Proven
Vital.

NZX INTERIM
REPORT 2020

Contents

NOT ONE OF US WAS PREPARED FOR COVID-19.

For the seriousness of the health risks or the scale of the economic impacts at home and around the globe. For how quickly we would need to adapt and move.

This pandemic has asked new questions of us and our listed businesses in New Zealand. Across the breadth of different sectors, we responded with remarkable resilience and urgency.

We have drawn on our individual strengths and also worked collaboratively to support each other. This has enabled Kiwi companies to continue delivering essential services, innovate at the frontline of medical treatment, care for the most vulnerable, and reset for the new normal.

FINANCIAL HIGHLIGHTS

Our half-year performance

OPERATING EARNINGS

$17.6 million

^ 21.5%

NET PROFIT AFTER TAX

$9.1 million

^ 40.9%

DIVIDEND (INTERIM)

3.0 cents per share

(fully imputed)

Operating earnings are before net finance expense, income tax, depreciation, amortisation and gain and loss on disposal of business and property, plant and equipment. Operating earnings is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

CAPITAL RAISED (TOTAL NEW CAPITAL AND SECONDARY CAPITAL RAISED)

$8.2

billion

^ 6.5%

DATA & INSIGHTS REVENUE

$7.0

million

^ 10.8%

TOTAL VALUE TRADED

$27.9

billion

^ 52.3%

DAIRY DERIVATIVES TRADED

205,626

lots

^ 9.6%

FUNDS UNDER MANAGEMENT

$3.95

billion

^ 14.2%

FUNDS UNDER ADMINISTRATION

$3.08

billion

^ 46.1%

CHIEF EXECUTIVE'S UPDATE

Standing up in tough times

The threat to New Zealand businesses from COVID-19 represents a significant challenge, and we have been true to our purpose – stepping-up to support companies and investors.

Thanks to the hard decisions New Zealand took early, our country has to date been insulated to some degree from the health, human impacts and economic damage unfolding in other parts of the world. The finance sector, including our capital markets, has been well-served by financial measures from our Government and the Reserve Bank.

As an essential service, able to operate throughout this period, the pandemic has brought into sharp relief the vital role of New Zealand's Exchange, and the value of being listed – ready access to new equity capital.

Nearly $6 billion of fresh equity was raised by a broad range of companies, big and small. This flowed through into a significant increase in secondary market trading for the six months ended 30 June 2020, and is reflected in NZX's financial results.

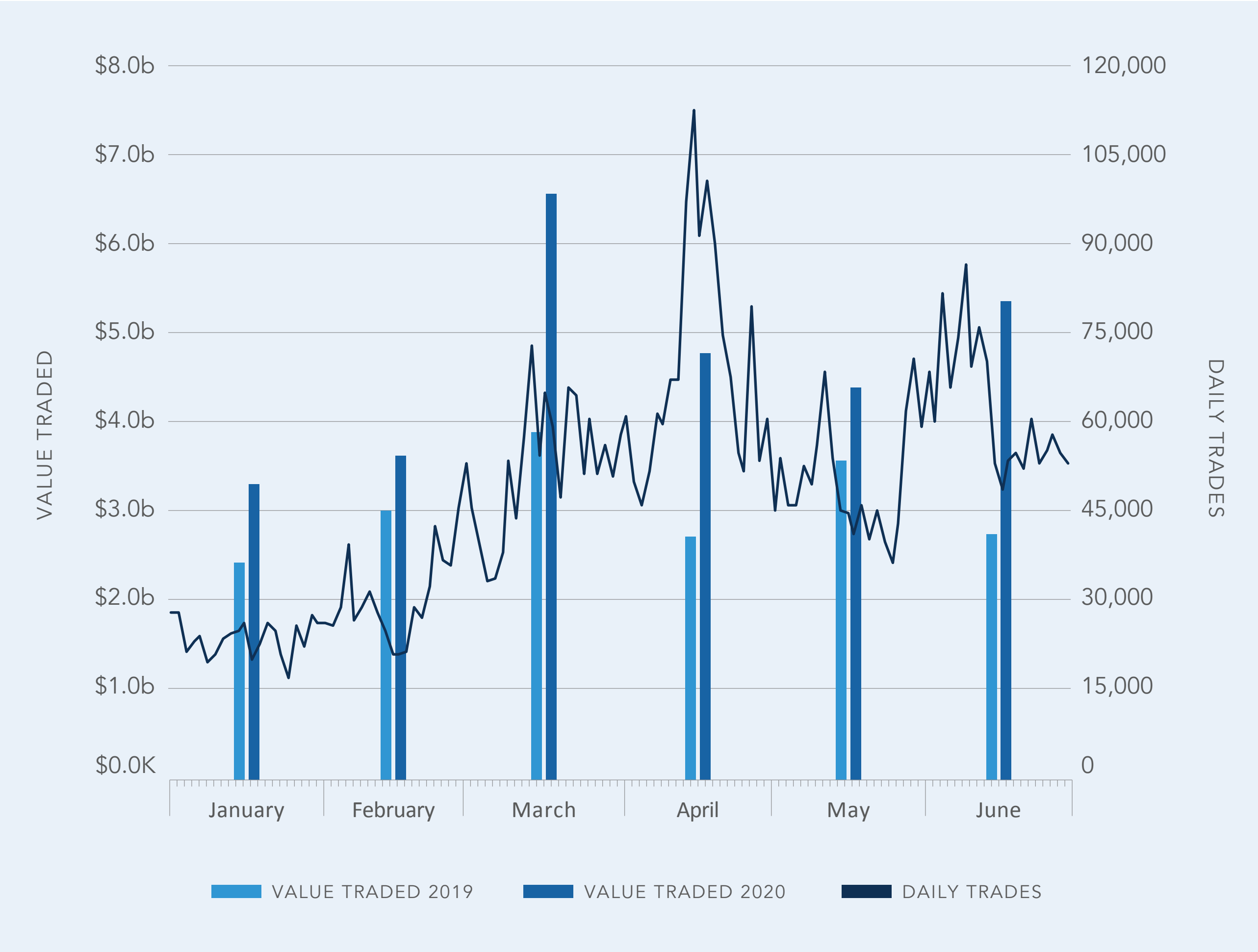
GROUP RESULTS AT A GLANCE

$5.9b
Capital raised on secondary market

112,110
New record in daily trades

62.4%
Average on-market trading

NEW RECORDS IN THE MONTHLY TRADING VALUE AND THE DAILY NUMBER OF TRADES



The company's operating earnings[1] rose 21.5% to $17.6 million, with the operating margin improving from 44.0% to 45.7%. While we have had to adjust to a very different business and working environment and reassess priorities as a result of COVID-19, the focus has been on meeting increased demand through a time of need from our customers, and this shows through in the lifts achieved in revenue and operating performance.

Operating costs for the period were up 13.3% to $20.9 million. The increase was due to investment in growth projects for our funds management business and additional headcount to support the growth of NZX Wealth Technologies, and to increase the capacity and resilience of our core trading and clearing systems. Employee-related expenses also contributed to the higher costs, reflecting lower staff turnover and lower leave taken during this period.

Our balance sheet remains conservatively set through a combination of cash on hand, subordinated note funding, unutilised bank facilities and the existence of

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$3.7b
Assets under custody in depository

80%
Increase in NZ Milk Price (MKP) lots traded

5.4%
Net positive cash flows for Smartshares

the derivatives market mutualised default fund. This profile has supported our corporate stability during the COVID-19 market event.

Net profit after tax for the period (NPAT) was $9.1 million, up 40.9% on HY2019. The Board has declared an interim dividend of 3.0 cents per share fully imputed, to be paid to shareholders on 18 September 2020. The Dividend Reinvestment Plan is available at a discount rate of 1%.

Assisting companies in need

With the foundations set down over the past three years, we were able to respond effectively to the challenges COVID-19 presented.

The required 'lockdown' in New Zealand through March and April resulted in a sudden and dramatic reduction in the demand for goods and services along with global supply chain disruptions. This severely restricted cash flows for many listed companies. In particular, those exposed to international tourism and travel were impacted early, and – along with the international education sector and other industries that rely on migrant labour – continue to face the reality of ongoing restrictions.

With the New Zealand Government successfully managing to contain the outbreak of COVID-19, both institutional and retail investors have strongly backed Kiwi businesses. As we signalled at our Annual Shareholders' Meeting in March, NZX's equity market was open and ready to help companies raise capital.

The bulk of the $5.9 billion of capital raised on the secondary market occurred in the 90 days from early April, mirroring the lockdown period and urgency of listed companies requiring access to new capital.

This action by companies has undoubtedly helped save many jobs in New Zealand and, to some extent, softened the economic shock for our country. Companies have understood their options and appreciated the additional flexibility in capital raising rules provided by NZX, moving rapidly, with the scale of capital raisings multiples larger than the initial months following the 2008 Global Financial Crisis.

NZX increased the limit that issuers can raise capital through share placements from 15% to 25% of existing shares and the individual application limit under Share Purchase Plans from $15,000 to $50,000, which acknowledged the importance of protecting the interests of retail shareholders. These higher levels are temporary measures that are scheduled to finish at the end of October.

The half-year has seen a continuation of capital raisings through placements, share purchase plans and rights issues – including under innovative structures rarely seen in New Zealand, such as the accelerated non-renounceable

On the frontline of tackling the health challenges of COVID-19, Fisher & Paykel Healthcare ("FPH") is leading the way, developing and delivering world-leading products and therapies used to treat millions of patients around the globe.

"The pandemic has demonstrated the importance of the listed market for New Zealand – not only in supporting Kiwi businesses but also in providing investment opportunities into New Zealand for all investors."

entitlement offers (ANREO), enabled under the class relief provided by NZX Regulation. This enabled issuers to execute offers quickly during a fast-changing environment.

Another important element of our support for listed issuers through COVID-19 has been the additional flexibility we have provided for reporting time-frames.

Market resilience and vitality

The health of New Zealand's capital markets has been critical during the COVID-19 outbreak. This has been apparent through the exceptionally high level of activity on our sharemarket, along with continued strong levels of international interest in our market. The S&P/NZX 50 has proved a relatively resilient index – by June 30 it had recovered more than 34% from the low-point of March 2020 and outperformed other major global indices year-to-date.

The level of investor interest was reflected in our operating data, with daily trading volumes peaking at 112,110 trades – compared with an all-time record of 37,483 in December last year, representing almost six-fold the 2019 daily average.

This marked acceleration in the growth in trading activity exposed some stresses within specific elements of the market infrastructure, particularly on certain messaging components of NZX's clearing and settlement system – largely due to historic IT system architecture decisions. We acknowledged at the time the strain these technical issues during March and April had placed on the operations and technology teams of NZX participants and their customers. The level of co-operation and understanding across the capital markets ecosystem was crucial to ensuring NZX successfully risk-managed, margined, cleared and settled the market every day.

Although this huge increase in market activity is a good problem to have, to reflect the seriousness taken with issues related to NZX's market systems, we have commissioned an independent review of these technical issues and the underlying causes. This review has sought feedback from market participants and we have been grateful to receive extremely strong engagement across all aspects of the market. We look forward to the report, which is imminent, and engaging on the recommendations.

NZX has directed additional resources and taken a number of steps to increase the transaction and messaging load capacity of core systems and provide market stability with continued high trading activity levels. This work is ongoing. The implementation of our trading system upgrade has been delayed as a result of COVID-19 and considering the appropriate timing for all of our market participants. This new system – now planned to go live in the first half of 2021 – offers improvements in trading functionality that should assist in further promoting market liquidity.

Essential capital raising

Necessity has been the powerful driver of issuance this year. The total value of capital raised in the first half of 2020 was up 6.5% to $8.2 billion, with new retail and wholesale debt listings making up $2.3 billion and the balance being $5.9 billion of secondary equity capital – mostly to address the impacts of COVID-19.

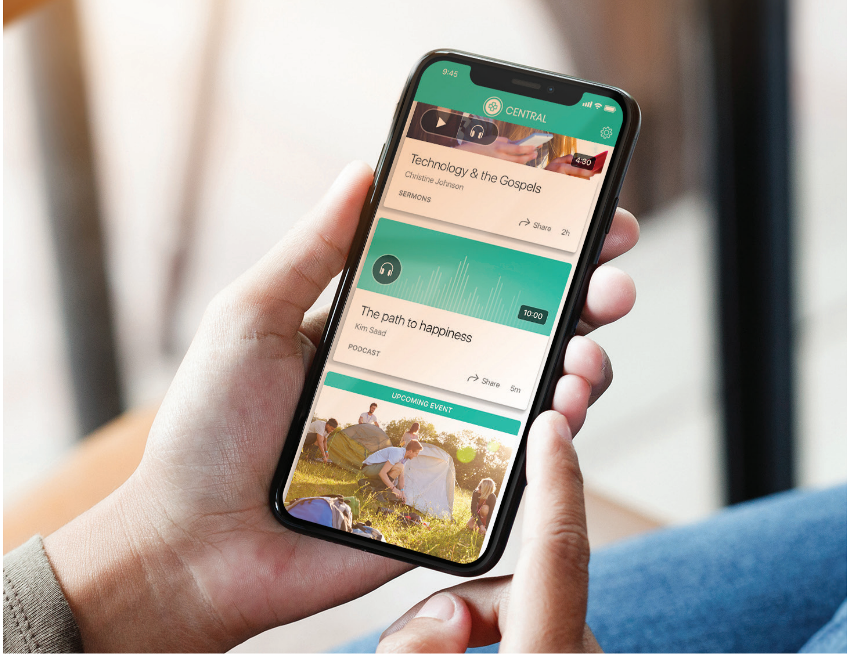
The pandemic has demonstrated the importance of the listed market for New Zealand – not only in supporting Kiwi businesses but also in providing investment opportunities into New Zealand for all investors. These two proven benefits have reinforced the significant opportunity to develop our listed market to support New Zealand's longer-term growth and success. This is where we need to turn our attention, to create further resilience and sustainable value for our country.

Against this backdrop, we were delighted to welcome our first new listing of 2020 with CSM Group completing the acquisition of Me Today, a New Zealand-founded health and wellness brand that produces premium quality products, linking supplements and natural skincare. This reverse listing of Me Today (NZX: MEE) will provide the company a great platform for building its profile, and expanding its operations both in New Zealand and internationally.

The debt market started the year well, with issues from BNZ, Housing New Zealand (Kāinga Ora – Homes and Communities) and the Local Government Funding Agency, prior to several months of disruption from COVID-19. There are more positive signs in this space for the second half of 2020.

Record trading activity

The lift in on-market trades has occurred in parallel with an increase



Pushpay ("PPH") technology is growing deeper connections in church communities and continuing to transform the tradition of giving in the US through this year's global pandemic – with virtual congregations reaching record levels.

in retail investor participation. The popularity of online retail trading platforms is burgeoning and, over the COVID-19 Alert Levels 3 and Level 4 in New Zealand, helped spur retail participation to levels never seen before in our sharemarket.

NZX secondary market trading by retail investors totalled around $2.1 billion for March and April 2020, up 135% on the same period in 2019. The number of trades climbed 361% and is up 1,264% over the past five years, assisting the growth of market liquidity.

A healthy secondary market is a key goal for us. We want a dynamic, liquid, competitive, and transparent secondary market – and in recent years NZX has made two fundamental changes towards this outcome: removing the fixed fee component on trades in favour of a value-based fee structure, and a new rules framework to support participants and broaden investment in markets.

The upsurge in market activity saw the daily number of trades average 48,000 across the first six months of 2020, and by early June we had surpassed the total number of trades for the full-year 2019. Value traded on NZX's markets also set new records with the first half jumping 52.3% to nearly $28 billion, effectively three months ahead of 2019.

On-market trading continues its positive trend, averaging 62.4% across the half-year. This compares with 33% in 2015 and 54.3% in 2019. This multi-year improvement represents a step-change resulting from NZX's focus on market liquidity as a primary measure of market integrity and price transparency and actions the company has taken to incentivise on-market activity.

Following the large boost last year in the assets held in the depository, NZX saw further growth in the first half, with total value closing at a new high over $3.7 billion, reflecting increasing values from Sharesies and BNP Paribas Securities.

Data & Insights achieved a strong lift in revenue, up more than 10% to $7.0 million, largely due to royalties for retail data access, as virtual (non-display) use increased 93% year-on-year. Client licence arrangements have improved and back-dated licencing revenue significantly higher due to a greater number of audit closures.

Volatility from COVID-19 seen in equity markets also flowed into dairy markets with the total volume of lots traded up nearly 10% to 205,626. The first quarter of 2020 was the largest trading quarter since we launched the market, with a new weekly high. Volumes of our NZ Milk Price derivatives continued to grow with lots traded up 80% on the prior period, and the average daily value of trades reached a record $4 million in Q2 2020.

Strategic partnerships

Over these busy six months, we have also been progressing several strategically-important partnerships.

CMC Markets Stockbroking has announced the launch of the New Zealand market onto its online trading platforms, providing clients with increased international trading options. This connection with CMC Markets' clients will further invigorate retail participation in our market.

BNP Paribas Securities Services has extended its commitment to the development of New Zealand capital markets in a new partnership with NZX – jointly focused on growing offshore capital flows into the New Zealand market. The accreditation of BNP Paribas Securities Services as a General Clearing Participant is expected to be completed within the first half of 2021.

BNP Paribas has already brought innovation to New Zealand's capital markets as the first and only global custodian to become as a Depository Participant on the NZX Clearing and Settlement System, the first custodian to go live with automated announcements on NZX, and the only bank clearer on the NZX Dairy/ NZX Equity derivatives markets.

NZX is also partnering with private capital market specialist, Syndex, an online investment platform that provides infrastructure to support and facilitate private market investing with an end-to-end investment management system that connects companies and investors. This agreement will help Kiwi businesses access capital throughout their lifecycle – from the early stages of private ownership, through to a public listing as their needs and scale grows.

Milestones for growth

While market volatility over the six months presented challenges for our funds business, Smartshares, net investor cash flows were positive 5.4% for the period. As anticipated, there was an upswing in switching activity between funds, however withdrawals were relatively low.

Having peaked near $4.1 billion in February, Funds Under Management dropped in March and April to $3.2 billion before recovering much of the lost ground to finish the half at $3.95 billion.

Smartshares' Core Series range of Exchange Traded Funds (ETFs) launched in July provides investors with an S&P/NZX 50 Gross Index fund (in addition to the S&P/NZX 50 Portfolio Index). Other new products include the S&P/ASX 200 ETF, S&P/NZX NZ Government Bond ETF and the Smartshares Total World NZD Hedged ETF.

NZX has simplified the listing rules for funds to encourage more investible product onto the market, with significant potential for further growth, including ETFs that offer investors low-cost building blocks and instant portfolio diversification.

During the half Smartshares was appointed investment manager for a key institutional passive mandate following a rigorous operational review by a leading global investment consultant. In addition, new corporate superannuation plans were won through competitive RFP processes.

Our NZX Wealth Technologies business has maintained its growth trajectory and focus on acquiring and transitioning customers, with Funds Under Administration growing 46.1% to $3.08 billion at half year. A migration project for JBWere was completed in June 2020 and the onboarding of new customers, Hobson Wealth Partners and Saturn Advice, to NZXWT's market-leading platform is in progress.

The new normal

NZX is maintaining its FY2020 operating earnings guidance of $30.0 million to $33.5 million. NZX notes that, based on the performance to date, there is a greater expectation for a full year outcome to be towards the top end of the range

This guidance is subject to market outcomes for the remainder of the year, including total capital raised, secondary market trading and clearing values, derivatives volumes traded, and funds under management and administration growth. NZX notes the global health and macroeconomic environment remains unusually volatile and guidance assumes no material adverse events, significant one-off expenses, major accounting adjustments or other unforeseen circumstances.

As we reflect on the first half of 2020, we are acutely conscious that we cannot yet see the full consequences of COVID-19. Significant underlying challenges remain for many companies locally, from the ongoing global health threat and related operational and financial impacts. This is a time of critical need for our customers and country, requiring further collective action, adaptation and innovation at pace.

In reporting our Interim Results for the six months ended 30 June 2020, we are tremendously proud of how our team at NZX has worked as an essential service through what has been an uncertain and unsettling period.

Our financial results show how our people have stood up in these tough times.

Mark Peterson
Chief Executive

New regulatory model

A new regulatory model was announced in March to structurally separate the Exchange's commercial and regulatory roles based on the model of the Singapore Exchange. A wholly-owned operating subsidiary is being established to perform all frontline regulatory functions in support of NZX's obligations as a market operator and as operator of the designated settlement system.

The proposed entity – planned for implementation during 2020 – will ensure NZX's commercial and operational activities are discrete from the regulatory function. It will be governed by a separate board with an independent Chair and the majority of board members independent of the NZX Group.

The revised model came out of a full review of NZX's regulatory operating model completed in 2019, which was prompted by the increasing complexity of governance arrangements. The structural separation of the proposed model also provides the NZX Board increased capacity to focus on NZX's commercial mandate and initiatives, to deliver shareholder value, while enabling the NZX Regulatory Board to maintain appropriate oversight of NZX's statutory market operator obligations.

Management Commentary

Overview

A breakdown of NZX's financial results by business unit is summarised in the following table:

	Operating Revenue			Operating Expenses			Operating Earnings[1]			Operating Margin		FTEs	
Six month ended	30 June 2020	30 June 2019	Change	30 June 2020	30 June 2019	Change	30 June 2020	30 June 2019	Change	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	$000	$000	%	$000	$000	%	$000	$000	%				
Issuer Relationships	13,091	12,115	8.1%	2,828	2,667	(6.0%)	10,263	9,448	8.6%	78.4%	78.0%	35.8	36.6
Secondary Markets	10,448	7,070	47.8%	3,180	3,156	(0.8%)	7,268	3,914	85.7%	69.6%	55.4%	28.4	29.7
Data & Insights	7,034	6,349	10.8%	1,095	927	(18.1%)	5,939	5,422	9.5%	84.4%	85.4%	9.1	9.5
Funds Management	6,807	6,305	8.0%	3,937	3,120	(26.2%)	2,870	3,185	(9.9%)	42.2%	50.5%	49.8	47.5
Wealth Technologies	849	838	1.3%	1,382	1,024	(35.0%)	(533)	(186)	(186.6%)	(62.8%)	(22.2%)	50.3	36.0
Corporate Services[2]	189	186	1.6%	8,446	7,524	(12.3%)	(8,257)	(7,338)	(12.5%)	N/A	N/A	66.0	60.3
Total	**38,418**	**32,863**	**16.9%**	**20,868**	**18,418**	**(13.3%)**	**17,550**	**14,445**	**21.5%**	**45.7%**	**44.0%**	**239.4**	**219.6**

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2 Corporate Services provides accommodation, legal, accounting, IT, HR and communications and marketing support to the other business units. Related costs are currently not recharged to these businesses.

Operating Earnings has increased 21.5% to $17.6 million, with:

- operating revenue increasing 16.9% to $38.4 million - the operating revenue has increased in all revenue generating business units; and
- operating expenses increasing 13.3% to $20.9 million - we continue to invest for growth in the Funds Management and Wealth Technologies business units, and in the Core business units we have strengthened cyber security and enhanced the Securities IT team to deliver technology solutions to increase trading and clearing system capacity and maintaining market stability.

The operating revenue and operating expenses are discussed in the following pages.

The Group notes the COVID-19 pandemic in the period but that it has had no material adverse impact on the Group.

The Investor Presentation (refer https://www.nzx.com/about-nzx/investor-centre/reports-and-disclosure) provides a detailed summary of the financial results by business unit.

Key Metrics

The key metrics for 2020 are summarised in the table below:

		External dependencies	2020 full year deliverables[1]	2020 YTD actual
NZX Group	Operating earnings[2]		$30 - $33.5 million	$17.6 million (up 21.5%)
Core Markets				
Issuer Relationships	Capital raised (total primary and secondary capital issued or raised for Equity, Funds and Debt)	• Listing ecosystem dependent on others • No major market correction	$9.5 billion (average of 2017/18)	$8.2 billion (up 6.5%)
Secondary Markets	Total value traded	• Participant activity levels drive value traded • No major market correction	$38.6 billion	$27.9 billion (up 52.3%)
	Dairy Derivatives lots traded	• Participant activity levels drive lots traded	0.45 - 0.55 million lots	205,626 lots (up 9.6%)
Data & Insights	Revenue growth (in subscriptions, licenses and dairy subscriptions changing revenue mix)	• Dependent on core markets growth	Average revenue growth: 3.0%	$7.0 million (up 10.8%)
Funds Management	Total Funds Under Management	• Investment market returns impacts FUM (all asset classes) • No major market correction	Continue 3-year rolling average growth: 14%	$3.95 billion (up 14.2% YoY, down 0.25% YTD)
Wealth Technologies	Total Funds Under Administration	• Investment market returns impacts FUA (all asset classes) • No major market correction	Migrate new clients onto the platform	$3.08 billion (up 46.1%) One new customer

1 2020 full year deliverables targets were outlined in the Investor Presentation released on 14 February 2020.
2 Operating earnings are before net finance expense, income tax, depreciation, amortisation and gain and loss on disposal of business and property, plant and equipment. Operating earnings is not a defined performance measure in NZ IFRS. The Group's definition of operating earnings may not be comparable with similarly titled performance measures and disclosures by other entities.

Operating Revenue

Issuer Relationships

Annual listing fees paid by NZX's equity, debt and fund issuers are driven by the number of listed issuers and equity, debt and fund market capitalisations. Annual listing fees have been positively impacted by the growth in number and value of debt instruments, and the growth in equity market capitalisation despite delistings.

Primary listing fees are paid by all issuers at the time of listing. The primary drivers of this revenue are the number of new listings and the value of capital listed. Primary listing fees in the period have been driven by debt listings (retail and wholesale); with total new capital listed of $2.3 billion down 43.2% on the comparative period.

Secondary issuance fees are paid by existing issuers when the company raises additional capital through placements, rights issues, the exercise of options, dividend reinvestment plans, or further debt issues. The primary drivers for this revenue are the number of secondary issuances and the value of secondary capital raised. Secondary issuance fees in the period have been driven by equity recapitalisations; with total additional capital raised of $5.9 billion up 61.6% on the comparative period.

Other issuer services revenue arises from time spent by NZX Regulation reviewing listing and secondary capital raising documents, requests for listing rule waivers, and other significant issuer matters.

Contractual and consulting and development revenue arises from the operation of New Zealand's electricity market (under a long term contract with the Electricity Authority) and the Fonterra Shareholders' Market (under a long term contract with Fonterra). Consulting and development revenue is earned through systems enhancements, including an electricity market real time pricing project which is due for completion in 2022.

Secondary Markets

Participant services revenue is charged to market participants (broking, clearing and advisory firms) that are accredited for NZX's equity, debt and derivatives markets. The total number of market participants has reduced, with BNP Paribas Securities Services Australia becoming accredited for cash market depository services, Sharesies being accredited as a cash trading and clearing participant, offset by the consolidation of markets (i.e. NZAX and NXT into the Main Board) resulting in the removal of NZAX Sponsors and NXT Advisors.

Securities trading revenue comes from the execution of trades on NZX's equity and debt markets. Securities clearing revenue relates to clearing and settlement activities, and related depository services undertaken by NZX's subsidiary New Zealand Clearing and Depository Corporation Limited. The largest component is clearing fees which are based on the value of settled transactions.

Securities trading and clearing revenue increased as:

- the total value traded and cleared ($27.9 billion) is 52.3% higher than the comparative period; and
- the fee structure changes on 1 July 2019 (e.g. trading fee cap has been raised and clearing tiers reduced).

Dairy derivatives revenue relates to trading, clearing and settlement fees for trading NZX dairy futures and options. The fees are largely charged in USD (reflecting the global nature of the market) per lot traded. Dairy derivatives revenue increased in line with the 9.6% growth in lots traded.

Data & Insights

Royalties from terminals relate to the provision of capital markets data to global data resellers who incorporate the data into their own subscription products. The royalties from terminals increase of 5.8% relates to growth in retail terminal numbers.

Subscription and licences relate to the provision of capital markets data to other participants in the capital markets (e.g. non-display applications). The subscriptions and licences revenue increase of 16.0% relates to the growth in client's data usage, improved license arrangements and increased licence numbers.

Dairy data subscriptions relate to the sale of dairy data and analytical products. Dairy data subscription revenue has decreased as a result of divestment of NZX Agri business, resulting in churn of dairy subscriptions arrangements.

Indices revenue relates to the revenue generated on index licensing in partnership with S&P. Indices revenue has been an area of focus to drive increasing market liquidity.

Funds Management

Funds management revenue is generated from:

- Funds under management based revenue which relates to variable funds under management (FUM) fees which are received net of fund expenses. Fund expenses include a combination of fixed costs (principally outsourced fund accounting and administration costs and registry fees), and variable costs proportionate to FUM (principally custodian fees, trustee fees, index fees, settlement costs and third party manager fees);

- Member based revenue which includes fixed membership administration fees and other member services; and

- Other revenue, for example interest income, insurance service fees and stock lending and borrowing service fees.

FUM based revenue (net of fund expenses) has increased 15.4% driven by:

- higher average FUM over the period, arising from a combination of market returns and positive net cash flows ($213 million year to date). FUM at 30 June 2020 has grown to $3.95 billion up 14.2% on the comparative period; offset by

- fund expense associated with the new funds (e.g. Blackrock iShares funds), and the segregation and unitisation of SuperLife Invest providing access for wholesale clients; partially reduced by efficiencies from the changed operating model (including changing custodian for some funds and internalising management of the Cash Funds) and improvements to supplier arrangements.

Member based revenue has decreased due to a historical pricing provision which more than offset the positive impact from the 7.8% growth in investor numbers (ETFs and SuperLife).

Other revenue has been favourably impacted by the commencement of stock lending services offset by the impact from the decreased OCR rate.

Wealth Technologies

Wealth Technologies revenue is generated from administration services provided on both the original (OE) and new wealth management platforms, and development fees received for specific client system requirements. The administration service fees are based on funds under administration (FUA) and have been driven by:

- New platform – FUA continues to increase, with a new customer transitioned in late June 2020 (the related administration fees impact will occur in the second half of 2020); and

- OE platform – the number of customers is unchanged, with FUA remaining stable.

FUA at 30 June 2020 has grown to $3.08 billion up 46.1% on the comparative period.

Corporate Services

Corporate Services revenue relates to the short term sub lease of part of the Wellington premises and NZX.com advertising revenue.

Operating Expenses

Personnel costs

Personnel costs are made up of:

- salary costs (including bonuses, commissions, ACC levies and KiwiSaver contributions); plus
- contractor and other personnel costs (including training, recruitment and staff benefits); less
- capitalised labour (where employees or contractors are engaged on capital projects).

Personnel costs have increased due to a combination of wage inflation, short term contractor resources (e.g. assisting with the delivery of the electricity market real time pricing project), impacts arising from the COVID-19 lockdown and resultant lower levels of annual leave and staff turnover (e.g. increased annual leave and bonus accruals), and the movement in average FTEs arising from:

- additional roles in the Securities IT team to deliver technology solutions to increase trading and clearing system capacity and maintaining market stability;
- additional project management resources for energy projects;
- Smartshares strengthening of the leadership team (new COO and CIO) plus growing sales and customer services resources to support growth in line with the strategic focus;
- Wealth Technologies sales activity and additional operational staff for new clients; and
- the vacancy numbers at each period end.

Capitalisation of internal development resources (2020: $2.57 million; 2019: $2.07 million) primarily relates to Wealth Technologies' core platform. NZX's trading system upgrade has been deferred due to the COVID-19 lockdown and the focus on increasing trading and clearing system capacity and maintaining market stability.

Information Technology

Information Technology costs were made up of software licence fees, hardware support and maintenance fees, telecommunications and data network costs, and IT services provided by third parties.

Higher Information Technology costs in the current period arise from:

- the network transformation project – which stengthens cyber security; and
- additional licence costs to improve resilience of NZX's clearing and settlement system (BaNCS).

Professional Fees

Professional fees, including legal expenses, audit and assurance costs and advisory / consultancy fees, include those relating to:

- NZX clearing and settlement system (BaNCS) – independent external review of technical issues arising from significantly increased trading volumes, trade messaging, trade notifications and shareholder balance enquiries;
- Smartshares investments for growth e.g. the initial phase to implement a new front and middle office operating system, several new ETF funds (launched on 15 July 2020), setting up of stock lending and borrowing services, the Asia Region Funds Passport application, and the enhancement of Smartshares digital tools;
- the assurance programme – internal audits, internal control reports, energy audits and consulting obligations under the Electricity Authority contracts, annual conflicts review, funds conduct risk assessment review; and
- terminal royalty audit fees which vary in proportion to the related revenue; with costs and revenue recognised on a gross basis.

Marketing

Marketing costs relate primarily to Smartshares (aimed at attracting new investors/members and increased branding awareness), and NZX corporate services (which supports the core exchange businesses and the investor relations programme). Marketing had been deferred during the COVID-19 lockdown and will recommence through the remainder of 2020.

Other Expenses

Other expenses relate to premises costs, insurance, directors fees, travel, external audit costs, outsourced payroll system, corporate memberships, statutory/compliance costs and non recoverable GST (on the funds management and Wealth Technologies businesses). Other expenses have decreased as a result of there being no travel during the COVID-19 lockdown.

Capitalised overheads

The portion of all expense categories which relate to capital activities (e.g. Wealth Technologies core platform and NZX's trading system upgrade) has increased slightly.

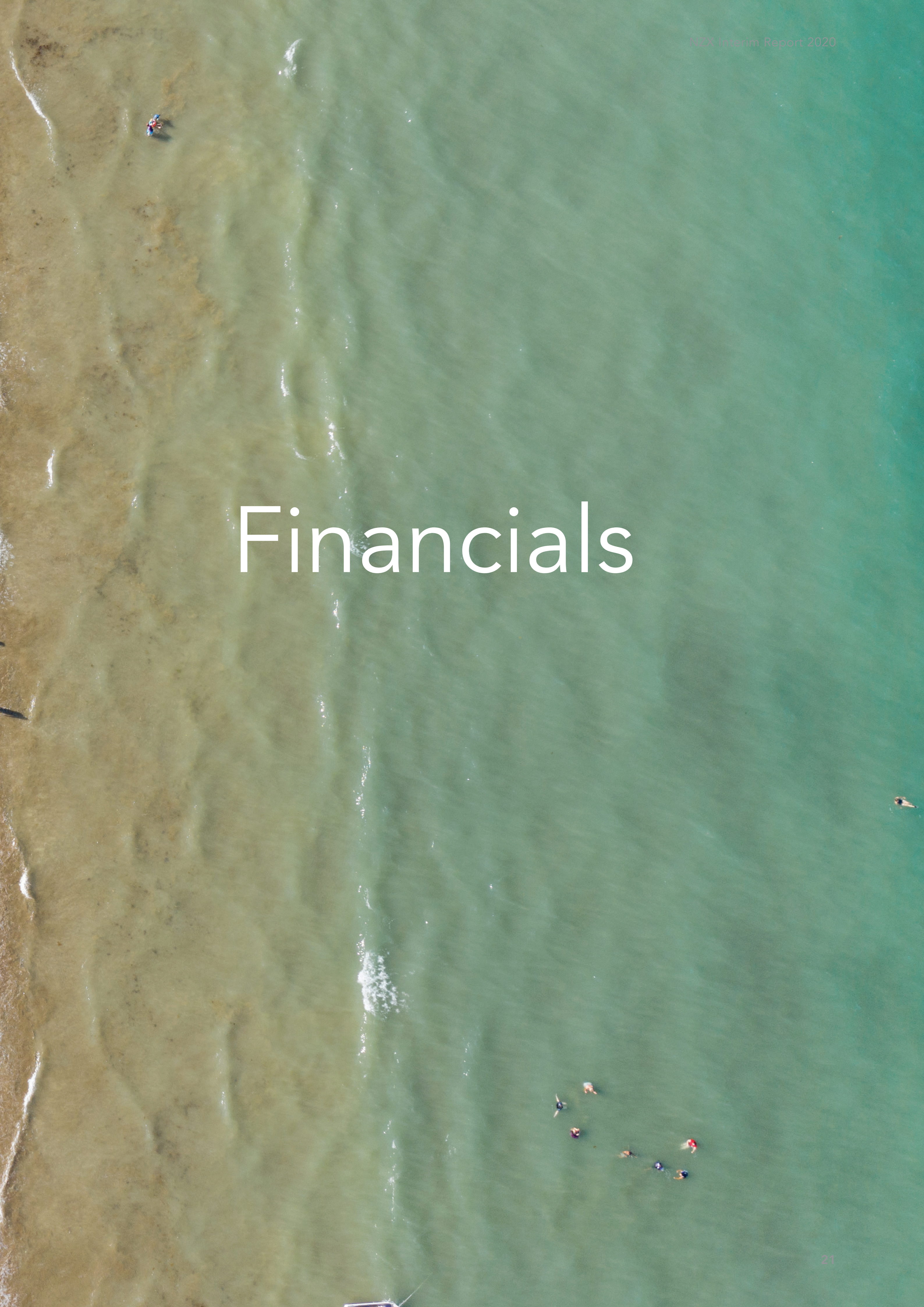
Non-operating Income and Expenses

Net finance expense comprises interest income (on cash balances, Clearing House risk capital and regulatory working capital), interest expenses (on the subordinated note and lease liabilities), unrealised fair value gain on investment and foreign exchange gains/(losses). Decreased net finance costs result from the net gains on foreign exchange movements on USD bank accounts.

Depreciation and amortisation expenses have decreased due to the clearing system being fully amortised in September 2019; offset by increases for depreciation on:

- leased IT equipment; and
- amortisation costs capitalised in the current period for Wealth Technologies core platform's refinement and extension.

The effective tax rate is higher than the statutory rate of 28% due to non-deductible items.



Financials

Income statement

For the six months ended 30 June 2020

	Note	Unaudited 6 months ended 30 June 2020 $000	Unaudited 6 months ended 30 June 2019 $000	Audited 12 months ended 31 Dec 2019 $000
Total operating revenue	5	38,418	32,863	69,548
Total operating expenses	6	(20,868)	(18,418)	(38,184)
Earnings before net finance expense, income tax, depreciation, amortisation and loss on disposal of businesses and property, plant and equipment (EBITDA)[1]	2	**17,550**	**14,445**	**31,364**
Net finance expense	7	(758)	(984)	(2,153)
Depreciation and amortisation expense		(4,042)	(4,281)	(8,595)
Loss on disposal of businesses and property, plant and equipment	8	-	(91)	(83)
Profit before income tax		**12,750**	**9,089**	**20,533**
Income tax expense		(3,667)	(2,641)	(5,888)
Profit for the period		**9,083**	**6,448**	**14,645**
Earnings per share				
Basic (cents per share)		3.3	2.4	5.3
Diluted (cents per share)		3.3	2.3	5.3

1 EBITDA is not a defined performance measure in NZ IFRS. Please refer to Note 2 for more information.

Statement of comprehensive income

For the six months ended 30 June 2020

	Unaudited 6 months ended 30 June 2020 $000	Unaudited 6 months ended 30 June 2019 $000	Audited 12 months ended 31 Dec 2019 $000
Profit for the period	9,083	6,448	14,645
Other comprehensive income recognised through equity			
Foreign currency translation differences	(1)	(2)	(1)
Total other comprehensive income	(1)	(2)	(1)
Total comprehensive income for the period	**9,082**	**6,446**	**14,644**

Statement of changes in equity

For the six months ended 30 June 2020

	Note	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Audited balance at 1 January 2019 (Restated)		**51,066**	**10,386**	**(45)**	**61,407**
Profit for the period		-	6,448	-	6,448
Foreign currency translation differences		-	-	(2)	(2)
Total comprehensive income for the period		**-**	**6,448**	**(2)**	**6,446**
Transactions with owners recorded directly in equity:					
Dividends paid	12	-	(8,424)	-	(8,424)
Issue of shares		2,459	-	-	2,459
Share based payments		274	-	-	274
Cancellation of non-vesting shares		(72)	72	-	-
Total transactions with owners recorded directly in equity		**2,661**	**(8,352)**	**-**	**(5,691)**
Unaudited closing balance at 30 June 2019		**53,727**	**8,482**	**(47)**	**62,162**
Profit for the period		-	8,197	-	8,197
Foreign currency translation differences		-	-	1	1
Total comprehensive income for the period		**-**	**8,197**	**1**	**8,198**
Transactions with owners recorded directly in equity:					
Dividends paid	12	-	(8,238)	-	(8,238)
Issue of shares		1,375	-	-	1,375
Share based payments		421	-	-	421
Total transactions with owners recorded directly in equity		**1,796**	**(8,238)**	**-**	**(6,442)**
Audited closing balance at 31 December 2019		**55,523**	**8,441**	**(46)**	**63,918**
Profit for the period		-	9,083	-	9,083
Foreign currency translation differences		-	-	(1)	(1)
Total comprehensive income for the period		**-**	**9,083**	**(1)**	**9,082**
Transactions with owners recorded directly in equity:					
Dividends paid	12	-	(8,935)	-	(8,935)
Issue of shares		1,195	-	-	1,195
Share based payments		452	-	-	452
Share based payments for vested shares		(129)	-	-	(129)
Total transactions with owners recorded directly in equity		**1,518**	**(8,935)**	**-**	**(7,417)**
Unaudited closing balance at 30 June 2020		**57,041**	**8,589**	**(47)**	**65,583**

* Restated for the adoption of the new accounting standard NZ IFRS 16 Leases.

Statement of financial position

As at 30 June 2020

	Note	Unaudited 30 June 2020 $000	Unaudited 30 June 2019 $000	Audited 31 Dec 2019 $000
Current assets				
Cash and cash equivalents		21,420	15,785	27,740
Cash and cash equivalents - restricted	9	20,000	20,000	20,000
Funds held on behalf of third parties		121,159	71,309	79,667
Current investment		-	83	-
Receivables and prepayments		20,798	22,258	9,006
Total current assets		**183,377**	**129,435**	**136,413**
Non-current assets				
Property, plant & equipment		2,386	2,870	2,612
Right-of-use lease assets	10	6,199	6,421	5,826
Goodwill	3	30,222	30,222	30,222
Other intangible assets	3	39,376	36,716	37,498
Total non-current assets		**78,183**	**76,229**	**76,158**
Total assets		**261,560**	**205,664**	**212,571**
Current liabilities				
Funds held on behalf of third parties		121,159	71,309	79,667
Trade payables		5,257	4,489	3,782
Other liabilities - current		16,105	15,355	12,276
Lease liabilities	10	1,657	1,390	1,439
Current tax liability		2,077	806	1,776
Total current liabilities		**146,255**	**93,349**	**98,940**

The accompanying notes form an integral part of these financial statemen

Statement of financial position (continued)

As at 30 June 2020

	Note	Unaudited 30 June 2020 $000	Unaudited 30 June 2019 $000	Audited 31 Dec 2019 $000
Non-current liabilities				
Non-current other liabilities		403	242	323
Lease liabilities	10	7,267	7,887	7,172
Interest bearing liabilities	11	38,871	38,824	38,852
Deferred tax liability		3,181	3,200	3,366
Total non-current liabilities		**49,722**	**50,153**	**49,713**
Total liabilities		**195,977**	**143,502**	**148,653**
Net assets		**65,583**	**62,162**	**63,918**
Equity				
Share capital		57,041	53,727	55,523
Retained earnings		8,589	8,482	8,441
Translation reserve		(47)	(47)	(46)
Total equity attributable to shareholders		**65,583**	**62,162**	**63,918**
Net tangible assets per share (cents per share)		(1.45)	(1.75)	(1.37)

Approved on behalf of the Board of Directors on 13 August 2020.

J B Miller
Chair of the Board

Lindsay Wright
Chair of the Audit and
Risk Committee

Statement of cash flows

For the six months ended 30 June 2020

	Note	Unaudited 6 months ended 30 June 2020 $000	Unaudited 6 months ended 30 June 2019 $000	Audited 12 months ended 31 Dec 2019 $000
Cash flows from operating activities				
Receipts from customers		32,676	24,696	69,944
Net interest paid		(933)	(902)	(2,091)
Payments to suppliers and employees		(20,966)	(18,720)	(37,029)
Income tax paid		(3,551)	(3,923)	(6,034)
Net cash provided by operating activities		**7,226**	**1,151**	**24,790**
Cash flows from investing activities				
Net cash paid on disposal of businesses		-	-	(4)
Cash received from short term investment		-	-	6
Payments for investment		-	(80)	-
Payments for property, plant and equipment		(256)	(494)	(708)
Payments for intangible assets		(4,825)	(3,585)	(7,594)
Net cash used in investing activities		**(5,081)**	**(4,159)**	**(8,300)**
Cash flows from financing activities				
Payment of lease liabilities		(672)	(608)	(1,288)
Purchase of subordinated notes		(10)	-	-
Dividends paid		(7,783)	(5,984)	(12,847)
Net cash used in financing activities		**(8,465)**	**(6,592)**	**(14,135)**
Net increase/(decrease) in cash and cash equivalents		(6,320)	(9,600)	2,355
Cash and cash equivalents at the beginning of the period		47,740	45,385	45,385
Cash and cash equivalents at the end of the period		**41,420**	**35,785**	**47,740**

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the six months ended 30 June 2020

1. Reporting entity and statutory base

Reporting entity

The interim financial statements presented are for NZX Limited (the Company) and its subsidiaries (together referred to as the Group) as at and for the six months ended 30 June 2020.

The Group operates New Zealand securities, derivatives and energy markets, including building and maintaining the infrastructure on which they operate. It provides funds management services including superannuation and exchange traded funds (ETFs), as well as building and operating wealth management platforms for other providers. It also provides a range of information and data to support market growth and development in the securities and dairy sectors.

The Company is a for-profit entity incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). The Company is listed and its ordinary shares are quoted on the NZX Main Board. The Company also has listed debt which is quoted on the NZX Debt Market.

Basis of preparation

The interim financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP), the requirements of the FMCA and the Main Board/Debt Market Listing Rules of NZX Limited. The interim financial statements comply with New Zealand equivalent to International Accounting Standards NZ IAS 34 and IAS 34 Interim Financial Reporting.

These interim financial statements do not disclose all the information required for annual financial statements prepared in accordance with NZ IFRS. Consequently, the interim financial statements should be read in conjunction with the financial statements and related notes included in the Annual Report for the year ended 31 December 2019.

The Group notes the COVID-19 pandemic in the period but that it has had no material adverse impact on the Group.

Accounting policies

These interim financial statements have consistently applied the accounting policies set out in the Group's Annual Report for the year ended 31 December 2019.

Accounting estimates and judgements

The key sources of estimation uncertainty have not changed from those used in preparing the annual financial statements for the year ended 31 December 2019.

Functional and presentation currency

These interim financial statements are presented in New Zealand dollars ($), which is the Group's functional currency, and are rounded to the nearest thousand dollars unless otherwise indicated.

Presentational changes

Certain amounts in the comparative information have been reclassified to ensure consistency with the current period's presentation.

2. Non-GAAP measures

Reconciliation of adjusted EBITDA to profit for the period

	Unaudited 6 months ended 30 June 2020 $000	Unaudited 6 months ended 30 June 2019 $000	Audited 12 months ended 31 Dec 2019 $000
Profit for the period	**9,083**	**6,448**	**14,645**
Income tax expense	3,667	2,641	5,888
Profit before income tax	**12,750**	**9,089**	**20,533**
Adjustments for:			
- Net finance expense	758	984	2,153
- Depreciation and amortisation expense	4,042	4,281	8,595
- Loss on disposal of businesses and property, plant and equipment	-	91	83
Adjusted EBITDA	**17,550**	**14,445**	**31,364**

Management has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group’s financial performance. Adjusted EBITDA is calculated by adjusting profit from operations to exclude the impact of taxation, net finance costs, depreciation, amortisation, and impairment losses/reversals related to goodwill, intangible assets, property, plant and equipment.

Adjusted EBITDA is not a defined performance measure in NZ IFRS. The Group’s definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

3. Goodwill and other intangible assets

The Group performs full impairment assessment annually to determine whether there is an indicator of impairment of its goodwill and other intangible assets. The last full impairment assessment was performed at 31 December 2019, and no impairment was required as a result.

The Group has reviewed the indicators of impairment for the six month period to 30 June 2020, and no indicators of impairment were noted (none at 30 June 2019). Next full impairment assessment will be performed and included in the Group's year end financial statements as at 31 December 2020.

4. Segment reporting

The Group has five revenue generating segments, as described below, which are the Group’s strategic business areas, and a corporate services segment which includes all costs that are shared across the organisation. The reportable segments are:

- Issuer Relationships - provider of issuer services for current and prospective customers and market operator for Fonterra Co-Operative Group and the Electricity Authority. For segmental reporting purposes regulatory issuer compliance services are also included in this segment;

- Secondary Markets - provider of trading and post-trade services for securities and derivatives markets operated by NZX, as well as the provider of a central securities depository. For segmental reporting purposes regulatory participant compliance and surveillance services are also included in this segment;

- Data & Insights - provider of data services for securities and derivatives markets, and data and analysis for New Zealand's dairy sector;

- Funds Management - provider of SuperLife superannuation and KiwiSaver funds, and Smartshares exchange traded funds; and

- Wealth Technologies - funds administration provider.

The Group’s CEO (the chief operating decision maker) reviews internal management reports for each of these strategic areas on a regular basis. The Group’s revenue is analysed into each of the reportable segments. Expenses incurred are allocated to the segments only if they are direct and specific expenses to one of the segments. The remaining expenses that relate to activities shared across the group are reported in the Corporate segment.

The Group's assets and liabilities are analysed into each of the revenue generating segments, apart from those assets and liabilities that are utilised on a shared basis, which are allocated to the Corporate segment.

The segment result is not a defined performance measure in NZ IFRS. Please refer to note 2 for more information.

Segmental information for the six months ended 30 June 2020

Unaudited	Issuer Relationships $000	Secondary Markets $000	Data & Insights $000	Funds Management $000	Wealth Technologies $000	Corporate Services $000	Total $000
Operating revenue	13,091	10,448	7,034	6,807	849	189	**38,418**
Operating expenses	(2,828)	(3,180)	(1,095)	(3,937)	(1,382)	(8,446)	**(20,868)**
Total segment result	**10,263**	**7,268**	**5,939**	**2,870**	**(533)**	**(8,257)**	**17,550**
Segment assets	26,605	152,561	3,321	40,165	15,046	23,862	**261,560**
Segment liabilities	(14,595)	(121,903)	(846)	(5,151)	62	(53,544)	**(195,977)**
Net assets	**12,010**	**30,658**	**2,475**	**35,014**	**15,108**	**(29,682)**	**65,583**

Segmental information for the six months ended 30 June 2019

Unaudited	Issuer Relationships $000	Secondary Markets $000	Data & Insights $000	Funds Management $000	Wealth Technologies $000	Corporate Services $000	Total $000
Operating revenue	12,115	7,070	6,349	6,305	838	186	**32,863**
Operating expenses	(2,667)	(3,156)	(927)	(3,120)	(1,024)	(7,524)	**(18,418)**
Total segment result	**9,448**	**3,914**	**5,422**	**3,185**	**(186)**	**(7,338)**	**14,445**
Segment assets	26,906	100,338	3,749	41,445	12,538	20,688	**205,664**
Segment liabilities	(14,491)	(70,218)	(875)	(5,847)	(314)	(51,757)	**(143,502)**
Net assets	**12,415**	**30,120**	**2,874**	**35,598**	**12,224**	**(31,069)**	**62,162**

Segmental information for the twelve months ended 31 December 2019

Audited	Issuer Relationships $000	Secondary Markets $000	Data & Insights $000	Funds Management $000	Wealth Technologies $000	Corporate Services $000	Total $000
Operating revenue	26,221	15,449	12,829	12,881	1,693	475	**69,548**
Operating expenses	(5,107)	(6,424)	(1,816)	(6,833)	(2,573)	(15,431)	**(38,184)**
Total segment result	**21,114**	**9,025**	**11,013**	**6,048**	**(880)**	**(14,956)**	**31,364**
Segment assets	14,608	110,145	3,242	40,828	13,319	30,429	**212,571**
Segment liabilities	(8,570)	(79,756)	(1,315)	(5,656)	(885)	(52,471)	**(148,653)**
Net assets	**6,038**	**30,389**	**1,927**	**35,172**	**12,434**	**(22,042)**	**63,918**

5. Operating revenue

	Unaudited 6 months ended 30 June 2020 $000	Unaudited 6 months ended 30 June 2019 $000	Audited 12 months ended 31 Dec 2019 $000
Listing fees	7,874	7,066	15,942
Other issuer services	351	223	500
Market operations	4,866	4,826	9,779
Total Issuer Relationships revenue	**13,091**	**12,115**	**26,221**
Participant services	2,307	1,851	4,024
Securities trading	2,884	1,763	3,850
Securities clearing	4,466	2,713	6,045
Dairy derivatives	791	743	1,530
Total Secondary Markets revenue	**10,448**	**7,070**	**15,449**
Securities information	6,719	5,998	12,102
Dairy data subscriptions	315	351	727
Total Data & Insights revenue	**7,034**	**6,349**	**12,829**
Funds Management revenue	**6,807**	**6,305**	**12,881**
Wealth Technologies revenue	**849**	**838**	**1,693**
Other Corporate revenue	**189**	**186**	**475**
Total operating revenue	**38,418**	**32,863**	**69,548**

6. Operating expenses

	Unaudited 6 months ended 30 June 2020 $000	Unaudited 6 months ended 30 June 2019 $000	Audited 12 months ended 31 Dec 2019 $000
Operating expenses			
Gross personnel costs	(16,620)	(14,302)	(28,927)
Less capitalised labour	2,573	2,070	4,288
Net personnel costs	(14,047)	(12,232)	(24,639)
Information technology	(3,707)	(3,456)	(7,047)
Professional fees	(1,658)	(1,009)	(2,180)
Marketing	(422)	(421)	(1,308)
Other expenses	(1,576)	(1,714)	(3,926)
Capitalised overheads	542	414	916
Total operating expenses	**(20,868)**	**(18,418)**	**(38,184)**

7. Net finance expense

	Unaudited 6 months ended 30 June 2020 $000	Unaudited 6 months ended 30 June 2019 $000	Audited 12 months ended 31 Dec 2019 $000
Interest income	534	500	1,033
Interest on lease liabilities	(215)	(200)	(414)
Other interest expense	(1,181)	(1,198)	(2,572)
Amortised borrowing costs	(37)	(39)	(77)
Gain on investment	-	3	6
Net gain/(loss) on foreign exchange	141	(50)	(129)
Net finance expense	**(758)**	**(984)**	**(2,153)**

8. Loss on disposal of business and property, plant and equipment

	Unaudited 6 months ended 30 June 2020 $000	Unaudited 6 months ended 30 June 2019 $000	Audited 12 months ended 31 Dec 2019 $000
Gain/(loss) on disposal of property, plant and equipment	-	(6)	2
Loss on disposal of business - Fundssource	-	(85)	(85)
	-	**(91)**	**(83)**

The FundSource business was sold effective 21 June 2019.

9. Cash and cash equivalents

The restricted cash and cash equivalents balance relates to Clearing House balances held for risk capital purposes and are not available for general cash management use by the Group.

10. Leases

During the period, the Group entered into a new property lease agreement commencing 1 August 2021 as a lessee, to replace an existing lease expiring on 31 August 2021.

11. Interest bearing liabilities

	Unaudited as at 30 June 2020 $000	Unaudited as at 30 June 2019 $000	Audited as at 31 Dec 2019 $000
Subordinated notes	39,990	40,000	40,000
Capitalised borrowing costs	(1,119)	(1,176)	(1,148)
Net interest bearing liabilities	**38,871**	**38,824**	**38,852**

a. *Subordinated notes*

The subordinated notes are quoted on the NZX debt market. The terms of the subordinated notes are set out in the Group's Annual Report for the year ended 31 December 2019 and include a financial covenant that has been met throughout the period.

The subordinated notes are measured at amortised cost using the effective interest method, as required by NZ IFRS 9.

b. *Bank overdraft and revolving credit facilities*

The Group has access to an overdraft facility with a limit of $3.0 million (30 June 2019: $5.0 million, 31 December 2019: $3.0 million). The effective interest rate of the facility at 30 June 2020 was 3.42% (30 June 2019: 4.14%, 31 December 2019: 4.28%).

The Group also has a revolving credit facility with a limit of $3.0 million (30 June 2019: $5.0 million, 31 December 2019: $3.0 million).

No amount was drawn down at 30 June 2020 (none at 30 June 2019 and 31 December 2019).

The terms of these facilities are set out in the Group's Annual Report for the year ended 31 December 2019. Both facilities are unsecured and contain financial covenants which have been met throughout the period.

12. Dividends

	For year ended	Unaudited 6 months ended 30 June 2020 Cents per share	Unaudited 6 months ended 30 June 2020 Total $000	Unaudited 6 months ended 30 June 2019 Cents per share	Unaudited 6 months ended 30 June 2019 Total $000	Audited 12 months ended 31 Dec 2019 Cents per share	Audited 12 months ended 31 Dec 2019 Total $000
Dividends declared and paid							
March 2019 - Final	31 Dec 18			3.1	8,424	3.1	8,424
September 2019 -Interim	31 Dec 19					3.0	8,238
March 2020 - Final	31 Dec 19	3.1	8,935				
Total dividends paid during the period		**3.1**	**8,935**	**3.1**	**8,424**	**6.1**	**16,662**

Refer to note 16 for details of the 2020 interim dividend.

13. Share based payments

During the period, there were no changes in the CEO Long Term Incentive Plan.

Shares that were issued, transferred to NZX employees or redeemed under the NZX Limited employee share plan - Team and Results, and rights that were issued or redeemed under the NZX Employee Long Term Incentive Plan during the period were on terms consistent with the prior period.

During the period $1,000 worth of NZX ordinary shares (gross) were issued to new employees to encourage staff engagement and shareholder alignment.

14. Related party transactions

a. Transactions with key management personnel

Key management personnel comprises the Group's senior management team. Key management personnel compensation comprised the following:

	Unaudited 6 months ended 30 June 2020 $000	Unaudited 6 months ended 30 June 2019 $000	Audited 12 months ended 31 Dec 2019 $000
Short-term employee benefits	2,390	2,374	4,548
Long -term employee benefits	81	81	161
Share-based payments	239	143	416
	2,710	**2,598**	**5,125**

b. Transactions with directors and other entities NZX directors are associated with

Directors fees for the six month period to 30 June 2020 were $225,000 (30 June 2019: $194,000, 31 December 2019: $418,000) and have been included in other expenses.

c. Transactions with managed funds

Management fees are received from the funds managed by wholly owned subsidiary Smartshares Limited and are shown in the Income Statement as funds management revenue.

In the prior period the Group invested $80,000 as short term seed capital for the 8 new ETF's launched by Smartshares in June 2019. The investment was subsequenty sold in October 2019 and $6,000 gain was realised.

15. Contingent liabilities

In New Zealand there has been increased regulatory focus on market participant compliance for entities such as the Group. Accordingly, there has been an increase in the number of matters on which the Group engages with its regulators including matters such as financial market conduct, reporting and disclosure obligations, tax treatments, and product disclosure documentation. In the normal course of business the Group may be subject to actual or possible claims. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate are made.

There were no contingent liabilities as at 30 June 2019 and 31 December 2019.

16. Subsequent events

Dividend

Subsequent to balance date the Board declared an interim dividend of 3.0 cents per share (fully imputed), to be paid on 18 September 2020 (with a record date of 4 September 2020).

Independent Review Report

To the shareholders of NZX Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 22 to 35 do not:

i. present fairly in all material respects the Group's financial position as at 30 June 2020 and its financial performance and cash flows for the 6 month period ended on that date; and

ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2020;

— the income statement, statements of other comprehensive income, changes in equity and cash flows for the 6 month period then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

A review of interim consolidated financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of NZX Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the group in relation to regulatory assurance. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as reviewer of the group. The firm has no other relationship with, or interest in, the group.

Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.

KPMG

Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of an interim consolidated financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these interim consolidated financial statements.

This description forms part of our Independent Review Report.

KPMG

KPMG
Wellington

13 August 2020

CORPORATE DIRECTORY

Getting in touch

Board of Directors

James Miller (Chair)
Frank Aldridge
Nigel Babbage
Richard Bodman
Elaine Campbell
Jon Macdonald
John McMahon
Lindsay Wright

Chief Executive Officer

Mark Peterson

Chief Financial Officer

Graham Law

General Counsel and Company Secretary

Hamish Macdonald

Registered Office

NZX Limited
Level 1 / NZX Centre
11 Cable Street
PO Box 2959
Wellington

+64 4 472 7599
info@nzx.com
www.nzx.com

Auditors

KPMG
10 Customhouse Quay
Wellington

+64 4 816 4500

Share Register

Link Market Services Limited
PO Box 91976
Auckland 1142

+64 9 375 5998
enquiries@linkmarketservices.co.nz
www.linkmarketservices.co.nz

NZX

NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA