LONDON STOCK EXCHANGE GROUP PLC

Annual General Meeting

Wednesday 27 April 2016

Chairman's statement by Donald Brydon

Good morning and welcome to the 2016 Annual General Meeting of London Stock Exchange Group.

My name is Donald Brydon and it is a great pleasure to welcome you to this AGM, my first as Chairman of the Group.

Let me begin by to introducing my colleagues here today.

From my far left to far right:

Raffaele Jerusalmi
Paul Heiden
David Warren, Group CFO
Lisa Condron, Group Company Secretary
Xavier Rolet, Group CEO
Jacques Aigrain
Stephen O'Connor
Lex Hoogduin
David Nish

Unfortunately Andrea Munari and Mary Schapiro are unable to attend today's meeting.

Since the last AGM, I am delighted to welcome David, Lex and Mary as new members of the Board. All 3 represent different geographic bases and nationalities, which reflect the changing footprint of the business. They bring invaluable experience in risk management, regulatory and financial leadership to the Board.

I also want to express my thanks to Baroness Sharon Bowles, Sherry Coutu and Stuart Lewis who all stepped down from the Board this month. I am grateful for their valuable contribution to the Group. I am also thankful that we will retain their skills and expertise in other key roles for the Group.

As there is a quorum present, I will begin the formal business of the meeting.

One aspect of good governance is about having expert independent advice when required. That is why we plan to constitute both Regulatory and Technology Advisory Groups in 2016 to ensure the Board can draw on experience from outside the Board in the important areas of regulation and technology in this ever more complex world.

Looking now at the business, 2015 was a year of further development for the Group. It continued to expand its global presence and business footprint, delivering growth, both through acquisition and organically.

We strengthened our position in our three areas of activity: capital formation, risk and balance sheet management and intellectual property.

The Group continues to facilitate capital raising, driving economic growth, job creation and innovation. We helped companies both small and large from around the world raise a total of £42 billion in 2015 through new and further equity issues.

AIM, the world's most successful growth market, celebrated its 20th anniversary last year. Since its inception, AIM has supported over 3600 companies raise more £96 billion through IPOs and further issues. Latest reports show that UK companies on AIM alone support more than 731,000 jobs and add £25 billion to UK GDP.

ELITE, our innovative business support programme for private companies, now has over 380 firms from across 23 countries with combined revenues of £25 billion, accounting for over 130,000 jobs across Europe.

The Group agreed the disposal of Frank Russell Company's investment management business for gross proceeds of US$1,150m. The sale followed the completion of a comprehensive review of the business and the transaction is expected to close in the first half of 2016.

The Russell Index business has now been successfully combined with FTSE to create FTSE Russell. The brand is firmly embedded in the global investment processes with around US$10 trillion assets under management benchmarked to its indexes.

Our post trade operations across the world have never been more relevant to the stability and success of international financial markets.

LCH's position as a global multi-asset clearing provider was further reinforced last year. SwapClear, LCH's OTC interest rate derivatives clearing service, compressed US$328 trillion over the year, reducing the notional outstanding by over US$100 trillion. This reduces risk for the market, helping capital efficiencies and risk management. SwapClear also successfully launched a world first of clearing of inflation swaps.

Underpinning all of this is our ongoing commitment to operating an open access model, offering choice for our customers and partnership across all our businesses.

Examples of open access in action include FTSE Russell, which signed licensing agreements with both CME and CBOE to develop future and options contracts in the US and MillenniumIT working with over 50 exchanges, trading venues and capital markets businesses globally.

In sum, we have been clear our strategy is to achieve global relevance and scale, building the Group organically and by acquisition, to the benefit of all of our stakeholders, including our shareholders, customers and employees.

A key development that many of you will be aware of is the recommended all-share merger of London Stock Exchange Group and Deutsche Boerse.

Last month, on 16th of March, we announced we had reached an agreement on the terms.

Let me set out the rationale behind this deal and why the Board believes this is in the best interests of the Group, shareholders and customers.

The market infrastructure industry is in a period of transformative change. In a relatively short space of time, our Group has gone from being a domestic exchange to a leading global markets infrastructure business.

Xavier Rolet and the executive team have done an outstanding job in keeping the Group globally relevant, constantly innovating and adapting to keep pace with an ever changing environment.

Looking ahead, we believe the value creating opportunities of the combination of LSEG and Deutsche Boerse are substantial and would create a leading global markets infrastructure Group, anchored in Europe, with significant customer and shareholder benefits.

This is about a true merger between two highly complementary partners. Both LSEG and Deutsche Boerse have proven they have the ambition and drive to be global leaders.

Both companies already have global businesses in many areas, but together, our complementary businesses and footprint will enhance our global offering even further, making us even more competitive.

London's position will be reinforced as a leading global financial centre, and will be the domicile of TopCo. The TopCo will be a UK plc, will be resident solely in the UK for tax purposes and will be governed in accordance with the UK Corporate Governance Code.

For shareholders, the Board firmly believes that this merger will offer the opportunity to participate in long term growth with diversified and resilient revenue streams. Based on 2015 figures, the Combined Group would have been the largest Exchange Group globally by total income with a diversified revenue mix by product and geography. It will be well placed to adapt to industry and regulatory dynamics and able to compete globally.

Furthermore, with this powerful and highly complementary combination we will create value for both sets of our shareholders, driven by €450m of cost synergies per annum, and also significant opportunity for revenue synergies.

But this merger has benefits for all our stakeholders. In broader terms for Europe's economy, the Combined Group will create a leading venue for capital formulation and facilitating economic growth, strengthening London, Frankfurt and Milan. It will support the European Union's 23 million SMEs through providing better access to lower cost of debt and equity finance. The Combined Group is also committed to further developing AIM and SME support programmes.

As we are not at the end of this journey, it is premature to comment at length on Xavier Rolet's decision to leave the Group to facilitate this merger. It is a typically selfless act in the interests of shareholders. For the moment, however, I can assure you he remains 100% focused on running the business along with his excellent team.

We will keep shareholders updated on the merger timetable including dates for upcoming shareholder approvals and regulatory approvals progress. We expect the merger to complete by the end of 2016 or during Q1 2017.

Turning to our financial results: we delivered a strong financial performance to 31 December 2015. Total income rose to £2.38 billion, up 72 per cent. Adjusted operating profit rose by 27 per cent to £709.6 million and operating profit increased 44% to £500 million in rounded terms.

As a consequence of the Group's good ongoing financial performance, strong cash generation and financial position, we are proposing a step-up in final dividend to 25.2 pence per share. This results in a total dividend of 36.0 pence per share, an implied increase of 20 per cent. In the context of the proposed merger, we remain committed to a progressive dividend policy.

The final dividend will be paid to shareholders on the register as at 6 May 2016.

Today we have announced our Q1 results. In summary, we have started the year well and delivered a strong financial performance. We achieved underlying growth in each of our core business areas, with particularly strong performances in LCH's OTC clearing, at FTSE Russell and good results across Capital Markets. Q1 total income from continuing operations increased 9% to £388 million.

To conclude, I am pleased to say the Group is in very good shape, with organic growth in all major businesses and contribution from acquisitions.
The proposed all-share merger between LSEG and Deutsche Boerse is an industry defining and value enhancing combination for all our stakeholders. I hope we can count on your support.

Further information is available from:

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