



## Strong first half in 2008 for NZX - NPAT up 18%

**24 July 2008** - NZX Group has released a strong half year 2008 financial result showing NPAT up 18%. While market conditions have been difficult for the first half of 2008, this result demonstrates the underlying strength and diversity of the NZX's businesses.

NZX CEO Mark Weldon said, "This result is a continuation of the consistently strong results that NZX has achieved in the five years since listing. This period's result reflects our strategy to structure NZX business lines in such a way as to minimise the impact of negative cyclical market conditions."

### I. NZX Group - First Half 2008 Financial Result: Summary

		% Change PCP
Operating Revenue	\$15.934 million	6%
Operating Expenses	\$7.927 million	0%
EBITDA	\$8.007 million	12%
EBITDA Margin	50%	6%
NPAT	\$4.970 million	18%
NPAT Margin	31%	12%
Fully Diluted EPS	20.26 cents	14%

#### Continued revenue growth from the market information business

The NZX Market Information business has again delivered strong growth. Despite the challenging global markets environment and the high New Zealand dollar, we have still seen strong growth in the number of data distributor partners, with a 16% increase in data terminal numbers on the same period last year. NZX's acquired data businesses have also grown both revenues and margins.

#### Cost management and productivity

Total NZX operating expenditure is flat compared with the previous corresponding period. NZX has invested, and will continue to invest, in productivity improvements across all operations.

#### Subsidiaries and investments largely on track

In June TZ1 announced that it had been appointed as a global registry for the Voluntary Carbon Standard. TZ1 has now signed up its first registry customers, and is tracking to plan. Similarly, Appello, a funds management administration business of which NZX owns 30%, has successfully signed up some significant customers. Link has generated another improved performance in a challenging environment, while Smartshares has seen continued unit growth over the first half in the passive funds area. While AXE ECN is still going through the approvals process in Canberra, expectations remain strong that a licence will be granted and that operations will commence in 2008.

#### Investment to continue

NZX retains a significant investment focus. As well as the acquisition of Dairy Week, NZX has considerable resource engaged in the development of its new Clearing and Settlement system. Expected to launch toward the end of Q1 2009, the new Clearing House will be a stand-alone business that will look to compete with Austraclear for settlement and CSD business. The Clearing House will also enable exchange-traded futures, options, and commodities to be transacted. Several NZX Participants are making human capital investments to enable products such as equity options and dairy-focused commodity contracts to be successful.

Going forward NZX will continue to invest, with a particular focus on adding scale to its traded product set, growing its Australasian data footprint, and gaining exposure to new international markets in areas where NZX has established skills and platforms.

## II. NZX Markets Business

### Financial performance first half 2008

- Total NZX Markets operating revenue grew to \$14.75 million from \$13.60 million in 2007, an increase of 8%.
- The NZX Data business generated \$5.77 million in revenue, an increase of 20% on 2007. The key driver was continued growth in demand for NZX Market Information with the number of real time terminals worldwide up 16% on 2007.
- Total listings revenue was \$4.19 million, a 3% decrease on 2007.
- Trading, clearing and settlement revenue was down 7% on 2007 at \$2.26 million, reflecting average daily trades down 7% at 2,347 trades compared with 2,512 trades in 2007.

### Future outlook

Overall, market conditions are expected to continue to impact listings, trading and clearing and settlement revenues. Annual listing fees, which are based on market capitalisation and index inclusion, will be negatively impacted in the second half of 2008. The global credit crunch, and its impact on global bank employment numbers, may impact NZX data sales. However, were the recent slight fall in the NZ dollar versus the US dollar to continue, there would be a positive impact on revenues.

From 2009 onwards, the new Clearing and Settlement system will decrease capital requirements for Market Participants and reduce the level of financial risk in the Clearing and Settlement system. Importantly, it will broaden the range of investment products available to investors and build the liquidity of underlying equities. NZX announced this week it will use the Swiftnet FIN network for clearing and settlement messaging. New Zealand will become the first market in Asia Pacific to have all its domestic payment and securities market infrastructures accessible via Swift's international standards. Additionally, Swift will enable TZ1 to provide straight-through processing (STP) services to financial institutions around the world and interface with commercial banks for a variety of currencies to allow DvP settlement of emissions contracts.

Increasing the liquidity of the NZX Markets has been front of mind for NZX in developing the new market infrastructure. Market making, short selling and stock lending are additional liquidity initiatives in progress.

In the second half of 2008 NZX will focus on productivity enhancements and continue to pursue the strategic acquisition of bolt-on data businesses both locally and in Australia.

## III. NZX Subsidiaries and Strategic Investments

### SUBSIDIARIES



### Financial performance first half 2008

- EBITDA was \$320,000, a 30% decrease on the first half of 2007 but a normalised 4% increase over the first half 2007 EBITDA results. 2007 EBITDA included an accounting adjustment to revenue of \$147,000.
- Smartshares finished the first half of 2008 with \$685 million in funds under management, compared with \$592 million in 2007.

### **Future outlook**

Smartshares unit-holder numbers and funds under management (FUM) have remained solid despite market conditions. Smartshares continues to look at ways of promoting Smartkiwi to investors who are looking for a low cost, transparent vehicle for their retirement savings. Smartshares is developing the online functionality for Smartkiwi in the second half of 2008.

The investment market environment continues to challenge Smartshares and its ability to grow FUM, however as a manager of passive index products Smartshares is well placed to capture any upturn as conditions improve.



### **First half 2008 and future outlook**

The focus for TZ1 first half 2008 has been on the launch of the TZ1 Registry, and executing an international customer engagement strategy. TZ1 was appointed as one of four global Voluntary Carbon Standard (VCS) Registries in early July. TZ1 has built a key registry asset, a business line that is not contingent on New Zealand or a domestic Emissions Trading Scheme (ETS). For participation in the worldwide voluntary carbon market to grow, true financial market registry infrastructure is critical.

Registries play a critical role in carbon markets. The TZ1 registry infrastructure is world-class and provides the technology and transparency needed for the voluntary market to enter its next phase of development.

The voluntary carbon market is in a major growth phase, with both issuance of carbon credits and trade numbers growing strongly year on year.

## **STRATEGIC INVESTMENTS**



### **Financial performance first half 2008**

- Link had a steady first half despite market conditions and an absence of new listings with an EBITDA result of \$509,000 versus \$505,000 in 2007.
- Link continues to return capital to NZX by way of redemption of preference shares.
- The capital return to NZX in the first half of 2008 was \$300,000.
- NPAT was a strong \$170,110 compared with \$24,600 in the same period in 2007.

### **Future outlook**

Client-focused technology features were released in the first half of 2008, continuing Link's strong focus on innovative services in the registry space. Link's focus over the next six months is NPAT growth through productivity enhancement.



### **First half 2008 and future outlook**

AXE ECN is in the final stages of acquiring an Australian Market Licence (AML) with a decision from Canberra pending.



#### **First half 2008 and future outlook**

Appello Services Limited is a new company established in response to the increasingly complex technology needs of fund managers, primarily as a result of Portfolio Investment Entity (PIE) and KiwiSaver developments. Appello provides fully electronic administrative, productivity and compliance services for New Zealand fund managers and is able to support all managed funds including KiwiSaver funds and PIEs.

The PIE-compliant platform was implemented in April and is now operational and working efficiently. Within three months of initiation of operations, a total of 11 fund managers are now using the platform with more than \$1.5 billion in funds under management on the Appello platform. Revenues are well ahead of business plan, with an accompanying increase in expenses associated with increased activity.

NZX acquired a 30% shareholding in Appello in November 2007.

#### **IV. Capital Expenditure and Management**

As in previous years, NZX will not pay an interim dividend in 2008.

In this period NZX has capitalised personnel costs that directly relate to the Clearing and Settlement system and TZ1 Registry capital projects.

#### **For more information please contact:**

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