LCH.CLEARNET

Interim Report

Half year to 30 June 2006

LCH.Clearnet Group Limited

“This is my first review as Chief Executive of the LCH.Clearnet Group, and I would like to say at the outset how pleased I am to have the opportunity to lead Europe's premier central counterparty at such a critical time in its development…”

CHIEF EXECUTIVE'S REVIEW

This is my first review as Chief Executive of the LCH.Clearnet Group, and I would like to say at the outset how pleased I am to have the opportunity to lead Europe's premier central counterparty at such a critical time in its development.

Highlights

The first half of 2006 has been eventful. LCH.Clearnet has seen spectacular levels of clearing activity, with record volumes being established, broken and then re-broken in clearing cash markets, and unprecedented monthly nominal values in fixed income. On a like-for-like basis, clearing volumes have risen more than 28% against the same period in 2005, reaching a total of 639.3 million contracts. These high levels of business activity have resulted in net revenues increasing by €58.5m (35.5%) to €223.1m. Within this, net interest income has risen by €13.6m (88.9%) to €28.9m and clearing fees have increased by €61.0m (39.6%) to €215.1m - although this is significantly offset by the increase in retrocession fees collected on behalf of Euronext of €16.4m (107.9%) - whilst other fee income has shown a small increase of €0.3m (2.9%) to €10.7m. The strong control exercised over the cost base has resulted in costs and expenses, excluding exceptional items, falling by €13.5m (11.5%) to €103.9m.

During the period, the Group undertook a further review of its technology strategy. As a result of this review, the Group has decided not to continue to use assets from the Generic Clearing System (GCS) within its technology strategy. Accordingly, a €47.8m write off (2005: €20.1m), which substantially relates to those assets, has been recognised in the consolidated income statement for the 6 months to 30 June 2006. The total cost of GCS was €121.3m, of which a substantial proportion was expensed directly to the Income Statement as incurred. The GCS programme has now been fully written off.

Business activity

There have been a number of product initiatives across all business streams. EquityClear has been working with SWX Swiss Exchange to extend the current virt-x interoperable clearing model to the rest of the Swiss market. We are working closely with x-clear in this project, and hope to go live later this year. Settlement Connect was successfully launched on the Portuguese market in June, completing the replacement of local legacy interfaces across all Euronext cash products with a single link, offering greater business opportunities to members, and opening up the Portuguese market to a wider number of market participants.

In fixed income, Repoclear has been active in its development of service improvements and product enhancements, with the introduction of settlement shaping of French debt, and the broadening of access to the clearing of trades in Italian government debt. We have been working with members on the design of a new General Collateral clearing service which will initially launch Sterling GC towards the end of 2006. SwapClear has seen further trade backloading, with the overall portfolio increasing in size to US$62 trillion at the half year.

Exchange & Commodity Derivatives has continued its close cooperation with Exchange partners. Bclear, launched by Euronext.liffe in October 2005, has grown strongly. We are now clearing an additional 56 OTC contracts traded on IntercontinentalExchange in Atlanta. These include natural gas, power and crude and refined oil swaps. In February 2006, we started clearing the new ICE Futures WTI crude oil contract, launched in competition with the NYMEX flagship contract, which ended the half year with a market share approaching 30%. Freight clearing was originally launched in September 2005; volumes have grown consistently in dry freight clearing services with a record month in June, but we were less successful in clearing wet freight contracts. The wet service was consequently re-launched in March 2006, with the contract re-configured to reflect the unique requirements of the OTC market; the results so far have been positive.

Business integration

Integration work continues, with the focus on moving forward the cash equity integration programme. At the beginning of July, the final Service Description for Phase 1 of the project was distributed to all stakeholders, designed, with CrestCo, to migrate and internalise the London Stock Exchange clearing business within LCH.Clearnet, whilst offering both a CNS based harmonised solution and a "no impact" option to the market should any members wish to continue to stay with the current model. In February, and in parallel with these functional changes, LCH.Clearnet announced its new total market volume discounted tariff to be introduced as part of the integration programme, which will considerably benefit members across all the cash markets we clear.

Given the short period that has elapsed since my appointment, this statement at the half year point has been necessarily brief; I look forward to being able to make more detailed comments at the year end. In particular, I will be undertaking a strategic review of our business and supporting technology, and I will be better placed to comment thereafter.

Roger Liddell
Group Chief Executive

SUMMARISED RESULTS

LCH.Clearnet Group Limited summarised consolidated income statement
for the six months ended 30 June 2006

	30 June 2006 €'m	30 June 2005 €'m
Total revenue	608.7	372.9
Interest expense and similar charges	(354.0)	(193.1)
Fees payable and similar charges	(31.6)	(15.2)
Net revenue	223.1	164.6
Administrative expenditure	(103.9)	(117.4)
Write off of capitalised development costs	(47.8)	(20.1)
Restructuring costs	-	(6.0)
Operating costs	(151.7)	(143.5)
Operating profit	71.4	21.1
Net finance income/(cost)	0.8	(0.9)
Profit before taxation	72.2	20.2
Taxation expense	(24.8)	(8.1)
Profit for the period	47.4	12.1

Highlights

Clearing fees up 39.6% to €215.1m (2005: €154.1m).

Net interest income up 88.9% to €28.9m (2005: €15.3m).

Operating profit up €50.3m after write-off of capitalised development costs of €47.8m (2005: €20.1m).

Cost to income ratio[1] 46.6% (2005: 71.3%).

[1]Cost to income ratio is the ratio of operating costs excluding write off of capitalised development costs and restructuring costs to net revenue.

Total revenue

	30 June 2006 €'m	30 June 2005 €'m	Increase %
Gross clearing fees	215.1	154.1	39.6
Interest from cash and collateral margin	354.6	183.7	93.0
Interest earned on Default Funds	28.3	24.7	14.6
Other income	10.7	10.4	2.9
	608.7	372.9	63.2

Total revenue increased by €235.8m (63.2%) to €608.7m (2005: €372.9m).

Gross clearing fees

	30 June 2006 €'m	30 June 2005 €'m	Increase %
Equities	111.1	74.2	49.7
Fixed income	11.9	10.7	11.2
Derivatives and swaps	61.2	51.8	18.1
Commodities and energy	30.9	17.4	77.6
	215.1	154.1	39.6

Gross clearing fees increased by €61.0m (39.6%) to €215.1m (2005: €154.1m), reflecting substantially higher trading volumes in equities, derivatives and swaps, and commodities and energy, compared to the corresponding period in 2005.

Net interest income

	30 June 2006 €'m	30 June 2005 €'m	Increase/ (decrease) %
Interest earned on cash and collateral margin	354.6	183.7	93.0
Interest paid on cash and collateral margins	(320.9)	(162.6)	97.4
Net interest received	33.7	21.1	59.7
Interest earned on Default Funds	28.3	24.7	14.6
Interest paid on Default Funds	(33.1)	(30.5)	8.5
Net interest paid	(4.8)	(5.8)	(17.2)
	28.9	15.3	88.9

Interest income from cash and collateral margin balances increased by €170.9m (93.0%) to €354.6m (2005: €183.7m), as a result of the substantially higher average cash and collateral balances arising from increased levels of market activity during the current period. Interest payments to clearing members in respect of cash and collateral margins increased broadly in line by €158.3m (97.4%) to €320.9m (2005: €162.6m).

Interest earned on Default Funds was €3.6m (14.6%) higher at €28.3m (2005: €24.7m) as a result of the increase in the balance of Default Funds. Interest paid to members in respect of Default Funds increased by €2.6m (8.5%) to €33.1m (2005: €30.5m).

Other income

Other income has increased by €0.3m (2.9%) to €10.7m (2005: €10.4m). Other income includes annual fees charged to members, settlement fees, and transfer fees.

Fees payable and similar charges

These amounts principally relate to retrocession fees collected on behalf of a related party, Euronext, and have increased in line with the increase in volumes and clearing fee income experienced in continental Europe. Additionally a number of contractual revenue and fee guarantees provided by Euronext, that were previously offset against the retrocession fees, expired at the end of 2005.

Administrative expenditure

Overall, administrative expenditure has fallen by €13.5m (11.5%) to €103.9m (2005: €117.4m).

The main changes are in the area of operating expenses, which have fallen by €14.9m (20.1%) from €74.1m to €59.2m. The decrease in operating expenses has been driven by the re-negotiation of key IT contracts and a significant reduction in the use of IT contractors and consultants as the Group completed the review of its GCS technology strategy.

Depreciation has increased by €1.2m (from €6.1m to €7.3m) following the commencement of depreciation on a number of software licences.

Write off of capitalised development costs

During the period the Group undertook a further review of its technology strategy. As a result of this review the Group has decided not to continue to use assets from the Generic Clearing System (GCS) within its technology strategy. Accordingly, a €47.8m write off (2005: €20.1m), which substantially relates to those assets, has been recognised in the consolidated income statement. The total cost of GCS was €121.3m, of which a substantial proportion was expensed directly to the income statement as incurred. The programme has now been fully written off.

Restructuring costs

Restructuring costs of €6.0m were incurred in 2005 in relation to expenses associated with cost reductions and consultants assisting with the integration process.

Operating profit

The definition of operating profit used within the Group includes income generated from the re-investment of clearing member margin and Default Fund balances, but excludes interest income from shareholders' funds and interest expenses relating to redeemable convertible preference shares (RCPS) and subordinated loans - all of which are included separately in net finance costs.

Substantial revenue increases, combined with savings in IT costs, resulted in an increase in operating profit of €50.3m (238.4%) to €71.4m (2005: €21.1m) after allowing for the write off of capitalised development costs of €47.8m (2005: €20.1m).

Net finance income/(cost)

	30 June 2006 €'m	30 June 2005 €'m	Increase %
Finance costs relating to:			
Redeemable convertible preference shares	(3.8)	(3.4)	11.8
Subordinated loan	(0.5)	(0.4)	25.0
	(4.3)	(3.8)	13.2
Interest on shareholders' funds	5.1	2.9	75.8
	0.8	(0.9)	

Interest income on shareholders' funds now exceeds that payable in respect of long term financing with the result that the net finance cost is now a net finance income.

Interest costs attributable to the RCPS and subordinated loan have increased by €0.5m (13.2%) to €4.3m (2005: €3.8m) due to the increase in euro interest rates.

Interest on shareholders' funds has risen due to the increase in the level of the Group's own cash balances, which were unaffected by the GCS write off. In addition, the Group has also benefited from increasing interest rates on Euro denominated funds.

Taxation expense

The effective tax rate is 34.4% (six months ended 30 June 2005: 40.0%; year ended 31 December 2005: 37.1%).

The rate exceeds the standard UK rate of 30.0% due to the generation of some of the Group's profits in Europe, where effective tax rates are higher, as well as certain expenses, including the finance costs relating to RCPS, being ineligible for tax relief.

Capital resources

The total resources of the Group increased in the period by €46.5m (7.7%) to €649.9m (31 December 2005: €603.4m).

The increase represents retained earnings for the period under review of €47.4m less foreign exchange adjustments of €0.9m.

LCH.Clearnet Group summarised consolidated cashflow and movement in cash and cash equivalents
for the six months ended 30 June 2006

	30 June 2006 €'m	30 June 2005 €'m
Net cash inflows from operating activities	3,365.7	3,565.8
Net cash inflow/(outflow) from investing activities	931.9	(102.8)
Net cash from/(used in) financing activities	0.8	(0.9)
Increase in cash and cash equivalents	4,298.4	3,462.1
Effects of foreign exchange movements	(64.9)	354.1
Cash and cash equivalents at 1 January	14,168.3	10,132.8
Cash and cash equivalents at 30 June	18,401.8	13,949.0
Cash and cash equivalents at 30 June comprise:		
Cash and short-term investments	18,737.4	14,052.0
Financial assets maturing in three to six months	(333.9)	(90.0)
Bank overdrafts and loans	(1.7)	(13.0)
	18,401.8	13,949.0

The most significant element of the Group cashflow during the six months to June 2006 was the cash inflow from operating activities of €3,160.8m arising from the margin monies deposited as a result of increasing market activity during the period. Additionally there was an increase of €89.6m in the Default Funds.

During the period under review, the Group capitalised €1.8m of self-developed software expenditure. Depreciation of this capitalised cost will take place over three to five years, commencing from the date when the assets are brought into economic use by the business.

INDEPENDENT REVIEW REPORT

to LCH.Clearnet Group Limited

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006, which comprises a consolidated income statement, consolidated balance sheet, consolidated cashflow statement, consolidated statement of changes in equity, and the related notes 1 to 5. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the accounting policies and presentation applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP.

Ernst & Young LLP
Registered auditor
London
25 August 2006

INCOME STATEMENT

LCH.Clearnet Group consolidated income statement
for the six months ended 30 June 2006

	Six months to 30 June 2006 €'000	Six months to 30 June 2005 €'000	Year to 31 December 2005 €'000
Revenue			
Interest income	382,862	208,439	439,705
Interest expense and similar charges	(354,006)	(193,113)	(405,972)
Net interest income	28,856	15,326	33,733
Clearing fees	215,098	154,074	328,695
Other fee income	10,746	10,358	21,932
	254,700	179,758	384,360
Fees payable and similar charges	(31,598)	(15,158)	(34,720)
Net revenue	223,102	164,600	349,640
Costs and expenses			
Employee benefits expense	(37,384)	(37,169)	(70,470)
Depreciation and amortisation charge	(7,252)	(6,058)	(11,966)
Write off of capitalised development costs	(47,822)	(20,106)	(20,106)
Other operating expenses	(59,224)	(74,136)	(153,675)
Restructuring costs	-	(6,010)	(7,075)
Total costs and expenses	(151,682)	(143,479)	(263,292)
Operating profit	71,420	21,121	86,348
Net finance income/(cost)	772	(896)	(705)
Profit before taxation	72,192	20,225	85,643
Taxation expense - UK taxation	(5,470)	2,523	(6,907)
- overseas taxation	(19,371)	(10,604)	(24,850)
	(24,841)	(8,081)	(31,757)
Profit for the period	47,351	12,144	53,886

BALANCE SHEET

LCH.Clearnet Group consolidated balance sheet
as at 30 June 2006

	30 June 2006 €'000	30 June 2005 €'000	31 December 2005 €'000
Non-current assets			
Intangible assets	524,318	580,442	576,697
Property, plant and equipment	5,899	7,837	6,815
Other financial assets	15,000	15,000	15,000
Deferred tax	13,144	6,537	6,565
	558,361	609,816	605,077
Current assets			
Cash and short-term investments	18,737,476	14,052,027	15,448,406
Debtors and other receivables	68,733	94,120	89,921
Balances with clearing members	266,748,811	252,748,499	246,509,349
	285,555,020	266,894,646	262,047,676
TOTAL ASSETS	286,113,381	267,504,462	262,652,753
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	100,116	100,116	100,116
Capital reserves	376,371	376,371	376,371
Translation reserve	1,525	4,247	2,403
Retained earnings	171,837	85,122	124,486
	649,849	565,856	603,376
Non-current liabilities			
Interest bearing loans and borrowings	225,840	225,840	225,840
Default Funds	1,628,377	1,497,909	1,542,430
Employee benefits	38,740	30,800	37,230
	1,892,957	1,754,549	1,805,500
Current liabilities			
Interest bearing loans and borrowings	1,729	13,000	12,124
Income tax payable	19,777	10,345	10,908
Creditors and other payables	79,566	97,237	91,235
Balances with clearing members	283,469,503	265,063,475	260,129,610
	283,570,575	265,184,057	260,243,877
TOTAL EQUITY AND LIABILITIES	286,113,381	267,504,462	262,652,753

CASHFLOW STATEMENT

LCH.Clearnet Group consolidated cashflow statement
for the six months ended 30 June 2006

	Six months to 30 June 2006 €'000	Six months to 30 June 2005 €'000	Year to 31 December 2005 €'000
Operating activities			
Operating profit	71,420	21,121	86,348
Adjustments to reconcile Group operating profit to net cash inflows from operating activities:			
Depreciation, amortisation and write off	55,074	26,164	31,867
Loss on disposal of assets	101	203	205
Decrease in debtors and other receivables	21,120	9,714	9,764
Increase in employee benefits	1,665	3,077	6,446
Decrease in creditors and other payables	(11,592)	(12,887)	(20,922)
Margin monies cash inflow	3,160,803	3,386,551	4,879,651
Monies lodged with Euroclear default fund	-	(15,000)	(15,000)
Increase in Default Funds	89,627	157,424	218,860
Net cash inflow from operations	3,388,218	3,576,367	5,197,219
Taxation received	-	5,219	2,878
Taxation paid	(22,546)	(15,773)	(25,984)
Net cash inflows from operating activities	3,365,672	3,565,813	5,174,113
Investing activities			
Investment in intangible assets	(1,808)	(12,839)	(14,011)
Purchase of property, plant and equipment	(331)	-	(607)
Investment in financial assets maturing in three to six months	934,074	(90,000)	(1,268,000)
Net cash inflow/(outflow) from investing activities	931,935	(102,839)	(1,282,618)
Financing activities			
RCPS and subordinated loan interest paid	(4,287)	(3,829)	(7,548)
Interest received on shareholders' funds	5,059	2,933	6,843
Net cash from/(used in) financing activities	772	(896)	(705)
Increase in cash and cash equivalents	4,298,379	3,462,078	3,890,790
Cash and cash equivalents at 1 January	14,168,281	10,132,801	10,132,801
Effects of foreign exchange movements	(64,839)	354,148	144,691
Cash and cash equivalents at 30 June/31 December	18,401,821	13,949,027	14,168,282
Cash and cash equivalents comprise:			
Investments in secured short-term loans	13,888,787	9,861,639	11,158,685
Cash at bank and in hand	4,848,689	4,190,388	4,289,721
Cash and short-term investments	18,737,476	14,052,027	15,448,406
Bank overdrafts and loans	(1,729)	(13,000)	(12,124)
Financial assets maturing in three to six months	(333,926)	(90,000)	(1,268,000)
	18,401,821	13,949,027	14,168,282

CHANGES IN EQUITY

LCH.Clearnet Group consolidated statement of changes in equity
for the six months ended 30 June 2006

	Equity share capital €'000	Capital reserves €'000	Translation reserve €'000	Retained earnings €'000	Total €'000
Shareholders' equity at 1 January 2005	100,116	376,371	(536)	72,978	548,929
Retained profit for the period	-	-	-	12,144	12,144
Foreign exchange adjustments	-	-	4,783	-	4,783
Shareholders' equity at 30 June 2005	100,116	376,371	4,247	85,122	565,856
Retained profit for the period	-	-	-	41,742	41,742
Foreign exchange adjustments	-	-	(1,844)	-	(1,844)
Actuarial loss recognised in the pension scheme	-	-	-	(3,397)	(3,397)
Deferred tax relating to the pension liability (above)	-	-	-	1,019	1,019
Shareholders' equity at 31 December 2005	100,116	376,371	2,403	124,486	603,376
Retained profit for the period	-	-	-	47,351	47,351
Foreign exchange adjustments	-	-	(878)	-	(878)
Shareholders' equity at 30 June 2006	100,116	376,371	1,525	171,837	649,849

NOTES to the consolidated financial statements

1 Corporate information

a Authorisation for publication

The interim consolidated financial statements of LCH.Clearnet Group for the six months ended 30 June 2006 were authorised for issue in accordance with a resolution of the directors on 25 August 2006.

LCH.Clearnet Group Limited is a limited company incorporated in England and Wales whose shares are owned principally by clearing members and exchanges.

b Principal activities

The principal activities of the Group during the period were the provision of clearing, central counterparty and other services to clearing members, trade matching organisations and exchanges. These activities were undertaken in separate geographical locations by two subsidiaries, LCH.Clearnet Limited in the United Kingdom and LCH.Clearnet SA in other European countries.

LCH.Clearnet Limited is a Recognised Clearing House under the Financial Services and Markets Act 2000 and a Derivatives Clearing Organization in the USA. LCH.Clearnet Limited is regulated by the Financial Services Authority.

LCH.Clearnet SA acts as the clearing house for regulated markets in France, The Netherlands, Belgium and Portugal. As a clearing house in France, LCH.Clearnet SA is subject to Autorité des Marchés Financiers regulations. As a bank it is governed by the French Banking Law and is subject to supervision by the French Commission bancaire.

2 Accounting policies

a Presentational currency

The 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 Group's subsidiaries are measured using the functional currency of the subsidiary in question, being the currency of the primary economic environment in which it operates.

b Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2006 have been prepared in accordance with IAS 34, 'Interim Financial Reporting'.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2005.

c Significant accounting policies

These financial statements have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) effective for 2006 reporting and with those parts of the Companies Act 1985 (the Act) applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the valuation of investments available for sale and financial assets and liabilities held for trading.

The preparation of financial statements in conformity with generally accepted accounting principles 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 these estimates.

The interim financial information does not constitute the statutory financial statements as defined in Section 240 of the Act. The audit report on the Report and Consolidated Financial Statements for the year ended 31 December 2005, which has been filed with the Registrar of Companies, was unqualified and did not contain a statement under Section 237 (2) or (3) of the Act.

A separate income statement for the Company has not been presented as permitted by Section 230 of the Act.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except for the adoption of the amendments mandatory for annual periods beginning on or after 1 January 2006 under IAS 39, "Financial Instruments: Recognition and Measurement".

The adoption of these amendments did not affect the Group results of operations or financial position.

3 Segmental analysis

Revenue and profit before tax are derived from fees related to the provision of a clearing service to members and exchanges and interest earned from deposits and margin monies held.

Analysis by primary segment is based upon the Group's corporate structure.

	Six months to 30 June 2006 €'000	Six months to 30 June 2005 €'000	Year to 31 December 2005 €'000
Revenue			
UK external revenue	123,651	87,268	191,234
Less inter-segment sales	(2,775)	(2,729)	(8,859)
UK segment revenue	120,876	84,539	182,375
Europe	102,226	80,061	167,265
	223,102	164,600	349,640
Profit before tax			
UK	14,312	(10,496)	14,583
Europe	57,880	30,721	71,060
	72,192	20,225	85,643

The results for the period are not materially impacted by seasonal or cyclical factors.

4 Write off of capitalised development costs

During the period the Group undertook a further review of its technology strategy. As a result of this review the Group has decided not to continue to use assets from the Generic Clearing System (GCS) within its technology strategy. Accordingly, a €47.8m write off (2005: €20.1m), which substantially relates to those assets, has been recognised in the consolidated income statement. The total cost of GCS was €121.3m, of which a substantial proportion was expensed directly to the Income Statement as incurred. The GCS programme has now been fully written off.

5 Related party transactions

At 30 June 2006, the Euronext group held 29.85% of the ordinary share capital and 100% of the redeemable convertible preference shares (RCPS) of LCH.Clearnet Group Limited. This remains the largest shareholding in the Group and has been held since 22 December 2003, the date of acquisition of LCH.Clearnet SA.

The following table provides the total amount of transactions which have been entered into with related parties during the six months ended 30 June 2006 and 2005, and the year ended 31 December 2005.

Euronext group -
for the six months ended 30 June 2006

	Income attributable to related parties €'000	Expenses attributable to related parties €'000	Amounts owed from related parties €'000	Amounts owed to related parties €'000
IT software development and other sundry fees	134	-		
Gross retrocession fees	-	32,538		
Revenue and fee guarantees	-	(1,500)		
Fees payable and similar charges	-	31,038		
Management fees, accommodation costs and other management services	-	758		
IT costs	-	1,175		
RCPS distributions	-	3,836		
RCPS capital			-	198,840
Balances outstanding at 30 June 2006			1,892	19,625
	134	36,807	1,892	218,465

Euronext group -
for the six months ended 30 June 2005

	Income attributable to related parties €'000	Expenses attributable to related parties €'000	Amounts owed from related parties €'000	Amounts owed to related parties €'000
IT software development and other sundry fees	545	-		
Gross retrocession fees	-	21,058		
Revenue and fee guarantees	-	(5,900)		
Fees payable and similar charges	-	15,158		
Management fees, accommodation costs and other management services	-	1,612		
IT costs	-	3,530		
RCPS distributions	-	3,422		
RCPS capital			-	198,840
Balances outstanding at 30 June 2005			18,312	12,905
	545	23,722	18,312	211,745

Euronext group -
for the year ended 31 December 2005

	Income attributable to related parties €'000	Expenses attributable to related parties €'000	Amounts owed from related parties €'000	Amounts owed to related parties €'000
IT software development and other sundry fees	641	-		
Gross retrocession fees	-	50,720		
Revenue and fee guarantees	-	(16,000)		
Fees payable and similar charges	-	34,720		
Management fees, accommodation costs and other management services	-	2,338		
IT costs	-	8,612		
RCPS distributions	-	6,768		
RCPS capital			-	198,840
Balances outstanding at 31 December 2005			16,582	13,068
	641	52,438	16,582	211,908

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