



MARKET ANNOUNCEMENT

14 July 2006

TERMS OF CONTRACT FOR NEW MANAGING DIRECTOR AND CEO

As foreshadowed in the joint announcement by Australian Stock Exchange Limited (ASX) and SFE Corporation Limited (SFE) on 14 June 2006, and in keeping with its continuous disclosure responsibilities, ASX today releases a summary of the terms and conditions of the new Managing Director and CEO, Mr Robert Elstone's, services agreement.

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1 Term

The appointment is for 3 years in the first instance. It may, however, be extended for a further 2 years.

The commencement date is 25 July 2006 or an earlier date nominated by the Board.

2 Remuneration

Remuneration arrangements are market for comparable companies to ASX. There are 3 components to Mr Elstone's remuneration. They are:

2.1 Fixed Salary

Mr Elstone will be paid a fixed remuneration amount of \$1.2m per annum. This amount is reviewable at the Board's discretion each year.

2.2 Short term incentive payments

Mr Elstone will be entitled to annual short term incentive payments of up to 50% of fixed salary.

The actual short term incentive awarded (if any) will be determined at the discretion of the Board after assessing the performance of the ASX Group, the performance of Mr Elstone and relevant market information against agreed performance targets and priorities.

2.3 Long term incentive

Mr Elstone will be entitled to participate in ASX's Long Term Incentive Plan (the **LTI Plan**), subject to shareholder approval.

The Board will seek approval for Mr Elstone to participate in the LTI Plan. Further details will be set out in the Notice of Meeting.

Participation by Mr Elstone in the LTI Plan will be in accordance with the principles of the LTI Plan which also apply to other senior executives of the ASX. Details of current offers under the LTI Plan are outlined on www.asx.com.au.

There are substantial performance hurdles to be met under the LTI Plan over the performance period.

50% of the performance criteria relates to ASX's Earnings Per Share (**EPS**). If:

- ASX's EPS compound growth is 8% per annum or less, Mr Elstone will not be provided with any shares;



- ASX's EPS compound growth is between 8.1% and 9.9% per annum, 5% of the award will be granted for each 0.1% of compound EPS growth above 8%; and
- ASX's EPS compound growth is 10% or more per annum, 100% of the award will be granted.

The remaining 50% of the performance criteria relates to ASX's performance with a group of peer companies selected by the Board (**Comparative Group**). ASX's Total Shareholder Return (**TSR**) need to achieve certain targets when compared to the Comparative Group. If ASX's TSR when compared to the TSR of the Comparative Group:

- is below the 50th percentile, Mr Elstone will not be provided with any shares;
- is at the 50th percentile, Mr Elstone will be entitled to 50% of the award;
- is between the 50th and 75th percentile of the Comparative Group, Mr Elstone will be entitled to 50% of the award plus an additional 2% of this award for each percentile ranking above the 50th percentile; and
- is at or above the 75th percentile of the Comparative Group, Mr Elstone will be entitled to 100% of the award.

The number of shares to which a Performance Right is to be awarded to a participant under the LTI Plan in respect of each stage is calculated using the formula $N = (R \times Y) / V$, where:

N = the number of Performance Rights to shares, rounded up to the nearest 100;

R = Mr Elstone's annual fixed remuneration on 1 December 2006;

Y = 80% of the annual fixed remuneration for both stages;

V = the value of a Performance Right at the date of award. This valuation will be based on the methodology prescribed by AASB 2 for valuing share based payments without any performance conditions.

Mr Elstone will participate in the LTI Plan over two stages as follows:

Stage 1- Based on a performance period commencing from 1 December 2006 to 30 June 2009. The number of shares to which a Performance Right is to be awarded to Mr Elstone will be calculated as follows:

$$N = \frac{1,200,000 \times 80\%}{V}$$

Stage 2- Based on a performance period commencing from 1 December 2007 and ending 30 November 2010. The number of share to which a Performance Right is to be awarded to Mr Elstone will be calculated as follows:

$$N = \frac{\text{fixed remuneration as at 1 December 2007} \times 80\%}{V}$$

As indicated above, there are substantial hurdles to be met. ASX's EPS compound growth must be 10% or more per annum *and* ASX must perform at or above the 75th percentile of the Comparative Group in each of the two relevant performance periods, for Mr Elstone to be allocated the number of shares set out above in each of these



periods. The Board also has a discretion to adjust the award, up or down, by up to 20% at the end of each performance period.

If necessary shareholder approval is not granted, the long term incentive will be paid to Mr Elstone in cash. The amount and timing of any cash incentive will be determined by the Board taking into account:

- the outcome that would have applied to Mr Elstone;
- the time that an award would have been made; and
- the value of any shares at the time an award would have been made, had Mr Elstone participated in the LTI Plan.

3 Consequences of termination

The contract is for 3 years with an option (at the Board's discretion) to review for a further 2 years.

Prior to 30 June 2009, ASX can terminate the contract on 12 months' notice or the lesser remaining period until 30 June 2009. If the contract is extended for a further 2 years, the contract can be terminated upon 6 months' notice by ASX or the lesser remaining period of the extended term.

At all times during Mr Elstone's employment:

- Mr Elstone can resign on 3 months' notice;
- ASX can terminate the contract on 6 months' notice (or the lesser remaining period of the term) in the case of poor performance or illness; and
- ASX can terminate the contract immediately for misconduct.

3.1 Expiry of term

If termination is by expiry of the first three year term or the second two year term of the contract, the following applies:

- (a) Mr Elstone will be paid his fixed salary until the expiry date;
- (b) the Board will determine the amount of the short term incentive payable if any;
- (c) Mr Elstone will receive any shares which have been issued under the LTI Plan (see above); and
- (d) further shares may be issued under outstanding LTI Plan entitlements, pro-rated for the amount of the performance period served and based on the performance measurement as at the date of expiry.



3.2 Termination on notice

If termination is by ASX on notice, the following applies:

- (a) Mr Elstone will receive 12 or 6 months' notice (depending on when termination occurs), or if the contract has less than that period to expire, the balance up to the termination date. ASX can, at its option, in lieu of all or part of this period pay Mr Elstone his fixed remuneration for the balance of the notice period;
- (b) the Board will make the assessment under the contract as to the amount of the short term incentive payable if any;
- (c) Mr Elstone will receive any shares which have been issued under the LTI Plan (see above); and
- (d) further shares may be issued under outstanding LTI Plan entitlements, pro-rated for the amount of the performance period served and based on the performance measurement as at the date of termination.

3.3 Termination for poor performance

If termination is for poor performance, the following applies:

- (a) Mr Elstone will receive 6 months' notice, or if the contract has less than that period to expire, the balance up to the termination date. ASX can, at its option, in lieu of all or part of this period pay Mr Elstone his fixed remuneration for the balance of the notice period;
- (b) the Board will determine the amount of the short term incentive payable if any;
- (c) Mr Elstone will receive any shares which have been issued under the LTI Plan (see above); and
- (d) the Board will determine at its discretion whether further shares will be issued under outstanding LTI Plan entitlements at the termination date.

3.4 Resignation

If termination is upon resignation by Mr Elstone on 3 months notice, the following applies:

- (a) Mr Elstone will receive his fixed remuneration until the resignation date;
- (b) the Board will determine the amount of the short term incentive payable if any;
- (c) Mr Elstone will receive any shares which have been issued under the LTI Plan (see above); and
- (d) any outstanding LTI Plan entitlements will lapse.



3.5 Termination for misconduct

If termination is for misconduct¹, the following applies:

- (a) Mr Elstone will receive his fixed remuneration until the termination date;
- (b) any outstanding LTI Plan entitlements will lapse; and
- (c) any shares issued under the LTI Plan, which remain subject to restriction under the LTI Plan will be forfeited.

3.6 Termination for illness

If termination is for illness, the following applies:

- (a) Mr Elstone will receive 6 months' notice, or if the contract has less than that period to expire, the balance up to the termination date. ASX can, at its option, in lieu of all or part of this period pay Mr Elstone his fixed remuneration for the balance of the notice period;
- (b) the Board will make the assessment under the contract as to the amount of the short term incentive payable if any;
- (c) Mr Elstone will receive any shares which have been issued under the LTI Plan (see above); and
- (d) further shares may be issued under outstanding LTI Plan entitlements, pro-rated for the amount of the performance period served and based on the performance measurement as at the date of termination.

4 Restrictive covenant

Mr Elstone will be subject to 6 months' competitor restriction after termination or expiry of his contract term.

¹ That is,

- commits any act which, in the reasonable opinion of ASX, detrimentally affects, or has the potential to detrimentally affect, ASX or any ASX Group Company including, but not limited to an act of material dishonesty, fraud, wilful disobedience, misconduct, wilful negligence or breach of duty;
- is charged with any criminal offence;
- wilfully, persistently or materially fails to perform or observe any lawful direction or instruction by the Board or in any other respect fails to perform or observe the terms or provisions of this agreement;;
- commits any act of bankruptcy or compounds with creditors; or
- is of unsound mind or becomes liable to be dealt with under any law relating to mental health.



5 Interest in Listed Companies

Mr Elstone, in line with ASX's policy, will not be permitted to hold directorships in listed entities or to trade in listed securities.

Mr Elstone will also resign as a director of National Australia Bank Limited prior to taking up his appointment.

6 Transfer of SFE options

Consistent with the Merger Implementation Agreement between the Company and SFE dated 27 March 2006, Mr Elstone will transfer to ASX, on his commencement date, the 1,000,000 options awarded to Mr Elstone as part of his employment with SFE.

In reflection of Mr Elstone's commitment and alignment with shareholders of ASX, Mr Elstone has subsequently agreed to terminate the Deed of Transfer of Options dated 18 May 2006 and defer receiving any consideration for 500,000 of these options until 18 months after the commencement date.

In consideration for the transfer of options, ASX will:

- on the commencement date, pay Mr Elstone \$8.90 per option in respect of 500,000 options; and
- on the date 18 months after the commencement date, issue to Mr Elstone 0.268 ordinary shares in ASX per option, in respect of the remaining 500,000 options, provided Mr Elstone is an employee of ASX on this date and shareholder approval has been obtained. If these conditions are not met, ASX will pay Mr Elstone an amount in lieu of the issue of shares. This amount will be determined by the Board by reference to the weighted average share price of ASX for the 5 days prior to the date the shares otherwise would have been issued. This payment will be forfeited if the contract has terminated for poor performance or misconduct.

All of the consideration payable by ASX to Mr Elstone for the transfer of the options represents a payment arising from Mr Elstone's prior employment with SFE, for an extended period of time. As such, this should not be interpreted as a component of Mr Elstone's remuneration in his position with ASX.

This is a summary of the main terms of Mr Elstone's contract which he and the ASX have signed.