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If you sell or have sold or otherwise transferred all your LSEG Shares, please send this document, together with the accompanying documents, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or otherwise transferred only part of your holding of LSEG Shares, you should retain these documents.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any LSEG Shares or any other securities, nor shall it (or any part of it), or the fact of its distribution, form the base of, or be relied on or in connection with, any contract or inducement in relation thereto.



London
Stock Exchange Group

London Stock Exchange Group plc

*(Incorporated under the Companies Act 1985 and registered in England and Wales
with registered number 05369106)*

Recommended cash offer by London Stock Exchange (C) Limited (a wholly owned subsidiary of London Stock Exchange Group plc) for LCH.Clearnet Group Limited

Circular to LSEG Shareholders and Notice of General Meeting

The whole document should be read. Your attention, in particular, is drawn to the risk factors set out in Part 2 and the letter from the LSEG Board that is set out in Part 1 and which recommends you to vote in favour of the Resolution to be proposed at the LSEG Meeting referred to below. You should not rely solely on the information summarised in Part 1.

Notice of a general meeting to be held at the offices of Freshfields Bruckhaus Deringer LLP at 65 Fleet Street, London EC4Y 1HT at 9:30 a.m. on 3 April 2012 is set out at the end of this document. The Form of Proxy for use at the LSEG Meeting accompanies this document and, to be valid, should be completed and returned in accordance with the instructions set out thereon to the Registrars, so as to arrive as soon as possible, but in any event so as to be received by no later than 12 noon on 30 March 2012. Completion and return of the Form of Proxy will not preclude LSEG Shareholders from attending and voting in person at the LSEG Meeting, should they so wish.

Morgan Stanley is acting exclusively for LSEG as sponsor and for LSEG and LSEC as financial adviser and for no one else in connection with the Offer and other matters described herein and will not be responsible to anyone other than LSEG and LSEC for providing the protections afforded to clients of Morgan Stanley, nor for providing advice to any other person in relation to the Offer, the contents of this document or any other matter referred to herein.

Citi, which is authorised and regulated by the FSA in the United Kingdom, is acting exclusively for LSEG and for no one else in connection with the Offer and other matters described herein and will not be responsible to anyone other than LSEG for providing the protections afforded to clients of Citi, nor for providing advice to any other person in relation to the Offer, the contents of this document or any other matter referred to herein.

Societe Generale, which is authorised and supervised by ACP and is subject to limited regulation in the United Kingdom by the FSA, is acting exclusively for LSEG and for no one else in connection with the Offer and other matters described herein and will not be responsible to anyone other than LSEG for providing the protections afforded to clients of Societe Generale, nor for providing advice to any other person in relation to the Offer, the contents of this document or any other matter referred to herein.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document, including information included or incorporated by reference in this document, may contain "forward-looking statements" concerning the LSEG Group and the LCH.Clearnet Group. All statements other than statements of historical fact included in this document may be forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "will", "may", "targets", "plans", "continue", "believes", "expects", "intends", "anticipates", "aims", "estimates" or words or terms of similar substance or the negative thereof identify forward-looking statements. Forward-looking statements include statements relating to the following: (a) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (b) business and management strategies and the expansion and growth of the LSEG Group's, the LCH.Clearnet Group's or the Enlarged Group's operations; and (c) the effects of regulation on the LSEG Group's, the LCH.Clearnet Group's or the Enlarged Group's business.

These forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of LSEG or of LCH.Clearnet. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of any such person, or industry results, to be materially different from any results, performance or achievements expressed or implied to differ materially from those expressed in the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All subsequent oral or written forward-looking statements attributable to LSEG or LCH.Clearnet or any of their members or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included in this document are based on information available to the relevant parties on the date hereof. Neither LSEG, LCH.Clearnet nor their directors undertakes any obligation in respect of, and do not intend to update or revise any forward-looking statements, except as required by the Listing Rules and Disclosure and Transparency Rules (and/or any regulatory requirements) or pursuant to applicable law.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Expected time/date	Event
9 March 2012	Announcement of Transaction
16 March 2012	Posting of Offer Document to LCH.Clearnet Shareholders
9:30 a.m. on 30 March 2012	Deadline for receipt of form of proxy for the LCH.Clearnet Meeting
12 noon on 30 March 2012	Deadline for receipt of the Form of Proxy or CREST proxy instruction for the LSEG Meeting
6:00 p.m. on 30 March 2012	Record date for determining LSEG Shareholders entitled to vote at the LSEG Meeting
9:30 a.m. on 3 April 2012	LCH.Clearnet Meeting
9:30 a.m. on 3 April 2012	LSEG Meeting
By the fourth quarter of 2012	Completion

Each of the times and dates in the above timetable is subject to change.

PART 1 : CHAIRMAN'S LETTER

London Stock Exchange Group plc
(Registered in England No. 05369106)



London

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Baroness (Janet) Cohen, Non-Executive Director
Sergio Ermotti, Non-Executive Director
Gay Huey Evans, Non-Executive Director
Paul Heiden, Non-Executive Director
Andrea Munari, Non-Executive Director
Massimo Tononi, Non-Executive Director
Robert Webb Q.C., Non-Executive Director

16 March 2012

To holders of London Stock Exchange Group plc ordinary shares

Dear LSEG Shareholder,

RECOMMENDED CASH OFFER FOR LCH.CLEARNET GROUP LIMITED

1. INTRODUCTION

It was announced on 9 March 2012 that LCH.Clearnet Group Limited (*LCH.Clearnet*) and London Stock Exchange Group plc (*LSEG*) have reached agreement on the terms of a recommended cash offer to be made by London Stock Exchange (C) Limited (*LSEC*), a wholly-owned subsidiary of LSEG, for the LCH.Clearnet Issued Share Capital. On Completion, the LSEG Group will become the majority owner of LCH.Clearnet, holding up to 60 per cent. of the LCH.Clearnet Issued Share Capital.

Under the terms of the Transaction, accepting LCH.Clearnet Shareholders will receive €20 per LCH.Clearnet Share acquired, comprising:

- (a) cash consideration of €19 per LCH.Clearnet Share payable by LSEC under the Offer; and
- (b) €1 per LCH.Clearnet Share from the Special Dividend payable by LCH.Clearnet, which will be reduced by the amount of any Relevant Claim(s). Further details of the Special Dividend are provided in Part 8.

The total implied value of LCH.Clearnet under the terms of the Transaction is €813 million (£677 million), comprising a total implied Offer value of €772 million (£643 million) and assuming that the full €41 million (£34 million) is paid under the Special Dividend. The maximum consideration to be paid by LSEC at Completion, assuming LSEC acquires 60 per cent. of the LCH.Clearnet Issued Share

Capital, will be €463 million (£386 million), which will be financed from existing cash resources and bank facilities.

In view of the size of LCH.Clearnet in relation to LSEG, the Transaction requires the approval of LSEG Shareholders. A notice of the LSEG Meeting to be held on 3 April 2012, at which your approval will be sought for the Transaction, is set out at the end of this document. The LSEG Board unanimously considers that the Resolution is in the best interests of LSEG and recommends that LSEG Shareholders vote in favour of the Resolution as the LSEG Board have irrevocably undertaken to do in respect of their own LSEG Shares.

The purpose of this document is to provide details of the Transaction, to provide you with information on the LCH.Clearnet Group and the effect of the Transaction on the LSEG Group, to explain why the LSEG Directors believe that the Transaction is in the best interests of the LSEG Group and LSEG Shareholders as a whole and to seek the consent of LSEG Shareholders to the Transaction. The whole document should be read. Your attention, in particular, is drawn to the risk factors set out in Part 2. You should not rely solely on the information summarised in this Part 1.

2. BACKGROUND TO AND REASONS FOR THE TRANSACTION

Developing the LSEG Group's post-trade capabilities, especially in clearing, is a key priority for the LSEG Group. This priority recognises the importance of providing customers with an efficient and attractive service offering across each stage of the value chain. The Transaction meets LSEG's strategic objective to continue to build upon its existing assets and to seek new opportunities, particularly in the post-trade arena, accelerating diversification and growth for the Enlarged Group.

The financial services industry and, in particular, the capital markets infrastructure sector, continues to evolve rapidly, demonstrating high growth in a number of specific areas. Ongoing regulatory developments and an industry increasingly focused on transparency and risk management are driving important structural changes in the sector, including heightened customer demand for post-trade services and the expected new regulatory requirements for central clearing, including in OTC derivatives. These developments are occurring in the context of strong historical growth in volumes in listed and OTC derivatives; specifically, trading volumes in European listed equity and fixed income derivatives grew by circa 10 per cent. between 2005 and 2010 and trading volumes in global OTC derivatives grew by circa 20 per cent. (CAGR) in terms of notional outstanding value between 1998 and 2011. These dynamics present significant potential opportunities for the LSEG Group, in line with its stated ambition to diversify the LSEG Group's activities.

The Transaction will enable the LSEG Group to develop its current product and service offering, broadening the LSEG Group's international clearing capabilities and in particular allowing the LSEG Group to:

- develop deeper relationships with customers and other venues around the world through partnership, prioritisation of product development, innovation and responsiveness to customer needs;
- secure a long-term, leading role in important pan-European market infrastructure;
- provide strong, competitive, customer-focused European clearing operations, building on the existing clearing and risk management services of both the LCH.Clearnet Group and the LSEG Group;
- form a leading global partnership in multi-asset, multi-venue clearing and risk management services, providing customers with operational and capital efficiencies;
- with the support of the LCH.Clearnet Group's customers, take advantage of global growth opportunities, including the growing importance of multi-asset CCPs, the increased need for

post-trade services (including in OTC derivatives) and the general market and regulatory trends for enhanced risk management; and

- benefit from exciting new opportunities for innovation, including, for example, the opportunity to seek to develop a new listed fixed income derivatives business.

Through this Transaction, the LSEG Group will acquire a majority stake in LCH.Clearnet to form a leading global partnership in multi-asset, multi-venue clearing and risk management services, building on both the LCH.Clearnet Group's and the LSEG Group's existing clearing and risk management services. Together, LCH.Clearnet and LSEG will also be better positioned to respond to the growing demand for multi-asset CCPs and the increased need for post-trade services.

The Enlarged Group will build on the combined strengths of the LCH.Clearnet Group and the LSEG Group, namely:

- the LCH.Clearnet Group's strong reputation and open, horizontal model: preferred by customers, this client-focused model features stakeholder-focused advisory committees in respect of different asset classes;
- the experience and reputation of LCH.Clearnet and LSEG in owning and successfully developing regulated, systemically important businesses, including the LCH.Clearnet Group's clearing and risk management services and the LSEG Group's post-trade businesses, CC&G and Monte Titoli (a settlement provider and central securities depository);
- shared open and trusted dialogue and relationships with regulators;
- LSEG's expertise in operating business models in partnership with customers (eg Turquoise and MTS);
- LSEG's experience of successful execution and growth in previous transactions (Borsa Italiana, MillenniumIT, Turquoise, FTSE) and LSEG's proven success in driving cost efficiencies;
- the international reach and expertise of both organisations (Amsterdam, Brussels, Colombo, Hong Kong, London, Milan, New York, Paris, Porto and Rome); and
- the strong global brands of LCH.Clearnet and LSEG.

The Transaction highlights LCH.Clearnet's and LSEG's continued commitment to the provision of customer-focused products and services. Following Completion, the decision of where products will be cleared will be driven by customer choice and commercial considerations. Existing LCH.Clearnet Shareholders, including many major customers of LCH.Clearnet, will continue to own at least 40 per cent. of the LCH.Clearnet Issued Share Capital and will maintain a strong ongoing interest in LCH.Clearnet. A shared commitment to an open, non-discriminatory clearing model will be enshrined in LCH.Clearnet's constitution as a Core Operating Principle from Completion. The Core Operating Principles are summarised in further detail in Part 7.

3. FINANCIAL EFFECTS OF THE TRANSACTION

Information on the expected effect of the Transaction on the assets and liabilities of the Enlarged Group is set out in the unaudited pro forma statement of the combined net assets of the Enlarged Group in Part 4.

The LSEG Board believes that the Transaction will deliver enhanced growth and substantial revenue synergies, as well as creating the opportunity for cost savings. The Transaction is expected to be immediately earnings accretive for LSEG. Return on invested capital is expected to exceed LSEG's

WACC in the first year, falling slightly due to the expected loss of NYSE Euronext's business in the second year (detailed in paragraph 9) and thereafter meeting and exceeding WACC as the Enlarged Group benefits from full synergies and growth in the Enlarged Group's business.¹

Revenue synergies

Annual revenue synergies of up to €20 million (£17 million) are targeted by the end of year 3 and up to €40 million (£33 million) are targeted by the end of year 5. There are no anticipated material technology upgrades required in relation to revenue synergies.

These synergies are expected to be generated across a range of areas, by offering customers new products and services and delivering efficiencies, including through a better aligned trading and clearing offering. For example, LSEG will seek opportunities to develop its listed fixed income and equities derivatives franchise, including equity index and fixed income derivatives.

Cost savings

LCH.Clearnet's current strategy is to deliver increased efficiencies, de-duplication of technologies and enhanced risk and collateral management services through the Transformation Plan.

LSEG supports LCH.Clearnet's strategy and endorses LCH.Clearnet's commitments to reducing costs, which will remain a key priority for the Enlarged Group's business following Completion. LSEG expects that its own successful experience in driving cost and other efficiencies will assist LCH.Clearnet in delivering its strategy. LSEG expects that further efficiencies will be achieved through scale benefits (including through the sharing of some internal support services), further enhancing IT project management and through a joint purchasing approach in areas such as IT.

Total annualised cost savings from LCH.Clearnet's strategy are expected to amount to €35.8 million (£29.8 million) by the end of 2012 of which €3.6 million (£3.0 million) has been delivered in 2011. One-off implementation costs with regard to LCH.Clearnet's planned cost savings are estimated to be €41.4 million (£34.5 million).

In addition, LSEG and LCH.Clearnet have identified incremental cost savings of €23 million (£19 million) per annum by the end of year 3 and €25 million (£21 million) by the end of year 5. One-off implementation costs with regards to cost savings are estimated to be €14 million (£12 million).

The revenue synergies and cost savings are expected to accrue partly in LCH.Clearnet and partly in LSEG and will thereby benefit continuing LCH.Clearnet Shareholders as well as LSEG Shareholders.

4. FINANCING OF THE TRANSACTION

The maximum consideration to be paid by LSEC at Completion, assuming LSEC acquires 60 per cent. of the LCH.Clearnet Issued Share Capital, will be €463 million (£386 million).

LSEG intends to finance the Transaction, its related costs and expenses and the ongoing operations of the Enlarged Group from existing cash resources and bank facilities. On 15 December 2011, LSEG completed a new committed revolving credit facility for £350 million (€420 million) with Lloyds TSB Bank plc, The Royal Bank of Scotland plc, Morgan Stanley Bank International Limited and The Bank of Tokyo-Mitsubishi UFJ, Limited.

To ensure consistency of terms between the new facility and LSEG's pre-existing facilities, an amendment to the pre-existing facilities has been obtained which effectively permits the maintenance

¹ This statement regarding earnings enhancement is not intended to be a profit forecast and should not be interpreted to mean that the earnings per LSEG Share for the current or future financial periods will necessarily be greater than those for the relevant preceding financial period.

of acquired debt instruments if these are maintained specifically for regulatory purposes and consequently the Enlarged Group will retain LCH.Clearnet's existing balance of €177 million Preferred Securities. The issued Preferred Securities receive 50 per cent. equity credit from Standard & Poor's.

Pro forma for the Transaction, Adjusted Net Debt²/Adjusted EBITDA (based on historic pro forma Enlarged Group Adjusted Net Debt of £1,235 million and Adjusted EBITDA of £590 million) would be circa 2.1 times. LSEG's target is to reduce Adjusted Net Debt/Adjusted EBITDA to 2.0 times or below within a year of Completion, based on strong cash generation by the Enlarged Group.

LCH.Clearnet will pay the maximum amount required in order to fund the Special Dividend into an escrow account at or around Completion. LCH.Clearnet intends to finance this payment from existing cash resources. The Special Dividend will use €41 million (£34 million) of retained profits that could otherwise have been applied against any increased regulatory capital requirements of the LCH.Clearnet Group companies. The LSEG Group has undertaken to subscribe up to a maximum of €24 million (£20 million) of additional capital if required by LCH.Clearnet (as determined by a resolution of the LCH.Clearnet Board, and within a period of 18 months of the date of Completion) in order to meet the regulatory capital requirements of the LCH.Clearnet Group. Under certain circumstances, such share issue could result in the LSEG Group's holding exceeding 60 per cent. of the issued share capital of LCH.Clearnet. For further details of the Regulatory Capital Subscription Agreement, see the "Special Dividend" section of Part 8.

5. SUMMARY OF THE TRANSACTION

Conditions of the Offer

The Offer is subject to the conditions set out in Part 5 which include, *inter alia*:

- (a) the Acceptance Condition;
- (b) the Minimum Rollover Condition;
- (c) the LCH.Clearnet Resolution Condition;
- (d) the Regulatory Approvals Condition;
- (e) the Regulatory Licences Condition;
- (f) the FHC Condition;
- (g) the Merger Control Conditions; and
- (h) the Regulatory MAC Condition.

The conditions are expected to be satisfied (or waived) and the Offer declared unconditional by the fourth quarter of 2012.

² Pro forma Enlarged Group Adjusted Net Debt is calculated on the basis of an acquisition of 60 per cent. of the LCH.Clearnet Issued Share Capital, amounting to €463 million (£386 million) plus LCH.Clearnet's Adjusted Net Debt (including the Special Dividend of €41 million) of €122 million (£102 million) and LSEG's existing Adjusted Net Debt of £747million (€896 million).

will initially be available to any new Venue partners agreed by LSEG (with the approval of LCH.Clearnet) which wish to acquire LCH.Clearnet Shares, provided that such new Venue partners may only acquire, in aggregate, up to 10 per cent. of the LCH.Clearnet Issued Share Capital;

- (b) once any such allocations to new Venue partners have been satisfied, the determination as to which persons will retain LCH.Clearnet Shares in excess of the aggregate of the Minimum Acceptance Percentage and such new Venue partner allocations (the *Excess Offer Shares*) shall be made on the basis of the Target Holding Elections (if any);
- (c) if the Minimum Rollover Condition would not be met were all the Target Holding Elections to be satisfied in full, LSEC shall only acquire (or agree to acquire) such number of Excess Offer Shares as will ensure that the Minimum Rollover Condition is satisfied; and
- (d) Target Holding Elections will be satisfied, and any scaleback of the number of Excess Offer Shares to be acquired by LSEC as described above will be effected, with the aim of:
 - (i) providing a full cash exit to LCH.Clearnet Shareholders (in particular, Smaller LCH.Clearnet Shareholders) that wish to sell their entire holding; and
 - (ii) achieving balanced ongoing ownership with each major User Shareholder continuing to hold in the range of 1.5 – 2.5 per cent. of the LCH.Clearnet Issued Share Capital as far as practicable and having regard to the flow contributed by each such User Shareholder.

Implementation of the Offer

LCH.Clearnet, LSEG and LSEC have entered into the Implementation Agreement to record their respective obligations with respect to the implementation of the Transaction. A summary of certain key provisions of the Implementation Agreement (including the circumstances in which the Implementation Agreement may be terminated and related break fee arrangements) is set out in Part 8.

6. POST TRANSACTION SHAREHOLDING STRUCTURE

On Completion, the LSEG Group will own between 50 per cent. plus one LCH.Clearnet Share of the issued share capital of LCH.Clearnet as at Completion and 60 per cent. of the LCH.Clearnet Issued Share Capital. The balance of LCH.Clearnet Shares not held by the LSEG Group will be held by existing LCH.Clearnet Shareholders which retain some or all of their LCH.Clearnet Shares and any new Venue partners agreed by LSEG (with the approval of LCH.Clearnet) which wish to acquire LCH.Clearnet Shares.

It is possible that, prior to Completion, LCH.Clearnet could enter into commercial arrangements with trading venues and/or market infrastructure providers that may involve an issue of LCH.Clearnet Shares (within the LCH.Clearnet Directors' current standing authority to allot up to five per cent. of the issued share capital of LCH.Clearnet) or a transfer of LCH.Clearnet Shares.

If, prior to Completion, LCH.Clearnet issues any LCH.Clearnet Shares which would, even though the Minimum Acceptance Condition has been fulfilled, result in the LSEG Group having a holding of 50 per cent. or less of the issued share capital of LCH.Clearnet as at Completion, LSEC shall be entitled and obliged to subscribe at the Offer Price at Completion for such number of additional LCH.Clearnet Shares as will provide the LSEG Group with a shareholding of 50 per cent. of the issued share capital of LCH.Clearnet as at Completion plus one LCH.Clearnet Share.

Pursuant to the Regulatory Capital Subscription Agreement, LCH.Clearnet may (as determined by a resolution of the LCH.Clearnet Board, and within a period of 18 months of the date of Completion)

call for LSEG or LSEC to subscribe at the Offer Price for further LCH.Clearnet Shares if required in order to meet the LCH.Clearnet Group's regulatory capital requirements. If LCH.Clearnet calls for subscription by LSEG or LSEC, such issue may be made on a non pre-emptive basis and this could result in the LSEG Group's holding exceeding 60 per cent. of the LCH.Clearnet Issued Share Capital.

7. GOVERNANCE, MANAGEMENT, SHAREHOLDING STRUCTURE AND OTHER ONGOING ARRANGEMENTS BETWEEN LCH.CLEARNET AND LSEG

Details of the proposed governance arrangements and management structure of the LCH.Clearnet Group (including of the composition of the LCH.Clearnet Board), the shareholding structure and other ongoing arrangements between LCH.Clearnet and LSEG following Completion are set out in Part 7.

The governance arrangements relating to the LCH.Clearnet Group will reflect its ownership structure following Completion, the need for appropriate stakeholder representation, the requirements arising from the regulated status of the LCH.Clearnet Group companies and the LSEG Group's requirements for appropriate controls as the majority LCH.Clearnet Shareholder. It should be noted that such arrangements may be subject to change, depending on the finalisation of new regulatory requirements. In particular, the governance arrangements that will be implemented as part of the Transaction with respect to board composition may need to be amended to bring them into line with the final requirements of regulators, EMIR and Dodd-Frank.

The governance and management arrangements, together with the shareholding structure and other ongoing arrangements between LCH.Clearnet and LSEG, are principally set out in the New LCH.Clearnet Articles and the Relationship Agreement. In light of the horizontal model which LCH.Clearnet and LSEG are safeguarding through the Transaction and to support LCH.Clearnet's planned international expansion, especially into the US and Asia, flexibility has been maintained in the governance structure to incorporate any future Venue partners, which may be invited to propose a director for appointment to the LCH.Clearnet Board as a Venue Director.

The Business Plan and the Budget will set out strategy and financial matters in relation to the management of LCH.Clearnet. In addition, certain terms of reference and policies will, pursuant to the terms of the Implementation Agreement, be adopted with effect from Completion.

Although LSEG will not be entitled to appoint a majority of the directors on the LCH.Clearnet Board, the LSEG Group has appropriate controls as the majority shareholder in order to safeguard its interests, through certain consent mechanisms detailed in Part 7 and through the right to appoint and remove up to four directors to the LCH.Clearnet Board, including the Chief Executive Officer of LCH.Clearnet. In addition, the LCH.Clearnet Group will be operated in accordance with the Core Operating Principles agreed between LCH.Clearnet and LSEG.

Following Completion, LCH.Clearnet's current independent Non-Executive Chairman, Jacques Aigrain, and current Chief Executive Officer, Ian Axe, will remain in their roles and Ian Axe will also be invited to join the LSEG executive committee.

Provisions regulating the operation of the clearing business of the LCH.Clearnet Group and the LSEG Group following Completion are contained in the Relationship Agreement and summarised in Part 7.

The SwapClear Banks have governance rights with respect to the SwapClear Businesses, including the ability to appoint a majority of members of the governing committees that oversee the SwapClear Businesses. They also have certain rights in relation to the SwapClear Businesses if there is a change of control of LSEG. Further details are available in Part 6.

No significant changes are currently anticipated to the approach taken to the regulation of the LCH.Clearnet Group and the LSEG Group by their respective regulators as a result of the Transaction. LCH.Clearnet will continue to be lead-regulated by the ACP and LSE plc by the FSA.

8. EMPLOYEES

The LSEG Board attaches great importance to the skills and experience of management and employees in the Enlarged Group and believes that they will be an important factor for its continuing success. The LSEG Board believes that employees will generally have greater opportunities arising from the Transaction owing to the enhanced growth prospects of the Enlarged Group. The LSEG Board is also pleased to note that positive opinions in relation to the Transaction have been received from LCH.Clearnet S.A.'s French works council and its Dutch employee representative body on 12 December 2011 and 15 December 2011 respectively.

9. INFORMATION ON THE LCH.CLEARNET GROUP

The LCH.Clearnet Group is a leading User-owned and User-governed CCP group, serving major international trading venues and customers, as well as a range of OTC markets.

LCH.Clearnet is a private limited company, registered in the UK. It is a holding company created as part of the merger of London Clearing House and Clearnet S.A. in 2003 and oversees its two wholly owned operating subsidiaries, LCH.Clearnet Limited (incorporated in the UK) and LCH.Clearnet S.A. (incorporated in France). LCH.Clearnet Limited is a Recognised Clearing House regulated by the FSA. LCH.Clearnet S.A. is a credit institution and clearing house regulated by a regulatory college of central banks and market regulators from France, Netherlands, Belgium and Portugal. LCH.Clearnet Limited and LCH.Clearnet S.A. are subject to regulation by a number of other regulators and/or central banks in many of the jurisdictions in which they operate. In other jurisdictions, LCH.Clearnet Limited and/or LCH.Clearnet S.A. have been granted exemptions from local licensing requirements, notably in Germany and Ontario, Canada. Another subsidiary of LCH.Clearnet, LCH.Clearnet (Luxembourg) S.à.r.l., serves as a holding company for the LCH.Clearnet Group's intellectual property.

As a CCP, the relevant LCH.Clearnet Group company registers and processes trades and assumes the counterparty risk involved when two parties (or members) trade and clear the trade through the relevant LCH.Clearnet Group company. When the trade is registered with the relevant LCH.Clearnet Group company, it (and in certain cases a CCP that is interoperable with the relevant LCH.Clearnet Group company) becomes the legal counterparty to each side of the trade. To protect itself against the risk that a clearing member defaults on any of the trades registered with the relevant LCH.Clearnet Group company, it collects default fund contributions as well as initial and variation margin (which may be in the form of cash or other collateral) from its members. The amount of margin is decided by the relevant LCH.Clearnet Group company's risk management processes, which involve the assessment of a member's positions and market risk on at least a daily basis. Should members default on their obligations under a trade, the relevant LCH.Clearnet Group company will manage the defaulting member's open position using some or all of the collateral and default fund contributions placed by the member with the relevant LCH.Clearnet Group company. In extreme situations, where the defaulter's own collateral and default fund contributions prove inadequate, the relevant LCH.Clearnet Group company's own funds and the default fund contributions of other members will be exposed. The LCH.Clearnet Group has successfully managed a number of high profile defaults without recourse to non-defaulters' default fund contributions or to the LCH.Clearnet Group's own funds. For further discussion of the risks inherent in clearing businesses, see Part 2.

By assuming the counterparty risk, the LCH.Clearnet Group underpins many important financial markets, facilitating trading and increasing confidence within the market.

The LCH.Clearnet Group performs clearing and risk management services for a broad range of asset classes (including equity securities; commodities; fixed income products, such as euro and sterling denominated bonds and repos; energy, freight, metals contracts and exchange traded derivatives; and OTC derivatives, including interest rate swaps and CDSs) and works closely with market participants and trading venues to identify and develop clearing and risk management services for new asset classes. In particular, the LCH.Clearnet Group has strong CCP offerings in:

- cash equities (16 per cent. of 2011 total revenues): the LCH.Clearnet Group is a leading European equity CCP, providing clearing and risk management services to clients for equities and equity equivalents, including ETFs and REITs;
- fixed income (29 per cent. of 2011 total revenues): the LCH.Clearnet Group is one of the largest clearers of fixed income and repo products in the world, offering a broad set of services, including classic repos, buy-sell back repos and cash bonds;
- commodities, comprising metals (7 per cent. of 2011 total revenues) and freight and energy (3 per cent. of 2011 total revenues): the LCH.Clearnet Group provides clearing and settlement services for both the exchange traded and OTC commodity markets;
- listed derivatives (24 per cent. of 2011 total revenues): the LCH.Clearnet Group provides clearing, risk management and support services for listed derivatives (NYSE Liffe and NYSE Euronext); and
- OTC derivatives (22 per cent. of 2011 total revenues): SwapClear is a global service which clears a significant proportion of the current relevant OTC interest rate swaps market. The LCH.Clearnet Group also provides a clearing and risk management service relating to European CDS contracts.

In these areas, the LCH.Clearnet Group is well positioned to benefit from continued growth in existing markets and, in certain cases, from expansion into new markets. The LCH.Clearnet Group has developing operations in the following growth areas: contracts for difference, energy, precious metals, iron ore, steel, agricultural commodities and emissions and environmental risk management products.

LCH.Clearnet also plans to launch CDS and FX derivatives clearing and risk management services in 2012. Further information on these arrangements is available in Part 6.

LCH.Clearnet is implementing the Transformation Plan, which has three core objectives:

- to ensure consolidation and efficiency of LCH.Clearnet as “One Firm”;
- to promote the horizontal multi-asset clearing model; and
- to expand the client risk and collateral services model.

In creating “One Firm”, LCH.Clearnet is leveraging the strength and synergies across the LCH.Clearnet Group and aligning its businesses closer to its clients’ needs. LCH.Clearnet intends to develop a single infrastructure by reducing the costly duplication of systems across the LCH.Clearnet Group. The implementation of the LCH.Clearnet Group fixed income platform has already commenced and a further 37 LCH.Clearnet Group-wide applications have been identified for de-duplication. In addition to the IT cost efficiencies, there are multiple process efficiencies under consideration. Total annualised cost savings from LCH.Clearnet’s strategy are expected to amount to €35.8 million (£29.8 million) by the end of 2012, of which €3.6 million (£3.0 million) have been delivered in 2011. One-off implementation costs with regard to LCH.Clearnet’s planned cost savings are estimated to be €41.4 million (£34.5 million).

On 13 March 2012, LCH.Clearnet Limited announced that it had received regulatory non-objection for ForexClear from the FSA and is working with members towards the imminent launch of non-deliverable forwards. On 14 March 2012, LCH.Clearnet, New York Portfolio Clearing LLC, The Depository Trust & Clearing Corporation and NYSE Euronext jointly announced that they had agreed to explore expanding the existing combined “one-pot” cross-margining arrangement to include interest rate swaps cleared by LCH.Clearnet.

Following Completion, LCH.Clearnet intends to continue to operate an efficient, client-focused, for-profit model, delivering tangible benefits to stakeholders. In particular, LCH.Clearnet’s ongoing client-focused business model is intended to provide revenue growth opportunities through greater product innovation for customers, whilst managing costs and preserving User interests. It is intended that this will be achieved through improved service, quality and responsiveness, as well as increased efficiencies (in particular, subject to applicable regulatory requirements, through cross-margining and risk management across asset classes for customers and market participants). The SwapClear Banks have contractual arrangements with LCH.Clearnet under which they commit to bear various costs and receive commensurate governance and surplus-sharing rights, as described in Part 6.

The historical financial information of the LCH.Clearnet Group covering the financial periods ended 31 December 2011, 2010 and 2009 is set out in Part 3.

10. CURRENT TRADING AND PROSPECTS

LSEG Group

In January 2012 LSEG released a trading update for both the quarter ending 31 December 2011 and for the first nine months of the current financial year. LSEG reported year to date total income of £582.8 million (€668.1 million) (a year-on-year increase of 19 per cent.).

For the year to date, the LSEG Group’s business performed as follows:

- capital markets: overall revenues, which includes both primary and secondary market activities, increased by seven per cent. to £228.7 million (€262.2 million) (up six per cent. on an organic and constant currency basis), reflecting growth across all main asset trading markets, especially in fixed income;
- post-trade services: total income, including net treasury income, grew 59 per cent. to £164.7 million (€188.8 million) (up 55 per cent. on an organic and constant currency basis). This was driven by growth in all major business areas (on an organic basis) and in particular by an increase in net treasury income from clearing operations. Following the acquisition of a 13.64 per cent. stake in CC&G from Unicredit S.p.A. on 4 November 2011, the LSEG Group owns 100 per cent. of CC&G and the transaction is expected to be earnings accretive in the current financial year;
- information services: delivered a 12 per cent. increase in revenue to £141.9 million (€162.7 million) (up four per cent. on an organic and constant currency basis), reflecting a rise in real time data income and growth in other information products. Following the acquisition of a 50 per cent. stake in FTSE from The Financial Times Limited on 16 December 2011, LSEG owns 100 per cent. of FTSE. The transaction will further diversify LSEG’s assets and is expected to be earnings accretive from the first year onwards;
- technology services: delivered a five per cent. increase in revenue to £37.8 million (€43.3 million) (up six per cent. on an organic and constant currency basis). MillenniumIT performed well, with first technology deliveries to Mongolia contributing to an increase in MillenniumIT revenues of 16 per cent. on a constant currency basis to £15.0 million (€17.2 million).

During the third quarter ended 31 December 2011 there was a net outflow of cash, including £428 million (€499.3 million) for the LSEG Group's acquisition of the remaining 50 per cent. of FTSE, £53 million (€62 million) for the purchase of the 3.6 per cent. stake in CC&G from Unicredit S.p.A. and £15 million (€17.5 million) for the acquisition of the FSA's transaction reporting service, TRS.

At the end of December 2011, the LSEG Group net debt had increased to £582 million (€696.8 million) (or £747 million (€894.3 million) after setting aside the cash held for regulatory and operational support purposes). As reported at the time of the FTSE transaction, the pro forma leverage of the LSEG Group had increased to 1.6 times net debt to Adjusted EBITDA, based on EBITDA to 30 September 2011 and on a pro forma basis to include 12 months' FTSE EBITDA. The LSEG Group expects that its positive net cash generation will start to reduce its leverage. Moody's has affirmed its ratings at Baa2 following the Announcement and Standard & Poor's has applied creditwatch negative to its rating of A-.

The fourth quarter (to end 31 March 2012) is showing an improvement in secondary market trading, with average daily value traded in UK cash equities up five per cent. on the third quarter, and average daily volume traded in Italian cash equities is up fourteen per cent. on the third quarter. MTS fixed income trading and IDEM derivative volumes are up on average daily levels in the prior quarter. Information services, technology services and post-trade services are all performing well.

The LSEG Board expects continuing good overall performance from the LSEG Group during the final quarter of the financial year, reflecting the resilience of the business and strength of the LSEG Group portfolio's offering.

LCH.Clearnet Group

In February 2012, LCH.Clearnet released trading results for the year ended 31 December 2011. The financial track record in Part 3 restates LCH.Clearnet's reported financial information to align to the LSEG Group's accounting policies and presentational convention. LCH.Clearnet's total income for 2011 was €391.5 million (£339.6 million), up 10 per cent. year-on-year, and its Adjusted EBITDA was €131.5 million (£114.1 million), up 71 per cent year-on-year.

For the full year 2011, the LCH.Clearnet Group's business performed as follows:

- fixed income: clearing revenues grew by 13 per cent. to €42.9 million (£37.2 million) and member balances increased to €491 billion (£410.1 billion). Volumes have been driven by increased levels of clearing from both new and existing members as market participants have turned to clearing to mitigate risk in a highly volatile environment;
- OTC derivatives: SwapClear generated clearing revenues of €44 million (£38.2 million), up 110 per cent. year-on-year, driven by the increase in clearing members, cleared volumes and a tariff increase. Volumes cleared for the four French member banks in European CDS contracts stood at €58.7 billion (£50.9 billion) in notional, representing a €4.6 billion (£3.8 billion) open interest;
- commodities & listed derivatives: clearing revenues increased to €105.6 million (£91.6 million) and total volumes increased by 11 per cent., principally due to the NYSE and LME markets. During 2011, LCH.Clearnet negotiated a significant extension to the termination notice of the NYSE derivatives contract to June 2013 and began clearing for the LSEG Group's derivatives platform, Turquoise (formerly cleared for EDX London Limited prior to the transfer of the business and assets of EDX London Limited to Turquoise in May 2011);
- cash equities: LCH.Clearnet Group wide volumes for equities grew by 23 per cent. year-on-year and clearing revenues increased to €44.0 million (£38.2 million) despite the tariff reductions implemented in October 2010 in London, which introduced free clearing for

average member volumes over 150,000 per day. The contract with NYSE Euronext was extended during 2011 to the end of 2013; and

- net treasury income through CCP business³: total cash and collateral income grew by 54 per cent. to €423.1 million (£367.1 million) and the LCH.Clearnet Group shared a greater proportion of this with its members who received €34.8 million (£307.8 million), an increase of 79 per cent. on 2010. Net treasury income through CCP business (excluding fees charged on non-cash collateral) decreased by 10 per cent. to €68.4 million (£59.3 million). Unrealised net treasury income on the treasury portfolio was a loss of €39.3 million (£34.1 million).

In May 2010, NYSE Euronext announced that it intended to establish its own clearing house for its European securities and derivatives markets by year end 2012 and served a termination notice on LCH.Clearnet with respect to those businesses. NYSE Euronext has since extended its contract to June 2013 in respect of the European derivatives businesses and to December 2013 in respect of the European securities businesses.

While LCH.Clearnet is operating on the assumption that European securities and derivatives arrangements with NYSE Euronext will terminate in 2013, LCH.Clearnet has no knowledge of the stage of development of NYSE Euronext's proposed clearing house and cannot provide any certainty as to whether its clearing house will be operational by 2013, whether a further extension to the existing contracts will be requested or whether the termination notice will be cancelled entirely. Consistent with its horizontal model, LCH.Clearnet remains fully prepared to continue to serve these businesses for NYSE Euronext as a key client and member.

In 2011, LCH.Clearnet's revenues related to NYSE Euronext European securities and derivatives markets businesses were €98.0 million (£85.0 million). This excludes revenues related to NYSE Liffe (London)'s business of €35.5 million (£30.8 million), with respect to which no termination notice has been served. It should be noted that these historic figures may not be a reliable indication of the impact of a withdrawal of the NYSE Euronext businesses on LCH.Clearnet due to the uncertainties related to any potential restructuring and associated costs which may result thereafter. However, LCH.Clearnet and LSEG believe that it is possible that the costs associated with these businesses may be able to be substantially reduced or utilised in supporting alternative business flows.

In December 2011, LME announced that it intended to establish its own clearing house and launch its own clearing services by the first quarter of 2014 and also stated that: "potential suitors are preparing bids for the LME but it is too early to say whether the LME board will recommend any bid to the shareholders". LCH.Clearnet has no knowledge of the stage of development of LME's proposed clearing house nor of its process regarding potential suitors for the LME. LME has not served a termination notice on LCH.Clearnet and continues to clear its business with LCH.Clearnet. LCH.Clearnet remains fully prepared to continue to serve the LME as a key client and member.

The total equity of the LCH.Clearnet Group increased during the year by €13.2 million (£11.0 million) to €333.1 million (£278.2 million). The total available regulatory capital of LCH.Clearnet, at €307.4 million (£256.8 million), continues to exceed the minimum "Pillar 1" requirements of €92.6 million (£77.3 million), and the combined "Pillar 1" and Pillar 2" requirement of €210.2 million (£175.6 million) - paragraph 29 of Part 3 provides more detail on the "Pillar 1" and "Pillar 2" requirements. The LCH.Clearnet Group's tier 1 capital ratio was 17.3 per cent. and the total capital ratio was 26.6 per cent. Within this, LCH.Clearnet's issued Preferred Securities of €177.4 million are partly eligible for treatment as Tier 1 regulatory capital (limited to 35 per cent. of total Tier 1) with the balance eligible for treatment as Tier 2 regulatory capital. Although it is expected that the issued Preferred Securities can continue to be used for regulatory capital purposes, LCH.Clearnet has prudently subjected these securities to a straight line 10 year amortisation beginning 1 January 2013

³ Net treasury income through CCP business refers to net investment income from the collateral and liquidity management segment excluding fees charged on non-cash collateral.

in light of potential rule changes that may make such securities ineligible as capital. The LCH.Clearnet Group's Standard & Poor's rating of 'A+' has been placed on creditwatch negative following the Announcement.

11. LCH.CLEARNET SHAREHOLDER SUPPORT

LCH.Clearnet Resolution

In connection with the implementation of the Transaction, LCH.Clearnet will need to adopt the New LCH.Clearnet Articles and the LCH.Clearnet Shareholders will need to authorise the declaration of the Special Dividend. Accordingly, a special resolution of the LCH.Clearnet Shareholders is required.

LCH.Clearnet Shareholders which, in aggregate, have an interest in 66.23 per cent. of the LCH.Clearnet Issued Share Capital, have undertaken to vote in favour of the LCH.Clearnet Resolution.

Offer

LCH.Clearnet, LSEG and LSEC have received undertakings to conditionally accept, or procure the acceptance of, the Offer from LCH.Clearnet Shareholders in respect of LCH.Clearnet Shares representing up to 49.43 per cent. of the LCH.Clearnet Issued Share Capital (subject to the scaleback and allocation principles set out in the Offer Document (see paragraph 5 for further detail) and subject to the other terms and conditions of the Offer).

Each of these undertakings (other than the MF Global undertaking – a detailed summary of which is contained in Part 9) will cease to be binding in certain circumstances, including in all cases: (a) following a change in the recommendation of the LCH.Clearnet Recommending Directors; (b) if certain of the key milestones in the Offer timetable are not achieved; and (c) if the Offer lapses or is withdrawn (which will occur if the Implementation Agreement is terminated). In addition, each of the undertakings (other than the MF Global undertaking) permits the relevant LCH.Clearnet Shareholder not to vote in favour of the LCH.Clearnet Resolution and/or to accept the Offer if a third party offer is proposed for LCH.Clearnet. The terms and basis on which a third party offer or proposal would need to be made in order to give rights of termination vary between the undertakings. Additional information on the LCH.Clearnet undertakings is included in Part 9.

12. LSEG MEETING

In view of its size, the Transaction is conditional upon, amongst other things, the approval of LSEG Shareholders at a general meeting. Set out at the end of this document is a notice convening the LSEG Meeting to be held at the offices of Freshfields Bruckhaus Deringer LLP at 65 Fleet Street, London EC4Y 1HT at 9:30 a.m. on 3 April 2012. At the LSEG Meeting an ordinary resolution will be proposed to approve the Transaction.

The LSEG Board has irrevocably undertaken to vote in favour of the Resolution to be proposed at the LSEG Meeting in respect of its own beneficial holdings of, in aggregate, 204,710 LSEG Shares, representing approximately 0.075 per cent. of the issued share capital of LSEG as at 15 March 2012, being the last practicable day before the publication of this document.

13. FURTHER INFORMATION

Your attention is drawn to the further information set out in Parts 2 to 10 (inclusive). In particular, your attention is drawn to the risks relating to the LSEG Group, LCH.Clearnet Group and the Enlarged Group and the Transaction and the other risk factors set out in Part 2.

14. ACTION TO BE TAKEN

You will find enclosed with this document a Form of Proxy for use at the LSEG Meeting. Whether or not you propose to attend the LSEG Meeting in person, you are asked to complete the Form of Proxy and return it to the Registrars at Equiniti, Aspect House, Lancing, West Sussex, BN99 6DA so as to arrive as soon as possible, but in any event so as to be received by no later than 12 noon on 30 March 2012.

Alternatively, if you would prefer to appoint a proxy or proxies electronically, you may do so via the website run by the Registrars at www.sharevote.co.uk using the number provided on the yellow Form of Proxy.

CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the notice convening the LSEG Meeting at the end of this document.

Completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting at the LSEG Meeting in person if you so wish. Further details relating to voting by proxy are set out in the notes to the Notice of General Meeting on pages 167 to 169.

15. RECOMMENDATION

The LSEG Board, which has received financial advice from Morgan Stanley, Citi and Societe Generale, considers the terms of the Transaction to be fair and reasonable. In providing such financial advice to the LSEG Board, Morgan Stanley, Citi and Societe Generale have relied on the LSEG Board's commercial assessment of the Transaction.

The LSEG Board believes the Transaction and the Resolution to be in the best interests of the LSEG Shareholders as a whole and, accordingly, unanimously recommends that the LSEG Shareholders vote in favour of the Resolution to be proposed at the LSEG Meeting, as it intends to do in respect of its own beneficial holdings of, in aggregate, 204,710 LSEG Shares, representing approximately 0.075 per cent. of the issued share capital of LSEG as at 15 March 2012, being the last practicable day before the publication of this document.

Yours faithfully,
for and on behalf of London Stock Exchange Group plc



Chris Gibson-Smith
Chairman

PART 2 : RISK FACTORS

Prior to making any decision to vote in favour of the Resolution at the LSEG Meeting, you should carefully consider, together with all other information contained in this document, the specific risks and uncertainties described below.

The LSEG Directors consider the following to be the material risk factors to which the Enlarged Group is exposed as a result of the Transaction. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties and are not set out in any particular order of priority. Additional risks and uncertainties that are not presently known to the LSEG Directors, or which they currently deem immaterial, may also have an adverse effect on the Enlarged Group's operating results, financial condition and prospects. The information given is as of the date of this document and, except as required by the FSA, the London Stock Exchange, the Listing Rules and Disclosure and Transparency Rules (and/or any regulatory requirements) or applicable law, will not be updated.

If any of the following risks are realised, the Enlarged Group's businesses, financial condition, capital resources, results and/or future operations could be materially affected. In such case, the price of the Enlarged Group's ordinary shares could decline and investors may lose some or all of their investment.

1. Risks relating to the Transaction

The Transaction is subject to a number of conditions which may not be satisfied or waived.

Completion is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including regulatory approvals, merger control clearances and the requisite approvals of LCH.Clearnet Shareholders and LSEG Shareholders (some of whom hold a significant number of LSEG Shares and are therefore able to exert considerable influence over the outcome of the Resolution). Although LSEG and LCH.Clearnet have both agreed to use reasonable endeavours to satisfy each condition by the Longstop Date, there is no guarantee that these (or other) conditions will be satisfied (or waived if applicable) either at or before the Longstop Date, in which case the Transaction will not be completed. This is particularly the case with respect to the Acceptance Condition, the LCH.Clearnet Resolution Condition and the FHC Condition, which, if not satisfied, will not be waived by LSEG and/or LSEC.

Merger control clearances may take a lengthy period of time to complete.

The financial markets industry has been the subject of various recent high profile transactions and the Transaction may be subject to detailed scrutiny from merger control authorities. Accordingly, the merger control clearance processes, on which the Transaction is conditional, may take a lengthy period of time to complete, which could delay Completion.

The Enlarged Group may fail to realise the expected benefits of the Transaction.

The Enlarged Group may not realise the expected benefits and synergies from the Transaction or may encounter difficulties or higher costs in achieving those expected benefits and synergies. Realisation of the expected benefits of the Transaction will depend in large part on the success of the LCH.Clearnet Group management in implementing its strategy. That success may not be realised, or may only be realised in part, if, among other things, the LCH.Clearnet Group: (a) is unable to retain LCH.Clearnet senior management and/or other key employees critical to the implementation of LCH.Clearnet management's strategy; or (b) suffers a reduction in revenue but is unable to reduce its cost base because of the LCH.Clearnet Group's fixed cost structure. Any failure to realise the increased earnings, cost savings and enhanced growth opportunities for the LCH.Clearnet Group described in the Initial Business Plan, Initial Budget and elsewhere in this document could have a

material adverse effect on the LCH.Clearnet Group's business and financial condition and, accordingly, the Enlarged Group's results of operations.

The value of the LCH.Clearnet Shares purchased by the LSEG Group may be less than the consideration paid by the LSEG Group.

Until Completion, it is possible that there could be an adverse event affecting the LCH.Clearnet Group which would not give rise to a right of LSEG to terminate the Transaction. In such an event, the value of the LCH.Clearnet Shares purchased by the LSEG Group may be less than the consideration paid by the LSEG Group and, accordingly, the net assets of the Enlarged Group could be reduced. This could have an adverse effect on the business, financial condition and operating results of the Enlarged Group.

Share issuances by LCH.Clearnet may dilute the LSEG Group's shareholding in LCH.Clearnet.

LCH.Clearnet continues to explore strategic opportunities to strengthen its business and may issue new LCH.Clearnet Shares in connection with the exploitation of such opportunities. LCH.Clearnet and LSEG have agreed customary restrictions on share issuances by LCH.Clearnet both prior to and following Completion. LCH.Clearnet and LSEG have also agreed anti-dilution protection to enable the LSEG Group to maintain its majority interest in LCH.Clearnet.

LCH.Clearnet may issue new LCH.Clearnet Shares prior to Completion in connection with its growth strategy, subject to certain information and consent rights for LSEG. LCH.Clearnet and LSEG have agreed that if, as a result of a pre-Completion share issue, the LSEG Group would not hold a majority of LCH.Clearnet's share capital on Completion, LSEG will subscribe for such number of additional LCH.Clearnet Shares at the Offer Price as will allow it to achieve a majority shareholding of 50 per cent. plus one LCH.Clearnet Share on Completion.

Accordingly, the LSEG Group's shareholding in LCH.Clearnet may be diluted if the LSEG Group would otherwise have had a shareholding of greater than 50 per cent. plus one LCH.Clearnet Share on Completion or if, in the case of a post-Completion share issuance, the LSEG Group's then current shareholding was more than 50 per cent. plus one LCH.Clearnet Share.

2. Risks relating to the clearing industry and financial markets

The post-trade business of the Enlarged Group will be subject to the impact of market and economic conditions beyond its control.

The revenue of the Enlarged Group's post-trade businesses will be substantially dependent on the clearing volumes of the Enlarged Group's clearing businesses (and, by extension, on the trading volumes on the trading venues operated by the trading platform customers of the Enlarged Group's clearing businesses and trading volumes in OTC products). Many of the factors that influence trading and clearing volumes will be beyond the control of the Enlarged Group, but have the potential to adversely affect the business, financial condition and operating results of the Enlarged Group. As shown during recent financial crises including but not limited to the current economic difficulties being experienced by the Eurozone, such factors are:

- economic, political and geopolitical market conditions;
- changes in government monetary policies;
- inflation;
- broad trends in business and corporate finance, including in the broad investment strategies adopted by large financial institutions, investment houses and other fund managers;

- macro-economic changes in global or regional demand or supply shifts in fixed income, OTC products, commodities and capital markets;
- changes in the financial standing of members of the Enlarged Group's post-trade businesses who are based in the Eurozone and in the liquidity of the Eurozone financial markets;
- legislative and regulatory changes, including any direct or indirect restrictions on (or increased costs associated with) trading in relevant markets; and
- any change or development in global, national or regional political conditions, external events such as acts of terrorism or any outbreak of hostilities or war and natural disasters.

The Enlarged Group may be subject to risks associated with the Eurozone debt crisis.

The Enlarged Group has a substantial proportion of its assets and liabilities denominated in euros and revenue and income arising from customers and products who are either based in, or have exposure to, the Eurozone and euro-denominated securities and, accordingly, it is exposed to risks in connection with the current Eurozone debt crisis.

In particular, the strains that this crisis is placing on financial institutions inside and outside the Eurozone increases the risk that the Enlarged Group's clearing businesses will experience defaults amongst their clearing members. The current heightened volatility in the market values for Eurozone government and bank debt instruments and related derivatives increases the risk that a defaulter's positions cannot be successfully closed out without recourse to the financial resources of those entities in the Enlarged Group that operate clearing businesses. In addition, a default of a Eurozone member country or a lack of market confidence in euro-denominated securities (in particular, euro-denominated government debt instruments) may lead to adverse effects on fixed income trading and associated clearing volumes. There is a risk that this would adversely affect the financial condition of the Enlarged Group.

If the Eurozone debt crisis is not resolved, there is a possibility that one or more countries may default and/or leave the euro and re-establish their own national currency or that the European monetary union collapses. There is no pre-ordained process for managing any such outcome and, were any to occur, it is likely that there would be significant, extended and generalised market dislocation with unpredictable and materially adverse consequences for all participants in the world's financial markets, including members of the Enlarged Group. Of particular concern in such a situation would be the Enlarged Group's clearing subsidiaries, all of which have significant euro-denominated exposures with corresponding euro-denominated rights, margin, collateral and other investments denominated in euros. Redenomination of the euro in a country (in particular, a country in which a clearing subsidiary is located) could possibly result in exposures (but not the corresponding rights or collateral) or the rights (but not the corresponding exposures or collateral) or simply just the collateral, being redenominated into a currency other than the euro. This could give rise to a potentially significant FX risk to the CCPs which would not be passed on to any other person and could significantly adversely affect the solvency of such CCP. A localised or more general exit of countries from the Eurozone would be likely to affect the full recoverability of euro-denominated debts and other obligations from counterparties in the affected countries and could result in multiple defaults at a time when there is a general market dislocation, making realising collateral (irrespective of its currency of denomination) at acceptable prices very difficult.

Further, were any of the Eurozone countries in which those subsidiaries are incorporated to leave the euro it is possible that such a move would be accompanied by exchange control and mandatory payment laws which might materially and adversely affect the subsidiary's ability to meet its obligations to clearing customers from other jurisdictions, significantly increasing the risk that the relevant subsidiary defaults on its obligations, triggering cross-default provisions in agreements to which it, or other Enlarged Group members, are a party.

The policy of the ECB on Eurozone clearing may negatively impact the Enlarged Group.

The ECB recently stated in a policy paper that CCPs clearing euro-denominated instruments should be located in the Eurozone. A significant proportion of instruments cleared by LCH.Clearnet Limited, which is located in the United Kingdom, is denominated in euros. The UK government is challenging the ECB's policy on the basis that it amounts, *inter alia*, to a breach of the principles of the Single Market. The outcome of that action has yet to be determined. There is a risk that if the ECB successfully pursues this policy, the Enlarged Group will be required to restructure its operations and businesses so as to locate the clearing operations of certain of its businesses (to the extent that they relate to euro-denominated products) in the Eurozone. The Enlarged Group faces the risk that euro-denominated clearing volumes will migrate to alternative CCPs if LCH.Clearnet S.A. is unable to fully respond to LCH.Clearnet customer requirements. In addition, such restrictions may reduce liquidity in euros outside of the Eurozone. The risks could materially adversely affect the Enlarged Group's business, financial condition and operating results.

The adverse effect of any financial transaction tax (see the risk factor entitled "The Enlarged Group may be affected by the proposed introduction of an EU financial transaction tax") would be significantly increased to the extent that clearing of euro-denominated products needs to be moved from outside the Eurozone into the Eurozone.

The ECB and other Eurozone Central Banks have stated further that they will not, in relation to swaps transactions that it enters into, become a member of a CCP which does not have access to central bank liquidity. It is likely that the ECB will use this position to encourage a CCP located in the Eurozone to compete for euro-denominated interest rate or other swaps business (it is its policy to have such swaps cleared in the Eurozone). This could materially adversely restrict the ability of the Enlarged Group to compete for the clearing of such products to the extent that LCH.Clearnet Limited clears such products.

Performance of rights and duties as a CCP can expose the Enlarged Group to liability to clearing members.

Under the terms of their agreements with clearing members (including their rulebooks), the LCH.Clearnet Group's clearing houses have extensive powers and obligations in circumstances of a clearing member's default to close out transactions entered into by the defaulting member and to apply margin and, if necessary, default fund monies, to meet any amounts they have to pay in doing so. These powers and obligations, when they do arise, have usually to be exercised in situations of great uncertainty and market volatility, and default management exercises typically have to be implemented under extreme time pressure and on the basis of imperfect information, and in such circumstances, disputes and errors may occur.

Under the terms of their agreements with clearing members (including rulebooks), the LCH.Clearnet Group's clearing houses may be liable for any losses only if, or to the extent that they are determined to have been negligent in managing the default or to have acted in bad faith, though the scope of the liability is limited.

The LCH.Clearnet Group carries insurance which contains customary terms and exclusions. Since there is a possibility that a claim relating to a default management exercise (or any other claim) may not be fully covered by insurance (or at all), the LCH.Clearnet Group seeks to manage its capital levels in excess of regulatory capital requirements to provide an adequate precautionary buffer.

The LCH.Clearnet Group has not received any claim or threat of any claim in respect of any default management exercise or alleged negligence or bad faith in respect of any past default. However, the possibility of such claims being made or being successful cannot be excluded. Such claims could be made in respect of considerable amounts at any time until all insolvency proceedings in relation to the relevant defaults have been completed and the Enlarged Group may not have sufficient insurance or other resources available to meet the claim. Such claims could adversely affect the financial and

trading prospects of the Enlarged Group (including potential diminution of the Enlarged Group's regulatory capital) and could have a negative impact on the Enlarged Group's reputation.

The LSEG Board has taken legal advice in relation to these risks and has concluded that they should not be material for LSEG Shareholders, given the terms and effect of the Special Dividend, which will result in Qualifying LCH.Clearnet Shareholders bearing the net cost, after insurance, of any Relevant Claim(s) up to €40.6 million.

Competition within the post-trade environment in which the Enlarged Group operates is expected to continue to intensify.

It is expected that competition will continue to intensify within the post-trade environment in which the Enlarged Group operates, especially in light of: (a) a general industry move towards interoperability of CCPs (where participants on trading platforms are offered a choice of CCPs); (b) a drive by regulators and policy makers for more OTC trading to be carried out on electronic trading venues; (c) legislative requirements for mandatory clearing of certain OTC derivative products following the G20 agreements reached after September 2009, including as proposed under EMIR and Dodd-Frank; and (d) other reforms of the financial services industry.

The competitive landscape developing from such changes may create new business opportunities for the Enlarged Group's European post-trade facilities (LCH.Clearnet S.A., LCH.Clearnet Limited, Monte Titoli and CC&G). However, in order to benefit from such new business opportunities, the Enlarged Group may be required to respond to competitive third-party post-trade offerings, including by introducing new post-trade offerings in relation to underlying instruments (such as OTC derivatives), which could lead to an increase in the costs associated with the Enlarged Group's financial risk management. Such increased costs could have a negative impact on the Enlarged Group's business, financial condition and operating results.

3. Risks relating to regulation of the Enlarged Group

Regulatory restrictions will apply to the Enlarged Group's post-trade and other businesses.

The Enlarged Group and its CCPs and other regulated entities will operate in highly regulated industries and will be subject to extensive regulation by governmental and regulatory bodies at European, federal, national and provincial levels. Such regulation:

- may limit the Enlarged Group's ability to build an efficient, competitive organisation and may also limit its ability to expand foreign and global access to its markets and services;
- may limit the Enlarged Group's ability to outsource certain of its activities;
- may place financial and corporate governance restrictions on the Enlarged Group as a whole and/or specific entities within the Enlarged Group, including LCH.Clearnet and the holding company/ies of LCH.Clearnet within the Enlarged Group;
- may significantly increase compliance and associated costs of the Enlarged Group; and
- may materially increase the costs of trading and clearing and this could decrease trading and clearing volumes and profits.

Such restrictions, restraints, constraints and costs could materially adversely affect the Enlarged Group's business, financial condition and operating results.

There is a risk that one or more of the Enlarged Group's regulated entities may fail to comply with the laws and regulatory conditions and obligations to which it is, or becomes, subject. In this event,

the regulated entity in question may be subject to censures, fines and other legal, regulatory or administrative proceedings.

In extreme circumstances, a competent regulator could revoke one or more Enlarged Group entity's authorisations, regulatory approvals or exemptions to conduct regulated activities.

The Enlarged Group may be subject to more intensive regulatory scrutiny (including over previously unregulated areas of the Enlarged Group's business) and such scrutiny could impact the Enlarged Group disproportionately.

The Enlarged Group could be subject to increased regulatory scrutiny in the future. The increasing systemic importance of CCPs may lead to more intensive regulation of the Enlarged Group's business by regulators in the jurisdictions in which the Enlarged Group will operate, including the UK, France, Italy, Europe more generally and the US. The designation of the LCH.Clearnet Group's CCPs as systemically important institutions (in particular in the US and as set out below), is likely to place increased regulatory demands and scrutiny on the Enlarged Group. Additionally, regulation could extend to areas of the Enlarged Group's business that, to date, have not been regulated. Such increased regulatory scrutiny could affect the business of the Enlarged Group disproportionately in comparison to those of its competitors who are subject to less onerous regulatory requirements and restrictions. This could increase the cost of complying with regulations and co-operating adequately with regulatory bodies, could reduce the scope for, and success of, new products and strategy of the Enlarged Group, and could have an adverse effect on the business, financial condition and operating results of the Enlarged Group.

Changes in applicable regulations or requirements may have a negative impact on the Enlarged Group's business.

A number of regulatory initiatives and changes have been identified or proposed or are being implemented by regulators in the jurisdictions in which the Enlarged Group will operate. However, LSEG cannot be certain whether, or in what form, regulatory changes will take place and cannot predict with certainty their impact on the Enlarged Group's businesses and operations.

Following the September 2009 G20 agreement on the mandatory clearing of certain OTC derivatives, legislators in different jurisdictions have proposed various measures to address such requirements and have proposed changes in, and additions to, the rules and regulations affecting European, US and other CCPs. Whilst LSEG believes that these proposals provide opportunities for the Enlarged Group's businesses, a number of the proposals (including under EMIR and Dodd-Frank) may include provisions which could negatively impact its business, including, in the case of the LCH.Clearnet Group, the SwapClear Businesses. It is not possible at this stage to assess the precise implication of these changes for the LCH.Clearnet Group or its customers and market structure and whether and to what extent they will require changes to regulations, procedures and other arrangements to which LCH.Clearnet is a party, because of the lack of final rules and the lack of clarity in the interpretation and application of rules which have been published in final form.

Such changes (and other regulatory developments) could extend regulatory restrictions and/or impose regulatory requirements on areas of the Enlarged Group's businesses that to date have not been regulated, including by imposing governance and ownership restrictions or requirements, and this may all give rise to significant compliance and operational costs being incurred by the Enlarged Group. Such changes may also make it more difficult for the Enlarged Group to operate their existing businesses or to enter into new business areas. In addition, high levels of regulation may stifle growth and innovation in capital markets generally and may adversely affect the Enlarged Group's business, financial condition and operating results.

Key regulatory developments which may materially affect the Enlarged Group include the proposed introduction of EMIR and Dodd-Frank.

EMIR

EMIR provides for the mandatory clearing of specified OTC derivative contracts and the regulation of CCPs and trade repositories. Pursuant to EMIR, a number of requirements are proposed which may have a significant impact on the Enlarged Group's business and operations, including: (a) imposing transparency requirements in respect of process, fees charged and rebates offered; (b) imposing independence requirements in respect of the board of directors of CCPs and risk management committees; (c) requiring CCPs to have access to adequate liquidity; and (d) requiring CCPs to offer different levels of position and collateral segregation to their members and their customers, all of which could increase operational costs for CCPs.

Dodd-Frank

In the US, expanding regulation and proposed initiatives, in particular Dodd Frank, will impact OTC derivatives markets, exempt commercial markets, DCOs and foreign boards of trade, amongst other things. A number of the rules under Dodd-Frank may materially impact LCH.Clearnet and the Enlarged Group, in particular those imposing restrictions and requirements on the ownership and governance of DCOs (such as LCH.Clearnet Limited) and their holding or parent companies. In particular, the governance arrangements that will be implemented as part of the Transaction with respect to board composition may need to be amended to bring them into line with the final requirements under Dodd-Frank and EMIR and the requirements of regulators, and the current contractual arrangements governing the operation of the SwapClear Businesses may need to be amended (and there is a risk that the Enlarged Group may not be able to reach agreement with the relevant parties in respect of such amendments). Such changes present a risk that the Enlarged Group may lose some degree of control over a material part or all of the Enlarged Group. Such loss of control could result in the Enlarged Group no longer being able to consolidate the LCH.Clearnet Group for IFRS accounting purposes, which could materially adversely affect the Enlarged Group's results of operations.

In addition, pursuant to Dodd-Frank and regulations thereunder, the eligibility criteria applied by DCOs, including LCH.Clearnet, to grant clearing member status must be relaxed so that LCH.Clearnet may be required to accept clearing members with smaller balance sheets and financial resources than it has in the past. This may result in the Enlarged Group being required to cater for a larger number of smaller clearing members. This may also result in a greater number of defaults by clearing members and may have an adverse effect on the financial resources of the Enlarged Group. An increase in the number of clearing members may also give rise to increased costs, as well as increased operational risks and, if such risks materialise, they may adversely affect the Enlarged Group's business, financial condition and operating results. Although the Enlarged Group may seek or be required to adjust its risk management policies and procedures as a result, there is a risk that the costs related thereto may need to be borne by the Enlarged Group. There may also be increased risk in monitoring and managing daily, and intra day, margin requirements with a much larger number of clearing members, and which may require changes to be made to systems and operations of the Enlarged Group and which may result in significant costs being incurred. Such a risk, should it materialise, may have a significant adverse effect on the results and operations of the Enlarged Group.

Increased liquidity requirements for CCPs and a more restrictive investment policy may adversely affect the Enlarged Group's CCPs.

Both EMIR and Dodd-Frank call for liquidity requirements for CCPs. Pursuant to Dodd Frank, US regulators have adopted rules that will require DCOs to have and maintain financial resources in more liquid forms than they are currently required to hold. The detailed rules on liquidity requirements for CCPs under EMIR, which will be set out in level 2 technical standards to be adopted by the European Commission, have not yet been finalised and although ESMA has published a discussion paper setting out its initial views on the new rules it is not expected to provide its final advice on the detailed technical standards to the European Commission until the end of September 2012; which

means that the detailed rules on liquidity are unlikely to be finalised until the last quarter of 2012 at the earliest. It is not yet clear whether or not CCPs will be given a period of time before the rules become effective to bring their liquidity arrangements into compliance with the new rules. As a result of the introduction of these requirements, LCH.Clearnet may be required to hold more liquid financial resources and these requirements may restrict the range of investments which LCH.Clearnet can hold as collateral or in which it can invest. This may, in turn, limit the extent to which additional investment income can be earned on collateral held by (and/or investments of) the CCPs in the Enlarged Group. The CFTC has adopted rules that establish restrictions on the ability of DCOs to invest customer collateral, so that such investments are, as a whole, more liquid. The lower return which the CCPs in the Enlarged Group may earn as a result of these changes required by EMIR and Dodd-Frank may adversely affect the financial results of the Enlarged Group.

Under EMIR, LCH.Clearnet Limited will be required to have access to committed banking or other liquidity facilities, which it does not currently have. If LCH.Clearnet Limited is unable to secure committed banking or other liquidity facilities on commercially reasonable terms, there is a risk that LCH.Clearnet Limited may not be able to access these facilities in stressed circumstances and as a consequence may not be able to meet its obligations as a CCP, which could require LCH.Clearnet Group to terminate the relevant CCP operations.

LSEG may become a Financial Holding Company which will result in the Enlarged Group being required to hold significantly more regulatory capital.

LSEG has been in discussions with the ACP and the FSA regarding the application of the group consolidation requirements under the Banking Consolidation Directive and Capital Adequacy Directive to the Enlarged Group following the Transaction. Under both Directives group consolidation and group capital requirements will apply to LSEG should it become a Financial Holding Company. The tests under both Directives are broadly the same and require an assessment of whether LSEG's subsidiaries are "wholly or mainly" credit institutions, investment firms or financial institutions. There is no formal criteria or guidance in the Directives indicating the basis upon which the assessment is to be made and regulators have some discretion over their interpretation.

Initial indications from the FSA are that, based on an assessment of the information provided to the FSA by LSEG in relation to the projected balance of financial and non-financial business in the Enlarged Group, the Transaction will not lead to a change in the FSA's approach to group supervision. The FSA has indicated that a key factor supporting this conclusion is its assessment that any additional group risks created by the Transaction could be addressed by changes that could be applied by the FSA to the financial arrangement of the individual FSA-regulated entities within the Enlarged Group (particularly the exchange and clearing house businesses, which must meet solo financial resources under REC). The initial views expressed by the ACP also indicate that LSEG should not be treated as an FHC. The ACP has indicated that it will formally make this decision as part of the approval process for the Transaction.

Even if the ACP and FSA determine that LSEG will not become an FHC as a result of Completion, the test is an ongoing one and there is a risk that LSEG could become an FHC at some point in the future if the regulators determine its subsidiaries have become "wholly or mainly" credit institutions, investment firms or financial institutions. This will depend in part on the growth and expansion of the business of the subsidiaries in the Enlarged Group that are credit institutions, investment firms or financial institutions relative to those that are not, and the exercise of discretion by the ACP and FSA (and any successor authorities) in applying these requirements.

There is a risk that if LSEG becomes an FHC this will result in significantly increased regulatory capital requirements for the Enlarged Group. To the extent that the Enlarged Group divests any of its interest in the LCH.Clearnet Group in response to this or other regulatory developments (or for any other reason), there is a risk that this would materially adversely affect the extent of control that the Enlarged Group has over the LCH.Clearnet Group, the Enlarged Group's results of operations and the costs of the Enlarged Group's operations (including with respect to VAT and other tax costs).

Regulatory capital requirements may negatively affect the Enlarged Group.

The Enlarged Group will operate within various defined regulatory capital regimes and certain of the regulated entities within the Enlarged Group will be subject to minimum regulatory capital requirements. The regulatory capital regimes vary by jurisdiction and form of regulatory status and in some cases, entities within the Enlarged Group benefit from customised regulatory capital regimes which differ from those of credit institutions, broker-dealers or other investment firms, while certain other firms in the Enlarged Group are subject to the regulatory capital requirements applicable to credit institutions and investment firms established by the EU Capital Requirements Directive. Many of these regulatory capital regimes are subject to change (as mentioned below). There is a risk that, as a result of changes to the regulatory capital requirements applicable to the Enlarged Group or to one or more entities within the Enlarged Group, increased capital requirements for one or more entities within the Enlarged Group may be applied. This may adversely affect the Enlarged Group's financial condition, operations and results as a whole.

Given the uncertainty relating to the amendments of the various regulatory capital regimes which may be applicable to the Enlarged Group, it is not possible to fully assess at this stage the potential impact of such changes on the Enlarged Group. If such an increase in the capital requirements for one or more entities within the Enlarged Group or for the Enlarged Group as a whole is significant (particularly given the prudent levels of regulatory capital resources already maintained within the Enlarged Group), the relevant regulated entities and/or Enlarged Group may be required to raise further capital by an equity issuance or other appropriate financing. LSEG considers the risk of having to undertake such an equity issuance (as a result of the increase in regulatory capital requirements applicable either to LSEG itself or to any of its regulated entities) as highly unlikely, and in particular LSEG considers that the existing resources and projected retained profits of the Enlarged Group are likely to be sufficient to meet any such proposed increased regulatory requirements which may arise within the next 12 months. However, there is a risk that beyond 12 months the Enlarged Group may be required to undertake an equity issuance and the prevailing economic and market conditions may prevent the Enlarged Group from completing any such financing within any time frame required. Any failure to do so may lead to the relevant entity or the Enlarged Group being subject to regulatory sanctions and may adversely affect the Enlarged Group's reputation, financial condition, operations and results.

CRD IV

Under "CRD IV" (the EU implementation of Basel III), the regulatory capital requirements applicable to credit institutions will be increased. CRD IV, which comprises a new directive and a new regulation, is due to be implemented into member states' national law and to come into force on 1 January 2013. However, there will be a substantial transition period with full application of the new rules not expected until 2019. It is not very clear at this stage how some of these requirements will apply to LCH.Clearnet S.A., which is both a credit institution and a CCP (and, in particular, having regard to any bespoke capital arrangements which may have been agreed with regulators) and LCH.Clearnet Limited. However, it is possible, given the relative uncertainty of the requirements, that LCH.Clearnet S.A. and/or LCH.Clearnet Limited may be required to hold additional regulatory capital as a result of these requirements.

In addition, certain preferred securities issued by LCH.Clearnet will no longer qualify as eligible regulatory capital under Basel III, although it will have the benefit of certain grandfathering provisions. There is a risk that the Enlarged Group will be required to inject additional regulatory capital, or take other steps, if it is required to replace these preferred securities as regulatory capital and is unable to retain profits.

EMIR and Dodd-Frank

EMIR and Dodd-Frank are both likely to increase the capital requirements for CCPs from the current UK Recognised Clearing House requirements which apply to LCH.Clearnet Limited.

EMIR provides for a separate capital regime for CCPs and contemplates that CCPs will be required to hold sufficient capital on a solo basis rather than on a group basis. The detailed requirements of the capital regime for CCPs will be set out in detail in the level 2 regulatory technical standards. The European Banking Authority has published a discussion paper setting out its initial views on the technical standards, but it is not expected to provide its final advice on the detailed technical standards to the European Commission until the end of September 2012; which means that the detailed rules on capital are unlikely to be finalised until the last quarter of 2012 at the earliest.

Under Dodd-Frank, a DCO is required to have sufficient financial resources that exceed the total amount that would enable it to meet its financial obligations to its clearing members, notwithstanding a default by the clearing member creating the largest financial exposure for the DCO in extreme but plausible market conditions. The DCO's financial resources must also enable it to cover its operating costs for a period of one year. For the purpose of covering operating costs for one year, the only acceptable financial resources are the DCO's own capital and any other resource accepted by the CFTC. Detailed rules governing a DCO's margin requirements are also established – including new minimum standards for the systems used to set initial margin requirements, regular review and validation of the systems by qualified persons, and compliance with the segregation requirements of the CEA.

If LCH.Clearnet Limited becomes a SIDCO then its financial resource requirements will be greater than if it is simply a DCO under Dodd-Frank. For example, it is likely to be the case that a SIDCO will be required to maintain financial resources sufficient to enable it to meet its financial obligations to its clearing members, notwithstanding a default by two clearing members creating the largest financial exposure for the DCO in extreme but plausible market conditions. The detailed rules applicable to SIDCOs have not been determined yet.

Financial Resource Requirements for Recognised Bodies

The FSA published a consultation paper in October 2011 on the financial resource requirements for UK Recognised Bodies, including UK Recognised Clearing Houses and proposes to introduce a more uniform approach to assessment which may, in some cases, impose higher regulatory capital requirements. LCH.Clearnet Limited may be required to hold an increased amount of regulatory capital as a result. The consultation closed on 6 January 2012. The FSA intends to publish its final rules in the first quarter of 2012.

The Committee of Payment and Settlement Systems and IOSCO is to issue the Principles for Market Infrastructure Providers

The Committee of Payment and Settlement Systems and the IOSCO is to issue the Principles for Market Infrastructure Providers to replace the current CPSS-IOSCO Principles for CCPs, which could lead to a need for increased capital in the post-trade businesses. Compliance with these principles will be required in order for a CCP to be eligible for “Qualifying CCP” status under the new Basel III regime, which will allow for (relatively) lower capital requirements for clearing members' exposures to such CCPs. The assessment methodology for determining compliance with these principles has not yet been finalised.

Regulatory changes may adversely impact the Enlarged Group's clearing members and, as a result, the demand for the clearing services and risk management services of the Enlarged Group may decrease.

Increased capital requirements

Under CRD IV, it is proposed that credit institutions and investment firms will be required to hold capital against their exposures to CCPs (ie exposure under clearing contracts to a CCP will be required to be treated as a risk-weighted asset). Clearing members will be required to hold increased levels of regulatory capital as a result and there is a risk that in order to mitigate the cost of doing so,

clearing members will reduce the volume of transactions cleared through the Enlarged Group which, as a result, may adversely impact the financial condition of the Enlarged Group.

In addition, clearing members subject to CRD IV will be required to hold capital in respect of their default fund obligations under the rules of the CCP. The model applied to determine the capital requirement for default fund contributions from clearing members' attempts to factor in the probability of the default fund being used (ie upon a clearing member's default): broadly speaking higher capital requirements are likely to arise if the levels of initial margin and of the CCP's own resources available for use prior to non-defaulting clearing members' default funds being used are comparatively low in comparison to members' exposures under clearing contracts (after taking account of variation margin) because, again broadly speaking, recourse to the non-defaulting members' default funds is more probable.

As a consequence, the size and structure of the default waterfall provided by a CCP will have a significant impact on the capital requirement applied to clearing member firms subject to CRD IV due to their exposures to, and default fund contributions or obligation to contribute to, the default fund of that CCP.

Accordingly, the way that CRD IV could calculate clearing members' capital requirements based on the existing structure of the default waterfall provided by LCH.Clearnet Limited and LCH.Clearnet S.A. may result in significant capital requirements for clearing members that, dependent on the approach taken by the Enlarged Group's competitors, may discourage clearing members from clearing through the CCPs of the Enlarged Group. There is a risk that, as a result, there could be a migration of activity towards competitors and a corresponding reduction in revenues and profitability (or, in a case of extreme migration, closure of the service due to a lack of liquidity).

In addition to the requirements under CRD IV described above, it is proposed under Dodd-Frank that increased capital requirements will apply to Swap Dealers and Major Swap Participants (as defined within that legislation).

For a general description of the operation of the default fund upon a clearing member's default (referred to above as payment under the "default waterfall"), please see the Glossary.

Segregation of clearing member customer accounts

EMIR and Dodd-Frank both require a degree of segregation of clearing member customer accounts to be offered to clearing members' customers. It is current practice for clearing members not to provide such segregated accounts and for margin to be called from clearing customers on a gross basis but placed with the CCP on a net basis either overall or for each product cleared, which could lead to the increased costs for clearing members described below.

Increased costs for clearing members

Regulatory changes and developments, including those described below, may increase costs for clearing members. This could also result in an associated loss of treasury income for the clearing member due to the loss of netting efficiencies at the CCP level and loss of the ability of a clearing member to earn income on gross margins. There is a risk that any increased costs of acting as a clearing member may reduce the attractiveness of acting as a clearing member for customers unless these costs can be passed on to customers. The increased costs to customers may accordingly reduce the overall volume of transactions being cleared and the financial condition of the Enlarged Group may be negatively impacted as a result.

If a result of regulatory change is that acting as a clearing member for clearing customers becomes less attractive, there may be a move by some clearing customers of clearing members to become clearing members themselves (in particular, in cases where new regulations require that clearing customer to clear its transactions with a CCP). Although this would bring some benefits to the

Enlarged Group's CCPs through increased risk diversification and a larger overall pool of margin, it would also be likely to increase the costs and operational risks of the Enlarged Group's CCPs, which may adversely affect the results or financial condition of the Enlarged Group's CCPs.

Other regulatory developments in Europe and other jurisdictions bring further risk of changes to the regulatory environment in which the Enlarged Group will operate.

Within Europe, there are a number of other regulatory developments that will introduce changes to the post trading environment, including the proposed amendments to MiFID, the introduction of MiFIR, the Short-Selling Regulation and CSD Regulation. Furthermore, the creation of three new European supervisory authorities with greater powers and the ability to implement binding technical standards, as well as the revision of the UK regulatory structure (with the replacement of the FSA with the Prudential Regulation Authority and the Financial Conduct Authority and the Bank of England assuming responsibility for the supervision of CCPs) brings further risk of changes to the regulatory environment in which the Enlarged Group will operate.

In a number of other jurisdictions in which the Enlarged Group will carry on its business, regulators are seeking to impose new regulations providing for the mandatory clearing of OTC derivatives and regulation of CCPs.

There may be conflicts between regulatory regimes in countries in which the Enlarged Group or its customer or target customers are located.

The Enlarged Group will operate, and offer its services to customers located, in a number of different countries. To the extent that existing or new regulations are implemented, there can be no assurance that the regulations will be consistent between different countries, which may adversely affect the ability of the Enlarged Group to access customers in those countries, or make doing so considerably more expensive. This could adversely affect its plans for the Enlarged Group and impact adversely the Enlarged Group's revenues.

4. Risks relating to the Enlarged Group

The revenues and profits of the Enlarged Group's post-trade businesses may be adversely affected if it is unable to retain its current customers or attract new customers.

The success of the Enlarged Group's post-trade businesses will depend on its ability to maintain and increase its clearing volume. To do so, the Enlarged Group must maintain and expand its product offerings, customer base and clearing and settlement facilities. The Enlarged Group's success will also depend on its ability to offer attractive prices and services in an increasingly competitive industry. It may not be able to continue to expand its product lines, or retain its current customers or attract new customers.

LSEG and LCH.Clearnet have committed to run the LCH.Clearnet Group's clearing businesses on an open, non-discriminatory and horizontal model. Accordingly, the LCH.Clearnet Group will need to attract, as clearing customers, other trading platforms and execution venues and those who trade on them. Although it is LSEG's view that the horizontal model on which LCH.Clearnet and LSEG have committed to run LCH.Clearnet's clearing businesses positions LCH.Clearnet well to respond to customer demand, there is also a risk that it will adversely affect the Enlarged Group's business by making it easier for other clearing platforms to compete with the LCH.Clearnet Group.

The Enlarged Group's post-trade businesses and revenues will be adversely affected if it: (a) fails to maintain or increase its clearing volume; (b) fails to expand its product offerings and clearing facilities; (c) loses and fails to replace a substantial number of its current customers or a subset of customers representing a significant percentage of clearing volume; or (d) is unable to attract new customers.

In particular, the LCH.Clearnet Group's non-OTC business revenue has historically been concentrated amongst a small number of venues, a large proportion of which is derived from the provision of clearing services to the NYSE Euronext group and to LME, and accordingly to their respective customers.

In May 2010, NYSE Euronext announced that it intended to establish its own clearing house for its European securities and derivatives markets by year end 2012 and served a termination notice on LCH.Clearnet with respect to those businesses (NYSE Euronext has since extended its contract to June 2013 in respect of the European derivatives businesses and to December 2013 in respect of the European securities businesses). LCH.Clearnet's current strategy includes driving increased efficiencies in the business and responds to the expected loss of flow for LCH.Clearnet's business from NYSE Euronext. Although LSEG supports LCH.Clearnet's strategy and endorses LCH.Clearnet management's commitments to reducing costs (which will remain a key priority for the LCH.Clearnet Group's business following Completion) there can be no certainty that LCH.Clearnet's management will be successful in achieving these goals. The possible termination of this relationship (and failure to replace it with relationships of a similar individual or aggregate value) and/or the failure of the LCH.Clearnet Group to identify future opportunities may have a negative impact on the LCH.Clearnet Group's (and accordingly the Enlarged Group's) ability to maintain its current revenues or to generate additional revenues.

Furthermore, in December 2011, LME announced that it intended to establish its own clearing house and launch its own clearing services by the first quarter of 2014 and also stated that: "potential suitors are preparing bids for the LME but it is too early to say whether the LME board will recommend any bid to the shareholders". The risk of LME terminating its CCP clearing service agreement with the LCH.Clearnet Group on notice would increase if LME successfully launched its own clearing operation or was acquired by a group which already owned its own clearing operations. The termination of LME's CCP clearing service agreement with the LCH.Clearnet Group (absent replacement with relationships of a similar individual or aggregate value or any compensating changes in LCH.Clearnet's strategy) would have a material adverse effect on the LCH.Clearnet Group's (and accordingly the Enlarged Group's) ability to maintain its current revenues or to generate additional revenues. To date, LME has not served a termination to LCH.Clearnet and continues to clear its business with LCH.Clearnet.

There is no guarantee that the OTC initiatives of the Enlarged Group will be successful.

The Enlarged Group's goal is to provide a comprehensive multi-asset class clearing solution to the market for maximum operational ease and the capital efficiency that may flow from connecting to the single CCP. It offers clearing services for cleared OTC derivatives, including credit default swaps and interest rate swaps. Its strategy also includes extending its OTC services into other asset classes. Under the terms of the Transaction, LSEG has agreed that it will not introduce OTC interest rate swaps, OTC FX trades or OTC CDS trades onto its exchange or other execution platforms without the approval of the SwapClear Businesses' governing committees, subject to applicable regulation not mandating electronic trading in such products and subject to compliance with all applicable competition laws.

Although Dodd-Frank and EMIR may create new opportunities for the Enlarged Group to expand its OTC services, the impact and timing of future legislation and regulation remain uncertain. Any changes to the regulatory environment for the trading and clearing of OTC derivatives may also affect demand for the Enlarged Group's services and change the competitive environment. As noted above, the Enlarged Group's trading or clearing members may not support any OTC initiatives, which may further limit the Enlarged Group's opportunities to expand its OTC services.

The Enlarged Group's OTC clearing businesses are subject to particular risk.

SwapClear is, and, once established, ForexClear and CDSClear will be, subject to specific risks arising from the SwapClear Agreements entered into with the SwapClear Banks for the establishment

of the SwapClear Businesses. The SwapClear Banks can, after an initial period, terminate any of the SwapClear Agreements on one year's notice, and obtain certain rights in respect of the IT systems and intellectual property of the relevant SwapClear Businesses. If there is a change of control of LSEG, there is also a specific termination right. Termination of the SwapClear Agreements could materially adversely affect the value of the Enlarged Group's investment in the LCH.Clearnet Group and the Enlarged Group's future financial performance.

The markets for certain OTC products tend to be less liquid than is the case for exchange traded products, though the extent of liquidity differs between products and at different stages in the term of an OTC product, which may be very liquid initially but become less so during its term: the market value of such products may be more volatile and it may therefore be harder to assess the risk inherent in those products and accordingly the appropriate level of initial and variation margin that clearing members should provide in relation to them. Where products are illiquid, it may also make it harder to close out a defaulting member's positions in them, increasing the risk that the margin and default fund contributions held could prove inadequate to protect the clearing businesses against incurring unrecoverable financial cost as a result of such default.

The scale of the risks undertaken in relation to illiquid and volatile products is likely to increase as regulatory authorities require more OTC transactions to be cleared. Although LCH.Clearnet Group is putting in place measures to protect itself against unlimited risk from its SwapClear business, and is expected to do the same in due course for its nascent ForexClear and CDSClear businesses, it could still have to pay up to £20 million out of its own resources for each defaulting clearing member in relation to any of its clearing services even when those new liability limitation measures are in place. There are no such liability limitation measures currently proposed in relation to its RepoClear business, which also clears OTC transactions, or its other services.

An increased concentration of value in the clearing of fixed income will magnify any adverse impact of changes to the trading and clearing of fixed income products.

Following Completion, the proportion of the Enlarged Group's post-trade businesses relating to fixed income will increase. In the event that wider commercial, regulatory or business factors adversely affect the trading and clearing volumes of fixed income products, such increased concentration of value in the clearing of fixed income will magnify any such adverse impacts on the Enlarged Group.

The Enlarged Group's enlarged clearing activities will form a greater proportion of the Enlarged Group's total business and the Enlarged Group's aggregate exposure to the particular risks run by CCPs will increase accordingly.

The Glossary explains the principal activities of CCPs and the role played by initial and variation margin and by default funds to minimise the risk incurred by the CCP itself if any of its clearing members default. The Enlarged Group will be subject to an increase in these risks from the increase in its clearing businesses.

Each of the CCPs has default rules which set out its powers to manage the default of a clearing member with a view to minimising losses resulting from the default of a clearing member. There can be no assurance that the operation of these procedures will result in a successful management of a defaulting clearing member's positions and could be pro-cyclical, making the position worse. If the defaulting clearing member's margin and default fund is insufficient to meet losses caused by that clearing member's default, the default fund waterfall may (but not always) provide for the remaining losses, or some of them, to be borne out of the CCP's own funds; depending on the default waterfall, this may be either before using the default fund contributions of other (non-defaulting) clearing members or, where the default funds available have been exhausted, after no default fund contributions or other contributions from third parties remain available to be used, or both.

Although the CCPs within the Enlarged Group are separate legal entities, with limited liability for their members, to the extent that a default results in any of the funds of the CCP being at risk, this

would result in a loss of value of the affected CCP, including its ability to continue providing clearing services.

Any or all of the above could adversely affect the business, financial condition and operating results of the Enlarged Group, including its ability to continue providing clearing services.

Although the overall risk profile of the Enlarged Group will not change as a result of the Transaction, the Enlarged Group's exposure to the particular risks faced by CCPs will increase.

Pricing and Model Risks

In determining the amount of initial margin and the default fund contribution required from clearing members, the CCPs operated by the Enlarged Group rely on a variety of complex models to calculate the level of margin and default fund contribution required to cover losses that may arise in the event of the default of a clearing member. There is a risk that such models will not reflect the actual conditions prevailing at the time of, and following, a default and therefore there is a risk that such models may result in the CCP holding a level of collateral that is less than the amount required to cover the defaulting clearing member's losses. To the extent that the model results in the CCP holding less collateral than is required, the Enlarged Group's business, financial condition and operating results may be adversely affected.

In determining the amount of variation margin required to be provided, CCPs will have regard to market prices and valuations of clearing positions and collateral provided from a number of sources. To the extent that those prices are not correct, there is a risk that insufficient variation margin may have been provided by a clearing member; if that clearing member defaults at such a time, the amount of collateral provided by it may be insufficient, making it more likely that the CCP's own funds will be at risk and the Enlarged Group's business, financial condition and operating results may be adversely affected.

Liquidity Risk

CCPs operated by the Enlarged Group may invest in investments, or be provided with collateral in the form of securities, which it needs to sell in order to fund losses arising from a default. There can be no assurance that it will be able to sell such investments either at a price which is acceptable to it or at all. To the extent it is unable to do so, it may suffer a liquidity shortfall and unless there are other arrangements in place (such as access to central bank funding or to third party liquidity lines) it may be unable to perform its obligations, which may adversely affect the business, financial condition and operating results of the Enlarged Group.

Liquidity risk also arises where a defaulting clearing member fails to settle securities being cleared by the CCP. There can be no assurance that the CCP will be able to secure sufficient securities to settle the corresponding transaction within the relevant timeframe of the original agreement and this may result in the CCP not meeting its obligations and consequently give rise to a loss to the CCP.

In the case of LCH.Clearnet Limited, initial margin may be posted, inter alia, as cash or provided by way of granting a security interest in eligible securities. Where margin is provided by way of the grant of a security interest in securities, those securities (if provided by clearing members other than the defaulting clearing member) are unlikely to be available to provide liquidity to LCH.Clearnet Limited as it is not permitted to use those securities (e.g. to raise cash under a repo agreement) as if it were the owner of them (though it may appropriate the securities posted as collateral of a defaulting clearing member). The collateral mix of initial margin will affect the liquidity position of LCH.Clearnet Limited and to the extent that more securities are provided as collateral, the liquidity position of LCH.Clearnet Limited will be adversely affected.

Market Risk

With respect to the clearing exposures of clearing members and the collateral provided by clearing members (but not investments made by the CCP out of that collateral or out of its own funds) CCPs do not generally have market risk as either they have matching exposures or a fall in the value of collateral results in the clearing member providing that collateral having to top it up. However, once a clearing member defaults, the latent market risk becomes real market risk and exposes the CCP to the risk that the value of exposures will increase or the value of collateral falls giving rise to a larger loss in default than arose at the moment of default. Such adverse movements may materially and adversely affect the business, financial condition and operating results of the Enlarged Group.

To the extent that a CCP operated by the Enlarged Group invests its assets (including out of funds or collateral provided as initial margin or as default fund contributions), those assets are likely to be subject to market risk; a fall in the value of these assets may adversely affect the business, financial condition and operating results of the Enlarged Group.

Counterparty Risk

Each CCP will also be exposed to counterparty credit and other risks, in particular: (a) credit risk in respect of its clearing members; (b) risk of other CCPs with which it has interoperability arrangements if that third party CCP is unable to meet its obligations under the interoperability arrangements (for example if the third party CCP is in financial difficulties); (c) risk of default on its investments, including those posted as collateral (for example as initial margin or in respect of the default fund) or out of its own resources; (d) risk of default by any third party financial institution which has provided any letter of credit, performance bond or other similar instrument accepted as margin; and (e) risk of a default by any custodian, central security depository or international central security depository holding the assets of the CCP or involved in the settlement of securities being cleared by the CCP. Any such defaults may adversely affect the business, financial condition and operating results of the Enlarged Group.

Legal Risk

The CCPs operated by the Enlarged Group operate in a complex, multi-jurisdictional legal environment; to successfully manage a default the CCP is likely to have to, inter alia, be able to enforce, close-out, transfer or otherwise deal with clearing transactions with the defaulting clearing member, obtain set-off and enforce security against defaulting clearing members in cases where they may be in insolvency or administration or subject to analogous proceedings. An insolvency practitioner or other third party, or the laws of the jurisdiction in which the CCP or the clearing member is located or operating, may attempt to restrict or prevent the exercise of, or avoid, the CCP's rights. There is a risk that if the CCP's rights are restricted, prevented from being exercised or avoided the consequences, including there being insufficient collateral provided by the defaulting member (or, in the case of the default fund, non-defaulting members) to which the CCP will have access, may adversely affect the Enlarged Group's business, financial condition and operating results.

The governance structure of the LCH.Clearnet Group post-Completion will restrict the control exercisable by LSEG over the LCH.Clearnet Group's activities and LSEG may need to take corrective action to ensure that it continues, for Listing Rules purposes, to control the majority of the LSEG Group assets.

Although the LSEG Group will be the majority shareholder of the LCH.Clearnet Group following Completion of the Transaction, LSEG and LCH.Clearnet have agreed that the LCH.Clearnet Group's businesses will be operated on a horizontal, User-inclusive model so as to provide CCP and clearing services to their respective clearing members on a fair, reasonable, open, and non-discriminatory basis. Accordingly, LSEG has agreed to restrict some of the direct statutory and customary rights for a majority shareholder in the LSEG Group's position and therefore the governance structure limits the

direct control that the LSEG Group will have over the LCH.Clearnet Group's activities in certain areas.

LSEG will have significant high-level governance rights, including appointment and removal rights in respect of a significant proportion of the LCH.Clearnet Board as well as consent rights over certain matters that are core to the LCH.Clearnet Group. In addition, the LCH.Clearnet Board must operate the LCH.Clearnet Group businesses in accordance with the Business Plan and the Budget and the Core Operating Principles, which safeguard the interests of the LSEG Group and the other LCH.Clearnet Shareholder constituencies. However, the LCH.Clearnet Group will continue to have a diverse shareholder base, and key shareholders and communities of shareholders other than the LSEG Group will have material representation on the LCH.Clearnet Board. LCH.Clearnet Shareholders other than the LSEG Group, including those with LCH.Clearnet Board representation rights, may not always have interests that are aligned with those of the LSEG Group, the Enlarged Group or LSEG Shareholders. Accordingly, notwithstanding LSEG's governance rights, in certain circumstances LSEG may be unable to exercise direct or indirect control over the actions of the LCH.Clearnet Group and this may adversely affect the business, financial operations and revenues of the Enlarged Group.

There can be no certainty that regulatory trends, in particular the developing regulatory framework proposed under EMIR and Dodd-Frank, will not operate to further limit LSEG's ability to exercise influence over the LCH.Clearnet Group in the best interests of the Enlarged Group and the LSEG Shareholders.

Furthermore, LCH.Clearnet operates the SwapClear Businesses, which are significant to the LCH.Clearnet Group's future growth prospects. Under the SwapClear Agreements, the SwapClear Banks are able to exercise commercial and operational influence over those activities. Accordingly, although LCH.Clearnet cannot be required by the SwapClear Banks to take steps that would expose LCH.Clearnet to increased financial, legal or reputational risk, in the case of these businesses LSEG's ability to exercise influence will be limited.

LSEG's interest in LCH.Clearnet does not currently constitute a majority of its assets, but as a result of the governance structure described above there may be future circumstances in which LSEG may be deemed, for Listing Rules purposes, not to control the majority of its assets as required by those rules. In such circumstances, LSEG would need to take corrective action. If LSEG is not reasonably able to take effective corrective action, LSEG may cease to be eligible for a premium listing on the Official List or its listing could be suspended in accordance with the Listing Rules. LSEG will monitor its control over the LSEG Group assets via an agreed adjusted profits after tax test as a proxy for market value⁴ to ensure ongoing compliance with the Listing Rules.

The Enlarged Group may be affected by the proposed introduction of an EU financial transaction tax.

On 28 September 2011, the European Commission presented a proposal for a financial transaction tax, to be levied with effect from 1 January 2014, on transactions in financial instruments between financial institutions where at least one party to the transaction is established in a Member State. Given the lack of certainty surrounding the proposals and their implementation, it is not possible to predict what effect the proposed financial transaction tax might have on the business of the Enlarged Group; it could materially adversely affect the business of the Enlarged Group, as it might, for example, increase costs of trading or clearing and so cause a decrease in trading or clearing volumes that might lead to a fall in demand for the Enlarged Group's clearing services. In early 2012, the French government indicated its intention to implement a French financial transaction tax without necessarily waiting for wider European implementation. The CCP operated by the Enlarged Group

⁴ This test is a key financial indicator that excludes the effect of impairment of goodwill, amortisation of purchased intangible assets, non-recurring items and unrealised net investments losses and gains.

that is located in France may be adversely affected by the implementation of a financial transactions tax in France alone.

The Enlarged Group may be affected by a US transaction tax.

From time to time, including in legislation introduced in 2010 and 2011 in the US Congress, proposals to impose a transaction tax or User fee on futures trading and other financial transactions have been put forth and discussed as a means to fund the CFTC or to reduce the budget deficit. In the past, efforts to implement a transaction tax or User fee have not been successful. Although not specified, if enacted, such a tax or User fee may apply to transactions effected on regulated futures exchanges and swap execution facilities and increase the costs of doing business on such platforms. This may discourage institutions and individuals from using futures and/or swap contracts to manage their risks which could adversely impact the Enlarged Group's trading volumes, revenues and profits and may also adversely impact its ability to compete on an international level. A transaction tax or User fee in one jurisdiction, such as the US, may also cause market participants to increase their derivatives trading in jurisdictions which do not impose a comparable cost.

The current tax treatment for futures trading allows traders to pay a blend of taxes on their gains and losses from trading futures and options with 60 per cent. at capital gains rates and 40 per cent. at ordinary tax rates. The 2010 US Presidential budget proposed the elimination of such tax treatment which would require that such gains or losses be treated as ordinary in character. While that change was not adopted, any repeal of 60-40 tax treatment would impose a substantial increase in tax rates applicable to the individuals who are most responsible for creating liquid and efficient markets.

The Enlarged Group will be highly dependent on the development and operation of sophisticated technology and advanced information systems.

The provision of platforms for the execution, clearing and settlement, as applicable, of trades on the Enlarged Group's markets and for the collection and aggregation of trade and price information predominantly depends on technology that is secure, resilient and delivers high levels of availability and performance. The LCH.Clearnet Group may be better positioned to realise the benefits of the Transaction where it uses the internal IT resources of the Enlarged Group for future IT development. However, there is a risk that such use of internal resources to meet the requirements of the Enlarged Group and those of third parties may result in resource over-stretch, the failure by the Enlarged Group to realise some or all of the benefits of the Transaction and an adverse effect on the results of operations of the Enlarged Group as a whole.

To compete effectively, the Enlarged Group must be able to anticipate and respond, in a timely and effective manner, to the need for new and enhanced technology. The areas in which the Enlarged Group will compete are characterised by rapidly changing technology, evolving industry standards, frequent enhancements to existing products and services, the introduction of new services and products and changing customer demands. The Enlarged Group will commit resources to research and development and IT delivery. However, if the Enlarged Group's systems are unable to expand to meet increased demand, are disrupted or otherwise fail to perform, the Enlarged Group's reputation, business and operating results could be materially adversely affected.

Major IT projects, whether internally or externally resourced, have risks associated with them, particularly with regards to migrating existing operations to new technological platforms. Major IT projects and technology migrations are often associated with significant capital investment and there is no guarantee that such migrations will be completed successfully or in line with allocated budgets. New or upgraded trading platforms may not perform as intended or deliver the expected benefits, including, where relevant, increased trading volumes and lower operating costs. In such circumstances, the Enlarged Group's ability to respond to customer needs for services may be hampered and consequently its profitability and technology brands may suffer. The strategic flexibility of the Enlarged Group and its ability to respond to customer needs for services could consequently be hampered.

Systems failures, capacity constraints or security breaches may materially harm the Enlarged Group's ability to conduct its operations and execute its business strategy and may mean that it is subjected to significant costs and liabilities.

The Enlarged Group will be heavily dependent on the capacity, reliability and security of the computer and communications systems and software supporting its operations.

The LSEG Group and LCH.Clearnet Group have incident and disaster recovery and business continuity plans and procedures to minimise and mitigate the risk of an interruption of, or failure to, their critical IT operations and to manage and recover from such an event should one occur. However, the Enlarged Group cannot entirely eliminate the risk of a system failure or interruption occurring. If the Enlarged Group's systems suffer from major or repeated failures, this could interrupt or disrupt the Enlarged Group's trading, clearing and settlement or information services and undermine confidence in the Enlarged Group's exchanges and services, cause reputational damage, impact operating results and lead to customer claims, litigation and regulatory sanctions.

As with all IT dependent companies, the Enlarged Group's IT systems and networks, and those of its third party service providers, may also be vulnerable to cyber attacks, unauthorised access, computer viruses and other security issues (despite regular testing, security reviews and awareness campaigns). These events could damage the integrity of the Enlarged Group's markets and data provision as well as the Enlarged Group's reputation and business more generally.

The Enlarged Group will depend on a number of third party suppliers.

The Enlarged Group will depend on a number of third party suppliers such as IT service providers for elements of trading and clearing and other systems, providers of communications including telecommunication companies and networking services and equipment, banking and clearing settlement organisations, and administration service providers and data processors, over which it has no control beyond the contractual arrangements it has agreed with such suppliers.

These third party suppliers may not be able to provide these services or products without interruption and in an efficient, cost-effective manner. They also may not be able to adequately expand their services or develop their products to meet the Enlarged Group's needs.

Any interruption in the Enlarged Group's ability to rely on the services of these third parties, deterioration in their performance or errors experienced could impair the timing and quality of delivery of the Enlarged Group's services and could damage the Enlarged Group's business. Furthermore, if the contractual arrangements put in place with any of these third party providers are terminated, the Enlarged Group may not find an alternative outsource provider on a timely basis or on equivalent terms. The occurrence of any of these events could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition. The costs of rectifying administrative errors could be significant, and may not be fully recoverable from outsource providers.

The Enlarged Group may not be able to protect its intellectual property rights, which may materially harm its business.

The Enlarged Group will derive a significant proportion of its revenues from its information products and services and information technology operations. Consequently, challenges to the intellectual property belonging to or licensed by the Enlarged Group and/or claims or allegations of infringement by the Enlarged Group of third party intellectual property on which the Enlarged Group will rely for revenue and which are specifically configured for the Enlarged Group's use could, individually or in aggregate, have an adverse effect on the Enlarged Group's business, financial condition, operating results and reputation.

The LSEG Group and LCH.Clearnet Group protect their intellectual property by relying upon a combination of statutory and common law trade mark laws, copyright laws, patent laws, trade secret

protection, confidentiality agreements and other contractual arrangements with its affiliates, customers, strategic partners and others. Such protection may be inadequate to deter misappropriation or misuse of the Enlarged Group's proprietary information and other intellectual property rights, and there can be no assurance that the Enlarged Group's registered intellectual property rights will not be successfully challenged. The Enlarged Group may not be able to detect the unauthorised use of, or take adequate steps to enforce, its intellectual property rights. Failure to protect its intellectual property rights adequately could harm the Enlarged Group's reputation and affect the ability of the Enlarged Group to compete effectively. Further, defending or enforcing the Enlarged Group's intellectual property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect the Enlarged Group's business, financial condition and operating results.

Any infringement by the Enlarged Group of the patent rights of others could result in litigation and adversely affect its ability to provide the Enlarged Group's products and services.

In addition to using its own intellectual property rights, the Enlarged Group will license a variety of intellectual property rights from third parties. In the event of a breach or alleged breach of any of these licences, or any other allegation of intellectual property right infringement, a third party may bring infringement or other claims against the Enlarged Group or its customers. Any such litigation could be lengthy and costly. If determined in favour of a third party, it could result in a financial penalty and other remedies being awarded against the Enlarged Group. Additionally, as a result of such litigation, the Enlarged Group may be required to develop its own intellectual property or license similar intellectual property from an alternative supplier. There is no guarantee that either outcome could be achieved on cost-effective terms, which could have an impact on the business, financial condition and operating results of the Enlarged Group.

Any reduction in the Enlarged Group's credit rating could impact the availability and cost of funding from the capital markets.

The LSEG Group is currently rated investment grade by Moody's and Standard & Poor's and the LCH.Clearnet Group is currently rated investment grade by Standard & Poor's. The credit rating of the LCH.Clearnet Group following the Transaction is expected to remain independent of the credit rating of the LSEG Group. The ratings are based on a number of factors, including its financial strength as well as factors not entirely within its control, such as conditions affecting the macro economic environment and financial services industry generally. In light of the difficulties in the financial services industry and the financial markets over the last few years, there can be no assurance that the LCH.Clearnet Group or the LSEG Group will maintain an investment grade rating by Moody's and Standard & Poor's, particularly as the LSEG Group's ratings with Moody's are currently on negative outlook and are on creditwatch negative with Standard & Poor's, and the LCH.Clearnet Group's Standard & Poor's rating of "A+" has been placed on creditwatch negative following the Announcement. A one-notch ratings downgrade would not impact LSEG's current facility agreements other than through an increase of 25 basis points to the rate paid on issued bonds (if Moody's, with a lower rating, downgrade the LSEG Group). However, a failure beyond this to maintain investment grade credit ratings would potentially limit the availability of new funding and adversely affect the terms of such new funding (including higher borrowing costs). If new funding is not available to the extent it is currently, this may limit the extent to which the Enlarged Group can grow.

Any impairment of the Enlarged Group's goodwill and other intangible assets or investments may result in material, non-cash writedowns and could have a material adverse impact on the Enlarged Group's results of operations and LSEG Shareholders' equity.

In connection with its previous acquisitions and investments, the Enlarged Group has recorded goodwill and identifiable intangible assets. The Enlarged Group assesses goodwill and intangible assets for impairment on an annual basis, or more frequently if indicators of impairment arise, and utilises recoverable amounts of the relevant cash generating units, which are determined based on

value in use calculations using discounted cash flow projections prepared by management covering a five year period with cash flows beyond five years being extrapolated using estimated long term growth rates and applying pre-tax discount rates. The Enlarged Group may experience future events over which the Enlarged Group has little or no control that result in impairments, including in relation to its investments in its subsidiaries (including LCH.Clearnet). The risk of impairment losses may increase to the extent the market capitalisation and earnings of the Enlarged Group decline. An impairment of the value of the Enlarged Group's existing goodwill and intangible assets could have a significant negative impact on its future operating results.

The Enlarged Group will be exposed to FX rate fluctuations.

The Enlarged Group will be subject to risks associated with exchange rate fluctuations. The Enlarged Group will report its results in sterling but generate its revenues and incur its costs in a mixture of currencies, including pounds sterling, euros and United States dollars. There can be no assurance that the Enlarged Group will be successful in mitigating the impact of such potential risks associated with the volatility in foreign currency rates (particularly in the case of the collapse, or full or partial termination, of European monetary union). Changes to foreign currency rates could have an adverse effect on the sterling value of the Enlarged Group's financial covenant ratios, operating results and financial condition.

In addition, collateral and default fund contributions provided by clearing members may be in different currencies to the exposures of such clearing member; in a default of such clearing member the relevant CCP operated by the Enlarged Group is exposed to the risk of adverse FX movements which could have an adverse effect on the value of the Enlarged Group's operating results and financial condition.

The Enlarged Group will be exposed to interest rate fluctuations.

The Enlarged Group will be subject to risks associated with interest rate fluctuations. It will hold a portion of its borrowings and deposit cash and cash equivalents at floating rates of interest.

There can be no assurance that the Enlarged Group will be successful in mitigating the impact of any risks associated with the volatility of interest rates. Such rates or changes could have an adverse effect on the Enlarged Group's financial covenant ratios, results and financial condition.

CCPs may pay interest on cash collateral and default fund contributions; there can be no assurance that they will be able to invest such cash within the same period as their interest obligations arise (in particular in the case of intra day margin calls) or at the same rate(s) as they are required to pay on such cash collateral or default fund contributions and may therefore generate insufficient revenue to cover such interest costs. Such interest rate risk could have an adverse effect on the Enlarged Group's results and financial condition.

The funding status of the Enlarged Group's pension arrangements may change.

The Enlarged Group will maintain defined benefit pension schemes and defined contribution pension schemes or sections. The defined benefit schemes, by their nature, are deemed to carry an increased funding risk and, although the relevant schemes are closed to new members, LSEG has recently conducted a consultation process to close its group defined benefits scheme to future accruals from 31 March 2012. There is a recovery plan in place for the LCH.Clearnet Group's funding deficit, as calculated at the last valuation on 30 June 2010, but there can be no assurance that: (a) the current expectations of the growth in value of the defined benefit liabilities is accurate; (b) an increase in liabilities will be matched by the growth in value of the assets; or (c) the assets are sufficiently well invested to cover projected liabilities. A significant shortfall in the value of assets versus liabilities could have a material adverse effect on the financial prospects of the Enlarged Group.

The UK Pensions Regulator has powers under legislation to make orders for financial support to be given to a UK defined benefit pension scheme from parties who are (or have been) “connected” or “associated” with an employer of that scheme. The concept of “connected” or “associated” is broad and entities in the LSEG Group will be potentially subject to the Pensions Regulator’s powers to seek financial support (in the form of a contribution notice or financial support direction) in relation to the LCH.Clearnet Group’s pension scheme following Completion. Liability is not automatic. Various conditions prescribed in legislation would need to be met, such as the employer being deemed to be “insufficiently resourced” and the Pensions Regulator would also need to consider it reasonable in the circumstances to seek financial support for the scheme from entities in the LSEG Group.

PART 3 : FINANCIAL INFORMATION RELATING TO THE LCH.CLEARNET GROUP

This Part 3 contains:

- in Part A, an accountant's report in respect of the consolidated historical financial information of the LCH.Clearnet Group for the financial periods ended 31 December 2011, 2010 and 2009; and
- in Part B, consolidated historical financial information relating to the LCH.Clearnet Group for the financial periods ended 31 December 2011, 2010 and 2009. This consolidated historical financial information has been prepared in accordance with the accounting policies of LSEG.

Part A



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16 March 2012

Dear Sirs

London Stock Exchange Group plc (the “Company”)

We report on the financial information set out in Part 3b (the “**Historical Financial Information of LCH.Clearnet Group Limited**”) of the Company’s Class 1 Circular dated 16 March 2012 (the “**Circular**”). The Historical Financial Information of LCH.Clearnet Group Limited has been prepared for inclusion on the basis of the accounting policies set out in note 1 of the Historical Financial Information of LCH.Clearnet Group Limited. This report is required by item 13.5.21R of the Listing Rules and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Historical Financial Information of LCH.Clearnet Group Limited in accordance with International Financial Reporting Standards as adopted by the EU.

It is our responsibility to form an opinion as to whether the Historical Financial Information of LCH.Clearnet Group Limited gives a true and fair view, for the purposes of the Circular and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the UK. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant



estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Historical Financial Information of LCH.Clearnet Group Limited gives, for the purposes of the Circular dated 16 March 2012, a true and fair view of the state of affairs of LCH.Clearnet Group Limited as at the dates stated and of its profits and losses, cash flows and changes in equity and recognised income and expense for the periods then ended in accordance with International Financial Reporting Standards as adopted by the EU and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest annual accounts.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Part B

Historical financial information of LCH.Clearnet

Consolidated income statements

	Note	Year ended 31 December 2009			Year ended 31 December 2010			Year ended 31 December 2011		
		Before impairment of intangibles and non-recurring items	Impairment of intangibles and non-recurring items	Total	Before impairment of intangibles and non-recurring items	Impairment of intangibles and non-recurring items	Total	Before non-recurring items	Non-recurring items	Total
		€m	€m	€m	€m	€m	€m	€m	€m	€m
Continuing operations										
Revenue	4	284.0	-	284.0	279.5	-	279.5	323.1	-	323.1
Net treasury income through CCP business	4	167.1	-	167.1	76.1	-	76.1	68.4	-	68.4
Other income	4	-	260.4	260.4	-	-	-	-	-	-
Total income		451.1	260.4	711.5	355.6	-	355.6	391.5	-	391.5
Expenses										
Operating expenses	5,7	(287.0)	(393.7)	(680.7)	(308.3)	(4.4)	(312.7)	(324.5)	(23.1)	(347.6)
Operating profit/(loss)		164.1	(133.3)	30.8	47.3	(4.4)	42.9	67.0	(23.1)	43.9
Finance income		9.1	9.6	18.7	9.2	-	9.2	11.8	-	11.8
Finance expense		(18.9)	-	(18.9)	(19.7)	-	(19.7)	(20.6)	-	(20.6)
Net finance (expense)/income	8	(9.8)	9.6	(0.2)	(10.5)	-	(10.5)	(8.8)	-	(8.8)
Profit/(loss) before taxation		154.3	(123.7)	30.6	36.8	(4.4)	32.4	58.2	(23.1)	35.1
Taxation	9	(46.0)	(75.6)	(121.6)	(14.5)	1.2	(13.3)	(20.0)	6.1	(13.9)
Profit/(loss) for the financial year		108.3	(199.3)	(91.0)	22.3	(3.2)	19.1	38.2	(17.0)	21.2
Profit/(loss) attributable to equity holders		108.3	(199.3)	(91.0)	22.3	(3.2)	19.1	38.2	(17.0)	21.2
Basic and diluted earnings per share (cents)		<i>Note 10</i>	(129.8)				47.0			52.2
Adjusted basic and diluted earnings per share (cents)		<i>Note 10</i>	161.5				84.5			190.9
Dividend per share paid during the year (cents)		<i>Note 11</i>	150.0				-			-

Consolidated statements of comprehensive income

		For the year ended 31 December 2009	For the year ended 31 December 2010	For the year ended 31 December 2011
	Note	€m	€m	€m
Profit/(loss) for the financial year		(91.0)	19.1	21.2
Defined benefit pension scheme actuarial gain/(loss)	15	2.3	(5.8)	(11.3)
Tax related to items not recognised on income statement	9	(0.7)	1.5	3.3
Total		1.6	(4.3)	(8.0)
Total comprehensive income for the financial year		(89.4)	14.8	13.2
Attributable to equity holders		(89.4)	14.8	13.2

Consolidated balance sheets

		As at 31 December 2009	As at 31 December 2010	As at 31 December 2011
	<i>Note</i>	€m	€m	€m
Assets				
Non-current assets				
Property, plant and equipment	12	9.8	10.1	13.0
Intangible assets	13	170.5	193.1	203.1
Deferred tax assets	14	11.5	15.5	29.0
		191.8	218.7	245.1
Current assets				
Trade and other receivables	16	21.7	60.1	91.5
Derivative financial instruments	17	0.5	1.4	1.0
CCP financial assets	17	434,124.5	497,271.1	520,314.8
CCP cash and cash equivalents		11,813.5	15,360.5	19,738.6
CCP clearing business assets		445,938.0	512,631.6	540,053.4
Current tax		12.6	4.0	2.1
Other current assets	17	-	-	229.7
Cash and cash equivalents	18	434.1	408.8	445.7
		446,406.9	513,105.9	540,823.4
Total assets		446,598.7	513,324.6	541,068.5
Liabilities				
Current liabilities				
Trade and other payables	19	115.6	158.2	357.6
Derivative financial instruments	17	15.6	26.8	60.8
CCP clearing business liabilities	17	445,938.0	512,631.6	540,053.4
Current tax		40.2	0.1	1.9
Repurchase agreements and other borrowings	20	1.6	0.3	68.1
		446,111.0	512,817.0	540,541.8
Non-current liabilities				
Borrowings	20	176.5	177.6	178.0
Deferred tax liabilities	14	2.9	-	-
Retirement benefit obligation	15	3.2	10.1	15.6
		182.6	187.7	193.6
Total liabilities		446,293.6	513,004.7	540,735.4
Net assets		305.1	319.9	333.1
Equity				
Capital and reserves attributable to equity holders				
Share capital	22	40.6	40.6	40.6
Retained earnings		189.7	204.5	217.7
Other reserves		74.8	74.8	74.8
Total equity		305.1	319.9	333.1

Consolidated cash flow statements

		For the year ended 31 December 2009	For the year ended 31 December 2010	For the year ended 31 December 2011
	<i>Note</i>	€m	€m	€m
Cash flow from operating activities				
Cash generated from operations	23	404.1	79.9	41.1
Corporation tax paid		(109.8)	(50.3)	(20.5)
Interest received		4.4	1.2	2.8
Interest paid		(13.4)	(11.9)	(12.3)
Net cash inflow from operating activities		285.3	18.9	11.1
Cash flow from investing activities				
Purchase of property, plant and equipment		(2.5)	(5.7)	(8.2)
Purchase of intangible assets		(30.8)	(37.8)	(34.6)
Net cash outflow from investing activities		(33.3)	(43.5)	(42.8)
Cash flow from financing activities				
Dividends paid to shareholders	11	(110.9)	-	-
Purchase of own shares	22	(333.0)	-	-
Proceeds from repurchase agreements	17	-	-	67.8
Repayment of borrowings		(37.4)	(0.2)	(0.2)
Net cash outflow from financing activities		(481.3)	(0.2)	67.6
(Decrease)/Increase in cash and cash equivalents		(229.3)	(24.8)	35.9
Cash and cash equivalents at beginning of year		658.6	432.5	408.8
Exchange gain on cash and cash equivalents		3.2	1.1	1.0
Cash and cash equivalents at end of year	18	432.5	408.8	445.7
Cash and cash equivalents at 31 December comprises:				
Cash at bank and in hand		434.1	408.8	445.7
Bank overdrafts and loans		(1.6)	-	-
		432.5	408.8	445.7

The LCH.Clearnet Group cash flow does not include cash and cash equivalents held by the LCH.Clearnet Group on behalf of its clearing members for use in its operations as manager of the clearing and guarantee system. These balances represent margin and default funds held for counterparties for short periods in connection with this operation.

Consolidated statements of changes in equity

	Attributable to equity holders				Total equity
	Ordinary share capital	Retained earnings	Capital Reserve	Capital redemption reserve	
	€m	€m	€m	€m	€m
1 January 2009	73.9	723.0	15.3	26.2	838.4
Total comprehensive income for the financial year	-	(89.4)	-	-	(89.4)
Final dividend paid during the year ended 31 December 2009	-	(110.9)	-	-	(110.9)
Purchase of Own Shares	(33.3)	(333.0)	-	33.3	(333.0)
31 December 2009	40.6	189.7	15.3	59.5	305.1
Total comprehensive income for the financial year	-	14.8	-	-	14.8
31 December 2010	40.6	204.5	15.3	59.5	319.9
Total comprehensive income for the financial year	-	13.2	-	-	13.2
31 December 2011	40.6	217.7	15.3	59.5	333.1

Share capital

The balance classified as share capital includes the total nominal value on issue of LCH.Clearnet's equity share capital, comprising €1 ordinary shares 33,299,973 LCH.Clearnet Shares were repurchased in November 2009 at €10 per LCH.Clearnet Share as part of a transaction designed to align further the shareholder base with the User base.

Capital reserves

The balance on this reserve represents the difference between the called up share capital of LCH.Clearnet and the called up share capital, share premium account and capital redemption reserve of LCH.Clearnet Limited at 19 December 2003, when the LCH.Clearnet Group was formed, less the amount transferred in 2007 as part of the court approved capital restructuring.

Capital redemption reserve

The balance on this reserve represents the nominal value of the ordinary shares that have been repurchased and cancelled.

Notes to the financial information

1. Basis of preparation and accounting policies

The consolidated financial information is prepared in accordance with IFRS and IFRIC interpretations issued by IASB effective for 2011 reporting and with those parts of the Companies Act applicable to companies reporting under the IFRS. The consolidated financial information has been prepared under the historical cost convention, as modified by the valuation of financial assets and liabilities held at fair value through profit and loss. A summary of significant accounting policies is set out below, together with an explanation of changes to previous policies on the adoption of new accounting standards.

The consolidated financial information is presented in euros, which is the functional currency of the LCH.Clearnet Group's parent company. All values are rounded to the nearest €100,000 except where otherwise indicated.

LCH.Clearnet is a private limited company incorporated and domiciled in England and Wales whose LCH.Clearnet Shares are owned primarily by its Users and exchanges for which it clears. The address of its registered office is Aldgate House, 33 Aldgate High Street, London, EC3N 1EA, UK.

Going Concern

The directors have made an assessment of the LCH.Clearnet Group's ability to continue as a going concern, and have taken into account the intention of NYSE Euronext to commence their own clearing arrangements in 2013 for European cash equities and derivative markets, along with the announcements by NYSE Liffe and LME that they intend to commence their own clearing arrangements at some point in the future. The directors are satisfied that the LCH.Clearnet Group has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the LCH.Clearnet Group's ability to continue as a going concern. Therefore, the historical financial information is prepared on a going concern basis.

Change of estimate of useful economic life of strategic assets

During 2010, the LCH.Clearnet Group revised the estimated useful economic life from 3 to 5 years for certain elements within the costs capitalised as self-developed software which are now expected to remain in use for the longer duration. This reduced the amortisation charge, and increased profit before tax and net assets, by €2.5 million in 2010.

Recent accounting developments

New and amended standards adopted by the group

Below is a list of standards/interpretations that have been issued and are effective for period starting on or after 1 January 2011. There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the group.

Amendment to IAS 32, 'Financial instruments: Presentation – Classification of rights issues'
IFRIC 19, 'Extinguishing financial liabilities with equity instruments'
IAS 24, 'Related party disclosures' (revised 2009)
Amendment to IFRIC 14, 'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction'
The various annual improvements 2010

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

The following standards, amendments and interpretations have been issued by the IASB and IFRIC with an effective date after 31 December 2011. Other than IFRS 9, there are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the LCH.Clearnet Group.

	Effective date for periods beginning on or after:
Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition	1 July 2011
Amendment to IAS 12, 'Income taxes' on deferred tax	1 January 2012
Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income	1 July 2012
Amendment to IAS 19, 'Employee benefits'	1 January 2013
IFRS 9, 'Financial instruments'	1 January 2015
IFRS 10, Consolidated financial statements'	1 January 2013
IFRS 12, 'Disclosures of interests in other entities'	1 January 2013
IFRS 13, 'Fair value measurement'	1 January 2013

Accounting Policies

Consolidation

The consolidated financial information included in this, Part B of Part 3, comprise the financial information of LCH.Clearnet and its subsidiaries with all inter-company balances and transactions eliminated. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes.

Revenue

Clearing fee income and associated rebates, together with other fee income, is recognised on a transaction by transaction basis in accordance with the LCH.Clearnet Group's fee scales.

During 2010, the LCH.Clearnet Group entered into new funding arrangements with certain members for the purpose of developing clearing systems for new products or upgrading existing systems. Under these new arrangements, the members will underwrite the system development costs. For costs that are incurred and capitalised on the consolidated balance sheet, the LCH.Clearnet Group recognises a debtor in the consolidated balance sheet to reflect the costs that they have incurred to date and recognises a corresponding credit to a deferred income account, also in the consolidated balance sheet. The deferred income account is then debited each year for an amount equal to the capitalised cost which is being amortised to other income.

If the cost incurred is not capitalised and is instead expensed to the income statement immediately, the deferred income balance will be debited immediately with the corresponding credit to other income. Subsequently, when the individual systems are launched, the LCH.Clearnet Group will recover the debtor from members under the terms of the arrangements with them.

Net interest income through CCP business is recorded using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Income earned on the acceptance of non cash collateral, generated from member clearing activity is recorded within revenue. This revenue is based on LCH.Clearnet Group fee scales as a product of the value of non cash collateral lodged.

Non-recurring items

Items of income and expense that are material by size and/or nature and are non-recurring are classified as non-recurring items on the face of the income statement within their relevant category. The separate reporting of these items together with impairment of goodwill and intangible assets helps give an indication of the LCH.Clearnet Group's underlying performance.

Foreign currencies

The LCH.Clearnet Group's financial statements are presented in euros, which is the functional currency of the parent company. Items included in the financial statements of each of the LCH.Clearnet Group's entities are measured using their functional currency.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into euros at the rates of exchange ruling on the consolidated balance sheet date. Transactions in foreign currencies are recorded at the prevailing FX rates at the date of the transaction. All exchange differences are recorded in the income statement.

Property, plant and equipment

Property, plant and equipment is initially recognised at cost and capitalised in the consolidated balance sheet and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on current prices, of each asset over its expected useful life as follows:

- | | | |
|---|---|---|
| Leasehold land and buildings | - | over the term of the lease (up to a maximum of ten years) |
| Computer equipment and purchased software | - | over three years |
| Office equipment and other fixed assets | - | between three and five years |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Goodwill

Goodwill arising on the acquisition is initially measured at cost (being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities) and is capitalised in the consolidated balance sheet within intangible assets and not amortised. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets other than goodwill

Intangible assets other than goodwill are initially recognised at cost and are capitalised on the consolidated balance sheet. Following initial recognition, the assets are amortised at rates calculated to write off their cost on a straight-line basis over their estimated useful lives as follows:

- self-developed software between three and five years

An internally generated intangible asset arising from the LCH.Clearnet Group's business development is created if the asset can be identified, its cost measured reliably, and it is probable that it will generate future economic benefits. Amortisation is charged from the date the developed product, service, process or system is available for use.

Amortisation of intangible assets other than goodwill is recognised as part of operating expenses in the income statement.

Impairment of goodwill, intangible assets, and property, plant and equipment

Goodwill and intangible assets in the course of development are subject to an annual impairment review, or a more frequent review if there are events or changes in circumstances that indicate that the carrying amount of the asset may not be fully recoverable. Other intangible assets and property, plant and equipment are subject to an impairment review if there are events or changes in circumstances that indicate that the carrying amount of the fixed asset may not be fully recoverable.

For the purpose of impairment testing, goodwill and other assets are allocated to cash-generating units monitored by management, usually at statutory company or business segment level as the case may be. The impairment review involves a comparison of the carrying amount of the goodwill or other asset allocated to the related cash-generating units, with its recoverable amount, which is the

higher of fair value less costs to sell and value in use. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of, less the costs associated with the sale. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis. The carrying values of goodwill, intangible assets or property, plant and equipment are written down by the amount of any impairment and this loss is recognised in the income statement in the year in which it occurs.

Current and deferred taxation

Deferred and current tax assets and liabilities are only offset when they arise in the same reporting tax group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income tax relating to items recognised directly in equity is recognised in equity and not the income statement.

Current tax

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to relevant taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the consolidated balance sheet date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the consolidated balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes using tax rates and laws enacted or substantively enacted by the consolidated balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised except where it is not probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Financial Instruments

The LCH.Clearnet Group classifies its financial instruments into the following categories: financial assets and liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables and cash and short-term deposits.

The LCH.Clearnet Group establishes fair value using recognised valuation techniques. These include the use of externally available market prices, discounted cash flow analysis and other valuation techniques commonly used by market participants. Where discounted cash flow analysis and other valuation techniques are used, assumptions are validated against market observable inputs.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial instruments which are either acquired for trading purposes, or as designated by management. Financial instruments held in this category are initially recognised and subsequently measured at fair value, with transaction costs taken directly to the income statement. Changes in fair value are recorded within net interest income. Interest earned or incurred is accrued in interest income or expense, or finance income or cost according to the purpose of the financial instrument.

Balances with clearing members (with the exception of receivables and liabilities from repurchase transactions which are classified as loans and receivables) are included in this category upon initial recognition, and are recorded on a settlement date basis.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Other financial assets include government backed certificates of deposit issued by banks, notes and treasury bills directly issued by state or national governments. These assets were initially recognised and subsequently measured at fair value with fair value movements accounted for through profit and loss.

Where derivative financial instruments are used, such as interest rate swaps and foreign currency forward exchange contracts, they reduce exposure to interest rate movements and foreign currency movements. The change in fair value of these instruments is recognised in the income statement. The LCH.Clearnet Group does not hold derivative financial instruments for trading purposes. Derivatives are accounted for as trading instruments and are initially recognised and subsequently measured at fair value.

Loans and receivables

Loans and receivables include receivables and liabilities from repurchase transactions and non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition at fair value loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment.

Securities sold under agreements to repurchase at a specified future date are not derecognised from the consolidated balance sheet as the LCH.Clearnet Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated balance sheet as an asset with a corresponding obligation to return it, including accrued interest as a liability, reflecting the transaction's economic substance as a loan to the LCH.Clearnet Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method. Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the consolidated balance sheet. The consideration paid, including accrued interest, is recorded in the consolidated balance sheet, reflecting the transaction's economic substance as a loan by the LCH.Clearnet Group. The difference between the purchase and resale prices is recorded in interest income and is accrued over the life of the agreement using the effective interest rate method.

Interest bearing loans and other borrowings, including preferred securities, and default funds are initially recorded at fair value. Subsequent measurement is at amortised cost using the effective interest method, and amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

Held-to-maturity financial assets

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the LCH.Clearnet Group has the intention and ability to hold to maturity. After initial measurement held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate, less impairment. The amortisation of any premium or discount is included in interest income. This accounting policy was applied from 1 January 2010 to government backed, bank issued certificates and deposits. All government backed, bank issued certificates and deposits before 1 January 2010 were initially recognised and subsequently measured at fair value.

If the LCH.Clearnet Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the LCH.Clearnet Group would then be prohibited from classifying any financial asset as held-to-maturity during the following two years.

Cash and short term deposits

Cash and short-term deposits comprise cash in hand and current balances with banks and similar institutions which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. For the purposes of the cash flow statement cash and cash equivalents are as defined above, but with an original maturity of three months or less, net of bank overdrafts (which are included within interest bearing loans and borrowings in current liabilities on the consolidated balance sheet). Funds received as a result of entering into repurchase agreements are not considered part of cash equivalents.

Trade Receivables

Trade receivables are non-interest bearing and are stated at their fair value. A provision for impairment of trade receivables is established when there is objective evidence that the LCH.Clearnet Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of the portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

Derecognition of financial assets and financial liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

Borrowing costs

Borrowing costs are recognised as an expense when incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Finance income and finance costs

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

Finance income is revenue earned on the LCH.Clearnet Group's own cash and financial assets balances and is also recognised on a time-apportioned basis.

Interest expense is recorded using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Leases

The LCH.Clearnet Group is a lessee. Leases of property, plant and equipment where substantially all the risks and rewards of ownership have passed to the LCH.Clearnet Group are capitalised in the consolidated balance sheet as property, plant and equipment. Finance leases are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The capital element of future obligations under finance leases is included as a liability in the consolidated balance sheet. The interest element of rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful economic life of the asset or the lease term.

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged in the consolidated income statement on a straight-line basis over the lease term. Lease incentives are recognised over the lease term.

Pension costs

The LCH.Clearnet Group operates a defined benefit pension scheme for its UK employees (the *LCH.Clearnet Pension Scheme*), which requires contributions to be made to a separate trustee-administered fund. This was closed to new members from 30 September 2009.

The LCH.Clearnet Group has also committed to assume obligations in respect of certain staff in the Euronext defined benefit pension scheme in Amsterdam who transferred their employment to LCH.Clearnet S.A. in 2004. The obligations in respect of certain staff in an independent defined benefit scheme in Porto were assumed in 2006. An updated valuation of these funds was carried out at 31 December 2008 by a qualified independent actuary.

A full actuarial valuation of the LCH.Clearnet Pension Scheme was carried out at 30 June 2010 and updated to 31 December 2011 by a qualified independent actuary. The other schemes were subject to a full valuation at 31 December 2011. Major assumptions used by the actuary are included within note 15.

The cost of providing benefits under the defined benefit plans is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement. Losses are measured at the date that the employer becomes demonstrably committed to the transaction, and gains are measured when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in the present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate based on high quality bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximately the terms of the pension obligation, to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement within net finance costs.

Actuarial gains and losses are recognised in full in the statement of other comprehensive income in the period in which they occur. The defined benefit pension liability in the consolidated balance sheet

comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published mid-market price.

The LCH.Clearnet Group also has obligations in respect of unfunded early retirement plans in Paris. This is in compliance with a 2001 agreement with Euronext Paris personnel and these provisions are included in employee costs. They have been calculated by an independent actuary.

The LCH.Clearnet Group also operates a defined contribution pension plan in the UK which has been open since January 2010 for new staff. The contribution payable to a defined contribution plan is in proportion to the services rendered to LCH.Clearnet Limited by the employees and is recorded as an expense in the income statement within employee benefits.

Share capital

Called up share capital comprises ordinary shares.

Preference shares

Other capital instruments are classified as liabilities if there is an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the income statement in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate based on the carrying amount.

Segmental reporting

The LCH.Clearnet Group's operating segments are determined by reference to the underlying legal entities of the LCH.Clearnet Group. LCH.Clearnet Limited is one segment and it is based in the UK, with a branch in New York. LCH.Clearnet S.A. is another segment and is based in Europe with its main operations in France, branches in Belgium and The Netherlands and a representative office in Portugal. The final segment comprises other group companies including LCH.Clearnet (the main LCH.Clearnet Group holding company), LCH.Clearnet (Luxembourg) S.à.r.l. (which holds most of the LCH.Clearnet Group's intellectual property) and other head office holding companies.

These segments reflect the way LCH.Clearnet Directors and management monitor results and determine resource allocation within the LCH.Clearnet Group. Directly attributable costs are allocated to the appropriate segment. Where costs are not directly attributable, the relevant portion is allocated on a reasonable basis to each segment. Assets that are jointly used by two or more segments are allocated to segments only where the related revenues and expenses are also allocated to those segments. Transfer pricing between segments is set on an arm's length basis in a manner similar to transactions with third parties.

2. Financial risk management

Introduction

The LCH.Clearnet Group's activities expose it to a number of financial risks – principally market risk (FX risk, interest rate risk, volatility in financial markets), settlement risk, credit risk and liquidity risk.

The LCH.Clearnet Group manages these risks through various control mechanisms and its approach to risk management is to be prudent yet responsive to changes in the risk environment.

Overall responsibility for risk management rests with the LCH.Clearnet Board. Day to day responsibility is delegated to the executives in the operating subsidiaries, on the basis of policies that

are discussed and agreed in risk committees and/or boards as appropriate. The individual application of policies, within the operating subsidiaries, is undertaken by dedicated resources within the subsidiary risk management departments who control and manage the exposures to members and banks on the basis of policies adopted by each of the subsidiary boards. These policies are harmonised across the LCH.Clearnet Group where relevant. The continued appropriateness of risk policies is reviewed by the committees and boards, and audits of processes within the risk management departments are undertaken on a regular basis.

Foreign exchange risk

This risk arises from the fact the presentational and functional currency of the LCH.Clearnet Group is euros, although LCH.Clearnet Limited incurs a significant portion of its costs and revenues in sterling and other currencies. The LCH.Clearnet Group is exposed to FX risk primarily with respect to sterling and US dollars in the translation of monetary assets and liabilities denominated in foreign currency. The LCH.Clearnet Group also has transactional exposure to US dollars and sterling. The LCH.Clearnet Group converts FX balances to euros on a regular basis based upon agreed thresholds which minimises the effect exchange rate fluctuations will have on overall LCH.Clearnet Group net assets. The LCH.Clearnet Group may also hedge future currency cash flows where they can be reasonably anticipated. Any exchange differences on translation of net assets and liabilities that remain are recorded in the income statement, and the LCH.Clearnet Group does not view this as a material risk.

Interest rate risk

The LCH.Clearnet Board is exposed to interest rate risk with the cash and investment balances it holds, the initial margin and default fund balances it holds from members and the loans and borrowings it has issued.

The interest bearing assets are generally invested for a longer term than the interest bearing liabilities, whose interest rate is reset daily; this makes the associated revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures are managed within defined risk appetite parameters against which sensitivities are monitored on a daily basis.

Financial market volatility (latent market risk)

The level or volatility of financial markets in which the LCH.Clearnet Group operates can adversely affect its earnings and its ability to meet its business objectives. Indeed, in the event of a default by a counterparty, the LCH.Clearnet Group faces market risk which is correlated to member positions and market conditions. The market and credit risk management policies of the LCH.Clearnet Group are approved by its risk committees and boards. A variety of measurement methodologies, including stress testing and scenario analysis, are used to quantify and assess the levels of credit and market risk to which the LCH.Clearnet Group is exposed under both normal and extreme, but plausible, market conditions.

As a CCP the LCH.Clearnet Group has a balanced position in all cleared contracts and runs no market risk unless a clearing member defaults. This potential market risk is reduced by collecting variation margin on marked-to-market positions and by establishing initial margin requirements which are the LCH.Clearnet Group's estimate of likely future market risk under normal market conditions. Both variation and initial margin are collected daily and, if necessary, replenished intra-day. The operating subsidiaries also maintain default funds to be used should the initial margin of a defaulted clearing member not fully cover close-out costs, and also have access to supplementary financial resources, including their own capital, to ensure the continuity of ongoing operations.

The LCH.Clearnet Group accepts both cash and high quality non-cash collateral to cover margin requirements; the list of acceptable non-cash collateral is restricted, haircuts are set for each security

type, taking into account market, credit, country and liquidity risks. All non-cash collateral is, where appropriate, revalued daily.

Additionally, members must meet strict financial and operational criteria before access to clearing membership is granted, and this is regularly reviewed as part of the LCH.Clearnet Group's risk policies.

Credit risk

Credit risk is the risk that a counterparty of the LCH.Clearnet Group will be unable or unwilling to meet a financial commitment that it has entered into with the LCH.Clearnet Group.

The LCH.Clearnet Group has credit risk exposure as a direct result of the reinvestment of the cash it holds which is primarily a result of its CCP activities. This cash portfolio is invested within the confines of clear risk policies which aim to secure a significant portion of the cash portfolio via tri-party repo receiving high quality government and government related securities as collateral or by investing directly in such securities. The small proportion of cash not secured in this way is deposited in the money markets on an unsecured, short-term basis only to high quality banking institutions, or in government backed assets.

Securities received as collateral are subject to a haircut on their market value daily.

Concentration risk

Concentration risk may arise through having large connected individual exposures and significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. Direct concentration risk arises in several areas of the LCH.Clearnet Group's activities, and in order to avoid excessive concentrations of risk, the LCH.Clearnet Group maintains a diversified portfolio of treasury assets, and uses a diversified range of payment and settlement banks and agents.

Indirect concentration risks, conditional upon a member default, are managed within risk policy through various means, including restrictions on certain non-cash collateral issuers and the monitoring of exposures by member groups.

Liquidity risk

Liquidity risk is the risk that the LCH.Clearnet Group is unable to meet its payment obligations when they fall due, in particular to meet obligations to pay margin or physical settlement monies due to clearing members or in case it needs to manage a clearing member default.

Liquidity risk exists as a result of day to day operational flows such as repayments of cash collateral to members, provision of liquidity to facilitate settlement and cash flows resulting from investment activity. In the case of a clearing member default the LCH.Clearnet Group has to close out the defaulting member's portfolio which may require additional liquidity during the execution of the default management procedure, while concurrently meeting that member's settlement obligations until the portfolio is closed out or transferred.

Liquidity risk is managed by ensuring that the operating clearing houses in the LCH.Clearnet Group have sufficient available cash to meet their payment obligations and by the provision of facilities to meet short-term imbalances between available cash and payment obligations. The LCH.Clearnet Group has identified two scenarios to evaluate the need for liquidity; a daily operational liquidity need, based on the maximum relevant liquidity outflow observed from an extensive data history; and the default liquidity need which aims to evaluate the liquidity requirement on the day of a default and subsequent days so that the LCH.Clearnet Group can meet its obligations to members as a CCP.

The LCH.Clearnet Group's liquidity management is subject to strict minimum liquidity targets that are set by the risk executive and reviewed by the Boards and risk committees and which are kept

under regular review. On a day to day basis the treasury team is tasked with ensuring that the LCH.Clearnet Group can meet its financing needs at all times, in particular to ensure the business continues to operate smoothly in the event of a clearing member default.

Additionally, LCH.Clearnet S.A. is a bank within the Eurozone and has access to central bank funds.

Settlement risk

Settlement risk is the risk that the LCH.Clearnet Group makes a payment or delivery without simultaneously receiving the delivery or payment from the counterparty.

The LCH.Clearnet Group fully mitigates this risk through the use of guaranteed and irrevocable DvP mechanisms where available.

Settlement bank risk

The LCH.Clearnet Group is exposed to the risk that a settlement bank could fail, creating credit losses and liquidity pressures for the LCH.Clearnet Group.

The LCH.Clearnet Group uses a combination of central bank, payment agent and commercial settlement bank models. The Treasury policy is to maintain only minimal balances at commercial settlement banks overnight, placing the majority at the Bank of England and Banque de France. If the payment agent or commercial settlement bank is not able to transfer funds to the LCH.Clearnet Group, the clearing members remain liable for the fulfilment of their payment obligations.

Custody risk

Custody risk is the risk of loss on securities in safekeeping as a result of the custodian's insolvency, negligence, misuse of assets, poor administration or inadequate record keeping.

Although the risk of insolvency of Central Securities Depositories, International Central Securities Depositories, or custodian banks (subject to minimum credit rating) used by the LCH.Clearnet Group is low the LCH.Clearnet Group mitigates this risk through appropriate legal arrangements and dedicated processes, in addition to minimum eligibility requirements and regular reviews dictated by policy.

Other risk management

In addition to the financial risks above the LCH.Clearnet Group is also exposed to operational, pension, compliance, legal and reputational risk.

Operational risk

Operational risk is the risk of loss arising through failures associated with personnel, processes or systems, or from external events. It is inherent in every business organisation and covers a wide spectrum of issues. First line operational risk is managed through systems and procedures in which processes are documented, authorisation is independent, and transactions are monitored and reconciled.

The LCH.Clearnet Group has adopted a framework, supported by tailored enterprise-wide software, systematically to identify, assess, monitor and manage operational risks. This is achieved through departments' self-assessment of risks and controls, the collection and analysis of loss data, and the development of key risk indicators as appropriate, enabling the embedding of operational risk awareness within the corporate culture.

Business operations are subject to a programme of internal audit reviews, which are independent of line management, and the results are reported directly to the LCH.Clearnet Group's management

(including the LCH.Clearnet Group Chief Executive Officer) and audit committees. Following each review, management will put in place an action plan to address any issues identified. Internal audit evaluates the adequacy and effectiveness of the LCH.Clearnet Group's systems of internal control, as well as the level of compliance with policies, and reports, in addition to management's own combined assurance reporting, to the audit committees and senior management. Any significant weaknesses are reported to the boards.

The LCH.Clearnet Group maintains contingency facilities to support operations and ensure business continuity. These facilities are regularly and frequently tested.

Pension risk

Pension risk arises from the potential deficit in the LCH.Clearnet Group's defined benefit pension plans due to a number of factors, such as mortality rates or changes in inflation assumptions.

The main scheme in the LCH.Clearnet Group is the LCH.Clearnet Pension scheme in the UK and it is governed under the relevant laws and managed by the trustees who are required to undertake a formal funding valuation every three years and, where assets are deemed to be insufficient, to agree a schedule of contributions to be paid by LCH.Clearnet Limited to make good any shortfall over a period of time. More details of the pension scheme and assumptions used in valuing their assets and liabilities are included in note 15.

Compliance, legal and reputational risk

Compliance or regulatory risk arises from a failure or inability to comply with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance can lead to fines, public reprimands, enforced suspensions of services, or in extreme cases, withdrawal of authorisation to operate.

The LCH.Clearnet Group is subject to various authorisation and regulatory requirements regimes. CCPs attract specific interest from regulators as they are a critical part of the market infrastructure. Specific resources and expertise are applied to meet the various regulatory requirements.

A key part of the role of the legal function is to identify and, in conjunction with management, manage the legal risks of the LCH.Clearnet Group. Legal risk is managed by use of internal and external legal advisers.

The maintenance of the LCH.Clearnet Group's strong reputation is key to its continued profitability and is the responsibility of the LCH.Clearnet Board, management and staff. In particular the efficiency, reliability and effectiveness of the day to day operations of the LCH.Clearnet Group are paramount to its reputation.

The following table sets out the maturity profile of the LCH.Clearnet Group's financial liabilities, based on contractual, undiscounted payments:

At 31 December 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	€m	€m	€m	€m
Borrowings	81.7	-	47.3	191.8
Retirement benefit obligation	-	-	-	15.6
Trade and other payables	357.6	-	-	-
CCP liabilities	540,053.4	-	-	-
Derivative financial instruments	60.8	-	-	-
Repurchase agreements and other borrowings	68.1	-	-	-
Total	540,621.6	-	47.3	207.4

At 31 December 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	€m	€m	€m	€m
Borrowings	11.8	-	47.3	203.7
Retirement benefit obligation	-	-	-	10.1
Trade and other payables	158.2	-	-	-
CCP liabilities	512,631.6	-	-	-
Derivative financial instruments	26.8	-	-	-
Repurchase agreements and other borrowings	0.3	-	-	-
Total	512,828.7	-	47.3	213.8

At 31 December 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	€m	€m	€m	€m
Borrowings	13.5	-	47.3	215.5
Retirement benefit obligations	-	-	-	3.2
Trade and other payables	115.6	-	-	-
CCP liabilities	445,938.0	-	-	-
Derivative financial instruments	15.6	-	-	-
Repurchase agreements and other borrowings	1.6	-	-	-
Total	446,084.3	-	47.3	218.7

3. Significant judgements and estimates

The preparation of financial statements in conformity with the IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of goodwill and other intangible assets, the estimated useful economic life of assets and measurement of defined benefit pension obligations. The LCH.Clearnet Group determines whether indefinite life goodwill is impaired on an annual basis and this requires an estimation of the value in use of cash generating units to which the goodwill is allocated. Other assets are assessed when an indication of impairment arises. This requires the estimation of future cash flows and choosing a suitable discount rate. The LCH.Clearnet Group regularly reviews its estimate of useful economic lives to ensure it fairly reflects the period over which the LCH.Clearnet Group expects to derive economic benefits from its assets. The latest review took place in 2010. Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation as well as mortality rates, the expected return on assets and the choice of a suitable discount rate.

4. Segmental information

For management purposes the LCH.Clearnet Group is organised into business units based on legal entities and has three reportable operating segments: LCH.Clearnet Limited; LCH.Clearnet S.A.; and other (comprising LCH.Clearnet, LCH.Clearnet (Luxembourg) S.à.r.l. and other group holding companies).

LCH.Clearnet Limited and LCH.Clearnet S.A. derive revenues through their activities as clearing houses. They provide CCP services in respect of a broad range of cash and derivative products traded on or through various exchanges and trading platforms in the United Kingdom (LCH.Clearnet Limited), Europe (LCH.Clearnet S.A.) and the US (LCH.Clearnet Limited), or traded in OTC markets. LCH.Clearnet (Luxembourg) S.à.r.l. earns royalties from LCH.Clearnet Group companies who use the intellectual property held by it in their operations, and LCH.Clearnet earns revenue from the operating subsidiaries in the form of management fees.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segmental disclosures for the year ended 31 December 2011 are shown below.

	Ltd	S.A.	Other	Total
	€m	€m	€m	€m
Revenue	204.3	121.4	29.3	355.0
Inter-segmental revenue	-	(2.6)	(29.3)	(31.9)
Revenue from external customers	204.3	118.8	-	323.1
Net treasury income through CCP business	60.2	8.2	-	68.4
Total income	264.5	127.0	-	391.5
Expenses				
Depreciation and software amortisation	(9.3)	(5.4)	(10.5)	(25.2)
Other recurring expenses	(204.6)	(96.0)	1.3	(299.3)
Operating profit / (loss) before non-recurring items	50.6	25.6	(9.2)	67.0
Loss on write off and disposal of property, plant and equipment				(0.9)
Loss on disposal of intangible assets				(0.4)
Write off of intangible assets				(3.4)
Transformation and restructuring costs				(18.4)
Operating profit				43.9
Net finance expense				(8.8)
Profit before taxation				35.1

Segmental disclosures for the year ended 31 December 2010 are shown below.

	Ltd	S.A.	Other	Total
	€m	€m	€m	€m
Revenue	174.4	113.5	22.6	310.5
Inter-segmental revenue	(0.7)	(7.7)	(22.6)	(31.0)
Revenue from external customers	173.7	105.8	-	279.5
Net treasury income through CCP business	36.3	39.8	-	76.1
Total income	210.0	145.6	-	355.6
Expenses				
Depreciation and software amortisation	(8.2)	(4.8)	(4.4)	(17.4)
Other recurring expenses	(192.6)	(97.2)	(1.1)	(290.9)
Operating profit / (loss) before impairment and non-recurring items	9.2	43.6	(5.5)	47.3
Loss on disposal of Property, plant and equipment				(0.4)
Loss on disposal of intangible assets				(0.6)
Impairment of intangible assets				(3.4)
Operating profit				42.9
Net finance expense				(10.5)
Profit before taxation				32.4

Segmental disclosures for the year ended 31 December 2009 are shown below.

	Ltd	S.A.	Other	Total
	€m	€m	€m	€m
Revenue	175.0	113.5	25.0	313.5
Inter-segmental revenue	(0.5)	(4.0)	(25.0)	(29.5)
Revenue from external customers	174.5	109.5	-	284.0
Net treasury income through CCP business	97.1	70.0	-	167.1
Total recurring income	271.6	179.5	-	451.1
Non-recurring income from termination of contract	260.4	-	-	260.4
Total income	532.0	179.5	-	711.5
Expenses				
Depreciation and software amortisation	(6.8)	(3.9)	(2.0)	(12.7)
Other recurring expenses	(153.7)	(119.5)	(1.1)	(274.3)
Operating profit / (loss) before acquisition impairment and non-recurring items	371.5	56.1	(3.1)	424.5
Loss on disposal of property, plant and equipment				(0.1)
Loss on disposal of intangible assets				(0.2)
Impairment of intangible assets				(393.4)
Operating profit				30.8
Net finance expense				(0.2)
Profit before taxation				30.6

Net interest income through CCP business of €68.4 million (2010: €76.1 million; 2009: €167.1 million) comprises gross interest income of €423.1 million (2010: €274.1 million; 2009: €362.9 million) less gross interest expense of €354.7 million (2010: €198.0 million; 2009: €195.8 million).

The non cash collateral income included in revenue amounts to €31.7 million (2010: €27.5 million; 2009: €30.2 million).

Geographical disclosure

	2009	2010	2011
	€m	€m	€m
Total income			
UK	532.0	210.0	264.4
Europe	179.5	145.6	127.1
Total	711.5	355.6	391.5

Total income is allocated based on the country in which the customer is located.

Assets and Liabilities

	2009	2010	2011
	€m	€m	€m
Total assets			
UK	297,815.4	289,845.8	310,077.0
Europe	148,783.3	223,478.8	230,991.5
Total	446,598.7	513,324.6	541,068.5

	2011			
	Ltd	S.A.	Other	Total
	€m	€m	€m	€m
Assets and liabilities				
Total assets	310,077.0	230,952.2	39.3	541,068.5
Total liabilities	(309,934.2)	(230,626.6)	(174.6)	(540,735.4)
Other segment information				
Capital expenditure on fixed assets	26.9	12.9	3.0	42.8
Non-cash items:				
Fair value (loss)/gain on financial instruments	0.1	(39.4)	-	(39.3)
Loss on disposal of property, plant and equipment within non-recurring items	0.7	-	-	0.7
Write-off of intangible items	3.4	-	-	3.4
Depreciation of property, plant and equipment	4.0	0.4	-	4.4
Amortisation	5.3	4.9	10.5	20.7

	2010			
	Ltd	S.A.	Other	Total
	€m	€m	€m	€m
Assets and liabilities				
Total assets	289,845.8	223,376.6	102.2	513,324.6
Total liabilities	(289,713.1)	(223,092.4)	(199.2)	(513,004.7)
Other segment information				
Capital expenditure on fixed assets	25.0	10.2	9.5	44.7
Non-cash items:				
Fair value loss on financial instruments	(1.3)	(10.7)	-	(12.0)
Impairment of intangible assets	3.4	-	-	3.4
Depreciation of property, plant and equipment	5.7	0.5	-	6.2
Amortisation	2.5	4.3	4.4	11.2

	2009			
	Ltd	S.A.	Other	Total
	€m	€m	€m	€m
Assets and liabilities				
Total assets	297,815.4	148,675.5	107.8	446,598.7
Total liabilities	(297,681.3)	(148,424.5)	(187.8)	(446,293.6)
Other segment information				
Capital expenditure on fixed assets	12.1	6.1	15.1	33.3
Non-cash items:				
Fair value (loss)/gain on financial instruments	(20.1)	15.2	-	(4.9)
Impairment of goodwill	-	14.8	378.6	393.4
Depreciation of property, plant and equipment	5.5	0.4	-	5.9
Amortisation of intangible assets	1.4	3.5	1.9	6.8

5. Expenses by nature

Expenses comprise the following:

	Note	2009	2010	2011
		€m	€m	€m
Employee costs	6	97.0	109.7	119.1
Depreciation and software amortisation		12.7	17.4	25.2
Impairment of intangibles and non-recurring items	7	393.7	4.4	23.1
IT costs		75.3	65.2	62.0
Other costs		102.0	116.0	118.2
Total		680.7	312.7	347.6

Foreign exchange gains or losses included in the income statement are immaterial.

6. Employee costs

Employee costs comprise the following:

	Note	2009	2010	2011
		€m	€m	€m
Salaries and other short term benefits		72.2	82.2	89.6
Social security costs		14.1	15.1	17.5
Pension costs	15	10.7	12.4	12.0
Total		97.0	109.7	119.1

	2009		2010		2011	
	Average	Year end	Average	Year end	Average	Year end
The number of employees in the LCH.Clearnet Group was:						
UK	456	481	500	475	504	520
Europe	221	215	213	217	214	214
Total	677	696	713	692	718	734

7. Impairment of intangibles and non-recurring items

		2009	2010	2011
	Note	€m	€m	€m
Revenue from termination of contract		260.4	-	-
Impairment of Goodwill	13	(393.4)	-	-
Impairment/write off of intangible assets		-	(3.4)	(3.4)
Non-recurring: Loss on disposal of intangible assets & loss on disposal and write-off of property, plant & equipment		(0.3)	(1.0)	(1.3)
Transformation plan costs		-	-	(18.4)
Total affecting operating profit		(133.3)	(4.4)	(23.1)
Profit on repurchase of preferred securities	8	9.6	-	-
Total affecting profit before tax		(123.7)	(4.4)	(23.1)
Total tax effect on items affecting profit before tax and tax non-recurring items		(75.6)	1.2	6.1
Total charge to income statement		(199.3)	(3.2)	(17.0)

Non-recurring income of €260.4 million in 2009 relates to the compensation for termination of contract with NYSE Liffe. Transformation plan costs consist of costs incurred as part of the ongoing restructuring of the group's business and include redundancy costs, professional fees and other related costs.

8. Net finance expense

		2009	2010	2011
	Note	€m	€m	€m
Finance income				
Bank deposit and other interest income		4.4	1.2	2.8
Expected return on defined benefit pension scheme assets	15	4.7	8.0	9.0
Other financial income		9.6	-	-
Total finance income		18.7	9.2	11.8
Finance expense				
Subordinated Loan		(0.5)	-	-
Preferred Securities		(12.4)	(12.3)	(12.3)
Interest on bank loans and overdrafts and finance leases repayable within 5 years		(0.2)	(0.1)	(0.4)
Interest payable on bank and other borrowings		(13.1)	(12.4)	(12.7)
Defined benefit pension scheme interest cost	15	(5.8)	(7.3)	(7.9)
Total finance expense		(18.9)	(19.7)	(20.6)
Net finance expense		(0.2)	(10.5)	(8.8)

The LCH.Clearnet Group repurchased some of its own preferred securities in the market with a nominal value of €20.0 million in January 2009. These were repurchased at a cost of €10.4 million, which resulted in the profit disclosed above of €9.6 million.

9. Taxation

		2009	2010	2011
	Note	€m	€m	€m
Taxation charged to the income statement				
Current tax:				
UK Corporation tax for the year		(123.2)	(0.2)	0.3
UK Double taxation relief		26.0	-	-
Overseas tax for the year		(20.9)	(16.9)	(24.2)
Adjustments in respect of previous years		(1.5)	(1.7)	(0.1)
		(119.6)	(18.8)	(24.0)
Deferred tax for the current year	14	(2.0)	5.5	10.1
Taxation charge		(121.6)	(13.3)	(13.9)

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns agreed with relevant tax authorities.

Taxation on items not (credited)/charged to income statement

	2009	2010	2011
	€m	€m	€m
Current tax charge relating to actuarial loss on overseas schemes	-	0.2	0.4
Deferred tax on defined benefit pension scheme actuarial (losses)/gains	(0.7)	1.3	2.9
Defined benefit pension scheme actuarial (losses)/gains	(0.7)	1.5	3.3

Factors affecting the tax charge for the year

The reconciling items between the profits multiplied by the UK rate of corporation tax rate and the income statement tax charge for the year is explained below:

	2009	2010	2011
	€m	€m	€m
Profit before taxation	30.6	32.4	35.1
Profit multiplied by the UK rate of corporation tax	(8.6)	(9.0)	(9.3)
Expenses not deductible/income not taxable	(0.3)	(0.4)	(0.6)
Overseas earnings taxed at different rate	(4.2)	(2.0)	(1.6)
Adjustments in respect of previous years	-	(2.6)	(0.5)
Impairment of goodwill not allowable for tax purposes	(110.2)	-	-
Impact of change in tax rates	-	(0.4)	(0.7)
Other tax adjustments	1.7	1.1	(1.2)
Taxation charge	(121.6)	(13.3)	(13.9)

The UK statutory corporation tax rate was 28 per cent. in 2010. A gradual reduction in the UK corporation tax rate from 28 per cent. to 24 per cent. over four years was announced in the Emergency Budget of 22 June 2010. The Finance Bill published on 1 July 2010 included the first of the 1 per cent. rate reductions with effect from April 2011, with subsequent reductions to be dealt with by future legislation. The movement to 27 per cent. has been accounted for in the deferred tax asset in 2010.

The UK statutory corporation tax rate was reduced from 28 per cent. to 26 per cent. in April 2011. This is part of a wider policy to reduce the UK corporation tax rate to 23 per cent. by April 2014 through annual reductions of 1 per cent.. The Finance Bill reducing the corporation tax rate to 25 per

cent. from April 2012 was substantively enacted on 5 July 2011. This reduction has therefore been accounted for in the LCH.Clearent's deferred tax asset carried forward in 2011.

Exchange differences have arisen on the translation of the closing sterling tax creditor which is payable to the UK tax authority.

10. Earnings per LCH.Clearent Share

Earnings per LCH.Clearent Share is presented on two bases: basic earnings per LCH.Clearent Share and adjusted basic earnings per LCH.Clearent Share. Basic earnings per LCH.Clearent Share are in respect of all activities. Adjusted basic earnings per LCH.Clearent Share exclude impairment/write off of goodwill and intangible assets, non-recurring items and net unrealised mark to markets movements on bonds and interest rate swaps, to enable a comparison of the underlying earnings of the business with prior periods. Further details are provided in Note 30.

	2009	2010	2011
Basic and diluted earnings per LCH.Clearent Share (€cents)	(129.8)	47.0	52.2
Adjusted basic and diluted earnings per LCH.Clearent Share (€ cents)	161.5	84.5	190.9
	2009	2010	2011
	€m	€m	€m
Profit for the financial year attributable to equity holders	(91.0)	19.1	21.2
Adjustments:			
Impairment/write off of goodwill and intangible assets	393.4	3.4	3.4
Loss on disposal of intangible assets and loss on write-off of property, plant & equipment	0.3	1.0	1.3
Revenue from termination of contract	(260.4)	-	-
Transformation Plan costs	-	-	18.4
Profit on repurchase of preferred securities	(9.6)	-	-
Tax effect of non-recurring items	75.6	(1.2)	(6.1)
Unrealised net investment loss	4.9	12.0	39.3
Adjusted profit for the financial year attributable to equity holders	113.2	34.3	77.5
Weighted average number of LCH.Clearent Shares - million	70.1	40.6	40.6
Effect of dilutive LCH.Clearent Share options and awards - million	-	-	-
Diluted weighted average number of LCH.Clearent Shares - million	70.1	40.6	40.6

11. Dividends

	2009	2010	2011
	€m	€m	€m
Final dividend for 2008 paid : €1.50 per ordinary share	110.9	-	-

The LCH.Clearent Group results for the year are shown in the consolidated income statements. The profit of €21.2 million (2010: €19.1 million; 2009: loss of €91.0 million) made by the LCH.Clearent Group has been transferred to reserves.

12. Property, plant & equipment

	Land and buildings Leasehold	Computer equipment, purchased software and office equipment	Total
	€m	€m	€m
Cost			
1 January 2009	7.0	23.9	30.9
Additions	0.3	2.2	2.5
31 December 2009	7.3	26.1	33.4
Additions	1.3	5.6	6.9
Disposals	(2.2)	-	(2.2)
31 December 2010	6.4	31.7	38.1
Additions	3.4	4.8	8.2
Disposals	(2.0)	(3.2)	(5.2)
31 December 2011	7.8	33.3	41.1
Depreciation			
1 January 2009	3.7	13.9	17.6
Charge for the year	0.6	5.3	5.9
Disposals	-	0.1	0.1
31 December 2009	4.3	19.3	23.6
Charge for the year	0.7	5.5	6.2
Disposals	(1.7)	(0.1)	(1.8)
31 December 2010	3.3	24.7	28.0
Charge for the year	0.7	3.7	4.4
Disposals	(1.4)	(2.9)	(4.3)
31 December 2011	2.6	25.5	28.1
Net book values			
31 December 2011	5.2	7.8	13.0
31 December 2010	3.1	7.0	10.1
31 December 2009	3.0	6.8	9.8

Assets with a net book value of €0.5 million (2010:€0.9 million; 2009: €nil) are held under finance leases and included within computer equipment.

13. Intangible assets

	Goodwill	Self-developed software	Total
	€m	€m	€m
Cost			
1 January 2009	503.8	106.8	610.6
Additions	-	30.8	30.8
Disposals	-	(1.6)	(1.6)
31 December 2009	503.8	136.0	639.8
Additions	-	37.8	37.8
Disposals	-	(2.4)	(2.4)
31 December 2010	503.8	171.4	675.2
Additions	-	34.6	34.6
Disposals & write-off	-	(8.5)	(8.5)
31 December 2011	503.8	197.5	701.3
Amortisation and accumulated impairment			
1 January 2009	-	70.5	70.5
Amortisation charge for the year	-	6.8	6.8
Impairment	393.4	-	393.4
Disposals	-	(1.4)	(1.4)
31 December 2009	393.4	75.9	469.3
Amortisation charge for the year	-	11.2	11.2
Impairment	-	3.4	3.4
Disposals	-	(1.8)	(1.8)
31 December 2010	393.4	88.7	482.1
Amortisation charge for the year	-	20.7	20.7
Disposals & write-off	-	(4.6)	(4.6)
31 December 2011	393.4	104.8	498.2
Net book values			
31 December 2011	110.4	92.7	203.1
31 December 2010	110.4	82.7	193.1
31 December 2009	110.4	60.1	170.5

The portion of capitalised self-developed software costs disclosed above that relates to software not currently brought into use amounted to €30.1 million (2010: €23.5 million; 2009: €42.9 million). No amortisation has been charged during the year against these assets (2010: €nil; 2009: €nil). The LCH.Cleartnet Group impaired some software assets in 2010 where a review has indicated there is no prospect of some components being used in production.

Self-developed software costs are expensed directly to the income statement.

Impairment testing of intangible assets

Goodwill

Goodwill is carried in relation to the acquisition of LCH.Cleartnet S.A., a wholly-owned subsidiary. The recoverable amount associated with this subsidiary is determined based on value-in-use calculations. These calculations use cash flow projections derived from financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated long-term growth rate of 2 per cent. (2010: 2.0 per cent.; 2009: 2.0 per cent.). This long-term growth rate is in line with the long-term average growth rate for the markets that LCH.Cleartnet S.A. clears.

In preparing the forecasts, management has made certain assumptions. Amongst these, growth in cash equity and fixed income clearing volumes and tariff levels are the most important; they are also inter-related.

As a result of lower volumes experienced in 2009, revised growth assumptions, and tariff reductions implemented in cash equity markets (LCH.Clearnet S.A. reduced cash equity clearing fees by an average of 30 per cent. from 1 July 2009 and from 1 January 2010 equity clearing fees for blue chip stocks further reduced to €0.05 per trade) management re-calculated the value-in-use of LCH.Clearnet S.A. and determined that its recoverable amount was less than its carrying value. As a result an impairment charge of €393.4 million was recognised in the consolidated income statement, reducing the goodwill to €110.4 million.

Cash flows are discounted using a pre-tax discount rate of 12.7 per cent. (2010: 13.0 per cent.; 2009: 12.8 per cent.), which reflects the specific risks relating to the relevant segments.

In addition having performed a sensitivity analysis, management believe that no reasonably possible change in any of the key assumptions would cause the carrying value of the goodwill to exceed its recoverable amount.

14. Deferred taxation

The movements in deferred tax assets and liabilities during the year are shown below.

	Accelerated accounting depreciation	Provisions and other temporary differences	Total
	€m	€m	€m
At 1 January 2009	3.4	6.9	10.3
Tax credited/(charged) to income statement	1.8	(3.8)	(2.0)
Tax credited to other comprehensive income:			
- defined benefit pension scheme actuarial gain	-	(0.7)	(0.7)
Other movements	(0.5)	1.5	1.0
31 December 2009	4.7	3.9	8.6
Tax credited/(charged) to income statement	3.8	1.7	5.5
Tax credited to other comprehensive income:			-
- defined benefit pension scheme actuarial loss	-	1.3	1.3
Other movements	-	0.1	0.1
31 December 2010	8.5	7.0	15.5
Tax credited/(charged) to income statement	(1.8)	11.9	10.1
Tax credited to other comprehensive income:			
- defined benefit pension scheme actuarial loss	-	2.9	2.9
Other movements	-	0.5	0.5
31 December 2011	6.7	22.3	29.0

	Accelerated accounting depreciation	Provisions and other temporary differences	Total
	€m	€m	€m
Assets at 31 December 2011	6.7	22.3	29.0
Liabilities at 31 December 2011	-	-	-
Net assets at 31 December 2011	6.7	22.3	29.0
Assets at 31 December 2010	8.5	7.0	15.5
Liabilities at 31 December 2010	-	-	-
Net assets at 31 December 2010	8.5	7.0	15.5
Assets at 31 December 2009	7.6	3.9	11.5
Liabilities at 31 December 2009	(2.9)	-	(2.9)
Net assets at 31 December 2009	4.7	3.9	8.6

Other movements are principally due to exchange on the underlying sterling deferred tax asset in the UK.

Deferred tax assets are recognised to the extent that the realisation of the related tax benefits through future taxable profits is probable. There are no unrecognised deferred tax assets.

15. Retirement benefit asset/obligation

Net liability shown in the consolidated balance sheet

	2009	2010	2011
	€m	€m	€m
Deficit for funded plans	1.3	6.4	11.8
Other European retirement provisions	1.9	3.7	3.8
Total	3.2	10.1	15.6

Pension commitments

The LCH.Clearnet Group operates the LCH.Clearnet Pension Scheme, which was closed to new members from 30 September 2009. In addition, the LCH.Clearnet Group has obligations in respect of certain staff in a Euronext defined benefit pension scheme in Amsterdam and an independent defined benefit scheme in Porto. The UK scheme has 444 active members, 410 inactive members and 101 pensioners. The Amsterdam scheme has 14 active and 5 inactive members, whilst the Porto scheme has only 4 active members. The following disclosure represents the consolidated position of these arrangements.

The valuations of the UK scheme conducted for financial reporting purposes are based on the triennial actuarial valuation. The other schemes were subject to a full valuation at 31 December 2011. A summary of the triennial valuation for the UK scheme, as at 30 June 2010, is as follows:

Actuarial method used	Projected unit
Rate of investment returns per annum – pre-retirement	6.00%
Rate of investment returns per annum – post-retirement	4.625%
Increase in earnings per annum	5.20%
Scheme assets taken at market value	€109,113,000
Wind-up funding level	67%

Amounts recognised in the income statement are as follows:

	2009		2010		2011	
	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans
	€m	€m	€m	€m	€m	€m
Defined contribution schemes	-	-	(0.5)	-	(1.1)	-
Defined benefit scheme - current service cost	(10.3)	(0.2)	(10.4)	(0.2)	(9.6)	(0.2)
Amendments	-	-	-	-	(0.7)	-
Other employee benefit costs	-	(0.2)	-	(1.3)	-	(0.4)
Total pension charge included in employee costs (see note 6)	(10.3)	(0.4)	(10.9)	(1.5)	(11.4)	(0.6)

	2009		2010		2011	
	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans
	€m	€m	€m	€m	€m	€m
Finance income and expense						
Interest cost	(5.6)	(0.2)	(7.1)	(0.2)	(7.7)	(0.2)
Expected return on assets	4.6	0.1	7.9	0.1	8.9	0.1
Net finance income/(expense)	(1.0)	(0.1)	0.8	(0.1)	1.2	(0.1)
Total recognised in the income statement	(11.3)	(0.5)	(10.1)	(1.6)	(10.2)	(0.7)

The cumulative amount of actuarial losses recognised in the statement of changes in equity since the LCH.Clearnet Group adopted IFRS on 1 January 2004 is €22.5 million (2010: €11.2 million; 2009: €5.4 million).

Defined benefit assets/(obligations) for pension schemes

	2006	2007	2008	2009	2010	2011
	€m	€m	€m	€m	€m	€m
Fair value of assets:						
Equities	77.9	83.5	46.3	69.9	94.2	93.2
Bonds	12.9	25.7	19.7	23.2	44.8	46.9
Property and cash	4.9	8.6	7.2	30.9	7.2	22.8
Total fair value of assets	95.7	117.8	73.2	124.0	146.2	162.9
Present value of funded obligations	140.1	122.2	95.1	125.3	152.6	174.7
Deficit	44.4	4.4	21.9	1.3	6.4	11.8

The main actuarial assumptions are set out below:

	2009		2010		2011	
	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans
	€m	€m	€m	€m	€m	€m
Inflation rate - CPI	-	-	3.5%	2.0%	3.10%	2.0%
Inflation rate - RPI	3.5%	2.3%			-	-
Rate of increase in salaries	5.0%	3.75%/ 3.50%	5.0%	3.5%	4.60%	3.50%/ 3.00%
Rate of increase in pensions in payment	3.3%	1.5%	3.3%	1.5%	2.80%	0.50%/ 1.50%/
Discount rate	5.8%	5.0%	5.3%	4.8%	4.75%	5.00%

	2009		2010		2011	
	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans
	€m	€m	€m	€m	€m	€m
Expected return on assets as at the start of the year						
- equities	6.5%	7.90%/ 10.50%	6.7%	6.70%/ 8.90%	6.15%	7.205%
- bonds	5.3%	4.20%/ 3.26%	5.0%	3.50%/ 3.52%	3.15%	3.90%
- property	6.5%	n/a / 7.40%	6.7%	n/a / 6.40%	6.15%	4.10%
Life expectancy from age 60 (Years)						
- Retired male member	28.7		28.8		29.1	
- Retired female member	31.6		31.7		31.1	

The discount rate for the UK scheme has been determined from a curve of AA corporate bond rates by duration which is consistent with the profile of the scheme's liabilities at around 25 years.

The assumptions for the Amsterdam and Porto schemes as detailed above are identical other than where indicated. Scheme assets are stated at their market value at the respective consolidated balance sheet dates. The expected rate of return on assets is determined based on the market prices prevailing at that date.

Sensitivities

The sensitivities regarding the principal assumptions used to measure the scheme obligations are:

Assumption	Change in assumption	Impact on scheme obligations (€m)
Inflation rate	Decrease/Increase by 0.25%	Decrease by 9.6/ Increase by 10.3
Discount rate	Decrease/Increase by 0.25%	Increase by 11.7/Decrease by 10.8
Mortality rate	Decrease by 1 year	Increase by 3.3

Movement in defined benefit obligation during the year

	2009		2010		2011	
	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans
	€m	€m	€m	€m	€m	€m
1 January						
Obligations arising from acquisition	92.3	2.8	122.0	3.3	149.3	3.3
Current service cost	10.3	0.2	10.4	0.2	9.6	0.2
Interest expense	5.6	0.2	7.1	0.2	7.7	0.2
Benefits paid	(2.0)	-	(6.5)	-	(3.3)	(0.1)
Actuarial (gain)/loss	8.3	0.1	12.3	(0.3)	2.1	(0.1)
Foreign exchange	7.5	-	4.0	(0.1)	5.0	-
Amendments	-	-	-	-	0.8	-
31 December	122.0	3.3	149.3	3.3	171.2	3.5

Movement in fair value of UK and overseas plan assets during the year

	2009		2010		2011	
	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans	UK Pension	Amsterdam/ Porto plans
	€m	€m	€m	€m	€m	€m
1 January	71.3	1.9	121.3	2.6	143.2	3.0
Expected return on assets	4.6	0.1	7.9	0.1	8.9	0.1
Contributions received	31.1	0.4	9.5	0.3	15.1	0.5
Benefits paid	(2.0)	-	(6.5)	-	(3.3)	-
Actuarial gain / (loss)	10.6	0.1	7.0	-	(9.5)	(0.2)
Foreign exchange	5.7	0.1	4.0	-	5.1	-
31 December	121.3	2.6	143.2	3.0	159.5	3.4

The actual return on plan assets was €0.6 million (2010: €15.1 million; 2009: €15.3 million).

Defined benefit actuarial gains and losses recognised

The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income:

	2009			2010			2011		
	UK Pension	Amsterdam /Porto plans	Other European	UK Pension	Amsterdam /Porto plans	Other European	UK Pension	Amsterdam /Porto plans	Other European
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Recognised up to 1 January	7.8	(0.1)	-	5.5	(0.1)	-	10.8	(0.4)	0.8
Net actuarial (gain)/loss recognised in the year	(2.3)	-	-	5.3	(0.3)	0.8	11.6	0.1	(0.4)
Cumulative amount recognised at 31 December	5.5	(0.1)	-	10.8	(0.4)	0.8	22.4	(0.3)	0.4

The cumulative amount of actuarial losses recognised in the statement of changes in equity since the LCH.Clearnet Group adopted IFRS on 1 January 2004 is €22.4 million (2010: €11.1 million; 2009: €5.4 million).

Contributions

The LCH.Clearnet Group expects to contribute €8.2 million (2010: €9.8 million 2009: €9.1million) to its defined benefit pension plans in 2012. The contributions in 2009 included a one-off additional payment of €22.5 million into the LCH.Clearnet Pension Scheme in December 2009. The LCH.Clearnet Pension Scheme was closed to new members from 1 September 2009. New employees in LCH.Clearnet Limited have had the possibility to join a new defined contribution scheme from 1 January 2010.

The LCH.Clearnet Group pays fixed contributions to the defined contribution scheme and there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the LCH.Clearnet Group in a fund under the control of the trustees. The total expense charged to the income statement of €1.1 million (2010: €0.5 million; 2009: €nil) represents contributions payable to the plan by LCH.Clearnet at rates specified in the rules of the plan.

Other comments

Included in the employee benefits is a long service award scheme of €3.6 million (2010: €3.4 million; 2009: €1.6 million) and €0.2 million (2010: €0.3 million; 2009: €0.3 million) in respect of early retirement in compliance with an agreement with Euronext Paris personnel dated 19 December 2001. These provisions have been calculated by an independent actuary based on changes in the workforce (turnover, seniority and participation in the early retirement scheme). The charge to the income statement for the year in respect of the long service award commitment was €0.4 million (2010: €1.3 million; 2009: €0.2 million) and the charge in the early retirement scheme was €0.009 million (2010: €0.011 million; 2009: €0.045 million). The amount recognised directly in reserves relating to actuarial losses is €0.4 million (2010: €0.8 million; 2009: €nil).

The LCH.Clearnet Group estimates the present value of the duration of defined benefit obligations on average fall due over 20 years.

History of experience gains and losses for UK scheme

	2006	2007	2008	2009	2010	2011
Experience adjustments arising on scheme assets:						
Gain/(loss) (€m)	5.0	2.0	(27.7)	10.7	7.0	(9.7)
Percentage of scheme assets	5.0%	2.0%	(38.0%)	9.0%	5.0%	(6.0%)
Experience adjustments arising on scheme liabilities:						
Experience gain/(loss) (€m)	2.0	-	(11.3)	-	(2.7)	(2.0)
Total (€m)	7.0	2.0	(39.0)	10.7	4.3	(11.7)
Experience gain/(loss)	2.0%	-	(9.0%)	-	(2.0%)	(1.0%)
Total	2.0%	-	(9.0%)	-	(2.0%)	(1.0%)

16. Trade and other receivables

	2009	2010	2011
	€m	€m	€m
Trade receivables	8.4	43.5	78.1
Prepayments and accrued income	13.3	16.6	13.4
Total	21.7	60.1	91.5

The carrying values less impairment provision of trade and other receivables are reasonable approximations of fair values. Trade receivables that are not past due are not considered to be impaired. The increase in other receivables in 2011 and 2010 is principally due to amount recoverable from members relating to the development of clearing systems. All receivables are current, and there were no impairment losses incurred during 2009, 2010 and 2011.

The carrying amounts of the LCH.Clearnet Group's trade and other receivables are denominated in the following currencies:

	2009	2010	2011
	€m	€m	€m
Sterling	9.5	8.1	7.9
Euro	11.6	52.0	83.2
Other Currencies	0.6	-	0.4
Total	21.7	60.1	91.5

17. Financial Instruments

The financial instruments of the LCH.Clearnet Group are categorised as follows:

31 December 2011	Loans and receivables	Held to Maturity	Assets at fair value through the profit or loss	Total
	€m	€m	€m	€m
Assets as per balance sheet				
Financial assets of the CCP clearing business				
- CCP trading assets	-	-	5,869.7	5,869.7
- Receivables for repurchase transactions	491,410.0	-	-	491,410.0
Total CCP trading assets and repurchase transaction receivables	491,410.0	-	5,869.7	497,279.7
- Other receivables from clearing members	4,285.7	-	-	4,285.7
Total member balances⁽¹⁾	495,695.7	-	5,869.7	501,565.4
- Financial assets held at fair value	-	-	11,197.3	11,197.3
- Financial assets held to maturity	-	7,552.1	-	7,552.1
- Cash and cash equivalents of clearing members	19,738.6	-	-	19,738.6
Financial assets of the CCP clearing business	515,434.3	7,552.1	17,067.0	540,053.4
Trade and other receivables	78.1	-	-	78.1
Other current assets*	229.7	-	-	229.7
Cash and cash equivalents	445.7	-	-	445.7
Derivative financial assets	-	-	1.0	1.0
Total	516,187.8	7,552.1	17,068.0	540,807.9

*Other current assets consist of:

- (1) surplus margin monies of €161.9 million arising from the close out of the positions of a defaulting member, MF Global, which is payable to their administrators; and

- (2) cash received from a large European financial institution as a result of a repurchase agreement. During 2011, the LCH.Clearnet Group entered into a repurchase agreement with a large European financial institution, whereby the LCH.Clearnet Group pledged €63 million of a particular security in the treasury portfolio in exchange for €67.8 million of liquid funds. This position is a rolling two week position and is fully secured.

31 December 2011	Other financial liabilities	Liabilities at fair value through the profit or loss	Total
	€m	€m	€m
Liabilities as per balance sheet			
Financial liabilities of the CCP clearing business			
- CCP trading liabilities	-	5,869.7	5,869.7
- Liabilities under repurchase transactions	491,410.0	-	491,410.0
- Other payables to clearing members	42,773.7	-	42,773.7
Financial liabilities of the CCP clearing business	534,183.7	5,869.7	540,053.4
Trade and other payables	357.6	-	357.6
Borrowings	246.1	-	246.1
Derivative financial liabilities	-	60.8	60.8
Total	534,787.4	5,930.5	540,717.9

31 December 2010	Loans and receivables	Held to Maturity	Assets at fair value through the profit or loss	Total
	€m	€m	€m	€m
Assets as per balance sheet				
Financial assets of the CCP clearing business				
- CCP trading assets	-	-	6,758.9	6,758.9
- Receivables for repurchase transactions	473,828.0	-	-	473,828.0
Total CCP trading assets and repurchase transaction receivables	473,828.0	-	6,758.9	480,586.9
- Other receivables from clearing members	2,266.8	-	-	2,266.8
Total member balances⁽¹⁾	476,094.8	-	6,758.9	482,853.7
- Financial assets held at fair value	-	-	11,438.0	11,438.0
- Financial assets held to maturity	-	2,979.4	-	2,979.4
- Cash and cash equivalents of clearing members	15,360.5	-	-	15,360.5
Financial assets of the CCP clearing business	491,455.3	2,979.4	18,196.9	512,631.6
Trade and other receivables	43.5	-	-	43.5
Cash and cash equivalents	408.8	-	-	408.8
Derivative financial assets	-	-	1.4	1.4
Total	491,907.6	2,979.4	18,198.3	513,085.3

31 December 2010	Other financial liabilities	Liabilities at fair value through the profit or loss	Total
	€m	€m	€m
Liabilities as per balance sheet			
Financial liabilities of the CCP clearing business			
- CCP trading liabilities	-	6,758.9	6,758.9
- Liabilities under repurchase transactions	473,828.0	-	473,828.0
- Other payables to clearing members	32,044.7	-	32,044.7
Financial liabilities of the CCP clearing business	505,872.7	6,758.9	512,631.6
Trade and other payables	158.2	-	158.2
Borrowings	177.9	-	177.9
Derivative financial liabilities	-	26.8	26.8
Total	506,208.8	6,785.7	512,994.5

31 December 2009	Loans and receivables	Held to Maturity	Assets at fair value through the profit or loss	Total
	€m	€m	€m	€m
Assets as per balance sheet				
Financial assets of the CCP clearing business				
- CCP trading assets	-	-	10,030.4	10,030.4
- Receivables for repurchase transactions	408,980.0	-	-	408,980.0
Total CCP trading assets and repurchase transaction receivables	408,980.0	-	10,030.4	419,010.4
- Other receivables from clearing members	1,494.5	-	-	1,494.5
Total member balances⁽¹⁾	410,474.5	-	10,030.4	420,504.9
- Financial assets held at fair value	-	-	13,619.6	13,619.6
- Cash and cash equivalents of clearing members	11,813.5	-	-	11,813.5
Financial assets of the CCP clearing business	422,288.0	-	23,650.0	445,938.0
Trade and other receivables	8.4	-	-	8.4
Cash and cash equivalents	434.1	-	-	434.1
Derivative financial assets	-	-	0.5	0.5
Total	422,730.5	-	23,650.5	446,381.0

31 December 2009	Other financial liabilities	Liabilities at fair value through the profit or loss	Total
	€m	€m	€m
Liabilities as per balance sheet			
Financial liabilities of the CCP clearing business			
- CCP trading liabilities	-	10,030.4	10,030.4
- Liabilities under repurchase transactions	408,980.0	-	408,980.0
- Other payables to clearing members	26,927.6	-	26,927.6
Financial liabilities of the CCP clearing business	435,907.6	10,030.4	445,938.0
Trade and other payables	115.6	-	115.6
Income tax payable	40.2	-	40.2
Deferred taxation liability	2.9	-	2.9
Borrowings	178.1	-	178.1
Derivative financial liabilities	-	15.6	15.6
Total	436,244.4	10,046.0	446,290.4

The comparatives for financial instruments have been updated to exclude prepayment and accrued income which is not considered a financial asset.

⁽¹⁾**Total member balances**

Balances with clearing members form the largest component of the LCH.Clearnet Group's consolidated balance sheet. The balances due from clearing members recorded in the consolidated balance sheet of €501,565 million (2010: €482,854 million; 2009: €420,505 million) are fully secured by collateral held by the LCH.Clearnet Group. All outstanding RepoClear transactions are fully collateralised after appropriate haircutting. To date this collateral has not been utilised.

Fixed income transactions form by far the largest component of balances with clearing members, as they are recorded according to their economic substance as collateralised loans. At 31 December 2011, the total of fully collateralised loans in respect of fixed income transactions was €491,410 million (2010: €473,828 million; 2009: €408,980 million). This collateral has in turn, been passed on to fixed income counterparties to secure the LCH.Clearnet Group's liabilities in respect of fixed income contracts.

At 31 December 2011, the total net amount of non-cash collateral (including in respect of initial margin) relating to other balances due from clearing members was €37,758 million (2010: €31,891 million; 2009: €31,517 million) and the total amount of guarantees held was €2,456 million (2010: €3,163 million; 2009: €2,999 million). To date this collateral has not been utilised.

The largest concentration of treasury exposures as at 31 December 2011 was 8.8 per cent. (2010: 11.1 per cent.; 2009: 19.9 per cent.) of the total investment portfolio to UK Government back securities.

Default funds

The purpose of the default funds is to fund any losses incurred by the LCH.Clearnet Group in the event of a clearing member default if the margin collateral is insufficient to cover the management and close out of the positions of the defaulting clearing member. Monies are placed on deposit by the LCH.Clearnet Group and interest has been paid to clearing members in LCH.Clearnet Limited at a rate of not less than three-month LIBOR (or equivalent) plus 100 basis points, and to clearing members in LCH.Clearnet S.A. at the Euro Overnight Average Index rate.

Fair value hierarchy

The LCH.Clearnet Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data. The LCH.Clearnet Group has no financial instruments in this category.

As at 31 December 2011, the LCH.Clearnet Group held the following financial instruments measured at fair value:

	2011	Level 1	Level 2
	€m	€m	€m
Assets measured at fair value			
Fair value of transactions with clearing members	5,869.7	5,869.7	-
Treasury bills	2,631.6	2,631.6	-
Government backed, bank issued certificates of deposit	8,431.2	-	8,431.2
Bank issued certificates of deposit	134.5	-	134.5
Interest rate swap asset	-	-	-
Foreign exchange forward contract	1.0	1.0	-
Total	17,068.0	8,502.3	8,565.7
Liabilities measured at fair value			
Fair value of transactions with clearing members	(5,869.7)	(5,869.7)	-
Interest rate swap liability	(60.8)	-	(60.8)
Total	(5,930.5)	(5,869.7)	(60.8)

As at 31 December 2010, the LCH.Clearnet Group held the following financial instruments measured at fair value:

	2010	Level 1	Level 2
	€m	€m	€m
Assets measured at fair value			
Fair value of transactions with clearing members	6,758.9	5,786.8	972.1
Treasury bills	3,158.6	3,158.6	-
Government backed, bank issued certificates of deposit	7,008.2	-	7,008.2
Government backed, bank securities	1,204.5	-	1,204.5
Bank issued certificates of deposit	66.7	-	66.7
Interest rate swap asset	1.4	-	1.4
Total	18,198.3	8,945.4	9,252.9
Liabilities measured at fair value			
Fair value of transactions with clearing members	(6,758.9)	(5,772.1)	(986.8)
Interest rate swap liability	(26.8)	-	(26.8)
Total	(6,785.7)	(5,772.1)	(1,013.6)

As at 31 December 2009, the LCH.Clearnet Group held the following financial instruments measured at fair value:

	2009	Level 1	Level 2
	€m	€m	€m
Assets measured at fair value			
Fair value of transactions with clearing members	10,030.4	8,017.8	2,012.6
Government backed, bank issued certificates of deposits	5,895.6	-	5,895.6
Treasury bills	4,441.0	4,441.0	-
Government backed, bank securities	2,476.5	-	2,476.5
Bank issued certificates of deposit	806.5	-	806.5
Interest rate swap asset	0.5	-	0.5
Total	23,650.5	12,458.8	11,191.7
Liabilities measured at fair value			
Fair value of transactions with clearing members	(10,030.4)	(7,993.2)	(2,037.2)
Interest rate swap liability	(15.6)	-	(15.6)
Total	(10,046.0)	(7,993.2)	(2,052.8)

Credit risk

Financial assets are neither past due nor impaired. There were no impairment losses incurred during 2009, 2010 and 2011. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the consolidated balance sheet date. Credit risk in the LCH.Clearnet Group principally arises from cash and cash equivalents, and exposures to member balances. The LCH.Clearnet Group only makes treasury deposits with banks and financial institutions with a credit rating of at least "A" and also by reference to counterparty limits with respect to concentration and maturity. The LCH.Clearnet Group's exposure to member balances and the treasury portfolio are managed through the LCH.Clearnet Group's risk policies. Members are subject to strict eligibility criteria which are monitored on a regular basis and, in addition, are required to contribute to the default funds as well as depositing initial margin and daily variation margin when entering into clearing contracts.

The table below shows the LCH.Clearnet Group's CCP trading assets and repurchase transaction receivables and treasury portfolio by reference to the credit rating of the counterparty. The treasury portfolio includes cash at bank and other financial assets.

	2009	2010	2011
	€m	€m	€m
CCP trading assets and repurchase transaction receivables			
(Ratings as measured by Fitch)			
Members rated AAA	19,079.6	14,981.9	16,292.2
AA+	1,191.6	13,753.9	34,259.0
AA	98,770.0	75,546.3	71,728.5
AA-	130,036.6	134,781.6	91,562.4
A+	94,908.4	82,630.2	102,574.8
A	43,108.9	36,540.6	118,326.9
A-	1,883.9	5,740.3	13,790.1
BBB+	19,740.8	10.8	26,736.7
BBB	9,401.0	102,004.1	1,330.1
BBB-	219.2	-	-
Unrated	670.4	14,597.2	20,679.0
Total	419,010.4	480,586.9	497,279.7

	2009	2010	2011
	€m	€m	€m
Group treasury portfolio			
(Ratings assigned with reference to major agencies)			
AAA/AA+/AA- Government backed	13,844.1	15,179.6	22,071.6
AA/AA+/AAA Secured	1,490.5	2,671.7	-
AA/AA+/AAA Unsecured	823.6	772.6	437.5
A+/AA- Secured	9,075.8	11,261.5	16,128.4
A+/AA- Unsecured	633.2	301.3	364.0
Total	25,867.2	30,186.7	39,001.5

The LCH.Clearnet Group treasury portfolio includes CCP cash and cash equivalents, cash and cash equivalents, other current assets, financial assets held at fair value and financial assets held to maturity.

The balances due from clearing members are fully secured by collateral held by the LCH.Clearnet Group. As at 31 December 2011, the total of fully collateralised loans in respect of fixed income transactions was €491,410 million (2010: €473,828 million; 2009: €408,980 million). This collateral has in turn been passed on to fixed income counterparties to secure the LCH.Clearnet Group's liabilities in respect of fixed income contracts.

The total net amount of non-cash collateral (including in respect of initial margin) relating to other balances due from clearing members was €37,758 million (2010: €31,891 million; 2009: €31,517 million) and the total amount of guarantees held was €2,456 million (2010: €3,163 million; 2009: €2,999 million).

Liquidity and interest rate risk

The following table sets out the maturity profile of the LCH.Clearnet Group's financial assets and liabilities based on contractual, undiscounted receipts and payments:

31 December 2011	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Cash and short-term deposits	445.7	-	-	-	-	445.7
Other current assets	229.7	-	-	-	-	229.7
Repurchase agreement borrowing	(67.8)	-	-	-	-	(67.8)
Treasury portfolio	607.6	-	-	-	-	607.6
Transactions with clearing members - asset	514,613.5	-	-	-	-	514,613.5
Initial margin and other member balances - asset	6,721.0	9,345.6	5,578.0	3,795.3	-	25,439.9
Transactions with clearing members - liability	(497,262.0)	-	-	-	-	(497,262.0)
Initial margin and other member balances - liability	(40,747.7)	-	-	-	-	(40,747.7)
Default Fund	(2,043.7)	-	-	-	-	(2,043.7)
Net balance with members	(18,718.9)	9,345.6	5,578.0	3,795.3	-	-
Trade and other receivables	80.0	-	-	-	-	80.0
Trade and other payables	(357.6)	-	-	-	-	(357.6)
Preferred securities	-	-	(11.8)	(47.3)	(191.8)	(250.9)
Interest rate swaps – net outflows	-	(1.8)	(10.6)	(48.4)	-	(60.8)
Foreign exchange forward contract	-	1.0	-	-	-	1.0
	(277.6)	(0.8)	(22.4)	(95.7)	(191.8)	(588.3)

31 December 2010	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Cash and short-term deposits	408.8	-	-	-	-	408.8
Other financial assets	-	-	-	-	-	-
Treasury portfolio	408.8	-	-	-	-	408.8
Transactions with clearing members - asset	483,519.9	12,427.4	-	-	-	495,947.3
Initial margin and other member balances - asset	2,301.1	3,927.6	4,102.3	6,353.3	-	16,684.3
Transactions with clearing members - liability	(480,572.1)	-	-	-	-	(480,572.1)
Initial margin and other member balances - liability	(30,030.2)	-	-	-	-	(30,030.2)
Default Fund	(2,029.3)	-	-	-	-	(2,029.3)
Net balance with members	(26,810.6)	16,355.0	4,102.3	6,353.3	-	-
Trade and other receivables	46.9	-	-	-	-	46.9
Trade and other payables	(158.2)	-	-	-	-	(158.2)
Preferred securities	-	-	(11.8)	(47.3)	(203.7)	(262.8)
Interest rate swaps – net outflows	-	(0.4)	(4.3)	(20.7)	-	(25.4)
	(111.3)	(0.4)	(16.1)	(68.0)	(203.7)	(399.5)

31 December 2009	On demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Cash and short-term deposits	434.1	-	-	-	-	434.1
Other financial assets	-	-	-	-	-	-
Bank overdraft	(1.6)	-	-	-	-	(1.6)
Treasury portfolio	432.5	-	-	-	-	432.5
Transactions with clearing members - asset	427,929.0	3,328.8	-	-	-	431,257.8
Initial margin and other member balances - asset	1,096.5	5,215.3	4,420.1	3,948.3	-	14,680.2
Transactions with clearing members - liability	(418,985.7)	-	-	-	-	(418,985.7)
Initial margin and other member balances - liability	(25,155.6)	-	-	-	-	(25,155.6)
Default Fund	(1,796.7)	-	-	-	-	(1,796.7)
Net balance with members	(16,912.5)	8,544.1	4,420.1	3,948.3	-	-
Trade and other receivables	13.4	-	-	-	-	13.4
Trade and other payables	(115.6)	-	-	-	-	(115.6)
Preferred securities	-	-	(11.8)	(47.3)	(215.5)	(274.6)
Interest rate swaps – net outflows	-	-	(2.3)	(15.5)	-	(17.8)
	(102.2)	-	(14.1)	(62.8)	(215.5)	(394.6)

For default funds, the tenor of the liability, on which interest is paid is based on three month LIBOR for LCH.Clearnet Limited, is matched with the interest reset dates of the asset and does not exceed three months. The weighted average maturity of the total treasury portfolio is 224 days, with strict risk criteria related to interest rate exposure being applied.

The financial liabilities, with the exception of the preferred securities, are based upon rates set on a daily basis.

Certificates of deposit (both bank issued and government backed) are all carried at fair value. For assets not marked to market, there is no material difference between the carrying value and fair value.

Based on market prices at 31 December 2011, the fair value of the preferred securities is approximately €120.6 million (2010: €126.0 million; 2009: €126.0 million) at the year-end compared to the amortised cost carrying value of €177.4 million (2010: €176.9 million; 2009: €176.5 million). LCH.Clearnet purchased some of the LCH.Clearnet Group's preferred securities in the market with a nominal value of €20,000,000 in January 2009. These preferred securities had been issued initially by Freshwater Finance. These were repurchased at a cost of €10,445,250.

Interest rate sensitivity analysis

The LCH.Clearnet Group's exposure to interest rate fluctuations is minimal. Any exposure is predominantly due to the mismatch between the LCH.Clearnet Group's interest bearing assets, net of interest rate swaps and interest bearing member liabilities. Since the return paid on member liabilities is generally reset to prevailing market interest rates on an overnight basis, the LCH.Clearnet Group is only exposed for the time it takes to reset the interest rates on its investments. The maximum fixed exposure on any asset in the treasury portfolio is six months and is subject to an overall interest rate limit.

The following table shows the estimated impact on consolidated profit after tax and the effect on retained earnings within shareholders' equity for each category of financial instrument held at the consolidated balance sheet date:

	2009	2009	2009	2010	2010	2010	2011	2011	2011	
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
	+25bp of interest rate	+50bp of interest rate	+100bp of interest rate	+25bp of interest rate	+50bp of interest rate	+100bp of interest rate	+25bp of interest rate	+50bp of interest rate	+100bp of interest rate	
Net exposure of cash and member margin balances	(19.4)	(39.7)	(80.5)	(22.4)	(45.3)	(91.2)	(20.3)	(43.0)	(88.5)	
Interest rate swaps	16.5	32.9	65.9	19.1	38.1	76.3	16.4	32.7	65.4	
	(2.9)	(6.8)	(14.6)	(3.3)	(7.2)	(14.9)	(3.9)	(10.3)	(23.1)	
Tax effect of above	0.8	2.0	4.2	0.9	1.9	4.2	1.0	2.7	6.1	
Impact on profit after tax	(2.1)	(4.8)	(10.4)	(2.4)	(5.3)	(10.7)	(2.9)	(7.6)	(17.0)	

	2009	2009	2009	2010	2010	2010	2011	2011	2011	
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
	-25bp of interest rate	-50bp of interest rate	-100bp of interest rate	-25bp of interest rate	-50bp of interest rate	-100bp of interest rate	-25bp of interest rate	-50bp of interest rate	-100bp of interest rate	
Net exposure of cash and member margin balances	18.0	35.9	71.5	20.2	39.7	78.8	2.3	36.5	72.5	
Interest rate swaps	(16.5)	(32.9)	(65.9)	(19.1)	(38.1)	(76.3)	(0.1)	(32.7)	(65.4)	
	1.5	3.0	5.6	1.1	1.6	2.5	2.2	3.8	7.1	
Tax effect of above	(0.4)	(0.8)	(1.6)	(0.3)	(0.4)	(0.7)	(0.6)	(1.0)	(1.8)	
Impact on profit after tax	1.1	2.2	4.0	0.8	1.2	1.8	1.6	2.8	5.3	

The current low levels of interest rates mean there is little scope for rates to fall and consequently the sensitivity to negative interest rate movements is limited.

Foreign exchange sensitivity

The LCH.Clearnet Group converts or hedges surplus FX balances or cash flows to euros on a regular basis, which minimises the effect exchange rate fluctuations will have on overall LCH.Clearnet Group net assets and liabilities. There are immaterial amounts of FX exposure in the parent company, LCH.Clearnet S.A. and LCH.Clearnet (Luxembourg) S.à r.l.

The table below summarises the FX exposure on the net monetary position of LCH.Clearnet Limited, which is expressed in euros (the LCH.Clearnet Group's functional and presentational currency), and the effect of a reasonable shift of the relevant exchange rates on the group's net profit, shareholders' equity and net assets. The reasonable shift in exchange rates is calculated as the average movement over the past two years.

	2009	2009	2010	2010	2011	2011
	£	\$	£	\$	£	\$
	€m	€m	€m	€m	€m	€m
Net exposure	(20.5)	3.2	(11.4)	7.2	(37.2)	9.2
Reasonable shift	15.7%	3.4%	5.7%	5.8%	3.1%	4.4%
Total effect on profit/net assets of positive movements	3.2	(0.1)	0.6	(0.4)	1.2	(0.4)
Total effect on profit/net assets of negative movements	(3.2)	0.1	(0.6)	0.4	(1.2)	0.4

Amounts included in the income statement in relation to financial instruments

	2009	2010	2011
	€m	€m	€m
Interest income on assets held at fair value	276.3	205.3	282.5
Interest income on assets held at amortised cost	121.7	108.3	211.6
Net loss on revaluation of cash and cash equivalents held at fair value included in net interest income	(4.0)	-	-
Net (loss)/gain on revaluation of other financial assets held at fair value included in net interest income	5.6	(1.7)	(3.8)
Net loss on interest rate swaps	(6.5)	(10.3)	(35.5)
Total revaluation losses	(4.9)	(12.0)	(39.3)
Interest income	393.1	301.6	454.8
Interest expense on liabilities held at amortised cost	(195.8)	(198.0)	(354.7)
Total net treasury income	197.3	103.6	100.1
Finance income on assets held at amortised cost	4.4	1.2	2.8
Other finance income on loans and borrowings held at amortised cost	9.6	-	-
Expected return on defined benefit pension scheme assets	4.7	8.0	9.0
Finance costs on overdrafts and finance leases held at amortised cost	(0.2)	(0.1)	(0.4)
Finance costs on loans and borrowings held at amortised cost	(12.9)	(12.3)	(12.3)
Defined benefit pension scheme interest cost	(5.8)	(7.3)	(7.9)
Net finance cost	(0.2)	(10.5)	(8.8)

All financial assets held at fair value are designated as such at initial recognition by the LCH.Clearnet Group.

18. Cash and cash equivalents

	2009	2010	2011
	€m	€m	€m
Cash at bank	10.4	33.2	78.7
Short term deposits	423.7	375.6	367.0
Total	434.1	408.8	445.7

€354.3 million (2010: €361.9 million; 2009: €373.9million) of short-term deposits are fully collateralised by sovereign and investment grade corporate securities in accordance with eligibility criteria approved by the LCH.Clearnet Group's risk committee. LCH.Clearnet Limited held cash and cash equivalents of €59.8 million as at 31 December 2011 for regulatory purposes (2010: €52.9 million; 2009: €46.1 million).

19. Trade and other payables

	2009	2010	2011
	€m	€m	€m
Trade payables	7.6	9.3	8.0
Social security and other taxes	39.5	40.8	63.7
Amount owing to the administrators of MF Global	-	-	161.9
Accruals and deferred income	68.5	108.1	124.0
Total	115.6	158.2	357.6

The carrying amounts of trade and other payables are reasonable approximations of fair value. €37.7 million (2010: €15.0 million; 2009: €nil) included in other payables and €36.2 million (2010: €21.0 million; 2009: €nil) included in deferred income relate to amounts under funding arrangements for new clearing systems.

20. Borrowings, repurchase agreements and other borrowings

	2009	2010	2011
	€m	€m	€m
Current			
Bank overdraft	1.6	-	-
Repurchase agreements	-	-	67.8
Finance leases	-	0.3	0.3
Total	1.6	0.3	68.1
Non-current			
Preferred Securities	176.5	176.9	177.4
Finance leases	-	0.7	0.6
Total	176.5	177.6	178.0

During 2011, the LCH.Clearnet Group entered into a repurchase agreement with a large European financial institution, whereby the LCH.Clearnet Group pledged €63 million of a particular security in the treasury portfolio in exchange for €67.8 million of liquid funds. This position is a rolling two week position and is fully secured. The LCH.Clearnet Group has the following unsecured preferred securities as at 31 December 2009, 2010 and 2011.

Type	Expiry date	Carrying value at 31 December 2011		Interest rate percentage
		Principal	€m	
		€m	€m	
Issued preferred securities May 2007	May 2018	180.0	177.4	6.576%

Details on the effective interest rate and maturity of the interest bearing loans and borrowings are as follows:

Bank overdrafts

In order to assist with day-to-day liquidity management, the LCH.Clearnet Group maintains a number of uncommitted money market and overdraft facilities with a number of major banks. Effective interest rates on these facilities vary depending on market conditions.

Preferred securities

The LCH.Clearnet Group issued €200 million non stepup preferred securities on 18 May 2007. Interest is payable annually in arrears at a fixed rate of 6.576 per cent. until 18 May 2017. From 18 May 2017 interest is payable at 2.1 per cent. above three month EURIBOR and are redeemable in whole at the option of the LCH.Clearnet Group on 18 May 2018 or any distribution date thereafter. The preferred securities are listed on the Dublin Stock Exchange and are held through Freshwater Finance.

The LCH.Clearnet Group repurchased some of these preferred securities in the market with a nominal value of €20 million in January 2009. These were repurchased at a cost of €10.4 million.

Undrawn borrowing facilities

As at 31 December 2011, the LCH.Clearnet Group has undrawn uncommitted borrowing facilities of €75 million (2010:€148 million; 2009: €186 million)

Fair values

The fair and carrying values of the LCH.Clearnet Group's borrowings, repurchase agreements and other borrowings are as follows:

	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	2009	2009	2010	2010	2011	2011
	€m	€m	€m	€m	€m	€m
- within one year	1.6	1.6	0.3	0.3	68.1	68.1
- after more than one year	176.5	126.0	177.6	126.7	178.0	121.2
Total	178.1	127.6	177.9	127.0	246.1	189.3

	2009			2010			2011		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective	Drawn	Swapped	Effective
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Currency									
Sterling	-	-	-	0.9	-	0.9	0.9	-	0.9
Euro	178.1	-	178.1	177.0	-	177.0	245.2	-	245.2
Total	178.1	-	178.1	177.9	-	177.9	246.1	-	246.1

21. Analysis of net funds

	2009	2010	2011
	€m	€m	€m
Due within one year			
Cash and cash equivalents	434.1	408.8	445.7
Finance lease	-	(0.3)	(0.3)
Repurchase agreements and other borrowings	(1.6)	-	(67.8)
Derivative financial assets	0.5	1.4	1.0
Derivative financial liabilities	(15.6)	(26.8)	(60.8)
	417.4	383.1	317.8
Due after one year			
Finance lease	-	(0.7)	(0.6)
Preferred securities	(176.5)	(176.9)	(177.4)
Total net funds	240.9	205.5	139.8

Reconciliation of net cash flow to movement in net funds

	2009	2010	2011
	€m	€m	€m
(Decrease)/Increase in cash in the year	(226.1)	(23.7)	(30.9)
Repurchase of subordinated loan	27.0	-	-
Finance lease repayment	-	0.2	0.2
Reduction in net funds resulting from cash flows	(199.1)	(23.5)	(30.7)
Movement on derivative financial assets and liabilities	49.7	(10.3)	(34.4)
Finance lease purchases	-	(1.2)	(0.1)
Non-cash movements in relation to preferred securities	19.5	(0.4)	(0.5)
Net funds at start of year	370.8	240.9	205.5
Net funds at end of year	240.9	205.5	139.8

22. Ordinary Share Capital

	2009		2010		2011	
	millions	€m	millions	€m	millions	€m
40,632,643 (2010: 40,632,643; 2009: 40,632,643) LCH.Clearnet Shares of €1 each	40.6	40.6	40.6	40.6	40.6	40.6

Share capital: The balance classified as share capital includes the total nominal value on issue of LCH.Clearnet's equity share capital, comprising €1 ordinary shares. 33,299,973 LCH.Clearnet Shares were repurchased in November 2009 at €10 per LCH.Clearnet Share as part of a transaction designed to align further the shareholder base with the user base.

NCPS: NCPS can only be issued in the event that the LCH.Clearnet Group's capital ratios fall below the minimum required by the relevant regulatory authority for a period of six months. During 2009, 2010 and 2011, no NCPS have had to be issued.

23. Net cash flow generated from operations

	2009	2010	2011
	€m	€m	€m
Profit before taxation	30.6	32.4	35.1
Depreciation and amortisation	12.7	17.4	25.2
Intangible impairment and non-recurring items	393.4	3.4	4.1
(Gain)/loss on disposal of property, plant and equipment	0.1	0.4	0.2
(Gain)/loss on disposal of intangible assets	0.1	0.6	0.4
Net finance expense/(income)	0.2	10.5	8.8
Decrease/(increase) in trade and other receivables	58.1	(38.4)	(33.1)
Increase/(decrease) in trade and other payables	(185.8)	42.6	201.8
Net increase in CCP financial assets	(90,417.1)	(66,696.6)	(27,427.6)
Net increase in CCP liabilities	89,997.9	66,483.7	27,427.5
Decrease / (increase) in other current assets*	168.0	-	(229.7)
Net increase / (decrease) in default funds	360.8	209.9	(5.7)
Losses on financial instruments	4.9	12.0	39.3
Defined benefit pension obligation - contributions in excess of expenses charged	(19.8)	2.0	(5.2)
Cash generated from operations	404.1	79.9	41.1

* Other current assets consist of:

- (1) surplus margin monies arising from the close out of the positions of defaulting members. €168.0 million was owed to the administrator of Lehman Brothers at 31 December 2008 which was settled in 2009;
- (2) amounts payable to administrators of MF Global at 31 December 2011 of €161.9 million and cash received from a large European financial institution as a result of a repurchase agreement. During 2011, the LCH.Clearnet Group entered into a repurchase agreement with a large European financial institution, whereby the LCH.Clearnet Group pledged €63 million of a particular security in the treasury portfolio in exchange for €67.8 million of liquid funds. This position is a rolling two week position and is fully secured.

24. Commitments and contingent liabilities

Supplier agreements

In June 2005, the LCH.Clearnet Group entered into a new 10 year agreement with Atos Origin in relation to the operation and development of certain technology applications. This agreement was amended from July 2010 to reduce the on-going costs. The estimated maximum value of the remaining commitment is €56 million (2010: €76 million, 2009: €104 million), assuming no early termination. The LCH.Clearnet Group has the right to terminate this agreement with one year's notice under certain conditions.

Treasury assets supporting operational facilities

The LCH.Clearnet Group had assets and collateral in support of the following operational facilities:

	2009	2010	2011
	€m	€m	€m
Central bank activity	6,797.3	10,309.5	11,694.0
Concentration bank services	225.4	582.2	910.8
Fixed Income settlement*	14,138.9	20,100.0	15,800.0
Equity and derivatives settlement delivery	174.4	-	-
Performance collateral on energy markets	1.1	-	-
Total	21,337.1	30,991.7	28,404.8

*LCH.Clearnet Limited holds highly rated collateral as security against tri-party cash loans as well as government debt and government backed bank issued debt, which is used to support RepoClear settlement activity.

25. Leases

The LCH.Clearnet Group leases various office properties under non-cancellable operating leases. The total future minimum lease payments due under non-cancellable operating leases are due as follows:

Operating Leases	Property			Equipment		
	2009	2010	2011	2009	2010	2011
	€m	€m	€m	€m	€m	€m
Less than one year	8.3	9.8	8.5	0.4	-	-
More than one year and less than five years	27.2	19.3	13.7	-	-	-
More than five years	16.4	24.3	24.0	-	-	-
Total	51.9	53.4	46.2	0.4	-	-

Operating lease payments of €9.9 million (2010: €9 million; 2009: €9.0 million) were charged to the income statement in the year in relation to property and €0.3 million (2010: €0.9 million; 2009: €1.2 million) in the year in relation to equipment. The property rentals relate primarily to the lease of offices (i) in London, which expires in 2026, and (ii) in Paris, where there is an exit clause in 2013. The previous London lease, which was due to expire in 2016, was extended during 2010.

Finance Leases

The LCH.Clearnet Group has finance leases for various items of computer equipment.

	2009		2010		2011	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	€m	€m	€m	€m	€m	€m
Within one year	-	-	0.4	0.3	0.4	0.3
In two to five years	-	-	0.7	0.7	0.6	0.6
Total minimum lease payments	-	-	1.1	1.0	1.0	0.9
Less future financing charges	-	-	(0.1)	-	(0.1)	-
Total	-	-	1.0	1.0	0.9	0.9

26. Principal subsidiaries

LCH.Clearnet's principal subsidiaries are as follows:

Country of incorporation	Company name	Percentage held
England and Wales	LCH.Clearnet Limited	100%
France	LCH.Clearnet S.A.	100%
Luxembourg	LCH.Clearnet (Luxembourg) S.à r.l.	100%*
England and Wales	LCH.Clearnet Funding LP	100%
England and Wales	LCH.Clearnet GP Limited	100%*
England and Wales	LCH.Clearnet PLP Limited	100%*
Ireland	Freshwater Finance plc	**

*Indirect holding through LCH.Clearnet's other subsidiaries or limited partnership interest

**Holding relates only to LCH.Clearnet Group's issued preferred securities and is through limited partnership interest.

The principal activity of the LCH.Clearnet Limited and LCH.Clearnet S.A. is the provision of clearing, CCP and other services to clearing members, trade matching organisations and exchanges.

The country of incorporation is also the principal area of operation. LCH.Clearnet S.A. also operates in the Netherlands, Belgium, and Portugal. LCH.Clearnet (Luxembourg) S.à.r.l. has been set up to hold the LCH.Clearnet Group's intellectual property. LCH.Clearnet Funding LP, LCH.Clearnet GP Limited, LCH.Clearnet PLP Limited and Freshwater Finance have been set up as intermediate holding and financing companies to hold the LCH.Clearnet Group's preferred securities issued in May 2007.

27. Transactions with related parties

Key management compensation

Compensation for directors of LCH.Clearnet and key personnel who have authority for planning, directing and controlling the LCH.Clearnet Group:

	2009	2010	2011
	€m	€m	€m
Salaries and other short term benefits	5.1	7.0	10.2
Pensions	0.2	0.1	0.2
Total	5.3	7.1	10.4

LCH.Clearnet Directors' emoluments

LCH.Clearnet Directors' emoluments comprise the following:

	2009	2010	2011
	€m	€m	€m
Salary and fees	1.4	1.9	3.5
Total	1.4	1.9	3.5

During the year, one LCH.Clearnet Director (2010 and 2009: nil) had retirement benefits accruing under defined contribution schemes and no LCH.Clearnet Director (2010 and 2009: nil) had retirement benefits accruing under a defined benefit scheme. No LCH.Clearnet Directors are accruing retirement benefits under a defined benefit scheme.

Details of the emoluments of the highest paid director are as follows:

	2009	2010	2011
	€m	€m	€m
Total emoluments	0.4	0.6	2.4
Total	0.4	0.6	2.4

28. Other statutory information

Auditors' remuneration payable to Ernst & Young LLP and its associates comprise the following:

	2009	2010	2011
	€m	€m	€m
Audit of parent company and consolidated accounts	0.1	0.1	0.1
Audit of subsidiary companies	0.6	0.6	0.4
Other fees:			
- Other assurance services	-	-	0.2
Total	0.7	0.7	0.7

29. Capital management

LCH.Clearnet is lead-regulated by the Autorité de Contrôle Prudentiel in Paris. LCH.Clearnet Limited is regulated by the Financial Services Authority as a Recognised Clearing House under the FSMA. LCH.Clearnet S.A. is supervised as a credit institution by the Autorité de Contrôle Prudentiel and as an investment service provider by the Autorité des Marchés Financiers. The LCH.Clearnet Group, as well as LCH.Clearnet S.A., is subject to standard capital requirement rules under the Capital Requirement Directive (Basel II).

The LCH.Clearnet Group's total regulatory capital is comprised of Tier 1 and Tier 2 capital.

- Tier 1 capital consists primarily of share capital, additional paid-in capital, retained earnings and a portion of the perpetual preferred securities issued in May 2007, less goodwill and other intangible assets.
- Tier 2 capital consists of the remaining portion of the perpetual preferred securities issued in May 2007 and partly redeemed in January 2009.

The amount of subordinated debt that may be included in Tier 2 capital is limited to 50 per cent. of Tier 1 capital; the total recognised Tier 2 capital is limited to 100 per cent. of Tier 1 capital; and the amount of perpetual preferred securities that can be recognised as Tier 1 capital is limited to 35 per cent. of the total amount of Tier 1 capital.

In accordance with the Basel II "Pillar 1" framework, the LCH.Clearnet Group is required to maintain a ratio of total capital to risk weighted assets that cannot fall under a threshold of 8 per cent. and a ratio of Tier 1 capital to risk-weighted assets that must always exceed a threshold of 4 per cent.

As well as the "Pillar 1" capital requirement, the LCH.Clearnet Group uses its internal capital adequacy assessment process to identify additional risks and to assess extra capital under "Pillar 2", which are not covered within the "Pillar 1" framework.

The table below sets out the LCH.Clearnet Group's total capital and relevant ratios which exceed requirements:

	2009	2010	2011
	€m	€m	€m
Regulatory capital			
Share capital	40.6	40.6	40.6
Other reserves/capital reserves	74.8	74.8	74.8
Retained earnings	189.7	204.5	217.7
Perpetual preferred securities (Limited to 35 % of Tier 1)	72.5	68.4	69.9
Goodwill	(110.4)	(110.4)	(110.4)
Intangible assets	(60.1)	(82.7)	(92.7)
Tier 1 equity	207.1	195.2	199.9
Perpetual preferred securities (remainder)	104.0	108.6	107.5
Tier 2 equity	104.0	108.6	107.5
Total regulatory capital	311.1	303.8	307.4
Capital requirement			
Credit risk requirement	29.8	22.6	15.5
Market risk requirement	1.9	1.6	4.0
Operational risk requirement	89.3	81.1	72.9
Counterparty risk	-	-	0.2
Total capital requirement (Pillar 1)	121.0	105.3	92.6
Latent market risk	n/a	22.8	24.0
Concentration risk	n/a	72.2	81.3
Pension risk	n/a	12.3	12.3
Pillar 2 capital requirement	n/a	107.3	117.6
Total Pillar 1 and Pillar 2 capital requirement	n/a	212.6	210.2
Excess capital over capital requirement	190.1	198.5	214.9
Excess capital over Pillar 1 and Pillar 2 capital requirement	n/a	91.2	97.2
Risk weighted assets	1,512.5	1,316.3	1,154.2
Risk asset ratios			
Tier 1 ratio	13.7%	14.8%	17.3%
Total capital ratio	20.6%	23.1%	26.6%

Risk weighted assets are as defined in the 2009 solvency ratio methodology guide issued by the Autorité de Contrôle Prudentiel.

The LCH.Clearnet Group obtained an 'AA-' rating from Standard & Poor's prior to the issue of the preferred securities in May 2007, which was lowered to 'A+' in December 2009, and was reaffirmed in November 2011.

30. Non GAAP Measures

EBITDA, Adjusted EBITDA and adjusted profit after tax for the LCH.Cleartnet Group is presented and reconciled below:

		2009	2010	2011
	Note	€m	€m	€m
Operating profit		30.8	42.9	43.9
Depreciation and software amortisation	5	12.7	17.4	25.2
EBITDA (before exclusion of non-recurring items and unrealised net investment loss)		43.5	60.3	69.1
Unrealised net investment loss (see note below)	4	4.9	12.0	39.3
Non-recurring items affecting profit before tax	7	123.7	4.4	23.1
Adjusted EBITDA (after excluding non-recurring items and unrealised net investment loss)		172.1	76.7	131.5
Profit before tax		30.6	32.4	35.1
Unrealised net investment loss (see note below)		4.9	12.0	39.3
Non-recurring items affecting profit before tax	7	123.7	4.4	23.1
		159.2	48.8	97.5
Taxation charged to the income statement	9	(121.6)	(13.3)	(13.9)
Tax effect on unrealised net investment loss		(1.5)	(3.4)	(10.5)
Tax effect on non-recurring items	10	75.6	(1.2)	(6.1)
Adjusted tax charge		(47.5)	(17.9)	(30.5)
Adjusted profit after tax		111.7	30.9	67.0

Unrealised net investment loss:

A key principle of the LCH.Cleartnet Group's investment policy is that it will only invest in high quality assets, typically high grade government issued bonds. Liquidity management allows the LCH.Cleartnet Group to benefit from improved yields from longer term investments when facilitated by market conditions. Where investments are made in longer term fixed rate assets, the LCH.Cleartnet Group hedges the interest rate risk that arises from receiving a fixed rate of return and paying members a floating rate of return by taking out interest rate swaps.

The LCH.Cleartnet Group marks to market both the underlying investment and interest rate swap and under the LCH.Cleartnet Group's accounting policy, the full impact of any mark to market movement is reflected through the income statement.

At times of stress in the financial markets, the yield curves of the underlying investments and the interest rate swap may become dislocated reflecting the difference in credit risk perceived by the market between the bonds and the swaps. These are part of the unrealised fair value credit or charge that is recorded in the income statement as an 'Unrealised net investment loss' within 'Net interest income through CCP business'. These are non cash adjustments for accounting purposes.

During the year, the net mark to market adjustment on bonds and related interest rate hedging instruments resulted in a charge to the income statement of €39.3 million (2010: €12.0 million; 2009: €4.9 million), representing a 0.3 per cent. movement on the portion of the portfolio that is subject to fair value adjustment (2010: 0.1 per cent.; 2009: 0.04 per cent.). These amounts are reflected as adjustments in the table above.

At 31 December 2011, the total unrealised fair value losses contained in the balance sheet were €31.1 million (2010: €8.2 million profit; 2009: €20.2 million profit). These fair value losses related to an investment portfolio of €11.2 billion (2010: €11.4 billion; 2009: €13.6 billion) the bonds and swaps within which are individually due to mature between 2012 and 2014.

**PART 4 : UNAUDITED PRO FORMA STATEMENT OF THE COMBINED NET ASSETS
OF THE ENLARGED GROUP**



The Directors
London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

Morgan Stanley & Co. Limited
25 Cabot Square
Canary Wharf
London E14 4QA

16 March 2012

Dear Sirs

London Stock Exchange Group plc (the “Company”)

We report on the unaudited pro forma statement of net assets (the “**Pro forma statement of net assets**”) set out in Part 4 of the Company’s “Class 1” Circular dated 16 March 2012 (the “**Circular**”) which has been prepared on the basis described in the notes to the Pro forma statement of net assets, for illustrative purposes only, to provide information about how the proposed Transaction by the Company of certain of the issued share capital of LCH.Clearnet Group Limited might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the interim financial statements for the period ended 30 September 2011. This report is required by item 13.3.3R of the Listing Rules and is given for the purpose of complying with that Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma statement of net assets in accordance with item 13.3.3R of the Listing Rules of the UK Listing Authority (the “**Listing Rules**”).

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules as to the proper compilation of the Pro forma statement of net assets and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma statement of net assets, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and



will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the UK. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma statement of net assets with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma statement of net assets has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- (a) the Pro forma statement of net assets has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

UNAUDITED PRO FORMA STATEMENT OF THE COMBINED NET ASSETS OF THE ENLARGED GROUP

The unaudited pro forma statement of net assets of the Enlarged Group set out below has been prepared for illustrative purposes only in accordance with Annex II of the PD Regulation and on the basis of the notes set out below. The unaudited pro forma statement of net assets has been prepared to illustrate the effect of consolidating the net assets of LSEG as at 30 September 2011 with the net assets of LCH.Clearnet Group as at 31 December 2011. The unaudited statement of net assets has been prepared for illustrative purposes only and, because of their nature, address a hypothetical situation and do not, therefore, represent the LSEG Group's or the Enlarged Group's actual financial position. The pro forma financial information has been prepared under IFRS adopted by the EU and on the basis of the accounting policies of LSEG.

Unaudited pro forma statement of net assets

	Adjustments				Pro Forma Enlarged Group £m
	LSEG As at 30-Sept-11 (note 2) £m	LCH.Clearnet Group As at 31-Dec-11 (note 3) £m	Elimination of LCH.Clearnet goodwill and acquired intangible assets (note 4 (a)(ii)) £m	Other adjustments (note 4 (a)(i), (iii),(b)) £m	
Assets					
Non-current assets					
Property, plant and equipment	62.0	10.9			72.9
Intangible assets	1,342.6	169.6	(169.6)	320.8	1,663.4
Investments in joint ventures	17.9	-			17.9
Investments in associates	0.6	-			0.6
Deferred tax assets	13.6	24.2			37.8
Available for sale investments	0.4	-			0.4
Other non-current assets	0.3	-			0.3
	1,437.4	204.7	(169.6)	320.8	1,793.3
Current assets					
Inventories	3.8	-			3.8
Trade and other receivables	127.2	76.4			203.6
Derivative financial instruments	0.3	0.8			1.1
CCP financial assets	124,773.4	434,609.8			559,383.2
CCP cash and cash equivalents	4,794.7	16,487.3			21,282.0
CCP business assets	129,568.1	451,097.1			580,665.2
Assets held at fair value	12.3	-			12.3
Current tax	22.2	1.8			24.0
Other current assets	-	191.9			191.9
Assets held for resale	9.3	-			9.3
Cash and cash equivalents	379.9	372.3		(33.9)	718.3
	130,123.1	451,740.3	-	(33.9)	581,829.5
Total assets	131,560.5	451,945.0	(169.6)	286.9	583,622.8

	<u>Adjustments</u>				
	LSEG As at 30-Sept- 11 (note 2) £m	LCH.Clearnet Group As at 31-Dec-11 (note 3) £m	Elimination of LCH.Clearnet goodwill and acquired intangible assets (note 4 (a)(ii)) £m	Other adjustments (note 4(a)(i), (iii), (b)) £m	Pro Forma Enlarged Group £m
Current liabilities					
Trade and other payables	164.7	298.7		35.8	499.2
Derivative financial instruments	-	50.8			50.8
CCP business liabilities	129,564.8	451,097.1			580,661.9
Current tax	49.2	1.6			50.8
Borrowings	0.4				0.4
Repurchase agreements and other borrowings	-	56.9			56.9
Provisions	3.7	-			3.7
	129,782.8	451,505.1	-	35.8	581,323.7
Non-current liabilities					
Borrowings	499.0	148.7		386.0	1,033.7
Derivative financial instruments	5.9	-			5.9
Deferred tax liabilities	79.2	-			79.2
Retirement benefit obligation	7.7	13.0			20.7
Provisions	26.6	-			26.6
	618.4	161.7	-	386.0	1,166.1
Total liabilities	130,401.2	451,666.8	-	421.8	582,489.8
Net assets	1,159.3	278.2	(169.6)	(134.9)	1,133.0

See accompanying notes to the unaudited pro forma statement of net assets.

Notes:

1. BASIS OF PREPARATION

The unaudited pro forma financial information has been prepared using underlying interim financial information prepared in accordance with IFRS as applied by LSEG and reflects the transaction to create an Enlarged Group. The financial information has been extracted without material adjustment.

For accounting purposes, the Transaction has been treated as an acquisition, with the LSEG Group as the acquirer and LCH.Clearnet Group as the acquiree. For the unaudited pro forma statement of net assets, the LCH.Clearnet Group balance sheet as at 31 December 2011 and the LSEG balance sheet as at 30 September 2011 have been combined. As a result of the balance sheets being combined, reflecting consolidation in accordance with IAS 27, the statement of net assets reflects 100 per cent. of the LCH.Clearnet Group assets and liabilities. In compliance with IFRS, non-controlling interests, representing 40 per cent. of the LCH.Clearnet Group balance, are disclosed as part of the equity section of the balance sheet and have therefore not been disclosed as part of the statement of net assets.

The unaudited pro forma financial information of the Enlarged Group is presented for illustrative purposes only and is not intended to reflect the financial position which would have actually resulted had the Transaction been effected on any of the dates indicated. No account has been taken of the trading activity or other transactions of the LSEG Group for the period since 30 September 2011 and LCH.Clearnet Group for the period since 31 December 2011.

The unaudited pro forma financial information has been prepared in order to meet the requirements of Annex II of the PD Regulation and associated guidance issued in the European Securities and Markets Authority Recommendations.

2. LSEG FINANCIAL INFORMATION AS AT 30 SEPTEMBER 2011

The financial information for LSEG was extracted without material adjustment from the interim financial statements of LSEG as at 30 September 2011 prepared in accordance with IFRS as adopted by the EU and issued on 16 November 2011.

3. LCH.CLEARNET GROUP FINANCIAL INFORMATION AS AT 31 DECEMBER 2011

The financial information for LCH.Clearnet Group used in the unaudited pro forma statement of net assets was extracted without material adjustment from Part 3. A rate of exchange of €1.1972 = £1 prevailing at 31 December 2011 has been used to convert the financial information into sterling.

The financial information of LCH.Clearnet Group as at 31 December 2011 has been prepared on a basis consistent with the LSEG's accounting policies. These accounting policies are consistent with those used to prepare the financial information in Part 3 and not reproduced here.

4. PRO FORMA ADJUSTMENTS

- (a) Estimated purchase consideration and the related excess of purchase consideration over book value of net assets for 60 per cent. of the LCH.Clearnet Group acquired are as follows:

Estimated excess of purchase consideration over net assets for 60 per cent. of the LCH.Cleynet Group acquired **£m** **Notes**

Estimated purchase consideration for 60 per cent. of the LCH.Cleynet Group	386.0	i
<u>Less:</u> book value of net assets acquired (60 per cent.)	(166.9)	
<u>Add back:</u> 60 per cent. of the LCH.Cleynet Group goodwill and acquired intangibles	101.7	ii
Excess of purchase consideration over book value of net assets acquired	320.8	iii

- (i) Completion will require the payment by LSEC of up to £386.0 million (€463.2 million), being the consideration payable for 60 per cent. of the LCH.Cleynet Issued Share Capital. The payment amount above is based on an exchange rate of €1.2000 = £1, being the exchange rate at 6 March 2012.

For the purposes of the pro forma statement of net assets, the purchase consideration for 60 per cent. of the LCH.Cleynet Issued Share Capital has been assumed. The Offer values each LCH.Cleynet Share at €19. The consideration of £386.0 million (€463.2 million) will be financed through the existing LSEG financing facilities. As a result, “Borrowings” has been adjusted by this amount;

- (ii) for the purposes of the pro forma financial information, the total goodwill and acquired intangible assets of the LCH.Cleynet Group of £169.6 million (€203.0 million) have been added back to the book value of net assets acquired. The £169.6 million consists of goodwill of £92.3 million (€1105 million) and £77.3 million (€92.5 million) of definite life intangible assets. For the purposes of calculating the excess of purchase consideration over book value of net assets acquired, 60 per cent. of the £169.6 million has been included to reflect the amount attributable to the Transaction. This amounts to £101.7 million;
- (iii) the difference of £320.8 million between the “book value of net assets acquired” and the estimated consideration has been presented as a single value in goodwill. Following Completion, the assets (including acquired intangibles) and liabilities of LCH.Cleynet Group will be subject to fair value restatement;
- (iv) it has been agreed that LCH.Cleynet will, conditional on the passing of the LCH.Cleynet Resolution, declare the Special Dividend to Qualifying LCH.Cleynet Shareholders. At €1 (£0.8353) per LCH.Cleynet Share, the maximum amount of the Special Dividend is £33.9 million (€40.6 million) (its final amount will be determined by reference to any amounts required to settle or determine any Relevant Claim(s)). This amount will be paid out of the LCH.Cleynet Group cash balance, which at 31 December 2011 was £372.3 million (€4457 million). As a result, “cash and cash equivalents” has been adjusted by this amount. LCH.Cleynet will pay the maximum amount required in order to fund the Special Dividend into an escrow at or around Completion. The Special Dividend will not be paid to LCH.Cleynet Shareholders until the fifth anniversary of the Offer becoming unconditional in all respects (subject to acceleration or delay in certain limited circumstances). The Special Dividend will be reduced by the amount of any Relevant Claim(s) (in each case after insurance recoveries and taking account of the tax effect of any such payments) as well as by the amount of applicable costs and withholding taxes;
- (b) The estimated non-recurring Transaction related costs that will ultimately be incurred by LSEG prior to the Transaction completing are £28 million (€33.6 million), all of which was incurred post 30 September 2011. £7.8 million (€9.4 million) of non-recurring Transaction

related costs were incurred by the LCH.Cleartnet Group after the year ended 31 December 2011. As a result “trade and other payables” have been adjusted by £35.8 million.

5. OTHER NOTES

Refer to paragraph 3 of Part 1 for the statement on the effect of the Transaction on earnings.

- (a) It was announced on 12 December 2011 that LSEG would acquire a 50 per cent. stake of FTSE for £450 million, giving LSEG 100 per cent. ownership and strategic control. On 4 November 2011, LSEG acquired the remaining 13.64 per cent. of CC&G that it did not own for £53 million (€62 million) in cash.
- (b) The information in the tables below has been sourced directly without material adjustment from the interim financial statements of LSEG for the period ended 30 September 2011, the public announcement of the FTSE acquisition on 12 December 2011 and Part 3.

	LSEG Last 12 months for the period ended⁽¹⁾ 30-Sept-11 £m	Elimination of FTSE royalties 30-Sept-11 £m	FTSE 31-Dec-11 £m	LSEG including FTSE 31-Dec-11 £m	LCH.Cleartnet Group 31-Dec-11 £m	Acq'n debt and Special Dividend	Enlarged Group £m
Memorandum items							
Total revenues	740.3 ⁽¹⁾	(12.7) ^{(4) (8)}	119.1 ⁽⁴⁾	846.7	339.6	-	1,186.3
Adjusted EBITDA	440.8 ^{(1) (2)}	(18.7) ⁽⁸⁾	53.6 ⁽⁴⁾	475.7	114.1 ⁽⁵⁾	-	589.8
Net debt				(747.0) ⁽³⁾	(67.6) ⁽⁶⁾	(419.9) ⁽⁷⁾	(1,234.5)
<i>Net debt / Adjusted EBITDA^(x)</i>				<i>1.6</i>			<i>2.1</i>

Notes:

- (1) The information relating to LSEG for the last 12 months has been calculated using the interim financial statements of LSEG for the period ended 30 September 2011, the LSEG annual report for the year ending 30 March 2011 and the interim financial statements of LSEG for the period ended 30 September 2010 as follows:

30 September 2011 Last 12 months calculation

	LSEG 6 months ending 30-Sept-10 (A) £m	LSEG 12 months ending 31-Mar-11 (B) £m	LSEG Last 6 months ending 31-Mar-11 (B)-(A) £m	LSEG 6 months ending 30-Sept-11 £m	LSEG Last 12 months ending 30-Sept-11 £m
Total revenues	321.1	674.9	353.8	386.5	740.3
EBITDA	182.8	390.6	207.8	233.0	440.8 ⁽²⁾

- (2) EBITDA is calculated using information sourced directly without material adjustment from within:
- the interim financial statements of LSEG for the period ended 30 September 2011;
 - the LSEG annual report for the year ending 30 March 2011; and
 - the interim financial statements of LSEG for the period ended 30 September 2010.

- (3) The net debt presented is as at 31 December 2011 and is sourced directly without material adjustment from page 2 of the LSEG third quarter interim management statement issued on 27 January 2012. The LSEG net debt increased to £582 million or £747 million after setting aside cash of £165 million held for regulatory and operational support purposes. The LSEG net debt at 31 December 2011 reflects:
- the net cash outflow of £428 million for the acquisition of the 50 per cent. of FTSE that LSEG did not own. The net cash outflow of £428 million comprises £450 million of cash less £22 million of debt and debt like items;
 - £53 million (€62 million) for the purchase of a 136 per cent. stake in CC&G from Unicredit S.p.A.; and
 - £15 million for acquisition of the FSA's transaction reporting service, TRS.
- (4) These amounts have been sourced directly and without material adjustment from page 10 of the LSEG third quarter interim management statement issued on 27 January 2012. The FTSE information included in the interim management statement is based on IFRS and prepared on a consistent basis to LSEG.
- (5) The LCH.Clearnet Adjusted EBITDA amount for the period ended 31 December 2011 is sourced directly from Part 3 without material adjustment. The exchange rate of €1.1527 = £1, being the average prevailing rate during 2011 has been used to convert the financial information into sterling.

The amount is calculated using LCH.Clearnet Group operating profit of £38.1 million (€43.9 million) excluding:

- non-recurring items of £20.0 million (€23.1 million);
 - unrealised net investment losses of £34.1 million (€39.3 million); and
 - depreciation and amortisation of £21.9 million (€252 million).
- (6) Net debt for LCH.Clearnet is calculated with reference to notes 20 and 29 from Part 3. These amounts have been sourced without material adjustment.
- The amount of £67.6 million (€81.1 million) comprises:
- preferred securities of £148.2 million (€177.4 million), plus the current and non-current finance leases of £0.7 million (€0.9 million); less
 - excess regulatory capital over Pillar I and Pillar II of £81.3 million (€97.2 million).
- (7) This amount comprises LCH.Clearnet acquisition debt of £386.0 million (€463.2 million) assumed at a majority acquisition of 60 per cent for €19 per share, plus the £33.9 million (€40.6 million) increase in net debt relating to the Special Dividend.

(8) The elimination of the FTSE last 12 months' EBITDA is calculated as follows:

	LSEG 6 months ending 30-Sept-10 (A)	LSEG 12 months ending 31-Mar-11 (B)	LSEG Last 6 months ending 31-Mar-11 (B)-(A)	LSEG 6 months ending 30-Sept-11	LSEG Last 12 months ending 30-Sept-11
	£m	£m	£m	£m	£m
Revenue	5.3	11.3	6.0	6.7	12.7

The revenue number above relates to revenue earned and received from FTSE.

In order to arrive at the £18.7 million EBITDA adjustment, the sum of the following information included in the interim financial statements of LSEG for the period ended 30 September 2011 should be added to the £12.7 million in the table above:

- joint venture income of £5.0 million from information services included in note 4 of the annual report for year ended 31 March 2011;
- less £2.4 million of joint venture income from information services for the six month period ended 30 September 2010; and
- plus £3.4 million of joint venture income from information services for the six month period ended 30 September 2011.

The amounts above have been sourced directly without material adjustments from the LSEG annual report for the year ended 31 March 2011 and the interim financial statements of LSEG for the period ended 30 September 2011 and 30 September 2010.

PART 5 : CONDITIONS TO THE OFFER

1.1 The Offer is subject to the following conditions:

- (a) LSEC receiving, on or prior to the Closing Date, valid conditional acceptances of the Offer in respect of (or it or any other member of the LSEG Group otherwise acquiring) LCH.Clearnet Shares in aggregate equal to or greater than the Minimum Acceptance Percentage (the **Acceptance Condition**);
- (b) LCH.Clearnet and LSEG determining that, on the basis of valid conditional acceptances to the Offer (and the application, if any, of LCH.Clearnet's and LSEG's discretion with respect to the scaleback and allocation of LCH.Clearnet Shares validly conditionally assented to the Offer), at Completion, LCH.Clearnet Shareholders as at the date of the Announcement will continue to hold LCH.Clearnet Shares representing, in aggregate, at least 40 per cent. of the LCH.Clearnet Issued Share Capital (the **Minimum Rollover Condition**);
- (c) the LCH.Clearnet Circular being despatched on or before 31 March 2012, unless the failure so to despatch the LCH.Clearnet Circular is attributable to any action or omission of the party seeking to invoke this condition so as to cause the Offer not to proceed, to lapse or to be withdrawn;
- (d) this document being despatched on or before 31 March 2012, unless the failure so to despatch this document is attributable to any action or omission of the party seeking to invoke this condition so as to cause the Offer not to proceed, to lapse or to be withdrawn;
- (e) the LCH.Clearnet Resolution being passed by no later than 30 days after the date for the LCH.Clearnet Meeting specified in the LCH.Clearnet Circular (the **LCH.Clearnet Resolution Condition**);
- (f) the Resolution being passed by no later than 30 days after the date for the LSEG Meeting specified in this document;
- (g) formal regulatory approvals in respect of the Transaction (or, where applicable, confirmations of non-objection) having been received from the ACP, AMF, Dutch National Bank, AFM and any other Regulatory Body whose approval (or non-objection) in respect of the Transaction: (i) is required prior to Completion; or (ii) LCH.Clearnet and LSEG agree to be desirable (the **Regulatory Approvals Condition**);
- (h) no material Regulatory Licences held by the LCH.Clearnet Group or the LSEG Group at the date of the Announcement:
 - (i) being withdrawn; or
 - (ii) becoming subject to regulatory conditions or requirements as a result of the Transaction,

in each case if such withdrawal, condition or requirement has had or would reasonably be expected to have a material adverse effect in the context of the Transaction, on the LCH.Clearnet Group and/or the LSEG Group as the case may be (the **Regulatory Licences Condition**);

- (i) confirmation from the relevant regulators, on terms reasonably satisfactory to LSEG, including the FSA and ACP, that the Transaction will not result in LSEG becoming an FHC (the **FHC Condition**);
- (j) in so far as the Transaction constitutes a concentration deemed to have a Community dimension pursuant to Article 4(5) of the EU Merger Regulation, or in the event that a

referral request is made to the European Commission pursuant to Article 22(1) of the EU Merger Regulation to review all or part of the Transaction and such a request is accepted, the European Commission:

- (i) declaring the Transaction to be compatible with the common market pursuant to Article 6(1)(b), 8(1) or 8(2) of the EU Merger Regulation; or
 - (ii) not issuing a decision within the required deadlines with the consequence that the Transaction is deemed compatible with the common market pursuant to Article 10(6) of the EU Merger Regulation;
- (k) in so far as the Transaction is not deemed to have a Community dimension pursuant to Article 4(5) of the EU Merger Regulation:
- (i) in relation to the UK:
 - (A) confirmation having been received in writing from the OFT that the OFT does not intend to refer the Transaction or any matters arising therefrom (including but not limited to any public interest consideration(s)) to the Competition Commission; or
 - (B) following a reference of the Transaction or any matters arising therefrom (including, but not limited to, any public interest consideration(s)) to the Competition Commission, confirmation having been received in writing from the Competition Commission that the Transaction may proceed;
 - (ii) in relation to Spain:
 - (A) the CNC having confirmed in writing that the CNC's Council has, pursuant to Article 57(2) of the LDC, decided that the Transaction may proceed; or
 - (B) following a further investigation pursuant to Article 58 of the LDC, the CNC having confirmed in writing that the CNC's Council has, pursuant to Article 58(4) of the LDC, decided that the Transaction may proceed; and furthermore, that the Ministry of Economy has decided not to refer the Transaction to the Spanish Government pursuant to Article 58(6)(a) of the LDC; or, where it has decided to do so pursuant to Article 58(6)(b) of the LDC, the Spanish Government has, pursuant to Article 60(3)(a) of the LDC, confirmed the CNC's decision; or, pursuant to Article 60(3)(b) of the LDC, the Spanish Government has decided to clear it; or
 - (C) the Transaction is deemed to have been tacitly cleared pursuant to Articles 38(2) to (4) of the LDC once the time periods to adopt and notify the decisions by the CNC, the Ministry of Economy or the Spanish Government provided for in Articles 36(2) to (4) of the LDC have elapsed;
 - (iii) in relation to Portugal:
 - (A) confirmation having been received in writing from the PCA that the Transaction may proceed; or the PCA does not adopt a decision after the initial time period of 30 working days after complete notification (which may be extended if the time period for a decision is suspended either by reason of additional information being requested by the PCA, or for any other reason provided for in the PCA) expires; or

- (B) following an explicit decision of the PCA to initiate an in-depth investigation, confirmation having been received from the PCA that the Transaction may proceed; or, the PCA does not adopt an explicit decision after the time limit of 90 working days after complete notification (which may be extended if the time period for a decision is suspended by reason of additional information being requested by the PCA, or for any other reason provided for in the PCA) expires;
- (l) in so far as a notification is made under the HSR and the waiting period applicable to the consummation of the Transaction has expired or been terminated:
 - (i) neither LCH.Clearnet nor LSEG being subject to any order or injunction of a court of competent jurisdiction in the US that prohibits the Transaction; and
 - (ii) neither LCH.Clearnet nor LSEG having received any indication of threatened antitrust litigation or an antitrust investigation by the US Federal Trade Commission or Antitrust Division of the US Department of Justice concerning the Transaction, including by issuance of a Civil Investigative Demand or subpoena from the US Federal Trade Commission or Antitrust Division of the US Department of Justice;
 - (m) no material breach by LCH.Clearnet of any of the LCH.Clearnet Pre-Completion Obligations;
 - (n) no material breach by LSEG of any of the LSEG Pre-Completion Obligations; and
 - (o) no regulatory development occurring between the date of the Announcement and Completion which has had, or would reasonably be expected to have, a material adverse effect in the context of the Transaction on the LCH.Clearnet Group and/or the LSEG Group as the case may be (the **Regulatory MAC Condition**).
- 1.2 The following shall not result in a failure to satisfy the conditions at paragraphs 1.1(h) and 1.1(o):
- (a) the imposition of regulatory conditions or requirements that, prior to the date of the Announcement, have been:
 - (i) announced;
 - (ii) formally publicly proposed (provided that the party relying on the condition would reasonably be expected to be aware of such formal public proposal); or
 - (iii) otherwise communicated directly to the party seeking to rely on the condition;
 - (b) the withdrawal of any Regulatory Licence in connection with the winding-down by any member of the LCH.Clearnet Group or the LSEG Group of any of their business lines or their businesses in any jurisdiction, provided such winding-down is not restricted by any of the LCH.Clearnet Pre-Completion Obligations; or
 - (c) the withdrawal of any Regulatory Licence if such Regulatory Licence is replaced by a Regulatory Licence that permits the same business to be conducted as under the original Regulatory Licence.
- 1.3 LSEG shall at all times use all reasonable endeavours to obtain the satisfaction of the conditions in paragraphs 1.1(j) 1.1(k) 1.1(l) of this Part 5 (the **Merger Control Conditions**) by the Longstop Date, save that:
- (a) if the LSEG Board concludes, acting reasonably, that to proceed with the Transaction on the terms required to satisfy the Merger Control Conditions (for the avoidance of doubt, whether

relating to LCH.Clearnet or LSEG) would materially reduce the overall advantages of entering into the Transaction to LSEG and/or the Enlarged Group, LSEG may terminate the Implementation Agreement; and

- (b) if the LCH.Clearnet Board concludes, acting reasonably, that to proceed with the Transaction on the terms required to satisfy the Merger Control Conditions (relating to LCH.Clearnet) would materially reduce the overall advantages of entering into the Transaction to LCH.Clearnet, LCH.Clearnet may terminate the Implementation Agreement.
- 1.4 LSEG and/or LSEC reserves the right (but shall be under no obligation) to waive the following conditions, in whole or in part: 1.1(c), (e), (m) and (to the extent that the material adverse effect is on the LCH.Clearnet Group) (o). LCH.Clearnet reserves the right to waive the following conditions, in whole or in part 1.1(d), (f), (n) and (to the extent that the material adverse effect is on the LSEG Group) (o). The remaining conditions may be waived by mutual written agreement between LCH.Clearnet and LSEG.
- 1.5 The Offer will lapse if:
- (a) the conditions have not been satisfied or waived by the Longstop Date; or
 - (b) the Implementation Agreement is validly terminated by LSEG or LCH.Clearnet in accordance with its terms.
- 1.6 If the Offer lapses, LCH.Clearnet Shareholders who have accepted the Offer and LSEG shall then cease to be bound by acceptances of the Offer.

PART 6 : SWAPCLEAR BUSINESSES

Introduction

SwapClear anticipated the recent changes in the regulatory landscape mandating clearing of certain OTC derivatives trading through CCPs. In order to make SwapClear a compelling and viable offering, LCH.Clearnet harnessed the expertise and the financial resources of the SwapClear Banks to develop SwapClear. More recently, LCH.Clearnet has undertaken similar initiatives to develop equivalent services for FX products and CDS. In summary, LCH.Clearnet has developed arrangements for each of the SwapClear Businesses with the SwapClear Banks, under which the great majority of the cost of developing and operating the SwapClear Businesses is borne by the SwapClear Banks, and accordingly governance and financial returns from the SwapClear Businesses are shared with them.

SwapClear is in operation for but; neither of the other two SwapClear Businesses is yet operational. Accordingly, the impact of the SwapClear Businesses on the revenues and profits of the LCH.Clearnet Group has yet to be fully realised. However, with the strong regulatory impetus to have a much higher proportion of OTC transactions centrally cleared, the prospects for the SwapClear Businesses are strong and LSEG expects them to become an increasingly significant part of the LCH.Clearnet Group's operations and financial performance. In addition, achieving cross margining offsets as between different clearing houses will be a critical area of development over coming years for the SwapClear Business and efforts are already underway to explore how that might be achieved in the US for SwapClear.

The SwapClear Agreements

The terms of the SwapClear Framework Agreement (most recently entered into in 2010), the ForexClear Agreement (entered into in 2010) and the CDSClear Agreement (which is still to be entered into) are substantially similar:

- (a) the SwapClear Banks, through the companies established by them, have the right to oversee the development and operation of the SwapClear Businesses and, as a part of this right, each SwapClear Business has a contractually established governing committee, the majority of which is nominated by the SwapClear Banks. These governing committees have governance rights over their respective SwapClear Businesses, save that LCH.Clearnet does not have to implement decisions which would adversely affect its credit standing or its risk management, cause a breach of its rulebook or of any law or regulation, or expose it to legal or reputational risk;
- (b) the governing committees are not permitted to take certain actions without the consent of the LCH.Clearnet representatives on the governing committees;
- (c) LCH.Clearnet has established separate business units for each of the SwapClear Businesses, each with their own Chief Executives and core staffing team, supported by certain central services provided by LCH.Clearnet. All such teams report to the governing committee for the relevant SwapClear Business, with the exception of the risk teams (which report to the LCH.Clearnet Group Head of Risk) and the IT teams (which report jointly to the LCH.Clearnet Head of IT and their respective service Chief Executive Officer);
- (d) the SwapClear Banks directly or indirectly finance or underwrite most of the development and operating costs for the SwapClear Businesses, although LCH.Clearnet in some cases does need to fund cash outflows until they are reimbursed for a period before the reimbursement is made. There is also an agreed basis for funding development and operating cost over-runs (which does expose LCH.Clearnet to the risk of some irrecoverable expense);

- (e) there are detailed provisions for the calculation and allocation of annual surpluses earned by LCH.Clearnet in respect of the SwapClear Businesses set out in the SwapClear Agreements, the cash flow impact of which is described under the heading "Cash Flow Allocation from SwapClear Businesses" below;
- (f) in each case, the SwapClear Banks are able to terminate the SwapClear Agreements on one year's notice after an initial period, but in respect of the SwapClear Framework Agreement and the ForexClear Agreement the earliest effective date of termination in some circumstances is 2014. There are also customary rights of termination for material breach on the part of both parties, including on a change of control. Where any of the SwapClear Agreements are terminated, the SwapClear Banks are entitled to a duplicate license of the software systems used by LCH.Clearnet in favour of another provider. In addition each of the SwapClear Agreements contain provisions entitling the SwapClear Banks to terminate the relevant agreement with immediate effect on a change of control of LCH.Clearnet. In such circumstances, LCH.Clearnet may have either to reimburse the relevant counterparty for capital expenditure costs incurred (being the position under the CDSClear Agreement) or, alternatively, be unable to recover capital expenditure costs incurred by it on behalf of the relevant counterparty (being the position under the SwapClear Framework Agreement and the ForexClear Agreement). See also below in relation to the modification of the change of control termination rights in the SwapClear Agreements; and
- (g) as ForexClear and CDSClear have not yet been established, the ForexClear Agreement and the draft CDSClear Agreement set out the milestones which measure the progress of the initial development of ForexClear and CDSClear (as appropriate) in the period to launch. The ForexClear Agreement and the draft CDSClear Agreement set out pre-conditions for the launch of ForexClear and CDSClear (as appropriate), various payment provisions between LCH.Clearnet and the SwapClear Banks with regard to completing phases of the initial development against the milestones and a termination right of the SwapClear Banks in specified circumstances connected with any delays by LCH.Clearnet in achieving its milestones.

Cash flow allocation from the SwapClear Businesses

Cash flows generated from the operation of the SwapClear Businesses are used to:

- pay LCH.Clearnet a priority profit share; and
- repay sums invested in developing the business in question;

and thereafter they are allocated between the SwapClear Banks (reflecting their bearing the risk of underwriting the development and operating costs of the relevant business) and LCH.Clearnet.

Proposed changes to the SwapClear Businesses arrangements

Under LCH.Clearnet's current rule book, there is a risk (as referred to in Part 2) that a default by a clearing member, including a clearing member of SwapClear, could result in LCH.Clearnet Limited being required to use an unlimited amount of its own resources to meet the defaulter's exposures in extreme cases. Such risk will be mitigated as far as SwapClear is concerned by certain steps which LCH.Clearnet is taking, as described in the paragraph below, which are also designed to address the potential impact US regulatory rules may have on this current risk. Such risk will also be mitigated as far as ForexClear and CDSClear is concerned upon approval of their respective draft rule books by the regulators for the launch of ForexClear and CDSClear, respectively.

Certain US regulatory rules coming into force in May 2012 require LCH.Clearnet to substantially lower the criteria of minimum net worth for its clearing members. For example, certain applicants for membership of SwapClear will (subject to satisfying other regulatory and admissions criteria) be

entitled to become SwapClear clearing members with an adjusted net capital of \$50 million (£32 million). This has led LCH.Clearnet to review the relationship between the broadened membership criteria and the general default fund. LCH.Clearnet wishes to limit the risks posed to it by the broadened membership criteria. LCH.Clearnet has decided to do this by creating a segregated SwapClear default fund and introducing a loss distribution mechanism agreed by the members and which limits the amount of resources that LCH.Clearnet is required to make available in the event of a SwapClear default. The introduction of a segregated default fund has been approved by clearing members in a ballot and is now going through a regulatory approval process.

Termination rights if there is a change of control of LCH.Clearnet or LSEG

LSEG and LCH.Clearnet have also agreed with the SwapClear Banks to slightly amend the existing change of control provisions in the SwapClear Agreements to provide that if there is, during the term of the relevant SwapClear Agreement, a change of control of LCH.Clearnet, including as a result of there being a change of control of LSEG, pursuant to which LCH.Clearnet comes under control of an exchange or other equivalent market operator, the SwapClear Banks will be entitled to terminate all or any of the SwapClear Agreements. The SwapClear Banks have agreed to waive their rights under these provisions in the SwapClear Agreements in relation to the Transaction.

PART 7 : SUMMARY OF GOVERNANCE, MANAGEMENT, SHAREHOLDING STRUCTURE AND OTHER ONGOING ARRANGEMENTS BETWEEN LCH.CLEARNET AND LSEG

INTRODUCTION

The governance arrangements relating to the LCH.Clearnet Group will reflect its ownership structure following Completion, the need for appropriate stakeholder representation, the requirements arising from the regulated status of the LCH.Clearnet Group companies and the LSEG Group's requirements for appropriate controls as the majority LCH.Clearnet Shareholder.

The governance and management arrangements together with certain ongoing relationship matters are principally set out in the New LCH.Clearnet Articles and the Relationship Agreement. The Business Plan and the Budget will set out strategy and financial matters in relation to the management of LCH.Clearnet. In addition, certain terms of reference and policies will, pursuant to the terms of the Implementation Agreement, be adopted with effect from Completion.

Set out below is a summary of the key governance, management, shareholding structure and ongoing relationship matters. The summary below captures the material terms of each of the Relationship Agreement and the New LCH.Clearnet Articles under headings relating to various aspects of the arrangements, noting the source of the relevant provisions where appropriate.

GOVERNANCE AND MANAGEMENT

Following Completion, the following governance and management arrangements will apply to the LCH.Clearnet Group:

LCH.Clearnet Board

The New LCH.Clearnet Articles and the Relationship Agreement provide that the LCH.Clearnet Board will initially comprise 16 directors, consisting of:

- the current independent Non-Executive Chairman of LCH.Clearnet, Jacques Aigrain;
- the current Chief Executive Officer of LCH.Clearnet, Ian Axe;
- three LCH.Clearnet Independent Directors;
- five User Directors nominated by the LCH.Clearnet Nomination Committee in accordance with the Nomination Terms of Reference and subject to approval by LSEG;
- three directors appointed by LSEG, one of whom will be the current Chief Executive Officer of LSEG, Xavier Rolet; and
- three Venue Directors (note that LSEG may nominate LSEG Independent Directors for appointment to the LCH.Clearnet Board in substitution for such Venue Directors if there are insufficient Venue Shareholders which LSEG considers appropriate to appoint as a Venue Director).

The existing director appointment rights of NYSE Euronext contained in the current LCH.Clearnet articles of association will be retained unless otherwise agreed with NYSE Euronext. The appointment rights contain, *inter alia*, minimum shareholding criteria. Any director appointed pursuant to such rights would be in addition to the directors described above.

The Relationship Agreement provides that the composition of the LCH.Clearnet Board will also be subject to changes required from time to time as a result of regulatory requirements.

Under the proposed arrangements:

- LSEG will be entitled to appoint and remove up to four directors to the LCH.Clearnet Board, including the Chief Executive Officer of LCH.Clearnet (such appointment rights being set out in both the New LCH.Clearnet Articles and the Relationship Agreement);
- in appointing a Non-Executive Chairman, the LCH.Clearnet Nomination Committee will consult with LSEG with regards to the suitability of the short-listed candidates being considered for appointment (which is reflected in the Nomination Terms of Reference to be adopted at Completion);
- in relation to the appointment of the five User Directors, appointments will be carried out pursuant to procedures set out in the Nomination Terms of Reference which will require that the relevant appointees have to be approved by LSEG;
- in relation to the appointment of the three Venue Directors, such appointees will have to be approved by LSEG (in accordance with the Relationship Agreement);
- in relation to the appointment of the LSEG Independent Directors, appointments will be made in accordance with the Nomination Terms of Reference; and
- in relation to the appointment of the three LCH.Clearnet Independent Directors, appointments will be made in accordance with the Nomination Terms of Reference.

The Nomination Terms of Reference may not be amended without the consent of LSEG or without Minority Shareholder Approval.

Pursuant to the Relationship Agreement, LSEG has agreed with LCH.Clearnet that:

- LSEG will not exercise its statutory voting rights to remove directors (other than the Chief Executive Officer, the three additional directors appointed by LSEG, the Venue Directors and the LSEG Independent Directors) from the LCH.Clearnet Board in circumstances where it would not be reasonable to do so;
- LSEG will consult with the LCH.Clearnet Board (except in exceptional circumstances) before removing any Chief Executive Officer; and
- notwithstanding any changes to the composition of the LCH.Clearnet Board required from time to time as a result of any regulatory requirements, LCH.Clearnet and LSEG shall procure that, to the greatest extent possible, the balance of the categories of directors on the LCH.Clearnet Board set out above will remain the same until such time as the LCH.Clearnet Board determines otherwise, with LSEG's consent.

Under the New LCH.Clearnet Articles:

- subject to any regulatory requirements, the quorum for any LCH.Clearnet Board meeting shall be at least one LCH.Clearnet Independent Director (or the Non-Executive Chairman of LCH.Clearnet), two directors nominated by LSEG and one User Director;
- LCH.Clearnet Board decisions will be by the majority of votes of directors present and eligible to vote or by written resolution and every director will have one vote; and
- the Non-Executive Chairman will not have a casting vote.

Committees

Under the New LCH.Clearnet Articles, the establishment of the LCH.Clearnet Board committees and their terms of reference will be at the discretion of the LCH.Clearnet Board. Following Completion, it is contemplated that there will be audit, nomination and remuneration committees. The boards of LCH.Clearnet Limited and LCH.Clearnet S.A. currently have risk management committees.

Subject to regulatory requirements, the quorum for each of the LCH.Clearnet Board committees shall be at least one LCH.Clearnet Independent Director, one User Director and one director nominated by LSEG or, in the case of the remuneration committee, one independent non-executive director of the LSEG Board (who may be but is not required to be a director of LCH.Clearnet appointed by LSEG) and ideally will be a member of the LSEG remuneration committee.

Pursuant to the Relationship Agreement, LSEG is entitled to appoint the vice-chairman, or such other person as LSEG chooses, to the risk management committees of LCH.Clearnet Limited and LCH.Clearnet S.A.

Remuneration committee

It is not expected that there will be a standardised approach to remuneration structures and levels as between the LCH.Clearnet Group and the LSEG Group. However, the respective chairmen of the remuneration committees of LCH.Clearnet and LSEG will consult with each other on a regular basis in respect of their remuneration policies and principles, and changes to the remuneration of the Chief Executive Officer of LCH.Clearnet and any member of the LCH.Clearnet executive committee (save for the heads of any SwapClear Business, whose remuneration is determined by the relevant SwapClear governance committee) will be made in accordance with an agreed process and be subject to the consent of the LSEG remuneration committee. These provisions are set out in the Relationship Agreement.

Subsidiary boards

The following provisions relating to the subsidiary boards of significant operating subsidiaries of LCH.Clearnet are set out in the Relationship Agreement:

The LCH.Clearnet Limited board will initially comprise up to 11 directors, consisting of:

- the current independent Non-Executive Chairman of LCH.Clearnet, Jacques Aigrain;
- the current Chief Executive Officer of LCH.Clearnet, Ian Axe;
- the Chief Financial Officer of LCH.Clearnet;
- the Chief Risk Officer of LCH.Clearnet;
- two LCH.Clearnet Independent Directors;
- two User Directors;
- one of the three directors nominated by LSEG to the LCH.Clearnet Board; and
- up to two of the three Venue Directors or, if appointed in substitution for the Venue Directors (see “LCH.Clearnet Board” above), LSEG Independent Directors,

and such number of additional LCH.Clearnet Independent Directors as may be required from time to time to ensure that the LCH.Clearnet Limited board includes an adequate proportion of LCH.Clearnet Independent Directors to comply with any regulatory requirement and good governance principles.

The LCH.Clearnet S.A. board will initially comprise up to 12 directors, consisting of:

- a Non-Executive Chairman, who is expected to be an LCH.Clearnet Independent Director resident in France;
- the current independent Non-Executive Chairman of LCH.Clearnet, Jacques Aigrain;
- the current Chief Executive Officer of LCH.Clearnet, Ian Axe;
- the Chief Risk Officer of LCH.Clearnet;
- the current Chief Executive Officer of LCH.Clearnet S.A.;
- two LCH.Clearnet Independent Directors;
- up to two User Directors;
- one of the three directors nominated by LSEG to the LCH.Clearnet Board; and
- up to two Venue Directors or, if appointed in substitution for the Venue Directors (see “LCH.Clearnet Board” above), LSEG Independent Directors.

Notwithstanding any changes to the LCH.Clearnet Limited board and LCH.Clearnet S.A. board or any other significant operating subsidiaries of LCH.Clearnet required from time to time as a result of any regulatory requirements, LCH.Clearnet and LSEG shall procure that, to the greatest extent possible, the balance of the categories of directors on such boards will remain the same until such time as the LCH.Clearnet Board determines otherwise, with LSEG’s consent.

Management of LCH.Clearnet

Pursuant to the Relationship Agreement, the day-to-day management of the LCH.Clearnet Group and implementation of the Business Plan and the Budget will be delegated by the LCH.Clearnet Board to the Chief Executive Officer of LCH.Clearnet on the terms of the Executive Delegation. The Executive Delegation is subject to the LCH.Clearnet Board Reserved Matters, the New LCH.Clearnet Articles and the other terms of the Relationship Agreement.

Under the terms of the Executive Delegation, the Chief Executive Officer of LCH.Clearnet is authorised to:

- (a) approve any item of expenditure or the incurrence of a liability (including expenditure or liability in excess of any specifically budgeted amount) by any LCH.Clearnet Group company without further reference to the LCH.Clearnet Board if such expenditure or liability does not: (i) exceed £10 million; and (ii) result in the total limit on spending or costs set out in the Business Plan and the Budget exceeding the budgeted level by more than 10 per cent.;
- (b) take all decisions and steps to agree and execute all such documents and take such other actions on behalf of LCH.Clearnet as may be necessary, expedient and proper in connection with any matter that is not an LCH.Clearnet Board Reserved Matter; and
- (c) pursue exploratory discussions for transactions that may involve expenditure or the incurrence of any liability by any LCH.Clearnet Group company that is in excess of the amount set out in sub-paragraph (a) above, or is not for a purpose that the Chief Executive Officer of LCH.Clearnet is authorised to approve pursuant to sub-paragraph (b), provided that no commitment is entered into without the approval of the LCH.Clearnet Board and the LCH.Clearnet Board is kept informed of the content of such discussions.

Pursuant to the Relationship Agreement, the Chief Executive Officer of LCH.Clearnet is permitted to appoint his own management team including the head of the LCH.Clearnet Group's risk management function.

Under the New LCH.Clearnet Articles, the direction and supervision of LCH.Clearnet's business will be the responsibility of the LCH.Clearnet Board, subject to the LSEG Consent Matters, the Push Matters and the Minority Protection Reserved Matters (each as contemplated by the New LCH.Clearnet Articles and the Relationship Agreement). In addition, as contemplated by the New LCH.Clearnet Articles, the LCH.Clearnet Group will be operated in accordance with the Core Operating Principles to be adopted by the LCH.Clearnet Board at Completion.

Pursuant to the Relationship Agreement, the Business Plan and the Budget will, subject to the LSEG Consent Matters and the Push Matters, be prepared annually by the Chief Executive Officer for approval by the LCH.Clearnet Board and will look forward for the next five financial years.

Core Operating Principles

The Core Operating Principles are summarised below:

- operation of safe and trusted clearing venues so as to comply with the LCH.Clearnet Group's legal and regulatory obligations at all times;
- operation of the LCH.Clearnet Group as a fully commercial and for-profit business;
- preservation of the SwapClear Businesses structure, operating models and arrangements (for a description of which, see Part 6) without change, including in relation to governance, pricing, management and control (unless otherwise agreed between the parties to the relevant SwapClear Agreement, LCH.Clearnet and LSEG);
- services offered on terms that are fair, reasonable, open and non-discriminatory and on a basis such that LCH.Clearnet's risk is adequately controlled;
- an agreed dividend policy, which would allow the LCH.Clearnet Board to calculate at semi annual intervals the amount of distributable profits available for paying dividends, taking into account prescribed factors (including regulatory requirements), with LSEG having the ability to determine whether, and to what extent, to distribute that amount;
- preservation of the RepoClear operating model and arrangements in all material respects; and
- arm's length contractual arrangements between any LCH.Clearnet Group company and any LSEG Group company.

The Core Operating Principles will be adopted by the LCH.Clearnet Board at Completion and may only be amended with LSEG's consent (as described below). Material amendments to the Core Operating Principles may only be made by special resolution and with Minority Shareholder Approval. The determination of whether a proposed amendment to the Core Operating Principles is material shall be made by a majority decision of the LCH.Clearnet Independent Directors.

Product level governance

With regard to product level governance, LCH.Clearnet intends to put in place arrangements for each divisional managing director to be supported by an advisory committee for each major product line within LCH.Clearnet. It is anticipated that these advisory committees will provide specialist input and advice to the relevant divisional managing director, in relation to the relevant product line. It is intended that the advisory committee for each product line will consist of eight members, including

both members of the LCH.Clearnet executive team and Clearing Participants, although the detailed scope and composition of each advisory committee may vary depending on User feedback.

Notwithstanding the product governance proposals described above, the current product governance in relation to the SwapClear Businesses will be preserved without change and in relation to RepoClear will be preserved in all material respects, save to the extent that any applicable laws or regulations require the governance or models to be altered from time to time.

LCH.Clearnet Shareholder meetings

Under the New LCH.Clearnet Articles, the quorum for an LCH.Clearnet Shareholder meeting shall be at least two LCH.Clearnet Shareholders, one of which shall be a member of the LSEG Group.

LSEG Consent Matters

The LSEG Consent Matters are set out in the Relationship Agreement. Under the New LCH.Clearnet Articles, the LSEG Consent Matters will require the written consent of LSEG. Material amendments to the LSEG Consent Matters can only be made by special resolution and with Minority Shareholder Approval.

In summary, LSEG Consent Matters are:

- material acquisitions and disposals;
- material borrowings;
- material IT investments;
- settlement of certain litigation;
- adoption of, material variation of, or departures from the Business Plan or the Budget;
- any transaction which LCH.Clearnet is aware would constitute for LSEG a significant transaction under Listing Rule 10 or a related party transaction under Listing Rule 11 (in order to ensure that LCH.Clearnet is aware of such matters, it is agreed in the Relationship Agreement that LCH.Clearnet will co-operate with LSEG with respect to the identification of such transactions and to provide relevant information for such purposes (including for any relevant shareholder circular));

and any matters which:

- would represent a change to, or divergence from, the Core Operating Principles or Executive Delegation;
- would be reasonably likely to cause a material change in the regulatory obligations or regulatory capital requirements applicable to business of the LCH.Clearnet Group or the LSEG Group;
- would reasonably be expected to constitute:
 - o a material increase in the risk profile of the investment policy or the collateral management policy; or
 - o a change in the liquidity policy which would result in a material decrease in liquidity resources available to the LCH.Clearnet Group; or

- would represent a material change to, or divergence from, the Business Plan and/or the Budget (other than to the extent that the relevant matter is executed within the limits contained in the Executive Delegation).

LSEG Consent Matters will not require the consent described above if the matter is:

- (a) set out in reasonable detail in the Business Plan and/or the Budget or in, or in the attachments to, the LCH.Clearnet Disclosure Letter and is executed within the financial and other parameters and/or limits contained in such plan, budget, letter or attachments; or
- (b) required by any applicable laws or regulations.

The LCH.Clearnet Disclosure Letter sets out certain matters in relation to LCH.Clearnet and the Transaction, including certain aspects of LCH.Clearnet's growth strategy (including in the US) and of the ongoing development of the SwapClear Businesses.

No matter which LCH.Clearnet is required to undertake in order to comply with its obligations under a SwapClear Agreement shall constitute an LSEG Consent Matter.

Push Matters

The Push Matters are set out in the Relationship Agreement. The New LCH.Clearnet Articles set out the approval arrangements for Push Matters. Material amendments to the Push Matters can only be made by special resolution and with Minority Shareholder Approval.

Under the Push Matter regime, LSEG or any of the directors appointed by LSEG (which, for the avoidance of doubt, does not include the Venue Directors and the LSEG Independent Directors) may require that a resolution be put to LCH.Clearnet Shareholders which:

- (a) has already been decided upon by the LCH.Clearnet Board; or
- (b) LSEG wishes to be put to resolution by the LCH.Clearnet Board, but which the LCH.Clearnet Board has failed to consider or on which it is unable to reach agreement, in each case within such reasonable period of time as may be allowed by LSEG.

Push Matters elevated to LCH.Clearnet Shareholders will require the approval of LCH.Clearnet Shareholders in a general meeting. For such a Push Matter to be validly approved, at least: (a) 60 per cent. of the votes attaching to the LCH.Clearnet Shares cast by LCH.Clearnet Shareholders; and (b) 25 per cent. of the votes attaching to the LCH.Clearnet Shares cast by User Shareholders, in each case, on the relevant resolution must be in favour.

In summary, Push Matters are:

- expansion into new geographies;
- introduction of new Venues;
- adoption of, material variation of, or departures from, the Business Plan or the Budget;
- any material matter relating to LCH.Clearnet's IT strategy;
- material acquisitions and disposals;
- material borrowings; and
- entry into, termination or material variation of any material contract.

A matter shall not be capable of being a Push Matter if approval of the relevant matter would result in LCH.Clearnet not complying with a requirement of any applicable laws or regulations.

No matter which LCH.Clearnet is required to undertake in order to comply with its obligations under a SwapClear Agreement shall constitute a Push Matter.

Minority Protection Reserved Matters

Pursuant to the Relationship Agreement, Minority Protection Reserved Matters (which are set out in the Relationship Agreement) will require the approval of LCH.Clearnet Shareholders holding at least 80 per cent. of the votes attaching to the LCH.Clearnet Shares cast on the relevant resolution at an LCH.Clearnet Shareholder meeting. Minority Protection Reserved Matters may also be approved by written resolution. In addition, pursuant to the New LCH.Clearnet Articles, Minority Protection Reserved Matters that are required to be approved by LCH.Clearnet Shareholders pursuant to the Relationship Agreement shall not occur or be implemented unless they have also been approved by special resolution.

In summary, Minority Protection Matters are:

- altering the constitutional documents of LCH.Clearnet;
- a material change in the Core Operating Principles;
- a change to the share capital of LCH.Clearnet on a non pre-emptive basis, subject to any share issues: required in order to maintain sufficient regulatory capital (including pursuant to the Regulatory Capital Subscription Agreement) or introduce new Venues; in connection with acquisitions approved as Push Matters; or for cash, conducted pursuant to the LCH.Clearnet Board's standing authority in the New LCH.Clearnet Articles as refreshed by special resolution from time to time;
- any proposal to wind up LCH.Clearnet or any material LCH.Clearnet Group company or other voluntary proceedings seeking liquidation, administration, reorganisation, readjustment or other relief under any bankruptcy, insolvency or similar law or the appointment of a trustee, receiver, administrator, liquidator or similar officer; and
- any material amendment to the Relationship Agreement (save for any amendment(s) pursuant to any legal or regulatory requirement).

However, the following matters will not require the approval described above:

- (a) any proposal to wind up LCH.Clearnet or any material LCH.Clearnet Group company as described in the Minority Protection Matter set out above which the LCH.Clearnet Directors, in the proper exercise of their fiduciary duties, determine shall not require such approval; and
- (b) any matter which the LCH.Clearnet Independent Directors reasonably determines is not material to the User Shareholders.

SHAREHOLDING ARRANGEMENTS

Shareholding structure

Pursuant to the terms of the Offer, on Completion the LSEG Group will own between 50 per cent. plus one LCH.Clearnet Share of the issued share capital of LCH.Clearnet as at Completion and 60 per cent. of the LCH.Clearnet Issued Share Capital. The balance of LCH.Clearnet Shares not held by the LSEG Group will be held by existing LCH.Clearnet Shareholders which retain some or all of their

LCH.Clearnet Shares and any new Venue partners agreed by LSEG (with the approval of LCH.Clearnet) which wish to acquire LCH.Clearnet Shares.

Under the Relationship Agreement, LSEG and LSEC have agreed that the LSEG Group will not dispose of its LCH.Clearnet Shares for a period of 12 months following Completion, subject to any sale to new Venues that do not reduce the LSEG Group's shareholding in LCH.Clearnet below 50 per cent. plus one LCH.Clearnet Share.

Under the New LCH.Clearnet Articles, all ordinary shares will rank *pari passu* including as to dividends and other distributions, voting and return of capital.

Under the New LCH.Clearnet Articles, subject to all relevant laws and regulations, an ownership cap will prevent LCH.Clearnet Shareholders from holding, directly or indirectly, 10 per cent. or more of the issued share capital of LCH.Clearnet and the voting rights of LCH.Clearnet Shareholders will be capped at 5 per cent. These caps will not apply to the LSEG Group for so long as it maintains an interest of 10 per cent. or more in LCH.Clearnet. The voting rights attaching to LCH.Clearnet Shares in excess of the 5 per cent. cap are exercised by the company secretary of LCH.Clearnet in accordance with the recommendation of the LCH.Clearnet Board.

Pursuant to the Regulatory Capital Subscription Agreement, LCH.Clearnet may (as determined by a resolution of the LCH.Clearnet Board, and within a period of 18 months of the date of Completion) call for LSEG or LSEC to subscribe up to €24 million (£20 million) at the Offer Price for further LCH.Clearnet Shares if required in order to meet LCH.Clearnet's regulatory capital requirements. If LCH.Clearnet calls for subscription by LSEG or LSEC, such issue may be made on a non pre-emptive basis and this could result in the LSEG Group's holding exceeding 60 per cent. of the issued share capital of LCH.Clearnet.

New LCH.Clearnet Shareholders

Under the New LCH.Clearnet Articles, any new LCH.Clearnet Shareholders will need to be: interdealer brokers, clearing members which are party to clearing arrangements with LCH.Clearnet, buy-side institutions (including asset managers), exchanges, trading platforms and settlement facility providers or any other legitimate market participant (subject to LSEG's consent), provided in each case that the number of the relevant entity's contracts or trades cleared by the LCH.Clearnet Group is considered by the LCH.Clearnet Board to be significant or the relevant entity otherwise demonstrates a mutual business relationship or interest to the satisfaction of the LCH.Clearnet Board (and the LCH.Clearnet Board may take into account the regulatory good standing of such entity when determining whether it is so satisfied).

Under the New LCH.Clearnet Articles, any new Venues must be approved by the LCH.Clearnet Board.

Issues of LCH.Clearnet Shares

Under the New LCH.Clearnet Articles, the LCH.Clearnet Board will be granted a standing authority to allot up to one third of the existing share capital of LCH.Clearnet and to make annual non pre-emptive issues for cash of up to five per cent. of the existing share capital of LCH.Clearnet, subject to any such issues in any three year period representing no more than 7.5 per cent. of the existing share capital of LCH.Clearnet. The LCH.Clearnet Board will also be permitted to allot LCH.Clearnet Shares for cash on a non pre-emptive basis to new Venue partners, for the purposes of maintaining sufficient regulatory capital, and to enable LSEC to subscribe for such number of LCH.Clearnet Shares as is required to enable the LSEG Group to hold 50 per cent. of the issued share capital of LCH.Clearnet as at Completion plus one LCH.Clearnet Share.

Under the New LCH.Clearnet Articles, the allotment of LCH.Clearnet Shares shall be subject to the consent of LSEG.

Under the Relationship Agreement, for the 12 months immediately following Completion, any issue of LCH.Clearnet Shares in order to facilitate the introduction of new Venue Shareholders shall be made at a subscription price of no less than €19 per LCH.Clearnet Share unless otherwise agreed between the LCH.Clearnet Board and LSEG.

Under the New LCH.Clearnet Articles, on any share issue which would result in:

- (a) the LSEG Group's shareholding falling below 50 per cent. plus one LCH.Clearnet Share, 40 per cent., 20 per cent. or 10 per cent., prior to such issue the LSEG Group will be entitled to subscribe on the same or equivalent terms in order to maintain a shareholding percentage of LCH.Clearnet Shares of 50 per cent. plus one LCH.Clearnet Share, 40 per cent., 20 per cent. or 10 per cent. (as appropriate); or
- (b) the User Shareholders aggregate shareholding falling below 25 per cent. or, if it is already below 25 per cent. prior to such issue, below 20 per cent., the User Shareholders will be entitled to subscribe on the same or equivalent terms in order to maintain an aggregate shareholding percentage of LCH.Clearnet Shares of 25 per cent. or 20 per cent. (as appropriate).

Transfers of LCH.Clearnet Shares

The following provisions are set out in the New LCH.Clearnet Articles.

Subject to the discretion of the LCH.Clearnet Board to approve any transfer of LCH.Clearnet Shares if it considers that the interests of LCH.Clearnet would be best served by the LCH.Clearnet Shares being transferred on a non pre-emptive basis to a particular entity, on a transfer of LCH.Clearnet Shares:

- (a) by an LCH.Clearnet Shareholder which is not a Venue Shareholder; and
- (b) by the LSEG Group other than to a Venue eligible to be an LCH.Clearnet Shareholder and approved by the LCH.Clearnet Board,

the remaining LCH.Clearnet Shareholders will have a right of first refusal on a *pro rata* basis.

On a transfer of LCH.Clearnet Shares by a Venue Shareholder, the LSEG Group will have a right of first refusal. The LCH.Clearnet Board's discretion described above will not apply to the extent that, in exercising such right, the LSEG Group's percentage holding of LCH.Clearnet Shares would not exceed its percentage holding immediately after Completion. However, if the LSEG Group does not exercise such right, or if the LSEG Group exercises such right but there are excess LCH.Clearnet Shares that it is not entitled to acquire, the remaining LCH.Clearnet Shareholders will have a right of first refusal on a *pro rata* basis in respect of the LCH.Clearnet Shares the Venue Shareholder wishes to transfer or the excess LCH.Clearnet Shares (as applicable).

The LSEG Group will be able to transfer LCH.Clearnet Shares on a non pre-emptive basis to any Venue eligible to be an LCH.Clearnet Shareholder and approved by the LCH.Clearnet Board.

On a pre-emptive offer, any share transfer shall be conditional on the relevant transferor being able to transfer the minimum number of LCH.Clearnet Shares specified by such transferor to the other LCH.Clearnet Shareholders. If this condition is not met the relevant transferor shall be entitled to transfer such LCH.Clearnet Shares on a non pre-emptive basis.

Sale of LSEG's interest / impact of dilution

Under the New LCH.Clearnet Articles and the Relationship Agreement, on a sale by LSEG of its entire (direct or indirect) interest in LCH.Clearnet, or of more than 50 per cent. of the issued share capital of LCH.Clearnet, to a single purchaser, such purchaser shall adhere to the Relationship

Agreement. On a transfer (direct or indirect) of more than 50 per cent. of the issued share capital of LCH.Clearnet by LSEG, if LCH.Clearnet, LSEG and the purchaser wish to materially vary the rights and obligations that would apply to the purchaser, LCH.Clearnet and LSEG must obtain Minority Shareholder Approval.

In the event that the LSEG Group sells part of its interest in LCH.Clearnet or does not exercise its anti-dilution protections, its governance rights and protections will be scaled back in accordance with the provisions of the New LCH.Clearnet Articles and the Relationship Agreement. A number of LSEG's key rights (including the right to appoint and remove the Chief Executive Officer, the LSEG Consent Matters and the Push Matters) will be lost if the LSEG Group no longer holds 40 per cent. or more of the issued share capital of LCH.Clearnet.

Cessation of LSEG rights

In certain limited circumstances, LSEG's rights under the Relationship Agreement will cease (and the LSEG Group will be treated as a "Dormant Member" under the New LCH.Clearnet Articles with the result that it will no longer be able to exercise the voting rights attached to its LCH.Clearnet Shares and LCH.Clearnet may redeem such LCH.Clearnet Shares at a price of €15 per LCH.Clearnet Share or require them to be sold at fair market value). These circumstances include:

- (a) the termination by LSEG of its clearing agreement with LCH.Clearnet other than for cause;
- (b) the termination by LCH.Clearnet of its clearing agreement with LSEG as a result of a termination event triggered by LSE plc's insolvency or the termination of LSE plc's Recognised Investment Exchange status (provided that, in the latter case, LSEG's rights shall be reinstated if LSE plc regains Recognised Investment Exchange status); and
- (c) except where LSEG has done no more than exercise its rights of appointment or removal, or to give or withhold consent to the appointment of directors to the LCH.Clearnet Board, as provided for in the Relationship Agreement, the New LCH.Clearnet Articles or the Nomination Terms of Reference, if the LSEG Group exercises its statutory voting rights to appoint directors to, or remove directors from, the LCH.Clearnet Board such that the LSEG Group obtains an overall majority on the LCH.Clearnet Board unless:
 - (i) LCH.Clearnet has materially breached the Relationship Agreement and the breach remains unremedied for a period of 30 days;
 - (ii) (A) if LCH.Clearnet has given notice to LSEG to restore the balance of the LCH.Clearnet Board, the balance has been restored within 30 days; or (B) LCH.Clearnet has given no such notice to LSEG; or
 - (iii) LCH.Clearnet and LSEG have been in dispute as to whether LCH.Clearnet has been in material breach as described in (i) and there has been an agreement or final judicial or arbitral determination that LCH.Clearnet has not been in material breach, and the balance of the LCH.Clearnet Board as existed prior to LSEG (or any LSEG Group company) exercising its voting rights has been restored within 30 days of the date of such agreement or determination.

OTHER ONGOING RELATIONS BETWEEN LCH.CLEARNET AND LSEG

Independence

Subject to the other provisions of the Relationship Agreement as described above, the Relationship Agreement provides that the LCH.Clearnet business will be carried on independently of LSEG. LCH.Clearnet will have its own management team which will be responsible for day to day running of the business.

The New LCH.Clearnet Articles and the Relationship Agreement provide that, notwithstanding that directors on the LCH.Clearnet Group boards may have a conflict of interest in respect of a particular matter as a result of their directorship of, or employment by, a member of the LSEG Group or another member of the LCH.Clearnet Group, such directors will be entitled to attend and vote at any meeting at which that matter is to be discussed and are entitled to receive information relating to that matter. However, if the LCH.Clearnet Independent Directors determine that there is a conflict of interest between:

- (a) an LCH.Clearnet Shareholder that has appointed a director and a member of the LCH.Clearnet Group due to a dispute, or the entry into, material variation or termination of a contract, between the two parties; or
- (b) an LCH.Clearnet Shareholder (other than any member of the LSEG Group) that has appointed a director and a member of the LCH.Clearnet Group in relation to any other matter,

then the relevant director will, subject to the discretion of the LCH.Clearnet Independent Directors, be prevented from attending and voting at any meeting at which that matter is to be discussed and from receiving confidential information in relation to that matter.

Also under the New LCH.Clearnet Articles, if the LCH.Clearnet Independent Directors determine that, in order to prevent breach of applicable competition law or regulation, a director appointed or nominated for appointment by a particular shareholder should not have access to certain competitively sensitive information, the relevant director shall not be entitled to receive such information, attend any part of a meeting at which such information is discussed, or participate in discussions or vote on any resolution at meetings of the LCH.Clearnet Board or any committee of the LCH.Clearnet Board relating to such information, unless a majority of the LCH.Clearnet Independent Directors agrees otherwise.

Related party transactions

Under the Relationship Agreement, it is provided that any dealings or contracts between the LCH.Clearnet Group and the LSEG Group will be on *bona fide* arm's length commercial terms and will be subject to the prior approval of a committee of the LCH.Clearnet Board consisting solely of LCH.Clearnet Independent Directors and, when determined appropriate by the LCH.Clearnet Independent Directors, directors not associated with LSEG.

Operating arrangements

The following arrangements are set out in the Relationship Agreement.

With effect from Completion, LCH.Clearnet and LSEG have agreed that they will each continue to operate their respective CCP services businesses as they exist, and in accordance with their business plans, at that time. Subject to this and to certain exceptions, including with respect to LSEG's post-trade technology business, CC&G's operations in Italy and certain other specified jurisdictions, CC&G's services for Italian customers and certain geographies where LCH.Clearnet and LSEG have agreed to operate in accordance with their individual business requirements, LSEG intends to conduct all of its CCP services through LCH.Clearnet. In addition, in the event of an acquisition by LSEG of a clearing business as part of a merger or acquisition, LSEG is obliged, subject to certain exceptions, to offer it for sale to LCH.Clearnet.

These arrangements will terminate on the earlier of five years after Completion or the LSEG Group ceasing to hold 40 per cent. of the issued share capital of LCH.Clearnet.

SwapClear Businesses

LSEG has agreed not to introduce any SwapClear Business products onto its exchange or other execution platforms without the approval of the governance committee relating to the relevant product, subject to applicable regulation not mandating electronic trading in such products and subject to compliance with all applicable antitrust laws. LSEG will not be bound to observe this obligation in respect of those products relating to a SwapClear Business whose associated SwapClear Agreement has been validly terminated.

Provision of information

Under the Relationship Agreement, LCH.Clearnet undertakes to provide LSEG with sufficient financial and other information reasonably required by LSEG to meet any applicable reporting requirements or standards and for LSEG's budgeting and forecasting processes in a timely fashion.

Other provisions of the Relationship Agreement

In addition to the points summarised above, the Relationship Agreement includes conventional boilerplate provisions, such as those relating to confidentiality, announcements, notices and costs.

Amendments to the Relationship Agreement

Any material amendment to the Relationship Agreement (other than any amendment(s) pursuant to any legal or regulatory requirement) are a Minority Protection Reserved Matter and must also be approved by special resolution.

Further information

Further information on the ongoing relations between LCH.Clearnet and LSEG is set out in the New LCH.Clearnet Articles and the Relationship Agreement, which will be available for inspection as described in paragraph 14 of Part 10.

PART 8 : IMPLEMENTATION AGREEMENT

The principal matters covered by the Implementation Agreement are: implementation of the Transaction, conduct of business between Announcement and Completion, non-solicitation, the circumstances in which the Implementation Agreement may be terminated (and related break fee arrangements) and certain actions to be taken at or immediately prior to Completion.

Conduct of LCH.Clearnet business between Announcement and Completion

LCH.Clearnet has agreed to conduct its business in a certain way during the period between Announcement and Completion, including (but not limited to):

- (a) carrying on its business in the ordinary course;
- (b) without the prior consent of LSEG, not:
 - (i) acquiring or disposing of any going concern undertakings or businesses;
 - (ii) undertaking any material commitment or entering into any material contract; or
 - (iii) acquiring or disposing of any material assets or liabilities;
- (c) maintaining LCH.Clearnet Licences and using reasonable endeavours to obtain any new LCH.Clearnet Licences already applied for as at the date of the Implementation Agreement or as provided for in the Initial Business Plan and the Initial Budget; and
- (d) not performing a number of further actions without LSEG's prior consent, including: changing the material general terms of employment of its employees; adopting or materially amending any employee benefit, bonus or profit sharing scheme; declaring a dividend; issuing shares; or otherwise taking any action which LCH.Clearnet knows would, or might reasonably be expected to, prejudice the likelihood of Completion.

Non-solicitation

Both LCH.Clearnet and LSEG have agreed not to solicit offers for 30 per cent. or more of the voting rights of their respective shares. In addition, LCH.Clearnet has agreed not to solicit offers for a material acquisition or disposal outside the ordinary course of business and LSEG has agreed not to solicit offers for an acquisition or disposal which would require the approval of LSEG Shareholders as a Class 1 transaction under Chapter 10 of the Listing Rules and which would be likely to make Completion materially more difficult.

Following the LSEG Meeting, LSEG may take any steps to implement or execute an offer for 30 per cent. or more of the voting rights of its shares if it has received an unsolicited *bona fide* approach and the LSEG Board has determined in good faith (based on appropriate external financial and legal advice) that it constitutes, or could reasonably be expected to result in, a proposal worthy of consideration by LSEG Shareholders.

In addition, LSEG may take steps to implement or execute a Class 1 transaction of the type described above provided that LSEG obtains LCH.Clearnet's consent (not to be unreasonably withheld or delayed) for such a transaction prior to LSEG committing to proceed with the transaction.

Termination

The Implementation Agreement may be terminated:

- (a) as agreed in writing between the parties;

- (b) by either LCH.Clearnet or LSEG:
- (i) if the Acceptance Condition has not been satisfied on or before the Closing Date;
 - (ii) if, at any time, it determines, acting reasonably, having taken legal advice and having consulted with the other party, that any regulatory approval (or, where applicable, confirmations of non-objection) required in respect of the Transaction will not, or would not reasonably be expected to, be obtained; and/or
 - (iii) if, at any time, it determines, acting reasonably, having taken legal advice and having consulted with the other party, that any merger approval (or, where applicable, confirmations of non-objection) required in respect of the Transaction will not, or would not reasonably be expected to, be obtained; and/or
 - (iv) if the LCH.Clearnet Recommending Directors withdraw, qualify or adversely modify for whatever reason the terms of their recommendation of the Transaction (or fail to give such recommendation or give notice that such recommendation will not be given); and/or
 - (v) if the LSEG Board withdraws, qualifies or adversely modifies for whatever reason the terms of its recommendation of the Transaction (or fails to give such recommendation or gives notice that such recommendation will not be given);
- (c) by LCH.Clearnet:
- (i) if the Resolution is not passed at the LSEG Meeting;
 - (ii) if the LSEG Meeting is not held within 30 days of the date for the LSEG Meeting specified in this document;
 - (iii) if any Regulatory Licence held by any member of the LCH.Clearnet Group or LSEG Group at the date of the Announcement is withdrawn or would become subject to further conditions or requirements as a result of the Transaction (together, a ***Licence Event***) and
 - (A) in the case of a Licence Event which relates to a Regulatory Licence held by the LCH.Clearnet Group, if LCH.Clearnet determines (acting reasonably, having taken legal advice and having consulted with LSEG) that such event has had, or would reasonably be expected to have, a material adverse effect in the context of the Transaction on the LCH.Clearnet Group and/or the LSEG Group, unless such Licence Event has arisen as a result of a deliberate act or omission by any member of the LCH.Clearnet Group; or
 - (B) in the case of a Licence Event which relates to a Regulatory Licence held by the LSEG Group, if LCH.Clearnet determines (acting reasonably, having taken legal advice and having consulted with LSEG) that such event would reasonably be expected to have a material adverse effect in the context of the Transaction on the LCH.Clearnet Group, unless such Licence Event has arisen as a result of a deliberate act or omission by any member of the LCH.Clearnet Group;
 - (iv) if, at any time, it determines, acting reasonably, having taken legal advice and having consulted with LSEG, that a regulatory development has occurred which has had, or would reasonably be expected to have, a material adverse effect on the LCH.Clearnet Group or the LSEG Group (but in the case of a material adverse effect on the LSEG

Group, only if it would be reasonably expected to have a material adverse effect on the LCH.Clearnet Group post-Completion);

- (v) in the circumstances contemplated in paragraph 1.3(b) of Part 5;
 - (vi) if LSEG commits a material breach of the LSEG Pre-Completion Obligations;
 - (vii) on publication of a formal offer announcement (pre-conditional or otherwise) under Rule 2.7 of the Takeover Code relating to an acquisition of LSEG which is not at a discount to the closing middle market price of the LSEG Shares as at the trading day prior to such announcement, provided that in the case of a unilateral offer, such offer would justify, in the good faith judgement of the LCH.Clearnet Board (taking account of appropriate external financial and legal advice) exercise of its termination right in order to comply with its fiduciary duties; or
 - (viii) if this document has not been despatched on or before 31 March 2012, unless the failure so to despatch this document is attributable to any action or omission of LCH.Clearnet;
- (d) by LSEG:
- (i) if the LCH.Clearnet Resolution is not passed at the LCH.Clearnet Meeting;
 - (ii) if the LCH.Clearnet Meeting is not held within 30 days of the date for the LCH.Clearnet Meeting specified in the LCH.Clearnet Circular;
 - (iii) if any Regulatory Licence held by any member of the LCH.Clearnet Group or the LSEG Group at the date of the Announcement is subject to a Licence Event if LSEG determines (acting reasonably, having taken advice and having consulted with LCH.Clearnet) that such an event has had, or would reasonably be expected to have, a material adverse effect in the context of the Transaction on the LCH.Clearnet Group and/or the LSEG Group, unless such Licence Event has arisen as a result of a deliberate act or omission by any member of the LSEG Group;
 - (iv) if, at any time, it determines, acting reasonably, having taken legal advice and having consulted with the other party, that a regulatory development has occurred which has had, or would reasonably be expected to have, a material adverse effect on the LCH.Clearnet Group or the LSEG Group;
 - (v) if, at any time, it determines, acting reasonably, having taken legal advice and having consulted with LCH.Clearnet, that confirmation from the relevant regulators (including the FSA and ACP) that the Transaction will not result in LSEG becoming an FHC will not, or would not reasonably be expected to, be obtained on terms reasonably satisfactory to LSEG;
 - (vi) in the circumstances contemplated in paragraph 1.3(a) of Part 5;
 - (vii) if LCH.Clearnet commits a material breach of the LCH.Clearnet Pre-Completion Obligations; or
 - (viii) if the LCH.Clearnet Circular has not been despatched on or before 31 March 2012, unless the failure so to despatch the LCH.Clearnet Circular is attributable to any action or omission of LSEG or LSEC; or
- (e) if Completion has not occurred by the Longstop Date.

Break fee

LCH.Clearnet has undertaken to pay the LSEG Group €7 million (subject to adjustment for VAT (if any)) by way of compensation if:

- (a) the LCH.Clearnet Recommending Directors fail to give, give notice that they do not intend to give, withdraw, qualify or adversely modify for whatever reason the terms of their recommendation of the Transaction (each a ***Change of LCH.Clearnet Recommendation***) and, following and as a result of such Change of LCH.Clearnet Recommendation, either LSEG or LCH.Clearnet terminates the Implementation Agreement; or
- (b) (i) either or both the Acceptance Condition is not satisfied and the approval of the LCH.Clearnet Shareholders at the LCH.Clearnet Meeting is not obtained; (ii) any LCH.Clearnet Shareholder which has provided an undertaking to vote in support of the LCH.Clearnet Resolution and to accept the Offer chooses not to accept the Offer or not to vote in favour of the LCH.Clearnet Resolution following there having been a Higher Competing Offer; and (iii) such Higher Competing Offer becomes wholly unconditional or otherwise completes, LCH.Clearnet will pay the LSEG Group €7 million.

LSEG has undertaken to pay the LCH.Clearnet Group €7 million (subject to adjustment for VAT (if any)) by way of compensation if the LSEG Board fails to give, gives notice that it does not intend to give, withdraws, qualifies or adversely modifies for whatever reason the terms of its recommendation of the Transaction (each a ***Change of LSEG Recommendation***) and, following and as a result of such Change of LSEG Recommendation, either LSEG or LCH.Clearnet terminates the Implementation Agreement.

Special Dividend

The Implementation Agreement provides for the Special Dividend to be declared shortly following the passing of the LCH.Clearnet Resolution at the LCH.Clearnet Meeting in favour of the Qualifying LCH.Clearnet Shareholders.

The Special Dividend will not be paid for a period of approximately five years from Completion (to be extended for as long as the LCH.Clearnet Independent Directors determine is reasonably required if a Relevant Claim is in fact threatened or made and has not been determined or settled by the fifth anniversary of Completion, provided that LCH.Clearnet shall conduct any Relevant Claim expeditiously having regard to the interests of Qualifying LCH.Clearnet Shareholders in a manner which shall not prejudice the terms of any applicable insurance). Payment of the Special Dividend may be made sooner if a Relevant Claim or Claims is/are finally determined or settled within the five year period, or if the LCH.Clearnet Independent Directors determine in good faith that there is not a reasonable likelihood of further Relevant Claims or costs arising, so that the remaining amount of the Special Dividend can be safely paid out to Qualifying LCH.Clearnet Shareholders (***Payment Date***).

The aggregate amount paid out on the Payment Date will be the sum of: (a) an amount equal to €1 multiplied by the number of LCH.Clearnet Shares in issue on the Special Dividend Record Date, less an amount (***Relevant Claim Amount***) equal to the LCH.Clearnet liability (if any) for the settlement or determination of any Relevant Claim(s) after insurance recoveries and after allowing for the tax effect of any payments in respect of the claim; and (b) an amount equivalent to interest (earned by LCH.Clearnet on an after-tax basis) on the amount ultimately paid out as the Special Dividend accruing for the period from Completion to the Payment Date. The Special Dividend will be paid subject to any deduction or withholding for or on account of tax which is required by law to be made.

LCH.Clearnet will pay the maximum amount required in order to fund the Special Dividend into an escrow account at or around Completion. The LCH.Clearnet Board shall make the escrow arrangements in its absolute discretion and shall not be under any obligation to achieve a certain rate of return on the funds in the escrow account.

LSEG has entered into the Regulatory Capital Subscription Agreement, under which LSEG agreed that, if required by LCH.Clearnet (as determined by a resolution of the LCH.Clearnet Board, and within 18 months of the date of Completion) for regulatory capital purposes, LSEG or LSEC will subscribe additional share capital in LCH.Clearnet at the Offer Price up to a total subscription amount equal to the Special Dividend deposited into an escrow account by LCH.Clearnet multiplied by the percentage of LCH.Clearnet's issued share capital held by the LSEG Group following Completion, less any consideration paid by LSEC to LCH.Clearnet to subscribe for further LCH.Clearnet Shares pursuant to its subscription right described below. The maximum subscription amount payable by LSEG or LSEC (as applicable) under the terms of the Regulatory Capital Subscription Agreement would be €24 million (£20 million).

The Special Dividend requires the authorisation of LCH.Clearnet Shareholders, which will be included in the LCH.Clearnet Resolution.

Subscription right

The LSEG Group wishes to acquire LCH.Clearnet Shares representing at least 50 per cent. plus one LCH.Clearnet Share of the LCH.Clearnet issued share capital as at Completion. It does not wish to acquire any LCH.Clearnet Shares that may be issued after Announcement and prior to Completion. However, if prior to Completion LCH.Clearnet issues any LCH.Clearnet Shares which would, even though the Minimum Acceptance Condition has been fulfilled, result in the LSEG Group having a holding at Completion of 50 per cent. or less of the issued share capital of LCH.Clearnet as at that date, LSEC shall be entitled and obliged to subscribe at the Offer Price at Completion for such number of additional LCH.Clearnet Shares as will provide the LSEG Group with a shareholding of 50 per cent. plus one LCH.Clearnet Share.

PART 9 : LCH.CLEARNET SHAREHOLDER SUPPORT

The following LCH.Clearnet Shareholders have undertaken to vote in favour of the LCH.Clearnet Resolution in respect of all their LCH.Clearnet Shares and to conditionally accept the Offer in respect of the percentage of LCH.Clearnet Shares indicated below:

Name of LCH.Clearnet Shareholder group	% of LCH.Clearnet Shares held	% of LCH.Clearnet Shares to be assented to the Offer ⁵
LME	8.05	8.05
J.P. Morgan	5.92	4.92
Credit Agricole	4.90	3.90
BNP Paribas	4.80	3.80
RBS	4.55	3.55
BofA Merrill Lynch	4.51	3.51
Credit Suisse	4.10	2.80
Citi	4.06	2.56
UBS	3.94	2.94
Morgan Stanley	3.89	2.89
Société Générale	3.53	2.53
MF Global (acting by its joint special administrators)	2.39	2.39
Nomura	1.97	0.97
Deutsche Bank	1.85	0.85
Goldman Sachs	1.79	0.79
HSBC	1.74	0.74
ABN Amro	1.62	0.62
Barclays	1.55	0.55
ING	1.07	1.07
Total	66.23	49.43

⁵ This column indicates the maximum percentage of LCH.Clearnet Shares that the providers of undertakings have committed to the Offer. Whether all such LCH.Clearnet Shares will ultimately be sold through the Offer will depend on overall acceptances and Target Holding Elections (if any) made by such holders and the application of the scaleback and allocation principles.

Summary of key terms

A summary of the MF Global undertaking is set out below. In relation to each of the other undertakings, they will cease to be binding in certain circumstances, including in all cases: (a) following a change in the recommendation of the LCH.Clearnet Recommending Directors; (b) if certain of the key milestones in the Offer timetable are not achieved; and (c) if the Offer lapses or is withdrawn (which will occur if the Implementation Agreement is terminated).

In addition, each of the undertakings (other than the MF Global undertaking) permits the relevant shareholder not to vote in favour of the LCH.Clearnet Resolution and/or to accept the Offer if a third party offer is proposed for LCH.Clearnet. The terms and basis on which a third party offer or proposal would need to be made in order to give rights of termination vary between the undertakings. Taking in turn the various key elements of the alternative transaction termination provisions⁶:

- the number of LCH.Clearnet Shares to which the alternative transaction must relate range from an offer for more than 50 per cent. (undertakings for 34.57 per cent. of LCH.Clearnet Shares) down to an offer for any number of shares (undertakings for 21.38 per cent. of LCH.Clearnet Shares) although in certain cases such proposal has to be made within a limited timeframe following announcement after which the threshold moves back up to 30 per cent.;
- the aggregate value at which the alternative transaction must be offered ranges from €23 per LCH.Clearnet Share through to a test of any price which the relevant shareholder concludes at its discretion is a better alternative; for undertakings in respect of 37.02 per cent. of the LCH.Clearnet Shares the competing offer value must be at €22 or more;
- in addition, certain of the undertakings require the alternative transaction to be a firm offer or an offer capable of acceptance (undertakings for 23.33 per cent. of the LCH.Clearnet Shares) whereas others require only a proposal to be made (and in some cases that proposal can be a private proposal); and
- in the case of one shareholder the undertaking can simply be terminated on notice.

Certain of the undertakings (representing undertakings in respect of 11.97 per cent. of the LCH.Clearnet Shares) may lapse if antitrust regulators require modifications to the Transaction which the relevant shareholder reasonably considers might materially alter the Transaction.

MF Global Undertaking

LSEG and LSEC have received an irrevocable undertaking to vote in support of the Transaction and to accept the Offer from MF Global, acting by its joint special administrators, Richard Fleming, Richard Heis and Mike Pink of KPMG, in respect of the 970,656 LCH.Clearnet Shares held by MF Global (representing 2.39 per cent. of the LCH.Clearnet Issued Share Capital) (the **MF Global Shares**). Under the terms of this irrevocable, LSEG has an option to purchase the MF Global Shares (the **Call Option**) and MF Global has an option to require LSEG to purchase the MF Global Shares (the **Put Option**) for an initial cash consideration of €14 per LCH.Clearnet Share (the **Initial Consideration**), or €13.6 million in total, from the date three days after the earlier of the LCH.Clearnet Meeting and the date four months after signing of the irrevocable, for a period of two weeks. LSEG will pay interest to MF Global at the rate of 2 per cent. on the sum of €13.6 million from the date of signing of the irrevocable to the date on which completion of the Put Option or Call Option occurs.

⁶ Percentage references to undertakings in respect of LCH.Clearnet Shares relate to number of LCH.Clearnet Shares held by the holders (rather than number of LCH.Clearnet Shares to be assented to the Offer).

In addition, if the Transaction completes (or LSEG on sells the MF Global Shares to a third party at a price greater than €14 per LCH.Clearnet Share) within a year of the exercise of either of the Put Option or the Call Option, LSEG has agreed to pay to MF Global a price per MF Global Share of 60 per cent. of any difference between the Initial Consideration and the price payable by LSEG per LCH.Clearnet Share under the Offer (or received by LSEG per MF Global Share on such on-sale). The transaction will be funded from existing resources. There will be no on-going financial impact on LSEG as a result of this transaction, save for receipt of any dividends from LCH.Clearnet.

PART 10 : ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The LSEG Directors, whose names are set out below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the LSEG Directors (who have taken all reasonable care to ensure that such is the case), the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. LSEG INFORMATION

LSEG was incorporated and registered in England and Wales on 18 February 2005 under the Companies Act 1985 as a private company limited by shares with registered number 05369106 and with the name Milescreen Limited. On 16 November 2005, it changed its name to London Stock Exchange Group Limited. On 7 December 2005, it re-registered as a public limited company pursuant to section 43 of the Companies Act 1985 and changed its name to London Stock Exchange Group plc.

The registered and head office of LSEG is at 10 Paternoster Square, London EC4M 7LS. The telephone number is 020 7797 1000.

The principal legislation under which the LSEG Group operates is the Companies Act.

3. LSEG DIRECTORS

The LSEG Directors and their respective functions are as follows:

Chris Gibson-Smith (Chairman)

Paolo Scaroni (Deputy Chairman and Non-Executive Director)

Xavier Rolet (Chief Executive Officer)

Doug Webb (Chief Financial Officer)

Raffaele Jerusalmi (Executive Director, Chief Executive Officer of Borsa Italiana and Director of Capital Markets)

Baroness (Janet) Cohen (Non-Executive Director)

Sergio Ermotti (Non Executive Director)

Gay Huey Evans (Non-Executive Director)

Paul Heiden (Non-Executive Director)

Andrea Munari (Non Executive Director)

Massimo Tononi (Non-Executive Director and Chairman of Borsa Italiana)

Robert Webb Q.C. (Non-Executive Director)

The registered address of LSEG is 10 Paternoster Square, London EC4M 7LS, United Kingdom which is also the business address of each of the LSEG Directors.

4. INTERESTS IN LSEG

As at the latest practicable date prior to publication of this document, LSEG had been notified of the following holdings of interests in the capital of LSEG or voting rights (as defined in the Disclosure and Transparency Rules) directly or indirectly in respect of three per cent. or more of LSEG's issued share capital as set out in the table below:

<i>Name</i>	<i>% of issued LSEG share capital</i>	<i>Number of LSEG Shares</i>
Borse Dubai Limited	20.6	56,966,856
Qatar Investment Authority	15.1	41,700,652
Unicredito Italiano S.p.A	6.0	16,619,419
Intesa Sanpaolo S.p.A.	5.3	14,900,214
FIL Limited	5.0	13,553,052
Legal & General Group plc	3.9	10,539,047

5. LSEG DIRECTORS' INTERESTS

As at the close of business on the latest practicable date prior to publication of this document:

- (a) the interests of the LSEG Directors and any of their connected persons (within the meaning of 346 of the Companies Act) in LSEG Shares were as follows:

<i>Name</i>	<i>Number of LSEG Shares</i>	<i>% of issued LSEG share capital</i>
Chris Gibson-Smith	63,757	0.0235
Paolo Scaroni	-	-
Xavier Rolet	38,000	0.0140
Doug Webb	52,037	0.0192
Raffaele Jerusalmi	40,100	0.0148
Baroness (Janet) Cohen	6,616	0.0024
Sergio Ermotti	-	-
Gay Huey Evans	-	-
Paul Heiden	3,000	0.0011
Andrea Munari	-	-
Massimo Tononi	-	-
Robert Webb Q.C.	1,200	0.0004

(b) the interests of the LSEG Directors in options or awards over LSEG Shares under the LSEG Share Schemes were as follows:

Shareholder	Share Scheme	Maximum no. of LSEG Shares under award / option	Option price (£)	Date of award / grant	Final vesting date
Xavier Rolet	LTIP – performance share awards	147,928 ⁽¹⁾	-	16/07/09	16/07/12
	LTIP – performance share awards	142,857 ⁽²⁾	-	14/09/10	14/09/13
	LTIP – matching share awards	92,073 ⁽²⁾	-	27/09/10	27/09/13
	Individual LTIP	290,016 ⁽³⁾	-	17/03/09	May 2012 ⁽⁴⁾
	LTIP – performance share awards	139,031 ⁽²⁾	-	03/06/11	03/06/14
	LTIP – matching share awards	63,380 ⁽²⁾	-	13/07/11	13/07/14
Total		875,285			
Raffaele Jerusalmi	LTIP – performance share awards	73,964 ⁽¹⁾	-	16/07/09	16/07/12
	LTIP – performance share awards	71,428 ⁽²⁾	-	14/09/10	14/09/13
	LTIP – performance share awards	51,493 ⁽²⁾	-	03/06/11	03/06/14
Total		196,885			
Doug Webb	LTIP – performance share awards	73,964 ⁽¹⁾	-	16/07/09	16/07/12
	LTIP – performance share awards	71,428 ⁽²⁾	-	14/09/10	14/09/13
	LTIP – matching share awards	48,349 ⁽¹⁾	-	28/07/09	28/07/12
	LTIP – matching share awards	46,974 ⁽²⁾	-	27/09/10	27/09/13

Shareholder	Share Scheme	Maximum no. of LSEG Shares under award / option	Option price (£)	Date of award / grant	Final vesting date
	LTIP – performance share awards	51,493 ⁽²⁾	-	03/06/11	03/06/14
	LTIP – matching share awards	30,985 ⁽²⁾	-	13/07/11	13/07/14
Total		<u>323,193</u>			

Notes:

- (1) The number of LSEG Shares over which the award may vest is subject to the achievement of performance conditions based on comparative TSR performance against FTSE 31-100 (excluding investment trusts) and aggregate earnings per share.
- (2) The number of LSEG Shares over which the award may vest is subject to the achievement of performance conditions based on absolute TSR growth and absolute earnings per share growth.
- (3) The number of LSEG Shares over which the award may vest is subject to the achievement of performance conditions based on comparative TSR performance against FTSE 31-100 (excluding investment trusts) and excess earnings per share growth.
- (4) The date on which the preliminary results of LSEG for the year ended 31 March 2012 are announced (expected to be May 2012).

6. MATERIAL CONTRACTS

Material contracts of the LSEG Group

Set out below is a summary of each contract entered into by any member of the LSEG Group outside of the ordinary course of business: (a) within the two years immediately preceding the date of this document and which is or may be material to the LSEG Group; or (b) which contains any provision under which any member of the LSEG Group has any obligation or entitlement which is material to the LSEG Group as at the date of this document.

Implementation Agreement

Further details are provided in Part 8.

Regulatory Capital Subscription Agreement

The Regulatory Capital Subscription Agreement, which was signed on 9 March 2012, provides that, for a period of 18 months from Completion and subject to the LCH.Clearnet Board resolving that such is the case, LCH.Clearnet may call for LSEG or LSEC to subscribe for further LCH.Clearnet Shares where necessary in order to meet the regulatory capital requirements of the LCH.Clearnet Group, such requirements having been determined by the LCH.Clearnet Board (and such call being made) on the basis of certain agreed parameters. In the event of such a call, LSEG or LSEC will subscribe for LCH.Clearnet Shares at a purchase price of €19 per LCH.Clearnet Share, up to a total subscription amount of the amount equal to the Special Dividend deposited into an escrow account by LCH.Clearnet multiplied by the percentage of LCH.Clearnet's issued share capital held by the LSEG Group following Completion, less any consideration (if any) paid by LSEC to LCH.Clearnet to subscribe for further LCH.Clearnet Shares pursuant to its subscription right in the Implementation Agreement (see Part 8 for further detail). The maximum subscription amount payable by LSEG or LSEC (as applicable) under the terms of the Regulatory Capital Subscription Agreement would be

€24 million (£20 million). The Regulatory Capital Subscription Agreement will lapse if the Offer lapses or is withdrawn and will lapse in any case 18 months after Completion. LSEG and LCH.Clearnet grant mirror warranties to each other under the Regulatory Capital Subscription Agreement in relation to due incorporation, authority and insolvency.

Notes

LSEG has issued the following notes:

- (a) 2016 Notes – on 4 July 2006 LSEG issued £250 million in aggregate principal amount of 5.875 per cent. notes due on 7 July 2016. The 2016 Notes are constituted by a trust deed dated 7 July 2006 made between LSEG and HSBC Trustee (C.I.) Limited and the coupon-holders. The 2016 Notes were issued on the following terms:
- (i) interest on the 2016 Notes is payable semi-annually in arrears in equal amounts on 7 January and 7 July of each year, at the rate of 5.875 per cent. of the principal amount. Under the terms of the 2016 Notes, the interest payable on the 2016 Notes will be increased or decreased in the event of a change in the credit rating assigned to the 2016 Notes (at present the interest payable is at the rate of 6.125 per cent. of the principal amount);
 - (ii) the 2016 Notes may be redeemed at the option of LSEG, in whole but not in part, at any time at a price which is the higher of the principal amount of the 2016 Notes and an amount calculated by reference to the yield of the 4.75 per cent. UK Government Treasury Stock 2015;
 - (iii) if a change of control in LSEG or LSE plc occurs and, within 120 days thereafter, the credit rating of the 2016 Notes is downgraded from an investment grade credit rating to a non-investment grade credit rating or withdrawn, each 2016 Note may be redeemed at the option of each note-holder at a price which is the higher of the principal amount of the 2016 Note and an amount calculated by reference to the yield of the 4.75 per cent. UK Government Treasury Stock 2015, plus 1.18 per cent.;
 - (iv) the 2016 Notes are unsecured and unsubordinated obligations of LSEG and rank equally in right of payment with LSEG's existing and future unsecured and unsubordinated obligations;
 - (v) the net proceeds from the issue are to be used by LSEG in order to refinance its indebtedness and for LSEG's general corporate purposes; and
 - (vi) the terms and conditions applicable to the 2016 Notes also contain, *inter alia*, a negative pledge, redemption and purchase provisions and events of default. The 2016 Notes are governed by English law.
- (b) 2019 Notes – on 16 June 2009, LSEG issued £250 million in aggregate principal amount of 9.125 per cent. notes due on 18 October 2019. The 2019 Notes are constituted by a trust deed dated 18 June 2009 made between LSEG and HSBC Corporate Trustee Company (UK) Limited and the coupon-holders. The 2019 Notes were issued on the following terms:
- (i) interest on the 2019 Notes is payable semi-annually in arrears in equal amounts on 18 April and 18 October of each year, at the rate of 9.125 per cent. of the principal amount. Under the terms of the 2019 Notes, the interest payable on the 2019 Notes will be increased or decreased in the event of a change in the credit rating assigned to the 2019 Notes (at present the interest payable is at the rate of 9.125 per cent. of the principal amount);

- (ii) the 2019 Notes may be redeemed at the option of LSEG in whole but not in part at any time at a price which is the higher of the principal amount of the 2019 Notes and an amount calculated by reference to the yield of the 4.5 per cent. UK Government Treasury Stock 2019;
- (iii) if a change of control in LSEG or LSE plc occurs and, within 120 days thereafter, the credit rating of the 2019 Notes is downgraded from an investment grade credit rating to a non investment grade credit rating or withdrawn, each 2019 Note may be redeemed at the option of each note-holder at a price which is the higher of the principal amount of the 2019 Notes and an amount calculated by reference to the yield of the 4.5 per cent. UK Government Treasury Stock 2019 plus 5.15 per cent.;
- (iv) the 2019 Notes are unsecured and unsubordinated obligations of LSEG and rank equally in right of payment with LSEG's existing and future unsecured and unsubordinated obligations;
- (v) the net proceeds from the issue are to be used by LSEG in order to refinance its indebtedness and for LSEG's general corporate purposes; and
- (vi) the terms and conditions applicable to the 2019 Notes also contain, *inter alia*, a negative pledge, redemption and purchase provisions and events of default. The 2019 Notes are governed by English law.

Facility agreements

LSEG has the following facility agreements:

- (a) £250 million Facility Agreement dated 24 July 2008 between LSEG, Lloyds TSB Bank plc, Bayerische Hypo- und Vereinsbank AG, London Branch and Intesa Sanpaolo S.p.A. as Mandated Lead Arrangers, the Original Lenders referred to therein and Lloyds TSB Bank plc as Agent, as amended by an Amendment Agreement dated 7 February 2012, whereby a 5-year, £250 million multicurrency revolving loan facility was made available to LSEG by a syndicate of international banks on normal market terms, including:
 - (i) borrowings bear interest at a floating rate (EURIBOR/LIBOR) plus a fixed margin and mandatory costs (if any) and a commitment fee is payable on undrawn commitments;
 - (ii) repayment of the 2008 Facility Agreement is by way of a single lump sum repayment of any amounts drawn on the final maturity date;
 - (iii) provisions relating to mandatory prepayment and cancellation on a change of control of LSEG;
 - (iv) customary covenants which restrict LSEG, and in certain cases its subsidiaries, from time to time (subject to agreed exceptions and materiality carve outs) from, amongst other things: (A) creating security; (B) disposing of assets; (C) proposing mergers; (D) substantially changing the general nature of the business of LSEG; and (E) incurring subsidiary borrowings; and
 - (v) the usual representations and warranties, information undertakings, general undertakings and events of default for an investment grade credit such as LSEG, as well as two financial covenants (leverage and interest cover).
- (b) £250 million Facility Agreement dated 17 November 2010 between LSEG, Barclays Capital, The Royal Bank of Scotland plc., HSBC Bank plc., The Bank of Tokyo Mitsubishi UFJ

Limited, Intesa Sanpaolo S.p.A., Lloyds TSB Bank plc and Unicredit Bank AG, London Branch, as Mandated Lead Arrangers and the Original Lenders referred to therein and Lloyds TSB Bank plc as Agent, as amended by an Agreement dated 7 February 2012, whereby a 5 year, £250 million multicurrency revolving loan facility was made available to LSEG by a syndicate of international banks on normal market terms, including:

- (i) borrowings bear interest at a floating rate (EURIBOR/LIBOR) plus a fixed margin and mandatory costs (if any). In addition, a commitment fee is payable on undrawn commitments and a utilisation fee is payable calculated on the amount of borrowings under the 2010 Facility Agreement;
 - (ii) repayment of the 2010 Facility Agreement is by way of a single lump sum repayment of any amounts drawn on the final maturity date;
 - (iii) provisions relating to mandatory prepayment and cancellation on a change of control of LSEG;
 - (iv) customary covenants which restrict LSEG, and in certain cases its subsidiaries, from time to time (subject to agreed exceptions and materiality carve outs) from, amongst other things: (A) creating security; (B) disposing of assets; (C) proposing mergers; (D) substantially changing the general nature of the business of LSEG; and (E) incurring subsidiary borrowings; and
 - (v) the usual representations and warranties, information undertakings, general undertakings and events of default for an investment grade credit such as LSEG, as well as two financial covenants (leverage and interest cover).
- (c) £350 million Facility Agreement dated 15 December 2011 between LSEG, Lloyds TSB Bank plc., The Royal Bank of Scotland plc., Morgan Stanley Bank International Limited and The Bank of Tokyo-Mitsubishi UFJ, Limited., as Original Lenders and Lloyds TSB Bank plc as Agent, whereby a 2 year, £350 million multicurrency revolving loan facility was made available to LSEG on normal market terms, including:
- (i) borrowings bear interest at a floating rate (EURIBOR/LIBOR) plus a fixed margin and mandatory costs (if any) and a commitment fee is payable on undrawn commitments;
 - (ii) repayment of the 2011 Facility Agreement is by way of a single lump sum repayment of any amounts drawn on the final maturity date. However, upon the giving of notice up to one month prior to the final maturity date, LSEG can extend the term by a further 12 months upon payment of an extension fee;
 - (iii) provisions relating to mandatory prepayment and cancellation on a change of control of LSEG or if LSEG definitively decides not to proceed with the Transaction;
 - (iv) customary covenants which restrict LSEG, and in certain cases its subsidiaries, from time to time (subject to agreed exceptions and materiality carve outs) from, amongst other things: (A) creating security; (B) disposing of assets; (C) proposing mergers; (D) substantially changing the general nature of the business of LSEG; and (E) incurring subsidiary borrowings; and
 - (v) the usual representations and warranties, information undertakings, general undertakings and events of default for an investment grade credit such as LSEG, as well as two financial covenants (leverage and interest cover).

- (d) CC&G credit facility agreements – these are available specifically to CC&G as CCP to the Italian markets to support liquidity requirements in the clearing and settlement cycle on the following basis:
- (i) €1,000 million of credit lines are made available by major Italian commercial banks to support the intra day liquidity requirements of the MTS markets. These facilities refinance positions taken by the Bank of Italy to settle an exposure created by the default of a market participant. The facilities are uncommitted with terms and conditions appropriate for on-demand facilities and are subject to a tripartite framework between CC&G, the commercial banks and Bank of Italy;
 - (ii) €200 million of committed credit lines are provided by major Italian commercial banks to support the short-term liquidity requirements of the CCP's broader market clearing activities. The terms and conditions are appropriate for back up facilities of this nature; and
 - (iii) these credit facilities are maintained, but are rarely called upon, with only one instance of utilisation in the period since the merger between LSEG and Borsa Italiana S.p.A. to support the liquidity requirements of the CCP.

FTSE SPA

The FTSE SPA, which was signed on 12 December 2011, provided for the acquisition by LSEG (or its nominees) of The Financial Times Limited's entire stake in FTSE for a total cash consideration of £450 million. At the date of the entry into the FTSE SPA, LSEG held a 50 per cent. stake in FTSE, and therefore the acquisition provided LSEG with full control of FTSE. Each of The Financial Times Limited, Pearson plc, LSEG and LSEGH were party to the FTSE SPA. The acquisition was completed on 16 December 2011.

The FTSE SPA contains a number of very limited warranties made by The Financial Times Limited, on the one hand, and LSEG and LSEGH, on the other hand, to each other. All warranties survived completion of the FTSE SPA. The FTSE SPA also contains certain provisions in relation to the involvement of The Financial Times Limited and Pearson plc (including entities within their respective corporate groups) in an index business and the use of certain trade marks in respect of such index businesses for a specified period following completion of the acquisition. In addition, LSEG may be obliged to make a payment to The Financial Times Limited if a binding agreement is entered into with a third party before 16 June 2013 for the sale of all or part of the shares or assets of the FTSE group at a purchase price that exceeds an amount determined by reference to an agreed formula, and any such sale is completed before 16 December 2014.

Trademark Licence and Co-existence Agreement

The Trade Mark Licence and Co-Existence Agreement, which was signed on 16 December 2011, sets out the basis on which the parties agree that the "FT" and "FTSE" trade marks will co-exist. This includes certain restrictions on the way the respective trade marks are represented and the permitted scope of use of the trade marks. Under this agreement, The Financial Times Limited and Pearson plc confirm their consent to FTSE's continued use of the "FT" trade mark as part of the "FTSE" trade mark subject to these restrictions.

Subject to certain limitations, the Trade Mark Licence and Co-Existence Agreement continues indefinitely. FTSE may terminate for convenience. The Financial Times Limited may only terminate in limited circumstances such as uncured material breach by FTSE.

Material contracts of the LCH.Clearnet Group

Set out below is a summary of each contract entered into by any member of the LCH.Clearnet Group outside of the ordinary course of business: (a) within the two years immediately preceding the date of this document and which is or may be material to the LCH.Clearnet Group; or (b) which contains any provision under which any member of the LCH.Clearnet Group has any obligation or entitlement which is material to the LCH.Clearnet Group as at the date of this document.

Implementation Agreement

Further details are provided in Part 8.

Regulatory Capital Subscription Agreement

See description under the heading of “Material contracts of the LSEG Group” above.

SwapClear Agreements

Further details are provided in Part 6.

Deed of Guarantee

LCH.Clearnet entered into a Deed of Guarantee, dated 18 May 2007, for the benefit of the holders of the Preferred Securities issued by LCH.Clearnet Funding LP.

Pursuant to the Deed of Guarantee executed as a deed poll by LCH.Clearnet on 18 May 2007, LCH.Clearnet provides a subordinated guarantee in favour of the holders of the Preferred Securities issued by LCH.Clearnet Funding LP, in respect of:

- any declared but unpaid non-cumulative distributions in respect of the Preferred Securities which have accrued from the date of issue of the Preferred Securities, being 18 May 2007;
- payments on redemption of the Preferred Securities; and
- any additional amounts the holders are entitled to receive as may be necessary to ensure that the net amount of distributions received by the holders, after applicable withholding or deduction for any UK tax, shall equal the amounts which would have been received in respect of the Preferred Securities in the absence of such withholding or deduction.

The subordinated guarantee ranks junior to all other liabilities of LCH.Clearnet, including subordinated liabilities, other than Parity Securities with which the guarantee ranks *pari passu*, and senior only to the holders of the LCH.Clearnet Shares.

7. SERVICE CONTRACTS OF THE LSEG DIRECTORS

Executive Directors

Xavier Rolet

Xavier Rolet entered into a service agreement with LSEG on 16 March 2009. The service agreement may be terminated by Mr Rolet or LSEG on not less than 12 months’ notice. Alternatively, LSEG may terminate the contract by payment in lieu of notice of a sum equal to 12 months’ salary and benefits paid in a lump sum or, at the discretion of the LSEG remuneration committee, on a monthly basis. Instalments will be reduced by any earnings from new employment taken up within 12 months after leaving employment. Mr Rolet’s annual salary with effect from 1 April 2011 is £675,000.

Mr Rolet receives benefits in kind, principally health care and life assurance. In addition, Mr Rolet (in common with all LSEG staff) participates in a flexible benefit plan whereby he receives an allowance in the amount of £20,000 per annum from which he can purchase additional benefits or receive all or a portion as a cash supplement. This flexible benefit allowance is not used to calculate bonus payments or pension contributions.

Mr Rolet is eligible to participate in LSEG annual bonus plan. Cash bonus awards are approved by the LSEG remuneration committee and are based on annual financial targets and individual performance. Mr Rolet is also eligible to participate in the LSEG LTIP, which comprises conditional performance share awards and matching share awards linked to investment by the participant in LSEG Shares.

Mr Rolet is entitled to a cash supplement in lieu of contribution to a pension plan, equal to 25 per cent. of his basic salary.

Raffaele Jerusalmi

Raffaele Jerusalmi entered into a service contract with each of Borsa Italiana and LSEG Holdings (Italy) Limited Italian Branch on 3 May 2011 effective from 4 May 2011. He has been employed by Borsa Italiana since 1 October 2001 and he is treated as having had continuous employment with each company since that date. The terms of his employment with each company are substantially the same. The contracts state that no collective agreement applies to his employment and accordingly the terms applying to the termination of his employment under both contracts are governed by Italian law. If Mr Jerusalmi is dismissed, his notice period will be equal to eight months (if the length of service is between nine and 15 years) or nine months (if the length of service is 15 years or more). If Mr Jerusalmi resigns he is required to give three months' notice. On termination of either employment for any reason, Mr Jerusalmi is entitled to severance payments under Italian law.

Mr Jerusalmi has an entitlement under Italian law to: (a) *trattamento di fine rapporto*, which accrues during his employment and is released or paid into a retirement fund as a lump sum payment when the employment ends and is equal to 7.4 per cent. of all sums paid to Mr Jerusalmi during his employment; (b) pro-rated supplementary monthly payments (the annual salary is normally paid in 12 instalments plus two supplementary monthly payments); and (c) payment in lieu of untaken holidays, if any. Where no just cause for termination exists, a payment in lieu of notice is payable if the employment is terminated with immediate effect. The payment in lieu of notice is paid in addition to the payments at (a), (b) and (c) above and is equal to the overall salary due to Mr Jerusalmi during the notice period. For these purposes monthly salary includes base salary, the average of any bonuses or commissions paid during the last 36 months of the employment relationship and benefits in kind.

Mr Jerusalmi's annual salary is €380,000 (being €19,000 under each employment).

Mr Jerusalmi receives health care, life assurance, disability assurance, accident insurance cover, luncheon vouchers and car and fuel benefit. Mr Jerusalmi is eligible to participate in LSEG annual bonus plan. Cash bonus awards are approved by the LSEG remuneration committee and are based on annual financial targets and individual performance. Mr Jerusalmi is also eligible to participate in the LSEG LTIP, which comprises conditional performance share awards and matching share awards linked to investment by the participant in LSEG Shares.

Doug Webb

Doug Webb entered into a service agreement with LSEG on 2 June 2008. The service agreement may be terminated by Mr Webb or LSEG on not less than 12 months' notice. There are no provisions for pay in lieu of notice or liquidated damages.

Mr Webb's annual salary is £330,000.

Mr Webb also receives benefits in kind, principally health care and life assurance. Under the LSEG flexible benefits plan, Mr Webb receives a flexible benefit allowance of £20,000 per annum which is not used to calculate bonus payments or pension contributions.

Mr Webb is eligible to participate in the LSEG annual bonus plan. Cash bonus awards are approved by the LSEG remuneration committee and are based on annual financial targets and individual performance. Mr Webb is also eligible to participate in the LSEG LTIP which comprises conditional performance share awards and matching share awards linked to investment by the participant in LSEG Shares.

Mr Webb is entitled to a pension allowance equal to 25 per cent. of base salary. This allowance is invested in the LSEG defined contribution pension scheme up to HM Revenue & Customs lifetime allowance limits. Where such limits are exceeded, the allowance is paid as a cash supplement.

Non-Executive Directors

The terms of appointment of the Non-Executive Directors are described below. None of the Non-Executive Directors is entitled to participate in any incentive or pension arrangement of LSEG.

Chris Gibson-Smith

Chris Gibson-Smith, the Chairman of LSEG, has a letter of appointment with LSEG dated 15 July 2009. His appointment is for a period of three years, until the annual general meeting in 2012, and is terminable on six months' notice.

Mr Gibson-Smith receives an annual fee of £370,000 in his role as Chairman, and the costs of a chauffeur.

Paolo Scaroni

Paolo Scaroni has a letter of appointment with LSEG dated 1 October 2010 and was appointed Deputy Chairman with effect from 27 September 2010. The appointment is terminable without notice. Mr Scaroni's appointment continues until 30 September 2013, provided that he is re-elected by shareholders. Mr Scaroni receives a fee of £120,000 in his role as Deputy Chairman of LSEG. Mr Scaroni also receives £5,000 in respect of his membership of the LSEG remuneration committee.

Baroness Janet Cohen

Baroness Janet Cohen has a letter of appointment with LSEG dated 1 February 2010. The appointment is terminable without notice. Baroness Cohen's appointment continues until 31 January 2013, provided she is re-elected by shareholders. Baroness Cohen receives a fee of £60,000 in her role as a Non-Executive Director of LSEG. She is also entitled to a fee of €26,000 as a Non-Executive Vice Chairman of Borsa Italiana. Baroness Cohen receives a fee of £5,000 in respect of her membership of the LSEG audit and risk committee.

Sergio Ermotti

Sergio Ermotti has a letter of appointment with LSEG dated 1 October 2010. The appointment is terminable without notice. Mr Ermotti's appointment continues until 30 September 2013, provided that he is re-elected by shareholders. Mr Ermotti receives a fee of £60,000 in his role as a Non-Executive Director of LSEG and £5,000 in respect of his membership of the LSEG remuneration committee.

Gay Huey Evans

Gay Huey Evans has a letter of appointment with LSEG dated 4 June 2010. The appointment is terminable without notice. Ms Huey Evans's appointment continues until 4 June 2013, provided that

she is re-elected by shareholders. Ms Huey Evans receives a fee of £60,000 in her role as a Non-Executive Director of LSEG and £5,000 in respect of her membership of each of the LSEG remuneration committee and the LSEG audit and risk committee.

Paul Heiden

Paul Heiden has a letter of appointment with LSEG dated 4 June 2010. The appointment is terminable without notice. Mr Heiden's appointment continues until 4 June 2013, provided that he is re-elected by shareholders. Mr Heiden receives a fee of £60,000 in his role as a Non-Executive Director of LSEG and a fee of £20,000 in his role as Chairman of the LSEG audit and risk committee.

Andrea Munari

Andrea Munari has a letter of appointment with LSEG dated 1 October 2010. The appointment is terminable without notice. Mr Munari's appointment continues until 30 September 2013, provided that he is re-elected by shareholders. Mr Munari receives a fee of £60,000 in his role as a Non-Executive Director of LSEG and £5,000 in respect of his membership of the LSEG audit and risk committee.

Massimo Tononi

Massimo Tononi has a letter of appointment with LSEG dated 27 September 2010. The appointment is terminable without notice. Mr Tononi's appointment continues until September 2013, provided that he is re-elected by shareholders. Mr Tononi receives a fee of £60,000 in his role as a Non-Executive Director of LSEG and is entitled to a fee of €178,500 as Chairman of Borsa Italiana. He also receives a fee of £5,000 in respect of his membership of the LSEG audit and risk committee.

Robert Webb Q.C.

Robert Webb Q.C. has a letter of appointment with LSEG dated 1 February 2010. The appointment is terminable without notice. Mr Webb's appointment continues until 31 January 2013, provided that he is re-elected by shareholders. Mr Webb receives a fee of £60,000 in his role as a Non-Executive Director of LSEG and a fee of £20,000 in his role as Chairman of the LSEG remuneration committee.

8. LITIGATION

LSEG Group

There are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which LSEG is aware) that, during the 12 month period prior to the publication of this document, may have, or have had in the recent past, significant effects on LSEG's or one of its subsidiaries' financial position or profitability.

LCH.Clearnet Group

There are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which LCH.Clearnet is aware) that, during the 12 month period prior to the publication of this document, may have, or have had in the recent past, significant effects on LCH.Clearnet's or one of its subsidiaries' financial position or profitability.

9. WORKING CAPITAL

LSEG is of the opinion that, after taking into account the cash and bank facilities available to the LSEG Group, the working capital available to the Enlarged Group is sufficient for its present requirements, that is for at least the 12 months following the date of this document.

10. RELATED PARTY TRANSACTIONS

The related party transactions between LSEG and its subsidiaries that were entered into during the financial periods ended 31 March 2011, 2010 and 2009 are shown in the transactions with related parties notes in the annual reports for the years ended 31 March 2011, 2010 and 2009 on pages 99-100, 99 and 92 respectively and are incorporated by reference herein. During the period 1 April 2011 to the latest practicable date prior to publication of this document, there were no new related party transactions other than a continuation of those described on pages 99-100 of the annual report for the year ended 31 March 2011 and the inter-company loan agreements with some subsidiary undertakings disclosed below:

Loan Counterparty	Amount in millions due from/(owed to) as at 15 March 2012	Term	Interest Rate
LSEC	nil	Five years from March 2012, repayable in full on maturity.	LIBOR plus 1.5% per annum
LSEGH R	£(0.6) million	Five years from April 2011.	LIBOR plus 1.5% per annum
Monte Titoli	€(10) million	364 days from January 2012, repayable in full on maturity.	EURIBOR plus 1.2% per annum
MTS	€(2) million	364 days from January 2012, repayable in full on maturity.	EURIBOR plus 1.2% per annum
CC&G	€(40) million	364 days from January 2012 repayable in full on maturity.	EURIBOR plus 1.2% per annum

11. MORGAN STANLEY GROUP RELATIONSHIPS WITH LCH.CLEARNET

Morgan Stanley is acting as financial adviser and sponsor to LSEG in connection with the Transaction. Other departments within the Morgan Stanley group which are separated from the advisory and sponsor team by information barriers hold 1,581,365 LCH.Clearnet Shares, and Ed McAleer, a Morgan Stanley employee, serves as a director on the LCH.Clearnet Board.

12. CONSENTS

- (a) PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear, including the reports set out in Parts 3 and 4.
- (b) Morgan Stanley has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- (c) Citi has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- (d) Societe Generale has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

13. SIGNIFICANT CHANGES

- (a) There has been no significant change in the financial or trading position of the LSEG Group since 30 September 2011, save for the increase in Adjusted Net Debt of £290 million (€332.7 million) as at 30 September 2011 to £747 million (€894.3 million) as at 31 December 2011, which was driven by the following acquisitions made during the third quarter ended 31 December 2011, offset by cash generation of the underlying operations:
- £428 million (€499.3 million) for the LSEG Group's acquisition of the remaining 50 per cent. of FTSE;
 - £53 million (€62 million) for the purchase of the 13.6 per cent. stake in CC&G from Unicredit S.p.A.; and
 - £15 million (€17.5 million) for the acquisition of the FSA's transaction reporting service.
- (b) There has been no significant change in the financial or trading position of the LCH.Clearnet Group since 31 December 2011.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection, during usual business hours on any Business Day at the offices of Freshfields Bruckhaus Deringer LLP at 65 Fleet Street, London EC4Y 1HT, from the date of this document up to and including the date of the LSEG Meeting:

- (a) the memorandum and articles of association of each of LSEG, LSEC and LCH.Clearnet;
- (b) the audited consolidated accounts of LSEG for the financial periods ended 31 March 2011, 31 March 2010 and 31 March 2009;
- (c) the audited consolidated accounts of LCH.Clearnet for the financial periods ended 31 December 2011, 31 December 2010 and 31 December 2009;
- (d) the accountant's report from PricewaterhouseCoopers LLP set out in Parts 3 and 4;
- (e) the unaudited pro forma statement of the combined net assets of the Enlarged Group set out in Part 4;
- (f) the service contracts and letters of appointment of the LSEG Directors;
- (g) the written consents referred to in paragraphs 12 of this Part 10;
- (h) the Offer Document and Form of Acceptance;
- (i) the Implementation Agreement;
- (j) the New LCH.Clearnet Articles;
- (k) the Relationship Agreement;
- (l) Regulatory Capital Subscription Agreement; and
- (m) this document.

16 March 2012

GLOSSARY

<i>clearing</i>	The business of acting as a CCP.
<i>CCP</i>	<p>A clearing house acting as a central clearing counterparty. It intermediates, and therefore takes the risk, of the obligations of transactions between its clearing members (or other CCPs through interoperability arrangements) under the transactions entered into by those clearing members (or by their clearing customers) that are cleared through it.</p> <p>Accordingly, it is exposed to the risk of default by its clearing members and, indirectly in some cases, their clearing customers. It minimises this risk through its membership rules, its default management procedures, by holding margin, and by the establishment of default funds.</p>
<i>membership rules</i>	CCPs set minimum membership standards for clearing members (it should be noted however that proposed new regulations may constrain (and reduce) the membership standards under which a CCP operated by the Enlarged Group operates currently).
<i>margin</i>	<p>CCPs hold collateral as margin (whether by way of title transfer to or by creation of a security interest in favour of the CCP). There are various types of margin, as follows:</p> <p><i>initial margin</i>, is an amount which is calculated, using a financial model, and collected from each clearing member at least daily and which is intended to protect a CCP against the risk of that clearing member's default. The level of initial margin may take into account factors such as market risk, credit risk and product specific risk. Initial margin is generally calculated for each separate category of products cleared (rather than for all a clearing member's positions). Initial margin is provided in the form of acceptable collateral, being cash and eligible securities (broadly, securities of, or guaranteed by, certain appropriately rated governments, though the Enlarged Group currently proposes to expand acceptable collateral to include gold, to a limited extent, and some corporate bonds); and</p> <p><i>variation margin</i>, which is an amount calculated by a CCP at least daily to reflect the change in value of a clearing member's cleared contracts with the CCP and is either credited to, or debited from the clearing member. Variation margin is generally determined by reference to each relevant product category with the relevant CCP and is usually in the form of cash. Variation margin received by the CCP from one clearing member will generally be required to be paid by it to another clearing member as the change in one clearing member's positions will be reflected by an equal and opposite change in another clearing member's positions. The CCP does not therefore earn any investment return on variation margin.</p>
<i>default funds</i>	A CCP will call and hold (or may be entitled to call in the future for) default fund contributions from clearing members to create an appropriately sized default fund which has been stress-tested against adverse market scenarios and which is available to be applied in accordance with a waterfall. The default fund of a defaulting member is generally available to reduce losses which exceed that defaulting member's margin; in the event that the defaulting clearing member's margin and default fund contribution is insufficient to cover the loss, the CCP may then be required to make a contribution to remaining losses from its own resources and then non-defaulting members' default fund contributions may be available to cover the loss. The size and structure of the default fund will vary from CCP to CCP, and some CCPs may have a separate default fund dedicated to a particular business line or business lines. Some CCPs may be able to require that default funds which have been used be replenished by non-defaulting members.

interoperability agreements An agreement between two or more CCPs which enables their respective clearing members to trade with one another and to clear their respective obligations through the CCP of which they are a member. In addition to becoming a counterparty to their respective clearing members, the interoperating CCPs also become counterparty to one another and are therefore exposed to counterparty risks in respect of the other CCP. Initial margin and default fund requirements are generally different between CCPs under interoperability agreements.

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

<i>Acceptance Condition</i>	has the meaning given in paragraph 1.1(a) of Part 5;
<i>ACP</i> or <i>Autorité de Contrôle Prudentiel</i>	means Autorité de Contrôle Prudentiel, the French banking and financial supervisory body as defined and regulated in articles 612-1 and seq. of the French monetary and financial code;
<i>Adjusted EBITDA</i>	means earnings before interest, tax, depreciation, amortisation and non-recurring items. For LSEG this is extended for the inclusion of pro-forma 12 month FTSE EBITDA and for LCH.Clearnet the exclusion of the profit on repurchase of the Preferred Securities and unrealised net investment losses;
<i>Adjusted Net Debt</i>	means, for LSEG, the sum of its borrowings, less unrestricted cash and cash equivalents and, for LCH.Clearnet, the Preferred Securities, finance leases and the Special Dividend, less its freely available cash (deemed to equate to the excess of regulatory capital over Pillar I and Pillar II);
<i>AFM</i>	means Autoriteit Financiële Markten, the Dutch financial market authority;
<i>Agreed Form</i>	means, in relation to a document, the form of that document as initialled for the purpose of identification by or on behalf of the parties (in each case with such amendments as may be agreed by them or on their behalf);
<i>AMF</i> or <i>Autorité des Marchés Financiers</i>	means the French financial market authority established pursuant to article L. 621-1 of the French monetary and financial code;
<i>Announcement</i>	means the Transaction press announcement dated 9 March 2012;
<i>Banque de France</i>	means the French central bank established pursuant to article 142-1 of the French monetary and financial code;
<i>Basel II</i>	means the “International Convergence of Capital Measurement and Capital Standards: A Revised Framework (Comprehensive Version: June 2006)” published by the Basel Committee on Banking Supervision;
<i>Basel III</i>	means the comprehensive set of reform measures issued by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector, including “Basel III: A global regulatory framework for more resilient banks and the banking system, December 2010 (as amended)” and “Basel III: International framework for liquidity risk

	management, standards and monitoring, December 2010”;
<i>Board</i>	means the board of the LSEG Directors or the LCH.Clearnet Directors as the context requires;
<i>Borsa Italiana</i>	means Borsa Italiana S.p.A., a company incorporated in Italy and a subsidiary of LSEG;
<i>Budget</i>	means the current budget as most recently acknowledged by the LCH.Clearnet Board;
<i>Business Day</i>	means a day (other than a Saturday or Sunday) on which banks in the City of London and Paris are generally open for business;
<i>Business Plan</i>	means the current business plan as most recently acknowledged by the LCH.Clearnet Board;
<i>CAGR</i>	means the compound annual growth rate;
<i>CC&G</i>	means Cassa di Compensazione e Garanzia S.p.A., a company incorporated in Italy and a subsidiary of LSEG;
<i>CCP</i>	has the meaning given in the Glossary;
<i>CDS</i>	means credit default swap;
<i>CDSClear</i>	means the clearing service that LCH.Clearnet is establishing for clearing OTC CDS trades;
<i>CDSClear Agreement</i>	means the agreement to be entered into between LCH.Clearnet S.A., CreditDerivClear Limited and certain of the SwapClear Banks in relation to CDSClear;
<i>CEA</i>	means the Commodity Exchange Act;
<i>CFTC</i>	means the Commodity Futures and Trading Commission;
<i>Citi</i>	means Citigroup Global Markets Limited;
<i>Clearing Participants</i>	means those persons other than members of the LSEG Group who are or, pursuant to the New LCH.Clearnet Articles will be eligible to be, LCH.Clearnet Shareholders;
<i>Closing Date</i>	means the First Closing Date, or such later date to which the Offer may be extended in accordance with the terms of the Implementation Agreement and the Offer Document;
<i>CNC</i>	means the Spanish Comisión Nacional de la Competencia;

<i>Committee on Payment and Settlement Systems</i>	means the Committee on Payment and Settlement Systems established under the auspices of the Bank for International Settlements;
<i>Companies Act</i>	means the Companies Act 2006, including any statutory modification or re-enactment thereof;
<i>Companies Act 1985</i>	means the Companies Act 1985, including any statutory modification or re-enactment thereof;
<i>Completion</i>	means completion of the Transaction;
<i>Core Operating Principles</i>	means the core operating principles set out in Schedule 4 of the Relationship Agreement and summarised in Part 7;
<i>CPSS-IOSCO Principles</i>	means the Recommendations for Central Counterparties issued by the Committee on Payment and Settlement Systems dated November 2004;
<i>CRD IV</i>	means the European Commission's proposal for a directive and regulation to replace the current Capital Requirements Directives (2006/48 and 2006/49);
<i>CREST</i>	means the system for the paperless settlement of trades in securities and the holding of uncertified securities operated by EUI in accordance with the Regulations;
<i>DCO</i>	means a derivatives clearing organisation;
<i>Deed of Guarantee</i>	means the deed of guarantee entered into by LCH.Clearnet, dated 18 May 2007 for the benefit of the holders of the Preferred Securities;
<i>Disclosure and Transparency Rules</i>	means the disclosure and transparency rules made by the FSA under Part VI of FSMA;
<i>Dodd-Frank</i>	means the Dodd-Frank Wall Street Reform and Consumer Protection Act;
<i>DvP</i>	means delivery versus payment;
<i>EBITDA</i>	means earnings before interest, tax, depreciation, and amortisation;
<i>ECB</i>	means the European Central Bank;
<i>EMIR</i>	means the proposed European regulation on OTC derivative transactions, CCPs and trade repositories;
<i>Enlarged Group</i>	means the LSEG Group as enlarged by the Transaction;
<i>ESMA</i>	means the European Securities and Markets Authority;
<i>ETF</i>	means exchange traded fund;
<i>EU</i>	means the European Union;

<i>EUI</i>	means Euroclear UK and Ireland Limited;
<i>EURIBOR</i>	means Euro Interbank Offered Rate;
<i>Euronext Paris</i>	means a French market undertaking, in the meaning of article L. 421-2 of the French monetary and financial code which manages regulated markets in the meaning of article L. 421-1 of the French monetary and financial code;
<i>European Commission</i>	means the Commission of the EU, originally constituted under Article 4 of the Treaty establishing the European Economic Community, signed in Rome on 25 March 1957;
<i>Eurozone</i>	means the subset of European countries who have adopted the euro;
<i>Excess Offer Shares</i>	has the meaning given in paragraph 5 of Part 1;
<i>Executive Delegation</i>	means the terms of reference for delegation from the LCH.Clearnet Board to the Chief Executive Officer of LCH.Clearnet set out in Schedule 8 of the Relationship Agreement and summarised in Part 7;
<i>FHC Condition</i>	has the meaning given in paragraph 1.1(i) of Part 5;
<i>FHC or Financial Holding Company</i>	means a financial holding company (compagnie financière) as defined in Article 517-1 of the French code monétaire et financier or in the laws, rules or regulations of any other EU Member State transposing Article 4 of Directive 2006/48/EC or Article 3 of Directive 2006/49/EC;
<i>Financial Conduct Authority</i>	means the regulatory authority established as part of regulatory reforms to be introduced by the UK Financial Services Bill, which will be responsible for regulating conduct in retail and wholesale markets, supervising the trading infrastructure that supports those markets, and for the prudential regulation of firms not prudentially regulated by the Prudential Regulation Authority;
<i>First Closing Date</i>	means 12 noon on 30 March 2012;
<i>ForexClear</i>	means the clearing service that LCH.Clearnet is establishing for clearing OTC FX trades;
<i>ForexClear Agreement</i>	means the agreement dated 8 December 2010 between LCH.Clearnet, FXGlobalClear Limited and certain of the SwapClear Banks in relation to ForexClear, as amended by a deed of variation dated 5 October 2011;
<i>Form of Acceptance</i>	means the form of acceptance, election and authority relating to the Offer to be sent to LCH.Clearnet Shareholders with the Offer Document;

<i>Form of Proxy</i>	means the form of proxy to be used at the LSEG Meeting, which accompanies this document;
<i>Freshwater Finance</i>	means Freshwater Finance plc;
<i>FSA or Financial Services Authority</i>	means the Financial Services Authority of the UK or any successor authority or authorities (including the Prudential Regulatory Authority and the Financial Conduct Authority);
<i>FSMA</i>	means the Financial Services and Markets Act 2000 (as amended);
<i>FTSE</i>	means FTSE International Limited;
<i>FTSE SPA</i>	means the purchase agreement, dated 12 December 2011, between LSEG, LSEGH, The Financial Times Limited and Pearson plc;
<i>FX</i>	means foreign exchange;
<i>G20</i>	means the group of twenty finance ministers and Central Bank Governors from 20 major economies consisting of 19 countries and the European union, which is represented by the President of the European Council and by the European Central Bank;
<i>Higher Competing Offer</i>	means an offer to acquire more than 50 per cent. of LCH.Clearnet (howsoever to be implemented) at an aggregate offer value (including the amount of any special dividend payable in connection with such offer) of more than €22 per current LCH.Clearnet Share as at the date on which the competing offer is announced;
<i>HSR</i>	means the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
<i>IAS</i>	means International Accounting Standards;
<i>IASB</i>	means the International Accounting Standards Board;
<i>IDEM</i>	means the Italian Derivatives Exchange Market;
<i>IFRIC</i>	means the International Financial Reporting Interpretations Committee;
<i>IFRS</i>	means the International Financial Reporting Standards;
<i>Implementation Agreement</i>	means the implementation agreement between LCH.Clearnet, LSEG and LSEC entered into on or around the date of the Announcement;
<i>Individual LTIP</i>	means the LSEG LTIP for Xavier Rolet;
<i>Initial Budget</i>	means the 2012 LCH.Clearnet Group budget as acknowledged by the LCH.Clearnet Board;

<i>Initial Business Plan</i>	means the 2012-2016 LCH.Clearnet Group medium term financial plan as acknowledged by the LCH.Clearnet Board;
<i>IOSCO</i>	means International Organisation of Securities' Commissions;
<i>LCH.Clearnet</i>	means LCH.Clearnet Group Limited, a company incorporated in England and Wales (registered number 4743602) whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA;
<i>LCH.Clearnet (Luxembourg) S.à.r.l.</i>	means LCH.Clearnet (Luxembourg) S.à.r.l., a company incorporated in Luxembourg (registered number B134342) whose registered office is at 52, rue Charles Martel, Luxembourg, L-2134;
<i>LCH.Clearnet Board Reserved Matters</i>	means the schedule of matters reserved to the LCH.Clearnet Board to be adopted on Completion;
<i>LCH.Clearnet Circular</i>	means the shareholder circular to be posted to LCH.Clearnet Shareholders in connection with the LCH.Clearnet Meeting;
<i>LCH.Clearnet Directors</i>	means the current members of the LCH.Clearnet Board;
<i>LCH.Clearnet Disclosure Letter</i>	means the letter dated on or around Announcement from LCH.Clearnet to LSEG;
<i>LCH.Clearnet Funding LP</i>	means LCH.Clearnet Funding Limited Partnership;
<i>LCH.Clearnet GP Limited</i>	means LCH.Clearnet GP Limited, a company incorporated in England and Wales (registered number 4743602) whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA;
<i>LCH.Clearnet Group</i>	means LCH.Clearnet and its current subsidiaries as at the date of this document;
<i>LCH.Clearnet Independent Directors</i>	means the independent non-executive directors of the LCH.Clearnet Board from time to time;
<i>LCH.Clearnet Issued Share Capital</i>	means the issued share capital of LCH.Clearnet as at Announcement;
<i>LCH.Clearnet Limited</i>	means LCH.Clearnet Limited, a company incorporated in England and Wales (registered number 25932), whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA;
<i>LCH.Clearnet Meeting</i>	means the shareholder meeting convened by LCH.Clearnet to approve the LCH.Clearnet Resolution;

<i>LCH.Clearnet Nomination Committee</i>	means the nomination committee of LCH.Clearnet from time to time, constituted, from Completion, pursuant to the terms of reference set out in the Nomination Terms of Reference;
<i>LCH.Clearnet PLP Limited</i>	means LCH.Clearnet PLP Limited, a company incorporated in England and Wales (registered number 05741275) whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA;
<i>LCH.Clearnet Pre-Completion Obligations</i>	means the pre-Completion obligations of LCH.Clearnet set out in clauses 4, 5 and 7 (which, for the avoidance of doubt, shall include the pre-Completion undertakings set out in Schedule 3) of the Implementation Agreement;
<i>LCH.Clearnet Recommending Directors</i>	means the LCH.Clearnet Independent Directors;
<i>LCH.Clearnet Resolution</i>	means the resolution of LCH.Clearnet Shareholders to adopt the New LCH.Clearnet Articles conditional on Completion and to approve the Special Dividend;
<i>LCH.Clearnet Resolution Condition</i>	has the meaning given in paragraph 1.1(e) of Part 5;
<i>LCH.Clearnet S.A.</i>	means LCH.Clearnet S.A., a company incorporated in France as a société anonyme (registered in the commercial and company registry of Paris under number B692032485);
<i>LCH.Clearnet Shareholders</i>	means the shareholders of LCH.Clearnet from time to time;
<i>LCH.Clearnet Shares</i>	means the ordinary shares in the capital of LCH.Clearnet;
<i>LCH.Clearnet Written Resolution</i>	means a written resolution of LCH.Clearnet, passed in accordance with the procedure set out in the New LCH.Clearnet Articles;
<i>LDC</i>	means Law 15/2007 on the Defence of Competition;
<i>LIBOR</i>	means London Interbank Offered Rate;
<i>Licence Event</i>	has the meaning given in Part 8;
<i>Listing Rules</i>	means the rules and regulations made by the FSA in its capacity as the UK Listing Authority under FSMA and contained in the UKLA's publication of the same name;
<i>LME</i>	means The London Metal Exchange Limited, a company incorporated in England and Wales (registered number 2128666), whose registered office is at 56 Leadenhall Street, London EC3A 2DX;
<i>Longstop Date</i>	means 31 December 2012 or such later date as the parties may agree in writing;
<i>LSE plc</i>	means London Stock Exchange plc, a company incorporated in England and Wales (registered number

02075721) whose registered office is at 10 Paternoster Square, London EC4M 7LS;

<i>LSEC</i>	means London Stock Exchange (C) Limited, a company incorporated in England and Wales (registered number 07943990) whose registered office is at 10 Paternoster Square, London EC4M 7LS;
<i>LSEG</i>	means London Stock Exchange Group plc, a company incorporated in England and Wales (registered number 05369106) whose registered office is at 10 Paternoster Square, London EC4M 7LS and/or, where the context so requires, LSEC;
<i>LSEG Consent Matters</i>	means the matters set out in Schedule 1 of the Relationship Agreement and summarised in Part 7 of this document;
<i>LSEG Directors</i>	means the current members of the LSEG Board;
<i>LSEG Group</i>	means LSEG and its current subsidiaries as at the date of this document;
<i>LSEG Independent Directors</i>	means the independent non-executive directors of the LCH.Clearnet Board from time to time, put forward for appointment by LSEG;
<i>LSEG LTIP</i>	means the LSEG Long Term Incentive Plan 2004;
<i>LSEG Meeting</i>	means the shareholder meeting to be convened by LSEG to approve the Transaction as required by Chapter 10 of the Listing Rules;
<i>LSEG Pre-Completion Obligations</i>	means the pre-Completion obligations of LSEG set out in clauses 4, 6 and 8 of the Implementation Agreement;
<i>LSEG Share Schemes</i>	means the LSEG LTIP and the Individual LTIP;
<i>LSEG Shareholders</i>	means the shareholders of LSEG from time to time;
<i>LSEG Shares</i>	means the ordinary shares of 6 ⁷⁹ / ₈₆ pence each in the capital of LSEG;
<i>LSEGH</i>	means the London Stock Exchange Group Holdings Limited, a company incorporated in England and Wales (registered number 06795362) whose registered office is at 10 Paternoster Square, London EC4M 7LS;
<i>LSEGH R</i>	means the London Stock Exchange Group Holdings (R) Limited, a company incorporated in England and Wales (registered number 07388645) whose registered office is at 10 Paternoster Square, London EC4M 7LS;
<i>Member State</i>	means a member state of the EU;
<i>Merger Control Conditions</i>	has the meaning given in paragraph 1.3 of Part 5;

<i>MF Global</i>	means MF Global UK Limited (in special administration);
<i>MiFID</i>	means the Markets in Financial Instruments Directive 2004/39/EC (as proposed to be amended and restated by the proposal for a Directive of the European Parliament and of the Council 2011/0298);
<i>MiFIR</i>	means the proposal for a Regulation of the European Parliament and of the Council on markets in financial instruments and amending EMIR;
<i>MillenniumIT</i>	means Millennium Information Technologies Limited, a subsidiary of LSEG;
<i>Minimum Acceptance Percentage</i>	means 50 per cent. of the LCH.Clearnet Issued Share Capital plus one LCH.Clearnet Share;
<i>Minimum Rollover Condition</i>	has the meaning given in paragraph 1.1(b) of Part 5;
<i>Minority Protection Reserved Matters</i>	means the matters set out in Schedule 3 of the Relationship Agreement and summarised in Part 7;
<i>Minority Shareholder Approval</i>	means the approval of LCH.Clearnet Shareholders holding at least 80 per cent. of votes attaching to the LCH.Clearnet Shares cast on a resolution at an LCH.Clearnet Shareholder meeting (convened in accordance with the New LCH.Clearnet Articles) or by way of an LCH.Clearnet Written Resolution signed by LCH.Clearnet Shareholders holding at least 80 per cent. of vote attaching to the LCH.Clearnet Shares;
<i>Monte Titoli</i>	means Monte Titoli S.p.A., a subsidiary of LSEG;
<i>Morgan Stanley</i>	means Morgan Stanley & Co. Limited;
<i>MTS</i>	means Società per il Mercato dei Titoli di Stato Borsa Obbligazionaria Europea S.p.A., a subsidiary of LSEG and the owner and operator of an electronic trading platform for European fixed income securities;
<i>NCPS</i>	means non-cumulative callable preference shares;
<i>New LCH.Clearnet Articles</i>	means the new articles of association of LCH.Clearnet in the Agreed Form;
<i>Nomination Terms of Reference</i>	means the terms of reference for the LCH.Clearnet Nomination Committee set out in Schedule 5 of the Relationship Agreement;
<i>Notice of General Meeting</i>	means the notice of the LSEG Meeting contained in this document;

<i>NYSE Euronext</i>	means a Delaware corporation organised on 22 May 2006 and whose principal executive office is located at 11 Wall Street, New York 10005, USA, or any successor or surviving entity;
<i>NYSE Liffe</i>	means the global derivatives business of the NYSE Euronext group;
<i>Offer</i>	means the offer to be made by LSEC to acquire the LCH.Clearnet Issued Share Capital on the terms and subject to the conditions set out in the Offer Document and Form of Acceptance;
<i>Offer Document</i>	means the document to be sent to LCH.Clearnet Shareholders containing the terms and conditions of the Offer;
<i>Offer Price</i>	means €19 per LCH.Clearnet Share;
<i>Official List</i>	means the official list of the FSA;
<i>OFT</i>	means the Office of Fair Trading;
<i>OTC</i>	means over-the-counter;
<i>Parity Securities</i>	means any preference shares, preferred securities (other than the Preferred Securities) or other securities either: (a) issued directly by LCH.Clearnet and expressed to rank <i>pari passu</i> with LCH.Clearnet's obligations under the guarantee; or (b) issued by LCH.Clearnet Funding LP or any subsidiary of LCH.Clearnet or other entity and entitled to the benefit of the guarantee, or any other guarantee expressed to rank <i>pari passu</i> with LCH.Clearnet's guarantee of the Preferred Securities;
<i>Payment Date</i>	has the meaning given to it in Part 8;
<i>PCA</i>	means the Portuguese Competition Authority;
<i>PD Regulations</i>	means Regulation No. 89/2004 stemming from Directive 2003/71/EC;
<i>Preferred Securities</i>	means the fixed rate/floating rate guaranteed non-voting non-cumulative perpetual preferred securities, originally issued on 18 May 2007 in denominations of €50,000 each representing an interest in the LCH.Clearnet Funding LP and including any further preferred securities of the LCH.Clearnet Funding LP of the same series issued after 18 May 2007 and ranking <i>pari passu</i> with the Preferred Securities as regards participation in the profits and assets of the LCH.Clearnet Funding LP;
<i>Principles for Market Infrastructure Providers</i>	means the consultative report issued by the Committee on Payment and Settlement Systems titled "Principles for Market Infrastructure Providers" dated March 2011;

<i>Prudential Regulation Authority</i>	means the regulatory authority established as part of regulatory reforms to be introduced by the UK Financial Services Bill, which will be responsible for the prudential regulation of deposit-takers, insurers and certain investment firms which it has designated;
<i>Push Matters</i>	means the matters set out in Schedule 2 of the Relationship Agreement and summarised in Part 7;
<i>Qualifying LCH.Clearnet Shareholders</i>	means LCH.Clearnet Shareholders on the LCH.Clearnet register of members on the Special Dividend Record Date who therefore qualify to receive the Special Dividend;
<i>REC</i>	means the FSA's Handbook for Recognised Investment Exchanges and Recognised Clearing Houses: requirements applying to recognised bodies;
<i>Recognised Bodies</i>	means a recognised investment exchange or a recognised clearing house as defined in section 285 of FSMA;
<i>Recognised Clearing House</i>	means a clearing house in relation to which a recognition order is in force pursuant to section 285 of FSMA;
<i>Recognised Investment Exchange</i>	means an investment exchange which is declared by a recognition order pursuant to section 290 of FSMA for the time being in force to be a recognised investment exchange;
<i>Registrars</i>	means Equiniti of Aspect House, Lancing, West Sussex BN99 6DA;
<i>Regulations</i>	means the Uncertificated Securities Regulations 2001 (SI 2001/3755);
<i>Regulatory Approvals Condition</i>	has the meaning given in paragraph 1.1(g) of Part 5;
<i>Regulatory Body</i>	means any governmental, regulatory or licensing authority or any Tax Authority having jurisdiction over any member of the LCH.Clearnet Group or the LSEG Group (as the case may be), including, but not limited to, in the UK: the UK Government, HM Revenue and Customs, the OFT, the FSA; in the USA: the CFTC, the United States Securities and Exchange Commission; in France: the ACP and the AMF; in the EU: the European Commission; and the equivalent regulators in the Netherlands, Belgium, Portugal, Italy, Japan and in any other country in which the LCH.Clearnet Group or the LSEG Group (as the case may be) carries on business including successors thereto;
<i>Regulatory Capital Subscription Agreement</i>	means the subscription agreement entered into by LSEG and LCH.Clearnet pursuant to which LCH.Clearnet may, subject to LCH.Clearnet Board approval, and for a period of 18 months from Completion, call for LSEG or LSEC to subscribe for further LCH.Clearnet Shares for regulatory capital purposes;

<i>Regulatory Information Service</i>	means any of the services on the list of Regulatory Information Services maintained by the FSA;
<i>Regulatory Licence</i>	means a material licence, consent, approval or exemption;
<i>Regulatory Licences Condition</i>	has the meaning given in paragraph 1.1(h) of Part 5;
<i>REIT</i>	means real estate investment trust;
<i>Relationship Agreement</i>	means the relationship agreement to be entered into between LCH.Clearnet, LSEG and LSEC in the Agreed Form (the material terms of which are summarised in Part 7);
<i>Relevant Claim</i>	means any claim received by any LCH.Clearnet Group company alleging that it has, on or prior to 28 September 2011 (the date on which LCH.Clearnet and LSEG entered into their exclusive negotiations which led to the Offer) been negligent in the performance of its rights or obligations under its clearing agreements, which is successful or which is settled for an amount exceeding €500,000;
<i>Relevant Claim Amount</i>	has the meaning given to it in Part 8;
<i>RepoClear</i>	means the clearing service that LCH.Clearnet provides for clearing cash bond and repo trades;
<i>Resolution</i>	means the resolution of LSEG Shareholders to approve the Transaction;
<i>Short-Selling Regulation</i>	means the proposal for a Regulation of the European Parliament and of the Council on short selling and certain aspects of Credit Default Swaps 2010/0251 (COD);
<i>SIDCO</i>	means a Systemically Important Designated Clearing Organisation;
<i>Smaller LCH.Clearnet Shareholder</i>	means an LCH.Clearnet Shareholder that has validly accepted the Offer that holds, together with its associates (as defined in the existing articles of association of LCH.Clearnet), one per cent. or less of the LCH.Clearnet Issued Share Capital at the date on which it is determined whether and to what extent any allocations of LCH.Clearnet Shares and scaleback of conditional acceptances are to be made pursuant to the terms of the Offer, being a date no more than 10 Business Days after the Closing Date (or such higher number as may be agreed between LSEG, LSEC and LCH.Clearnet);
<i>Societe Generale</i>	means Société Générale, London Branch;
<i>Special Dividend</i>	means a special dividend of €1 per LCH.Clearnet Share (plus an additional amount calculated by reference to interest payable on an LCH.Clearnet bank account after deduction of certain costs), which will be payable to

	Qualifying LCH.Clearnet Shareholders conditional on the Offer becoming unconditional in all respects;
<i>Special Dividend Record Date</i>	means the date of the Announcement;
<i>subsidiary</i>	means a subsidiary as defined by section 1159 of the Companies Act;
<i>SwapClear</i>	means the clearing service that LCH.Clearnet provides for clearing OTC interest rate swaps;
<i>SwapClear Agreements</i>	means the SwapClear Framework Agreement, the ForexClear Agreement and the draft CDSClear Agreement as amended from time to time;
<i>SwapClear Banks</i>	means a group of international investment banks who are clearing members of LCH.Clearnet Limited and LCH.Clearnet S.A. and have entered into the SwapClear Agreements with them for the development and operation of the SwapClear Businesses;
<i>SwapClear Businesses</i>	means SwapClear, ForexClear and CDSClear;
<i>SwapClear Framework Agreement</i>	means the agreement dated 28 June 2010 between LCH.Clearnet, OTCDerivnet Limited and certain of the SwapClear Banks in relation to SwapClear, as amended by an amendment letter dated 27 June 2011;
<i>Takeover Code</i>	means the City Code on Takeovers and Mergers, as amended from time to time;
<i>Target Holding Election</i>	has the meaning given in paragraph 5 of Part 1;
<i>Tax Authority</i>	means any taxing or other authority (whether within or outside the United Kingdom) competent to assess or collect any tax;
<i>Trade Mark Licence and Co-Existence Agreement</i>	means the trade mark licence and co-existence agreement, dated 16 December 2011, between LSEG, LSEGH, FTSE, The Financial Times Limited and Pearson plc;
<i>Transaction</i>	means the direct or indirect acquisition by LSEG of a majority interest in LCH.Clearnet by LSEG as contemplated in the Announcement;
<i>Transformation Plan</i>	means the transformation plan to be implemented by the LCH.Clearnet Group, as disclosed to LSEG;
<i>TSR</i>	means total shareholder return;
<i>Turquoise</i>	means Turquoise Global Holdings Limited, a subsidiary of LSEG;
<i>UK or United Kingdom</i>	means the United Kingdom of Great Britain and Northern Ireland;

UKLA	means the FSA acting in its capacity as competent authority for the purpose of Part VI of FSMA;
US or United States	means the United States of America;
User Directors	means directors connected to or associated with User Shareholders;
User Shareholders	means LCH.Clearnet Shareholders that are Users;
Users	means Clearing Participants other than Venues;
VAT	means value added tax imposed by the Value Added Tax Act 1994 and legislation and regulations supplemental thereto;
Venue	means a Clearing Participant which is an exchange, trading venue, multilateral trading facility, alternative trading system or similar; and
Venue Directors	means directors connected to or associated with Venue Shareholders;
Venue Shareholders	means LCH.Clearnet Shareholders that are Venues; and
WACC	means weighted average cost of capital.

All references to legislation in this document are to the legislation of England and Wales, unless the contrary is indicated. Any reference to any provision of any legislation should include any amendment, modification, re-enactment or extension thereof.

The singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

Terms defined in the CREST Manual shall, unless the context otherwise requires, bear the same meanings where used in this document.

Unless otherwise indicated, all references in this document to “sterling”, “pounds sterling”, “GBP”, “£”, “pence”, or “p” are to the lawful currency of the United Kingdom; references to “euro” or “€” are to the official currency of the Eurozone; and references to “US dollars”, “USD” or “\$” are to the lawful currency of the United States.

In this document:

- (a) the sterling to euro exchange rate used is 1.200, being the exchange rate as at 6 March 2012, unless it is:
 - (i) the exchange rate as at 31 December 2011, which is 1.1972;
 - (ii) the exchange rate for the 2011 calendar year, which is 1.1527;
 - (iii) the exchange rate for the first nine months of the current LSEG financial year, which is 1.1463;
 - (iv) the exchange rate for the third quarter of the LSEG financial year ended 31 December 2011, which is 1.1666; and

(b) the sterling to dollar exchange rate used is 1.574, being the exchange rate as at 6 March 2012.

References to time are to London time.

NOTICE OF GENERAL MEETING

London Stock Exchange Group plc
(Registered in England No. 05369106)

Notice is hereby given that a general meeting of London Stock Exchange Group plc (the “**Company**”) will be held at 9:30 a.m. 3 April 2012 at the offices of Freshfields Bruckhaus Deringer LLP at 65 Fleet Street, London EC4Y 1HT (the “**General Meeting**”) to consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

THAT:

- (a) the proposed acquisition by London Stock Exchange (C) Limited, a wholly-owned subsidiary of the Company (**LSEC**), of a majority interest in LCH.Clearnet Group Limited (**LCH.Clearnet**) as described in the circular to the shareholders of the Company dated 16 March 2012 (the “**Transaction**”), substantially on the terms and subject to the conditions set out in the implementation agreement dated 9 March 2012, and the recommended cash offer by LSEC for LCH.Clearnet substantially on the terms and subject to the conditions set out in the offer document posted by the Company on 16 March 2012 (the “**Offer**”) be and is hereby approved; and
- (b) the directors of the Company (the “**Directors**”) (or any duly constituted committee thereof) be and are hereby authorised to take all necessary or appropriate steps and to do all necessary or appropriate things to implement, complete or to procure the implementation or completion of the Transaction and/or the Offer and give effect thereto with such modifications, variations, revisions, waivers or amendments (not being modifications, variations, revisions, waivers or amendments of a material nature) as the Directors (or any duly authorised committee thereof) may deem necessary, expedient or appropriate in connection with the Transaction and/or the Offer.

By order of the board of directors of the Company

Lisa Condron
Company Secretary

16 March 2012

Registered office:

London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

Notes to the Notice of General Meeting

1. The right to attend and vote at the meeting is determined by reference to the Company's register of shareholders. Only a shareholder entered in the register of shareholders at 6:00pm on 30 March 2012 (or, in the event that the General Meeting is adjourned, on the register of shareholders 48 hours before the time of any adjourned meeting) is entitled to attend and vote at the meeting and a shareholder may vote in respect of the number of ordinary shares registered in that shareholder's name at that time. Changes to the entries in the register of shareholders after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the General Meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A yellow Form of Proxy is enclosed with this Notice of General Meeting for use at the General Meeting.

3. To be valid, a Form of Proxy, duly completed, signed or sealed (as appropriate) and dated, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be returned to the Company's Registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to arrive no later than 12:00 noon on 30 March 2012 or not less than 48 hours before the time of any adjourned meeting or the taking of a poll at which the person named in the Form of Proxy proposes to vote.

4. The Form of Proxy must be executed by the shareholder or his or her attorney duly authorised in writing and (in the case of an individual) must be signed by the individual or his or her attorney duly authorised in writing or (in the case of a corporation) either executed under its common seal or signed on its behalf by a duly authorised officer or attorney of the corporation.

5. In the case of joint registered holders, the signature of one holder will be accepted and the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority will be determined by the order in which the names stand on the register of shareholders of the Company in respect of the relevant joint holding.

6. Alternatively a shareholder may appoint a proxy or proxies electronically either via the website run by Equiniti at www.sharevote.co.uk using the number provided on the yellow Form of Proxy or, if such shareholder is a CREST member, by using the procedure described in paragraph 7 below.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual, which can be viewed at www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by no later than 12:00 noon on 30 March 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner

prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. Any corporation which is a shareholder may appoint one or more corporate representatives who may exercise on its behalf all of its powers provided that they do not exercise their powers differently in relation to the same shares.

9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a “*Nominated Person*”) may have a right, under an agreement between him or her and the shareholder by whom he or she was nominated, to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

10. The statements of the rights of shareholders in relation to the appointment of proxies in paragraphs 2 to 7 above do not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by shareholders of the Company.

11. As at 15 March 2012 (being the last practicable date prior to the publication of this document) the Company’s issued share capital consists of 271,108,651 ordinary shares of 6⁷⁹/₈₆ pence each, carrying one vote each. Therefore, the total voting rights in the Company as at 15 March 2012 are 271,108,651.

12. Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. In accordance with section 311A of the Companies Act 2006, the contents of this Notice of General Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the General Meeting and, if applicable, any members’ statements, members’ resolutions or members’ matters of business received by the Company after the date of this notice are available to view and to download on the Company’s website at:

<http://www.londonstockexchangegroup.com/investor-relations/investor-relations.htm>.

14. The results of the voting at the General Meeting will be announced through a Regulatory Information Service and will appear on our website at:

<http://www.londonstockexchangegroup.com/investor-relations/investor-relations.htm>.

15. Save as provided above, any communication with the Company in relation to the General Meeting, including in relation to proxies, should be sent to the Company's Registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. No other means of communication will be accepted. In particular, you may not use any electronic address provided either in this Notice of General Meeting or in any related documents (including the Form of Proxy or the General Meeting Shareholder Admission Card) to communicate with the Company for any purposes other than those expressly stated.

16. In order to access shareholder documents from the Company on the website, you will need to have access to a PC or Mac with: (i) Microsoft Internet Explorer version 6.0 (or later version) which can be downloaded from the Microsoft website at: <http://windows.microsoft.com/en-gb/windows/downloads>, or equivalent alternative web browser software; and (ii) Adobe Acrobat Reader which can be downloaded free from the Adobe website at:

<http://getadobe.com/products/UK/reader/>.