LONDON STOCK EXCHANGE GROUP PLC

Annual General Meeting

Thursday 18 July 2013

Chairman's statement by Chris Gibson-Smith

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1. Introduction

- Good afternoon ladies and gentlemen and welcome to the 2013 Annual General Meeting of London Stock Exchange Group.

- Please first allow me to introduce some of my colleagues. I will then give my account of our strategic delivery over the last year.

- From left to right, you can see:
  - Raffaele Jerusalmi
  - Stephen O'Connor
  - Massimo Tononi
  - Robert Webb
  - Baroness Cohen
  - Xavier Rolet, Group CEO
  - Lisa Condron, Company Secretary
  - David Warren, Chief Financial Officer
  - Paul Heiden
  - Stuart Lewis
  - Andrea Munari
  - Sergio Ermotti

- Unfortunately, Jacques Aigrain, Paolo Scaroni and Gay Huey Evans were unable to join us today because of prior commitments.

- This year, we welcomed three new additional non executive directors. Jacques Aigrain, Chairman of LCH.Clearnet Group joined the Board earlier this year following the Group’s successful completion of the acquisition of a majority stake in the clearing house. More recently, Stephen O’Connor and Stuart Lewis have joined the Board.

- Stephen is currently Chairman of the International Swaps and Derivatives Association and a member of the CFTC Global Markets Advisory Committee.
Stuart is currently Chief Risk Officer and Member of the Management Board at Deutsche Bank AG.

- All three new Board members bring huge experience in credit and market risk which is particularly valuable given the significant and growing proportion of our overall business that post trade and risk management now represent. In fact, on a pro forma basis, the addition of LCH.Clearnet means that almost half our Group income comes from Post Trade activities.

- In a few moments, I will be asking you to confirm these new appointments.

- At the conclusion of today’s meeting, Janet Cohen, Sergio Ermotti and Gay Huey Evans will be stepping down from the Board.

- It has been a privilege to have had them on the Board and I would like to thank them each for their valuable contributions to the successful development of our business. They have each brought knowledge and wise counsel to the Board and we are immensely grateful to them.

- As there is a quorum present we can start.

2. Transformation of the Group

- This has been another year of significant progress as we have become an even more international and diversified business.

- 10 years ago the company was predominantly a London based, UK focused equities business with total revenues of £216m derived from licenses for trade data terminals and issuer and broker fees. The Company had net assets of £281m.

- Today, the traditional notion of the Group as a domestic equities business is outmoded. The Group now generates well over 50 per cent of its total income outside the UK, with employees in 13 countries, and today, the largest division of our business is post trade services. This includes our majority ownership of LCH.Clearnet, a multi-asset clearing house of significant scale and international presence, which clears interest rate swaps with a notional value of $340 trillion - over 70 per cent of the global market. Our pro forma balance sheet including LCH.Clearnet now shows net assets of £1.8 bn and pro forma annual income of £1.2bn.

- The Group also has its own technology business, MillenniumIT, fully owns the top three index provider FTSE and, as part of the FTSE 100, has a strong portfolio of global brands, services and products, serving its customer base all over the world.

- We are an internationally diversified business and whilst the core of what we do remains the same- the facilitation of capital raising for businesses large and small, to fund their growth- we are today a dynamic forward focused business, global and ambitious.
3. Market, Political and Regulatory Outlook

- The impact of the 2008 financial crisis continues to be felt across the world.

- There is a renewed focus on trusted, neutral, systemic financial infrastructure to support the global financial markets, and the Group has never been more conscious of the critical role it plays in these changing times.

- The global regulatory response is still developing in some areas even as it is moving closer to implementation in others.

- The key building blocks of the September 2009 G20 Pittsburgh summit are now much further advanced, with Dodd-Frank in the US and MiFID and EMIR in the EU channelling more of the $633 trillion OTC derivatives market towards centralised clearing. In the UK, in addition to the new Financial Conduct Authority, the Bank of England has been introduced as a direct regulator of part of the Group for the first time, as the body supervising LCH.Clearnet.

- Politically, this year has seen a welcome shift of focus in the UK towards policy designed to support capital markets financing for SMEs by rebalancing the tax treatment of equity. Also, the Group succeeded in achieving cross-party support for the new UK financial regulators to consider growth among their objectives.

- On top of this, the UK Chancellor has, from April 2014, abolished stamp duty on shares traded on AIM. This will directly benefit hundreds of medium-sized UK firms, lowering their cost of capital and supporting jobs and growth across the UK. Private investors will be further encouraged that, subject to parliamentary approval, AIM shares will from 5th August this year be available to be held within an ISA.

- These are only a few elements of our broader vision for supporting the long term development of the whole funding ecosystem, not just in the UK but also right across Europe.

- Not only do we continue to advocate measures with policymakers, but we also take action ourselves. For example, earlier this year, we launched a new “High Growth Segment” on the Main Market. The new segment will act as a launch pad for fast-growing companies aspiring to a full premium Main Market listing over time. And in Italy, our Elite programme, which helps SMEs work towards accessing financial markets and attracting institutional investors, now has 100 members.

- London Stock Exchange Group’s markets continue to play a powerful role in providing non bank finance and supporting the real economy. The total equity capital raised on our markets this year was £18 billion, and we welcomed 121 companies to our markets, including high profile issuers such as Direct Line in the UK and Brunello Cucinelli in Italy.

- In fixed income, we saw 17 additional issues on the Order Book for Retail Bonds in the last year alone, raising £1.7bn between them, showing the increasing maturity of the market and growing secondary market liquidity. €5.4 billion was
raised by corporate and financial companies on our Italian retail bond market, whilst the Italian Treasury again chose MOT for two further tranches of bond issues, totalling nearly €20 billion.

4. Strategic Delivery

- Moving to the details of the business, FTSE is now embedded as a core part of our Group and the first full-year benefits of this are reflected in our financial performance.

- FTSE’s position as a top 3 global index provider was further strengthened. In North America, Vanguard, the world’s largest mutual fund company, completed the transition of six of its international stock index funds to tracking FTSE benchmarks.

- FTSE also announced a new joint venture with TMX to become the third-largest fixed income ETF index provider globally. In China, FTSE have announced a joint venture with the Bank of China to develop a new Offshore RMB Bond Index Series.

- As I have already mentioned, the Group recently completed the acquisition of a majority stake in LCH.Clearnet. This multi-asset, multi-venue clearing and risk management service provides us with a broader offering and along with FTSE further strengthens our presence in North America.

- The addition of LCH.Clearnet also enhances our philosophy of open access to our products and markets and differentiates us from the vast majority of our competitors, who still operate closed markets, and we continue to support European Commission proposals to promote open access in MiFID.

- LCH.Clearnet, taken together with CC&amp;G and Monte Titoli in Italy, means the Group now has a diverse range of post trade services, in an industry increasingly driven by demand for risk management.

- Turning to technology, in MillenniumIT, we have a world-class business delivering best-in-class capital markets technology which has not only delivered technology upgrades for the Group but also now provides low-cost, highly efficient infrastructure for over 30 capital market businesses around the world.

- During the course of just one month, last summer, MillenniumIT technology went live on three exchanges on three continents: Borsa Italiana in Europe, Johannesburg Stock Exchange in Africa and Mongolia Stock Exchange in Asia.

- Despite the transformational changes being made to our business, we have maintained a strict approach to cost discipline and core operating costs have remained flat.

- We believe that our offering needs to be tailored for different customers, markets, regulators and geographies. This provides a differentiation from most of our competitors and allows us to place partnership and innovation at the core of our offer to customers.
• Among the many new product innovations over the past year, we have seen the launch of the Group’s new Ticker Plant, which helps customers use our data; UnaVista has applied to become a Trade Repository, meaning it will be able to provide customers with a simple, one-stop reporting solution for new EU legislation; MTS launched MTS Credit, a new electronic platform for the trading of euro-denominated non-government bonds; and in derivatives, our innovative new derivatives market for durum wheat, AGREX, started trading on our IDEM platform. The International Board, which we announced last year, has begun trading in collaboration with our first partner, Singapore Stock Exchange.

• We have achieved much in a relatively short period of time, delivering tangible operational and financial benefits. We remain firmly focused on capitalising on the many opportunities that are available to us and creating long term value.

5. Financial Results

• Turning to financial results, we delivered a good financial performance, with 7 per cent revenue growth and a 5 per cent increase in adjusted earnings per share.

• Following these results, the Board is proposing a four per cent increase in the final dividend, to 19.8 pence per share, resulting in a full year dividend of 29.5 pence per share, a four per cent rise.

• The final dividend will be paid to shareholders on the register as at 26 July.

• And today we have announced our Q1 revenues for FY 2014. We have made a positive start to the year with headline revenue up 39%. We are pleased to have delivered good organic growth across all our business divisions and see the first time contribution from LCH.Clearnet, which included a strong performance from SwapClear, one of the new services developed to capitalise on the increase in clearing that is taking place in Europe, the US and further afield. As a group, we state that we are well placed to develop as markets grow. A copy of these results is available at the front desk.

6. Conclusion

• In conclusion, the initiatives we have undertaken to become more efficient and to diversify our business have laid the strong foundations on which to drive the Group forward.

• Our industry remains in the middle of widespread structural change, but the strength and breadth of our business make us well positioned to benefit from these changes.

• We continue to take our role as systemically important market infrastructure very seriously, by continuing to provide a trusted, neutral and transparent source of international capital and financial markets for companies of all sizes.
In the year ahead, we will remain firmly focused on achieving the expected benefits of our recent transactions and investment in new products, as well as seeking new growth opportunities as we continue to extend our global footprint.

We look ahead with optimism as we continue to develop opportunities to meet the needs of our customers and deliver value for our shareholders.

Further information is available from:

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