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CEO's Address to NZX Annual Meeting 2014

Good afternoon and thanks for taking the time to attend today.

Over the past ten years since demutualisation, NZX has had two phases of strong growth. In the initial period after our 2003 listing, revenue growth was driven by a combination of favorable capital markets activity and moving to a more commercial pricing model. Over the past five years, revenues have been driven by expansion of our non-capital markets business, primarily though the acquisition of rural publisher Countrywide Publications Limited and several other the other agricultural information businesses, Clear Grain, and M-Co, now NZX Energy.

We are now at the beginning of the next phase of growth; we have very good growth opportunities across all of our businesses, and we have built a strong foundation over the past year or so to capture these opportunities.

As Andrew mentioned, the growth in KiwiSaver is underpinning growth in capital markets and will continue to do so, markets cycles aside, for many years to come. In line with this, a particular focus for us this year is on the listings pipeline for both the Main Board and our new growth market.

The new growth market will provide a fundamentally different environment for capital raising for small, higher growth companies, and those New Zealanders who would like to invest in them. We have spent more than a year consulting with the industry and have developed a new market structure that is unique:

- For issuers: lower costs for an initial offering and ongoing compliance costs through the elimination of PFIs, simpler rules and a dedicated set of advisors to support them

- For investors: better information on which to make investment decisions through regular, mandated updates from issuers, a focus on both financial information and key operating metrics, research coverage and a disclosure environment that will encourage more frequent updates and forward looking statements

- A market that will have more liquidity through the use of market-makers which we expect to provide a more appropriate valuation mechanism for listed companies

The launch of the market is subject to both ministerial and FMA approval. We're confident that we'll be ready to launch the market in the middle of the year, dependent on these approvals.

Turning now to our soft commodity business which comprises dairy derivatives and the Clear Grain Exchange in Australia. Volume growth in dairy futures has been significant this year driven in part by the CFTC approval that we received in January, which allows direct access to US participants to trade on the market. We're continuing to work with Fonterra on further initiatives to grow this market and continue to believe that futures volumes should grow to a size (relative to traded physical volumes) that is comparable with other commodity markets globally; implying 10 or 20 times the volumes that we currently see in this market today. The Clear Grain team in Melbourne is currently focused on launching forward contracts for the next harvest and re-launching the Clear business in Western and South Australia.

As you will have noted from our quarterly update, we have seen strong growth in revenues in our agri information publications in the first quarter when compared to last year, when the drought severely impacted demand for advertising. Of course, the greatest challenge in this business – like many information publishers globally – is migrating from traditional print media to online. The Agri HQ website re-launched at the beginning of 2013 and is now generating around 100,000 unique visitors per month. We're continuing to build a broad range of content on these sites, in addition to our high quality news coverage. This includes an online learning tool Agri-Academy and the Sharing Shed, an online forum. We launched a new data product for the dairy sector Farmgate, in April and will launch a set of analytic tools for dairy farmers in the middle of the year, based on work we have jointly undertaken with Massey University.

In general, there is a lack of good quality information and data in the agricultural sector, and NZX is well-positioned to provide this data and the tools to analyse it. As we have noted before, we are continuing to seek small acquisitions to broaden the range of commodities that we cover, in addition to organically building the team, and hence our offering.

In our funds management business, we plan to launch two new funds this year. Not only will they expand our offering, but they will increase the range of passive funds available to investors in New Zealand; a segment that should be much larger part of the New Zealand market. As has been widely noted by both academics and investment professionals, and as evidenced by the rapid growth of Exchange Traded Funds in other markets, passive funds provide an attractive option for long-term investors. Additional ETFs will also add liquidity to the market and expand the volume of stock for lending through the depository.

This is another example of where the launch of a product by NZX not only benefits our business but also has beneficial second or third order impacts on the market. This is also true for equity index futures, which we will launch in June.

In addition to extending the range of fund management products we offer, we've spent some time considering how we could participate in the growth of the sector through the provision of registry or other products and services, either directly or though Link Market Services, which we own 50% of.

Our Market Operations business, which comprises our operation of the Fonterra Shareholders' Market and four service provider contracts for the Electricity Authority, has had a good start to the year. While by their nature these contracts have limited revenue upside, we do undertake development work on behalf of the Electricity Authority. This year that includes two significant projects to improve the efficiency of the electricity market; settlement and prudential security, and the further development of financial transmission rights. While these contracts will likely be re-tendered in 2016, we are confident that we can demonstrate that NZX offers an effective and efficient operational solution for the industry.

As I mentioned, we have built a solid foundation over the past twelve months to capitalise on these opportunities. We upgraded our trading technology at the end of 2012 and a number of elements of our non-core infrastructure last year. The benefit of this has become apparent over the past year with the sharp increase trading volumes, particularly during IPOs, large sell-downs and index rebalancing, where our systems have performed flawlessly. We have started planning work on the upgrade of our clearing system to the latest version, which, if it meets our business case criteria, we will embark on next year.

We have also made substantial changes in the past two years to the number and structure of roles within the senior management team; more than half the team are new or are in new roles. This has expanded our bandwidth to focus on the areas I described above and more. I'd to take this opportunity thank the management team for their valuable contribution, our Board for your guidance, and to thanks you our shareholders for your ongoing support as we lay the foundation for the next phase of growth at NZX.

Tim Bennett
CEO

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