

20 October 2016

LONDON STOCK EXCHANGE GROUP plc

**INTERIM MANAGEMENT STATEMENT
FOR THE PERIOD TO 19 OCTOBER 2016, INCLUDING REVENUES AND KPIs
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016 (Q3)**

- Continued good growth: Q3 total income from continuing operations (excluding assets sold / held for sale) up 19% to £414.6 million and rose 14% year-to-date to £1,200.4 million
- Q3 revenues from continuing operations up 15% to £376.2 million; up 11% for 9 months year-to-date at £1,098.1 million
- Reflecting strong resilience and diversified range of business, all core divisions delivering good growth despite a backdrop of testing markets and economic uncertainty
- Focus remains on completion of the merger with Deutsche Börse, creating a leading global markets infrastructure group – shareholder approvals achieved and work continues to secure regulatory consents

Q3 summary:

- Capital Markets revenues up 16% (up 8% at constant currency), with growth in both primary and secondary markets despite volatile markets; Turquoise continues to trade well, with strong growth in the Block Discovery service (including a record month in September)
- LCH income increased 29% (up 18% at constant currency), with 21% revenue growth in OTC from higher SwapClear client trades; good volume growth also in CDSClear and ForexClear
- Post Trade Services (Italy) income up 23% (up 5% at constant currency) - increased settlement and custody revenues, together with increased net treasury income, offsetting lower clearing revenue
- Information Services revenues up 13% (up 3% on organic and constant currency basis) - underlying growth at FTSE Russell impacted in part by market-related weakness (ETF AUM/passive fund revenues lag recovery in market and derivatives contracts down versus high levels in volatile markets last year), and by one-off accounting adjustments. Improvement is expected in Q4 as values have increased and confidence remains in the many continuing positive market trends and opportunities to drive further good growth
- Technology Services revenues up 5% (up 4% at constant currency)

- Investment continues in a wide range of growth opportunities, with notable developments in the period:
 - CurveGlobal, an open access interest rate derivatives venture, launched in partnership with major dealer banks and CBOE – providing customers with the opportunity to gain efficiencies through the LCH Spider portfolio margining service
 - Turquoise Plato platform launched with buy side and sell side partners – using the successful “large in scale” Block Discovery platform
 - LCH received recognition as a designated central counterparty in Hong Kong for SwapClear and ForexClear to clear certain OTC interest rate derivatives in HKD or one of the G4 currencies (USD, EUR, GBP and JPY)
 - MillenniumIT equities and fixed income trading and surveillance technology went live at Casablanca Stock Exchange; MillenniumIT also showcased its new real time post trade technology capabilities
 - Integration of the FTSE Russell index businesses is running ahead of plan

Organic growth is calculated in respect of businesses owned for at least the full 3 months in either period and so excludes Exactpro, Proquote, Russell Investment Management, SwapMatch and XTF Inc. The Group’s principal foreign exchange exposure arises from translating our European based euro and US based USD reporting businesses into sterling.

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

“This is another good performance, delivering growth across our core businesses while continuing to invest in a wide range of opportunities to drive future returns.

“In line with our open access approach, we continue to partner with customers to drive innovation with both CurveGlobal and Turquoise Plato going live in September. In Post Trade, we continue to see good growth in OTC clearing across the SwapClear, CDSClear and ForexClear services. The integration of FTSE Russell is running ahead of schedule and the Information Services business is delivering good results. The Group is financially well positioned as we reduce operating leverage and further strengthen our balance sheet.

“We remain focused on achieving the necessary regulatory approvals to complete the merger with Deutsche Börse, creating a global markets infrastructure group, which we believe will generate significant value and benefits for customers and shareholders.”

Financial Position

Following normal course interim dividend and bond coupon payments, as well as ongoing investment in organic growth initiatives and integration, the Group’s financial

position is broadly unchanged from that reported at 30 June 2016. As at 30 September, 2016, the Group had committed facility headroom of circa £780 million available for general corporate purposes, having drawn facilities to repay the £250 million Bond due on 7 July 2016.

The euro and US dollar both strengthened by 15% against sterling compared with the same period last year. To illustrate our exposure to movements in exchange rates, a €0.05 change in the average euro:sterling rate would have resulted in a change to continuing operations total income of c£6.5 million for Q3, while a US\$0.05 move would have resulted in a c£3.5 million change.

Merger with Deutsche Börse

Following receipt of shareholder approvals, the Group has maintained its focus on achieving regulatory consents for the merger with Deutsche Börse. The European Commission concluded its initial competition review of the merger and announced that it opened a further (Phase II) process on 28 September 2016. At the same time, the Group announced that, in order to proactively address anti-trust concerns in relation to certain businesses, it intends to explore a potential sale of LCH SA, LCH Group Limited's French-regulated operating subsidiary. The sale of this business would be conditional on the successful closing of the merger.

Current trading

The Group is well positioned and continues executing on its successful growth strategy. All core parts of our business continue to perform well, despite testing market conditions. Investment remains ongoing on a wide range of initiatives, and the Group has successfully launched services to meet customer demands for innovative and efficient new products to drive future performance.

Further information is available from:

London Stock Exchange	Gavin Sullivan – Media	+44 (0) 20 7797 1222
Group plc	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 Thursday 20 October. On the call will be David Warren (CFO) and Paul Froud (Head of Investor Relations).

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

Conference ID: 9820 7601

Q3 Revenue Summary

Revenues for three months and nine months ended 30 September 2016 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 30 September			Organic and constant currency variance ¹	Nine months ended 30 September			Organic and constant currency variance ¹
	2016 £m	2015 £m	Variance %	%	2016 £m	2015 £m	Variance %	%
Continuing operations:								
Revenue								
Capital Markets	89.6	77.1	16%	8%	271.2	247.1	10%	5%
Post Trade Services - CC&G and Monte Titoli	25.2	21.8	16%	(2%)	73.3	68.7	7%	(3%)
Post Trade Services - LCH	89.5	75.8	18%	10%	256.7	224.9	14%	9%
Information Services	148.5	131.5	13%	3%	434.4	387.9	12%	6%
Technology Services	20.8	19.8	5%	4%	58.8	58.1	1%	(4%)
Other	2.6	0.5	-	-	3.7	2.1	-	-
Total revenue	376.2	326.5	15%	6%	1,098.1	988.8	11%	5%
Net treasury income through CCP businesses	35.3	21.2	67%	44%	91.3	61.5	48%	36%
Other income	3.1	1.7	-	-	11.0	4.3	-	-
Total income	414.6	349.4	19%	9%	1,200.4	1,054.6	14%	8%

¹ Organic growth is calculated in respect of businesses owned for at least the full 3 or 9 months in either period and excludes Exactpro, Proquote, Russell Investment Management, SwapMatch and XTF Inc. The Group's principal foreign exchange exposure arises from translating our European based euro and US based USD reporting businesses into sterling.

More detailed revenues by segment are provided in tables below:

Capital Markets

Revenue	Three months ended			Organic and constant currency variance ¹	Nine months ended			Organic and constant currency variance ¹
	30 September				30 September			
	2016	2015	Variance		2016	2015	Variance	
	£m	£m	%	£m	£m	%	%	
Primary Markets	21.1	19.1	10%	6%	65.3	64.5	1%	(1%)
Secondary Markets - Equities	40.0	35.1	14%	9%	123.1	109.8	12%	10%
Secondary Markets - Fixed income, derivatives and other	28.5	22.9	24%	7%	82.8	72.8	14%	4%
Total revenue	89.6	77.1	16%	8%	271.2	247.1	10%	5%

¹ Removal SwapMatch from Capital Markets (acquired Q3 2016)

Post Trade Services - CC&G and Monte Titoli

Revenue	Three months ended			Constant currency variance	Nine months ended			Constant currency variance
	30 September				30 September			
	2016	2015	Variance		2016	2015	Variance	
	£m	£m	%	£m	£m	%	%	
Clearing	10.0	9.4	6%	(10%)	30.7	29.3	5%	(5%)
Settlement, Custody & other	15.2	12.4	23%	3%	42.6	39.4	8%	(2%)
Total revenue	25.2	21.8	16%	(2%)	73.3	68.7	7%	(3%)
Net treasury income	11.2	7.7	45%	24%	32.2	21.0	53%	39%
Total income	36.4	29.5	23%	5%	105.5	89.7	18%	7%

LCH

	Three months ended 30 September			Constant currency variance %	Nine months ended 30 September			Constant currency variance %
	2016 £m	2015 £m	Variance %		2016 £m	2015 £m	Variance %	
Revenue								
OTC - SwapClear, ForexClear & CDSClear	47.6	39.4	21%	13%	136.7	114.7	19%	14%
Non-OTC - Fixed income, Cash equities and Listed derivatives	28.3	30.0	0%	(18%)	85.9	87.9	(2%)	(10%)
Other	13.6	6.4	113%	178%	34.1	22.3	53%	65%
Total revenue	89.5	75.8	18%	10%	256.7	224.9	14%	9%
Net treasury income	24.1	13.5	79%	55%	59.1	40.5	46%	35%
Other income	2.8	-	-	-	7.2			
Unrealised gain / (loss)	(1.5)	0.1	-	-	(1.5)	0.2	-	-
Total income	114.9	89.4	29%	18%	321.5	265.6	21%	15%

Information Services

	Three months ended 30 September			Organic and constant currency variance ¹ %	Nine months ended 30 September			Organic and constant currency variance ¹ %
	2016 £m	2015 £m	Variance %		2016 £m	2015 £m	Variance %	
Revenue								
FTSE Russell Indexes	102.1	90.7	13%	0%	295.7	261.9	13%	5%
Real time data	23.3	19.9	17%	12%	67.7	61.8	10%	7%
Other information services	23.1	20.9	11%	6%	71.0	64.2	11%	8%
Total revenue	148.5	131.5	13%	3%	434.4	387.9	12%	6%

Note: Continuing operations only (excludes Proquote from 2015)

¹ Removal XTF from Other information services (acquired Q4 2015)

Technology Services

	Three months ended			Organic and	Nine months ended			Organic and
	30 September			constant	30 September			constant
	2016	2015	Variance	currency	2016	2015	Variance	currency
	£m	£m	%	variance ¹	£m	£m	%	variance ¹
MillenniumIT & other technology	20.8	19.8	5%	4%	58.8	58.1	1%	(4%)

¹ Removal Exactpro from Technology services (acquired Q4 2015)

Basis of Preparation

Results for the period ended 30 September 2016 have been translated into Sterling using the average monthly exchange rates. Constant currency growth rates have been calculated by translating prior period results at the average exchange rate for the current period.

	Average rate 3 months ended 30 September 2016	Average rate 9 months ended 30 September 2016	Closing rate at 30 September 2016
GBP : EUR	1.18	1.25	1.15
GBP : USD	1.31	1.39	1.30

	Average rate 3 months ended 30 September 2015	Average rate 9 months ended 30 September 2015	Closing rate at 30 September 2015
GBP : EUR	1.39	1.38	1.35
GBP : USD	1.55	1.53	1.52

Appendix – Key performance indicators

Capital Markets - Primary Markets

	Three months ended			Nine months ended		
	30 September		Variance %	30 September		Variance %
	2016	2015		2016	2015	
New Issues						
UK Main Market, PSM & SFM	11	13	(15%)	36	60	(40%)
UK AIM	11	14	(21%)	52	46	13%
Borsa Italiana	5	7	(29%)	13	20	(35%)
Total	27	34	(21%)	101	126	(20%)
Money Raised (£bn)						
UK New	0.3	0.8	(63%)	2.2	7.1	(69%)
UK Further	4.0	4.3	(7%)	10.0	17.1	(42%)
Borsa Italiana new and further	0.8	0.4	100%	4.7	4.4	7%
Total (£bn)	5.1	5.5	(7%)	16.9	28.6	(41%)

Capital Markets - Secondary Markets

	Three months ended			Nine months ended		
	30 September		Variance %	30 September		Variance %
	2016	2015		2016	2015	
Equity						
Totals for period						
UK value traded (£bn)	310	311	(0%)	947	965	(2%)
Borsa Italiana (no of trades m)	16.6	17.5	(5%)	57.2	54.6	5%
Turquoise value traded (€bn)	325	254	28%	1,085	825	32%
SETS Yield (basis points)	0.63	0.62	2%	0.63	0.62	2%
Average daily						
UK value traded (£bn)	4.8	4.8	0%	5.0	5.1	(2%)
Borsa Italiana (no of trades '000)	255	265	(4%)	298	286	4%
Turquoise value traded (€bn)	4.9	3.8	29%	5.6	4.3	30%
Derivatives (contracts m)						
LSE Derivatives	0.9	1.1	(18%)	3.3	3.4	(3%)
IDEM	10.2	11.5	(11%)	35.4	33.6	5%
Total	11.1	12.6	(12%)	38.7	37.0	5%
Fixed Income						
MTS cash and BondVision (€bn)	982	861	14%	3,024	2,996	1%
MTS money markets (€bn term adjusted)	19,305	22,728	(15%)	63,730	67,584	(6%)

Post Trade Services - CC&G and Monte Titoli

	Three months ended			Nine months ended		
	30 September		Variance %	30 September		Variance %
	2016	2015		2016	2015	
CC&G Clearing						
Contracts (m)	28.0	30.2	(7%)	96.4	91.7	5%
Initial margin held (average €bn)	11.7	12.8	(9%)	11.8	12.4	(5%)
Monte Titoli						
Settlement instructions (trades m)	9.4	14.0	(33%)	32.0	48.9	(35%)
Custody assets under management (average €trn)	3.17	3.30	(4%)	3.17	3.31	(4%)

Post Trade Services – LCH

	Three months ended			Nine months ended		
	30 September		Variance %	30 September		Variance %
	2016	2015		2016	2015	
OTC derivatives						
SwapClear						
IRS notional cleared (\$tn)	160	131	22%	506	392	29%
SwapClear members	105	114	(8%)	105	114	(8)%
Client trades ('000)	232	182	27%	693	492	41%
CDSClear						
Notional cleared (€bn)	105.9	38.5	175%	370.3	104.9	253%
CDSClear members	12	11	9%	12	11	9%
ForexClear						
Notional value cleared (\$bn)	630	291	116%	1206	813	48%
ForexClear members	24	23	4%	24	23	4%
Non-OTC						
Fixed income - Nominal value (€tn)	17.1	18.5	(8%)	52.1	55.0	(5%)
Listed derivatives (contracts m)	28.5	38.2	(25%)	98.5	110.8	(11%)
Cash equities trades (m)	165.8	139.2	19%	511.3	410.3	25%
Average cash collateral (€bn)	68.9	58.8	17%	63.8	57.1	12%

Information Services

	As at		Variance %
	30 September 2016	2015	
ETF assets under management benchmarked (\$bn)			
FTSE	246	206	19%
Russell Indexes	176	145	21%
Total	422	351	20%
Terminals			
UK	73,000	75,000	(3%)
Borsa Italiana Professional Terminals	129,000	130,000	(1%)

Total Income – Quarterly

£ millions	<u>CY 2015</u>				<u>CY 2015</u>	<u>CY 2016</u>		
	Q1	Q2	Q3	Q4		Q1	Q2	Q3
Primary Markets	21.4	24.0	19.1	24.3	88.8	22.2	22.0	21.1
Secondary Markets - Equities	38.2	36.5	35.1	33.9	143.7	42.2	40.9	40.0
Secondary Markets - Fixed income, derivatives & other	26.3	23.6	22.9	25.0	97.8	28.0	26.3	28.5
Capital Markets	85.9	84.1	77.1	83.2	330.3	92.4	89.2	89.6
Clearing	10.0	9.8	9.4	8.8	38.0	10.6	10.1	10.0
Settlement, Custody & other	13.4	13.6	12.4	12.4	51.8	12.9	14.5	15.2
Post Trade Services - CC&G and Monte Titoli	23.4	23.4	21.8	21.2	89.8	23.5	24.6	25.2
OTC - SwapClear, ForexClear & CDSClear	36.5	38.8	39.4	42.1	156.8	44.6	44.4	47.6
Non OTC - Fixed income, Cash equities & Listed derivatives	29.0	28.9	30.0	26.6	114.5	28.6	29.1	28.3
Other	8.4	7.5	6.4	8.5	30.8	11.1	9.3	13.6
Post Trade Services - LCH	73.9	75.2	75.8	77.2	302.1	84.3	82.8	89.5
FTSE Russell Indexes	85.0	86.2	90.7	87.0	348.9	96.4	97.1	102.1
Real time data	21.3	20.7	19.9	20.3	82.2	22.7	21.8	23.3
Other information	24.5	23.3	23.1	23.0	93.9	22.4	25.5	23.1
Information Services	130.8	130.2	133.7	130.3	525.0	141.5	144.4	148.5
Technology Services	19.6	18.6	19.8	22.5	80.6	16.2	21.9	20.8
Russell Investment Management (gross)	246.7	251.5	237.4	217.5	953.1			
Other	0.8	0.8	0.5	2.4	4.5	1.0	0.1	2.6
Total Revenue	581.1	583.9	566.1	554.3	2,285.4	358.9	363.0	376.2
Net treasury income through CCP:								
CC&G	6.8	6.6	7.7	8.2	29.3	10.3	10.7	11.2
LCH	13.4	13.6	13.5	15.9	56.4	17.6	17.4	24.1
Other income	1.7	1.7	2.0	5.0	10.4	0.8	7.1	3.1
Total income	603.0	605.8	589.3	583.4	2,381.5	387.6	398.2	414.6
Russell Investment Management (incl Other Income)	246.7	252.3	237.7	218.5	955.3			
Proquote	2.3	2.3	2.2	0.8	7.6			
Total income- continuing operations	354.0	351.2	349.4	364.1	1,418.6			

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