2012 NZX ANNUAL MEETING – CHAIRMAN'S ADDRESS

I'd like to cover six topics in this afternoon's address.

1. 2011 in review
2. Our recent rules consultation – diversity in particular
3. The mixed ownership model
4. Our new Chief Executive, Tim Bennett
5. Our outgoing Chief Executive, Mark Weldon.
6. Outlook and strategy

1. 2011 IN REVIEW

2011 was another strong year for NZX, and this is reflected in the performance data which we released during the course of the year, in our year end results, and our annual report.

We attribute the strength in the Group's results, financial position, and organisational health, to a range of factors.

The integrated information, markets and infrastructure strategy that was set some time ago is delivering growth across all of our business lines over a largely fixed cost base. The macro environment, and New Zealand's policy settings, are producing strong tailwinds for the capital markets generally, including NZX. These tailwinds include:

- the strengthened regulatory environment with the advent of the FMA,
- growth in savings through KiwiSaver and private savings initiatives,
- the success that builds on success such as the successful primary capital raisings of scale, most notably the Summerset and TradeMe IPOs which have produced good investor returns and the growing volumes in our dairy derivatives offerings (reflecting continued strong demand for New Zealand dairy products) which has translated into strong performance across our rural information and publications businesses.

The continued and sustained success of the recent IPO's builds confidence among investors and potential issuers – with a high New Zealand dollar, and New Zealand company valuations generally at higher relative levels than in the past, it will be interesting to see whether other Australian companies follow Fairfax's lead and look to release capital invested in New Zealand through sharing ownership of their New Zealand enterprises with public New Zealand investors. Another variety of the mixed ownership model.

Then following balance date, the early realisation of our Markit investment, following the sale of the TZ1 carbon registry, was completed. Obviously this represents the lion's share of the capital return shareholders are being asked to approve at this meeting.

2. OUR RECENT RULES CONSULTATION – DIVERSITY IN PARTICULAR

The theme of greater participation in capital markets, and markets generally, as well as a genuine belief borne of our own experience that diversity at management and board level adds value, has encouraged us to take a leadership role in the diversity conversation.

We are in the midst of consultation on a number of rule changes, which include proposed rules, and alternatives, for diversity reporting across the listed sector. We are conscious that we are not lawmakers and that the listed sector represents only a small - but highly visible - cross section of New Zealand business.

Diversity goes beyond gender – diversity of thought is important and this comes from diversity in age, background, experience, gender and other attributes. Henry van der Heyden's time on our board was a time of great learning and development around the organisation and the board was delighted that Alison Gerry accepted our invitation to join us at the end of last year. Alison has already, in her short time with us, made a highly effective and valuable contribution, has impressed the management team, and our existing and new CEOs.

We will listen carefully to the gender consultation feedback and we will be transparent in the decision making and communication around any new rules. I should signal that we don't favour compulsion or legislated quotas – self-imposed or voluntary quotas are fine – but legislated quotas across a small section of corporate New Zealand is not only discriminatory, it doesn't recognise that the decision about board composition is one for directors to lead, and take responsibility for, but shareholders to make – they take the financial consequences and bear the risks of governance decisions. Government won't underwrite results so it shouldn't legislate for board composition.

We have consistently said that the value in this consultation process is as much about the communication, debate and thought processes that it provokes as it is about the ultimate shape of any rule changes.

3. MIXED OWNERSHIP MODEL

We see the mixed ownership model and its success as a critical dial-turner for New Zealand. It has had this impact overseas, with state owned enterprises making up most of China's and 38% of Brazil's stock markets and accounting for 28 of the emerging world's 100 biggest companies. The opportunity is to create national champions with the capital and governance to compete on the world stage, from headquarters here in New Zealand.

It's not an end in itself – but we look at it in the context of a piece in the jigsaw of New Zealand's overall economic plan and in the context of what we would like New Zealand to look like in 10, 20 and 30 years time. In broad terms – a strong and competitive domestic environment that supports locally based firms to succeed in global markets from a base in New Zealand: strong job creation and income generation, greater scale and relevance as a country with high levels of productivity, a stronger tax base and wealth and savings levels that allow us to achieve our egalitarian and social goals.

At NZX we will do what we can to support the initiative, recognising that it will broaden participation across capital markets, provide New Zealand investors with an opportunity to invest in strong stable businesses alongside the New Zealand government, retain control of important companies and head office functions in New Zealand, while providing them with access to capital to grow and become our national champions - just like the BHPs and other successful Australian businesses which have enjoyed access to capital and built international relevance and earnings for Australia while remaining headquartered there.

The model, properly explained and executed, will build financial literacy, allow employees to own some of the companies they work in and share directly in their success: and provide growth in earnings for New Zealand, a growth in the tax base and additional worthwhile employment opportunities for Kiwis to return home to.

There are many examples of success in this model – both in New Zealand and abroad, and in local as well as national government. New Zealand examples include Auckland Airport, Vector, Air New Zealand and Port of Tauranga – one can't help but ask if Ports of Auckland would be in quite the position it is if it had the advantages of transparency, access to outside shareholders and capital that Tauranga has benefitted from – and like Ports of Auckland did in the past.

It would provide a more appealing alternative to fund raising for Canterbury, to provide for local participation and release of funds than a number of alternatives that may be promoted such as outright divestment of assets.

My plea is that a visionary approach is taken to the process design and implementation. MOM must be done properly and must succeed. What do I mean by this? It is a unique opportunity to overcome the capital constraints associated with the present 100% owner, to provide MOM companies with access to new capital for growth (which means allowing enough flexibility to provide a cushion for new issuance) and a unique opportunity to encourage wide participation by a new generation of New Zealand investors. It is so important that New Zealand retail investors – first time and seasoned – are given every encouragement, opportunity and preference, to participate. Investor education will be critical and the Crown's advisers should be directed to focus on these and other NZ Inc outcomes. There is a lot to do - let's get on with it.

4. OUR NEW CEO - TIM BENNETT

As all of you will know by now, Tim was the successful candidate who emerged from our CEO recruitment process. We are thrilled with his appointment.

Tim can tell his own story, but his return to New Zealand is one of the many things we have the Rugby World Cup to thank for.

Tim's thought was that if the patriotism and passion New Zealanders showed during the Cup could also be channelled into the economy and the markets, then the benefits for New Zealand would be enormous. That became an outcome he wanted to contribute to - and that turned out to be as CEO of NZX.

Tim was one of a number of offshore based New Zealand candidates who were looking for the right opportunity to return home. We chose Tim for a number of reasons – these included his strong intellect, ability to deal with and manage complexity, his appreciation for the strategic platforms that NZX had created and his passion about growing them and NZX's people, the strong desire to capitalise on the tailwinds and support those capital markets initiatives that were likely to be dial-turners for New Zealand. There is no question that Mark Weldon's record is a hard act to follow – we are more than confident in Tim, and highly excited with his appointment.

That brings me to acknowledge the contribution that Mark has made to the organisation over his 10 years with us.

5. MARK WELDON

Let me start with a quote from Alison Gerry's email to me of earlier this month, after completing two days of NZX induction.

Just thought I would let you know I had a great day at NZX.

Apart from being a fantastic way for me to understand in more detail the different business areas, challenges and opportunities, I felt I got a real sense of the culture and feel of the NZX organisation.

I must say I was very impressed with the level of enthusiasm, engagement, team orientation and work ethic. Each person I met was very focused and very supportive of other business areas. They were often talking of how something they did would help others in different ways.

I told Mark he must feel very proud of the culture of the organisation he is leaving behind. Each person I met talked very highly of Mark. He seems to empower people to get on and perform.

In this day and age it's rare to have the single-minded focus of a seriously talented individual as CEO for 10 years. Mark has always put NZX first and has sacrificed much personally to do so – he has generated significant returns for shareholders year in year out, and developed and driven the strategy which is the cornerstone of our success and future potential. He has kept us ahead of the curve in the global exchange space and diversified NZX out of single or narrow business lines. His talent has been harnessed by others – successive governments in particular with policy input, taskforces and summits and most recently his efforts in spearheading a successful $100m domestic and international fundraising for Christchurch – and he has turned the dial not just for NZX – but on the much larger NZ Inc and NZ stages also.

On behalf of shareholders, our employees, and on its own account, the board thanks Mark for his hard work, insight, leadership, vision and results achieved. We also thank Mark's wife Sarah for her support. Mark's sacrifices have been Sarah's also and they are greatly appreciated.

I would like to acknowledge also Mark's approach to and support for the CEO transition process, and that of our employees for whom a CEO transition is unusual and whose commitment and dedication is clear.

Mark and Sarah it goes without saying that we wish you nothing but the best for the future – as one happy shareholder has commented – just tell us where you are putting your emotional energy and intellects so we can co-invest again.

6. OUTLOOK AND STRATEGY

2012 is a big year for us for a number of reasons.

Not because we contemplate any change in strategy – our strategy will remain building scale across our existing platforms, continuing to build bridges between the capital markets and the rural sector and optimising those tailwinds I mentioned earlier.

We see Fonterra's TAF proposal, and the associated fund, as also being very positive across the New Zealand rural and capital markets sectors generally – we respect that the decisions are those for Fonterra's farmer shareholders to make and we are here to support them and the organisation as it goes forward. The cooperative model has served New Zealand well and NZX does not support the suggestion that its evolution is either threatening to it or the thin end of the wedge towards loss of farmer control and ownership. We respect and support the retention of farmer ownership and control, strengthening Fonterra with permanent capital, thereby positioning itself to fund further growth and international competitiveness. Exactly what we expect the mixed ownership model to deliver in terms of the SOEs ability to grow and compete more effectively.

Even with no major changes in strategy on the horizon, NZX remains a complex business which is subject to many factors which we can't control, some of which we do control, and others which we merely seek to influence. While we don't control the listing pipeline, it's pleasing to note that a number of the companies that are acknowledged by some commentators as their favourite growth companies are companies into which NZX put significant pre-listing energy and support. These are the things that we can do, that are not always visible, and that can have a high impact in terms of market support and growth.

For shareholders our focus remains on top-line revenue growth within a disciplined cost environment.

We also have reason for optimism that the positive macro factors I indicated earlier will continue for some time.

We indicated back in February this year that we would provide some guidance as to the 2012 dividend at this meeting.

Our current dividend policy remains in place until the end of 2013 and provides for quarterly dividends increasing at the rate of at least one cent per share (pre-split) each year from the 2009 to 2013 financial years. We have met or exceeded that policy in each of the 3 years for which it has run and we will exceed that minimum increase level again this year, absent unforeseen circumstances.

As the current policy runs through to the end of 2013, the Board will undertake a review of the appropriate policy for the future in a timely manner, and communicate the outcome to shareholders in due course.

The present policy would see a net cash dividend of no less than 12 cents per share this year, or 3 cents per quarter. Having reviewed our first quarter's results and our prospects for the remainder of the year the Board has determined a 2012 first quarter dividend of 3.25 cents pre-split (comparable 2.75 cents for the same quarter last year).

Our policy to date has seen equal amounts paid each quarter.

We will consider each subsequent quarterly dividend against our free cash flow expectations and if and as financial results allow, we will consider increasing one or more successive quarterly payments. We expect that the approach we have taken to the capital return and dividend payments will demonstrate to shareholders that the board and management are committed to returning surplus capital and surplus cash generated from operations to shareholders in the most efficient manner available.