

BRADY CORP  
Form 10-K  
September 21, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the fiscal year ended July 31, 2010**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-14959**

**BRADY CORPORATION**

*(Exact name of registrant as specified in charter)*

**Wisconsin**

*(State or other jurisdiction of  
incorporation or organization)*

**39-0178960**

*(IRS Employer Identification No.)*

**6555 West Good Hope Road,  
Milwaukee, WI 53223**

*(Address of principal executive offices) (Zip Code)*

**(414) 358-6600**

*(Registrant's telephone number, including area code)*

**Securities registered pursuant to Section 12(b) of the Act:**

**Title of each class**

**Name of each exchange on which registered**

**Class A Nonvoting Common Stock, Par  
Value \$.01 per share**

**New York Stock Exchange**

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the  
Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the  
Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was  
required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if  
any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during  
the preceding 12 months (or four such shorter period that the registrant was required to submit and post such files).  
Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained  
herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information

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statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.   
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer,  
or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer", and "smaller reporting  
company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller Reporting  
Company   
(Do not check if a smaller  
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
The aggregate market value of the non-voting common stock held by non-affiliates of the registrant as of January 29,  
2010, was approximately \$1,281,152,775 (based on closing sale price of \$28.26 per share on that date as reported for  
the New York Stock Exchange). As of September 15, 2010, there were outstanding 48,894,883 shares of Class A  
Nonvoting Common Stock (the "Class A Common Stock"), and 3,538,628 shares of Class B Common Stock. The  
Class B Common Stock, all of which is held by affiliates of the registrant, is the only voting stock.

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**PART I**

Brady Corporation and Subsidiaries are referred to herein as the Company, Brady, or we .

**Item 1. Business**

**(a) General Development of Business**

The Company, a Wisconsin corporation founded in 1914, currently operates globally in Australia, Belgium, Brazil, Canada, the Cayman Islands, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, Norway, the Philippines, Poland, Singapore, Slovakia, South Korea, Spain, Sweden, Thailand, Turkey, the United Arab Emirates, the United Kingdom and the United States. The Company also sells through subsidiaries or sales offices in these countries, with additional sales through a dedicated team of international sales representatives in New Zealand, Russia, Taiwan, Turkey, Vietnam and the United Arab Emirates. The Company further markets its products to parts of Eastern Europe, the Middle East, Africa and Russia. The Company's corporate headquarters are located at 6555 West Good Hope Road, Milwaukee, Wisconsin 53223, and the telephone number is (414) 358-6600. The Company's Internet address is <http://www.bradycorp.com>.

**(b) Financial Information About Industry Segments**

The information required by this Item is provided in Note 7 of the Notes to Consolidated Financial Statements contained in Item 8 Financial Statements and Supplementary Data.

**(c) Narrative Description of Business**

**Overview**

Brady Corporation is an international manufacturer and marketer of identification solutions and specialty products that identify and protect premises, products and people. Brady's core capabilities in manufacturing, channel management, printing systems, precision engineering and materials expertise make it a leading supplier to customers in general manufacturing, maintenance and safety, process industries, construction, electrical, telecommunications, electronics, laboratory/healthcare, airline/transportation, brand protection, education, governmental, public utility, and a variety of other industries. The Company's ability to provide customers with a broad range of differentiated solutions both through the organic development of its existing business and the acquisition of complementary and adjacent businesses, its commitment to quality and service, its global footprint and its diversified sales channels have made it a world leader in many of its markets.

Brady manufactures and markets a wide range of products for use in diverse applications. Major product lines include facility identification; safety and complementary products; wire and cable identification products; sorbent materials; people identification products; regulatory publishing; high-performance identification products for product identification and work-in-process identification; and bar-code labels and precision die-cut components for mobile telecommunications devices, hard disk drives, medical devices and supplies, and automotive and other electronics. Products are marketed through multiple channels, including distributors, resellers, business-to-business direct marketing and a direct sales force.

The need for the Company's products is driven, in part, by customer specifications, by regulatory compliance requirements imposed by agencies such as the Occupational Safety & Health Administration ( OSHA ) and the Environmental Protection Agency ( EPA ) in the United States and similar regulatory agencies around the world, and by the need to identify and track assets or to identify, direct, warn, inform, train and protect people or products.

The Company has a broad customer base, with its largest customer representing approximately 6% of net sales.

**Competitive Strengths**

The Company believes the following competitive strengths will allow it to achieve its growth and profitability strategies:

*Leader in Niche Markets.* Brady competes in niche markets where it believes it is often the leading supplier with the manufacturing expertise, infrastructure, channels and sales resources necessary to provide the required product or comprehensive solution. For example, the Company believes it is the leading supplier of wire identification products to the North American MRO (Maintenance, Repair and Operations) market and of precision die-cut components to the mobile telecommunications market. The Company believes its leadership positions make it a preferred supplier to many of its customers and enables it to be successful in its markets, which are generally fragmented and populated with smaller or regional competitors.



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*Differentiated Solutions and Commitment to Innovation.* The Company believes its sophisticated engineering and manufacturing capabilities, as well as its expertise in materials, give it a competitive advantage in supplying customized or high specification product solutions to meet individualized customer needs. The Company has been successful in identifying and incorporating innovative technologies to create integrated and precise solutions. Additionally, it is able to use its materials expertise and its investment in research and development to provide unique products to meet the demands of end-customers in new, faster growing markets adjacent to its traditional markets, such as laboratory identification, aerospace, defense, and mass transit.

*Operational Excellence.* Brady continues to improve in operational productivity. It employs well-developed problem solving techniques through the Brady Business Performance System ( BBPS ) and invests in state-of-the-art equipment to capture efficiencies. The Company is largely vertically integrated and designs, manufactures and markets a majority of the products it sells. The Company has consistently generated positive cash flow from operations by continually reducing costs, improving working capital, and optimizing the efficiency of its manufacturing operations.

*Broad Customer Base and Geographic Diversity.* Brady believes its global infrastructure and diverse market presence provide a solid platform for further expansion, and enable it to act as a primary supplier to many of its global customers. Sales from international operations increased from 44.4% of net sales in fiscal 2000 to 63.4% of net sales in fiscal 2010. The Company's broad product offering and global presence benefit many of its customers who seek a single or primary supplier. Brady has more than one million end-customers that operate in multiple industries.

*Disciplined Acquisition and Integration Strategy.* The Company has a dedicated team of experienced professionals that employ a disciplined acquisition strategy and process to acquire companies. It applies strict financial standards to evaluate all acquisitions using an expected return model based on a modified return on invested capital calculation. It also conducts disciplined integration reviews of acquired companies to track progress toward results expected at the time of acquisition. Since 1996, the Company has acquired and integrated 56 companies to increase market share in existing and new geographies, expand the product range it offers to both existing and new customers, as well as add new technological capabilities.

*Channel Diversity and Strength.* Brady utilizes a wide range of channels to reach customers across a broad array of industries. It employs direct marketing expertise to meet its customers' need for convenience. The Company also has long-standing relationships with, and is a preferred supplier to, many of its largest distributors. In addition, the Company employs a global sales team to support both distributors and customers and to serve their productivity, tracking and safety requirements. The Company believes its strong brands and reputation for quality, innovation and on-time delivery contribute to the popularity of its products with distributors, original equipment manufacturers ( OEMs ), resellers and other customers.

*Deep and Talented Team.* The Company believes that its team of employees has substantial depth in critical operational areas and has demonstrated success in reducing costs, integrating acquisitions and improving processes through economic cycles. The international experience of its management team and its commitment to developing strong management teams in each of its local operations is a competitive advantage. In addition, the Company believes it employs a world-class team of people and dedicates significant resources to recruiting people committed to excellence and investing in their potential. The depth and breadth of knowledge within the entire Brady organization strengthens relationships with its customers and suppliers and enables the Company to provide its customers with a high level of product and industry expertise.

**Key Strategies**

The Company's primary objectives are to build upon its leading market positions, to improve its performance and profitability and to expand its existing activities through a multi-pronged strategic approach that focuses on improved productivity and revenue expansion. The Company's key strategies include:

***Revenue Expansion***

*Capitalize on Growing Niche Markets.* The Company seeks to leverage its distribution network, global footprint and strength in manufacturing and materials expertise to capitalize on growth in existing niche markets. Growth prospects are driven primarily by the general expansion of regional economies, changes in legal and regulatory compliance requirements and the increased need of customers to identify and protect their assets and employees, as well as technological advances in markets such as mobile telecommunications and other electronic devices.

*Increase Market Share.* Many Brady markets are fragmented and populated with smaller regional or local competitors. The Company seeks to leverage its investment in new product development and its global sales, operations and distribution capabilities to increase market share, as well as expand its distribution channels to capture new customers. The Company employs a dedicated and experienced sales team that works closely with existing distributors and customers to identify and capture new opportunities. In addition, Brady plans to leverage the strength of its brands, the quality of its products and its long-standing relationships with key customers to build upon current market positions.

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*Enter New Markets.* The Company looks to leverage its quality products, global infrastructure, channel relationships and selling capabilities to effectively enter new markets, many of which are fragmented and populated with smaller competitors. The Company is also considering entering adjacent markets where its core competencies can be successfully leveraged. The Company reviews its product and market portfolio on a regular basis through its standardized review process in order to identify new opportunities.

*Expand Geographically.* Brady's long-term strategy involves the pursuit of growth opportunities in a number of markets outside of the United States. The Company is committed to being in close proximity to its customers and to low-cost manufacturing. Brady currently operates in 30 countries and employs approximately 6,600 people. Of the approximately 6,600 global employees, Asia-Pacific accounts for 41%, with the Americas and Europe employing 38%, and 21% of the workforce, respectively. Brady has made strategic acquisitions and has invested heavily in its global infrastructure and flexible manufacturing capacity in order to follow its customers into new geographies. Brady's regional management structure is a key component in effectively entering and competing in new geographies.

*Market/Customer Segmentation and Voice of the Customer.* In fiscal 2010, the Company launched a systematic process to facilitate its goals for growth into new and/or adjacent market spaces and focus Company resources on the best and most promising business development opportunities. Market and Customer Segmentation identifies fast growing, profitable market segments and the most attractive customers within these segments, while Voice of the Customer provides a more complete understanding of what these customers want and need in terms of products, services, and delivery options.

*Pursue Strategic Acquisitions.* The Company intends to continue to make complementary strategic acquisitions to further its goals of strengthening its market positions and entering new markets, new geographies and adjacent markets, where Brady competencies can be applied and social, economic and cultural trends can be positively leveraged. Brady works to drive substantial value creation through capitalizing on its acquisition and integration acumen.

*New Product Development.* Through product innovation and development activities, Brady seeks to introduce new technologies and differentiated products that leverage its capabilities in specialty materials, die-cutting, software and printing systems. The Company continues to invest in research and development activities, and employs approximately 235 R&D professionals worldwide. In fiscal 2009 and 2010, the Company expanded its R&D operations in Singapore and Beijing, China. Amounts incurred for research and development activities were 3.4% and 2.8% of sales in fiscal 2010 and 2009, respectively.

**Improve Productivity**

*Brady Business Performance System.* The Company plans to continue its focus on improving operating efficiency and customer service, reducing costs, and improving productivity and return on invested capital. To this end, Brady is continuing the expansion of its Brady Business Performance System ( BBPS ) in most of its operations globally. This approach to improving profitability focuses on strategy deployment, operational efficiencies and lean manufacturing principles to drive cost savings, enhance customer service and improve overall business performance. In fiscal 2010, Brady accelerated the use of BBPS and its underlying principles beyond the manufacturing floor to functions such as human resources, information technology, finance, and sales and marketing which will continue in fiscal 2011.

*Strategic Sourcing.* Through coordinated supply chain management, the Company looks to increase productivity and efficiency in the process of procuring goods and services ranging from raw materials and products for resale, to travel and other services, as well as energy, communication and building lease costs. Brady's strategic sourcing initiative, launched in fiscal 2010, focuses on reducing both direct and indirect spending while also implementing standard processes globally.

*Sales and Marketing Productivity and Effectiveness.* In fiscal 2010, the Company created a global team to focus on improving the effectiveness and efficiency of its sales and marketing professionals and processes to better service our existing customers and prospective customers while better managing our sales and marketing costs.

*General and Administrative Expense Controls.* The Company is focusing on the automation, standardization, and simplification of its back-office activities including finance, information technology, and other functions. This includes the centralization of certain functions in global and regional shared service centers to better leverage talent and gain economies of scale.

**Products**

The Company is largely vertically integrated by designing, developing, and producing the majority of its products internally. Brady materials are developed internally and manufactured out of a variety of films, many of which are coated by Brady, for applications in the following markets: electronic, industrial, electrical, utility, laboratory, safety and security. Brady also manufactures specialty tapes and related products that are characterized by high-performance printable top coats and adhesives, most of which are formulated by the Company, to meet high-tolerance requirements of the industries in which they are used.

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The Company has thousands of stock and custom products which consist of complete identification systems and other products used to create a safer work environment, improve operating efficiencies, and increase the utilization of assets through tracking and inventory process controls. Major product categories include: facility and safety signs, identification tags and markers, pipe and valve markers, asset identification labels, lockout/tagout products, security and traffic control products, printing systems and software for creating safety and regulatory labels and signs, spill control and clean-up products, wire and cable markers, high-performance labels, laboratory identification labels and printing systems, stand-alone printing systems, bar-code and other software, automatic identification and data collection systems, personal identification products, and precision die-cut solutions.

Some of the Company's stock products were originally designed, developed and manufactured as custom products for a specific application. However, such products have frequently created wide industry acceptance and have become stock items offered by the Company through direct marketing and distributor sales. The Company's most significant types of products are described below.

***Safety and Facility Identification***

*Informational signs, tags and labels, and do-it-yourself printers* for use in a broad range of industrial, utility, commercial, governmental and institutional applications. These products are either self-adhesive or mechanically mounted, designed for both indoor and outdoor use and are manufactured to meet standards issued by the National Safety Council, OSHA and a variety of industry associations in the United States and abroad. The Company's sign products include admittance, directional and exit signs; electrical hazard warnings; energy conservation messages; fire protection and fire equipment signs; hazardous waste labels; hazardous and toxic material warning signs; transformers and power pole markers; personal hazard warnings; housekeeping and operational warnings; pictograms; radiation and laser signs; safety practices signs and regulatory markings; employment law posters; and photo luminescent (glow-in-the-dark) products.

*Warehouse identification products* including labels, tags, and printing systems used to locate and identify inventory in storage facilities such as warehouses, factories, stockrooms and other industrial facilities.

*Pipe markers and valve tags* including plastic or metal, self-adhesive or mechanically applied stock or custom-designed pieces for the identification of pipes and control valves in the mechanical contractor and process industry markets. These products are designed to help identify and provide information as to the contents, direction of flow and special hazardous properties of materials contained in piping systems, and to facilitate repair or maintenance of the systems.

*Asset-identification products* that are an important part of an effective asset-management program in a wide variety of markets. These include self-adhesive or mechanically mounted labels or tags made of aluminum, brass, stainless steel, polycarbonate, vinyl, polyester, mylar and paper. These products are also offered in tamper-evident varieties, and can be custom designed to ensure brand protection from counterfeiting.

*Lockout/tagout products* under OSHA regulations, all energy sources must be locked out while machines are being serviced or maintained to prevent accidental engagement and injury. The Company's products allow its customers to comply with these regulations and to ensure worker safety for a wide variety of energy and fluid transmission systems and operating machinery.

*Security and traffic control products* including a variety of security seals, parking permits and wristbands designed for visitor control in financial, governmental, educational and commercial facilities including meeting and convention sites. The Company also offers a wide variety of traffic control devices including traffic signs, directional and warning signs, parking tags and permits, barriers, cones and other products including barricading, visual warning systems, floor-marking products, safety badges, and first aid cabinets/kits, among others.

*Spill control and clean-up products* including natural and synthetic sorbent materials in a variety of shapes, sizes and configurations; spill kits, containment booms, industrial rugs, absorbing pillows and pads, barrier spill matting and granular absorbents; and other products for absorbing and controlling chemical, oil-based and water-based spills.

***Wire and Cable Identification***

Brady manufactures a broad range of wire and cable-marking products, including labels, sleeves, printers and software that allow customers to create their own labels, and printers to print and apply them. These products mark and identify wires, cables and their termination points to facilitate manufacturing, construction, repair or maintenance of

equipment, and data communication and electrical wiring systems used in virtually every industrial, power and communication market.

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### ***High Performance Identification***

Brady produces a complete line of label materials and printing systems to meet customers' needs for identification requirements for product identification, brand protection labeling, tamper-evident labeling, work in process labeling, finished product identification and bar coding that perform under harsh or demanding conditions. Brady prints stock and custom labels and also sells unprinted materials to enable customers to print their own labels.

### ***Precision Die-Cut Parts***

The Company manufactures customized precision die-cut products that are used to seal, insulate, protect, shield or provide other mechanical performance properties in the assembly of electronic, telecommunications and other equipment, including mobile phones, personal data assistants, computer hard disk drives, computers and other devices. Solutions not only include the materials and converting, but also automatic placement and other value-added services. The Company also provides converting services to the medical market for materials used in in-vitro diagnostic kits, patient monitoring, and bandaging applications.

### ***People Identification***

The Company offers identification systems and products including photo ID card systems that combine biometrics, digital imaging and other technologies to positively identify people; self-expiring name tags that make use of migratory ink technology which, upon activation, starts a timed process resulting in an altered message, color or design to indicate expiration; software for visitor and employee identification; and identification accessories including lanyards, badge holders, badge reels and attachments, as well as photo identification kits.

### ***Other Products***

The Company also designs and produces software for bar-coding and inspection automation, industrial thermal-transfer printers and other electromechanical devices to serve the growing and specialized needs of customers in a wide variety of markets. Industrial labeling systems, software, tapes, ribbons and label stocks provide customers with the resources and flexibility to produce signs and labels on demand at their site. The Company also offers poster printers, cutting systems, laminators and supplies to education and training markets.

## **Marketing and Sales**

Brady seeks to offer high quality products with rapid response and superior service so that it can provide solutions to customers that are better, faster and more economical than those available from the Company's competitors. The Company markets and sells its products domestically and internationally through multiple channels including distributors, direct sales, mail-order-catalog marketing, retail, and electronic access through the Internet. The Company has long-standing relationships with a broad range of electrical, safety, industrial and other domestic and international distributors. The Company's sales force seeks to establish and foster ongoing relationships with the end-users and distributors by providing technical application and product expertise.

The Company also direct markets certain products and those of other manufacturers by catalog sales, outbound telemarketing, and electronic access via the Internet in both domestic and international markets. Such products include industrial and facility identification products, safety and regulatory-compliance products and original equipment manufacturer component products, among others. Catalogs are distributed in the United States, Australia, Austria, Belgium, Brazil, Canada, China, France, Germany, Italy, the Netherlands, Portugal, Slovakia, Spain, Switzerland and the United Kingdom, and include foreign language catalogs.

## **Brands**

The Company goes to market under a variety of brand names. The Brady brand includes high-performance labels, wire identification products, printers, software, safety and facility identification products, lock-out/tag-out products, people identification products, precision die-cut parts and specialty materials. Other die-cut materials are marketed as Balkhausen products. Safety and facility identification products are also marketed under the Safety Signs Service brand, with some lockout/tagout products offered under the Prinzing and Scafftag brands. In addition, identification products for the utility industry are marketed under the Electromark brand and spill-control products are marketed under the Sorbent Products Company and D.A.W.G. brands; poster printers and cutting systems for education and government markets are offered under the Varitronics brand; wire identification products are marketed under the Modernotecnica brand and the Carroll brand; and custom labels and nameplates under the Stickolor brand. Direct marketing safety and facility identification products are offered under the Seton, Emedco, Signals, Safetyshop,

Clement and Personnel Concepts names; direct supplies under the Accidental Health and Safety, Trafalgar, and Securimed brands. Security and identification badges and systems are included in the Temtec, B.I.G., Identocard/Identacam, STOPware, J.A.M. Plastics, PromoVision, and Quo-Luck brands; hand-held regulatory documentation systems are available under the Tiscor name; automatic identification and bar-code software is offered under the Teklynx name.

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### **Manufacturing Process and Raw Materials**

The Company manufactures the majority of the products it sells, while purchasing certain items from other manufacturers. Products manufactured by the Company generally require a high degree of precision and the application of adhesives with chemical and physical properties suited for specific uses. The Company's manufacturing processes include compounding, coating, converting, printing, melt-blown operations, software development and printer design and assembly. The compounding process involves the mixing of chemical batches for primers, top coatings and adhesives. The coatings and adhesives are applied to a wide variety of materials including polyester, polyimide, cloth, paper, metal and metal foil. The converting process may include embossing, perforating, laminating, die cutting, slitting, and printing or marking the materials as required.

The Company produces the majority of its pressure sensitive materials through vertically integrated manufacturing processes. These integrated manufacturing processes permit greater flexibility to meet customer needs in product design and manufacture, and an improved ability to provide specialized products designed to meet the needs of specific applications. Brady's manufacturing processes and inventory controls are designed to attain profitability in small orders by emphasizing flexibility and the optimal utilization of assets through quick turnaround and delivery, balanced with optimization of lot sizes. Many of the Company's manufacturing facilities have received ISO 9001, 9002, or 14001 certification.

The materials used in the products manufactured by the Company consist primarily of plastic sheets and films, paper, metal and metal foil, cloth, fiberglass, polypropylene, inks, dyes, adhesives, pigments, natural and synthetic rubber, organic chemicals, polymers, solvents and electronic components and subassemblies. In addition, the Company purchases finished products for resale. The Company purchases raw materials, components and finished products from many suppliers. Overall, the Company is not dependent upon any single supplier for its most critical base materials or components; however the Company has chosen in certain situations to sole source materials, components or finished items for design or cost reasons. As a result, disruptions in supply could have an impact on results for a period of time, but generally these disruptions would simply require qualification of new suppliers and the disruption would be modest. In certain instances, the qualification process could be more costly or take a longer period of time and in rare circumstances, such as a global shortage of a critical material or component, the financial impact could be significant.

### **Technology and Product Development**

The Company focuses its research and development efforts on material development, printing systems design and software development. Material development involves the application of surface chemistry concepts for top coatings and adhesives applied to a variety of base materials. Systems design integrates materials, embedded software and a variety of printing technologies to form a complete solution for customer applications or the Company's own production requirements. The Company's research and development team also supports production and marketing efforts by providing application and technical expertise.

The Company possesses patents covering various aspects of adhesive chemistry, electronic circuitry, printing systems for wire markers, systems for aligning letters and patterns, and visually changing paper, although the Company believes that its patents are a significant factor in maintaining market position for certain products, technology in the areas covered by many of the patents is evolving rapidly and may limit the value of such patents. The Company's business is not dependent on any single patent or group of patents.

The Company conducts much of its research and development activities at the Frederic S. Tobey Research and Innovation Center (approximately 39,600 sq. ft.) in Milwaukee, Wisconsin and its research and development facilities in Singapore and Beijing, China. The Company spent approximately \$42.6 million, \$34.2 million, and \$40.6 million during the fiscal years ended July 31, 2010, 2009, and 2008, respectively, on its research and development activities. In fiscal 2010, approximately 235 employees were engaged in research and development activities for the Company. Additional research projects were conducted in Company facilities in other locations in the United States, Europe and Asia and under contract with universities, other institutions and consultants.

The Company's name and its registered trademarks are important to each of its business segments. In addition, the Company owns other important trademarks applicable to only certain of its products.



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### **International Operations**

In fiscal 2010, 2009, and 2008, sales from international operations accounted for 63.4%, 61.8%, and 62.9%, respectively, of the Company's sales. Its global infrastructure includes subsidiaries in Australia, Belgium, Brazil, Canada, the Cayman Islands, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, Norway, the Philippines, Poland, Singapore, Slovakia, South Korea, Spain, Sweden, Thailand, Turkey, the United Arab Emirates, the United Kingdom and the United States. The Company also sells through subsidiaries or sales offices in these countries, with additional sales through a dedicated team of international sales representatives in New Zealand, Russia, Taiwan, Turkey, Vietnam and the United Arab Emirates. The Company further markets its products to parts of Eastern Europe, the Middle East, Africa and Russia

### **Competition**

The markets for all of the Company's products are competitive. Brady believes that it is one of the leading producers in its specific markets of wire markers, safety signs, pipe markers, label printing systems, die-cut products and bar-code-label-generating software. Brady competes for business principally on the basis of production capabilities, engineering, and research and development capabilities, materials expertise, its global footprint, global account management where needed, customer service and price. Product quality is determined by factors such as suitability of component materials for various applications, adhesive properties, graphics quality, durability, product consistency and workmanship. Competition in many of its product markets is highly fragmented, ranging from smaller companies offering only one or a few types of products, to some of the world's major adhesive and electrical product companies offering some competing products as part of their overall product lines. A number of Brady's competitors are larger than the Company and have greater resources. Notwithstanding the resources of these competitors, management believes that Brady provides a broader range of identification solutions than any of them, and that its global infrastructure is a significant competitive advantage in serving large multi-national customers.

### **Backlog**

As of July 31, 2010, the amount of the Company's backlog orders believed to be firm was \$35.3 million. This compares with \$27.5 million and \$32.0 million of backlog orders as of July 31, 2009 and 2008, respectively. The increase in the backlog is primarily due to an increase in the brand protection orders. Average delivery time for the Company's orders varies from same day delivery to one month, depending on the type of product, customer request or demand, and whether the product is stock or custom-designed and manufactured. The Company's backlog does not provide much visibility for future business.

### **Environment**

The manufacturing processes for the Company's adhesive-based products utilize certain evaporative solvents, which, unless controlled, would be vented into the atmosphere. Emissions of these substances are regulated at the federal, state and local levels. The Company has implemented a number of systems and procedures to reduce atmospheric emissions and/or to recover solvents. Management believes the Company is substantially in compliance with all environmental regulations.

### **Employees**

As of September 15, 2010, the Company employed approximately 6,600 individuals. Brady has never experienced a material work stoppage due to a labor dispute and considers its relations with employees to be good. The mix of employees is changing as the Company employs more people in developing countries where wage rates are lower and employee turnover tends to be higher than in developed countries.

### **Acquisitions**

Information about the Company's acquisitions is provided in Note 2 of the Notes to Consolidated Financial Statements contained in Item 8 – Financial Statements and Supplementary Data.

### ***(d) Financial Information About Foreign and Domestic Operations and Export Sales***

The information required by this Item is provided in Note 7 of the Notes to Consolidated Financial Statements contained in Item 8 – Financial Statements and Supplementary Data.



**Table of Contents*****(e) Information Available on the Internet***

The Company's Corporate Internet address is <http://www.bradycorp.com>. The Company makes available, free of charge, on or through its Internet website copies of its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Section 16 reports filed by the Company's insiders, and amendments to all such reports as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The Company is not including the information contained on or available through its website as part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

**Item 1A. Risk Factors**

*Before making an investment decision with respect to the Company's stock, you should carefully consider the risks set forth below and all other information contained in this report. If any of the events contemplated by the following risks actually occur, then the Company's business, financial condition, results of operations, cash flow, or liquidity could be materially adversely affected.*

***The Company's financial condition, results of operations, cash flows, or liquidity may be adversely affected by a prolonged economic downturn or economic uncertainty.***

The Company's business and operating results have been and will continue to be affected by global economic conditions. As global economic conditions deteriorate or economic uncertainty increases, our customers and potential customers may experience deterioration of their businesses, which may result in the delay or cancellation of plans to purchase our products. Our sensitivity to economic cycles and any related fluctuations in the businesses of our customers or potential customers may have a material adverse effect on our financial condition, results of operations, cash flows, or liquidity.

***Demand for the Company's products may be susceptible to fluctuations in the major markets served that may cause volatility in its results of operations, cash flows, and liquidity.***

Sales of the Company's products may be susceptible to changes in market conditions. The Company's business in the safety and facility identification and wire and cable identification product lines tends to vary with the nominal GDP of the local economies in which the Company manufactures and sells. As a result, in periods of economic contraction, the business is likely to decline. In the precision die-cut and high performance identification product lines, the Company may be adversely affected by reduced demand for products due to downturns in the global economy as this is a more volatile business. This can result in higher degrees of volatility in the Company's net sales, results of operations, cash flows, and liquidity. These more volatile markets include, but are not limited to, mobile telecommunication devices, hard disk drives and electronics in personal computers and other electronic devices.

***Failure to meet certain financial covenants required by our debt agreements may adversely affect our assets, financial position, cash flows, and liquidity.***

The Company's debt and revolving loan agreements require it to maintain certain financial covenants. The June 2004, February 2006, March 2007 and May 2010 debt agreements require the Company to maintain a ratio of debt to the trailing twelve months earnings before interest, taxes, depreciation and amortization (EBITDA), as defined in the debt agreements, of not more than a 3.5 to 1.0 ratio (leverage ratio). The October 2006 revolving loan agreement requires the Company to maintain a ratio of debt to trailing twelve months EBITDA, as defined by the debt agreement, of not more than a 3.0 to 1.0 ratio. Additionally, the revolving loan agreement requires the trailing twelve months earnings before interest and taxes (EBIT) to interest expense of not less than a 3.0 to 1.0 ratio (interest expense coverage). The debt agreements also require that the aggregate net book value of the assets sold or otherwise disposed of by the Company and its subsidiaries, as defined in the agreement, in any fiscal year of the Company shall not exceed 15% of consolidated tangible net worth.

If we breach any of these restrictions or covenants and do not obtain a waiver from the lenders, then, subject to applicable cure periods, the outstanding indebtedness (and any other indebtedness with cross-default provisions) could be declared immediately due and payable, which would adversely affect our liquidity and financial condition.

***An increase in the Company's level of debt could adversely affect our financial health.***

An increase in the Company's level of debt, which historically has occurred to finance acquisitions and for other general corporate purposes, could adversely impact: obligations under existing debt agreements; ability to obtain additional financing for future growth; future interest rates; cash flows available to fund new product development;

capital expenditures; working capital and other general corporate activities; and the Company's flexibility in planning and reacting to changes in the business.

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***The Company's net earnings could be affected by changes in tax legislation or tax rates. Additionally, audits by taxing authorities could result in tax payments for prior periods.***

The Company is subject to income taxes in the U.S. and in many non-U.S. jurisdictions. As such the Company's net earnings are subject to risk due to changing tax laws and tax rates around the world. In the U.S., as of July 31, 2010, there are a number of tax proposals at various stages of legislation as well as certain legislation that recently passed but has not yet been fully analyzed. Some of the proposals would eliminate provisions that historically benefited the Company's effective tax rate. Additionally, certain tax provisions in the U.S. recently lapsed, including the Research and Development Tax Credit and the controlled foreign corporation look-through rule. If these provisions are not extended it could negatively impact the Company's financial results. While it is impossible for us to predict whether some or all of these proposals will be enacted, it is likely they will have an impact on our net earnings.

The Company's tax filings are subject to audit by U.S. federal, state and local tax authorities and by non-U.S. tax authorities. If these audits result in payments or assessments different from our reserves, our future net earnings may be adversely impacted.

The Company reviews the probability of the realization of its deferred tax assets on a quarterly basis based on forecasts of taxable income in both the U.S. and foreign jurisdictions. As part of this review, the Company utilizes historical results, projected future operating results, eligible carry-forward periods, tax planning opportunities, and other relevant considerations. Adverse changes in profitability and financial outlook in both the U.S. and foreign jurisdictions, or changes in its geographic footprint may require changes in the valuation allowances to reduce its deferred tax assets. Such changes could result in material non-cash expenses in the period in which the changes are made and could have a material adverse impact on the Company's net earnings.

***The Company may be adversely impacted by an inability to identify, complete and integrate acquisitions.***

Our historical growth has included, and our future growth strategy includes, acquisitions. The Company may not be able to identify acquisition targets or successfully complete acquisitions in the future due to the absence of quality companies, economic conditions, or price expectations from sellers. If the Company is unable to complete additional acquisitions, its growth may be limited.

Additionally, as the Company grows through acquisitions, it will continue to place significant demands on its management, operational and financial resources. Recent and future acquisitions will require integration of operations, sales and marketing, information technology, finance and administrative operations. The successful integration of acquisitions will require substantial attention from the Company's management and the management of the acquired businesses, which could decrease the time management has to serve and attract customers. The Company cannot assure that it will be able to successfully integrate these recent or any future acquisitions, that these acquisitions will operate profitably or that it will be able to achieve the financial or operational success expected from the acquisitions. The Company's financial condition, cash flows and operational results could be adversely affected if it does not successfully integrate the newly acquired businesses or if its other businesses suffer on account of the increased focus on the newly acquired businesses.

***If the Company fails to develop new products or its customers do not accept the new products it develops, the Company's business could be adversely affected.***

Development of proprietary products is key to the success of the Company's core growth and high gross profit margins now and in the future. Therefore, the Company must continue to develop new and innovative products and acquire and retain the necessary intellectual property rights in these products on an ongoing basis. If it fails to make innovations, launches products with quality problems, or the market does not accept its new products, then the Company's financial condition, results of operations, cash flows, and liquidity could be adversely affected. The Company continues to invest in the development and marketing of new products. These expenditures do not always result in products that will be accepted by the market. Failure to develop successful new products may also cause its customers to buy from a competitor or may cause the Company to lower its prices in order to compete. This could have an adverse impact on the Company's profitability.

***The Company operates in competitive markets and may be forced to cut its prices or incur additional costs to remain competitive, which may have a negative impact on its profitability.***

The Company faces substantial competition throughout its entire business, but particularly in the precision die-cut business. Competition may force the Company to cut its prices or incur additional costs to remain competitive. The Company competes on the basis of production capabilities, engineering and R&D capabilities, materials expertise, its global footprint, customer service and price. Present or future competitors may have greater financial, technical or other resources, lower production costs or other pricing advantages, any of which could put the Company at a disadvantage in the affected business by threatening its market share or reducing its profit margins. Additionally, in some of its other businesses, the Company's distributors/customers may seek lower cost sourcing opportunities, which could cause a loss of business that may adversely impact the Company's revenues.

**Table of Contents*****The global nature of our business exposes us to foreign currency fluctuations that could adversely affect the Company's sales, profits, and cash balances.***

More than 60 percent of the Company's revenues are derived outside the United States. As such, fluctuations in foreign currency exchange rates can have an adverse impact on its sales and profits as amounts that are measured in foreign currency are translated back to U.S. dollars. Any increase in the value of the U.S. dollar in relation to the value of the local currency will adversely affect operating results from the Company's foreign operations when translated into U.S. dollars. Similarly, any decrease in the value of the U.S. dollar in relation to the value of the local currency will increase operating results in the Company's foreign operations when translated into U.S. dollars. During fiscal 2010, the weakening U.S. dollar versus the majority of other currencies increased the Company's sales by \$32.3 million.

As of July 31, 2010, approximately 54% of the Company's cash and cash equivalents were held outside the United States. As a result, fluctuations in foreign currency can have an adverse impact on the Company's cash balances. Any increase in the value of the U.S. dollar in relation to the value of various foreign currencies will have a negative impact on cash balances when translated into U.S. dollars. Weakening of the U.S. dollar against foreign currencies will have a positive impact on cash balances when foreign currencies are translated into U.S. dollars.

***The Company's goodwill or other intangible assets may become impaired, which may negatively impact the Company's profitability.***

The Company has a substantial amount of goodwill and other intangible assets on its balance sheet as a result of its acquisitions. As of July 31, 2010, the Company had \$768.6 million of goodwill on its balance sheet, representing the excess of the total purchase price for its acquisitions over the fair value of the net assets it acquired, and \$103.5 million of other intangible assets, primarily representing the fair value of the customer relationships, patents and trademarks it acquired in its acquisitions. At July 31, 2010, goodwill and other intangible assets represented approximately 49.9% of the Company's total assets. The Company evaluates goodwill at least annually for impairment based on the fair value of each operating segment. It assesses the impairment of other intangible assets at least annually based upon the expected future cash flows of the respective assets. These valuations include management's estimates of sales, profitability, cash flow generation, capital structure, cost of debt, interest rates, capital expenditures, and other assumptions. A worldwide economic downturn, credit crisis, or uncertainty in the markets the Company serves can adversely impact the assumptions in these valuations. If the estimated fair value of the Company's operating segments change in future periods, it may be required to record an impairment charge related to goodwill or other intangible assets, which would have the effect of decreasing its earnings in such period.

***The Company has a concentration of business with several large key customers and distributors and loss of one or more of these customers could significantly affect the Company's results of operations, cash flows, and liquidity.***

Several of the Company's large key customers in the precision die-cut business together comprise a significant portion of its revenues. The Company's largest customer represents approximately 6% of its net sales. Additionally, the Company does business with several large distribution companies. The Company's dependence on these large customers makes its relationships with these customers important to its business. The Company cannot guarantee that it will be able to maintain these relationships and retain this business in the future. Because these large customers account for a significant portion of the Company's revenues, they possess relatively greater capacity to negotiate a reduction in the prices the Company charges for its products. If the Company is unable to provide products to its customers at the quality and prices acceptable to them or adapt to technological changes, some of its customers may in the future elect to shift some or all of this business to competitors or to substitute other manufacturer's products. If one of the Company's key customers consolidates, is acquired by another company or loses market share, the result of that event may have an adverse impact on the Company's business. The loss of or reduction of business from one or more of these large key customers could have a material adverse impact on the Company's financial condition, results of operations, cash flows, and liquidity.

***The Company increasingly conducts a sizable amount of its manufacturing outside of the United States, which may present additional risks to its business.***

As a result of its strong growth in developing economies, particularly in South America and Asia, a significant portion of the Company's sales are attributable to products manufactured outside of the United States. More than half of the Company's approximately 6,600 employees and more than half of its manufacturing locations are outside of the United

States. The Company's international operations are generally subject to various risks including political, economic and societal instability, the imposition of trade restrictions, local labor market conditions, the effects of income taxes, and differences in business practices. The Company may incur increased costs and experience delays or disruptions in product deliveries and payments in connection with international manufacturing and sales that could cause loss of revenue. Unfavorable changes in the political, regulatory and business climate in countries where the Company has operations could have a material adverse effect on its financial condition, results of operations, and cash flows

**Table of Contents*****Environmental, health and safety laws and regulations could adversely affect the Company's business.***

The Company's facilities and operations are subject to numerous laws and regulations relating to climate change, air emissions, wastewater discharges, the handling of hazardous materials and wastes, manufacturing and disposal of certain materials, and regulations otherwise relating to health, safety and the protection of the environment. The Company's products may also be governed by regulations in the countries where they are sold. As a result, the Company may need to devote management time or expend significant resources on compliance, and has incurred and will continue to incur capital and other expenditures to comply with these regulations. Any significant costs may have a material adverse impact on the Company's financial condition, results of operations or cash flows. Further, these laws and regulations are constantly evolving and it is impossible to predict accurately the effect they may have upon the Company's financial condition, results of operations or cash flows.

***The Company's businesses are subject to regulation; failure to comply with those regulations could adversely affect its financial condition, results of operations, cash flows, and reputation.***

In addition to the environmental regulations noted above, the Company's businesses are subject to extensive regulation by U.S. and non-U.S. governmental and self-regulatory entities at the federal, state and local levels, including the following:

The Company is required to comply with various import laws and export control and economic sanctions laws, which may affect its transactions with certain customers, business partners and other persons and dealings with or between its employees and subsidiaries. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies, and in other circumstances the Company may be required to obtain an export license before exporting the controlled item.

The Company also has agreements relating to the sale of products to government entities or supply products to companies who resell these products to government entities and are subject to various statutes and regulations that apply to companies doing business with the government. The laws governing government contracts differ from the laws governing private contracts. The Company is also subject to investigation and audit for compliance with the requirements of government contracts, including requirements related to procurement integrity, export control, employment practices, the accuracy of records and the recording of costs. A failure to comply with these requirements might result in suspension of these contracts and suspension or debarment from government contracting or subcontracting.

***The Company may be unable to successfully complete its restructuring plans to reduce costs and increase efficiencies in its businesses and, therefore, it may not achieve projected financial statement benefits.***

The Company continues to initiate several measures to address its cost structure and market requirements. Successful implementation of such initiatives is critical to the Company's future competitiveness and its ability to improve profitability. Further actions to reduce the Company's cost structure and the charges related to these actions may have a material adverse effect on the Company's results of operations and financial condition.

***Item 1B. Unresolved Staff Comments***

None.

***Item 2. Properties***

The Company currently operates 56 manufacturing or distribution facilities in the following regions:

**Americas:** Sixteen are located in the United States; three in Brazil, two in Mexico; and one in Canada.

**Europe:** Four each located in the United Kingdom and Germany; three each located in Belgium and France; two in Italy; and one each in the Netherlands, Norway, Poland, and Sweden.

**Asia-Pacific:** Six are located in China; two in Australia; and one each in Japan, Thailand, Singapore, India, South Korea, and Malaysia.

The Company's present operating facilities contain a total of approximately 3.3 million square feet of space, of which approximately 2.3 million square feet is leased. The Company believes that its equipment and facilities are modern, well maintained and adequate for present needs.



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**Item 3. *Legal Proceedings***

The Company is, and may in the future be, party to litigation arising in the normal course of business. The Company is not currently a party to any material pending legal proceedings in which management believes the ultimate resolution would have a material adverse effect on the Company's consolidated financial statements.

**Item 4. (Removed and Reserved)**

**Table of Contents****PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****(a) Market Information**

Brady Corporation Class A Nonvoting Common Stock trades on the New York Stock Exchange under the symbol BRC. The quarterly stock price history on the New York Stock Exchange is as follows for each of the quarters in the fiscal years ended July 31:

	2010		2009		2008	
	High	Low	High	Low	High	Low
4th Quarter	\$ 34.75	\$ 24.37	\$ 29.41	\$ 21.33	\$ 39.04	\$ 32.99
3rd Quarter	\$ 35.28	\$ 27.19	\$ 23.08	\$ 14.61	\$ 34.00	\$ 28.58
2nd Quarter	\$ 31.22	\$ 26.77	\$ 31.07	\$ 16.38	\$ 40.03	\$ 29.44
1st Quarter	\$ 33.06	\$ 27.08	\$ 39.68	\$ 25.18	\$ 43.78	\$ 34.04

There is no trading market for the Company's Class B Voting Common Stock.

**(b) Holders**

As of September 15, 2010, there were 691 Class A Common Stock shareholders of record and approximately 4,100 beneficial shareholders. There are three Class B Common Stock shareholders.

**(c) Issuer Purchases of Equity Securities**

During fiscal 2008 and fiscal 2009, the Company's Board of Directors authorized share repurchase plans for the Company's Class A Nonvoting Common Stock. The share repurchase plans were implemented by purchasing shares in the open market or privately negotiated transaction, with repurchased shares available for use in connection with the Company's stock-based plans and for other corporate purposes. The Company reacquired approximately 1,345,000 and 1,349,000 shares of its Class A Common Stock for \$40.3 million and \$42.2 million in fiscal 2009 and 2008, respectively, in connection with its stock repurchase plans. The Company reacquired 102,067 shares of its Class A Common Stock for \$2.5 million in the fourth quarter of fiscal 2010. As of July 31, 2010, there remained 204,133 shares to purchase in connection with this share repurchase plan.

The following table provides information with respect to the purchase of Class A Nonvoting Common Stock during the fourth quarter of fiscal 2010.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans
May 1, 2010 - May 31, 2010		\$		306,200
June 1, 2010 - June 30, 2010		\$		306,200
July 1, 2010 - July 31, 2010	102,067	\$ 24.86	102,067	204,133
Total	102,067	\$ 24.86	102,067	204,133

43

Total revenues  
1,554

1,180

Transaction-based expenses:

Section 31 fees

98

92

Cash liquidity payments, routing and clearing

302

238

Total revenues, less transaction-based expenses

1,154

850

Operating expenses:

Compensation and benefits

236

151

Technology and communication

92

51

Professional services

32

33

Rent and occupancy

18

16

Acquisition-related transaction and integration costs

27

19

Selling, general and administrative

22

29

Depreciation and amortization

143

89

Total operating expenses

570

388

Operating income

584

462

Other income (expense):

Interest expense

(46

)

(23

)

Other income, net

2

2

Other expense, net

(44

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)

(21

)

Income before income tax expense

540

441

Income tax expense

163

118

Net income

\$

377

\$

323

Net income attributable to non-controlling interest

(8

)

(8

)

Net income attributable to Intercontinental Exchange, Inc.

\$

369

\$

315

Earnings per share attributable to Intercontinental Exchange, Inc. common shareholders:

Basic

\$

3.10

\$

2.81

Diluted

\$  
3.08

\$  
2.80

Weighted average common shares outstanding:

Basic  
119

112

Diluted  
120

112

Dividend per share  
\$  
0.85

\$  
0.65

See accompanying notes.

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Intercontinental Exchange, Inc. and Subsidiaries  
 Consolidated Statements of Comprehensive Income  
 (In millions)  
 (Unaudited)

	Three Months Ended March 31,	
	2016	2015
Net income	\$377	\$323
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of tax (expense) benefit of (\$2) and \$4 for the three months ended March 31, 2016 and 2015, respectively	(74 )	(37 )
Change in fair value of available-for-sale securities	54	(70 )
Other comprehensive loss	(20 )	(107 )
Comprehensive income	\$357	\$216
Comprehensive income attributable to non-controlling interest	(8 )	(8 )
Comprehensive income attributable to Intercontinental Exchange, Inc.	\$349	\$208

See accompanying notes.

Intercontinental Exchange, Inc. and Subsidiaries  
Consolidated Statements of Changes in Equity, Accumulated Other Comprehensive Loss  
and Redeemable Non-Controlling Interest  
(In millions)  
(Unaudited)

	Intercontinental Exchange, Inc. Shareholders' Equity						Non-Controlling Interest in Consolidated Subsidiaries	Total Equity	Redeemable Non-Controlling Interest		
	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings				Accumulated Other Comprehensive Loss	
	Shares	Value	Shares	Value							
Balance, as of December 31, 2014	116	\$ 1 (3)	\$(743)	)	\$ 9,938	\$ 3,210	\$ (46)	)	\$ 32	\$ 12,392	\$ 165
Other comprehensive loss	—	—	—	—	—	—	(142)	)	—	(142)	—
Stock consideration issued for acquisitions	9	—	—	—	2,197	—	—	—	—	2,197	—
Exercise of common stock options	—	—	—	—	19	—	—	—	—	19	—
Repurchases of common stock	—	—	(3)	(660)	)	—	—	—	—	(660)	—
Payments relating to treasury shares	—	—	(1)	(45)	)	—	—	—	—	(45)	—
Stock-based compensation	—	—	—	—	122	—	—	—	—	122	—
Issuance of restricted stock	1	—	—	—	—	—	—	—	—	—	—
Tax benefits from stock option plans	—	—	—	—	19	—	—	—	—	19	—
Adjustment to redemption value	—	—	—	—	—	(5)	)	—	—	(5)	4
Distributions of profits	—	—	—	—	—	—	—	(16)	)	(16)	(11)
Dividends paid to shareholders	—	—	—	—	—	(331)	)	—	—	(331)	—
Purchase of subsidiary shares	—	—	—	—	—	—	—	—	—	—	(128)
Net income attributable to non-controlling interest	—	—	—	—	—	(21)	)	—	16	(5)	5
Net income	—	—	—	—	—	1,295	—	—	—	1,295	—
Balance, as of December 31, 2015	126	1 (7)	(1,448)	)	12,295	4,148	(188)	)	32	14,840	35
Other comprehensive loss	—	—	—	—	—	—	(20)	)	—	(20)	—
Exercise of common stock options	—	—	—	—	4	—	—	—	—	4	—
Payments relating to treasury shares	—	—	—	(46)	)	—	—	—	—	(46)	—
Stock-based compensation	—	—	—	—	35	—	—	—	—	35	—
Distributions of profits	—	—	—	—	—	—	—	(7)	)	(7)	(2)
Dividends paid to shareholders	—	—	—	—	—	(102)	)	—	—	(102)	—
Net income attributable to non-controlling interest	—	—	—	—	—	(8)	)	—	7	(1)	1
Net income	—	—	—	—	—	377	—	—	—	377	—
	126	\$ 1 (7)	\$(1,494)	)	\$ 12,334	\$ 4,415	\$ (208)	)	\$ 32	\$ 15,080	\$ 34

Balance, as of March 31,  
2016

	As of March 31, 2016	As of December 31, 2015
Accumulated other comprehensive loss was as follows:		
Foreign currency translation adjustments	\$(119)	\$ (45 )
Fair value of available-for-sale securities	28	(26 )
Comprehensive income from equity method investment	2	2
Employee benefit plans adjustments	(119 )	(119 )
Accumulated other comprehensive loss	\$(208)	\$ (188 )

See accompanying notes.

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Intercontinental Exchange, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
(In millions)  
(Unaudited)

	Three Months Ended March 31, 2016 2015	
Operating activities:		
Net income	\$377	\$323
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	143	89
Stock-based compensation	29	24
Deferred taxes	30	(24 )
Amortization of fair market value premium on NYSE Notes	—	(12 )
Other	3	(15 )
Changes in assets and liabilities:		
Customer accounts receivable	(229 )	(122 )
Other current and non-current assets	(13 )	(26 )
Section 31 fees payable	(19 )	(45 )
Deferred revenue	338	312
Other current and non-current liabilities	(62 )	(39 )
Total adjustments	220	142
Net cash provided by operating activities	597	465
Investing activities:		
Capital expenditures	(31 )	(39 )
Capitalized software development costs	(25 )	(21 )
Additional contribution to equity method investment	—	(60 )
Decrease (increase) in restricted cash and investments	(3 )	34
Net cash used in investing activities	(59 )	(86 )
Financing activities:		
Proceeds from (repayments of) commercial paper, net	(543 )	35
Dividends to shareholders	(102 )	(73 )
Repurchases of common stock	—	(196 )
Payments relating to treasury shares received for restricted stock tax payments and stock option exercises	(47 )	(36 )
Distributions of profits to non-controlling interest	(9 )	(15 )
Other	4	17
Net cash used in financing activities	(697 )	(268 )
Effect of exchange rate changes on cash and cash equivalents	—	(11 )
Net increase (decrease) in cash and cash equivalents	(159 )	100
Cash and cash equivalents, beginning of period	627	652
Cash and cash equivalents, end of period	\$468	\$752
Supplemental cash flow disclosure:		
Cash paid for income taxes	\$56	\$51

Cash paid for interest	\$7	\$2
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See accompanying notes.

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Intercontinental Exchange, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

1. Description of Business

We are a leading global operator of regulated exchanges, clearing houses and listings venues, and a provider of data services for commodity and financial markets. We operate regulated marketplaces for trading and clearing a broad array of derivatives and securities contracts across major asset classes, including energy and agricultural commodities, interest rates, equities, equity derivatives, credit derivatives, bonds and currencies.

Our exchanges include futures exchanges in the United States, or U.S., United Kingdom, or U.K., Continental Europe, Canada and Singapore and cash equities exchanges and equity options exchanges in the U.S. We also operate over-the-counter, or OTC, markets for physical energy and credit default swaps, or CDS, trade execution. To serve global derivatives markets, we operate central counterparty clearing houses in the U.S., U.K., Continental Europe, Canada and Singapore (Note 9). We offer a range of data and connectivity services to customers in global financial and commodity markets, including fixed income pricing and reference data, analytics and desktop offerings. Through our trading and clearing, in addition to our listings and data services, we provide our customers liquid markets, benchmark products, access to capital markets, information, and a range of related services to support their investing, trading, risk management and capital raising activities.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by us in accordance with U.S. generally accepted accounting principles, or GAAP, pursuant to the rules and regulations of the Securities and Exchange Commission, or SEC, regarding interim financial reporting. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with our audited consolidated financial statements and related notes thereto for the year ended December 31, 2015. The accompanying unaudited consolidated financial statements reflect all adjustments that are, in our opinion, necessary for a fair presentation of results for the interim periods presented. These adjustments are of a normal recurring nature.

Preparing financial statements requires us to make certain estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on our best knowledge of current events and actions that we may undertake in the future, actual results may be different from these estimates. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the results to be expected for any future period or the full fiscal year.

The accompanying unaudited consolidated financial statements include the accounts of us and our wholly-owned and controlled subsidiaries. All intercompany balances and transactions between us and our wholly-owned and controlled subsidiaries have been eliminated in the consolidation. For those consolidated subsidiaries in which our ownership is less than 100% and for which we have control over the assets and liabilities and the management of the entity, the outside stockholders' interests are shown as non-controlling interests. In instances where outside stockholders' hold an option to require us to repurchase the outside stockholders' interest, these interests are shown as redeemable non-controlling interests.

New and Recently Adopted Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, or ASU 2016-01. ASU 2016-01 provides updated guidance for the recognition, measurement, presentation, and disclosure of certain financial assets and liabilities, including the requirement that equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are to be measured at fair value with changes in fair value recognized in net income. ASU 2016-01 is effective for annual and interim reporting periods beginning after December 15, 2017. On the adoption of ASU 2016-01, changes in the fair value of our equity investment in Cetip, S.A., or Cetip, will no longer be reflected in accumulated other comprehensive income but will be recognized in net income. As of March 31, 2016, our investment

in Cetip included an accumulated unrealized gain of \$28 million (Note 10). During the three months ended March 31, 2016, the change in the fair value of the Cetip investment was an increase of \$54 million. Once adopted, such fair value changes will be reported as other income (expense) under ASU 2016-01. We are currently evaluating this guidance to determine any additional potential impact on our consolidated financial statements upon adoption. In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases, or ASU 2016-02. ASU 2016-02 requires an entity to recognize both assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. A lessee should recognize in its balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. In transition, lessees and lessors are required to

recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for annual and interim reporting periods beginning after December 15, 2018, with early adoption permitted. We are currently evaluating this guidance to determine the potential impact on our consolidated financial statements and whether we will adopt this guidance early.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting, or ASU 2016-09. ASU 2016-09 provides updated guidance for the recognition, measurement, presentation, and disclosure of certain components of stock compensation. The guidance includes the recognition of all excess tax benefits/deficiencies in the statement of income and classification as operating activities within the statement of cash flows, as well as the option to account for forfeitures based on awards expected to vest or as they occur. ASU 2016-09 is effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted. We decided to adopt ASU 2016-09 early for the period ended March 31, 2016 on a prospective basis. As a result, we recorded an \$11 million excess tax benefit within our consolidated statement of income for the three months ended March 31, 2016 (Note 8). No other terms of the adopted guidance resulted in any significant impact on our consolidated financial statements.

#### Reclassifications

Certain prior period amounts have been reclassified to conform to the current period's financial statement presentation. For the three months ended March 31, 2015, we reclassified \$24 million of transaction based expenses in transaction and clearing revenues, net to transaction based expenses for consistency of how we report our cash equities markets. The amounts reclassified to transaction based expenses relate to equity options markets. For the three months ended March 31, 2015, we also reclassified \$13 million in connectivity fees from other revenues to data services revenues.

### 3. Acquisitions

#### Interactive Data Acquisition

On December 14, 2015, we acquired 100% of Interactive Data Holdings Corporation, or Interactive Data, in a stock and cash transaction. The total purchase price was \$5.6 billion comprised of cash consideration of \$4.1 billion and 6.5 million shares of our common stock. The cash consideration was funded from \$2.5 billion of net proceeds received on November 24, 2015 in connection with the offering of new senior notes and \$1.6 billion of borrowing under our commercial paper program (Note 6). Interactive Data is a leading provider of financial market data, analytics and related trading solutions, serving the mutual fund, bank, asset management, hedge fund, securities and financial instrument processing and administration sectors.

The total purchase price was allocated to Interactive Data's preliminary tangible and identifiable intangible assets and liabilities based on the estimated fair values of those assets as of December 14, 2015, as set forth below. The excess of the purchase price over the preliminary net tangible and identifiable intangible assets was recorded as goodwill. The adjusted preliminary purchase price allocation is as follows (in millions):

Cash and cash equivalents	\$301
Goodwill	3,248
Identifiable intangible assets	2,883
Other assets and liabilities, net	273
Deferred tax liabilities on identifiable intangible assets	(1,071 )
Total purchase price	\$5,634

In performing the preliminary purchase price allocation, we considered, among other factors, the intended future use of acquired assets, analysis of historical financial performance and estimates of future performance of Interactive Data's business. We have not yet obtained all of the information related to the fair value of the acquired assets and liabilities related to the acquisition to finalize the purchase price allocation. However, during the first quarter of 2016, we adjusted the preliminary purchase price allocation based on updated fair value analyses of the Interactive Data tangible and intangible assets and liabilities. The fair value adjustments reflected in the tables above and below primarily result in an increase in data/databases intangible assets of \$33 million, a decrease in trade name and trademarks intangible assets of \$21 million, a decrease in customer relationships intangible assets of \$17 million, a

decrease in other assets and liabilities, net of \$23 million, an increase in deferred tax liabilities on identifiable intangible assets of \$20 million, and a corresponding increase to goodwill of \$48 million. The income statement impact for 2015 relating to these fair value adjustments is not significant and has been recorded in the first quarter of 2016 in accordance with ASU 2015-16, Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments.

The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the valuation of the identifiable intangible assets, income taxes (including uncertain tax positions), certain other tangible assets and liabilities and the allocation of

goodwill to the various reporting units. The allocation of the purchase price will be finalized upon the completion of the analysis of the acquired assets and liabilities during the year ended December 31, 2016.

The following table sets forth the components of the preliminary intangible assets associated with the acquisition as of March 31, 2016 (in millions, except years):

Preliminary Intangible Assets	Acquisition-Date Preliminary Fair Value	Foreign Currency Translation	Accumulated Amortization	Net Book Value	Useful Life (Years)
Customer relationships	\$ 2,452	\$ (26 )	\$ (30 )	\$2,396	20 to 25
Developed technology	168	(2 )	(7 )	159	5 to 8
In-process research and development	129	—	—	129	N/A
Data/databases	109	(2 )	(8 )	99	4
Trade names and trademarks	12	—	(3 )	9	2
Market data provider relationships	11	—	—	11	20
Non-compete agreements	2	—	—	2	1
Total	\$ 2,883	\$ (30 )	\$ (48 )	\$2,805	

#### Trayport Acquisition

On December 11, 2015, we acquired 100% of Trayport in a stock transaction. The total purchase price was \$620 million, comprised of 2.5 million shares of our common stock. Trayport is a software company that licenses its technology to serve exchanges, OTC brokers and traders to facilitate electronic and hybrid trade execution primarily in the energy markets.

The total purchase price was allocated to Trayport's preliminary tangible and identifiable intangible assets and liabilities based on the estimated fair values of those assets as of December 11, 2015, as set forth below. The excess of the purchase price over the preliminary net tangible and identifiable intangible assets was recorded as goodwill. The preliminary purchase price allocation is as follows (in millions):

Goodwill	\$389
Identifiable intangible assets	274
Other assets and liabilities, net	7
Deferred tax liabilities on identifiable intangible assets	(50 )
Total purchase price	\$620

In performing the preliminary purchase price allocation, we considered, among other factors, the intended future use of acquired assets, analysis of historical financial performance and estimates of future performance of Trayport's business. We have not yet obtained all of the information related to the fair value of the acquired assets and liabilities related to the acquisition to finalize the purchase price allocation. The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the valuation of the identifiable intangible assets, income taxes and certain other tangible assets and liabilities. The allocation of the purchase price will be finalized upon the completion of the analysis of the acquired assets and liabilities during the year ended December 31, 2016.

The following table sets forth the components of the preliminary intangible assets associated with the acquisition as of March 31, 2016 (in millions, except years):

Preliminary Intangible Assets	Acquisition-Date Preliminary Fair Value	Foreign Currency Translation	Accumulated Amortization	Net Book Value	Useful Life (Years)
Customer relationships	\$ 242	\$ (14 )	\$ (3 )	\$ 225	20
Developed technology	14	(1 )	(1 )	12	3 to 5
Trade names and trademarks	18	(1 )	—	17	Indefinite
Total	\$ 274	\$ (16 )	\$ (4 )	\$ 254	

#### Pro Forma Information

The financial information in the table below summarizes the combined results of operations of us, Interactive Data and Trayport, on a pro forma basis, as though the companies had been combined as of the beginning of the period presented. The pro forma financial

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information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the period presented. This pro forma financial information is based on estimates and assumptions that have been made solely for purposes of developing such pro forma information, including, without limitation, purchase accounting adjustments. The pro forma financial information does not reflect any synergies or operating cost reductions that have been and may be achieved from the combined operations. The pro forma financial information combines the historical results for us, Interactive Data and Trayport for the three months ended March 31, 2015 in the following table (in millions, except per share amounts).

Total revenues, less transaction-based expenses	\$1,100
Operating income	518
Net income attributable to ICE	333
Earnings per common share:	
Basic	\$2.76
Diluted	\$2.74

#### Pending Acquisition

In March 2016, we entered into a definitive agreement to acquire Standard & Poor's Securities Evaluations, Inc., or SPSE, a provider of fixed income evaluated pricing, and Credit Market Analysis Limited, or CMA, a provider of independent data for the OTC markets from McGraw Hill Financial. When completed, the acquisition will enable us to offer customers new data and valuation services. Under the terms of the agreement, we can elect to satisfy our payment of the purchase price upon closing in either cash or shares of our common stock. The completion of the transaction is subject to regulatory approvals.

#### 4. Goodwill and Other Intangible Assets

The following is a summary of the activity in the goodwill balance for the three months ended March 31, 2016 (in millions):

Goodwill balance at December 31, 2015	\$	12,079
Foreign currency translation	(23	)
Other activity, net	48	
Goodwill balance at March 31, 2016	\$	12,104

The following is a summary of the activity in the other intangible assets balance for the three months ended March 31, 2016 (in millions):

Other intangible assets balance at December 31, 2015	\$10,758
Foreign currency translation	(40 )
Other activity, net	(6 )
Amortization of other intangible assets	(82 )
Other intangible assets balance at March 31, 2016	\$10,630

The foreign currency translation adjustments in the tables above result from a portion of our goodwill and other intangible assets being held at our U.K., Continental European and Canadian subsidiaries, some of whose functional currencies are not the U.S. dollar. The changes in other activity, net in the tables above primarily relate to adjustments to the fair value of the net tangible and identifiable intangible assets and liabilities relating to the Interactive Data acquisition, with a corresponding charge to goodwill (Note 3). We did not recognize any impairment losses on goodwill or other intangible assets during the three months ended March 31, 2016 and 2015.

#### 5. Deferred Revenue

Deferred revenue represents cash received that is yet to be recognized as revenue. Total deferred revenue was \$528 million as of March 31, 2016, including \$429 million in current deferred revenue and \$99 million in non-current deferred revenue. The changes in

our deferred revenue during the three months ended March 31, 2016 are as follows (in millions):

	Annual Listings Revenue	Original Listings Revenues	Other Listings Revenues	Data Services and Other Revenues	Total
Deferred revenue balance at December 31, 2015	\$ —	\$ 50	\$ 59	\$ 81	\$ 190
Additions	363	6	24	143	536
Amortization	(91 )	(3 )	(9 )	(95 )	(198 )
Deferred revenue balance at March 31, 2016	\$ 272	\$ 53	\$ 74	\$ 129	\$ 528

## 6. Debt

Our total debt, including short-term and long-term debt, consisted of the following as of March 31, 2016 and December 31, 2015 (in millions):

	As of March 31, 2016	As of December 31, 2015
Debt:		
Commercial Paper	\$2,048	\$ 2,591
Short-term debt	2,048	2,591
NYSE USD Notes (2.00% senior unsecured notes due October 5, 2017)	852	852
2018 Senior Notes (2.50% senior unsecured notes due October 15, 2018)	597	597
2020 Senior Notes (2.75% senior unsecured notes due December 1, 2020)	1,239	1,239
2023 Senior Notes (4.00% senior unsecured notes due October 15, 2023)	789	789
2025 Senior Notes (3.75% senior unsecured notes due December 1, 2025)	1,241	1,240
Long-term debt	4,718	4,717
Total debt	\$6,766	\$ 7,308
Credit Facility		

We have entered into a \$3.0 billion senior unsecured revolving credit facility, or the Credit Facility, with a maturity date of November 13, 2020. The Credit Facility includes an option for us to propose an increase in the aggregate amount available for borrowing by up to \$1.0 billion, subject to the consent of the lenders funding the increase and certain other conditions. On November 13, 2015, we utilized this option to increase the amount of the Credit Facility to \$3.4 billion. The commitments under the Credit Facility will automatically reduce to \$2.95 billion on April 3, 2019. No amounts were outstanding under the Credit Facility as of March 31, 2016.

Of the \$3.4 billion that is currently available for borrowing under the Credit Facility, \$2.0 billion is required to back-stop the amount outstanding under our Commercial Paper Program as of March 31, 2016. The amount required to back-stop the amounts outstanding under the Commercial Paper Program will fluctuate as we increase or decrease our commercial paper borrowings. The remaining \$1.4 billion as of March 31, 2016 is available to us to use for working capital and general corporate purposes including, but not limited to, acting as a back-stop to the amounts outstanding under the Commercial Paper Program.

### 364 Day Facility

On November 13, 2015, we entered into a \$500 million 364 day senior unsecured revolving credit facility, or the 364 Day Facility. The amounts available under the 364 Day Facility are available for use by us for working capital and general corporate purposes, but specifically excluding any use to back-stop amounts issued under the Commercial Paper Program. The commitments under the 364 Day Credit Facility will be automatically reduced to \$375 million on May 13, 2016 and to \$250 million on August 13, 2016. No amounts were outstanding under the 364 Day Facility as of March 31, 2016.

### Commercial Paper Program

We have entered into a U.S. dollar commercial paper program, or the Commercial Paper Program. Our Commercial Paper Program is currently backed by the borrowing capacity available under the Credit Facility, equal to the amount of the commercial paper that is issued and outstanding at any given point in time. The effective interest rate of commercial paper issuances does not materially differ from short term interest rates (such as USD LIBOR). The fluctuation of these rates due to market conditions may impact our interest expense.

Commercial paper notes of \$2.0 billion with original maturities ranging from 1 to 89 days were outstanding as of March 31, 2016 under our Commercial Paper Program. As of March 31, 2016, the weighted average interest rate on the \$2.0 billion outstanding under our Commercial Paper Program was 0.54% per annum, with a weighted average maturity of 22 days. We repaid a portion of the amounts outstanding under the Commercial Paper Program during the three months ended March 31, 2016 using cash flows from operations and a portion of our unrestricted cash balances.

#### Senior Notes

On November 24, 2015, we issued \$2.5 billion in aggregate senior notes, including \$1.25 billion principal amount of 2.75% senior unsecured fixed rate notes due November 2020, or the 2020 Senior Notes, and \$1.25 billion principal amount of 3.75% senior unsecured fixed rate notes due November 2025, or the 2025 Senior Notes. We used the net proceeds from the 2020 Senior Notes and 2025 Senior Notes offering, together with \$1.6 billion of borrowings under our Commercial Paper Program, to finance the \$4.1 billion cash portion of the purchase price of the acquisition of Interactive Data (Note 3).

#### NYSE Notes

In connection with our acquisition on November 13, 2013 of NYSE Euronext, which we refer to as NYSE following the initial public offering and sale of Euronext in 2014, we assumed the outstanding NYSE debt instruments, which included \$850 million of 2.00% senior unsecured fixed rate notes due in October 2017, or the NYSE USD Notes, and €920 million (\$1.1 billion) of 5.375% senior unsecured fixed rate notes that were due in June 2015, or the NYSE EUR Notes, and together with the NYSE USD Notes, the NYSE Notes. On June 30, 2015, we repaid the NYSE EUR Notes using cash that had been set aside in July 2014 from the proceeds of the sale of Euronext.

During the three months ended March 31, 2015, the amortization of the increase in the fair value of the NYSE Notes that was recorded in connection with the NYSE acquisition purchase accounting was \$12 million. No significant amortization expenses were recorded after the repayment of the NYSE EUR Notes.

## 7. Equity

We currently sponsor employee and director stock option and restricted stock plans. Stock options and restricted stock are granted at the discretion of the compensation committee of the board of directors. All stock options and restricted stock awards are granted at an exercise price equal to the fair value of the common stock on the date of grant. The grant date fair value is based on the closing stock price on the date of grant. The fair value of the stock options and restricted stock on the date of grant is recognized as expense over the vesting period, net of estimated forfeitures. The non-cash compensation expenses recognized in our consolidated statements of income for stock options and restricted stock were \$29 million and \$24 million for the three months ended March 31, 2016 and 2015, respectively.

#### Stock Option Plans

The following is a summary of stock options for the three months ended March 31, 2016:

	Number of Options	Weighted Average Exercise Price per Option
Outstanding at December 31, 2015	774,551	\$ 159.66
Granted	150,323	250.07
Exercised	(28,098	) 145.07
Outstanding at March 31, 2016	896,776	175.28

Details of stock options outstanding as of March 31, 2016 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In millions)
Vested or expected to vest	896,776	\$ 175.28	6.7	\$ 56
Exercisable	596,892	\$ 148.32	5.5	\$ 52

The total intrinsic value of stock options exercised during the three months ended March 31, 2016 and 2015 were \$3 million and \$5 million, respectively. As of March 31, 2016, there were \$13 million in total unrecognized

compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 2.1 years as the stock options vest.

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We use the Black-Scholes option pricing model for purposes of valuing stock option awards. During the three months ended March 31, 2016 and 2015, we used the weighted-average assumptions in the table below to compute the value of all options for shares of common stock granted to employees:

Assumptions:	Three Months Ended March 31,			
	2016		2015	
Risk-free interest rate	1.51	%	1.08	%
Expected life in years	5.0		5.0	
Expected volatility	24	%	24	%
Expected dividend yield	1.36	%	1.25	%
Estimated weighted-average fair value of options granted per share	\$49.39		\$40.94	

The risk-free interest rate is based on the zero-coupon U.S. Treasury yield curve in effect at the time of grant. The expected life computation is derived from historical exercise patterns and anticipated future patterns. Expected volatilities are based on historical volatility of our stock.

#### Restricted Stock Plans

In January 2016, we reserved a maximum of 330,924 restricted shares for potential issuance as performance-based restricted shares to certain of our employees. The number of shares that will ultimately be granted under the performance awards will be based on our actual financial performance as compared to financial performance targets set by our board of directors and compensation committee for the year ending December 31, 2016. The maximum compensation expense to be recognized under these performance-based restricted shares is \$80 million if the maximum financial performance target is met and all 330,924 shares vest. The compensation expense to be recognized under these performance-based restricted shares will be \$39 million if the target financial performance is met, which would result in 165,462 shares vesting. These restricted shares are also subject to a market condition that could reduce the number of shares that are ultimately granted. We will recognize expense on an accelerated basis over the three-year vesting period based on our quarterly assessment of the probable 2016 actual financial performance as compared to the 2016 financial performance targets. As of March 31, 2016, we determined that it is probable that the financial performance level will be at target for 2016. Based on this assessment, we recorded non-cash compensation expense of \$5 million for the three months ended March 31, 2016, related to these shares and the remaining \$34 million in non-cash compensation expense will be recorded on an accelerated basis over the remaining vesting period, including \$19 million of which will be recorded over the remainder of 2016.

The following is a summary of the non-vested restricted shares for the three months ended March 31, 2016:

	Number of Restricted Stock Shares	Weighted Average Grant-Date Fair Value per Share
Non-vested at December 31, 2015	1,254,235	\$ 199.44
Granted	536,784	247.57
Vested	(412,048)	184.66
Forfeited	(19,020)	223.31
Non-vested at March 31, 2016	1,359,951	223.04

Restricted stock shares granted in the table above include both time-based and performance-based grants.

Performance-based shares have been adjusted to reflect the actual shares to be issued based on the achievement of past performance targets. Non-vested performance-based restricted shares granted are presented in the table above at the maximum number of restricted shares that would vest if the maximum performance targets are met. As of March 31, 2016, there were \$195 million in total unrecognized compensation costs related to the time-based restricted stock and the performance-based restricted stock. These costs are expected to be recognized over a weighted-average period of 1.8 years as the restricted stock vests. These unrecognized compensation costs assume that a target performance level will be met on the performance-based restricted shares granted in January 2016. During the three months ended March 31, 2016 and 2015, the total fair value of restricted stock vested under all restricted stock plans was \$103 million and \$80 million, respectively.

#### Stock Repurchase Program

During 2015, our stock repurchases were completed under stock repurchase plans authorized by our board of directors. In connection with our acquisition of Interactive Data during the fourth quarter of 2015, we suspended our stock repurchase plan and that plan has now expired. We did not repurchase any of our outstanding common stock during the three months ended March 31, 2016. The timing and extent of future repurchases, if any, that are not made pursuant to a Rule 10b5-1 trading plan will be at our discretion and will depend upon many conditions. Our management and board of directors periodically review whether or not to be active in

repurchasing our stock. In making a determination regarding any stock repurchases, we consider multiple factors. The factors may include: overall stock market conditions, our common stock price movements, the remaining amount authorized for repurchases by our board of directors, the potential impact of a stock repurchase program on our corporate debt ratings, our expected free cash flow and working capital needs, our current and future planned strategic growth initiatives, and other potential uses of our cash and capital resources.

#### 8. Income Taxes

Our effective tax rate was 30% and 27% for the three months ended March 31, 2016 and 2015, respectively. The effective tax rates for the three months ended March 31, 2016 and 2015 were lower than the federal statutory rate primarily due to favorable foreign income tax rate differentials, partially offset by state income taxes. The favorable foreign income tax rate differential results primarily from lower tax rates in the U.K. The effective tax rate for the three months ended March 31, 2016 is higher than the effective tax rate for the comparable period in 2015 primarily due to a mix of foreign versus U.S. based income and an increase to deferred income taxes in the current year, partially offset by the tax benefit from the early adoption of ASU 2016-09 (Note 2).

Our non-U.S. subsidiaries had \$3.1 billion in cumulative undistributed earnings as of March 31, 2016. This amount represents the post-income tax earnings under GAAP adjusted for previously taxed income. The earnings from our non-U.S. subsidiaries are considered to be indefinitely reinvested. Accordingly, no provision for U.S. federal and state income taxes has been made in the accompanying consolidated financial statements. Further, a determination of the unrecognized deferred tax liability is not practicable. Any future distribution by way of dividend of these non-U.S. earnings may subject us to both U.S. federal and state income taxes, as adjusted for non-U.S. tax credits, and withholding taxes payable to various non-U.S. countries.

#### 9. Clearing Organizations

We operate regulated central counterparty clearing houses for the settlement and clearance of derivative contracts. The clearing houses include ICE Clear Europe, ICE Clear Credit, ICE Clear U.S., ICE Clear Canada, ICE Clear Netherlands and ICE Clear Singapore (referred to herein collectively as the “ICE Clearing Houses”).

ICE Clear Europe performs the clearing and settlement for all futures and options contracts traded through ICE Futures Europe and ICE Endex, for CDS contracts submitted for clearing in Europe, and for energy futures and options contracts trading through ICE Futures U.S.

ICE Clear Credit performs the clearing and settlement for CDS contracts submitted for clearing in North America.

ICE Clear U.S. performs the clearing and settlement of agricultural, metals, currencies and financial futures and options contracts traded through ICE Futures U.S.

ICE Clear Canada performs the clearing and settlement for all futures and options contracts traded through ICE Futures Canada.

ICE Clear Netherlands offers clearing for The Order Machine, a multi-lateral trading facility for equity options.

ICE Clear Singapore performs the clearing and settlement for all futures and options contracts traded through ICE Futures Singapore.

Each of the ICE Clearing Houses requires all clearing members to maintain cash on deposit or pledge certain assets, which may include government obligations, non-government obligations, letters of credit or gold to guarantee performance of the clearing members’ open positions. Such amounts in total are known as “original margin.” The ICE Clearing Houses may make intraday original margin calls in circumstances where market conditions require additional protection. The daily profits and losses from and to the ICE Clearing Houses due to the marking-to-market of open contracts is known as “variation margin”. The ICE Clearing Houses mark all outstanding contracts to market, and therefore pay and collect variation margin, at least once daily, and in some cases multiple times throughout the day. Marking-to-market allows the ICE Clearing Houses to identify any clearing members that may be unable to satisfy the financial obligations resulting from changes in the prices of their open contracts before those financial obligations become exceptionally large and jeopardize the ability of the ICE Clearing Houses to ensure financial performance of clearing members’ open positions.

Each of the ICE Clearing Houses requires that each clearing member make deposits into a fund known as a “guaranty fund”, which is maintained by the relevant ICE Clearing House. These amounts serve to secure the obligations of a

clearing member to the ICE Clearing House to which it has made the guaranty fund deposit and may be used to cover losses sustained by the respective ICE Clearing House in the event of a default of a clearing member.

The ICE Clearing Houses seek to reduce their exposure through a risk management program that includes initial and ongoing financial standards for clearing member admission and continued membership, original and variation margin requirements, and mandatory deposits to the guaranty fund. The amounts that the clearing members are required to maintain in the original margin and guaranty fund accounts are determined by standardized parameters established by the risk management departments and reviewed by the risk committees and the boards of directors of each of the ICE Clearing Houses and may fluctuate over time. As of March 31, 2016

and December 31, 2015, the ICE Clearing Houses have received or have been pledged \$88.5 billion and \$87.2 billion, respectively, in cash and non-cash collateral in original margin and guaranty fund deposits to cover price movements of underlying contracts for both periods. The ICE Clearing Houses also have powers of assessment that provide the ability to collect additional funds from their clearing members to cover a defaulting member's remaining obligations up to the limits established under the respective rules of each ICE Clearing House.

Should a particular clearing member fail to deposit original margin, or fail to make a variation margin payment, when and as required, the relevant ICE Clearing House may liquidate or hedge the clearing member's open positions and use the clearing member's original margin and guaranty fund deposits to make up any amount owed. In the event that those deposits are not sufficient to pay the amount owed in full, the ICE Clearing Houses may utilize the respective guaranty fund deposits of their respective clearing members on a pro-rata basis for that purpose.

We have contributed \$150 million, \$50 million and \$50 million in cash to the ICE Clear Europe, ICE Clear Credit and ICE Clear U.S. guaranty funds, respectively, as of March 31, 2016, and such amounts are at risk and could be used in the event of a clearing member default where the amount of the defaulting clearing member's original margin and guaranty fund deposits are insufficient. The \$250 million combined contributions to the guaranty funds as of March 31, 2016 and December 31, 2015 are included in long-term restricted cash in the accompanying consolidated balance sheets.

As of March 31, 2016, original margin and guaranty fund cash deposits are as follows for the ICE Clearing Houses (in millions):

	ICE Clear Europe	ICE Clear Credit	ICE Clear U.S.	Other ICE Clearing Houses	Total
Original margin	\$28,795	\$14,064	\$4,383	\$172	\$47,414
Guaranty fund	2,981	1,596	325	13	4,915
Total	\$31,776	\$15,660	\$4,708	\$185	\$52,329

As of December 31, 2015, original margin and guaranty fund cash deposits are as follows for the ICE Clearing Houses (in millions):

	ICE Clear Europe	ICE Clear Credit	ICE Clear U.S.	Other ICE Clearing Houses	Total
Original margin	\$28,454	\$13,750	\$3,882	\$159	\$46,245
Guaranty fund	2,589	2,011	311	13	4,924
Total	\$31,043	\$15,761	\$4,193	\$172	\$51,169

We have recorded these cash deposits in the accompanying consolidated balance sheets as current assets with corresponding current liabilities to the clearing members of the relevant ICE Clearing House. All cash, securities and letters of credit are available only to meet the financial obligations of that clearing member to the relevant ICE Clearing House. ICE Clear Europe, ICE Clear Credit, ICE Clear U.S., ICE Clear Canada, ICE Clear Netherlands and ICE Clear Singapore are separate legal entities and are not subject to the liabilities of the other ICE Clearing Houses or the obligations of the members of the other ICE Clearing Houses. The amount of these cash deposits may fluctuate due to the types of margin collateral choices available to clearing members and the change in the amount of deposits required. As a result, these assets and corresponding liabilities may vary significantly over time.

Except with respect to ICE Clear Credit, the majority of the cash held by the ICE Clearing Houses is secured in reverse repurchase agreements with primarily overnight maturities or direct investment in U.S. government securities. ICE Clear Credit has been designated as a systemically important financial market utility by the Financial Stability Oversight Council and has been authorized to establish and maintain a cash account at the Federal Reserve Bank of Chicago. ICE Clear Credit held \$6.8 billion of its U.S. dollar cash in the guaranty fund and in original margin in the cash account at the Federal Reserve Bank of Chicago as of March 31, 2016. The remaining cash deposits at the ICE Clearing Houses are held in demand deposit accounts at large, highly rated financial institutions and directly in U.S. Treasury securities with original maturities of less than 12 months.

In addition to the cash deposits for original margin and the guaranty fund, the ICE Clearing Houses have also received other assets from clearing members, which may include government obligations, certain agency and corporate debt, letters of credit or gold to mitigate credit risk. These assets are not reflected in the accompanying consolidated balance sheets as the risks and rewards of these assets remain with the clearing members unless the ICE Clearing Houses have sold or re-pledged the assets or in the event of a clearing member default, where the clearing member is no longer entitled to redeem the assets. Any income, gain or loss accrues to the clearing member. For certain non-cash deposits, the ICE Clearing Houses may impose discount or "haircut" rates to ensure adequate collateral levels to account for fluctuations in the market value of these deposits. As of March 31, 2016 and December 31, 2015, the assets pledged by the clearing members as original margin and guaranty fund deposits for each of the ICE Clearing Houses are detailed below (in millions):

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	As of March 31, 2016				As of December 31, 2015			
	ICE Clear Europe	ICE Clear Credit	ICE Clear U.S.	Other ICE Clearing Houses	ICE Clear Europe	ICE Clear Credit	ICE Clear U.S.	Other ICE Clearing Houses
Original margin:								
Government securities at face value	\$21,153	\$5,659	\$8,161	\$ 44	\$21,690	\$4,989	\$8,161	\$ 97
Letters of credit	—	—	—	398	—	—	—	381
Total	\$21,153	\$5,659	\$8,161	\$ 442	\$21,690	\$4,989	\$8,161	\$ 478
Guaranty fund:								
Government securities at face value	\$256	\$290	\$158	\$ 61	\$267	\$229	\$158	\$ 61

### 10. Fair Value Measurements

Our financial instruments consist primarily of cash and cash equivalents, short-term and long-term restricted cash and investments, short-term and long-term investments, customer accounts receivable, margin deposits and guaranty funds, cost and equity method investments, short-term and long-term debt and certain other short-term assets and liabilities. The fair value of our financial instruments are measured based on a three-level hierarchy:

Level 1 inputs — quoted prices for identical assets or liabilities in active markets.

Level 2 inputs — observable inputs other than Level 1 inputs such as quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices that are directly observable.

Level 3 inputs — unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In general, we use Level 1 inputs to determine fair value. The Level 1 assets consist of U.S. Treasury securities, equity and other securities listed in active markets, and investments in publicly traded mutual funds held for the purpose of providing future payments of the supplemental executive retirement and the supplemental executive savings plans. Financial assets and liabilities recorded in the accompanying consolidated balance sheets as of March 31, 2016 and December 31, 2015 are classified in their entirety based on the lowest level of input that is significant to the asset or liability's fair value measurement. Financial instruments measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015 are as follows (in millions):

	As of March 31, 2016			As of December 31, 2015		
	Level 1	Level 2 and 3	Total	Level 1	Level 2 and 3	Total
Assets at fair value:						
Long-term investment in equity securities	\$352	\$ —	—\$352	\$299	\$ —	—\$299
U.S. Treasury securities	452	—	452	449	—	449
Mutual Funds	25	—	25	29	—	29
Total assets at fair value	\$829	\$ —	—\$829	\$777	\$ —	—\$777

As of March 31, 2016, the fair value of our \$1.24 billion 2020 Senior Notes was \$1.28 billion, the fair value of our \$1.24 billion 2025 Senior Notes was \$1.28 billion, the fair value of our \$852 million NYSE USD Notes was \$859 million, the fair value of our \$789 million 2023 Senior Notes was \$840 million, and the fair value of our \$597 million 2018 Senior Notes was \$607 million. The fair values of these fixed rate notes were estimated using quoted market prices for these instruments. The fair value of our commercial paper approximates the carrying value since the rates of interest on this short-term debt approximate market rates as of March 31, 2016. All other financial instruments are determined to approximate carrying value due to the short period of time to their maturities.

The long-term investment in equity securities represents our investment in Cetip, which is recorded as an available-for-sale investment, and is recorded and held in Brazilian reais. Cetip was valued at \$352 million as of March 31, 2016, using its quoted market price. Changes in the fair value of the Cetip investment are currently reflected in accumulated other comprehensive income (loss) and do not impact earnings, except to the extent that

unrealized losses are deemed to be other than temporary (Note 2). As of March 31, 2016, we had an accumulated unrealized gain related to this investment of \$28 million.

The fair value of our investment in Cetip as of March 31, 2016 is based on a stock price of R\$40.15 per share. In April 2016, Cetip and BM&FBOVESPA in Brazil entered into a merger agreement. Consummation of the merger remains subject to approval by the shareholders of both companies and the regulatory bodies of the Central Bank of Brazil, the Securities and Exchange Commission of Brazil and Brazil's Council for Economic Defense. The proposed merger values Cetip at R\$42.22 per share based upon the April

29, 2016 BM&FBOVESPA closing stock price. Under the terms of the merger agreement, Cetip shareholders will receive a combination of cash (75%) and BM&FBOVESPA stock (25%). Given that a portion of the purchase price consists of BM&FBOVESPA stock, the merger agreement includes an adjustment mechanism that provides for a stock valuation based on the BMF&BOVESPA average trading price during the 30 trading days preceding the last required regulatory approval, with a minimum stock valuation of R\$42 per share and a maximum stock valuation of R\$48.51 per share. In addition, the merger agreement provides for a CDI interbank rate adjustment for the cash portion of the transaction to account for the period of announcement to closing.

As of March 31, 2016, we held \$452 million in U.S. Treasury securities, all of which had remaining maturities of less than one year at the date of purchase. Of these securities, \$28 million were recorded as cash and cash equivalents, \$274 million were recorded as short-term restricted cash and investments and \$150 million were recorded as long-term restricted cash and investments in the accompanying consolidated balance sheet as of March 31, 2016. All of the U.S. Treasury securities recorded as cash and cash equivalents have remaining maturities of less than 90 days. We did not use Level 2 and 3 inputs to determine the fair value of assets or liabilities measured at fair value on a recurring basis as of March 31, 2016 or December 31, 2015. We measure certain assets, such as intangible assets and cost and equity method investments, at fair value on a non-recurring basis. These assets are recognized at fair value if they are deemed to be impaired. As of March 31, 2016 and December 31, 2015, none of these assets were required to be recorded at fair value since no impairment indicators were present. Cost and equity method investments were \$116 million as of both March 31, 2016 and December 31, 2015 and are classified as other non-current assets in the accompanying consolidated balance sheets.

#### 11. Condensed Consolidating Financial Statements (Unaudited)

In connection with our acquisition of NYSE, Intercontinental Exchange, Inc., or ICE, and NYSE Holdings LLC, or NYSE Holdings, established various guarantees to protect against structural subordination of each entity's existing indebtedness. NYSE Holdings is our wholly-owned subsidiary and fully and unconditionally guarantees, on an unsecured and unsubordinated basis, the payment of principal, premium, if any, and interest of our Credit Facility, Commercial Paper Program and our senior notes. Similarly, ICE fully and unconditionally guarantees, on an unsecured and unsubordinated basis, the payment of principal, premium, if any, and interest of the NYSE USD Notes. The guarantees will remain in place until each applicable debt obligation has been satisfied.

The following consolidating financial information sets forth, under the equity method of accounting, the condensed consolidating statements of income and comprehensive income, the condensed consolidating balance sheets, and the condensed consolidating statements of cash flows for (i) ICE (Parent); (ii) NYSE Holdings; (iii) the subsidiary non-guarantors; (iv) elimination entries necessary to consolidate each of ICE (Parent) and NYSE Holdings with the non-guarantor subsidiaries; and (v) on a consolidated basis. The condensed consolidating financial information should be read in conjunction with the accompanying consolidated financial statements.

Intercontinental Exchange, Inc.  
Condensed Consolidating Balance Sheets  
As of March 31, 2016  
(In millions)

	ICE (Parent)	Subsidiary Guarantor - NYSE Holdings	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1	\$ —	\$ 467	\$ —	\$ 468
Intercompany receivable	3,045	—	—	(3,045 )	—
Margin deposits and guaranty funds	—	—	52,329	—	52,329
Notes receivable from affiliate, current	—	281	38	(319 )	—
Other current assets	5	—	1,752	—	1,757
Total current assets	3,051	281	54,586	(3,364 )	54,554
Property and equipment, net	—	—	1,018	—	1,018
<b>Other non-current assets:</b>					
Goodwill and other intangible assets, net	—	—	22,734	—	22,734
Investment in subsidiaries	21,514	9,913	—	(31,427 )	—
Notes receivable from affiliate, non-current	—	3,482	4,036	(7,518 )	—
Other non-current assets	18	11	825	—	854
Total other non-current assets	21,532	13,406	27,595	(38,945 )	23,588
Total assets	\$24,583	\$ 13,687	\$ 83,199	\$ (42,309 )	\$ 79,160
<b>Current liabilities:</b>					
Short-term debt	\$2,048	\$ —	\$ —	\$ —	\$ 2,048
Margin deposits and guaranty funds	—	—	52,329	—	52,329
Intercompany payable	—	1,636	1,409	(3,045 )	—
Notes payable to affiliates, current	319	—	—	(319 )	—
Other current liabilities	61	—	1,198	—	1,259
Total current liabilities	2,428	1,636	54,936	(3,364 )	55,636
<b>Non-current liabilities:</b>					
Long-term debt	3,866	852	—	—	4,718
Notes payable to affiliates, non-current	3,241	795	3,482	(7,518 )	—
Other non-current liabilities	—	—	3,692	—	3,692
Total non-current liabilities	7,107	1,647	7,174	(7,518 )	8,410
Total liabilities	9,535	3,283	62,110	(10,882 )	64,046
Redeemable non-controlling interest	—	—	34	—	34
<b>Equity:</b>					
Total shareholders' equity	15,048	10,404	21,023	(31,427 )	15,048
Non-controlling interest in consolidated subsidiaries	—	—	32	—	32
Total equity	15,048	10,404	21,055	(31,427 )	15,080
Total liabilities and equity	\$24,583	\$ 13,687	\$ 83,199	\$ (42,309 )	\$ 79,160



Intercontinental Exchange, Inc.  
Condensed Consolidating Balance Sheets  
As of December 31, 2015  
(In millions)

	ICE (Parent)	Subsidiary Guarantor - NYSE Holdings	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1	\$ —	\$ 626	\$ —	\$ 627
Intercompany receivable	3,176	—	—	(3,176)	) —
Margin deposits and guaranty funds	—	—	51,169	—	51,169
Note receivable from affiliate, current	—	705	77	(782)	) —
Other current assets	5	—	1,512	—	1,517
<b>Total current assets</b>	<b>3,182</b>	<b>705</b>	<b>53,384</b>	<b>(3,958)</b>	<b>) 53,313</b>
Property and equipment, net	—	—	1,037	—	1,037
<b>Other non-current assets:</b>					
Goodwill and other intangible assets, net	—	—	22,837	—	22,837
Investment in subsidiaries	21,120	9,840	—	(30,960)	) —
Note receivable from affiliate, non-current	—	3,128	3,370	(6,498)	) —
Other non-current assets	20	10	770	—	800
<b>Total other non-current assets</b>	<b>21,140</b>	<b>12,978</b>	<b>26,977</b>	<b>(37,458)</b>	<b>) 23,637</b>
<b>Total assets</b>	<b>\$24,322</b>	<b>\$ 13,683</b>	<b>\$ 81,398</b>	<b>\$ (41,416)</b>	<b>) \$ 77,987</b>
<b>Current liabilities:</b>					
Short-term debt	\$2,591	\$ —	\$ —	\$ —	\$ 2,591
Margin deposits and guaranty funds	—	—	51,169	—	51,169
Intercompany payable	—	1,784	1,392	(3,176)	) —
Notes payable to affiliates, current	358	—	424	(782)	) —
Other current liabilities	36	—	947	—	983
<b>Total current liabilities</b>	<b>2,985</b>	<b>1,784</b>	<b>53,932</b>	<b>(3,958)</b>	<b>) 54,743</b>
<b>Non-current liabilities:</b>					
Long-term debt	3,865	852	—	—	4,717
Notes payable to affiliates, non-current	2,629	741	3,128	(6,498)	) —
Other non-current liabilities	35	—	3,617	—	3,652
<b>Total non-current liabilities</b>	<b>6,529</b>	<b>1,593</b>	<b>6,745</b>	<b>(6,498)</b>	<b>) 8,369</b>
<b>Total liabilities</b>	<b>9,514</b>	<b>3,377</b>	<b>60,677</b>	<b>(10,456)</b>	<b>) 63,112</b>
Redeemable non-controlling interest	—	—	35	—	35
<b>Equity:</b>					
Total shareholders' equity	14,808	10,306	20,654	(30,960)	) 14,808
Non-controlling interest in consolidated subsidiaries	—	—	32	—	32
<b>Total equity</b>	<b>14,808</b>	<b>10,306</b>	<b>20,686</b>	<b>(30,960)</b>	<b>) 14,840</b>
<b>Total liabilities and equity</b>	<b>\$24,322</b>	<b>\$ 13,683</b>	<b>\$ 81,398</b>	<b>\$ (41,416)</b>	<b>) \$ 77,987</b>



Intercontinental Exchange, Inc.  
Condensed Consolidating Statements of Income  
Three Months Ended March 31, 2016  
(In millions)

	ICE (Parent)	Subsidiary Guarantor - NYSE Holdings	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
<b>Revenues:</b>					
Transaction and clearing, net	\$ —	\$ —	\$ 929	\$ —	\$ 929
Data services	—	—	477	—	477
Listings and other revenues	—	—	148	—	148
Revenues	—	—	1,554	—	1,554
Transaction-based expenses	—	—	400	—	400
Revenues, less transaction-based expenses	—	—	1,154	—	1,154
<b>Operating expenses:</b>					
Compensation and benefits	—	—	236	—	236
Technology and communication	—	—	92	—	92
Acquisition-related transaction and integration costs	—	—	27	—	27
Selling, general, administrative and other	—	—	72	—	72
Depreciation and amortization	—	—	143	—	143
Operating expenses	—	—	570	—	570
Operating income	—	—	584	—	584
Intercompany interest on loans	(4 )	8 )	(4 )	—	—
Other income (expense), net	(41 )	(4 )	1 )	—	(44 )
Total other income (expense), net	(45 )	4 )	(3 )	—	(44 )
Income (loss) before income taxes	(45 )	4 )	581	—	540
Income tax expense	—	—	163	—	163
Equity earnings from subsidiaries	414	113	—	(527 )	—
Net income	\$ 369	\$ 117	\$ 418	\$ (527 )	\$ 377
Net income attributable to non-controlling interest	—	—	(8 )	—	(8 )
Net income attributable to ICE	\$ 369	\$ 117	\$ 410	\$ (527 )	\$ 369

Intercontinental Exchange, Inc.  
Condensed Consolidating Statements of Comprehensive Income  
Three Months Ended March 31, 2016  
(In millions)

	ICE (Parent)	Subsidiary Guarantor - NYSE Holdings	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Net income	\$ 369	\$ 117	\$ 418	\$ (527 )	\$ 377
<b>Other comprehensive income (loss):</b>					
Foreign currency translation adjustments	—	—	(74 )	—	(74 )
Change in fair value of available-for-sale-securities	—	—	54	—	54
Total other comprehensive loss	—	—	(20 )	—	(20 )

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Comprehensive loss of subsidiaries	(25 )	(19 )	—	44	—
Comprehensive income	344	98	398	(483 )	357
Comprehensive income attributable to non-controlling interests	—	—	(8 )	—	(8 )
Comprehensive income attributable to ICE	\$ 344	\$ 98	\$ 390	\$ (483 )	\$ 349

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Intercontinental Exchange, Inc.  
Condensed Consolidating Statements of Income  
Three Months Ended March 31, 2015  
(In millions)

	ICE (Parent)	Subsidiary Guarantor - NYSE Holdings	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Revenues:					
Transaction and clearing, net	\$ —	\$ —	\$ 836	\$ —	\$ 836
Data services	—	—	200	—	200
Listings and other revenues	—	—	144	—	144
Revenues	—	—	1,180	—	1,180
Transaction-based expenses	—	—	330	—	330
Revenues, less transaction-based expenses	—	—	850	—	850
Operating expenses:					
Compensation and benefits	—	—	151	—	151
Technology and communication	—	—	51	—	51
Acquisition-related transaction and integration costs	—	—	19	—	19
Selling, general, administrative and other	1	—	77	—	78
Depreciation and amortization	—	—	89	—	89
Operating expenses	1	—	387	—	388
Operating income (loss)	(1 )	—	463	—	462
Total other income (expense), net	18	(30 )	(9 )	—	(21 )
Income (loss) before income taxes	17	(30 )	454	—	441
Income tax expense	7	—	111	—	118
Equity earnings from subsidiaries	305	97	—	(402 )	—
Net income	\$ 315	\$ 67	\$ 343	\$ (402 )	\$ 323
Net income attributable to non-controlling interest	—	—	(8 )	—	(8 )
Net income attributable to ICE	\$ 315	\$ 67	\$ 335	\$ (402 )	\$ 315

Intercontinental Exchange, Inc.  
Condensed Consolidating Statements of Comprehensive Income  
Three Months Ended March 31, 2015  
(In millions)

	ICE (Parent)	Subsidiary Guarantor - NYSE Holdings	Subsidiary Non-Guarantors	Consolidating Adjustments	Consolidated Total
Net income	\$ 315	\$ 67	\$ 343	\$ (402 )	\$ 323
Other comprehensive income (loss):					
Foreign currency translation adjustments	—	1	(38 )	—	(37 )
Change in fair value of available-for-sale-securities	—	—	(70 )	—	(70 )
Total other comprehensive income (loss)	—	1	(108 )	—	(107 )
Comprehensive loss of subsidiaries	(107 )	(27 )	—	134	—
Comprehensive income	208	41	235	(268 )	216
Comprehensive income attributable to non-controlling interests	—	—	(8 )	—	(8 )

Comprehensive income attributable to ICE	\$ 208	\$ 41	\$ 227	\$ (268 )	\$ 208
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Intercontinental Exchange, Inc.  
Condensed Consolidating Statements of Cash Flows  
Three Months Ended March 31, 2016  
(In millions)

	ICE (Parent)	Subsidiary Guarantor- NYSE Holdings	Subsidiary Non-Guarantor	Consolidating Adjustments	Consolidated Total
Net cash provided by (used in) operating activities	\$ (15 )	\$ 24	\$ 609	\$ (21 )	\$ 597
Investing activities:					
Increase in restricted cash	—	—	(3 )	—	(3 )
Loans to subsidiaries	131	70	(627 )	426	—
Capital expenditures, capitalized software development costs and other	—	—	(56 )	—	(56 )
Net cash provided by (used in) investing activities	131	70	(686 )	426	(59 )
Financing activities:					
Repayments of commercial paper, net	(543 )	—	—	—	(543 )
Intercompany borrowing	573	(94 )	(53 )	(426 )	—
Dividends to shareholders	(102 )	—	—	—	(102 )
Intercompany dividends	—	—	(21 )	21	—
Payments relating to treasury shares received for restricted stock tax payments and stock option exercises	(47 )	—	—	—	(47 )
Other financing activities	3	—	(8 )	—	(5 )
Net cash used in financing activities	(116 )	(94 )	(82 )	(405 )	(697 )
Net decrease in cash and cash equivalents	—	—	(159 )	—	(159 )
Cash and cash equivalents, beginning of period	1	—	626	—	627
Cash and cash equivalents, end of period	\$ 1	\$ —	\$ 467	\$ —	\$ 468

Intercontinental Exchange, Inc.  
Condensed Consolidating Statements of Cash Flows  
Three Months Ended March 31, 2015  
(In millions)

	ICE (Parent)	Subsidiary Guarantor- NYSE Holdings	Subsidiary Non-Guarantor	Consolidating Adjustments	Consolidated Total
Net cash provided by (used in) operating activities	\$ 82	\$ (612 )	\$ 1,008	\$ (13 )	\$ 465
Investing activities:					
Decrease in restricted cash	—	—	34	—	34
Loans to subsidiaries	—	73	(707 )	634	—
Additional contribution to equity method investee	—	—	(60 )	—	(60 )
Capital expenditures, capitalized software development costs and other	—	—	(60 )	—	(60 )
Net cash provided by (used in) investing activities	—	73	(793 )	634	(86 )
Financing activities:					
Proceeds from commercial paper, net	35	—	—	—	35
Intercompany borrowing	173	534	(73 )	(634 )	—
Dividends to shareholders	(73 )	—	—	—	(73 )
Intercompany dividends	—	—	(13 )	13	—

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Repurchases of common stock	(196 )	—	—	(196 )
Other financing activities	(19 )	—	(15 )	(34 )
Net cash provided by (used in) financing activities	(80 )	534	(101 )	(621 )
Effect of exchange rates on cash and cash equivalents	—	—	(11 )	(11 )
Net increase (decrease) in cash and cash equivalents	2	(5 )	103	100
Cash and cash equivalents, beginning of period	6	5	641	652
Cash and cash equivalents, end of period	\$ 8	\$ —	\$ 744	\$ 752

## 12. Segment Reporting

We operated as a single reportable business segment as of December 31, 2015. As of March 31, 2016, we operated as two business segments: our Trading and Clearing segment and our Data and Listings segment. This presentation is reflective of how our chief operating decision maker reviews and operates our business. Our Trading and Clearing segment comprises our transaction-based execution and clearing businesses. Our Data and Listings segment comprises our subscription-based data services and securities listings businesses. Our chief operating decision maker does not review total assets, intersegment revenues/expenses or statements of income below operating income by segments; therefore, such information is not presented below. Financial data for our business segments is as follows for the three months ended March 31, 2016 and 2015 (in millions):

	Trading and Clearing Segment	Data and Listings Segment	Consolidated
Three Months Ended March 31, 2016:			
Revenues, less transaction-based expenses	\$ 574	\$ 580	\$ 1,154
Operating expenses	213	357	570
Operating income	361	223	584
Three Months Ended March 31, 2015:			
Revenues, less transaction-based expenses	\$ 549	\$ 301	\$ 850
Operating expenses	226	162	388
Operating income	323	139	462

No customers or clearing members accounted for more than 10% of our segment or consolidated revenues, less transaction-based expenses, for the three months ended March 31, 2016 and 2015.

## 13. Earnings Per Common Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per common share computations for the three months ended March 31, 2016 and 2015 (in millions, except per share amounts):

	Three Months Ended March 31, 2016 2015	
Basic:		
Net income attributable to Intercontinental Exchange, Inc.	\$369	\$315
Weighted average common shares outstanding	119	112
Basic earnings per common share	\$3.10	\$2.81
Diluted:		
Weighted average common shares outstanding	119	112
Effect of dilutive securities - stock options and restricted shares	1	—
Diluted weighted average common shares outstanding	120	112
Diluted earnings per common share	\$3.08	\$2.80

Basic earnings per common share is calculated using the weighted average common shares outstanding during the period. The weighted average common shares outstanding increased for the three months ended March 31, 2016, over the prior year period, primarily due to stock issued for the Interactive Data and Trayport acquisitions in December 2015, partially offset by stock repurchases during 2015. We issued 6.5 million shares of our common stock to Interactive Data stockholders and 2.5 million shares of our common stock to Trayport stockholders, weighted to show these additional shares outstanding for periods after the respective acquisition dates (Note 3).

Common equivalent shares from stock options and restricted stock awards, using the treasury stock method, are included in the diluted per share calculations unless the effect of their inclusion would be antidilutive. During the three months ended March 31, 2016 and 2015, 130,109 and 289,269 outstanding stock options, respectively, were not included in the computation of diluted earnings per common share since the inclusion would have had an antidilutive effect because the outstanding stock option exercise prices were greater than the average market price of the common shares during the relevant periods. Certain figures in the table above may not recalculate due to rounding.

14. Subsequent Events

We have evaluated subsequent events and determined that no events or transactions met the definition of a subsequent event for purposes of recognition or disclosure in the accompanying consolidated financial statements.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q, including the sections entitled "Notes to Consolidated Financial Statements", "Legal Proceedings" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Any statements contained herein that are not statements of historical fact may be forward-looking statements. Any forward looking statements are based on our present beliefs and assumptions as well as the information currently available to us. Forward-looking statements may be introduced by or contain terminology such as "may," "will," "should," "could," "would," "targets," "goal," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue," or the antonyms or other comparable terminology. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our results, levels of activity, performance, cash flows, financial position or achievements to differ materially from those expressed or implied by these forward-looking statements. These risks and other factors include those set forth in Item 1(A) under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015, or our 2015 Form 10-K, as filed with the SEC on February 4, 2016.

Forward-looking statements and other risks and factors that may affect our performance include, but are not limited to: conditions in global financial markets and domestic and international economic conditions; volatility in commodity prices, equity prices, and price volatility of financial benchmarks and instruments such as interest rates, credit spreads, equity indices and foreign exchange rates; the business environment in which we operate and trends in our industry, including trading volumes, clearing, data services, fees, changing regulations, competition and consolidation; continued high renewal rates of subscription-based data revenues; the impact of the introduction of or any changes in laws, regulations, rules or government policy with respect to financial markets, increased regulatory scrutiny or enforcement actions and our ability to comply with these requirements; our ability to identify and effectively pursue, implement and integrate acquisitions and strategic alliances; our ability to continue to realize the synergies and benefits of our acquisitions within the expected time frame, and to integrate acquired operations with our business; the success of our clearing houses and our ability to minimize the risks associated with operating clearing houses in multiple jurisdictions; the resilience of our electronic platforms and soundness of our business continuity and disaster recovery plans; the performance and reliability of our other technologies and those of third party service providers, including our ability to keep pace with technological developments and ensure that the technology we utilize is not vulnerable to security risks or other disruptive events; the accuracy of our cost and other financial estimates and our belief that cash flows from operations will be sufficient to service our debt and fund our operational and capital expenditure needs; our ability to identify trends and adjust our business to benefit from such trends; our ability to maintain existing market participants and attract new ones, and to offer additional products and services, leverage our risk management capabilities and enhance our technology in a timely and cost-effective fashion; our ability to attract and retain key talent; our ability to protect our intellectual property rights and to operate our business without violating the intellectual property rights of others; and potential adverse results of threatened or pending litigation and regulatory actions and proceedings.

We caution you not to place undue reliance on any forward-looking statements as they speak only as of the date on which such statements were made, and we undertake no obligation to update any forward-looking statement or to reflect the occurrence of an unanticipated event. New factors emerge from time to time, and it is not possible for management to predict all factors that may affect our business and prospects. Further, management cannot assess the impact of each factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

In this Quarterly Report on Form 10-Q, unless otherwise indicated, the terms "Intercontinental Exchange", "ICE", "we", "us", "our", "our company" and "our business" refer to Intercontinental Exchange, Inc., together with its consolidated subsidiaries. Due to rounding, figures may not sum exactly.

### Overview

We are a leading global operator of regulated exchanges, clearing houses and listings venues, and a provider of data services for commodity and financial markets. We operate regulated marketplaces for trading and clearing a broad array of derivatives and securities contracts across major asset classes, including energy and agricultural commodities,

interest rates, equities, equity derivatives, credit derivatives, bonds and currencies.

Our exchanges include futures exchanges in the U.S., U.K., Continental Europe, Canada and Singapore and cash equities exchanges and equity options exchanges in the U.S. We also operate OTC markets for physical energy and CDS trade execution. To serve global derivatives markets, we operate central counterparty clearing houses in the U.S., U.K., Continental Europe, Canada and Singapore. We offer a range of data and connectivity services to customers in global financial and commodity markets, including fixed income pricing and reference data, analytics and desktop offerings. Through our trading and clearing, in addition to our listings and data services, we provide our customers liquid markets, benchmark products, access to capital markets, information, and a range of related services to support their investing, trading, risk management and capital raising activities. Our business is currently conducted as two reportable business segments, our Trading and Clearing segment and our Data and Listings segment, and the majority of our identifiable assets are located in the U.S. and U.K.

## Recent Developments

### Completed Acquisitions

On December 14, 2015, we acquired 100% of Interactive Data in a stock and cash transaction. The total purchase price was \$5.6 billion comprised of cash consideration of \$4.1 billion and 6.5 million shares of our common stock, and their results are included in our consolidated results effective from the acquisition date. Interactive Data is a leading provider of financial market data, analytics and related trading solutions, serving the mutual fund, bank, asset management, hedge fund, securities and financial instrument processing and administration sectors. On December 11, 2015, we acquired 100% of Trayport in a stock transaction. The total purchase price was \$620 million, comprised of 2.5 million shares of our common stock, and their results are included in our consolidated results effective from the acquisition date. Trayport is a software company that licenses its technology to serve exchanges, OTC brokers and traders to facilitate electronic and hybrid trade execution primarily in the energy markets. Refer to note 3 to our consolidated financial statements and related notes, which are included elsewhere in this Quarterly Report on Form 10-Q, for more information on these acquisitions.

### Pending Acquisition

In March 2016, we entered into a definitive agreement to acquire Standard & Poor's Securities Evaluations, Inc., or SPSE, a provider of fixed income evaluated pricing, and Credit Market Analysis Limited, or CMA, a provider of independent data for the OTC markets from McGraw Hill Financial. When completed, the acquisition will enable us to offer customers new data and valuation services. Under the terms of the agreement, we can elect to satisfy our payment of the purchase price upon closing in either cash or shares of our common stock. The completion of the transaction is subject to regulatory approvals.

### Regulation

Our markets are primarily subject to the jurisdiction of regulatory agencies in the U.S., U.K., Canada, Singapore and the European Union. Domestic and foreign policy makers have undertaken reviews of their existing legal framework governing financial markets in connection with regulatory reform, and have either passed new laws and regulations, or are in the process of debating and/or enacting new laws and regulations that apply to our business and to our customers' businesses. As this is established, legislative and regulatory actions may change the way we conduct our business and may create uncertainty for market participants, which could affect trading volumes or demand for market data. As a result, it is difficult to predict all of the effects that the legislation and its implementing regulations will have on us. As discussed more fully in our 2015 Form 10-K, the implementation of Markets in Financial Instruments Directives II, or MiFID II, and its counterpart the European Market Infrastructure Regulation, or EMIR, may result in operational, regulatory and/or business risk. In February 2016, the European Union announced plans for a twelve-month postponement of MiFID II implementation and compliance from 2017 to 2018.

Also in February 2016, U.S. and European regulators reached an agreement relating to regulatory equivalence and margin treatment for clearing houses. The proposed agreement will allow European clearing houses to margin customers at a one day gross margin period of risk (equivalent to the U.S. rules for clearing houses) and require U.S. clearing houses to margin proprietary positions at a two day net margin period of risk (equivalent to the European rules for clearing houses). U.S. clearing houses will also be required to demonstrate implementation of specific anti-procyclicality measures, equivalent to European clearing houses. The proposed agreement would exempt U.S. agricultural products (including ICE Futures U.S.'s coffee, cocoa and sugar contracts) from any changes. If approved by the European Union, the proposed agreement would allow our U.S. clearing houses to continue to access European customers and allow ICE Clear Europe to margin customers in a manner similar to U.S. clearing houses.

### Financial Highlights

The following summarizes our results and significant changes in our consolidated financial performance for the periods presented (dollars in millions, except per share amounts):

	Three Months			
	Ended March 31,			
	2016	2015	Change	
Revenues, less transaction-based expenses	\$1,154	\$850	36	%
Operating expenses	\$570	\$388	47	%
Adjusted operating expenses <sup>(1)</sup>	\$476	\$336	42	%
Operating income	\$584	\$462	26	%
Adjusted operating income <sup>(1)</sup>	\$678	\$514	32	%
Operating margin	51	% 54	%	(3 pts)
Adjusted operating margin <sup>(1)</sup>	59	% 60	%	(1 pt)
Other expense, net	\$44	\$21	106	%
Income tax expense	\$163	\$118	38	%
Effective tax rate	30	% 27	%	3 pts
Net income attributable to ICE	\$369	\$315	17	%
Adjusted net income attributable to ICE <sup>(1)</sup>	\$441	\$344	28	%
Diluted earnings per share attributable to ICE common shareholders	\$3.08	\$2.80	10	%
Adjusted diluted earnings per share attributable to ICE common shareholders <sup>(1)</sup>	\$3.68	\$3.06	20	%
Cash flows from operating activities	\$597	\$465	28	%

<sup>(1)</sup> The adjusted numbers in the table above are calculated by excluding items that are not reflective of our cash operations and core business performance, net of taxes, as applicable. As a result, these adjusted numbers are not calculated in accordance with GAAP. See “- Non-GAAP Financial Measures” below.

Revenues, less transaction-based expenses, increased \$304 million for the three months ended March 31, 2016 from the comparable period in 2015, primarily due to our acquisitions of Interactive Data and Trayport, and to a lesser extent, revenue increases in our exchange-related data services, cash equities, Brent crude and agricultural transaction and clearing. We recognized \$260 million in Interactive Data and Trayport data services revenues for the three months ended March 31, 2016. See “- Trading and Clearing Segment” and “Data and Listings Segment” below. Partially offsetting the revenue increases were unfavorable foreign exchange effects of \$8 million arising from the strengthening U.S. dollar (primarily impacting revenues billed in pounds sterling and euros) for the three months ended March 31, 2016 from the comparable period in 2015. See Item 3 “Quantitative and Qualitative Disclosures About Market Risk - Foreign Currency Exchange Rate Risk” below for additional information on the impact of currency fluctuations.

Operating expenses increased \$182 million for the three months ended March 31, 2016 from the comparable period in 2015, primarily due to \$217 million in operating expenses relating to Interactive Data and Trayport for the three months ended March 31, 2016. Offsetting the Interactive Data and Trayport operating expenses was a \$35 million decrease in operating expense from the comparable period in 2015, including a \$13 million decrease in selling, general and administrative expenses and a \$9 million decrease in professional services expenses. See “- Consolidated Operating Expenses” below. Partially offsetting the operating expense increases were favorable foreign exchange effects of \$4 million arising from the strengthening U.S. dollar (primarily impacting operating expenses incurred in pounds sterling and euros) for the three months ended March 31, 2016 from the comparable period in 2015.

Other expense, net increased for the three months ended March 31, 2016 from the comparable period in 2015, primarily due to the additional interest expense we recognized on the new debt we incurred to finance the Interactive Data acquisition in December 2015. See “- Debt” below.

#### Variability in Quarterly Comparisons

The business environments in which we operate directly affect our results of operations. Our results have been and will continue to be affected by many factors, including, without limitation, market volatility and the level of trading activity in our markets, which during any period is significantly influenced by general market conditions; legislative and regulatory changes, as well as our fulfillment of our regulatory obligations; competition; demand for our data services and our market share; our system reliability; our ability to offer new products; our acquisition activities and the pace of industry consolidation; broad trends in the data and finance industry; the number and financial health of

companies listed on our cash markets; geopolitical events; real and perceived supply and demand imbalances; changing technology in the financial services industry; and our reputation, among other factors. In particular, in recent years, the business environment has been characterized by increasing competition among global markets for trading volumes and listings; the globalization of exchanges, customers and competitors; market participants' demand for speed, capacity and reliability, which requires continuing investment in technology; and, increasing competition for market data revenues. Price volatility

increases the need to hedge risk and creates demand among market participants for the exchange of risk. Market liquidity is one of the primary market attributes for attracting and maintaining customers and is an important indicator of a market's strength. The maintenance and growth of our revenues could also be impacted if we face increased pressure on pricing. Changes in these and other factors could cause our revenues to fluctuate from period to period and these fluctuations may affect the reliability of period to period comparisons of our revenues and operating results. For additional information regarding the factors that affect our results of operations, see Item 1(A) "Risk Factors" included in our 2015 Form 10-K.

#### Segment Reporting

We operated as a single reportable business segment as of December 31, 2015. As of March 31, 2016, we operated as two business segments: our Trading and Clearing segment and our Data and Listings segment. This presentation is reflective of how our chief operating decision maker reviews and operates our business. Our Trading and Clearing segment comprises our transaction-based execution and clearing businesses. Our Data and Listings segment comprises our subscription-based data services and securities listings businesses. Our chief operating decision maker does not review total assets, intersegment revenues/expenses or statements of income below operating income by segments; therefore, such information is not presented below.

While revenues are allocated directly to segments, a significant portion of our operating expenses are not solely related to a specific segment because the expenses serve functions that are necessary for the operation of both segments. Because these expenses do not relate to a single segment, we have employed a reasonable allocation method to allocate expenses between the segments for presentation purposes. We have elected to use a pro-rata revenue approach as the allocation method for the expenses that do not relate solely to one segment. Further, precise allocation of expenses to specific revenue streams within these segments is not reasonably possible. Accordingly, we did not allocate expenses to specific revenue streams within the segments.

## Trading and Clearing Segment

The following table presents our selected statements of income data for our Trading and Clearing segment (dollars in millions):

	Three Months Ended March 31,			
	2016	2015	Change	
Revenues:				
Brent crude futures and options contracts	\$82	\$74	11	%
Other oil futures and options contracts	29	33	(10)	)
Gasoil futures and options contracts	24	24	(2)	)
Natural gas futures and options contracts	57	58	(3)	)
Power futures and options contracts	21	21	4	
Emissions and other energy futures and options contracts	17	17	—	
Sugar futures and options contracts	32	27	19	
Other agricultural and metals futures and options contracts	30	26	15	
Interest rates futures and options contracts	56	56	—	
Other financial futures and options contracts	38	33	12	
Credit default swaps	40	43	(7)	)
Cash equities and equity options	490	412	19	
Other transaction	13	12	14	
Transaction and clearing, net	929	836	11	
Other revenues	45	43	5	
Revenues	974	879	11	
Transaction-based expenses	400	330	21	
Revenues, less transaction-based expenses	574	549	4	
Other operating expenses	158	166	(4)	)
Acquisition-related transaction and integration costs	1	8	(88)	)
Depreciation and amortization	54	52	3	
Operating expenses	213	226	(6)	)
Operating income	\$361	\$323	12	%

## Transaction and Clearing Revenues

## Overview

Our transaction and clearing revenues are reported on a net basis, except for the NYSE-related transaction-based expenses discussed below, and consist of fees collected from our derivatives trading and clearing, and from our cash trading and equity options exchanges. In our derivatives markets, we earn transaction and clearing revenues from both counterparties to each contract that is traded and/or cleared, and in our equity and equity options markets, we receive trade execution fees as well as routing fees related to orders in our markets which are routed to other markets for execution.

Revenues per-contract are driven by the number of contracts or securities traded and the fees charged per contract, net of certain rebates. Our per-contract transaction and clearing revenues will depend upon many factors, including, but not limited to, market conditions, transaction and clearing volume, product mix, pricing, applicable revenue sharing and market making agreements, and new product introductions. Because transaction and clearing revenues are generally assessed on a per-contract basis, revenues and profitability fluctuate with changes in contract volume but not to the same degree due to product mix.

Our transaction and clearing revenues are presented net of rebates. We recorded rebates of \$182 million and \$141 million for the three months ended March 31, 2016 and 2015, respectively. We offer rebates in certain of our markets primarily to support market liquidity and trading volume by providing qualified participants in those markets a discount to the applicable commission rate. Such rebates are calculated based on volumes traded. The increase in the

rebates is due primarily to an increase in the number of participants in the rebate programs offered on various contracts, an increase in our traded volume and an increase in the number of rebate programs. The level of rebates as a percentage of our total transaction and clearing revenues remained relatively consistent for the three months ended March 31, 2016 and 2015.

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### Commodities Markets

We operate global crude oil and refined oil futures markets, including the ICE Brent, ICE WTI and ICE Gasoil futures and options contracts, as well as over 400 refined oil futures products that relate to our benchmark futures contracts. Total oil volume and revenues increased 8% and 3%, respectively, for the three months ended March 31, 2016 from the comparable period in 2015. The ICE Brent crude futures contract is relied upon by a broad range of global market participants, including oil producing nations and multinational companies, to price and hedge their crude oil production and consumption. ICE Brent crude and ICE WTI crude futures and options volume increased 12% and 4% for the three months ended March 31, 2016, respectively, from the comparable period in 2015, primarily due to increased oil price volatility and broader market volatility in oil products, equities and foreign exchange rates. Our global natural gas futures and options volume and revenues declined 9% and 3%, respectively, for the three months ended March 31, 2016 from the comparable period in 2015. Our North American natural gas volume declined during the first quarter of 2016, from the comparable period in 2015, primarily due to a warmer winter, high North American natural gas inventories and lower price volatility compared to the first quarter of 2015.

Total volume and revenues in our agricultural and metals futures and options markets increased 20% and 17%, respectively, for the three months ended March 31, 2016 from the comparable period in 2015. Volume in our largest agricultural contract, sugar futures and options, increased 16% for the three months ended March 31, 2016 from the comparable period in 2015, and other agricultural and metal futures and options volume increased 23% for the three months ended March 31, 2016 from the comparable period in 2015. The increases in agricultural volume were primarily driven by increased price volatility due to changing supply and demand expectations largely related to weather and production levels for sugar and cocoa, and inventory levels for cotton.

### Financial Markets

Financial futures and options volume and revenues increased 21% and 5%, respectively, for the three months ended March 31, 2016 from the comparable period in 2015. Interest rate futures and options volume increased 23% for the three months ended March 31, 2016 from the comparable period in 2015, primarily due to uncertainty around central bank actions and economic data during the first quarter of 2016. Revenue increased at a lower rate than volume primarily due to increased market making rebates at higher volume levels and the impact of foreign currency translation.

Other financial futures and options volume increased 15% for the three months ended March 31, 2016 from the comparable period in 2015, primarily due to price volatility in equity indexes driven by strong global equity market volatility. Volume in our MSCI futures and options contracts increased 67% for the three months ended March 31, 2016 from the comparable period in 2015.

CDS clearing revenues were \$29 million for both the three months ended March 31, 2016 and 2015, and notional value of CDS cleared during the same periods were \$3.7 trillion and \$3.3 trillion, respectively. Buyside participation at our U.S. CDS clearing house, ICE Clear Credit, continues to grow driven by increased participation from both U.S. and European buyside customers due to the breadth of products and cost efficient margining in the U.S. relative to Europe. CDS trade execution revenues were \$11 million and \$15 million for the three months ended March 31, 2016 and 2015, respectively. The notional value of the underlying CDS traded was \$133 billion and \$278 billion for the three months ended March 31, 2016 and 2015, respectively.

Cash equities handled volume increased 25% for the three months ended March 31, 2016, from the comparable period in 2015, primarily due to increased market volatility. Cash equities revenues, net of transaction-based expenses, were \$62 million for the three months ended March 31, 2016, an increase of 21% from \$51 million for the three months ended March 31, 2015.

Equity options volume increased 11% for the three months ended March 31, 2016 compared to the same period in 2015 due to market volatility. Equity options revenues, net of transaction-based expenses, were \$28 million for the three months ended March 31, 2016, a decrease of 11% from net equity options revenues of \$31 million for the three months ended March 31, 2015. Equity options rate per contract decreased compared to the prior year period primarily due to increased market maker rebates at higher volume levels.

### Other Revenues

Other revenues include interest income on certain clearing margin deposits, regulatory penalties and fines, fees for use of our facilities, regulatory fees charged to member organizations of our U.S. securities exchanges, designated market

maker service fees, exchange membership fees and agricultural grading and certification fees.

**Selected Operating Data**

The following table presents trading activity in our futures and options markets by commodity type based on the total number of contracts traded, as well as futures and options rate per contract (in millions, except for percentages and rate per contract amounts):

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	Three Months Ended March 31,			
	2016	2015	Change	
Number of contracts traded:				
Brent crude futures and options	61	54	12	%
Other oil futures and options	24	24	3	
Gasoil futures and options	16	16	—	
Natural gas futures and options	59	65	(9)	)
Power futures and options	7	8	(8)	)
Emissions and other energy futures and options	3	3	7	
Sugar futures and options	13	11	16	
Other agricultural and metals futures and options	15	12	23	
Interest rates futures and options	117	95	23	
Other financial futures and options	33	28	15	
Total	348	316	10	%

## Rate per contract:

Energy futures and options rate per contract	\$1.35	\$1.34	1	%
Agricultural and metals futures and options rate per contract	\$2.29	\$2.34	(2)	)%
Financial futures and options rate per contract	\$0.60	\$0.69	(13)	)%

Open interest is the aggregate number of contracts (long or short) that clearing members hold either for their own account or on behalf of their clients. The following table presents our quarter-end open interest for our futures and options contracts (in millions, except for percentages).

	As of March 31,			
	2016	2015	Change	
Open interest — in millions of contracts:				
Brent crude futures and options	4	4	4	%
Other oil futures and options	5	5	(9)	)
Gasoil futures and options	1	1	9	
Natural gas futures and options	18	20	(9)	)
Power futures and options	8	7	4	
Emissions and other energy futures and options	2	2	(3)	)
Sugar futures and options	2	2	4	
Other agricultural and metals futures and options	2	2	16	
Interest rates futures and options	19	15	33	
Other financial futures and options	5	5	4	
Total	66	63	5	%

The following table presents selected cash equities and equity options trading data for the three months ended March 31, 2016 and 2015. All trading volume below is presented as net daily trading volume and is single counted.

	Three Months Ended March 31,			
	2016	2015	Change	
Cash equities (shares in millions):				
NYSE listed (tape A) issues:				
Handled volume	1,481	1,182	25	%
Matched volume	1,462	1,161	26	%
Total NYSE listed consolidated volume	4,576	3,680	24	%
Share of total matched consolidated volume	32.0	% 31.6	% 0.4	pts
NYSE Arca, NYSE MKT and regional listed (tape B) issues:				
Handled volume	440	324	36	%
Matched volume	423	308	38	%
Total NYSE Arca, NYSE MKT and regional listed consolidated volume	1,874	1,355	38	%
Share of total matched consolidated volume	22.6	% 22.7	% (0.1)	pts
Nasdaq listed (tape C) issues:				
Handled volume	231	214	8	%
Matched volume	220	201	9	%
Total Nasdaq listed consolidated volume	2,114	1,903	11	%
Share of total matched consolidated volume	10.4	% 10.5	% (0.2)	pts
Total cash handled volume	2,152	1,720	25	%
Total cash market share matched	24.6	% 24.1	% 0.5	pts
Equity options (contracts in thousands):				
NYSE equity options volume	3,012	2,717	11	%
Total equity options volume	15,280	14,822	3	%
NYSE share of total equity options	19.7	% 18.3	% 1.4	pts

Revenue capture or rate per contract:

Cash equities revenue capture (per 100 shares)	\$0.047	\$0.049	(4	)%
Equity options rate per contract	\$0.149	\$0.185	(19	)%

Handled volume represents the total number of shares of equity securities, exchange traded funds, or ETFs, and crossing session activity internally matched on our exchanges or routed to and executed on an external market center. Matched volume represents the total number of shares of equity securities, ETFs and crossing session activity executed on our exchanges.

Transaction-Based Expenses

Our equities and options markets pay fees to the SEC pursuant to Section 31 of the Exchange Act. Section 31 fees collected from customers are recorded on a gross basis as a component of transaction and clearing fee revenue. These Section 31 fees are designed to recover the government's costs of supervising and regulating the securities markets and securities professionals. We, in turn, collect activity assessment fees, which are included in transaction and clearing revenues in our consolidated statements of income, from member organizations clearing or settling trades on the equities and options exchanges and recognize these amounts when invoiced. The activity assessment fees are designed so that they are equal to the Section 31 fees which are included in transaction-based expenses in our consolidated statements of income. As a result, activity assessment fees and Section 31 fees do not have an impact on our net income. Activity assessment fees received are included in cash at the time of receipt and, as required by law, the amount due to the SEC is remitted semi-annually and recorded as an accrued liability until paid. As of March 31, 2016, the accrued liability related to the un-remitted SEC Section 31 fees was \$97 million.

We also incur liquidity payments made to cash and options trading customers and routing charges made to other exchanges that are included in transaction-based expenses. We incur routing charges when we do not have the best bid or offer in the market for a security that a customer is trying to buy or sell on one of our securities exchanges. In that case, we route the customer's order to the external market center that displays the best bid or offer. The external market center charges us a fee per share (denominated in tenths

of a cent per share) for routing to its system. We record routing charges on a gross basis as a component of transaction and clearing fee revenue.

#### Operating Expenses

Trading and Clearing segment operating expenses decreased \$13 million for the three months ended March 31, 2016 from the comparable period in 2015, primarily due to decreases in our acquisition-related transaction and integration costs and our professional services expenses. See “- Consolidated Operating Expenses” below. Trading and Clearing segment adjusted operating expenses were \$192 million and \$198 million for the three months ended March 31, 2016 and 2015, respectively. See “- Non-GAAP Financial Measures” below.

#### Data and Listings Segment

The following table presents our selected statements of income data for our Data and Listings segment (dollars in millions):

	Three Months Ended March 31, 2016 2015 Change		
Revenues:			
Pricing and analytics	\$204	\$25	710 %
Desktops and connectivity	145	58	150
Exchange data	128	117	9
Data services	477	200	138
Listings	103	101	3
Revenues	580	301	93
Other operating expenses	242	114	112
Acquisition-related transaction and integration costs	26	11	138
Depreciation and amortization	89	37	140
Operating expenses	357	162	120
Operating income	\$223	\$139	61 %

#### Data Services Revenues

The Data and Listings segment represents subscription-based, or recurring, revenue businesses that relate to data services and listings services offered across ICE, NYSE, ICE Benchmark Administration, Interactive Data, SuperDerivatives and Trayport. We generate revenues from a range of data services, including the dissemination of our pricing data and analytics, desktops and connectivity and exchange market data.

Our pricing and analytics services consist of an extensive set of independent evaluated pricing services, reference data, end of day pricing, fixed income and equity portfolio analytics. We provide risk management analytics, market data and valuation services for financial instruments. We also serve as an administrator of regulated benchmarks, including LIBOR, the ICE Swap Rate and the LBMA Gold Price. Our index services offer a range of products across fixed income, energy, equities, ETFs and other asset classes to provide the methodology, pricing and licensing of key benchmarks.

Our desktop and connectivity services comprise technology based information platforms, feeds and connectivity. These include trading applications and desktop solutions, as well as market data feeds, to support trading, voice brokers, wealth management, and investment functions. Our desktop and web-based applications deliver real-time market information, analytical and decision support tools to support trading and investment decisions. Through our consolidated feeds, clients receive consolidated real-time and/or delayed financial data from global exchanges, trading venues and data sources for exchange-traded and OTC markets.

Our connectivity services are primarily provided by our Secured Financial Transaction Infrastructure, or SFTI, network, and related connectivity and colocation services for the transmission of exchange data to our customers. SFTI is a secure, resilient, private multi-participant network that provides connectivity to global exchanges and content service providers via dedicated data circuits with a redundant design to help ensure that no single point of failure exists across the network. Our connectivity infrastructure managed services solution also offers direct

exchange access, proximity hosting and support services that enable access to real-time exchange data and facilitates low latency electronic trading. We also offer server colocation space at our data centers for market participants to house their servers and applications on equivalent terms.

Our exchange data primarily represents subscription fees for the provision of our market data that is created from activity in our Trading and Clearing segment. In our derivatives markets, exchange data fees primarily relate to subscription fees charged for customer and license access from third party data vendors, or quote vendors such as Thomson Reuters or Bloomberg, and from end users, as well as view-only data access, direct access services, terminal access, daily indices, forward curves and other valuation services, and end of day reports.

We earn exchange data fees relating to our cash equity and options markets, and related data and network services. We collect cash trading market data fees principally for consortium-based data products and, to a lesser extent, for NYSE proprietary data products. Consortium-based data fees are determined by the securities industry plans and are charged to vendors based on their redistribution of data. Consortium-based data revenues (net of administrative costs) are distributed to participating securities markets on the basis of a formula set by the SEC under Regulation NMS. Last trade prices and quotes in New York Stock Exchange-listed, NYSE MKT-listed, and NYSE Arca-listed securities are disseminated through “Tape A” and “Tape B,” which constitute the majority of our revenues from consortium-based market data revenues.

Our data services revenues increased for the three months ended March 31, 2016, from the comparable period in 2015, primarily due to the acquisition of Interactive Data and Trayport in December 2015, the addition of new users, increased usage by customers, expanded product offerings and related fee increases. We recognized \$260 million in data services revenues for Interactive Data and Trayport during the three months ended March 31, 2016.

#### Listings Revenues

We recognize listings revenues in our securities markets from two types of fees applicable to companies listed on our cash equities exchanges - original listing fees and annual listing fees. Original listing fees consist of two components: initial listing fees and fees related to other corporate-related actions. Initial listing fees, subject to a minimum and maximum amount, are based on the number of shares that a company initially lists. Initial listing fees are recognized as revenue on a straight-line basis over estimated service periods of nine years for NYSE and five years for NYSE Arca and NYSE MKT. U.S. companies pay annual fees based on the number of outstanding shares the company has and non-U.S. companies pay annual fees based on the number of outstanding shares the company has issued or held in the U.S. Annual fees are recognized as revenue on a pro rata basis over the calendar year.

In addition, other corporate actions-related listing fees are paid by listed companies in connection with actions involving the issuance of new shares, such as stock splits, rights issues and sales of additional securities, as well as mergers and acquisitions. Other corporate actions-related listing fees are recognized as revenue on a straight-line basis over estimated service periods of six years for NYSE and three years for NYSE Arca and NYSE MKT. Unamortized balances are recorded as deferred revenue in our consolidated balance sheet.

Listings revenues increased for the three months ended March 31, 2016, from the comparable period in 2015, primarily due to the amortization of the original listing fees earned since the acquisition of NYSE and due to additional annual listing fee revenue from new customers.

#### Operating Expenses

Data and Listings segment operating expenses increased \$195 million for the three months ended March 31, 2016 from the comparable period in 2015, primarily due to \$217 million in operating expenses recognized relating to Interactive Data and Trayport for the three months ended March 31, 2016. See “- Consolidated Operating Expenses” below for further details on the Interactive Data and Trayport operating expenses for the three months ended March 31, 2016. Data and Listings segment adjusted operating expenses were \$284 million and \$138 million for the three months ended March 31, 2016 and 2015, respectively. See “- Non-GAAP Financial Measures” below.

## Consolidated Operating Expenses

The following table presents our consolidated operating expenses (dollars in millions):

	Three Months Ended March 31,			
	2016	2015	Change	
Compensation and benefits	\$236	\$151	56	%
Technology and communication	92	51	82	
Professional services	32	33	(2)	)
Rent and occupancy	18	16	12	
Acquisition-related transaction and integration costs	27	19	40	
Selling, general and administrative	22	29	(25)	)
Depreciation and amortization	143	89	60	
Total operating expenses	\$570	\$388	47	%

As of March 31, 2016, we had 5,526 employees and as of March 31, 2015, we had 2,887 employees. The increase in the employee headcount was primarily due to the acquisitions of Interactive Data and Trayport in December 2015. We recognized \$88 million in compensation and benefits expenses relating to these acquisitions for the three months ended March 31, 2016. Non-cash compensation expenses recognized in our consolidated financial statements for employee stock options and restricted stock were \$29 million and \$24 million for the three months ended March 31, 2016 and 2015, respectively. The increase in non-cash compensation expenses is a result of a greater restricted stock award value in the January 2016 annual award, primarily due to the issuance of more restricted stock awards to NYSE employees and employees at other acquired companies than in the same period in the prior year.

Technology and communication expenses increased for the three months ended March 31, 2016, from the comparable period in 2015, primarily due to \$41 million relating to Interactive Data and Trayport for the first quarter of 2016.

Professional services expenses decreased for the three months ended March 31, 2016, from the comparable period in 2015, primarily due to integration of remaining NYSE corporate functions and the recognition of a credit from a third party service provider related to fees charged during 2015, along with the continued reduction of contractors at NYSE. In addition, we incurred lower legal fees during the three months ended March 31, 2016, from the comparable period in 2015. Legal fees, which are included in professional services expenses, primarily related to class action lawsuits in which NYSE is a defendant. The decreases were partially offset by \$8 million in professional services expenses relating to Interactive Data and Trayport for the first quarter of 2016.

Rent and occupancy expenses increased for the three months ended March 31, 2016, from the comparable period in 2015, primarily due to \$7 million relating to Interactive Data and Trayport for the first quarter of 2016. The increase was partially offset by reduced rent and occupancy costs related to consolidation of our New York and London office locations during 2015.

We incurred acquisition-related transaction and integration costs during the three months ended March 31, 2016 primarily relating to our integration of Interactive Data and NYSE, our pending acquisition of SPSE and CMA, and various other potential acquisitions. We incurred acquisition-related transaction and integration costs during the three months ended March 31, 2015 primarily relating to our integration of NYSE. The integration costs primarily relate to employee termination and professional services costs.

Selling, general and administrative expenses decreased for the three months ended March 31, 2016, from the comparable period in 2015, primarily due to the release of \$11 million of non-income-related reserves during the three months ended March 31, 2016. This decrease was partially offset by \$6 million in selling, general and administrative expenses relating to Interactive Data and Trayport for the first quarter of 2016.

We recorded amortization expenses on the intangible assets acquired as part of our acquisitions, as well as on other intangible assets, of \$82 million and \$38 million for the three months ended March 31, 2016 and 2015, respectively.

We recorded depreciation expenses on our fixed assets of \$61 million and \$51 million for the three months ended March 31, 2016 and 2015, respectively. We recognized amortization expenses and depreciation expenses for Interactive Data and Trayport of \$45 million and \$11 million, respectively, for the three months ended March 31,

2016.

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### Consolidated Non-Operating Income (Expense)

Income and expenses incurred through activities outside of our core operations are considered non-operating. The following tables present our non-operating income (expenses) (dollars in millions):

	Three Months Ended				
	March 31,				
	2016		2015		Change
Other income (expense):					
Interest expense	\$ (46 )		\$ (23 )		101 %
Other income, net	2		2		33
Total other expense, net	\$ (44 )		\$ (21 )		106 %
Net income from continuing operations attributable to non-controlling interest	\$ (8 )		\$ (8 )		6 %

The increase in interest expense for the three months ended March 31, 2016, from the comparable period in 2015, is primarily due to the interest expense we recognized on the additional debt incurred to finance for the Interactive Data acquisition in December 2015. See “- Debt” below.

We recognized dividend income received relating to our investment in Cetip in other income of \$4 million and \$3 million for the three months ended March 31, 2016 and 2015, respectively. We recognized equity income relating to our 40% ownership in The Options Clearing Corporation, or OCC, in other income, which was \$5 million and \$1 million for the three months ended March 31, 2016 and 2015, respectively. The OCC equity income for the first quarter of each year include true-ups based on the OCC final audited results from the prior year. Excluding the true-ups, our OCC equity income would have been \$2 million for both the three months ended March 31, 2016 and 2015.

We incurred foreign currency transaction losses of \$2 million and \$5 million for the three months ended March 31, 2016 and 2015, respectively. Foreign currency gains and losses are recorded in other income (expense) and relate to the settlement of foreign currency assets, liabilities and payables that occur through our foreign operations that are received in non-functional currencies due to the increase or decrease in the period-end foreign currency exchange rates between periods.

For consolidated subsidiaries in which our ownership is less than 100%, and for which we have control over the assets, liabilities and management of the entity, the outside stockholders’ interests are shown as non-controlling interests.

### Consolidated Income Tax Provision

Consolidated income tax expense was \$163 million and \$118 million for the three months ended March 31, 2016 and 2015, respectively. The change in consolidated income tax expense between periods is primarily due to the change in our pre-tax income and the change in our effective tax rate each period. Our effective tax rate was 30% and 27% for the three months ended March 31, 2016 and 2015, respectively. The effective tax rates for the three months ended March 31, 2016 and 2015 were lower than the federal statutory rate primarily due to favorable foreign income tax rate differentials, partially offset by state income taxes. The favorable foreign income tax rate differential results primarily from lower tax rates in the U.K. The effective tax rate for the three months ended March 31, 2016 is higher than the effective tax rate for the comparable period in 2015 primarily due to a mix of foreign versus U.S. based income and an increase to deferred income taxes in the current year, partially offset by the tax benefit from the early adoption of ASU 2016-09.

### Quarterly Results of Operations

The following quarterly unaudited consolidated statements of income data have been prepared on substantially the same basis as our audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of our consolidated results of operations for the quarters presented. The historical results for any quarter do not necessarily indicate the results expected for any future period. The following table sets forth quarterly consolidated statements of

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income data (in millions):

	Three Months Ended,				
	March 31, 2016	December 31, 2015 <sup>(1)</sup>	September 30, 2015	June 30, 2015	March 31, 2015
<b>Revenues:</b>					
Brent crude futures and options contracts	\$82	\$ 64	\$ 65	\$60	\$74
Other oil futures and options contracts	29	26	27	26	33
Gasoil futures and options contracts	24	24	24	21	24
Natural gas futures and options contracts	57	52	46	43	58
Power futures and options contracts	21	20	17	21	21
Emissions and other energy futures and options contracts	17	16	13	12	17
Sugar futures and options contracts	32	23	30	30	27
Other agricultural and metals futures and options contracts	30	25	23	27	26
Interest rates futures and options contracts	56	57	43	50	56
Other financial futures and options contracts	38	33	38	32	33
Credit default swaps	40	34	38	34	43
Cash equities and equity options	490	428	457	379	412
Other transaction	13	12	10	12	12
Total transaction and clearing, net	929	814	831	747	836
Pricing and analytics	204	63	36	27	25
Desktops and connectivity	145	76	58	58	58
Exchange data	128	118	115	120	117
Total data services	477	257	209	205	200
Listings	103	102	101	101	101
Other revenues	45	46	46	43	43
Revenues	1,554	1,219	1,187	1,096	1,180
Transaction-based expenses	400	344	371	299	330
Revenues, less transaction-based expenses	1,154	875	816	797	850
Compensation and benefits	236	166	150	144	151
Technology and communication	92	56	49	47	51
Professional services	32	37	37	32	33
Rent and occupancy	18	12	14	15	16
Acquisition-related transaction and integration costs	27	54	8	7	19
Selling, general and administrative	22	34	24	29	29
Depreciation and amortization	143	98	94	93	89
Operating expenses	570	457	376	367	388
Operating income	584	418	440	430	462
Other expense, net <sup>(2)</sup>	(44 )	(27 )	(17 )	(32 )	(21 )
Income tax expense <sup>(3)</sup>	163	18	113	109	118
Net income	\$377	\$ 373	\$ 310	\$289	\$323
Net income attributable to non-controlling interest	(8 )	(3 )	(4 )	(6 )	(8 )
Net income attributable to ICE	\$369	\$ 370	\$ 306	\$283	\$315

<sup>(1)</sup> We acquired Trayport on December 11, 2015 and Interactive Data on December 14, 2015 and have included their financial results in our results of operations for the periods subsequent to their acquisition dates, with all revenues included in data services revenues.

<sup>(2)</sup> Other expense, net for the three months ended June 30, 2015 includes \$19 million in litigation settlements and accruals.

<sup>(3)</sup> The decrease in the income tax expense for the three months ended December 31, 2015 is primarily due to the deferred tax benefit associated with future U.K. income tax rate reductions along with certain favorable settlements with various taxing authorities.

#### Liquidity and Capital Resources

We have financed our operations, growth and cash needs primarily through income from operations and borrowings under our various debt facilities. Our principal capital requirements have been to fund capital expenditures, working capital, strategic acquisitions and investments, stock repurchases, dividends to our shareholders and the continued development of our electronic trading and clearing platforms. We believe that our cash on hand and cash flows from operations will be sufficient to repay our outstanding debt as it matures. In the future, we may need to incur additional debt or issue additional equity securities, which we may be unable to do or to do on favorable terms. See “- Future Capital Requirements” below.

Our commercial paper program enables us to borrow efficiently at reasonable short term interest rates and provides us with the flexibility to de-lever using our strong annual cash flows from operating activities whenever our leverage becomes elevated as a result of investment or acquisition activities. We reduced our outstanding commercial paper during the three months ended March 31, 2016 by \$543 million, enabled by strong cash flows during the quarter which include annual listings billings and a reduction in our unrestricted cash balance from year end.

Upon maturity of old issuances of commercial paper and to the extent old issuances are not repaid by cash on hand, we are exposed to the rollover risk of not being able to issue new commercial paper. To mitigate the rollover risk, we maintain an undrawn back-stop bank revolving credit facility for an aggregate amount equaling at any time the amount issued under our commercial paper program. If we were not able to issue new commercial paper, we have the option of drawing on the back-stop revolving facility, however electing to do so would result in higher interest expense. See “- Debt” below.

Consolidated cash and cash equivalents were \$468 million and \$627 million as of March 31, 2016 and December 31, 2015, respectively, and short-term and long-term restricted cash and investments were \$919 million and \$920 million as of March 31, 2016 and December 31, 2015, respectively.

As of March 31, 2016, the amount of unrestricted cash held by our non-U.S. subsidiaries was \$296 million. While we consider our non-U.S. earnings to be indefinitely reinvested overseas, if these cash balances are needed for our operations in the U.S., any repatriation by way of dividend may be subject to both U.S. federal and state income taxes, as adjusted for any non-U.S. tax credits. However, we do not have any current needs or foreseeable future needs or other plans to repatriate cash by way of dividends from our non-U.S. subsidiaries.

During 2015, our stock repurchases were completed under stock repurchase plans authorized by our board of directors. In connection with our acquisition of Interactive Data during the fourth quarter of 2015, we suspended our stock repurchase plan and that plan has now expired. We did not repurchase any of our outstanding common stock during the three months ended March 31, 2016. The timing and extent of future repurchases, if any, that are not made pursuant to a Rule 10b5-1 trading plan will be at our discretion and will depend upon many conditions. Our management and board of directors periodically review whether or not to be active in repurchasing our stock. In making a determination regarding any stock repurchases, we consider multiple factors. The factors may include: overall stock market conditions, our common stock price movements, the remaining amount authorized for repurchases by our board of directors, the potential impact of a stock repurchase program on our corporate debt ratings, our expected free cash flow and working capital needs, our current and future planned strategic growth initiatives, and other potential uses of our cash and capital resources.

#### Cash Flows

The following tables present the major components of net increases (decreases) in cash and cash equivalents (in millions):

	Three Months Ended March 31,	
	2016	2015
Net cash provided by (used in):		
Operating activities	\$597	\$465
Investing activities	(59 )	(86 )
Financing activities	(697 )	(268 )
Effect of exchange rate changes	—	(11 )
Net increase (decrease) in cash and cash equivalents	\$(159)	\$100

#### Operating Activities

Net cash provided by operating activities primarily consists of net income adjusted for certain non-cash items, including depreciation and amortization and the effects of changes in working capital. Fluctuations in net cash provided by operating activities are primarily attributable to increases and decreases in our net income between periods and due to fluctuations in working capital. The \$132 million increase in net cash provided by operating activities for the three months ended March 31, 2016, from the comparable period in 2015, is primarily due to the \$54 million increase in our net income, the \$54 million increase in our non-cash depreciation and amortization expenses

and other fluctuations in working capital. See “- Financial Highlights” above.

#### Investing Activities

Consolidated net cash used in investing activities for the three months ended March 31, 2016 and 2015 primarily relates to increases in the capital expenditures and capitalized software development costs, additional contribution to our equity method investee, and changes in restricted cash.

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We had capital expenditures of \$31 million and \$39 million for the three months ended March 31, 2016 and 2015, respectively, and we had capitalized software development expenditures of \$25 million and \$21 million for the three months ended March 31, 2016 and 2015, respectively. The capital expenditures primarily relate to hardware purchases to continue the development and expansion of our electronic platforms and clearing houses and leasehold improvements associated with the new and renovated office spaces in Atlanta, New York and London. The software development expenditures primarily relate to the continued development and expansion of our electronic trading platforms and clearing houses.

We paid cash of \$60 million for the three months ended March 31, 2015 relating to an additional investment in the OCC. We had a net decrease in restricted cash and investments of \$34 million for the three months ended March 31, 2015. The net restricted cash decrease primarily related to a decrease in the regulatory capital restricted cash at LIFFE Administration and Management, or LIFFE, as all of the regulatory capital for LIFFE is held in pounds sterling and it decreased due to the impact of the strengthening U.S. dollar on our pound sterling/U.S. dollar exchange rate.

#### Financing Activities

Consolidated net cash used in financing activities for the three months ended March 31, 2016 primarily relates to \$543 million in net repayments under our commercial paper program, \$102 million in dividend and dividend equivalent payments to our shareholders and \$47 million in cash payments related to treasury shares received for restricted stock tax payments and stock options exercises.

Consolidated net cash used in financing activities for the three months ended March 31, 2015 primarily relates to \$196 million in repurchases of common stock, \$73 million in dividend and dividend equivalent payments to our shareholders and \$36 million in cash payments related to treasury shares received for restricted stock tax payments and stock options exercises, partially offset by \$35 million in net proceeds under our commercial paper program.

#### Debt

Our total debt, including short-term and long-term debt, consisted of the following as of March 31, 2016 and December 31, 2015 (in millions):

	As of March 31, 2016	As of December 31, 2015
Debt:		
Commercial Paper	\$2,048	\$ 2,591
Short-term debt	2,048	2,591
NYSE USD Notes (2.00% senior unsecured notes due October 5, 2017)	852	852
2018 Senior Notes (2.50% senior unsecured notes due October 15, 2018)	597	597
2020 Senior Notes (2.75% senior unsecured notes due December 1, 2020)	1,239	1,239
2023 Senior Notes (4.00% senior unsecured notes due October 15, 2023)	789	789
2025 Senior Notes (3.75% senior unsecured notes due December 1, 2025)	1,241	1,240
Long-term debt	4,718	4,717
Total debt	\$6,766	\$ 7,308

#### Credit Facility

We have entered into a \$3.0 billion senior unsecured revolving credit facility, or the Credit Facility, with a maturity date of November 13, 2020. The Credit Facility includes an option for us to propose an increase in the aggregate amount available for borrowing by up to \$1.0 billion, subject to the consent of the lenders funding the increase and certain other conditions. On November 13, 2015, we utilized this option to increase the amount of the Credit Facility to \$3.4 billion. The commitments under the Credit Facility will automatically reduce to \$2.95 billion on April 3, 2019. No amounts were outstanding under the Credit Facility as of March 31, 2016.

Of the \$3.4 billion that is currently available for borrowing under the Credit Facility, \$2.0 billion is required to back-stop the amount outstanding under our Commercial Paper Program as of March 31, 2016. The amount required to back-stop the amounts outstanding under the Commercial Paper Program will fluctuate as we increase or decrease our commercial paper borrowings. The remaining \$1.4 billion as of March 31, 2016 is available to us to use for working capital and general corporate purposes including, but not limited to, acting as a back-stop to the amounts

outstanding under the Commercial Paper Program.

364 Day Facility

On November 13, 2015, we entered into a \$500 million 364 day senior unsecured revolving credit facility, or the 364 Day Facility. The amounts available under the 364 Day Facility are available for use by us for working capital and general corporate

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purposes but specifically excluding any use to back-stop amounts issued under the Commercial Paper Program. The commitments under the 364 Day Credit Facility will be automatically reduced to \$375 million on May 13, 2016 and to \$250 million on August 13, 2016. No amounts were outstanding under the 364 Day Facility as of March 31, 2016.

#### Commercial Paper Program

We have entered into a U.S. dollar commercial paper program, or the Commercial Paper Program. Our Commercial Paper Program is currently backed by the borrowing capacity available under the Credit Facility, equal to the amount of the commercial paper that is issued and outstanding at any given point in time. The effective interest rate of commercial paper issuances does not materially differ from short term interest rates (such as USD LIBOR). The fluctuation of these rates due to market conditions may impact our interest expense.

Commercial paper notes of \$2.0 billion with original maturities ranging from 1 to 89 days were outstanding as of March 31, 2016 under our Commercial Paper Program. As of March 31, 2016, the weighted average interest rate on the \$2.0 billion outstanding under our Commercial Paper Program was 0.54% per annum, with a weighted average maturity of 22 days. We repaid a portion of the amounts outstanding under the Commercial Paper Program during the three months ended March 31, 2016 using cash flows from operations and a portion of our unrestricted cash balances.

#### Senior Notes

On November 24, 2015, we issued \$2.5 billion in aggregate senior notes, including \$1.25 billion principal amount of 2.75% senior unsecured fixed rate notes due November 2020, or the 2020 Senior Notes, and \$1.25 billion principal amount of 3.75% senior unsecured fixed rate notes due November 2025, or the 2025 Senior Notes. We used the net proceeds from the 2020 Senior Notes and 2025 Senior Notes offering, together with \$1.6 billion of borrowings under our Commercial Paper Program, to finance the \$4.1 billion cash portion of the purchase price of the acquisition of Interactive Data.

#### NYSE Notes

In connection with our acquisition on November 13, 2013 of NYSE Euronext, which we refer to as NYSE following the initial public offering and sale of Euronext in 2014, we assumed the outstanding NYSE debt instruments, which included \$850 million of 2.00% senior unsecured fixed rate notes due in October 2017, or the NYSE USD Notes, and €920 million (\$1.1 billion) of 5.375% senior unsecured fixed rate notes that were due in June 2015, or the NYSE EUR Notes, and together with the NYSE USD Notes, the NYSE Notes. On June 30, 2015, we repaid the NYSE EUR Notes using cash that had been set aside in July 2014 from the proceeds of the sale of Euronext.

#### Committed Repurchase Agreement Facilities

To provide a tool to address the liquidity needs of the clearing house and manage the liquidation of margin and guaranty fund deposits held in the form of high quality sovereign debt, ICE Clear Europe, ICE Clear Credit and ICE Clear U.S. have entered into Committed Repurchase Agreement Facilities, or Committed Repo. As of March 31, 2016, Committed Repo was \$1.0 billion at ICE Clear Europe, \$500 million at ICE Clear Credit and \$250 million at ICE Clear U.S. ICE Clear Europe's Committed Repo is available in U.S. dollars, euro and pound sterling, ICE Clear Credit's Committed Repo is available in U.S. dollars and euro, and ICE Clear U.S.'s Committed Repo is available in U.S. dollars. These arrangements provide these clearing houses with additional liquidity that may be utilized if there is a need to convert high quality sovereign debt into cash on a same-day basis during a market disruption that makes it difficult to sell and settle such sovereign debt on a same-day basis.

#### Future Capital Requirements

Our future capital requirements will depend on many factors, including the rate of growth across our trading and clearing, data services and listings businesses, strategic plans and acquisitions, available sources for financing activities, required technology and clearing initiatives, regulatory requirements, the timing and introduction of new products and enhancements to existing products, the geographic mix of our business, and the continuing market acceptance of our electronic trading and clearing platforms. We currently expect to make aggregate operational capital expenditures and to incur capitalized software development costs ranging between \$270 million and \$280 million for the year ended December 31, 2016, which we believe will support the enhancement of our technology and the continued expansion of our businesses. In addition, we currently expect between \$45 million to \$55 million in real estate capital expenditures during 2016, on leasehold improvement expenditures primarily associated with our Atlanta headquarters.

Our board of directors has adopted a quarterly dividend declaration policy providing that the declaration of any dividends will be approved quarterly by the board of directors or audit committee of the board of directors taking into account such factors as our evolving business model, prevailing business conditions and our financial results and capital requirements, without a predetermined annual net income payout ratio. During the first quarter of 2016, we paid a quarterly dividend of \$0.85 per share of our common stock for an aggregate payout of \$102 million, which includes the payment of dividend equivalents. On May 4, 2016, we announced a \$0.85

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per share dividend for the second quarter of 2016 with the dividend payable on June 30, 2016 to shareholders of record as of June 16, 2016.

As of March 31, 2016, we had \$6.8 billion in outstanding debt. We currently have a \$3.4 billion Credit Facility. After factoring in the \$2.0 billion currently required to backstop our Commercial Paper Program, \$1.4 billion of our Credit Facility is currently available for general corporate purposes. The Credit Facility, our \$500 million 364 Day Facility and our Commercial Paper Program are currently the only significant agreements or arrangements that we have with third parties for liquidity and capital resources. In the event of any strategic acquisitions, mergers or investments, or if we are required to raise capital for any reason or desire to return capital to our stockholders, we may incur additional debt, issue additional equity to raise the necessary funds, repurchase additional shares of our common stock or pay a dividend. However, we cannot provide assurance that such financing or transactions will be available or successful, or that the terms of such financing or transactions will be favorable to us. See “- Debt” above.

#### Non-GAAP Financial Measures

We use non-GAAP measures internally to evaluate our performance and in making financial and operational decisions. When viewed in conjunction with our GAAP results and the accompanying reconciliation, we believe that our presentation of these measures provides investors with greater transparency and a greater understanding of factors affecting our financial condition and results of operations than GAAP measures alone. In addition, we believe the presentation of these measures is useful to investors for period-to-period comparison of results because the items described below are not reflective of our core business performance. These financial measures are not in accordance with, or an alternative to, GAAP financial measures and may be different from non-GAAP measures used by other companies. We use these adjusted results because we believe they more clearly highlight trends in our business that may not otherwise be apparent when relying solely on GAAP financial measures, since these measures eliminate from our results specific financial items that have less bearing on our core operating performance. We strongly recommend that investors review the GAAP financial measures included in this Quarterly Report on Form 10-Q, including our consolidated financial statements and the notes thereto.

Adjusted operating expenses, adjusted operating income, adjusted operating margin, adjusted net income attributable to ICE common shareholders and adjusted earnings per share for the periods presented below are calculated by adding or subtracting the adjustments described below, which are not reflective of our cash operations and core business performance, and their related income tax effect (in millions, except for percentages and per share amounts):

	Trading and Clearing Segment Three Months Ended March 31,		Data and Listings Segment Three Months Ended March 31,		Consolidated Three Months Ended March 31,	
	2016	2015	2016	2015	2016	2015
Revenues, less transaction-based expenses	\$574	\$549	\$580	\$301	\$1,154	\$850
Operating expenses	213	226	357	162	570	388
Less: NYSE and Interactive Data transaction and integration costs	1	8	16	11	17	19
Less: Amortization of acquisition-related intangibles	20	20	57	13	77	33
Adjusted operating expenses	\$192	\$198	\$284	\$138	\$476	\$336
Operating income	\$361	\$323	\$223	\$139	\$584	\$462
Adjusted operating income	\$382	\$351	\$296	\$163	\$678	\$514
Operating margin	63 %	59 %	39 %	46 %	51 %	54 %
Adjusted operating margin	66 %	64 %	51 %	54 %	59 %	60 %
Net income attributable to ICE common shareholders					\$369	\$315
Add: NYSE and Interactive Data transaction and integration costs					17	19
Add: Amortization of acquisition-related intangibles					77	33

Less: Income tax effect for the above items	(35 )	(19 )
Add/(Less): Deferred tax adjustments on acquisition-related intangibles	13	(4 )
Adjusted net income attributable to ICE common shareholders	\$441	\$344
Basic earnings per share attributable to ICE common shareholders	\$3.10	\$2.81
Diluted earnings per share attributable to ICE common shareholders	\$3.08	\$2.80
Adjusted basic earnings per share attributable to ICE common shareholders	\$3.71	\$3.07
Adjusted diluted earnings per share attributable to ICE common shareholders	\$3.68	\$3.06
Acquisition-related transaction costs are included as part of our core business expenses, except for those that are directly related to the announcement, closing, financing or termination of a transaction. However, all acquisition-related transaction and integration		

costs relating to NYSE and Interactive Data are included in non-GAAP adjustments given the sizes of these acquisitions. Amortization of acquisition-related intangibles are included in non-GAAP adjustments as excluding these non-cash expenses provides greater clarity regarding our financial strength and stability of cash operating results. The income tax effects relating to these items above are included in non-GAAP adjustments as well as deferred tax adjustments on acquisition-related intangibles.

#### Contractual Obligations and Commercial Commitments

In the first quarter of 2016, there were no significant changes to our contractual obligations and commercial commitments from those disclosed in the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2015 Form 10-K.

#### Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, often referred to as structured finance or special purpose entities, which have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

#### New and Recently Adopted Accounting Pronouncements

Refer to note 2 to our consolidated financial statements above for information on the new and recently adopted accounting pronouncements that are applicable to us.

#### Critical Accounting Policies and Estimates

In the first quarter of 2016, there were no significant changes to our critical accounting policies and estimates from those disclosed in the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2015 Form 10-K.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a result of our operating and financing activities, we are exposed to market risks such as interest rate risk, foreign currency exchange rate risk and credit risk. We have implemented policies and procedures designed to measure, manage, monitor and report risk exposures, which are regularly reviewed by the appropriate management and supervisory bodies.

#### Interest Rate Risk

We have exposure to market risk for changes in interest rates relating to our cash and cash equivalents, short-term investments, short-term and long-term restricted cash and investments, and indebtedness. As of March 31, 2016 and December 31, 2015, our cash and cash equivalents, short-term investments and short-term and long-term restricted cash and investments were \$1.4 billion and \$1.6 billion, respectively, of which \$380 million and \$439 million, respectively, were denominated in pounds sterling, euros or Canadian dollars. The remaining cash and cash equivalents, short-term investments and short-term and long-term restricted cash and investments are denominated in U.S. dollars. We do not use our investment portfolio for trading or other speculative purposes. A hypothetical decrease in long-term interest rates to zero basis points would decrease annual pre-tax earnings by \$2 million as of March 31, 2016, assuming no change in the amount or composition of our cash and cash equivalents, short-term investments and short-term and long-term restricted cash and investments.

Our investment in Cetip, which is recorded as an available-for-sale, long-term investment and is recorded and held in Brazilian reais, was valued at \$352 million as of March 31, 2016, including an accumulated unrealized gain of \$28 million. Changes in the fair value of the Cetip investment are currently reflected in accumulated other comprehensive income (loss) and do not impact earnings, except to the extent that unrealized losses are deemed to be other than temporary.

As of March 31, 2016, we had \$6.8 billion in outstanding debt, of which \$3.9 billion relates to senior notes and \$852 million relates to the NYSE Notes, all of which bear interest at fixed interest rates. The remaining amount outstanding of \$2.0 billion relates to our Commercial Paper Program, which bears interest at fluctuating rates and, therefore, subjects us to interest rate risk. A hypothetical 100 basis point increase in long-term interest rates relating to the amounts outstanding under our Commercial Paper Program as of March 31, 2016 would decrease annual pre-tax earnings by \$20 million, assuming no change in the volume or composition of our outstanding indebtedness and no hedging activity. The interest rates on our Commercial Paper Program are currently evaluated based upon current

maturities and market conditions. See Item 2 “- Management’s Discussion and Analysis of Financial Condition and Results of Operations - Debt” included elsewhere in this Quarterly Report.

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### Foreign Currency Exchange Rate Risk

As an international business, we are subject to foreign currency exchange rate risk. We may experience gains or losses from foreign currency transactions in the future given that a significant part of our assets, liabilities, revenues and expenses are recorded in euros or pounds sterling. Certain assets, liabilities, revenues and expenses of foreign subsidiaries are denominated in the local functional currency of such subsidiaries. Our exposure to foreign denominated earnings for the three months ended March 31, 2016 is presented by primary foreign currency in the following table (dollars in millions, except exchange rates):

	Three Months Ended March 31, 2016	
	Pound sterling	Euro
Average exchange rate to the U.S. dollar in the current year period	\$1.4450	\$1.1027
Average exchange rate to the U.S. dollar in the same period in the prior year	\$1.5171	\$1.1299
Average exchange rate decrease	(5 )%	(2 )%
Foreign denominated percentage of:		
Revenues, less transaction-based expenses	10 %	5 %
Operating expenses	12 %	4 %
Operating income	8 %	7 %
Impact of the currency fluctuations <sup>(1)</sup> on:		
Revenues, less transaction-based expenses	\$(6 )	\$(2 )
Operating expenses	\$(3 )	\$(1 )
Operating income	\$(2 )	\$(1 )

<sup>(1)</sup> Represents the impact of currency fluctuation for the three months ended March 31, 2016 compared to the same period in the prior year.

We have a significant part of our assets, liabilities, revenues and expenses recorded in pounds sterling or euros. For the three months ended March 31, 2016, 16% of our consolidated revenues, less transaction-based expenses, were denominated in pounds sterling or euros and 16% of our consolidated expenses were denominated in pounds sterling or euros. As the pound sterling or euro exchange rate changes, the U.S. equivalent of revenues and expenses denominated in foreign currencies changes accordingly.

We have foreign currency transaction risk related to the settlement of foreign currency denominated assets, liabilities and payables that occur through our operations, which are received in or paid in pounds sterling or euros, due to the increase or decrease in the foreign currency exchange rates between periods. We had foreign currency transaction losses of \$2 million and \$5 million for the three months ended March 31, 2016 and 2015, respectively, primarily attributable to the fluctuations of the pound sterling and euro relative to the U.S. dollar, which strengthened. A 10% adverse change in the underlying foreign currency exchange rates as of March 31, 2016 would result in a foreign currency transaction loss of \$6 million, assuming no change in the composition of the foreign currency denominated assets, liabilities and payables and assuming no hedging activity.

We entered into foreign currency hedging transactions during the three months ended March 31, 2016 as economic hedges to hedge a portion of our foreign currency transaction exposure and may enter into additional hedging transactions in the future to help mitigate our foreign exchange risk exposure. Although we may enter into hedging transactions in the future to help mitigate our foreign exchange risk exposure, these hedging arrangements may not be effective, particularly in the event of imprecise forecasts of the levels of our non-U.S. denominated assets and liabilities.

We have foreign currency translation risk equal to our net investment in our foreign subsidiaries. The financial statements of these subsidiaries are translated into U.S. dollars using a current rate of exchange, with gains or losses included in the cumulative translation adjustment account, a component of equity. Our exposure to the net investment in foreign currencies is presented by primary foreign currencies in the table below (in millions):

As of March 31, 2016  
Position in euros

	Position in pounds sterling	
Assets	£ 1,561	€ 248
of which goodwill represents	523	43
Liabilities	248	96
Net currency position	£ 1,313	€ 152
Impact on consolidated equity of a 10% decrease in foreign currency exchange rates	\$ 189	\$ 17

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As of March 31, 2016 and December 31, 2015, the portion of our equity attributable to accumulated other comprehensive loss from foreign currency translation was \$119 million and \$45 million, respectively. As of March 31, 2016, we had net exposure of pounds sterling and euros of £1.3 billion (\$1.9 billion) and €152 million (\$173 million), respectively. Based on these March 31, 2016 net currency positions, a hypothetical 10% decrease of pound sterling against U.S. dollar would negatively impact our equity by \$189 million and a hypothetical 10% decrease of euro against U.S. dollar would negatively impact our equity by \$17 million. For the three months ended March 31, 2016, currency exchange rate differences had a negative impact of \$74 million on our consolidated equity.

#### Credit Risk

We are exposed to credit risk in our operations in the event of a counterparty default. We limit our exposure to credit risk by rigorously selecting the counterparties with which we make our investments and execute agreements. Credit risk is monitored by using exposure limits depending on ratings assigned by rating agencies as well as the nature and maturity of transactions. Our investment objective is to invest in securities that preserve principal while maximizing yields, without significantly increasing risk. We seek to substantially mitigate credit risk associated with investments by ensuring that these financial assets are placed with governments, well-capitalized financial institutions and other creditworthy counterparties.

An ongoing review is performed to evaluate changes in the status of counterparties. In addition to the intrinsic creditworthiness of counterparties, our policies require diversification of counterparties (banks, financial institutions, bond issuers and funds) so as to avoid a concentration of risk.

Our clearing houses hold material amounts of clearing member cash deposits which are held or invested primarily to provide security of capital while minimizing credit, market and liquidity risks. Refer to note 9 to our consolidated financial statements above for more information on the clearing houses cash deposits, which were \$52.3 billion as of March 31, 2016. While we seek to achieve a reasonable rate of return which may generate interest income for our clearing members, we are primarily concerned with preservation of capital and managing the risks associated with these deposits. As the clearing houses may pass on interest revenues (minus costs) to the members, this could include negative or reduced yield due to market conditions. For a summary of the risks associated with this investment activity and how these risks are mitigated, see Part II, Item 7(A) "Quantitative and Qualitative Disclosures About Market Risk" in our 2015 Form 10-K.

#### Impact of Inflation

We have not been adversely affected by inflation as technological advances and competition have generally caused prices for the hardware and software that we use for our electronic platforms to remain constant or to decline. In the event of inflation, we believe that we will be able to pass on any price increases to our participants, as the prices that we charge are not governed by long-term contracts.

### ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report, an evaluation was carried out by our management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Controls over Financial Reporting. There were no changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. As a result, no corrective actions were taken.

## PART II. Other Information

### ITEM 1. LEGAL PROCEEDINGS

We are subject to legal proceedings and claims that arise in the ordinary course of business. Typically, we do not believe that the resolution of ordinary course matters will have a material adverse effect on our consolidated financial condition, results of operations, or liquidity. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially and adversely affected by any developments relating to the legal

proceedings and claims. Refer to Part 1, Item 3, “Legal Proceedings” in our 2015 Form 10-K for a summary of our legal proceedings and claims.

ITEM 1(A). RISK FACTORS

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In the first quarter of 2016, there were no significant new risk factors from those disclosed in Part 1, Item 1A, "Risk Factors" in our 2015 Form 10-K. In addition to the other information set forth in this Quarterly Report, including the regulatory update information of Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations, you should carefully consider the factors discussed under "Risk Factors" and the regulation discussion under "Business - Regulation" in our 2015 Form 10-K. These risks could materially and adversely affect our business, financial condition and results of operations. The risks and uncertainties in our 2015 Form 10-K are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit Number	Description of Document
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31.1	<del>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.</del>
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31.2	<del>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.</del>
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32.1	<del>Section 1350 Certification of Chief Executive Officer.</del>
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32.2	<del>Section 1350 Certification of Chief Financial Officer.</del>
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101	The following materials from Intercontinental Exchange, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Equity, Accumulated Other Comprehensive Loss and Redeemable Non-Controlling Interest (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text.*
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As provided in Rule 406T of Regulation S-T, this information is "furnished" and not "filed" for purposes of Sections 11\* and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 unless Intercontinental Exchange, Inc. specifically incorporates it by reference.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Intercontinental Exchange,  
Inc.  
(Registrant)

Date: May 4, 2016

By: /s/ Scott A. Hill  
Scott A. Hill  
Chief Financial  
Officer  
(Principal Financial  
Officer)