



MARKET ANNOUNCEMENT

2012 ANNUAL GENERAL MEETING

ADDRESSES BY THE CHAIRMAN AND THE MANAGING DIRECTOR AND CEO

5 October 2012

ADDRESS BY CHAIRMAN – RICK HOLLIDAY-SMITH

Ladies and gentlemen,

It is a pleasure to address you for the first time as ASX Chairman.

The opening words of David Gonski at last year's AGM continue to be true today – it has been a very busy period for the ASX Group.

'Very busy' is the new norm. The pace of change has quickened and complexity has grown within our industry since we met 12 months ago.

You can be assured we are paying attention and working hard in this new environment. We are investing in our people, our technology, and in new products and services. On behalf of the Board, I thank you for your continuing support.

In the 2012 financial year ASX's diversified revenue profile allowed the company to deliver solid earnings in a difficult market environment.

[Slide – high-level FY12 financial results]

Financial Results FY12



- ❑ Statutory profit after tax \$339.2 million, down 3.7%
- ❑ Underlying profit after tax \$346.2 million, down 2.9%
- ❑ Total FY12 dividend 177.9 cents per share, down 2.9%
- ❑ Capital expenditure \$39.1 million
- ❑ Strong balance sheet position maintained

After a strong start to the year, equity market conditions weakened significantly, with both retail and institutional investors reducing their activity levels. This occurred against a complex global backdrop and with continued disruptive issues in many offshore markets.

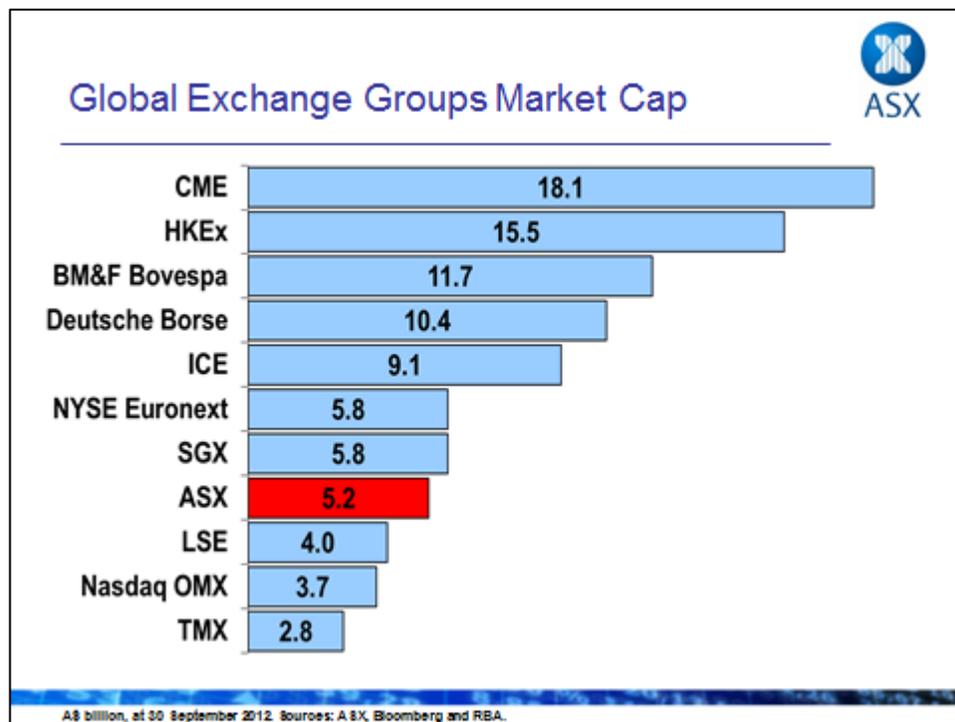
The negative impact on ASX revenue of these weaker conditions was largely offset by growth in the businesses not directly linked to equity markets, including Derivatives, Technical Services and Austraclear.

Overall, operating revenue for the year was \$610.4 million, down 1.2% from last year's record level.

For the 2012 financial year ASX's underlying profit after tax, excluding significant items, was \$346.2 million, down 2.9%.

Consistent with this result the Board declared a final dividend of 85.1 cents per share, fully franked, maintaining the company's 90% payout ratio. This took total dividends for the year to 177.9 cents per share. This was down slightly on the 2011 financial year.

[Slide – global exchange comparisons]



ASX operates a strong business model as a fully integrated, multi-asset class exchange.

Today, we are ranked number eight in the world with a market capitalisation of approximately \$5.2 billion.

The strength of the ASX model has been demonstrated during the recent downturn in equity market activity. It allows the company to continue to make investments in new initiatives that support the efficiency, stability and competitiveness of Australia's financial markets.

It is a business model that few Western exchanges have and that some exchanges seek to replicate. Both the London Stock Exchange and the TMX Group of Canada undertook significant corporate transactions in the last year to create more integrated exchange models like ours.

The ASX business model is consistent with the key exchanges that operate in the Asian time zone, such as Singapore and Hong Kong. This consistency is important as Australia's future and competitive position are directly linked to the Asian region.

ASX continues to develop its business in response to new growth opportunities and changes in the regulatory environment.

In October last year competition for the trading of ASX-listed securities was introduced and, as a result, Australia now has a multi-market exchange environment.

ASX's response to competition has been substantial and positive. The company cut its fees, introduced new products and invested in its Technical Services business. This strategy is working well. For example, revenue from Technical Services grew by more than 12% to over \$45 million in 2012. It is now larger than the fees ASX receives from equities trading.

While ASX has responded well to the new market structure, it is not clear that Australia's financial markets and economy have benefited from the change. The promised benefits, as we observe them, have not been realised. There are also signs that the quality of Australia's equity market is deteriorating as a result of growth in high frequency trading and so called dark execution. This should be of significant concern to retail investors, fund managers and the superannuation sector.

What is certain is that ASX reduced its headline equity trading fee in July 2010. The reduction was around \$17 million per annum. This was a saving for the intermediaries that operate in Australia's equity market, predominantly brokers and investment banks.

But these savings have not flowed through to retail investors and fund managers. There are at least two reasons for this.

First, there have been significant costs associated with the new market structure borne by the brokers, including technology and regulatory supervision costs. Together, these new costs exceed the \$17 million ASX fee reduction.

Second, the fee reduction, while significant for ASX, amounts to only 1% to 2% of the total cost of equities trading for end investors. As disclosed in our Annual Report, ASX's total fee for trading, clearing and settling an average-sized transaction of around \$7,000 last financial year was just 75 cents.

ASX will continue to be an active and at times vocal contributor to the debate about the quality of Australia's financial markets. Like many of you, we are concerned that market quality will deteriorate unless steps are taken to address the issues created by the change in market structure.

We have seen in overseas jurisdictions how investor confidence can be shaken if financial markets are perceived to stop operating in a fair and orderly fashion.

The quality and integrity of the financial market are keys to us, and we are committed to protecting the interests of the investing public and institutions who use the market.

ASX has offered several measures that regulators can implement to help manage the unintended consequences of the new market structure and help maintain confidence in Australia's equity market. In our view, they are not complicated and can be implemented quickly. They will not stop, nor are they designed to stop completely, high frequency trading or dark execution, but they will enable Australian authorities to remain in control.

ASX understands that the proposed measures will not be welcomed by some financial market participants. This is not surprising as our proposals are designed to have an impact. They are based on the principle that the interests of no single participant or group of participants should rank ahead of the quality of the public markets on which all investors rely.

Surprisingly, while we grapple with the consequences of the changes already made, new discussions are underway about further changes to Australia's market structure. The government is now considering if the clearing and settlement of Australia's equity market should be opened to competition, be it from domestic or international operators.

ASX welcomes competition where this provides a clear net benefit to end investors, strengthens Australia's global competitive position, and does not pose material risks to financial stability and direct regulatory oversight. It has to be worth the change. Otherwise, why do it?

If we learn anything from the experience in equities trading it should be that advocates of change must demonstrate that the benefits outweigh the increased costs to participants and the heightened risks to Australia's financial market stability. This burden of proof must be high when contemplating changes to critical financial market infrastructure, like clearing and settlement. This is not just an issue for ASX's bottom line; it goes to the strength, reputation and competitiveness of Australia's financial marketplace.

There are good reasons why no other major single market has gone down the path of installing multiple clearing and settlement facilities. Any net cost savings are likely to be minimal, risks for investors will increase and it is not likely to assist Australia's position in Asia.

This is a very complex but important issue. The real danger will come from policy decisions that may allow competition that is not on a level playing field. As a sophisticated country with high levels of long-term investment and a need for ongoing capital formation, it should be seen as essential for Australia to have a strong domestic financial market, especially when many other developed economies are in an obvious state of economic disruption.

ASX's submissions to regulators on these issues are available in the foyer area upstairs and on our website. We encourage you to engage. We believe strongly that multiple voices from affected stakeholders, especially those of investors and fund managers, should be heard.

[Slide – address by the Chairman]

Address by the Chairman
Mr Rick Holliday-Smith

In 2012 ASX went through a leadership change. I succeeded David Gonski as Chairman and Elmer Funke Kupper took over from Robert Elstone as Managing Director and CEO. I acknowledge the contribution of both David and Robert to ASX in the Annual Report. They left the company in good shape. The transition to Elmer has been seamless and his arrival has strengthened and revitalised the ASX management team. Elmer will share his thoughts with you shortly.

You will note in today's agenda that we are seeking shareholder approval to grant performance rights to Elmer under ASX's long-term incentive plan. The Board has been impressed with Elmer's performance after 12 months in the role.

While there is no listing rule requirement to obtain shareholder approval in the circumstances in which the Board recommends an award under this plan to the CEO, we believe it appropriate from a transparency point of view. We also think it provides an opportunity for shareholders to express, if they wish, their support of the Board's view of Elmer's performance.

Elmer is also a non-executive director of Tabcorp Holdings, where he was formerly CEO. This is an issue that was addressed before Elmer joined ASX and was considered by the Board.

As you are probably aware, there has been some public discussion on this topic. I have made my support clear and continue to be comfortable. Further, the Board was and still is comfortable with Elmer having one non-executive directorship.

There are understandable concerns. However, in my opinion the key issue is whether this role impacts on his ability to fulfil, at the highest standard, his obligations to ASX. If I felt uncomfortable the matter would be discussed openly and immediately with Elmer.

I also think this practice is becoming more common and accepted as a way to broaden a CEO's expertise and corporate acumen. For example, the CEOs of companies such as Alumina, Coca Cola Amatil, Cochlear and Graincorp serve as non-executive directors elsewhere.

As I said, Elmer's priority is ASX, and the arrangement will only be permitted for as long as it does not compromise his ability to perform his ASX role.

ASX has comprehensive conflict handling arrangements in place to ensure that all staff and directors meet the very high corporate governance standards expected of them. In the last financial year, ASIC reviewed the company's conflict handling arrangements, including those that apply to the CEO. The results were published in July 2012 and concluded that ASX has arrangements in place that meet the standards required by the Corporations Act. The conflict handling arrangements are publicly available on the ASX website.

Leadership renewal is very much part of ASX's strategy to perform strongly in a changing market environment – at both management and Board level.

Today, Heather Ridout seeks your endorsement as an ASX director. We welcomed her to the Board in late August and I commend her appointment to you. The prospect of adding her talents to our Board is very exciting.

A talent that we will miss is Jillian Broadbent, who retires at the end of our Board meeting later today. Jillian has decided she wants to focus on her new role as Chair of the Clean Energy Finance Corporation. Her clarity of thought and insightfulness added much to our deliberations. We wish her the very best.

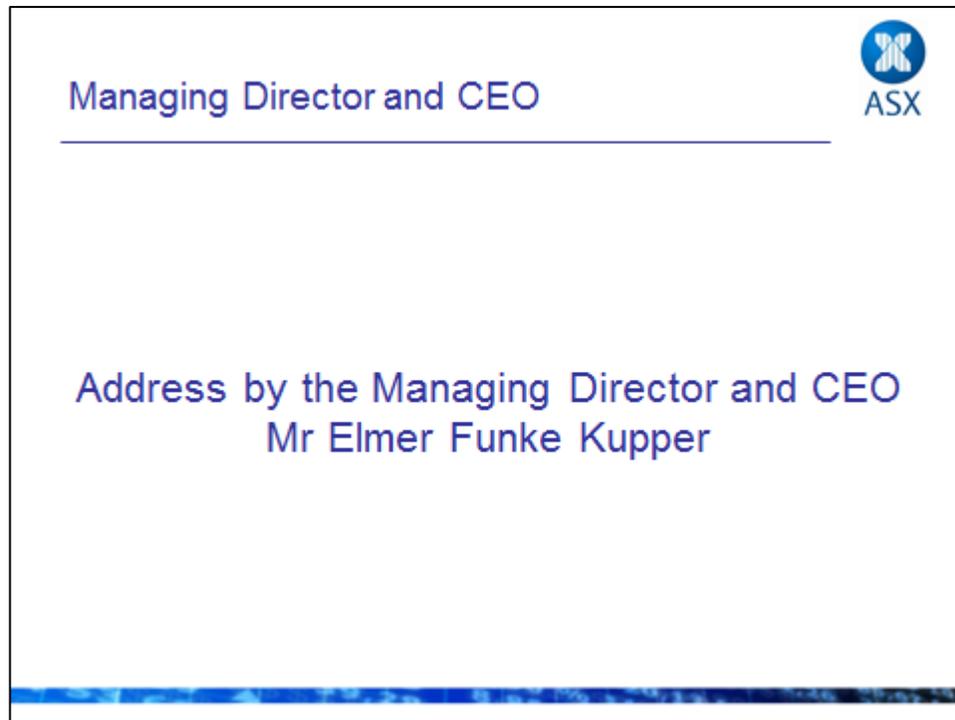
ASX's leadership needs to stay fresh to meet the new challenges presented by our industry. We want to add voices to our various boards that bring new perspectives, and that enable us to understand and engage with our customers better.

This is behind our request today to increase the cap on non-executive directors' remuneration. No individual fee increases are proposed in the next year, but we seek the flexibility to attract and retain the best director talent as we navigate through this period of market transition and board renewal. Over the next year I expect to add several new directors to our various boards, and to allow a proper period of knowledge transfer. I also expect, over the next 18 months, to have board numbers back at levels similar to when I took over as Chairman. I hope I can have your support and look forward to announcing further board appointments over the next 12 months.

Again, I thank you, our shareholders, for your support, and I also express my gratitude to my Board colleagues and ASX staff for their considerable efforts throughout 2012.

I now invite Elmer to address you. Thank you.

[Slide – address by the Managing Director and CEO]



ADDRESS BY MANAGING DIRECTOR AND CEO – ELMER FUNKE KUPPER

Thank you Rick and good morning fellow shareholders.

This is my first AGM as your new CEO. In my first year I have formed a very positive view of our company and its people.

As I wrote in the Annual Report, ASX has solid foundations that enable it to capture the growth opportunities it has and to tackle the many regulatory challenges it faces.

The strength of the company was evident in the 2012 financial year; a period characterised by significant global economic uncertainty and a further fall in Australian investor confidence.

In this very difficult environment, ASX delivered a solid result. Operating revenue was down 1.2% and underlying profit fell 2.9% to \$346.2 million. We continued to control our expenses. They rose 4.1%, including the costs associated with our new data centre and a higher ASIC supervisory levy.

As Rick mentioned, there is real strength in ASX's diversified business model; a model we're working hard to build upon.

[Slide – business performance FY12]



Business Performance FY12

Listings and Issuer Services	\$133.4m	↓ 11.2%
Cash Market	\$124.5m	↓ 7.0%
Information Services	\$66.9m	↓ 5.6%
Technical Services	\$45.3m	↑ 12.1%
Derivatives	\$188.7m	↑ 9.6%
Austraclear	\$36.0m	↑ 6.5%

While revenue declined last financial year in the businesses most directly linked to the equity market – namely, Listings and Issuer Services, Cash Market, and Information Services – there was growth in our other business lines – Technical Services, Derivatives and Austraclear.

I will touch briefly on the performance of each business. More detail is provided in the Annual Report.

Listings and Issuer Services revenue was \$133.4 million, down 11.2%. With the decline in investor sentiment, it was not surprising that there was a significant reduction in new listings and secondary capital raisings. The total amount of capital raised was down more than 42% on the previous year to just under \$51 billion.

Listings and Issuer Services is ASX's second largest business and in many ways its front door. Considerable effort has gone into strengthening its value proposition over the last 12 months. We've unveiled a suite of initiatives to ensure that the Australian market remains globally competitive and attractive to companies and investors.

An important focus has been on the small and mid-cap sector. We are currently trialling an equity research scheme, which will improve the quality and availability of research on small to mid-cap companies; we have announced a new on-market bookbuild facility;

and we've introduced new listing rules that make it easier for small to medium-size companies to raise capital. To date, 57 companies have indicated they wish to use this new capital raising mechanism since the rule was put in place on 1 August 2012.

We are also working to reduce the standard timetable for rights issues and enhance the disclosure of reserves and resources in the mining and oil and gas industries to promote greater market transparency.

In addition, we are working on the introduction of new products for investors, including fixed income exchange-traded funds and the quoting of international securities and Commonwealth Government bonds on the exchange.

Cash Market revenue, which comprises revenue from equities trading, clearing and settlement, was \$124.5 million, down 7.0%. It was most directly affected by the decline in equity market activity. It is also the business subject to domestic competition.

It is too early to fully assess the impact of Chi-X as an alternative venue for trading ASX-quoted securities. Nevertheless, ASX has responded well to competition, with fee reductions, the introduction of new order types and execution services, and investment in a state-of-the-art data centre.

It is important to note that revenue from Cash Market trading contributes a modest 6% to ASX Group revenue. As one of the leading exchange groups in the world, our business is much more than the buying and selling of shares.

Information Services was the third main business line affected by the fortunes of the equity market. A decrease in data usage, especially by retail investors, led to a 5.6% decline in revenue to \$66.9 million.

By contrast, revenue from **Technical Services** grew 12.1% to \$45.3 million. Technical Services is a focal point of ASX's strategy to adapt its business to the changing market structure. In 2012 we expanded our Technical Services offer to include smart order routing, low latency data products, and data centre services for ASX clients and other market operators. We also announced an arrangement with the Singapore Stock Exchange to establish trading hubs in each other's data centres to enhance customer connectivity to our respective markets.

Revenues from ASX's largest business, **Derivatives**, grew 9.6% last financial year to \$188.7 million. The majority of our Derivatives revenue comes from the ASX 24 futures business. We are expanding the Derivatives product suite by developing new interest rate and energy futures and equity index derivatives, and by offering new clearing services for the over-the-counter market.

Austraclear revenue grew by 6.5% to \$36.0 million. Next year we expect to launch the first phase of a new collateral management service for the Australian market. This will allow ASX clients to optimise the use of their available collateral for exchange-traded and over-the-counter transactions.

Collateral management is a good example of a new service that builds on ASX's fully integrated business model that includes trading, clearing and the securities depositories of CHESS and Austraclear.

[Slide – external image of ASX's new data centre]



The strength of ASX's balance sheet allows us to make the long-term investments needed for Australia's financial market infrastructure to keep pace with world-best standards.

In 2012 capital expenditure was \$39.1 million. This included the completion and successful opening in February 2012 of our new data and co-location centre in Sydney - the ASX Australian Liquidity Centre.

This is a significant new facility for Australia's financial services community. It provides a range of state-of-the-art communications, trade execution and information services designed to meet the needs of customers in a more complex and competitive environment.

There are currently around 60 clients co-located in the centre, including equity and futures brokers, proprietary traders, market data and software vendors, and network providers.

Regulatory changes and advances in technology have created the market environment that exists today. ASX must adapt, operate and compete within it. Our customers and shareholders expect it of us.

Nevertheless, when we have concerns about the impact on market quality of changes to Australia's financial market structure we will raise them. We continue to argue strongly to government and regulators that policy and regulatory settings should not be skewed in favour of any one type of market user but should focus on the benefits for the end consumer, including retail investors and fund managers.

Australia has strong and well-informed regulators. ASX looks to them and the government to take the necessary steps that will ensure investors can have continued confidence in our financial markets.

[Slide – ASX customer charter]

The slide is titled "ASX Customer Charter" in blue text. In the top right corner is the ASX logo, which consists of a blue circle containing a white stylized 'X' shape, with the letters "ASX" in blue below it. Below the title is a horizontal line. The main content is a bulleted list of seven points, each starting with a bolded word: "Works", "Supports", "Makes", "Manages", "Recognises", "Runs", and "Has". The slide has a blue decorative bar at the bottom.

ASX Customer Charter

- **Works** with its customers to deliver products and services that meet their needs and provide them with choice
- **Supports** Australia's aspiration to be globally competitive and become one of the leading financial centres in the Asia Pacific region
- **Makes** its products and services available on a non-discriminatory basis and on reasonable commercial terms
- **Manages** its businesses and operations on a commercial basis to benefit its customers and provide appropriate returns to ASX shareholders
- **Recognises** its role as a provider of critical financial infrastructure to the Australian financial markets, and makes the necessary investments to ensure it can fulfil this role and provide confidence to market participants, investors and regulators
- **Runs** its operations in compliance with all legal and regulatory obligations
- **Has** conflict handling arrangements in place that provide assurance and transparency about the way ASX conducts its business

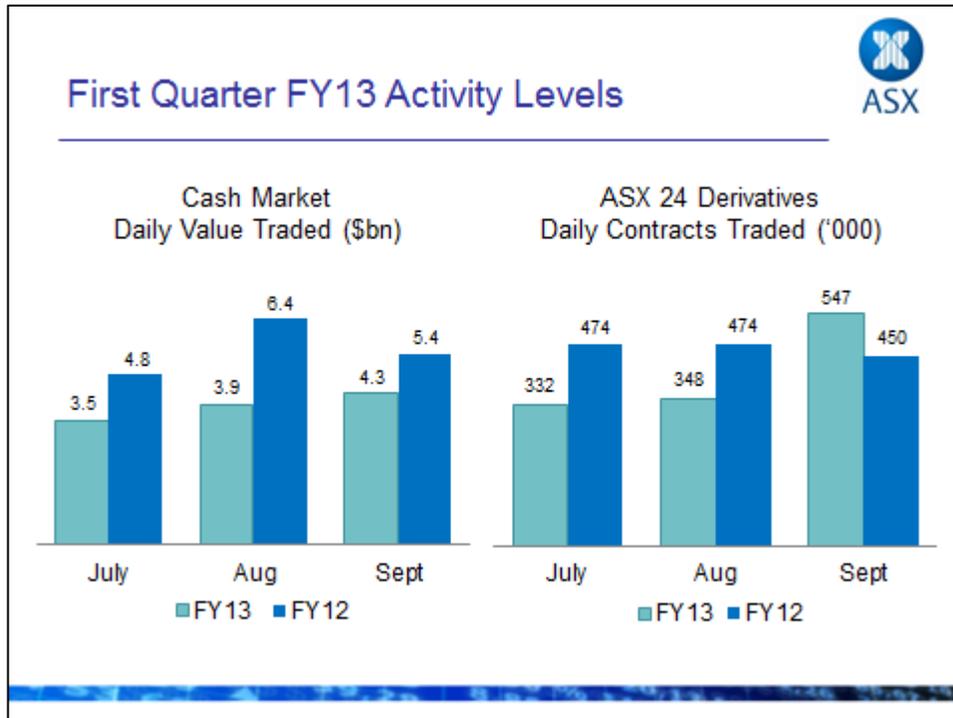
In addition to raising our voice in the public domain, ASX has been engaging more closely with its customers and other stakeholder groups - listening to their concerns, understanding their challenges and seeking solutions to their needs.

To this end, we've adopted a customer charter that sets out how ASX intends to balance the interests of its customers, shareholders and the broader financial market. This charter is available in our Annual Report.

We want our customers to succeed, grow and be profitable.

The customer charter does not mean that we'll always agree with our customers; on important issues such as market structure we may well take a different view from our customers. It is because these differences arise that we need to engage more, not less.

[Slide – first quarter FY13 activity levels]



Let me close by commenting briefly on activity levels in the first quarter (July to September) of this new financial year.

When we presented our results in August we said that activity levels in the first few weeks of the new year were subdued. This pattern has continued over subsequent weeks, particularly when compared to the first quarter of the 2012 financial year, which was a strong quarter by historical standards.

Current activity levels are subject to the continued global economic uncertainty and a moderate softening of economic growth in Australia and the Asian region.

As the slide shows, activity levels in the first quarter of this new financial year across both the Cash equities and ASX 24 Derivatives markets were down in comparison to the same months last year – with the exception of the month of September for ASX 24 Derivatives, where the average number of daily contracts traded was almost 22% higher this year compared to last.

Activity levels did improve between July and September. As you can see, the daily value traded on the Cash Market rose from \$3.5 billion in July to \$4.3 billion in September.

The amount of total capital raised in the first quarter was up on the same period last year. In the first quarter of this financial year \$10.9 billion was raised by ASX-listed entities compared to \$9.7 billion for the same period last year, a rise of 12%.

In the current market environment, ASX will continue to manage the company tightly while ensuring that we invest in new business initiatives that add value over the medium-term. This will put us in the best possible position for when investor confidence returns.

It has been, as Rick said at the outset, a very busy time. In my first 12-months at ASX I have been impressed by the dedication, expertise and energy of ASX's 500 employees.

I thank them and you, our shareholders, for your support this past year.

I will now hand back to our Chairman.

Thank you.