



Notice is given that a Special Meeting of Shareholders of New Zealand Exchange Limited ("NZX" or "Company") will be held at NZX, Level 2, NZX Centre, 11 Cable Street, Wellington, at 4pm on 6 September 2007 to vote on the CEO Share Scheme.

A Message from the Chairman

Dear NZX Shareholder,

This Notice outlines in detail the NZX Board's revised CEO Share Scheme ("New Scheme").

Feedback from some shareholders on the previous Scheme proposal, put to shareholders in March, highlighted two main concerns: (1) that Total Shareholder Return may not be the right performance measure, and (2) that the performance hurdle may have been too low. The Board have addressed that feedback in the independent design of the New Scheme and have consulted throughout the design process.

The Board strongly believes that Mark Weldon is the right person to lead NZX in the next phase of its development. The Board also strongly believes that the New Scheme outlined in this Notice is the right one for NZX and its shareholders.

The key design principle applied to the design of the New Scheme is that the value created for NZX and its shareholders by CEO performance must far outweigh any cost to the Company. Page 9 of the attached Appraisal Report summarises the New Scheme components and the cost to NZX.

I urge you to read this Notice, particularly the next section, 'Aligning CEO Performance and Shareholder Interests'. It gives a clear description of the consequences of underperformance and outperformance for the NZX CEO, and sets a timeframe that is challenging but, if achieved, will yield outstanding rewards for NZX shareholders.

Kind regards,

A handwritten signature in black ink, appearing to read "sAllen", is positioned above the printed name.

Simon Allen

The NZX Board recommends that shareholders vote in favour of Resolution 1 to approve the New Scheme.

Aligning CEO performance and shareholder interests

The New CEO Share Scheme reflects the following key principles:

- Earnings Per Share (EPS) is the right measure to use for performance, as this will be delivered only as a result of yield on significant strategic and infrastructure investments made by NZX.
- The New Scheme will restrict the additional shares provided to the CEO to 222,276 (0.9 %) in the case of the Standard LTI or 349,657 (1.44%) in the case of achieving both the Standard LTI and Outperformance LTI. This is based upon the NZX shares on issue as at 31 July 2007 (24,262,588) and assuming a four year and seven month (4.6 years) scheme life with no adjustment for any shares provided under the NZX Distribution Plan available to all shareholders. The CEO's shareholding in NZX as at 31 July 2007 is 5.2%. See page 3 of this Notice for an explanation of these components.
- The timeframe is 4.6 years but can be reduced (at the Board's discretion) to 3.6 years.
- The New Scheme continues from the end date of the previous Scheme, i.e., 4 June 2007.
- Performance assessment will begin from 2008, and will use audited 2007 EPS as its starting point to assess CEO performance. This means that the CEO is not receiving recognition for any increase in EPS from the date of the old Scheme terminating and the date performance assessment begins under the New Scheme.
- If the CEO does not deliver the performance required by the New Scheme over the life of the New Scheme then he receives no value. Benefits accrue to the CEO based on compound performance over the life of the New Scheme and are payable only at the end, or in some circumstances near the end, of the New Scheme.
- The Board has determined that the conditions imposed by the New Scheme are fair and reasonable, and in the interests of NZX and its shareholders.

NZX shareholders can vote on the New Scheme by following the steps set out on the next page.

How to Vote

CEO SHARE SCHEME (RESOLUTION 1)

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"To approve the issue of shares and the related provision of financial assistance in respect of the NZX CEO Share Scheme described and set out in this Notice."

1. PROXY FORMS

There is a proxy form with this Notice. Any NZX shareholder who is entitled to attend and vote at the Special Meeting can appoint a proxy to attend the Special Meeting and vote on his or her behalf. A proxy need not be a shareholder of NZX.

To be valid, a completed proxy form must be delivered to the Company's registered office or delivered, posted or faxed to Link Market Services Limited (see proxy form for the address), to be received no later than 4pm on 4 September 2007.

2. RESOLUTION REQUIREMENTS

An ordinary resolution is a resolution passed by a simple majority of votes of shareholders who are entitled to vote on the resolution, and who exercise their right to vote.

3. VOTING RESTRICTIONS

The NZX CEO and his Associated Persons may not vote on Resolution 1, but may vote as proxy for other NZX shareholders where he has been appointed by another shareholder to exercise his or her vote in a particular manner.

4. QUERIES

To assist NZX in providing detailed responses to questions shareholders may have, shareholders are invited to forward questions to NZX in advance of the Special Meeting. Questions should be sent via email to saki.hannah@nzx.com no later than 5pm on 4 September 2007.

By order of the Board,

Saki Hannah,

Company Secretary

23 August 2007

NOTES:

This Notice of Meeting has been submitted to, and approved by, the Special Division of NZX Discipline in accordance with NZSX Listing Rule [Rule] 6.1.1.

Details of the NZX CEO Share Scheme

1. BACKGROUND

Under his employment agreement, Mark Weldon, the NZX CEO ("CEO") receives a base salary and an annual bonus based on performance. This covers financial, operational and strategic performance, organisation structure and management, capital structure, stakeholder relations, and NZX's position in, and the development of, the New Zealand capital markets. A summary of the CEO's remuneration package is included on page 12 of the attached Appraisal Report.

As the previous CEO Share Scheme (which was in effect from 4 June 2002 to 3 June 2007) has now expired, the Board proposes a new, two-part equity-based long-term incentive scheme ("New Scheme"). The terms have been agreed between the Board and the CEO but require shareholder approval.

2. SUMMARY OF THE NEW SCHEME

Part 1 – Standard Long Term Incentive ("Standard LTI")

The value will be provided by issuing 222,276 NZX Ordinary Shares ("shares") to the CEO, at an issue price of \$10.31, for the period from 4 June 2007 to 31 December 2011. The number of shares was calculated by NZX Market Data and confirmed by Deloitte, based upon a 20-business-day volume weighted average price ("VWAP") for the shares leading up to and including 3 June 2007 (i.e., the date the previous scheme expired). The VWAP calculation provided a share price of \$10.31.

Part 2 – Outperformance Long Term Incentive ("OP LTI")

In addition to the Standard LTI, the Board proposes to establish an outperformance component with performance targets that will yield even greater shareholder value. A maximum of 127,381 Shares, at an issue price of \$10.31, will be available to the CEO if he meets the outperformance targets at the end of 4.6 years (or 102,381 shares if terminated at the end of 3.6 years). As opposed to the Standard LTI, the CEO does not receive a bonus from NZX to assist him to repay financial assistance provided in respect of OP LTI shares.

If NZX's performance exceeds the performance hurdles the value of the New Scheme to the CEO will depend upon the level of dividend and other distributions as well as the share price. If NZX's performance does not exceed the performance hurdles the value to the CEO will be zero.

All shares issued under the New Scheme will rank equally with all other Ordinary Shares of NZX, except that, until the performance hurdles are met, the shares are redeemable by NZX and may not be transferred.

3. KEY DETAILS OF THE NEW SCHEME

Key Performance Measure: Earnings Per Share ("EPS")

The performance measure for the New Scheme is EPS. Given the significant strategic and infrastructure investments made and the Board's view that execution of the initiatives is critical, EPS is the right measure for this phase of NZX's strategy. Moreover, as the CEO owns NZX shares, he already has a total return to shareholder (TRS) incentive – and use of an EPS measure balances this incentive.

As EPS is an accounting measure it will be tracked on a year-by-year basis to align with NZX's audited financial statements. Therefore, assessment of the CEO's performance will begin on 1 January 2008, and future EPS growth will be measured against NZX's audited performance for the year ended 31 December 2007. The scheme provides the NZX Board with the discretion to deal with significant extraordinary one off items in NZX's financial results. A further explanation of this discretion is provided in section 2.3 on page 7 of the Appraisal Report.

Performance Targets

A. Standard LTI –15% EPS compounded annually.

B. OP LTI –22.5% EPS compounded annually.

Scheme duration

Upon shareholder approval the total number of shares the CEO is eligible for under the New Scheme, being 349,657 shares, will be issued to Tane Nominees Limited ("Tane"), an NZX subsidiary company specifically established to hold CEO Share Scheme shares. The New Scheme will end after the Board has received the audited accounts and testing against the performance criteria has occurred. This will occur no later than May 2011 or May 2012, at the Board's discretion, at which time all shares will be either transferred to the CEO or redeemed by NZX.

Shares

Should the CEO meet required performance targets under the Standard LTI, he will receive a bonus of \$500,000 before tax (net value \$305,000) for each full year of the New Scheme (reduced for any part year). The bonus (less tax and other deductions) will be applied to repay the loan from NZX to purchase the shares. The CEO will be required to pay the difference between the value of the loan provided and the net bonus amount.

If the CEO leaves, provided certain good leaver criteria are met (including not taking up employment with a key competitor) and the New Scheme performance targets are met, the Board has discretion to terminate and prorate the benefits of the Standard LTI and OP LTI components of the New Scheme.

Assessment timing

Assessment will be based upon the audited full year financial results of NZX from the assessment start date of 1 January 2008 to the relevant Scheme end date. Qualification for the shares eligible under the New Scheme to 31 December 2010 will be determined upon receipt of the 2010 audited accounts. If the Board does not terminate the New Scheme after 3.6 years, the remaining shares will be eligible to qualify separately on 31 December 2011, as determined upon receipt of the 2011 audited accounts.

Qualification on extension of the New Scheme

If the New Scheme is extended to 31 December 2011 and the compound EPS growth performance target is not met for the period to 31 December 2010 for either or both of the Standard LTI and OP LTI, the shares (\$3,604,964 total value for both components) may still vest if the relevant compound EPS growth performance target (15% for the Standard LTI and 22.5% for the OP LTI) is met over the entire period to 31 December 2011. If the compound EPS growth performance target is not met at any assessment point or on early termination, NZX will redeem the shares for a redemption price of \$10.31.

Financial assistance

Under the New Scheme, NZX will provide financial assistance in the form of an interest free loan of \$3,604,964 for the purchase of the shares. Accordingly, NZX will not receive any cash consideration for the issue of the shares. The consideration for the issue of the shares is provided through the CEO's contribution to the management of NZX as CEO. The loan is repayable on redemption of the shares by NZX or when the shares are transferred to the CEO in accordance with the Scheme. The loan is secured by way of a share mortgage over the shares in favour of NZX and Tane, jointly.

If the performance criteria are met on the Standard LTI, the CEO will receive a bonus equivalent to \$2,291,666, being the value of the loan for the relevant shares, less PAYE and other deductions payable on that bonus. The CEO will be required to pay the difference between the value of the loan provided and the net bonus amount. The CEO may elect not to receive the shares and have them transferred back to NZX in satisfaction of the Standard LTI loan.

Under the OP LTI there is no bonus to repay the loan. The CEO must personally pay back the loan in order to obtain the OP LTI shares and may, therefore, elect not to receive the shares and have them transferred back to NZX in satisfaction of the OP LTI loan.

The value of the Scheme to the CEO is shown in section 2.8 on page 19 of the attached Appraisal Report, being the value of the financial assistance comprising the interest free loan and the bonus on the Standard LTI Shares.

Dividends

Under the New Scheme, it is anticipated that any dividends relating to the shares whilst they are held by Tane must be taken as shares to be held in trust. Shares provided under the existing NZX Distribution Plan or other similar replacement scheme will only vest to the CEO if the performance targets are met.

If, during the period of the New Scheme, the NZX Distribution Plan is terminated and not replaced by another plan providing for shares instead of dividends, then Tane will receive the dividends and, subject to and on the shares vesting, the dividends held will transfer to the CEO.

All shares in both components of the New Scheme are eligible for any one-off payments resulting from capital plan initiatives, for example share splits or capital repayments, with the proceeds of any such corporate action held and only vesting to the CEO should the New Scheme performance targets be met and the New Scheme shares vest.

Share cap

The NZX Constitution, and the New Zealand Stock Exchange Order 2002, require that the control limit of NZX is 10% of the voting rights of the company. The New Scheme does not create any issues relating to the share cap. Based upon the share capital of NZX of 24,262,588 (as at 30 July 2007) and assuming:

- no other changes in share capital;
- that the CEO meets all Standard LTI and OP LTI performance targets; and
- the Scheme continues to 31 December 2011,

the CEO would receive an additional 349,657 shares (1.44% of the issued capital). Currently, the CEO owns 5.2% of NZX and this would increase his ownership to approximately 6.64% of NZX as a consequence.

4. SHAREHOLDER APPROVAL

NZX can not issue the shares or provide the financial assistance in the New Scheme without shareholder approval. This is set out in Rule 7.3.1 (in relation to the issue of the shares) and 7.6.6 (in relation to the provision of financial assistance).

A copy of the Rules is available on NZX's website at www.nzx.com/regulation/listed_issuer.

The NZX Board recommends that shareholders vote in favour of Resolution 1 to approve the New Scheme.

Independent Directors' Certificate

NZX notes that the CEO is a Related Party of NZX and the New Scheme may constitute a Material Transaction under Listing Rule 9.2.1 because the CEO's total remuneration in the last year of the Scheme (being his annual salary, annual bonus and the bonus payable under the Scheme) may exceed the 0.5% of Average Market Capitalisation threshold contained in Rule 9.2.2(e). Likely increases in the market capitalisation at the level

required to meet the performance hurdles mean this threshold is unlikely to be met. However, the Independent Directors have provided a certificate to the Special Division (the independent body which regulates NZX) which complies with Rule 9.2.4 (c) in relation to this matter. Given the shareholders are approving the New Scheme this information is included for completeness and not as a matter for approval.

Appraisal Report

There is an Appraisal Report with this Notice of Meeting as required under Rule 6.2.2. This provides an independent appraisal for shareholders of the issue of shares to the CEO (as required under Rule 7.3.1) and the provision of financial assistance to the CEO (as required under Rule 7.6.5). The Appraisal Report states that the terms and conditions of the New Scheme are fair to the shareholders of NZX. The directors encourage shareholders to read all the explanatory notes and the Appraisal Report.

The directors have also determined that the proposed issue of shares to the CEO, the consideration received for them, the provision of financial assistance and the possible redemption of shares at the redemption price, under the New Scheme are fair and reasonable, and in the interests of NZX and its shareholders.

To ensure the New Scheme functions as intended, NZX will apply to the Special Division for a waiver from the timing requirement in Rule 7.6.6A that the proposed financial assistance is provided within 12 months of the passing of the resolution concerning the New Scheme. A waiver will be sought to enable the financial assistance to be provided within no more than 57 months of the passing of the shareholder resolution, being the date of completion and review of the audited accounts for the 2011 financial year.

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