



London
Stock Exchange Group

London Stock Exchange Group plc Acquisition of Frank Russell Company

Strategic acquisition with significant growth potential

26 June 2014



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The historical financial information in respect of Russell included in this document has been prepared in accordance with US GAAP and has been extracted from the Audited Consolidated Financial Statements of Russell. In accordance with UKLA guidance, the shareholder circular and rights issue prospectus (the "Document") will include audited historical consolidated financial information for Russell, converted to IFRS in accordance with the LSEG's accounting policies. As such, the historical financial information ultimately included in the Document will differ from that which is included in this presentation.



Clear strategic rationale

The \$2.7 billion acquisition of Frank Russell Company (“Russell”) comprises Russell Indexes (“Index”) and Russell Investment Management (“IM”)

Leading U.S. Brand

- Rare opportunity to acquire a highly regarded, premium business with an established U.S. market position
- #1 provider of benchmarks to U.S. focused equity funds
- Leading index provider for U.S. institutional investors

Index Business - Clear Strategic Fit with FTSE

- Highly complementary fit of index products and client services creates significant cross-selling opportunities and growth potential
- Combined business will be a global leader in index services and the #2 player in U.S.-listed ETFs
- Substantially extends geographic presence with leadership positions in North America, Europe and Asia
- Combined AUM tracking indices creates a global leader comparable in scale with MSCI

Growth Opportunity

- Passive investment sector expected to continue to grow at an 18% compound annual growth rate (“CAGR”) to 2020⁽¹⁾
- Russell Indexes has been growing top line at a compound rate of 10% per year since 2011 and positioned to take further advantage of market trends
- Builds on one of LSEG’s core business competencies – Intellectual Property
- Consistent with LSEG’s stated objective to diversify income

Attractive Financial Returns

- Delivers attractive financial returns through significant growth opportunities, cost synergies and operational efficiencies obtained from integrating FTSE and Index business

Acquisition accelerates LSEG's diversification and enhances Information Services offering



Transaction highlights

Consideration	<ul style="list-style-type: none">100% of Russell to be acquired for \$2,700 million (£1,590 million)⁽¹⁾⁽²⁾ in cash paid to The Northwestern Mutual Life Insurance Company and other minority shareholders
Financial Highlights	<ul style="list-style-type: none">Highly attractive financial returns on an aggregate and standalone basis<ul style="list-style-type: none">EPS accretive in first full year after acquisition on an aggregate basis, with Index standalone accretive from year two⁽³⁾⁽⁴⁾ROIC meets hurdle rate in year three and exceeds thereafter, on an aggregate and standalone Index basis⁽³⁾⁽⁴⁾Mix of debt and equity financing driven by credit rating and capital structure considerations<ul style="list-style-type: none">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
Synergies	<ul style="list-style-type: none">Targeting annual run-rate cost synergies of \$78 million (£46 million)⁽¹⁾ by end of year threeTargeting annual run-rate revenue benefits of \$30 million (£18 million)⁽¹⁾ and \$48 million (£28 million)⁽¹⁾ by end of year three and five, respectively
Financing	<ul style="list-style-type: none">Debt: Transaction to be funded with approximately \$1,100 million (£648 million)⁽¹⁾ from existing and new bank facilities, keeping comfortable facility headroom post transactionEquity: Equity issuance net proceeds of approximately \$1,600 million (£942 million)⁽¹⁾ through a fully underwritten rights issuePro forma leverage as at completion of 2.4x on a net debt basis; expectation of reducing leverage to 2.0x or below in the 12 months post completion; commitment to maintaining investment grade rating⁽³⁾⁽⁴⁾
Management	<ul style="list-style-type: none">Russell's CEO to join LSEG's Executive CommitteeRetention plans to be put in place for key Russell employees to drive performance
Anticipated Timetable	<ul style="list-style-type: none">LSEG shareholder's meeting to be held in September 2014 to seek approval for the transactionRights issue to be completed early Q4 2014Completion expected by late Q4 2014 / early Q1 2015, subject to shareholder approval, regulatory approvals, anti-trust clearances, and client consents

Notes: (1) Currencies converted from USD to GBP at a rate of 0.5888 as of 25 June 2014. (2) Subject to customary adjustments. (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.



Investment Management business

Global Investment Management business poised for continued strong and attractive growth

- Large and growing end-market
- Well positioned for industry trends towards multi-asset class solutions
- Highly recurring revenue model
- World class brand
- Experienced management team

LSEG will undertake a comprehensive review of Russell's Investment Management business to determine its positioning and fit with the Group

- Historically operationally aligned with Index business
- Full review to include determining the linkages between the businesses (e.g. shared support services)
- Review is expected to complete at or following closing

LSEG will have a clear focus on continuity of client service and fund performance

- Maintain strong client retention and momentum in client wins
- Continued support for growth and innovation
- Strong standalone governance and operations
- Focus on management and employee continuity

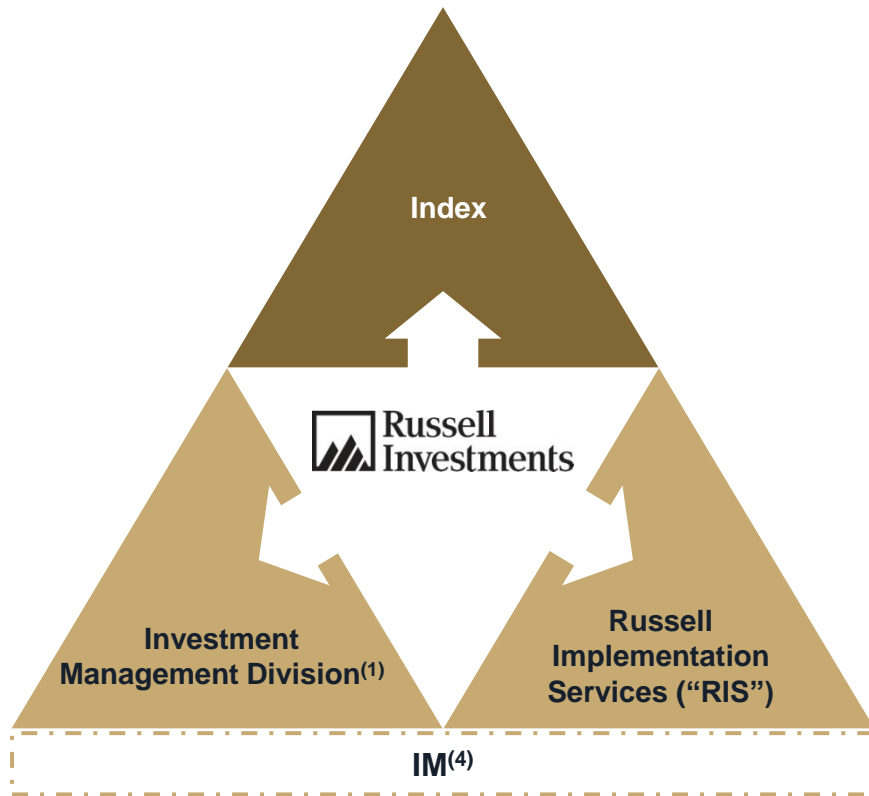


Overview of Russell

Overview of Russell

High quality Index and Investment Management businesses

Russell's Business Divisions



Business Description

Index

- Subscription-based data licensing fees (generally recurring fixed dollar contracts)
- Payments from 3rd party ETFs / passive funds benchmarked to Russell Indexes
- Exchange fees for derivatives trading on Russell products
- Benchmark for \$5.2tn in assets
- #1 for U.S. focused equity funds
- Leading index provider for U.S. institutional investors

Investment Management Division

- Primarily consists of management fees from retail and institutional products
- 40+ years of asset allocation experience
- \$256bn⁽²⁾ of global AUM
- \$2.4tn of assets under advisement through the Consulting division

RIS

- RIS comprises AUM-based solutions, event-based transactional services and annuity-like transaction-based solutions (execution services)
- \$1.6tn in notional traded
- Managed \$772bn in 2013 portfolio transitions

31 Dec 2013	Russell	Index	IM ⁽³⁾
EBITDA (m) ⁽⁴⁾⁽⁵⁾	\$236 (£139)	\$83 (£49)	\$153 (£90)
EBITDA Margin	25%	49%	20%

Source: Company information.

Notes: (1) Investment Management Division includes plan administration, consulting and other. (2) \$181bn AUM + \$75bn derivatives overlay AUM. (3) IM includes Investment Management Division and RIS. (4) Currencies converted from USD to GBP at a rate of 0.5888 as of 25 June 2014. (5) Based on unaudited Russell management financial information, total depreciation and amortisation for the year ended 31 December 2013 of \$24 million was allocated \$6m with respect to the index business and \$18m 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. 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 as set out above.

Overview of Index business

U.S. Leader with Strong Brand

- #1 for U.S. focused equity funds
- Strong relationships with leading asset managers and exchanges
- 92% of retail advisors with 10+ years of experience are familiar with Russell as a provider of indices

Major Growth Driver

- Index-related revenues tied to growth in passive investing and global AUM
 - Passive investment sector expected to grow at an 18% CAGR to 2020⁽¹⁾

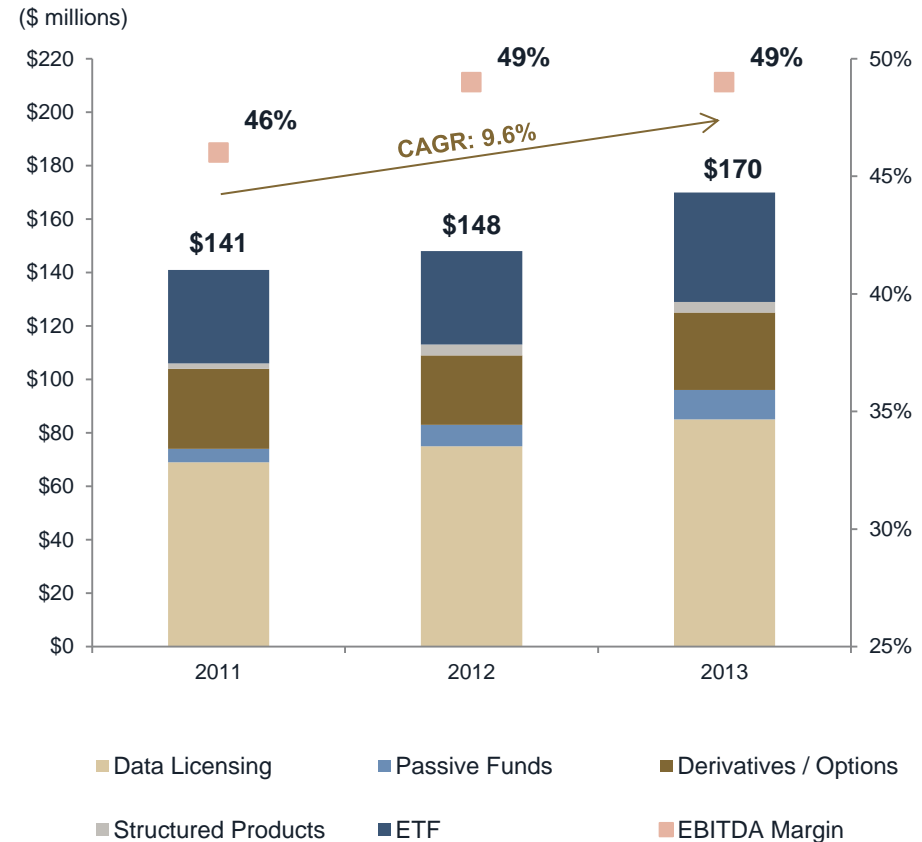
Compelling Financial Attributes

- Recurring revenues, high retention rates, low required capex and economies of scale
- Strong and growing margins

Best in Class Capabilities

- Innovative index solutions including smart beta products (rules-based, transparent, quantitative strategies)
- Well positioned to respond to transparency, governance and regulatory change

Historical Revenue by Product and EBITDA Margin⁽²⁾



Source: Company information.

Notes: (1) PwC (February 2014) – Asset Management 2020. (2) Revenue related to passive funds shown net of partnership fees. Data for period ended 31 December.

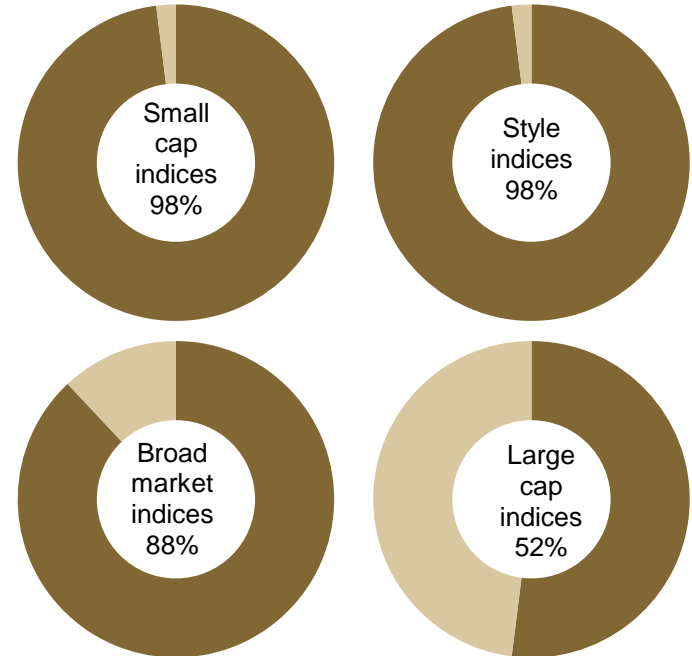
Overview of Index business (cont'd)

Business Description

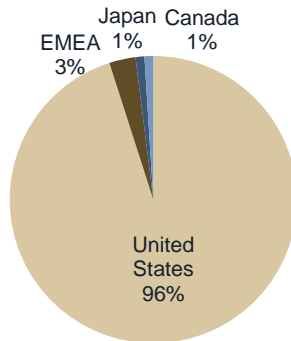
- 73% of U.S. institutional equity portfolios by AUM are benchmarked to Index including:
 - 98% of small-cap and style-specific equity AUM
 - 88% of broad market equity AUM
 - 52% of large-cap equity AUM
 - Leading position has been increasing steadily over many years
- Index has 96% retention rate, outperforming most competitors
- 98% of U.S. equity index contracts traded on ICE are based on the Russell 2000 index

U.S. Institutional Index Provider of Choice

Russell share of U.S. institutional equity AUM



2013 Revenue by Geography⁽¹⁾



→ **\$5.2tn assets benchmarked globally**

→ **\$778bn AUM – passive funds / ETFs**

Source: Company information.
Note: (1) Geography based on client domicile.

Overview of Investment Management business

IM comprises two main sub-units

Investment Management Division

- Global asset manager with \$181bn⁽¹⁾ AUM focused on outcome oriented investing
 - ▶ Particular focus on multi-asset class products (\$124bn) for institutional and retail investors worldwide
 - ▶ Employs a multi-asset solution approach
- 22 offices globally across 13 countries
 - ▶ Long-term presence in key markets (US, UK, Canada, Australia / New Zealand, Japan, France)
- Longer-term investment performance at an all time high
 - ▶ 100% of multi-asset solutions outperforming benchmarks⁽²⁾
- #4 investment consultancy globally, with more than \$2.4tn in assets under advisement and top ranked manager research capabilities
- In addition, 3rd party plan administration services are provided to Investment Management Division clients

Russell Implementation Services (RIS)

- Dually registered as both an investment advisor with fiduciary responsibility as well as an agency-only broker
 - ▶ AUM-based solutions: overlay services, foreign exchange, interim portfolio management
 - ▶ Event-based services: transition management
 - ▶ Annuity-like transaction-based solutions
- \$75bn⁽¹⁾ in derivative overlay AUM
- RIS offers differentiated services relating to the investment process
 - ▶ 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
 - ▶ Transition services
 - ▶ Commission recapture



Strong benefits from a combination



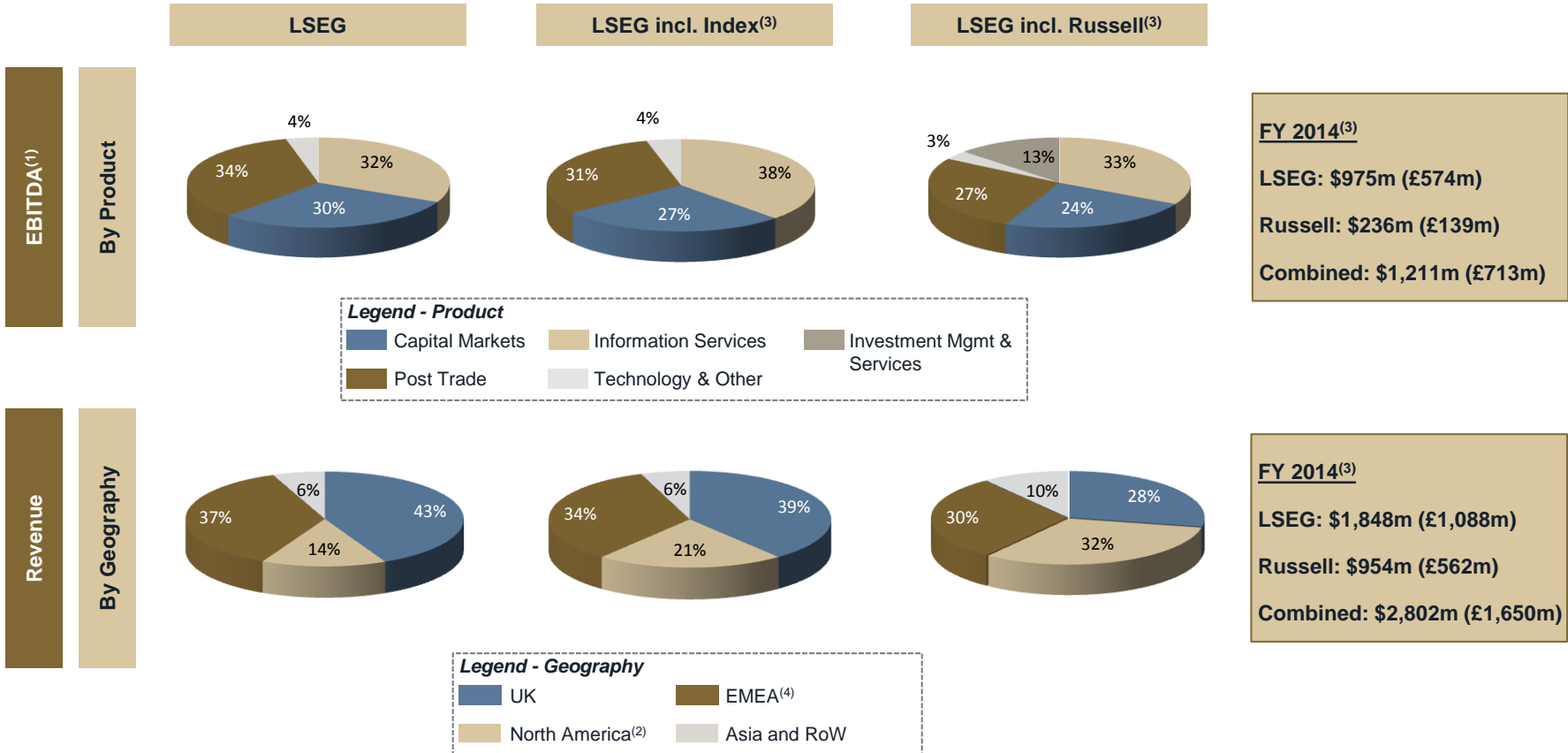
Highly complementary fit of Index business drives growth

- ✓ Opportunity to unlock Russell Indexes full growth potential through increased scale and efficiencies
- ✓ Adds significant U.S. business and cross-selling opportunities to FTSE
- ✓ Incremental scale from the merged businesses enables extended and enhanced services to clients
- ✓ Complementary index businesses and geographies accelerate development plans
- ✓ Well positioned for growth in passive strategies
- ✓ Strengthens and deepens relationships with global clients and other stakeholders
- ✓ Financially attractive acquisition provides meaningful growth opportunities, operational efficiencies / synergies as well as earnings accretive income⁽¹⁾⁽²⁾



Complementary businesses and geographies

Strengthened financial and geographic profile



Russell enables Group transformation and augments geographic and product diversity

Source: Company information.

Notes: (1) 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. (2) North America comprises U.S. and Canada. (3) Currencies converted from USD to GBP at a rate of 0.5888 as of 25 June 2014. Russell's U.S. GAAP figures for period ended 31 December 2013. LSEG's IFRS figures for period ended 31 March 2014. 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 as set out above. (4) A portion of Russell's EMEA revenue includes income from the UK.

Creation of a global leader in index services

Russell Offering

- Leading U.S. equity benchmarks with \$162⁽¹⁾ million of revenue from U.S. institutional clients in 2013
- \$5.2 trillion assets benchmarked globally
- U.S. brand recognition
- Strong growth profile and historical financial performance
- Loyal client base - 96% retention rate

FTSE Offering

- FTSE generated revenues of \$296 million in FY2014⁽²⁾
- A leading global provider of equity benchmarks
- Leadership position in Europe and emerging markets
- Estimated \$4.0 trillion of equities benchmarked against FTSE indices
- Operational in over 80 countries
- Loyal client base - 98% retention rate

Combined Offering

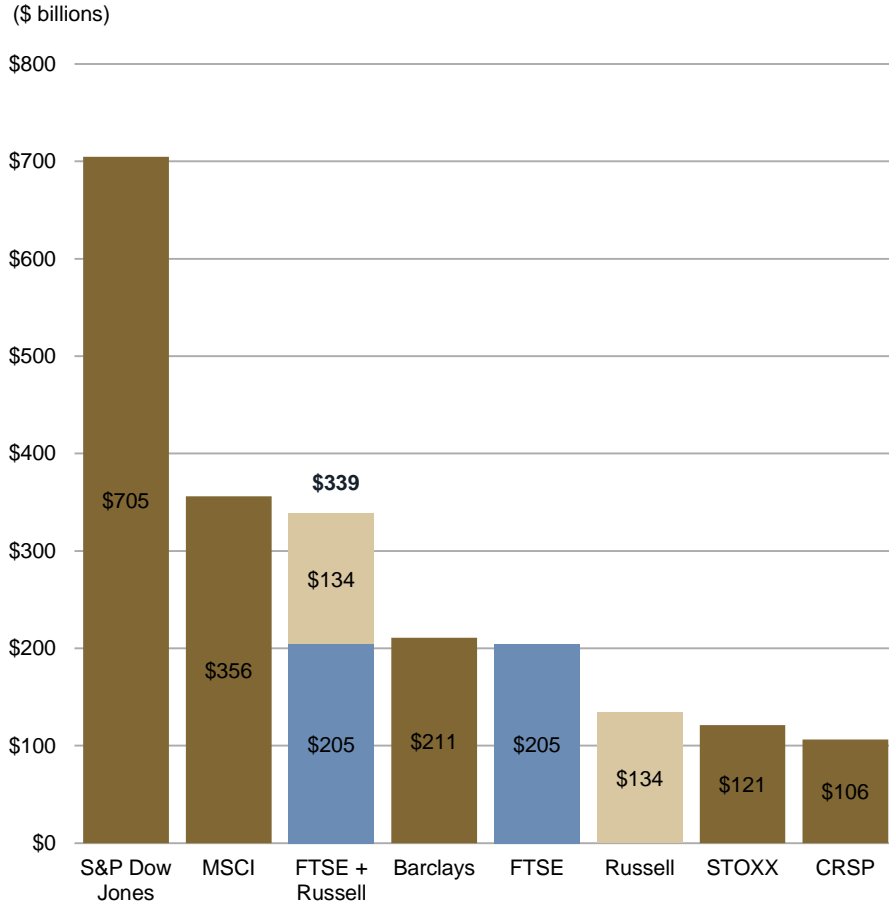
- ▶ Creates global index leader and new #2 in U.S.-listed ETFs (comparable in scale to MSCI) with combined revenues of \$466 million⁽³⁾
- ▶ Builds scale to service investor needs on a truly global basis
- ▶ Increases benchmark choice for U.S. investors
- ▶ Significant cross-selling potential through complementary products, geographical footprints and attractive IP
- ▶ Combination of index innovators creates growth opportunities through product innovation and custom solutions
- ▶ Best in class operations, technology and infrastructure driving efficiencies
- ▶ Well-positioned to respond to client need for increased transparency as well as regulatory demands

Source: Company Information.

Notes: (1) Russell's U.S. GAAP figures for period ended 31 December 2013. (2) LSEG's IFRS figures for period ended 31 March 2014. Currencies converted from GBP to USD at a rate of 1.6984 as of 25 June 2014. (3) Inclusive of all Russell Indexes revenues including \$8m non-U.S. revenues. 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 as set out above.

Combined Index business positioned for success

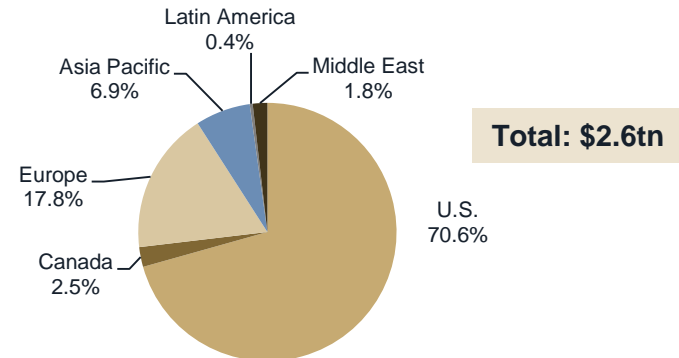
Index Providers by ETF AUM (All Asset Classes)⁽¹⁾



Strong Global Positioning

- Combination of index businesses positions the company to operate successfully in the global environment
 - Extended client servicing and product development capability
 - Increasingly global nature of index business will be a source of strength and growth
 - Leading benchmarks in the U.S., Europe and emerging markets
- Strong trend towards passive investing and use of ETFs
- Combined business also has a leading position in index derivatives in three global regions (U.S., Asia and Europe)

Global ETP AUM by Region of Listing⁽²⁾



Source: (1) ETFGI, April 2014. (2) Blackrock ETP Landscape, May 2014.

Index business positioned to capitalise on industry trends

Industry Trends

Greater regulation of investment management industry

Investment committees focused on strategic decisions and allocations

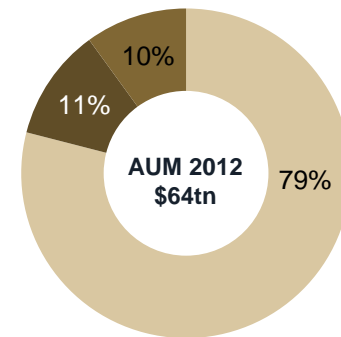
Focus on cost reduction

Growing demand for indices (both thematic and strategic)

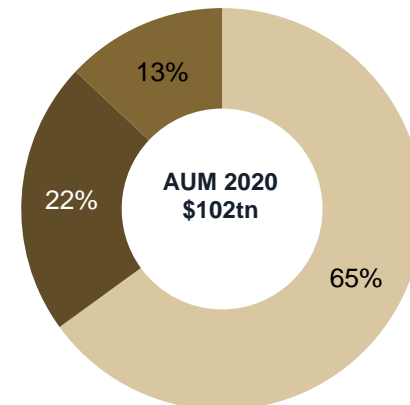
Shift from active to passive and to more transparent index products such as ETFs

LSEG's and Russell's combined index businesses strongly positioned to benefit from these trends through greater efficiency and product innovation

Development of Global AUM Split 2012 – 2020⁽¹⁾



CAGR 2012 – 2020: 6%



■ Active
■ Passive
■ Alternative

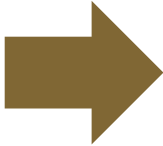


Financial benefits and process considerations

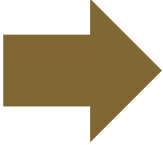
Significant cost efficiency potential

Optimisation of FTSE and Index business through harmonisation and keeping the best of both businesses

- Removing sales structure duplication
- Combination of research functions
- Eliminating duplication of data sources
- Index operations and systems integration
- Management and back office rationalisation



- Targeting annual run-rate cost synergies of \$78 million (£46 million)⁽¹⁾ by end of year three



- To achieve these synergies, LSEG expects to incur \$71 million (£42 million)⁽¹⁾ of implementation costs in aggregate, the substantial majority of which will be incurred in years one and two following the acquisition

Accelerating growth opportunities through revenue synergies

Combination has the ability to drive meaningful growth

Commercial alignment, IP and data licensing


- Align commercial strategies to create a single, transparent structure across indices and licence types
- Harmonise charging structures to reflect global nature of client base
- Ensure protection and licensing of valuable IP through introduction of industry standard practices

Cross selling / complementary sales forces

- Complementary sales forces and client contacts to provide clients with access to high quality product set
- Increase client choice in global and U.S. benchmarks

Product and services enhancements

- Develop innovative and value-added new products for users in the U.S. and globally using the combination of IP and research know-how
- Opportunity to offer extended smart beta and custom indices to clients

- 
- Targeting annual run-rate revenue benefits of \$30 million (£18 million)⁽¹⁾ and \$48 million (£28 million)⁽¹⁾ by end of year three and five, respectively



Acquisition structure and financing

Highlights

- **Debt: Transaction to be funded with approximately \$1,100 million (£648 million)⁽¹⁾ from existing and new bank facilities, keeping comfortable facility headroom post transaction**
- **Equity: Equity issuance net proceeds of approximately \$1,600 million (£942 million)⁽¹⁾ through an underwritten rights issue**
- **Pro forma leverage as at completion of 2.4x on a net debt basis; expectation of reducing leverage to 2.0x or below in the 12 months post completion⁽²⁾⁽³⁾**
- **Financing mix driven by credit rating and capital structure considerations**
- **Committed to maintaining an investment grade rating**
- **Appropriate foreign exchange hedging arrangements with respect to the acquisition consideration are being put in place by LSEG**



Anticipated timetable

Expected Completion Late Q4 2014 / Early Q1 2015

26 June 2014	<ul style="list-style-type: none">▪ Transaction signing and announcement
16 July 2014	<ul style="list-style-type: none">▪ AGM at which rights issue authorities to be approved
August / September 2014	<ul style="list-style-type: none">▪ Prospectus published and posted to shareholders
September 2014	<ul style="list-style-type: none">▪ General Meeting to approve the acquisition
September 2014	<ul style="list-style-type: none">▪ Expected launch of the rights issue
Early Q4 2014	<ul style="list-style-type: none">▪ Expected completion of the rights issue
Q4 2014 / early Q1 2015	<ul style="list-style-type: none">▪ Regulatory approvals and anti-trust clearances / clients consents
Late Q4 2014 / early Q1 2015	<ul style="list-style-type: none">▪ Expected completion of the acquisition



Strategic acquisition with strong growth potential

- ✓ **Creates a global leader in indices – well positioned for growth**
- ✓ **Combined index businesses offers significant benefits to the market**
- ✓ **Provides a significant U.S. presence and accelerated growth potential**
- ✓ **Complementary index product portfolio offers clients further flexibility and choice**
- ✓ **Financially attractive – accretive to EPS in year one and ROIC meets WACC in year three⁽¹⁾⁽²⁾**
- ✓ **Meaningful revenue and cost synergy opportunities**
- ✓ **LSEG has a strong track record of integrating major acquisitions**
- ✓ **Comprehensive review of IM to determine its positioning and fit with the Group**



Appendices



Selected historical financials

Summary audited US GAAP financial information⁽¹⁾

\$ million	Year ended 31 December 2013
Total gross revenues ⁽²⁾	1,604
Total income from operations	204
Total assets ⁽³⁾⁽⁴⁾	1,826

Summary unaudited management financial information

\$ million	Year ended 31 December 2013
Net revenues – Index ⁽²⁾	170
Net revenues – Investment management ⁽²⁾⁽⁵⁾	784
Total net revenues ⁽²⁾	954
Operating profit – Index	81
Operating profit – Investment management ⁽⁵⁾	135
Total operating profit	216
Normalised EBITDA – Index ⁽⁶⁾	83
Normalised EBITDA – Investment management ⁽⁵⁾⁽⁶⁾	153
Total normalised EBITDA ⁽⁶⁾	236

Source: Company information.

Notes: (1) Prospectus will contain financial information relating to each of Russell and LSEG in accordance with IFRS. Such IFRS financials may differ from financial information on Russell set out in this document. (2) Net revenue is defined as gross revenue less distribution fees, client fees, commission rebates and discounts, agency fees and certain other items. (3) Russell's total assets in its audited US GAAP statutory accounts as at 31 December 2013 included \$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. (4) 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 \$821m 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. (5) IM includes Investment Management Division and RIS. (6) Based on unaudited Russell management financial information, total depreciation and amortisation for the year ended 31 December 2013 of \$24 million was allocated \$6m with respect to the index business and \$18m 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.