services to existing international clients across multiple jurisdictions.

- **Developing opportunities**: LSEG's strategy is focused on delivering solutions to clients across a range of core activities; such as capital formation (primary and secondary markets), intellectual property (indices, data and technology) and risk and balance sheet management (clearing, settlement and CSD services). Within these areas, LSEG is focused on maximising value from the Group's assets by responding to demand for new products, further diversifying into new asset classes and extending sales to new clients. Bringing these products together and creating the highest quality offerings benefits clients as well as Shareholders.

- **Delivering open access partnerships**: LSEG is uniquely positioned as the only global open access market infrastructure player which works in close partnership with its clients across all of its businesses. LSEG's open access philosophy is core to its business and operating model and it has a proven track record of success. Open access is supported by both buy side and sell side clients, as well as corporate issuers and is consistent with good business practice in terms of providing optionality to clients.

2.2 Reasons for the Acquisition

The Directors believe that the Acquisition represents a rare opportunity to acquire a high quality US business with a leading global brand that provides index and investment management services.

Russell's index business is a clear strategic fit for the Group as the No.1 provider of benchmarks to US focused equity funds. The combination with FTSE and the resulting synergies provides the opportunity for attractive financial returns that should significantly enhance Shareholder value.

Russell's investment management business, with US$256 billion[2] AUM, is poised for continued strong and attractive growth. Russell's highly regarded investment platform has a stable and attractive revenue model in a large and growing market. The investment management business, which also includes a best-in-class implementation services business, is led by a highly experienced management team and is well positioned to meet increasing client demands for multi-asset solutions and smart beta, passive investment strategies. Further details in relation to investment management are set out in section 6 below.

The Directors believe the combination of Russell with LSEG creates compelling strategic, growth and operational opportunities:

- **Building a strong US footprint**: The combination of Russell's index business with FTSE will both strengthen and extend the geographic presence of LSEG's Information Services division and the Group as a whole, particularly in the US. Investors in the US will have increased benchmark choice as a result of the combination. In the US, 73 per cent. of institutional equity portfolios by AUM are benchmarked to Russell's index business, including 98 per cent. of small-cap and style-specific equity AUM. In addition, 98 per cent. of US equity index contracts traded on ICE are based on the Russell 2000 index.

- **Strategic fit with FTSE**: The products and client services offered by Russell's index business are highly complementary with those of FTSE and create cross-selling opportunities and significant growth potential. The Acquisition is expected to accelerate LSEG's growth and is consistent with the Company's stated objective of seeking opportunities to develop its intellectual property portfolio. LSEG believes revenue enhancement opportunities exist in aligning commercial policies and compliance selling, cross-selling complementary products and developing new service enhancements. In addition, cost synergies and operational efficiencies are expected to be gained from the combination of Russell's index business with FTSE.

- **Creating a global index leader**: The combined business, with total revenues of US$466 million[5] (£274 million)[1], brings together US$5.2 trillion of assets benchmarked to Russell and an estimated US$4.0 trillion benchmarked to FTSE. The combination substantially extends the geographic presence of each business with leadership positions in North America, Europe and Asia. The combined business created through the merger will be a global leader comparable in scale with MSCI, with combined ETF AUM of US$339 billion. The incremental scale will enable the Group to improve client servicing and strengthen and deepen its relationships with global clients and other stakeholders, positioning the Group well for future growth and expansion.

- **Capitalising on key sector trends**: The combined group will be well-positioned to benefit from key trends in the market, including growing client demand globally for multi-asset services and passive investment strategies. AUM in passive investment strategies is expected to grow at an 18 per cent.[6] CAGR until 2020 driven by greater regulation of the investment management industry, and increased focus on cost reduction and transparency. The overall asset management industry is expected to increase from approximately US$60 trillion today to more than US$100 trillion by 2020, a compound annual growth rate of nearly 6 per cent.[6] This will provide significant growth opportunities for Russell index products such as smart beta and custom / strategy indices.

- **Attractive financial returns**: The Board expects the transaction to deliver attractive financial returns to LSEG's Shareholders. The Acquisition is expected to be earnings accretive in the first full year after acquisition on an aggregate basis, with Russell's index business accretive from year two on a standalone basis[3,4]. The Acquisition is expected to deliver a ROIC that meets LSEG's hurdle rate in year three and exceeds it thereafter, on an aggregate and standalone index basis[3,4]. Financial targets will be achieved through:

    - **Accelerating growth opportunities**: While Russell's index business has already been growing at approximately a 10 per cent. CAGR since 2011, the Board believes there will be additional revenue enhancement opportunities through integration and consequent synergies with FTSE. LSEG is targeting annual run-rate revenue benefits of US$30 million (£18 million)[1] and US$48 million (£28 million)[1] by the end of years three and five, respectively.

    - **Operational efficiencies**: LSEG is targeting annual run-rate cost synergies of US$78 million (£46 million)[1] by the end of year three, expected to be achieved by removing duplication in index operations, systems and back office support, combining research functions and eliminating duplicate data sources. To achieve these synergies, LSEG expects to incur US$71 million (£42 million)[1] of implementation costs in aggregate, the substantial majority of which will be incurred in years one and two.

3. Summary information on LSEG

LSEG is a leading diversified international exchange group that sits at the heart of the world's financial community. The Group operates a broad range of international equity, bond and derivatives markets, including: London Stock Exchange; Borsa Italiana; MTS, one of Europe's leading fixed income markets; and the pan-European equities platform, Turquoise. Through its markets, the Group offers international business, and investors, unrivalled access to Europe's capital markets.

Post trade and risk management services are a significant and growing part of the Group's business operations. LSEG operates CC&G, the Rome headquartered CCP, and Monte Titoli, the significant European settlement business, selected as a first wave T2S participant. The Group is also a majority owner of leading multi-asset global CCP, LCH.Clearnet.

The Group offers its customers an extensive range of real-time and reference data products, including Sedol, UnaVista, Proquote and RNS. FTSE calculates thousands of unique indices that measure and benchmark markets and asset classes in more than 80 countries around the world.

LSEG is also a leading developer of high performance trading platforms and capital markets software. In addition to the Group's own markets, over 40 other organisations and exchanges around the world use the Group's MillenniumIT trading, surveillance and post trade technology.

Headquartered in London, United Kingdom, with significant operations in Italy, France, North America and Sri Lanka, the Group employs approximately 2,800 people. LSEG's shares are admitted to the premium segment of the Official List and to trading on the London Stock Exchange. LSEG is a member of the FTSE 100 index and had a market capitalisation of approximately £5,094 million as at the close of business on 25 June 2014.

4. Summary information on Russell

Russell is comprised of two primary businesses: indices and investment management. Russell's index business is the No.1 provider of benchmarks to US focused equity funds and has strong relationships with leading asset managers and exchanges. The business provides customised and innovative index solutions including smart beta products to a global client base. Over US$5.2 trillion of assets are benchmarked to Russell indices globally including US$778 billion of AUM invested in passive funds and ETFs. The business has a 96 per cent. retention rate, outperforming most competitors.

The investment management business of Russell is composed of two main sub-units: the investment management division and the implementation services division. The investment management business has US$256 billion[2] of AUM focused on outcome oriented investing and employs a multi-asset solutions approach. Russell's investment management business has 22 offices globally across 13 countries. Longer-term fund performance is at an all-time high with 100 per cent. of multi-asset solutions outperforming benchmarks[7]. Russell also offers consulting services to clients and has US$2.4 trillion of assets under advisement.

The implementation services division is registered dually as both an investment advisor with fiduciary responsibility as well as an agency-only broker. The division provides both event-based services (transition management) and overlay services such as real-time maintenance of multi-strategy portfolios around large re-balances; cash flow management to reduce risk; agency currency trading; exposure management tools for portfolio managers; and transition services and commission recapture. The division managed US$772 billion of portfolio transitions in 2013.

5. Financial information on Russell

5.1 Summary audited US GAAP financial information

The following consolidated financial information has been extracted from the audited US GAAP statutory accounts of Russell for the year ended 31 December 2013.

US$ million	Year ended 31 December 2013
Total gross revenues[8]	1,604
Total income from operations	204
Total assets[9,10]	1,826

5.2 Summary unaudited management financial information

The following consolidated financial information has been extracted from unaudited management financial information of Russell for the year ended 31 December 2013.

US$ million	Year ended 31 December 2013
Net revenues – Index[8]	170
Net revenues – Investment management[8]	784
Total net revenues[8]	954

Operating profit – Index	81
Operating profit – Investment management	135
Total operating profit	216
Normalised EBITDA – Index[11]	83
Normalised EBITDA – Investment management[11]	153
Total normalised EBITDA[11]	236

Additional selected unaudited management financial information on Russell is contained in Appendix II to this announcement.

5.3 Audited IFRS financial information on Russell

In accordance with the Listing Rules, the Prospectus when published will include full audited historic three year financial information on Russell in 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 Russell set out in section 5.1 and 5.2, including in relation to Note 10 of Appendix I.

5.4 Forward-looking statements in relation to the Acquisition

As noted in Note 3 of Appendix I, certain LSEG forward-looking statements in relation to the Acquisition in this announcement (notably in relation to pro forma earnings accretion, ROIC and leverage) have been based on non-IFRS financial projections on Russell. These statements may be subject to amendment by LSEG in the Prospectus when such statements are based on Russell financial projections under IFRS or IFRS-consistent accounting policies adopted by LSEG in its own internal Group projections.

6. Integration and review of Russell

Following the Acquisition, LSEG intends to integrate Russell's index business into its Information Services division and, in combination with FTSE, create a global leader in indices to deliver significant benefits to clients and Shareholders.

In addition, LSEG will undertake a comprehensive review of Russell's investment management business to determine its positioning and fit with the Group. As part of that review, LSEG will seek to evaluate further the linkages with Russell's index business, since the two businesses have historically been operationally aligned. This review is expected to complete at or following Completion.

LSEG is committed to maintaining the existing clear focus on client service and fund performance in Russell's investment management business. LSEG will focus significant resources both on retaining existing clients and continuing existing momentum in winning new clients. It will also provide continued strong support and investment for growth and innovation. Particular attention will be paid by LSEG to creating appropriate standalone governance and operations for Russell's investment management business, while also focusing on maintaining strong management and employee continuity.

7. Summary of the key terms of the Acquisition

Under the terms of the Merger Agreement, Merger Sub, will acquire Russell by way of a statutory merger under Washington state law. The aggregate amount payable by LSEG for the Acquisition will be US$2,700 million (£1,590 million)[1] in cash, subject to certain customary adjustments. At Completion, Merger Sub will merge with and into Russell, with Russell surviving the merger as an indirect wholly owned subsidiary of LSEG.

The Merger Agreement contains customary representations and warranties, covenants, undertakings and conditions for a transaction of this nature. Russell and its majority shareholder, Northwestern Mutual, have agreed not to solicit competing proposals or provide information or engage in discussions with third parties. Following Completion, the former shareholders of Russell have agreed to indemnify LSEG and Russell for, among other things, breaches of representations, warranties and covenants made by Russell or such shareholders, subject to customary limitations.

Completion of the Acquisition will be subject to certain conditions, including:

- The approval of the Acquisition (as a Class 1 transaction under the Listing Rules) by a majority of votes cast by Shareholders at the General Meeting;
- Rights Issue authorities being approved by Shareholders at the AGM or, if applicable, at the General Meeting such that the Rights Issue can be implemented;
- The receipt of consents from certain Russell investment management clients representing at least 70 per cent. of Russell's investment management fee revenues as of an agreed upon base date;
- Certain antitrust and regulatory approvals, including under the Hart-Scott-Rodino Antitrust Improvements Act (US) and by the UK Competition and Markets Authority, and confirmation that the Acquisition will not result in the Company becoming an FHC; and
- The receipt by LSEG of the Rights Issue proceeds.

The Merger Agreement contains certain termination rights for Russell and LSEG and further provides that, in connection with the termination of the Merger Agreement, under specified circumstances (including if the Acquisition is not approved at the General Meeting) LSEG may be required to pay a US$27 million (£16 million)[1] termination fee.

If the Board changes its recommendation that Shareholders vote in favour of the Acquisition, Russell or LSEG may terminate the Merger Agreement. In that circumstance LSEG would be required to pay Russell a termination fee equal to 1 per cent. of LSEG's market capitalisation, measured as at 25 June 2014,equivalent to approximately £51 million (US$86 million)[1].

The Merger Agreement provides for a long-stop date of 31 March 2015.

8. Financing of the Acquisition

The consideration to be paid by LSEG at Completion will be US$2,700 million (£1,590 million)[1], of which approximately US$1,600 million (£942 million)[1] will be financed from the net proceeds of the Rights Issue. The remaining approximately US$1,100 million (£648 million)[1] of the consideration will be financed by LSEG from existing and new bank debt facilities, including a new £600 million multi-currency revolving credit facility with an initial two year term and an ability for LSEG to extend for a further year. Appropriate foreign exchange hedging arrangements with respect to the Acquisition consideration are being put in place by LSEG.

The mix of debt and equity financing for the Acquisition is driven by credit rating and capital structure considerations. From an internal allocation perspective, LSEG considers that Russell's investment management business is being fully funded solely by debt and Russell's index business is being funded by the Rights Issue and a portion of the debt.

Pro forma leverage of the Enlarged Group is expected to be approximately 2.4x net debt to EBITDA as at Completion and is expected to reduce to 2.0x or below in the 12 months following Completion, consistent with LSEG's commitment to maintain an investment grade rating[3,4].

9. Rights Issue

With respect to the Rights Issue, which will raise approximately US$1,600m (£942 million)[1] of net proceeds, LSEG has entered into a fully underwritten Standby Agreement. The Standby Agreement is expected to remain in place until the publication of the Prospectus, at which point the Underwriting Agreement will replace the Standby Agreement. The Standby Agreement provides that the issue price of the Shares to be issued in connection with the Rights Issue will be agreed by LSEG and the Sole Global Co-ordinator at the time the Prospectus is published and will be set out in the Underwriting Agreement. The Standby Agreement contains customary representations and warranties, undertakings and conditions.

If the Rights Issue were to proceed but the Acquisition does not complete, LSEG commits to return the Rights Issue proceeds to Shareholders.

10. Dividends

The Board intends to continue with its current policy of paying dividends on a progressive basis following the proposed acquisition of Russell. Future dividend payments per Share will be adjusted to take account of the enlarged number of Shares that will be in issue following the Rights Issue and the Acquisition.

11. Management and employees

The Board attaches great importance to the skills and experience of the management and employees of Russell and believes that they will be an important factor for the success of the Enlarged Group. Russell's President and Chief Executive Officer, Len Brennan, will join the Executive Committee of LSEG at Completion.

In part to replace legacy Russell employee retention and incentive plans that will cease from Completion, certain new retention and incentive plans will be put in place by LSEG for key Russell employees (in both the index and investment management businesses) to drive stability and enhance performance of the Enlarged Group from Completion.

12. Expected timetable of principal events[12]

Date	Event
26 June 2014	Transaction signing and announcement
16 July 2014	AGM at which Rights Issue authorities to be approved
August / September 2014	Prospectus published and posted to Shareholders
September 2014	General Meeting to approve the Acquisition
September 2014	Expected launch of the Rights Issue
Early Q4 2014	Expected completion of the Rights Issue
Q4 2014 / early Q1 2015	Regulatory approvals and anti-trust clearances / client consents
Late Q4 2014 / early Q1 2015	Expected completion of the Acquisition

APPENDIX I – KEY NOTES

1. Converted from US$ to £ at a rate of 0.5888 as at 25 June 2014.

2. Comprises US$181 billion AUM and a US$75 billion derivatives overlay.

3. This statement is based on non-IFRS financial projections on Russell. This statement may be subject to amendment by LSEG in the Prospectus when based on Russell financial projections under IFRS and / or IFRS-consistent accounting policies adopted by LSEG in its own internal Group projections.

4. This statement is not intended as a profit forecast or a profit estimate and should not be interpreted to mean that earnings per Share of LSEG for the current or future financial years would necessarily match or exceed the historical published earnings per Share of LSEG.

5. Inclusive of all Russell index revenue including non-US revenues.

6. Source: PwC (February 2014) – Asset Management 2020.

7. Five year basis as of 31 December 2013, gross of fees.

8. Net revenue is defined as gross revenue less distribution fees, client fees, commission rebates and discounts, agency fees and certain other items.

9. Russell's total assets in its audited US GAAP statutory accounts as at 31 December 2013 included US$103 million book value in relation to certain private equity interests which are excluded from the Acquisition perimeter and will be retained by Northwestern Mutual.

10. LSEG expects that when restated from US GAAP to IFRS, in a form consistent with the accounting policies adopted by LSEG in its own annual consolidated accounts, total assets for Russell as at 31 December 2013 will be reduced by up to US$821 million due to the elimination of goodwill in relation to Northwestern Mutual's acquisition of Russell in 1999. LSEG does not expect any material earnings-related impact from the restatement of this item.

11. Based on unaudited Russell management financial information, total depreciation and amortisation for the year ended 31 December 2013 of US$24 million was allocated US$6 million with respect to the index business and US$18 million with respect to the investment management business. EBITDA is stated after certain Russell management normalisation and other adjustments, including in relation to the treatment of multi-year contracts.

12. The expected timetable of principal events may change, in which case details of the new timetable will be notified publicly by LSEG.

13. A portion of Russell's EMEA revenue includes income from the UK.

APPENDIX II – ADDITIONAL FINANCIAL INFORMATION

A. Additional unaudited management financial information on Russell

The following additional consolidated financial information on Russell's index business has been extracted from unaudited management financial information of Russell.

A1 – Russell's index business net revenues and normalised EBITDA

US$ million	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
Data licensing	69	75	85
ETF	35	35	41
Passive funds	5	8	11
Derivatives / options	30	26	29
Structured products	2	3	4
Index net revenues[8]	141	148	170
Index normalised EBITDA[11]	66	73	83
% of index net revenues	46%	49%	49%

A2 – Russell's index business net revenue by client domicile

%	Year ended 31 December 2013
United States	96%
EMEA	3%
Canada	1%
Japan	1%
Index net revenues[8]	100%

In accordance with the Listing Rules, the Prospectus when published will include full audited historic three year financial information on Russell in 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 Russell set out in A1 and A2 above.

B. Illustrative unaudited pro forma financial information on the Acquisition

The following sets out the illustrative unaudited pro forma impact of the Acquisition on the divisional revenue and EBITDA of the Enlarged Group. The financial information in relation to LSEG has been extracted from the Group's audited IFRS consolidated accounts for the year ended 31 March 2014. The financial information in relation to Russell has been extracted from unaudited management financial information for the year ended 31 December 2013.

B1 – Illustrative revenue pro forma[1,3]

£ million	LSEG	%	LSEG & Russell index	%	LSEG & Russell	%
UK	466	43%	466	39%	466	28%
North America	158	14%	254	21%	524	32%
EMEA[(13)]	398	37%	401	34%	489	30%
Asia and RoW	66	6%	67	6%	170	10%
Total	1,088	100%	1,188	100%	1,650	100%

B2 – Illustrative EBITDA pro forma[1,3]

£ million	LSEG	%	LSEG & Russell index	%	LSEG & Russell	%
Post Trade	193	34%	193	31%	193	27%
Capital Markets	170	30%	170	27%	170	24%
Information Services	185	32%	234	38%	234	33%
Technology & Other	26	4%	26	4%	26	3%
Investment Management	-	-	-	-	90	13%
Total	574	100%	623	100%	713	100%

In accordance with the Listing Rules, the Prospectus when published will include pro forma financial information on the Enlarged Group based on IFRS. Such information will differ from the illustrative pro forma information set out in B1 and B2 above.

APPENDIX III – DEFINITIONS / GLOSSARY

“Acquisition”	the proposed acquisition of Russell by LSEG in accordance with the Merger Agreement
“AGM”	the annual general meeting of the Company to take place on 16 July 2014 as set out in the notice of meeting dated 12 June 2014
“AUM”	assets under management
“Barclays”	Barclays Bank PLC
“CAGR”	compound annual growth rate
“Company” or “LSEG”	London Stock Exchange Group plc
“Completion”	completion of the Acquisition under the Merger Agreement
“CSD”	central securities depository
“Directors” or “Board”	the Executive Directors and Non-Executive Directors
“EBITDA”	earnings before interest, taxes, depreciation and amortisation
“EMEA”	Europe, Middle East and Africa
“Enlarged Group”	the Group following its acquisition of Russell
“ETF”	exchange traded fund
“EU”	European Union
“Excluded Territories”	the Commonwealth of Australia, its territories and possessions, the Republic of South Africa, Canada and Japan
“Executive Directors”	the executive Directors of the Company as at the date of this document
“Financial Conduct Authority” or “FCA”	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“FHC”	a financial holding company as defined in Article 4(20) of EU Regulation No.575/2013 on prudential requirements for credit institutions and investment firms
“FSMA”	the Financial Services and Markets Act 2000, as amended
“FTSE”	FTSE International Limited
“Fully Paid Rights”	rights to acquire New Shares, fully paid
“General Meeting”	the general meeting of the Company to be convened to consider the Resolution(s)

"Greenhill"	Greenhill & Co. International LLP
"Group"	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings
"ICE"	Intercontinental Exchange
"IFRS"	International Financial Reporting Standards
"Listing Rules"	the listing rules of the Financial Conduct Authority
"LSEG"	London Stock Exchange Group plc
"Merger Agreement"	the merger agreement dated 25 June 2014, a summary of which is contained in section 7 of this announcement
"Merger Sub"	an indirect wholly-owned subsidiary of LSEG newly formed for the purposes of the Acquisition
"New Shares"	the new Shares which the Company will allot and issue pursuant to the Rights Issue, including, where appropriate, the Provisional Allotment Letters, the Nil Paid Rights and Fully Paid Rights
"Nil Paid Rights"	rights to acquire New Shares, nil paid
"Non-Executive Directors"	the non-executive Directors of the Company as at the date of this document
"Northwestern Mutual"	The Northwestern Mutual Life Insurance Company
"Official List"	the Official List of the Financial Conduct Authority
"Overseas Shareholders"	Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of jurisdictions outside the United Kingdom
"Peter J. Solomon"	Peter J. Solomon Company
"Prospectus"	the prospectus and circular issued by the Company in respect of the Rights Issue and the Acquisition, together with any supplements or amendments thereto and including the notice of General Meeting
"Prospectus Rules"	the Prospectus Rules of the Financial Conduct Authority
"Provisional Allotment Letter"	the provisional allotment letter to be issued to Qualifying non-CREST Shareholders (other than certain Overseas Shareholders)
"Qualifying Shareholders"	Shareholders on the register of members of the Company at the Record Date
"RBC Capital Markets"	RBC Europe Limited

“Resolution(s)”	the resolution(s) to be proposed at the General Meeting in connection with the Acquisition and the Rights Issue, notice of which will be set out in the Prospectus
“Record Date”	the record date for the Rights Issue
“Rights Issue”	the offer by way of rights to Qualifying Shareholders to subscribe for New Shares, on the terms and conditions to be set out in the Prospectus and the Provisional Allotment Letter
“Robey Warshaw”	Robey Warshaw LLP
“ROIC”	return on invested capital
“Russell”	Frank Russell Company
“Securities Act”	the US Securities Act of 1933, as amended
“Shareholders”	holders of Shares
“Shares”	ordinary shares in the capital of the Company
“Sponsors”	Barclays and Greenhill
“Standby Agreement”	the agreement pursuant to which the Rights Issue is underwritten and the issue price of the Rights Issue is agreed
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“Underwriting Agreement”	the underwriting agreement referenced in section 9 of this announcement
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US GAAP”	US Generally Accepted Accounting Principles