MEDIA RELEASE

12 February 2015

ASX Limited half-year results to 31 December 2014

Highlights relative to the prior corresponding period (1H14 pcp):

- Profit after tax $198.6 million, up 4.7%
  - Revenues $348.7 million, up 5.9%
  - Interest and dividend income $34.4 million, up 0.3%
  - Operating expenses $81.4 million, up 5.4%
  - Depreciation and amortisation $18.6 million, up 14.0%

- Earnings per share 102.7 cents, up 4.5%
  - Interim dividend 92.3 cents per share fully franked, up 4.6%
  - 90% payout ratio

- Capital expenditure $13.0 million
  - Lower capitalisation rate of technology expenses in first half – expected to increase in second half
  - AA- long-term credit rating confirmed from Standard & Poor's

- Significant investment in positioning ASX in changing global financial market environment
  - Current focus on growth in new services – over-the-counter (OTC) clearing
  - Forward program to upgrade main IT platforms – trading systems replacement targeted for next 18-24 months
  - Fee reductions to further improve alignment with customers and support growth of Australia's financial markets

- Changes to support ASX's strategic investment in world-class technology are expected to result in a one-off restructuring charge in the second half of FY15 of approximately $6.5 million pre-tax. It is anticipated these costs will be excluded from underlying profit for the purposes of determining the final dividend.

Mr Elmer Funke Kupper, ASX Managing Director and CEO, said: "The first half results were positive with revenue growth in each of ASX's main businesses. Revenues grew 5.9% to $348.7 million and net profit increased 4.7% to $198.6 million.

"To improve the alignment between ASX and its domestic and international client base, ASX implemented fee reductions in its electricity futures business on 1 July 2014 and its interest rate futures and OTC clearing business on 1 October 2014. Together the fee changes are expected to impact revenues by approximately $17 million per annum, with a pre-tax impact of $4.6 million in the first half of FY15.

"The fee changes create a more sustainable derivatives business, which in the first half accounted for almost 30% of ASX's revenues. While it is too early to judge if the fee changes will stimulate greater use of ASX's new OTC clearing services, it is encouraging that over the four months since the fee changes, OTC clearing values have been growing with $43 billion cleared in December 2014.

"During the half, the ASX Board approved a significant investment program in ASX's trading and post-trade platforms over the next three to four years. The program will start with the replacement of ASX's trading, risk management and market surveillance systems over the next 18 to 24 months.

"The investment will create a more flexible exchange infrastructure and support innovation in Australia's financial markets, including the ability to trade instruments in multiple currencies. The new infrastructure will also reduce the internal costs for ASX clients to connect to the exchange and reduce the time to market for new products. We expect to manage the program within a total group capital expenditure envelope of $40-50 million per annum.

"ASX has made significant investments in Australia's financial market infrastructure over the last three years. In the second half, ASX will open its new 24 hour customer support centre, which will be located in the ASX Australian Liquidity Centre. The newly launched technology program will further support Australia's ambitions to be one of the leading financial markets in the world."

Business highlights

Operating revenue for the half-year to 31 December 2014 (1H15) was $348.7 million, up 5.9% on 1H14.

Below is a summary of the revenue performance across ASX's main business areas. All comparisons are against pcp.

Listings and Issuer Services – revenue $87.9 million, up 7.9%

The largest revenue component in the Listings and Issuer Services business is listings fees. These include annual listings fees, fees related to capital raisings and revenue from structured products.

Listings revenue was $70.9 million, up 6.2%. New listing activity remained strong, with 71 IPOs compared to 69 in the previous year. There were 12 IPOs from the technology sector in 1H15 compared with four in the pcp. Total capital raised (including secondary) was $38.6 billion, up 5.1%.

The Exchange Traded Product (ETP) segment continues to grow with funds under management (FUM) now exceeding $15 billion compared to $10 billion pcp. The number of ETPs has increased from 94 to 104 and 38% of FUM is allocated to ETPs based upon offshore equity markets.

Issuer Services revenue rose 15.9% to $17.0 million, driven by a 4.4% rise in the number of holding statements to 6.7 million, and higher revenues from corporate actions.

ASX's mFund service saw further support from fund managers and brokers in the first half. mFund is attractive for Australia's 6.5 million retail investors, allowing them to apply for and redeem unlisted managed funds through brokers connected to the service, replacing much of the traditional paper-based processes. By the end of the first half a total of 22 fund managers offered 75 funds via 10 ASX brokers through the service. AMP Capital, one of Australia's leading investment houses, added six funds to the mFund service in December 2014.

ASX supports the recommendations made by the Financial System Inquiry in December 2014 to grow the corporate bond market and facilitate crowdfunding. The proposed simplified disclosure regime for large listed corporates issuing 'simple' corporate bonds is an important change that will motivate issuers to tap into the domestic market. In its final submission to the Inquiry, ASX will support the implementation of the recommendations as soon as possible.

Cash Market – revenue $61.9 million, up 4.6%

Cash Market revenue consists of fees from the trading ($17.4 million), clearing ($23.0 million) and settlement ($21.5 million) of ASX-quoted equities, debt securities, warrants and ETPs.

All three revenue components grew, supported by growth in overall equity market activity, increased use of ASX's start-of-day and end-of-day auctions, and continued positive momentum in new execution services.

ASX operates a rebate system, whereby the revenue growth in each of the three Cash Market businesses is shared with its clients on a 50/50 basis for each line of business. In the first half ASX accrued a total of $2.2 million in revenue rebates.

Total on-market value traded per day increased 10.1%, while ASX's on-market value traded per day was up 8.9% to $3.5 billion. ASX's on-market trading market share in 1H15 averaged 89.9% (90.9% pcp).

ASX continued to make good progress in its strategy to deliver execution services that meet the needs of end investors in a fragmented marketplace. Centre Point, ASX's anonymous mid-point matching service, generated 18.2% of trading revenue, up from 15.7% in the pcp, and accounted for 8.1% of the value transacted on ASX, up from 6.7% in the pcp.

In August 2013, ASX implemented a Code of Practice for its cash equities clearing and settlement services. The Code commits ASX to provide to its clients transparent and non-discriminatory access to ASX services and pricing. This followed a decision by the Treasurer in February 2013 to postpone the consideration of additional clearing licences and retain the existing market structure for at least two years. ASX is currently the sole provider of cash equities clearing and settlement services in Australia.

Late yesterday, the Government confirmed that the Council of Financial Regulators will once more review the operation of the Code and the market structure for cash equities clearing and settlement. ASX believes that the business case to retain the current market structure remains strong. A single infrastructure has the scale to provide an efficient service for a market the size of Australia.

The Code is working well and has led to industry endorsement of a move to T+2 settlement for the cash market in early 2016, which will create capital and margin savings for industry, and faster settlement of transactions for investors.

A continuation of the current market structure and the Code of Practice will provide the stability and certainty required for ASX and the broader broking community to focus on the implementation of a T+2 settlement cycle and the replacement of CHESS. CHESS is Australia's central settlement and registry system for listed securities. A decision on the replacement of CHESS will be made following the Government decision on the market structure.

Derivatives and OTC Markets – revenue $103.2 million, up 3.3%

Derivatives and OTC Markets is ASX's largest business accounting for 30% of Group revenues. The business consists of two components:

- ASX derivatives, which includes single stock options and index options.

- ASX 24 derivatives, which includes interest rate, equity index, electricity and commodity futures, as well as ASX's OTC clearing service. Interest rate futures account for the majority of traded volume.

Revenue from the ASX derivatives business grew 27.1% to $12.8 million. The result was assisted by a one-off revenue rebate in the previous year that did not recur. Excluding this one-off impact, revenue grew by 10.6%. Over the last 12 months, ASX implemented a number of changes to improve performance, including rule changes and education and marketing campaigns.

Revenue from the ASX 24 derivatives business was up 0.6% to $90.4 million. Revenue growth from higher volumes was offset by the impact from fee reductions and higher proprietary trading rebates.

ASX reduced fees in the electricity market from 1 July 2014 and in the interest rate futures and OTC clearing business from 1 October 2014. The fee changes impacted on revenues by $4.6 million in the half, with an expected ongoing impact of approximately $17 million per annum.

The new fees and growth incentives create a more sustainable business and position ASX to compete for liquidity within an evolving global market structure. They also signal the next phase in the development of ASX's Derivatives and OTC Markets business, which will see continued investment in ASX's trading, clearing and risk management platforms, the launch of new products that further integrate the exchange-traded futures and OTC markets (a process known as 'futurisation'), and improved alignment between ASX and its clients.

OTC clearing volumes have been improving in recent months. Monthly cleared value grew from $2 billion in July 2014 to $43 billion in December 2014 and reached $71 billion in January 2015.

During the half, ASX acquired 49% of Yieldbroker for $65 million. The transaction was completed on 28 November 2014. The other investors in Yieldbroker are ANZ, CBA, Citi, Deutsche Bank, J.P. Morgan, Macquarie, NAB, RBC, RBS, Toronto Dominion, UBS and Westpac.

Yieldbroker specialises in operating licensed electronic markets for trading in more than 800 Australian and New Zealand debt securities and interest rate derivatives, including Australian government and semi-government bonds, treasury notes, corporate bonds, floating rate notes, New Zealand government bonds, interest rate swaps, overnight index swaps, forward rate agreements and bank bills. More than 100 banks and financial institutions globally are connected to Yieldbroker's markets, trading an average of $130 billion each month. Yieldbroker also operates the auction platform for debt securities issued by the Australian and New Zealand governments and several Australian state governments.

ASX and Yieldbroker will be working together to deliver the next generation of Australia's financial market trading infrastructure and to support Yieldbroker's growth ambitions in domestic and international markets.

Information Services – revenue $36.7 million, up 8.2%

Information Services includes the provision of real-time cash and derivatives market information, news about listed companies, and index and reference data.

Revenues increased following the implementation of a revised fee schedule that better reflects the different profiles of investors and traders and the way they consume data.

Technical Services – revenue $28.8 million, up 9.9%

Technical Services provides market access, data network, order routing and data centre services to ASX clients and third parties.

The primary driver of higher revenue continued to be the growth of the financial markets community within ASX's main data centre – the Australian Liquidity Centre (ALC). The number of customers increased from 82 to 93 and the number of cabinets hosted in the ALC increased from 133 to 179. There was also a 26% increase in ALC service connections.

Austraclear – revenue $22.3 million, up 9.0%

Austraclear provides settlement, depository and registry services for A$ debt securities, including government and corporate bonds.

The growth in revenue was driven mainly by increases in earnings from registry services. Average balances held in Austraclear increased 12.9% to $1.6 trillion and reached $1.7 trillion at the end of the year.

ASX launched a new collateral management service in FY14, which reduces collateral costs for clients by allowing them to use fixed income securities held in Austraclear as collateral for financial market transactions. During the half, the service averaged approximately $2.6 billion under management mostly from four active users.

In July 2014, ASX launched a settlement service for transactions in renminbi (RMB) using the Austraclear platform. The service was developed in cooperation with the Bank of China. The service allows Australian companies to take or make payments in RMB in near real-time, which reduces their risk and cost of doing international business. In November 2014, ASX and the Bank of China extended their relationship, signing an agreement to work together to increase the role of the RMB in Australia's financial markets, which could include the development of RMB-denominated bonds and derivatives that can be quoted and traded on ASX.

Interest and dividend income – $34.4 million, up 0.3%

Interest income on ASX's own cash balances grew 2.7% to $14.9 million. Interest income on participant collateral balances declined 11.3% to $14.6 million with both average balances and the margin earned lower than the previous year.

Dividend income from ASX's shareholding in IRESS rose 46.5% to $4.9 million. ASX's shareholding in IRESS remains just over 19%.

Expenses – $81.4 million, up 5.4%

Staff expenses are the largest expense category, accounting for 61% of total operating expenses. Staff expenses grew by 5.6% driven by salary increases and a lower staff capitalisation rate in the first half as a result of lower capital expenditure on technology projects. ASX expects that the capitalisation rate will normalise in the second half and that underlying expenses, excluding one-offs, will grow by approximately 4% in FY15.

Measured in full-time equivalents (FTE), average headcount was 526 FTEs compared to 532 in the pcp.

ASX will make a significant investment in its technology infrastructure over the next three to four years, beginning with the replacement of ASX's trading, risk management and market surveillance systems over the next 18 to 24 months. This program will require changes to ASX's technology division and skills base that will be implemented as the new technology is phased in.

To facilitate these changes, and changes in other selected areas of the company, ASX expects to incur a one-off restructuring charge in the second half of approximately $6.5 million pre-tax. It is anticipated these costs will be excluded from underlying profit for the purposes of determining the final dividend.

Capital expenditure – $13.0 million

Capital expenditure was $13.0 million driven mostly by ongoing investment in post-trade services, construction of the 24 hour customer support centre and normal maintenance programs.

The staff capitalisation rate was lower than the previous year and is expected to normalise in the second half. ASX expects capital expenditure in FY15 to be $40-45 million, in line with previous guidance.

In the second half, ASX will open its new 24 hour customer support centre, which will be located in the ASX Australian Liquidity Centre. The customer support centre will bring together the ASX operations, market surveillance and technology teams, which collectively ensure Australia's financial markets operate to the highest standards, and will improve the service that ASX provides to its domestic and growing international customer base.

Upgrade of technology infrastructure

The ASX Board has approved a significant investment program in all of ASX's major trading and post-trade platforms over the next three to four years. Specific investments have been approved to replace ASX's trading, risk management and market surveillance systems – these will be progressed in the next 18 to 24 months. This is expected to be followed by further investments to support Australia's clearing, settlement and central securities depository services.

The investment in the future of the infrastructure that underpins Australia's financial markets will deliver efficiencies to ASX customers, provide greater scope for product and service innovation, and strengthen ASX's position as one of the world's leading exchange groups.

In a separate media release issued today, ASX confirmed that its derivatives and equities trading systems will be replaced with a solution provided by Swedish firm Cinnober Financial Technology. The release offers more detail on the overall program.

The investment in world-class platforms will provide significant benefits to Australia's financial markets, including:

- Use of global standard protocols will allow customers to reduce their development, connectivity and maintenance costs.
- Modular design will improve flexibility and implementation time, enabling ASX to reduce developments costs and deliver new products and services to market quicker.
- Multi-currency capabilities will enable ASX to trade and deposit instruments in the main currencies relevant to Australia's financial markets, supporting Australia's credentials as an important financial market in the region.
- New market monitoring and risk management systems will ensure the high quality of Australia's financial markets is maintained, supporting investor confidence and enabling customers to more efficiently use their capital.

ASX expects to manage the technology investment program within a total group capital expenditure envelope of $40-50 million per annum following a one-off restructuring charge in the second half of FY15 of approximately $6.5 million pre-tax. The first phase of the investment, being the replacement of the equities and derivatives trading platforms, and risk management and market monitoring systems is expected to cost approximately $35 million in capital expenditure over two years.

Post balance date activity and outlook

Market activity levels in the first five weeks of the second half of financial year 2015 (to 6 February 2014) were:

- Total cash market average value (all lit and dark venues) per day was $4.9 billion, up 21.2% on the pcp
  - ASX on-market average value per day was $3.7 billion, up 24.7%
- ASX 24 derivatives daily average volume was 473,254 contracts traded, up 11.2% on the pcp
- Total capital raised (in January 2015) was $4.5 billion, up 453% on the pcp.

Mr Funke Kupper said: "First half activity levels were strong and activity levels in the first five weeks of the second half were supported by higher levels of volatility. We would not expect this to continue through the remainder of the second half. Moreover, our customers will get the benefit of the fee cuts we implemented for the full six months of the second half."

Complete half-year results materials are available on the ASX website: www.asx.com.au/about/asx-market-announcements.htm

A webcast of today's 10.00am (Sydney time) presentation to analysts will be available at www.asx.com.au/hy15webcast.

Further enquiries:

Media
Matthew Gibbs
General Manager, Media and Communications
Tel: +61 2 9227 0218
Mobile: 0411 121219
matthew.gibbs@asx.com.au
http://www.asx.com.au/about/media-releases.htm

Analysts/Investor Relations
Stephen Hammon
General Manager, Finance
Tel: +61 2 9227 0260
Mobile: 0488 212755
stephen.hammon@asx.com.au
http://www.asx.com.au/about/investor-relations.htm

Appendix – ASX half-year results to 31 December 2014

Group income statement	1H15 $m	1H14 $m	Variance $m	Variance %
Operating revenues	348.7	329.3	19.4	5.9%
Operating expenses	(81.4)	(77.2)	(4.2)	(5.4%)
EBITDA	**267.3**	**252.1**	**15.2**	**6.0%**
Depreciation and amortisation	(18.6)	(16.3)	(2.3)	(14.0%)
EBIT	**248.7**	**235.8**	**12.9**	**5.5%**
Interest and dividend income	34.4	34.2	0.2	0.3%
Profit before tax	**283.1**	**270.0**	**13.1**	**4.8%**
Income tax expense	(84.5)	(80.4)	(4.1)	(5.0%)
Profit after tax	**198.6**	**189.6**	**9.0**	**4.7%**

Operating revenues	1H15 $m	1H14 $m	Variance $m	Variance %
Listings and Issuer Services	**87.9**	**81.5**	**6.4**	**7.9%**
Cash Market	**61.9**	**59.2**	**2.7**	**4.6%**
Trading	*17.4*	*16.6*	*0.8*	*5.1%*
Clearing	*23.0*	*21.7*	*1.3*	*6.2%*
Settlement	*21.5*	*20.9*	*0.6*	*2.5%*
Derivatives and OTC Markets	**103.2**	**99.8**	**3.4**	**3.3%**
Information Services	**36.7**	**33.9**	**2.8**	**8.2%**
Technical Services	**28.8**	**26.2**	**2.6**	**9.9%**
Austraclear	**22.3**	**20.5**	**1.8**	**9.0%**
Other	**7.9**	**8.2**	**(0.3)**	**(3.1%)**
Total operating revenues	**348.7**	**329.3**	**19.4**	**5.9%**

Key activity indicators	1H15	1H14	Variance	Variance %
Listings and Issuer Services				
All Ordinaries Index (end of period)	5388.6	5353.1	35.5	0.7%
Number of new listed entities (IPOs)	71	69	2	2.9%
Capital raised, including scrip-for-scrip	$38.6 billion	$36.7 billion	$1.9 billion	5.1%
Cash Market				
Daily average cash on-market value	$3.495 billion	$3.208 billion	$0.287 billion	8.9%
Derivatives and OTC Markets				
ASX daily average contracts traded	493,843	485,055	8,788	1.8%
ASX 24 daily average contracts traded	464,196	453,007	11,189	2.5%
OTC cleared notional value	101.7 billion	4.3 billion	97.4 billion	NM

Variances expressed favourable/(unfavourable)