NZX Interim Report
2021

About this report

For more than 150 years we have been enabling Kiwi success – creating opportunities for New Zealanders to grow their personal wealth and helping businesses prosper. As New Zealand's Exchange, we are proud of our record in supporting the growth and global ambitions of local companies.

Our 2021 Interim Report includes our Financial Statements (and Notes to the Financial Statements) for the six months ended 30 June 2021, along with commentary on the company's financial results and operational performance.

Our corporate governance policies are available online at: https://www.nzx.com/about-nzx/investor-centre/governance/policies. NZX Limited is registered with the New Zealand Companies Office and our New Zealand Business Number (NZBN) is 9429036186358.

This report is dated 26 August 2021 and is signed on behalf of the Board of NZX Limited by Chair, James Miller, and Chair of the Audit and Risk Committee, Lindsay Wright.

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Our performance

TOTAL CAPITAL RAISED (new + secondary)

$7.3b

↓ 10.6% ↑ 16.5% 5-YEAR AVERAGE

TOTAL VALUE TRADED

$27.1b

↓ 2.8% ↑ 22.1% 5-YEAR AVERAGE

DATA & INSIGHTS REVENUE

$8.6m

↑ 5.1%

DAIRY DERIVATIVES LOTS TRADED

139,950

↓ 31.9%

FUNDS UNDER MANAGEMENT

$5.69b

↑ 44.3%

FUNDS UNDER ADMINISTRATION

$7.73b

↑ 151.1%

INTERIM DIVIDEND (FULLY IMPUTED)

3.0

cents per share

Operating earnings are before net finance expenses, income tax, depreciation, amortisation, loss on disposal of assets, and gain on lease modification. 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.

Data is "for the 6 month period ended 30 June 2021," or "as at 30 June 2021" (as applicable).

Percentage changes represent the movement for the interim period June 2020 to June 2021, except Funds Under Management and Funds Under Administration which are the movement in balances as at 30 June 2020 to 30 June 2021.

5 year average percentage changes represent the movement against the rolling average for the preceding 5 year interim periods.

OPERATING EARNINGS*

$16.9m

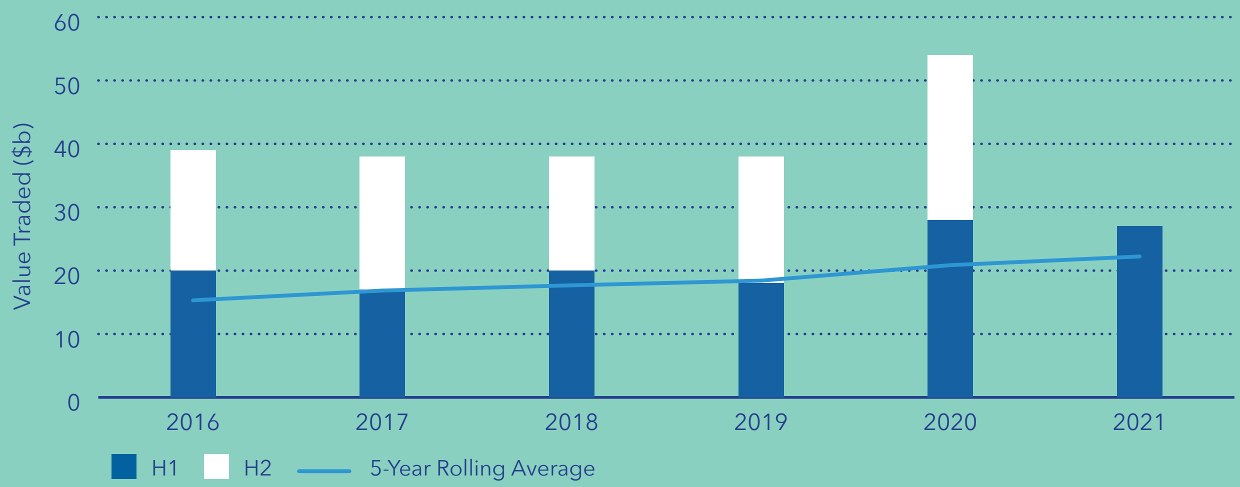
↓3.5%

NET PROFIT AFTER TAX

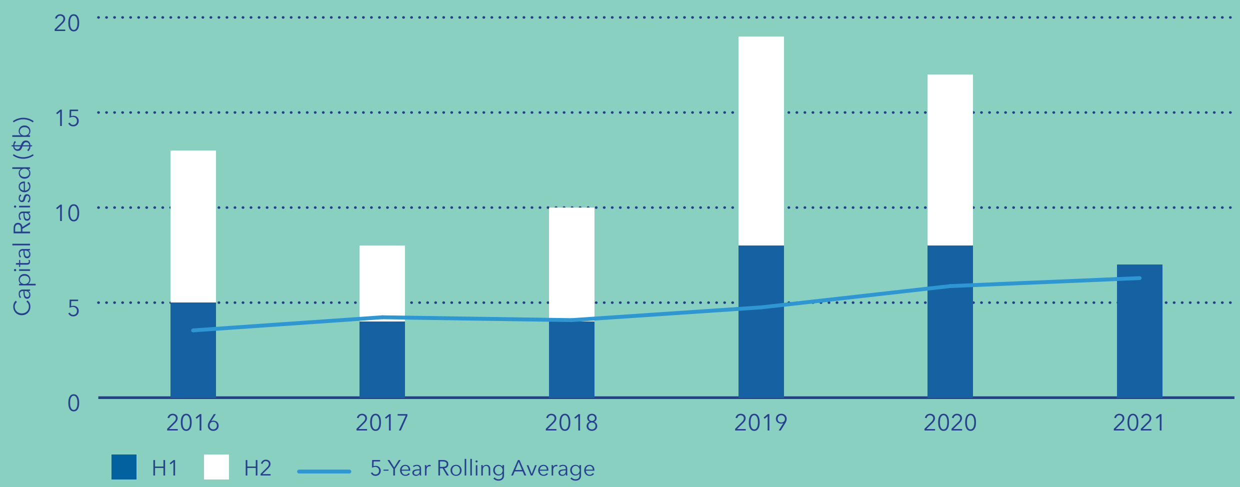
$7.6m

↓16.0%

VALUE TRADED



CAPITAL RAISED



Chief Executive's update

Market growth and diversification

NZX is continuing to make good progress in building a diversified financial markets infrastructure and services business.

Our achievements and results for the six months to 30 June 2021 reflect this ambition, with strength across all our business activities.

Alongside the strong growth we are reporting in our funds business, Smartshares, and the further expansion of NZX Wealth Technologies, we have seen increases in the number of listed securities, the amount of primary capital raised and the level of trading activity – which are excellent indicators of the health of our core markets.

Through the first half of 2021, NZX has performed well across these key measures. This is particularly encouraging when you consider this performance against the extraordinary levels of activity in the prior period – driven by the economic uncertainty created by the outbreak of COVID in the first quarter of 2020. The COVID pandemic materially stimulated and accelerated activity through 2020.

The number of listed securities on New Zealand's Exchange has grown to 334, up 15 on the same time in 2020.

Traded value totalled $27.1 billion, which didn't quite match the activity levels achieved over the same time in 2020 but represents growth of more than 22% against the average for the interim period over the past five years.

On-market trading activity continues to lift, with equities up 4.3% to more than 65%.

My Food Bag was one of four new companies to list on our Exchange in H1 2021, along with NZ Automotive Investments, Third Age Health and DGL Group.

Capital raised for the six months totalled $7.3 billion, down 10.6% on the same time last year. However, this is similar to the same period in 2019 and up 16.5% on the average levels over the past five years.

Smartshares' Funds Under Management (FUM) has grown to $5.69 billion, up 44.3%. NZX Wealth Technologies' Funds Under Administration (FUA) has grown to $7.73 billion, up 151.1%.

From the emerging signs of underlying growth two years ago, we are now seeing ongoing benefits from the changes we made under our strategy - our businesses are operating at a structurally higher level of activity.

Financial performance

Group operating earnings (EBITDA) for the half-year of $16.9 million was down 3.5% on the same time last year.

Our financial results for the core Markets business show increased revenues and spend. Operating earnings dipped 5.2% to $20.8 million. Revenue was up 3.2% to just under $30 million driven by solid results in capital raising, trading and clearing, data, energy and carbon.

Operating expenses rose to $9 million, reflecting additional roles to support growth, higher information technology costs to support capacity and resilience improvements, professional fees from assurance services which includes operations and energy audit obligations.

Additional spend was also incurred for the establishment of the managed auction service for the New Zealand Emissions Trading Scheme and to deliver additional Electricity Market change requests, but these costs were more than offset by the associated revenue.

Smartshares has achieved strong underlying growth. Operating earnings lifted 36.2% to $3.9 million. We are continuing to invest into this business, including costs to explore possible acquisition opportunities. We want to build a more scalable platform that will benefit

"From the emerging signs of underlying growth two years ago, we are now seeing ongoing benefits from the changes we made under our strategy - our businesses are operating at a structurally higher level of activity."

Smartshares investors. This will also provide product range and liquidity benefits to the core Markets business and we are excited about this opportunity.

NZX Wealth Technologies' operating earnings are now positive for the first time at $0.13 million for H1 2021. Revenues have increased materially due to the onboarding of new clients. We continue to invest to support the migration of new clients onto our platform.

NZX Wealth Technologies is also investing in increased sales activity, client support and technical staff. Information Technology (IT) costs increased due to additional data hosting, data feeds and software licensing costs relating to new clients. We remain very positive on the future growth prospects of this business.

At a Group level, revenues were up 10.6% to $42.5 million for the six months. Operating margin at 39.9% was lower, due to the investment in growth activity alongside increased spend in people and technology costs.

Capital expenditure continues to be focused on investing in IT capacity, resilience and security, growth opportunities within Smartshares and NZX Wealth Technologies and, in 2021, creating a fitting home for New Zealand's Capital Markets in Auckland.

Net profit after tax for the period (NPAT) declined 16% to $7.6 million, with the NZX Board declaring a fully-imputed interim dividend of 3.0 cents per share to be paid on 24 September 2021.

NZX is maintaining its full year 2021 operating earnings guidance to be in the range of $32.0 million to $35.5 million.

The guidance is subject to market outcomes, particularly with respect to market capitalisation, total capital raised, secondary market value and derivatives volumes traded, funds under management and administration growth and technology costs. Additionally, NZX notes the global health environment remains volatile and this guidance assumes no material adverse events, significant one-off expenses, major accounting adjustments, other unforeseeable circumstances, or future acquisitions or divestments.

We have detailed our financial results in the Management Commentary on page 10.

Strengthening our markets

Our focus remains on the unique role NZX and our public markets can play in supporting the resilience and long-term success of our customers and economy.

The COVID crisis demonstrated the clear value of being listed on NZX; ready access to capital and we believe this is a factor, along with NZX's origination activity, in the growth we are seeing in new listings.

We welcomed four new companies to the Exchange over the past six months – My Food Bag, NZ Automotive Investments, Third Age Health and DGL Group.

We have seen a sharp drop in equity recapitalisations compared with the COVID-related activity in 2020, but primary capital raised was up 46.9% to $3.4 billion – driving a strong increase in primary listing fees and helping offset the fall in secondary issuance fees.

There is recognition of the value of being listed on NZX, with Arvida Group's first debt issue and Precinct's first green bond showcasing the options to diversify funding and continuing the momentum around sustainable finance.

As all businesses and investors face an outlook with elevated uncertainty – including the prospect of rising interest rates and increasing inflation – we are working closely with our customers to ensure they are aware of the opportunity to raise different forms of capital to suit their needs.

The lift in listing activity over H2 2020 and H1 2021, and the quality of our pipeline of prospects, is a result of the changes that we have made to reduce the complexity and cost, and broaden the options for listing.

Our Issuer Relationships team has lifted our efforts to develop listing opportunities and is working closely with the ecosystem of corporate advisers and participants to help bring these companies to market.

With both retail and institutional investors looking for a wider range of investment opportunities and ready to back our NZX-listed companies, we are optimistic on the potential for further listings through the remainder of FY2021.

Pacific Edge CEO, David Darling, received the NZX Emerging Leaders Best Investor Relations Award.

"The lift in listing activity over H2 2020 and H1 2021, and the quality of our pipeline of prospects, is a result of the changes that we have made to reduce the complexity and cost, and broaden the options for listing."

We have also been deepening our roots across the capital markets ecosystem. We have already seen the benefit of our maturing partnership with private capital market specialist, Syndex, with the recent listing of NZ Rural Land Co at the end of 2020 alongside other market development work we are jointly conducting.

We were excited with the accreditation in February of leading private equity investment marketplace, Snowball Effect, as an NZX Sponsor Participant. This will further support our focus on nurturing a strong pipeline of companies for potential future listings. We also have important partnerships with the Technology Investment Network (TIN), INFINZ, and others involved in early-stage investment such as the Angel Association.

This is positive for our market, and spurring interest and investment in our issuers – Pacific Edge was recognised at INFINZ as our 2021 winner of the Emerging Leaders Best Investor Relations Award.

It is pleasing to see Kiwi companies with world-leading innovation breaking new ground internationally, and we are proud to be able to offer them as an investment choice on NZX.

Heightened investor interest

The total traded value of $27 billion during H1 2021, and more than eight million trades, reflects heightened interest from all investor segments and engagement in our markets across different forms of investments and asset classes. High levels of participation have been supported by a fundamental re-engagement with equities as an investment class.

The lift in market liquidity has also been helped by an increase in investment in trading technology from our stockbroker participants, which is assisting the growth in our markets.

For many years, the New Zealand capital markets have been looking to grow the number of retail investors connected to our markets. Recent growth has been stimulated by the growing popularity of online trading platforms – Jarden Direct, Sharesies and ASB Securities –

Minister for Climate Change, Hon. James Shaw, celebrating with us the first NZ ETS (New Zealand Emissions Trading Scheme) auction.

that enable easy and low-cost access to the New Zealand markets for DIY investors.

The deeper participation, and activity from local and offshore institutional investors, has been mirrored in greater demand for NZX data – notable geographies for growth are the US, Australia, Hong Kong and Singapore. Professional terminal subscriptions have increased by 6.2%.

Our Data & Insights business achieved a 5% increase in revenue, largely reflecting the lift in professional royalties from terminal use, and we have completed a project to provide enhanced connectivity with our data customers via dedicated high-speed links that will enhance the service we offer.

These positive trends across issuance, secondary trading activity and data showcase a healthy listed market that can deliver reliable, liquid, and open access to investment in New Zealand for all investors, so everyone can support and benefit from the success of Kiwi companies.

We are looking forward to BNP Paribas joining as a General Clearing Participant this calendar year as they strengthen their commitment to helping grow New Zealand's capital markets.

We are also excited to be opening, in the next few months, our new Auckland office. This will be a contemporary workspace for our team in the Auckland CBD, with the NZX markets ticker taking pride of place above Queen Street.

Importantly, this will be a venue we can share with our customers and the wider capital markets ecosystem. We will be able to offer to host smaller-sized shareholders' meetings, investor days and industry events, alongside welcoming schools so we can assist in lifting the education and understanding of New Zealand's capital markets for students.

Technology enhancements

In parallel to the growth we have achieved across the businesses, we have also been delivering necessary enhancements to our technology and operating platforms, which has resulted in additional capital investment and operating expenses.

Technology has been an area of increased investment over the past four years and it came under further scrutiny last year. Stress on specific elements of the market infrastructure in the first half of 2020 from a marked acceleration in peak trading activity, coupled with a global-scale Distributed Denial of Service (DDoS) attack, saw our Board commission reports from EY and InPhySec that identified the need for significant further technology investment in FY2021.

Subsequent to the release of the Financial Markets Authority (FMA) report, *'Market Operator Obligations Targeted Review'* in January 2021, NZX received approval of our action plan from the FMA in May.

This plan contains a number of actions relating to NZX's arrangements for governance oversight, industry engagement, information technology capability, IT security, specialist skill sets, crisis management planning and risk management.

We remain focused on delivery of the agreed steps under the action plan, and we are providing regular progress reports to the FMA in respect of the implementation of the actions under the plan. Progress is being overseen by the NZX Board, the Audit and Risk Committee, Human Resources and Remuneration Committee and the Technology Committee – permanently established in November last year to provide specialist governance oversight of the role and use of technology in executing NZX's strategy.

In April we announced the appointment of Peter Jessup as an external member of the NZX Board's Technology Committee, bringing more than 35 years' IT experience, predominantly in stock exchange and related areas, with 23 years at Nasdaq including as Senior Vice President of their Global Technology Services group.

During the half-year we established an industry-wide IT working group to improve engagement and communication with the wider market ecosystem on technology matters.

This will support development of an industry wide technology roadmap, which was a recommendation from Capital Markets 2029. We hosted the inaugural meeting of this group in April, and we are looking forward to closer engagement and co-operation with the capital markets technology ecosystem.

Working closely with the industry and our technology partner Nasdaq, NZX implemented an upgrade to a new trading system in early August 2021. With this major upgrade now live, we have a new trader front-end, additional capacity and new functionality.

These enhancements will assist in meeting the anticipated needs of our participants in New Zealand's capital markets. This is an exciting milestone, and is expected to have a positive impact on on-market traded liquidity from later in 2021.

Strategic partnerships

Alongside the investment in our Markets businesses to strengthen IT security and to deliver technology solutions to increase trading system capacity and resilience, we have successfully implemented the managed auction service for the New Zealand Emissions Trading Scheme (NZ ETS).

We have seen interest building in emissions trading since the first auction in March 2021, including international participation, which is a vote of confidence in what we have delivered in partnership with the European Energy Exchange (EEX).

Together we have established a fair, transparent, easy-to-access and efficient allocation mechanism for NZU (emissions units) on behalf of the New Zealand Government.

We see potential opportunities opening up as the New Zealand market matures, and we will be exploring further areas for co-operation.

While we have taken the major step of confirming our global dairy derivatives partnership with the Singapore Exchange (SGX) in April, H1 2021 has been a challenging time for our Dairy Derivatives business.

Total lots traded decreased by 32% due to subdued volatility in the underlying market, and not helped by restrictions on international travel limiting promotional and marketing activity. The revenue impact of this lower volume traded was offset to some extent by record prices for NZ Milk Price (MKP) futures, and growing demand for MKP contracts.

Our strategic partnership with SGX is a showcase example of commercialising NZX's international alliance strategy and is expected to propel future growth of our dairy derivatives suite. There is opportunity through this global partnership to unlock and accelerate growth in liquidity and market scale. We are continuing to engage with participants and end users on the implementation, scheduled for the second half of 2021 subject to regulatory approvals.

Funds milestones

Our Smartshares business has continued its strong growth, with FUM up 44.3% on June 2020 to $5.69 billion.

We have achieved continued growth in member numbers and unitholders, with positive cash inflows of $383 million for the six months to June 2021, compared with $213 million in the prior period.

A significant win for Smartshares was the selection of SuperLife as one of New Zealand's six default KiwiSaver providers from 1 December 2021. This is a huge endorsement for what we offer.

Our SuperLife KiwiSaver scheme, which already cares for more than $1.32 billion on behalf of 31,350 New Zealanders, will have new members allocated to the scheme from 1 December 2021 to 30 November 2028, contributing to further growth in member numbers and funds invested in the SuperLife KiwiSaver scheme.

This will more than double the number of members initially, and is expected to add around 10,000 new members each year of the seven-year term.

This will require incremental investment in upgrading technology systems and processing capability, however, it will position Smartshares strongly for longer-term structural growth.

This is an important platform for us to build on. We have big ambitions for our funds business and we have continued to invest in our operational capability and skills to support the growth opportunities we have in front of us.

Wealth technologies expansion

NZX Wealth Technologies also grew strongly with new clients contributing to FUA increasing by 151.1% on the same time last year to $7.73 billion.

After recording growth of more than 210% in 2020, NZX Wealth Technologies started the new financial year with success in a competitive tender run by Public Trust – selecting the feature-set and flexibility of our new multi-tenant platform.

To support growth, we have continued to invest in our platform technology and staffing capability to onboard and service our growing client base – with Public Trust, Hobson Wealth, Saturn Advice, JBWere and Craigs Investment Partners on the platform.

We have signed contracts with three new large-scale clients and have onboarding underway with two of these, which we expect to increase FUA to around $10 billion by the end of 2021. We will continue to invest in technology and other resources to support the growth and operational

We have continued to invest in NZX Wealth Technologies' platform technology and staffing capability to onboard and service our growing client base.

excellence that customers expect. While the scale of near-term projects will impact costs, the benefits are long term and value-adding to the business.

Alongside providing platform solutions for institutional clients, we are pursuing opportunities to service smaller-scale clients that have less complex requirements.

NZX Wealth Technologies plays an important role by delivering a modern and efficient infrastructure platform for the financial adviser community to manage, administer and report performance of their clients' investment portfolios.

Growing synergies and a more diversified business

A key element of NZX's overall strategy is to build a more diversified financial services business. Our Funds Management and NZX Wealth Technologies businesses offer the potential for powerful synergies alongside our core market business. We continue to explore and leverage these possible opportunities.

We will also continue to build upon the strategic partnerships in place for our dairy derivatives and carbon businesses to pursue growth.

NZ RegCo transition

Another key milestone in July this year was the confirmation of the permanent board of NZ RegCo, chaired by Trevor Janes, with board members Annabel Cotton, Elaine Campbell, John Hawkins and Mike Heron QC.

The NZ RegCo operating and governance model is now fully established as a stand-alone, independently-governed agency performing all of NZX's frontline regulatory functions – targeted to operate on a cost-neutral basis.

I want to acknowledge the tremendous work over the past year by NZ RegCo Chief Executive, Joost van Amelsfort, and his team on managing a seamless transition for our issuer and participant customers.

A tribute to vision

As we reflect on our achievements in the first half of 2021, it is with sadness that we acknowledge the passing in June of Sir Eion Edgar, who we held in great admiration.

Sir Eion Edgar – a former Chair of the Exchange, and a champion of the New Zealand sharemarket over the past 50 years.

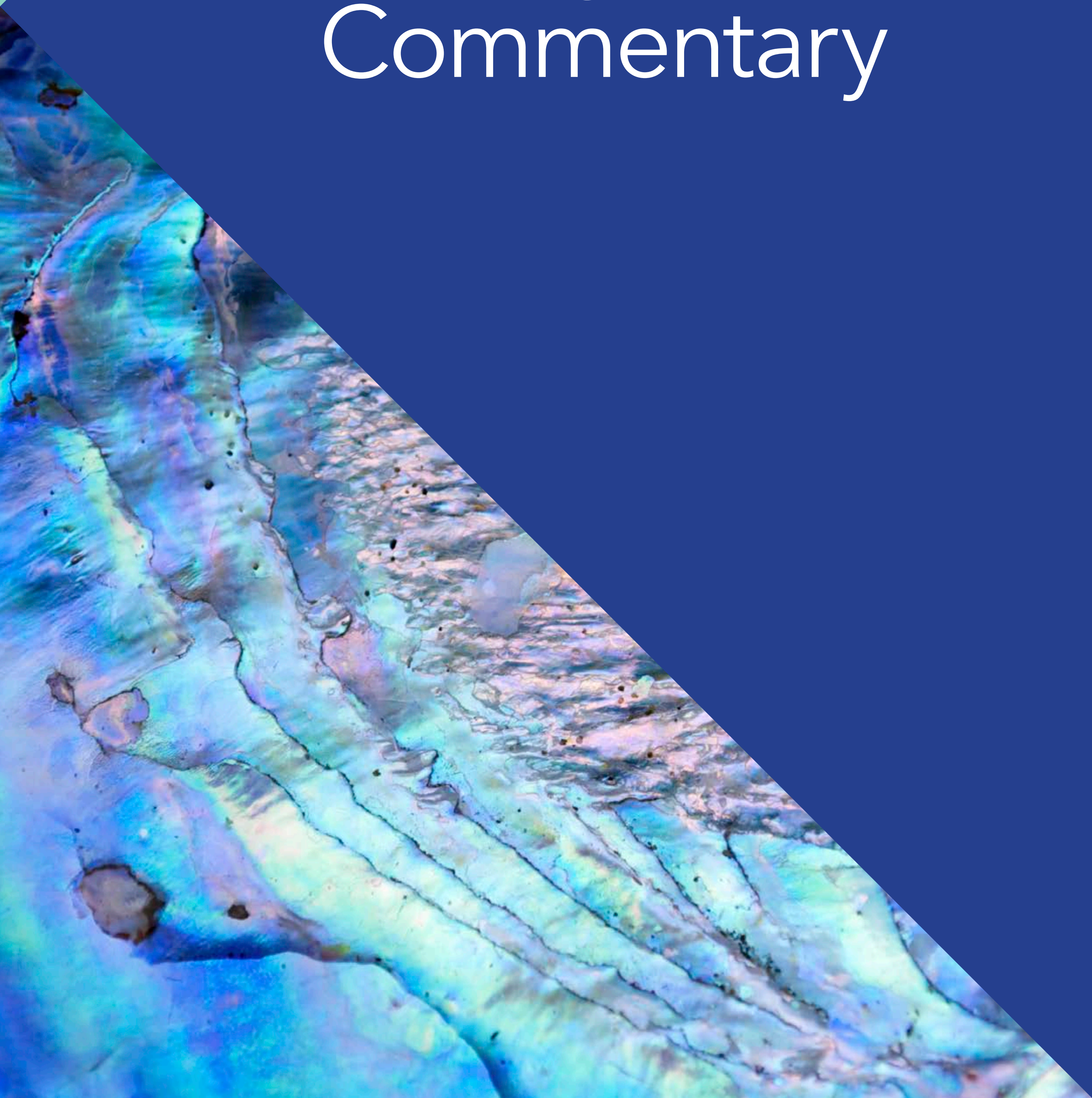
Sir Eion was an absolute giant and champion of the New Zealand share market over the past 50 years – both through his leadership at Forsyth Barr, as a director and Chair of the Exchange, and working for the wider good of our country.

In concluding my report, I want to thank our friend Sir Eion for helping shape what we have today. Thank you also to our directors who are following in his footsteps, and everyone who is contributing to the strength of our capital markets ecosystem.

And finally, a special thanks to my leadership team and our people at NZX for everything we are delivering together.

Mark Peterson
CHIEF EXECUTIVE

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 (EBITDA)[1]			Operating Margin		FTEs	
	June 2021	June 2020	Change	June 2021	June 2020	Change	June 2021	June 2020	Change	June 2021	June 2020	June 2021	June 2020
	$000	$000	%	$000	$000	%	$000	$000	%				
Issuer Relationships	6,795	7,291	(6.8%)										
Secondary Markets	14,339	13,334	7.5%										
Data & Insights	8,626	8,207	5.1%										
Markets Sub-total	**29,760**	**28,832**	**3.2%**	**8,988**	**6,916**	**(30.0%)**	**20,772**	**21,916**	**(5.2%)**	**69.8%**	**76.0%**	**77.1**	**68.1**
Funds Management	8,941	6,760	32.3%	5,034	3,891	(29.4%)	3,907	2,869	36.2%	43.7%	42.4%	51.4	49.8
Wealth Technologies	2,074	849	144.3%	1,946	1,382	(40.8%)	128	(533)	124.0%	6.2%	(62.8%)	61.7	50.3
Corporate Services[2]	11	189	N/A	7,863	7,011	(12.2%)	(7,852)	(6,822)	(15.1%)	N/A	N/A	60.2	51.7
NZX Commercial Operations Sub-total	**40,786**	**36,630**	**11.3%**	**23,831**	**19,200**	**(24.1%)**	**16,955**	**17,430**	**(2.7%)**	**41.6%**	**47.6%**	**250.4**	**219.9**
Regulation	1,665	1,742	(4.4%)	1,682	1,622	(3.7%)	(17)	120	(114.2%)	N/A	N/A	16.5	19.5
NZX Group Total	**42,451**	**38,372**	**10.6%**	**25,513**	**20,822**	**(22.5%)**	**16,938**	**17,550**	**(3.5%)**	**39.9%**	**45.7%**	**266.9**	**239.4**

1 Operating earnings (EBITDA) are before net finance expense, income tax, depreciation, amortisation, loss on disposal of assets, and gain on lease modification. 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.

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 commercial business units and subsidiaries (other than NZ RegCo).

Operating Earnings has decreased 3.5% to $16.9 million, with:

- operating revenue increasing 10.6% to $42.5 million:

i. operating revenue has increased for:

   - Secondary Markets, with higher Energy revenues (including development revenue relating to the implementation of the new carbon managed auction service for the Ministry for the Environment), partially offset by a reduction in securities trading and securities clearing revenues from their peaks during comparable H1-20 COVID period; and

   - Data & Insights, Funds Management and Wealth Technologies business units.

ii. operating revenue has decreased for Issuer Relationships, in particular secondary listing fees which have also reduced from their peaks during comparable H1-20 COVID period.

- operating expenses increasing 22.5% to $25.5 million:

i. the Markets businesses have strengthened cyber security and enhanced the Securities IT team to deliver technology solutions to increase trading and clearing system capacity and maintain market stability;

ii. we have also implemented the new carbon managed auction service for the Ministry for the Environment; and

iii. we continue to invest for growth in the Funds Management (exploring potential acquisition opportunities) and Wealth Technologies business units (to service new clients).

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

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 2021 are summarised in the table below:

		External dependencies	2021 full year deliverables	2021 YTD actual[1]
NZX Group	Operating earnings (EBITDA)[2]		$32.0 - $35.5 million	$16.9 million (down 3.5%)
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	$10.0 billion	$7.3 billion (down 10.6%)
Secondary Markets	Total value traded	• Participant activity levels drive value traded • No major market correction	$45.0 billion	$27.1 billion (down 2.8%)
	Dairy Derivatives lots traded	• Participant activity levels drive lots traded	0.40 - 0.50 million lots	139,950 lots (down 31.9%)
Data & Insights	Revenue growth (in subscriptions, licenses and dairy subscriptions changing revenue mix)	• Dependent on core markets growth	Average revenue growth: 5.0%	$8.6 million (up 5.1%)
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%	$5.69 billion (up 44.3%. Average FUM for period up 43.0%)
Wealth Technologies	Total Funds Under Administration	• Investment market returns impacts FUA (all asset classes) • No major market correction	Migrate new clients onto the platform	$7.73 billion (up 151.1%)

1 Percentage changes represent the movement for the interim period June 2020 to June 2021, except Funds Under Management and Funds Under Administration which are the movements in balances as at 30 June 2020 to 30 June 2021.

2 Operating earnings (EBITDA) are before net finance expenses, income tax, depreciation, amortisation, loss on disposal of assets, and gain on lease modification. 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 equity market capitalisation and the growth in number and value of debt instruments.

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 equity and retail debt listings; with total new capital listed of $3.4 billion up 46.9% 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 and retail debt issuances; with total additional capital raised of $3.9 billion down 33.9% on the comparative period, when equity recapitalisations peaked in the COVID lockdown period.

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 to 32 (2020: 34), with the resignation of Tiger Brokers and the amalgamation of OM Financial into Jarden.

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 decreased as:

- the total value traded and cleared ($27.1 billion) is 2.8% lower than the comparative period, when record levels occurred during the COVID lockdown period;
- securities trading revenue was adversely impacted by uncharged value traded (mainly caused by large index rebalance trading days where fees on value traded exceeds the fee cap), which increased to 10.9% (2020: 7.9%); and
- lower levels of clearing margin, clearing penalties and depository registry transfer fees.

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 decreased in line with the 31.9% lower lots traded, which were impacted by the low volatility of GDT prices during the period.

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), the Fonterra Shareholders' Market (under a contract with Fonterra) and the carbon managed auction service (under a contract with the Ministry for the Environment). Consulting and development revenue includes:

- Electricity market - enhancements to the electricity market systems, including the market real time pricing project, which is due for completion in 2022; and
- Carbon market - development of the carbon managed auction service, which was completed in the current period.

Data & Insights

Royalties from terminals relates to the provision of capital markets data to global data resellers who incorporate the data into their own subscription products. The royalties from terminals increased by 8.3% from growth in professional terminal numbers, which was partially offset by a decrease in retail terminals which peaked during the COVID lockdown period.

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 12.1% relates to the growth in client's data usage and increased licence numbers.

Audit and back dated licencing revenue remained high at $0.6 million (2020: $0.8 million) due to continued high levels of audit activity.

Dairy data subscriptions relate to the sale of dairy data and analytical products. Dairy data subscription revenue has stabilised after a churn period of dairy subscriptions post disposal of the agri-businesses.

Indices revenue relates to the revenue generated on index licensing in partnership with S&P. Indices business growth has been driven through an increase in funds using the indices as benchmarks across the funds management market and additional index data clients.

Connectivity revenue has increased in line with ensuring market participants and data vendors are connected to a higher standard of performance and resilience.

Funds Management

Funds management revenue is generated from:

- Funds under management (FUM) based revenue which relates to variable 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 35.6% driven by higher average FUM (up 43.0%) over the period, arising from a combination of market returns and positive net cash flows ($383 million year to date). FUM at 30 June 2021 has grown to $5.69 billion up 44.3% on the comparative period.

Member based revenue has increased, reflecting a mix of increased investor / member numbers, a reduction in some annual admin fees charged to members effective from 1 April 2021, and the comparable period which included a historical pricing provision.

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, and FUA related revenue, continues to increase due to the new customers transitioned in 2020; and

- OE platform – the number of customers is unchanged, with 27% growth in FUA.

FUA at 30 June 2021 has grown to $7.73 billion up 151.1% on the comparative period.

Corporate

Other corporate revenue primarily relates to the short term sub lease of part of the Wellington premises which ceased in June 2020 and nzx.com advertising revenue which ceased in May 2020.

Regulation (NZ RegCo)

Regulatory fees relate to issuer regulation, market conduct, participant compliance and market surveillance activities. Issuer regulation services comprise time spent by NZ RegCo reviewing listing and secondary capital raising documents, requests for listing rule waivers, and other significant issuer matters, including market conduct. Participant compliance services comprise time spent by NZ RegCo reviewing participant applications. Market surveillance activities are recoverable from market participants. In the current period NZ RegCo undertook a lower level of recoverable fee based work than in the comparable year, when activity levels peaked in the COVID lockdown period.

Additionally, NZ RegCo receives an internal allocation of annual listing fees and annual participants fees, which is set in advance based on the services expected to be provided by NZ RegCo.

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, higher levels of annual leave taken (relative to the COVID lockdown period), and the movement in average FTEs arising from:

- the Securities IT team additional resources to deliver technology solutions to increase trading and clearing system capacity and resilience, and maintaining market stability. As well as resources to improve cyber security;
- Issuer Relationships additional sales roles focused on origination, with active pipeline development and conversion;
- Secondary Markets additional product resource to support growth in the depository business;
- Energy contractors delivering increased levels of consulting and development revenue including the electricity market real time pricing project and the carbon managed auction service;
- Smartshares additional sales and customer services resources to support client and FUM growth;
- Wealth Technologies additional client facing, onboarding and technical staff to service new clients;
- Corporate Services additional legal, HR and communications resources to support the Smartshares and Wealth Technologies businesses. As well as additional project management resources related to the current elevated levels of project activity across the business; and
- movements in vacancy numbers at period ends.

Capitalisation of internal development resources (2021: $3.00 million; 2020: $2.57 million) primarily relates to Wealth Technologies' core platform, the NZX's trading system upgrade and the Network Transformation project.

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:

- cyber security – additional license costs to improve resilience of NZX's clearing and settlement system (BaNCS), plus the modification and strengthening of existing security services and the implementation of additional cyber defence capabilities and security services to mitigate the impact of any future cyber attacks;

- carbon managed auction service costs associated with the development and ongoing operation of the new carbon managed auction service for the Ministry for the Environment;

- the Energy electricity team are utilising third party specialist support to assist with the increased level of development (which is generating additional consulting and development revenue);

- trading and clearing system cost increases arise from movements in FX rates and contractual inflation rates;

- Data & Insights are incurring increased software licence costs associated with the delivery of customer management data platforms;

- Smartshares Bloomberg costs (front and middle office operating system) now reflect a full period after being implemented in late 2020; and

- Wealth Technologies additional data feeds, data hosting and software license costs relating to new clients.

Professional Fees

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

- set up costs for the dairy derivatives partnership with SGX;

- Smartshares investments for growth includes the costs associated with exploring potential acquisition opportunities;

- the assurance programme – internal audits, internal control reports, energy audits and consulting obligations under the Electricity Authority contracts and annual conflicts review;

- terminal royalty audit fees which vary in proportion to the related revenue; with costs and revenue recognised on a gross basis; and

- costs associated with the development of the new carbon managed auction service (including EEX royalty fees) for the Ministry for the Environment.

Marketing

Marketing costs relate primarily to Issuer Relationships (membership of various industry groups to identify listing opportunities), Smartshares (aimed at attracting new investors/members and increased branding awareness), and NZX Corporate (which supports the core exchange businesses and the investor relations programme). Marketing had been deferred during the COVID lockdown period and continues at low levels for both Smartshares and NZX Corporate. The Issuer Relationship team has added further membership of industry groups to widen their identification of listing opportunities.

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 increased due to renewed travel (relative to the H1-20 COVID period), plus higher insurance and compliance costs.

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), realised fair value gain on investment and foreign exchange gains/(losses). Increased net finance costs result from lower levels of interest income due to decreased interest rates.

Depreciation and amortisation expenses have increased due to amortisation on Wealth Technologies capitalised costs in late 2020 relating to the core platform's refinement and the completed migrations of new clients.

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 2021

	Note	Unaudited 6 months ended 30 June 2021 $000	Unaudited 6 months ended 30 June 2020 $000	Audited 12 months ended 31 Dec 2020 $000
Total operating revenue	5	42,451	38,372	78,426
Total operating expenses	6	(25,513)	(20,822)	(44,030)
Earnings before net finance expenses, income tax, depreciation, amortisation, loss on disposal of assets, and gain on lease modification (EBITDA)[1]	2	**16,938**	**17,550**	**34,396**
Net finance expenses	7	(1,174)	(758)	(2,037)
Depreciation and amortisation expenses		(4,797)	(4,042)	(8,293)
Loss on disposal of assets		(112)	-	-
Gain on lease modification		-	-	558
Profit before income tax		**10,855**	**12,750**	**24,624**
Income tax expense		(3,225)	(3,667)	(7,038)
Profit for the period		**7,630**	**9,083**	**17,586**
Earnings per share				
Basic (cents per share)		2.7	3.3	6.3
Diluted (cents per share)		2.7	3.3	6.3

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 2021

	Unaudited 6 months ended 30 June 2021 $000	Unaudited 6 months ended 30 June 2020 $000	Audited 12 months ended 31 Dec 2020 $000
Profit for the period	7,630	9,083	17,586
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences	-	(1)	-
Total other comprehensive income	-	(1)	-
Total comprehensive income for the period	**7,630**	**9,082**	**17,586**

The accompanying notes form an integral part of these financial statements

Statement of changes in equity

For the six months ended 30 June 2021

	Note	Share Capital $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
Audited balance at 1 January 2020		**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	11	-	(8,546)	-	(8,546)
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**	**(8,546)**	**-**	**(7,028)**
Unaudited closing balance at 30 June 2020		**57,041**	**8,978**	**(47)**	**65,972**
Profit for the period		-	8,503	-	8,503
Foreign currency translation differences		-	-	1	1
Total comprehensive income for the period		**-**	**8,503**	**1**	**8,504**
Transactions with owners recorded directly in equity:					
Dividends paid	11	-	(8,321)	-	(8,321)
Issue of shares		953	-	-	953
Share based payments		524	-	-	524
Share based payments for vested shares		(1)	-	-	(1)
Total transactions with owners recorded directly in equity		**1,476**	**(8,321)**	**-**	**(6,845)**
Audited closing balance at 31 December 2020		**58,517**	**9,160**	**(46)**	**67,631**
Profit for the period		-	7,630	-	7,630
Foreign currency translation differences		-	-	-	-
Total comprehensive income for the period		**-**	**7,630**	**-**	**7,630**
Transactions with owners recorded directly in equity:					
Dividends paid	11	-	(8,618)	-	(8,618)
Issue of shares		2,070	-	-	2,070
Share based payments		506	-	-	506
Cancellation of non-vesting shares		(11)	11	-	-
Total transactions with owners recorded directly in equity		**2,565**	**(8,607)**	**-**	**(6,042)**
Unaudited closing balance at 30 June 2021		**61,082**	**8,183**	**(46)**	**69,219**

The accompanying notes form an integral part of these financial statements

Statement of financial position

As at 30 June 2021

	Note	Unaudited 30 June 2021 $000	Unaudited 30 June 2020 $000	Audited 31 Dec 2020 $000
Current assets				
Cash and cash equivalents		21,325	21,420	32,775
Cash and cash equivalents - restricted	8	20,000	20,000	20,000
Funds held on behalf of third parties		135,643	121,159	104,684
Receivables and prepayments		23,179	20,798	10,840
Total current assets		**200,147**	**183,377**	**168,299**
Non-current assets				
Property, plant & equipment		4,976	2,386	2,146
Right-of-use lease assets	9	4,456	6,199	5,108
Goodwill	3	30,222	30,222	30,222
Other intangible assets	3	41,809	39,376	40,879
Total non-current assets		**81,463**	**78,183**	**78,355**
Total assets		**281,610**	**261,560**	**246,654**
Current liabilities				
Funds held on behalf of third parties		135,643	121,159	104,684
Trade payables		8,261	5,257	7,684
Other liabilities - current		18,614	16,105	14,176
Lease liabilities	9	1,052	1,657	1,388
Current tax liability		862	1,688	2,274
Total current liabilities		**164,432**	**145,866**	**130,206**

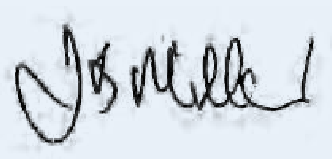
The accompanying notes form an integral part of these financial statements

Statement of financial position (continued)

As at 30 June 2021

	Note	Unaudited 30 June 2021 $000	Unaudited 30 June 2020 $000	Audited 31 Dec 2020 $000
Non-current liabilities				
Non-current other liabilities		565	403	484
Lease liabilities	9	5,232	7,267	5,716
Interest bearing liabilities	10	38,940	38,871	38,911
Deferred tax liability		3,222	3,181	3,706
Total non-current liabilities		**47,959**	**49,722**	**48,817**
Total liabilities		**212,391**	**195,588**	**179,023**
Net assets		**69,219**	**65,972**	**67,631**
Equity				
Share capital		61,082	57,041	58,517
Retained earnings		8,183	8,978	9,160
Translation reserve		(46)	(47)	(46)
Total equity attributable to shareholders		**69,219**	**65,972**	**67,631**
Net tangible assets per share (cents per share)		(1.01)	(1.45)	(1.25)

Approved on behalf of the Board of Directors for issue on 26 August 2021.



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 2021

	Unaudited 6 months ended 30 June 2021 $000	Unaudited 6 months ended 30 June 2020 $000	Audited 12 months ended 31 Dec 2020 $000
Cash flows from operating activities			
Receipts from customers	37,581	32,676	78,104
Net interest paid	(1,048)	(933)	(1,823)
Payments to suppliers and employees	(27,558)	(20,966)	(38,847)
Income tax paid	(5,121)	(3,940)	(6,200)
Net cash provided by operating activities	**3,854**	**6,837**	**31,234**
Cash flows from investing activities			
Cash received from short term investment	-	-	2
Payments for property, plant and equipment	(3,257)	(256)	(483)
Payments for intangible assets	(4,646)	(4,825)	(9,489)
Net cash used in investing activities	**(7,903)**	**(5,081)**	**(9,970)**
Cash flows from financing activities			
Payments of lease liabilities	(820)	(672)	(1,467)
Purchase of subordinated notes	-	(10)	-
Dividends paid	(6,581)	(7,394)	(14,762)
Net cash used in financing activities	**(7,401)**	**(8,076)**	**(16,229)**
Net increase/(decrease) in cash and cash equivalents	(11,450)	(6,320)	5,035
Cash and cash equivalents at the beginning of the period	52,775	47,740	47,740
Cash and cash equivalents at the end of the period	**41,325**	**41,420**	**52,775**

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the six months ended 30 June 2021

1. Reporting entity and statutory base

Reporting entity

These 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 2021.

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 developing 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 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

These 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 the New Zealand equivalents 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 2020.

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 2020.

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 2020.

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

EBITDA is a non-GAAP performance measure and differs from the NZ IFRS profit for the period. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of EBITDA to NZ IFRS profit for the period:

	Unaudited 6 months ended 30 June 2021 $000	Unaudited 6 months ended 30 June 2020 $000	Audited 12 months ended 31 Dec 2020 $000
Profit for the period	**7,630**	**9,083**	**17,586**
Income tax expense	3,225	3,667	7,038
Profit before income tax	**10,855**	**12,750**	**24,624**
Adjustments for:			
- Net finance expenses	1,174	758	2,037
- Depreciation and amortisation expenses	4,797	4,042	8,293
- Loss on disposal of assets	112	-	-
- Gain on lease modification	-	-	(558)
EBITDA	**16,938**	**17,550**	**34,396**

The Group has presented the EBITDA performance measure in addition to NZ IFRS profit for the period as this performance measure is used internally, in conjunction with other measures, to monitor performance and make investment decisions. EBITDA is calculated by adjusting profit from operations to exclude the impact of taxation, net finance expense, depreciation, amortisation, loss on disposal of assets, and gain on lease modification.

3. Goodwill and other intangible assets

The Group performs full impairment assessment of its goodwill and other intangible assets annually. The last full impairment assessment was performed at 31 December 2020, and no impairment was required as a result.

The Group has reviewed the indicators of impairment for the six month period to 30 June 2021, and no indicators of impairment were noted (none at 30 June 2020). The next full impairment assessment will be performed and included in the Group's year end financial statements as at 31 December 2021.

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 has limited revenue but includes all costs that are shared across the organisation.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group CEO. The CODM assesses performance of the combined Markets business (i.e. the Issuer Relationships, Secondary Markets and Data & Insights revenue generating segments) as a single segment, being an integrated business that supports the growth of New Zealand capital markets. The performance of the Funds Management, Wealth Technologies and Corporate businesses are assessed separately.

Additionally during 2020 the Group introduced a new regulatory model and incorporated NZX Regulation Limited (NZ RegCo) as a stand-alone, independently-governed agency which performs all of NZX's front line regulatory functions, resulting in the structural separation of the Group's commercial and regulatory roles. Consequently the CODM for the Regulation business is the NZ RegCo CEO.

The reportable commercial operations segments are:

- Markets
  - Issuer Relationships - provider of issuer services for current and prospective customers;
  - Secondary Markets - provider of trading and post-trade services for securities and derivatives markets operated by NZX, provider of a central securities depository and market operator for Fonterra Co-Operative Group, the Electricity Authority and the Ministry for the Environment;
  - Data & Insights - provider of data services for securities and derivatives markets, and analytics for New Zealand's dairy sector;
- Funds Management - provider of superannuation funds, KiwiSaver funds and exchange traded funds; and
- Wealth Technologies - funds administration provider and custodian.

The Group’s revenue is analysed into each of the reportable segments (including an internal allocation of annual listing fees and annual participant fees to NZ RegCo). 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.

Segmental information for the six months ended 30 June 2021

Unaudited	Issuer Relation-ships $000	Secondary Markets $000	Data & Insights $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-total $000	Regulation $000	NZX Group Total $000
Operating revenue	6,795	14,339	8,626	29,760	8,941	2,074	11	**40,786**	1,665	**42,451**
Operating expenses				(8,988)	(5,034)	(1,946)	(7,863)	**(23,831)**	(1,682)	**(25,513)**
Operating earnings (EBITDA)[1]				**20,772**	**3,907**	**128**	**(7,852)**	**16,955**	**(17)**	**16,938**
Segment assets				196,275	42,519	19,566	23,027	**281,387**	223	**281,610**
Segment liabilities				(152,328)	(8,193)	576	(52,409)	**(212,354)**	(37)	**(212,391)**
Net assets				**43,947**	**34,326**	**20,142**	**(29,382)**	**69,033**	**186**	**69,219**

1 EBITDA 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 and restated	Issuer Relation-ships $000	Secondary Markets $000	Data & Insights $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-total $000	Regulation $000	NZX Group Total $000
Operating revenue	7,291	13,334	8,207	28,832	6,760	849	189	**36,630**	1,742	**38,372**
Operating expenses				(6,916)	(3,891)	(1,382)	(7,011)	**(19,200)**	(1,622)	**(20,822)**
Operating earnings (EBITDA)[1]				**21,916**	**2,869**	**(533)**	**(6,822)**	**17,430**	**120**	**17,550**
Segment assets				182,197	40,165	15,046	23,862	**261,270**	290	**261,560**
Segment liabilities				(137,073)	(5,151)	62	(53,205)	**(195,367)**	(221)	**(195,588)**
Net assets				**45,124**	**35,014**	**15,108**	**(29,343)**	**65,903**	**69**	**65,972**

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

Segmental information for the twelve months ended 31 December 2020

Audited	Issuer Relation-ships $000	Secondary Markets $000	Data & Insights $000	Markets sub-total $000	Funds $000	Wealth Tech. $000	Corporate $000	NZX Commercial Operations sub-total $000	Regulation $000	NZX Group Total $000
Operating revenue	15,192	27,343	16,146	58,681	13,669	2,425	205	**74,980**	3,446	**78,426**
Operating expenses				(15,253)	(8,071)	(2,689)	(15,072)	**(41,085)**	(2,945)	**(44,030)**
Operating earnings (EBITDA)[1]				**43,428**	**5,598**	**(264)**	**(14,867)**	**33,895**	**501**	**34,396**
Segment assets				154,746	43,090	17,495	31,026	**246,357**	297	**246,654**
Segment liabilities				(117,716)	(7,244)	(71)	(53,694)	**(178,725)**	(298)	**(179,023)**
Net assets				**37,030**	**35,846**	**17,424**	**(22,668)**	**67,632**	**(1)**	**67,631**

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

5. Operating revenue

	Unaudited 6 months ended 30 June 2021 $000	Unaudited 6 months ended 30 June 2020 $000	Audited 12 months ended 31 Dec 2020 $000
Listing fees	6,795	7,291	15,192
Total Issuer Relationships revenue	**6,795**	**7,291**	**15,192**
Participant services	357	366	738
Securities trading	2,640	2,863	5,532
Securities clearing	4,190	4,466	8,746
Dairy derivatives	522	773	1,306
Market operations	6,630	4,866	11,021
Total Secondary Markets revenue	**14,339**	**13,334**	**27,343**
Securities information	7,037	6,719	13,166
Dairy data subscriptions	328	315	607
Connectivity revenue	1,261	1,173	2,373
Total Data & Insights revenue	**8,626**	**8,207**	**16,146**
Funds Management revenue	**8,941**	**6,760**	**13,669**
Wealth Technologies revenue	**2,074**	**849**	**2,425**
Issuer regulation	297	389	727
Participant compliance	32	56	157
Surveillance	392	411	791
Listing fees & participants services	944	886	1,771
Total Regulation revenue	**1,665**	**1,742**	**3,446**
Other Corporate revenue	**11**	**189**	**205**
Total operating revenue	**42,451**	**38,372**	**78,426**

6. Operating expenses

	Unaudited 6 months ended 30 June 2021 $000	Unaudited 6 months ended 30 June 2020 $000	Audited 12 months ended 31 Dec 2020 $000
Operating expenses			
Gross personnel costs	(18,667)	(16,620)	(34,015)
Less capitalised labour	3,004	2,573	5,925
Net personnel costs	(15,663)	(14,047)	(28,090)
Information technology	(5,858)	(3,707)	(9,292)
Professional fees	(2,381)	(1,676)	(3,300)
Marketing	(510)	(376)	(1,076)
Other expenses	(1,822)	(1,558)	(3,630)
Capitalised overheads	721	542	1,358
Total operating expenses	**(25,513)**	**(20,822)**	**(44,030)**

7. Net finance expenses

	Unaudited 6 months ended 30 June 2021 $000	Unaudited 6 months ended 30 June 2020 $000	Audited 12 months ended 31 Dec 2020 $000
Interest income	174	534	839
Interest on lease liabilities	(122)	(215)	(395)
Other interest expense	(1,183)	(1,181)	(2,377)
Amortised borrowing costs	(40)	(37)	(77)
Realised gain on investment	-	-	2
Net gain/(loss) on foreign exchange	(3)	141	(29)
Net finance expense	**(1,174)**	**(758)**	**(2,037)**

8. Cash and cash equivalents

Restricted cash and cash equivalents relates to balances held for risk capital requirements by the Clearing House and is not available for general cash management use by the Group.

9. Leases

During 2020 the Group entered into a new office lease agreement commencing 1 August 2021 as a lessee, to replace the existing Auckland office lease which expires on 31 August 2021. An addition to the right-of-use assets and lease liabilities will be recognised on commencement of the lease.

10. Interest bearing liabilities

	Unaudited as at 30 June 2021 $000	Unaudited as at 30 June 2020 $000	Audited as at 31 Dec 2020 $000
Subordinated notes	40,000	39,990	40,000
Total drawn debt	**40,000**	**39,990**	**40,000**
Capitalised borrowing costs (net of amortisation)	(1,060)	(1,119)	(1,089)
Net interest bearing liabilities	**38,940**	**38,871**	**38,911**

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 2020 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 2020: $3.0 million, 31 December 2020: $3.0 million). The effective interest rate of the facility at 30 June 2021 was 3.07% (30 June 2020: 3.42%, 31 December 2020: 3.19%).

The Group also has a revolving credit facility with a limit of $3.0 million (30 June 2020: $3.0 million, 31 December 2020: $3.0 million).

No amount was drawn down at 30 June 2021 (none at 30 June 2020 and 31 December 2020).

The terms of these facilities are set out in the Group's Annual Report for the year ended 31 December 2020. Both facilities are unsecured and contain financial covenants which have been met throughout the period.

11. Dividends

		Unaudited 6 months ended 30 June 2021		Unaudited 6 months ended 30 June 2020		Audited 12 months ended 31 Dec 2020	
	For year ended	Cents per share	Total $000	Cents per share	Total $000	Cents per share	Total $000
Dividends declared and paid							
March 2020 - Final	31 Dec 19			3.1	8,546	3.1	8,546
September 2020 - Interim	31 Dec 20					3.0	8,321
March 2021 - Final	31 Dec 20	3.1	8,618				
Total dividends paid during the period		**3.1**	**8,618**	**3.1**	**8,546**	**6.1**	**16,867**

Refer to note 15 for details of the 2021 interim dividend.

12. Share based payments

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.

13. 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 2021 $000	Unaudited 6 months ended 30 June 2020 $000	Audited 12 months ended 31 Dec 2020 $000
Short-term employee benefits	2,366	2,390	4,640
Long-term employee benefits	81	81	161
Share-based payments	294	239	497
Resignation benefits	90	-	116
	2,831	**2,710**	**5,414**

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

Directors fees for the six month period to 30 June 2021 were $213,736 (30 June 2020: $225,000, 31 December 2020: $450,000) 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 (refer to Note 5).

14. 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 and court proceedings. 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 2021 (30 June 2020: none; 31 December 2020: none).

15. 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 24 September 2021 (with a record date of 10 September 2021).

CEO Long Term Incentive Plan

On 24 August 2021, the Board agreed to grant the CEO a further tranche of performance rights under NZX's CEO Long Term Incentive Plan. The number of performance rights will be $1,000,000 divided by the volume weighted average price per share for the 10-business day period starting 27 August 2021. Each of these performance rights will give the CEO an option to acquire one ordinary share in NZX. The CEO may exercise the options if the performance rights vest. Vesting of the performance rights is dependent on NZX meeting performance hurdles in respect of total shareholder return (TSR) growth and on the CEO remaining an employee of the NZX Group for the duration of the vesting period from 10 September 2021 to 5 April 2024.

There is a cap on the maximum value of performance rights that can vest. The cap is $5 million minus the value of the Performance Rights that vest under the previous tranche of the CEO Long Term Incentive Plan with a vesting period ending on 6 April 2022 (which has its own value cap of $4 million).

Vesting of the performance rights is dependent on TSR growth over the vesting period of at least 7.4% per annum resulting in 50% of the performance rights being vested (with 100% being vested at 9.4% TSR growth and 50.1% to 99.9% being vested on a linear, pro-rata basis).

Independent Review Report

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 of NZX Limited and its subsidiaries ("the Group") on pages 20 to 34 do not:

i. present fairly in all material respects the Group's financial position as at 30 June 2021 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 2021;
- the consolidated income statement, statements of 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 interim consolidated financial statements that are 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

26 August 2021

Corporate directory
Getting in touch

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

Chief Executive Officer
Mark Peterson

Chief Financial Officer
Graham Law

General Counsel and Company Secretary
Hamish Macdonald

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