**Attention ASX Company Announcements Platform**
**Lodgement of Open Briefing**

Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

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Australian Stock Exchange yesterday announced a special dividend of 27.5 cents despite a 2.2 percent dip in net profit to $57.8 million. The annual dividend including the special has risen to 67.1 cents versus 40.6 cents last year. What impact will the higher dividend have on cash reserves and what motivated the payment given the relatively flat profit outcome?

**CEO Richard Humphry**
The 2.2 percent drop in profit was due to the $3.5 million after-tax write-off of our investment in ASX FundConnect. Net profit from operations was very pleasing given the depressed market environment and rose 3 percent to $61.3 million.

In terms of the dividend, the total annual dividend of 67.1 cents gives us a yield nearing 5 percent. The final and special payments of 18.1 cents and 27.5 cents respectively will reduce our cash reserves from about $87 million to $55 million.

The board was motivated to make the special dividend payment as our cash reserves substantially exceeded the $50 million we traditionally hold to ensure the reliability and stability of the market through the clearing and settlement function.

Currently we're in discussions with the Federal Government about establishment of the Australian Clearing House, which will require the split of the National

Guarantee Fund into a fidelity and clearing component. These discussions are ongoing but given our strong cash generating capacity we considered a special dividend appropriate.

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Is it possible that the changes being driven by the Financial Services Reform Act will enable you to carry a lower level of cash than has been the case historically or do you expect more stringent capital requirements?

**CEO Richard Humphry**
I don't believe the amount currently in the National Guarantee Fund will be sufficient to cover the entire capital requirements of the ACH to allow it to fulfil the new systemic standards set by the Reserve Bank. We expect it to be less than $50 million but nothing has been finalised. There may also be a need to establish some call arrangements with banks. Overall, we expect the changes will result in a better position for ASX.

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When will you know what level of cash you'll need to carry?

**CEO Richard Humphry**
We're still in discussions with Treasury and Reserve Bank officials and the timing of a determination is difficult to judge. Ultimately it's a decision for the Treasurer and the parliamentary secretary, Senator Ian Campbell.

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Given you generate a strong level of cash, why don't you abandon your dividend payout policy of only 70 percent and go for a much higher payout?

**CEO Richard Humphry**
We'll keep the 70 percent policy in place at least until the situation regarding the National Guarantee Fund is resolved. When we have some certainty on that matter, the board will be in a better position to determine the appropriate future dividend policy. In the meantime, we'll be flexible and keep capital management under review, as we have this year.

**corporatefile.com.au**
In 2003 you delivered on your expense control promise with total expenses before the cost of ASX FundConnect virtually steady at $127.3 million. Would you expect to keep expenses flat going forward?

**CEO Richard Humphry**
The most important measure to focus on is the cost to income ratio and we definitely expect further improvements in the trend. Absolute costs will remain under strict control but as volumes rise, marginal costs increase.

We've benchmarked ourselves against other listed exchanges and of the 12, we have the lowest ratio. In future, I'd hope for a move well below the current level of 61.6 percent. And longer term I believe a ratio of close to 50 percent is possible. That compares with a ratio of nearly 90 percent before demutualisation.

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Do you anticipate any changes in fees charged for ASX listing or trading?

**CEO Richard Humphry**
We have no plans to increase fees beyond those we've already announced. Our focus will be on improving volumes.

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Beyond a cyclical recovery in equity trading volumes, where will ASX source future growth?

**CEO Richard Humphry**
We've got to continue to develop a broader range of products and include access to other markets where people can invest with safety and hopefully with the support of the regulators in the respective country.

The Australian appetite for sophisticated investment is growing at a significant rate. For example, private investors have moved from an average holding of three stocks to six, which is a 100 percent jump, in just a few years. At the same time, the average portfolio investment has increased from $25,000 to $38,000.

The other area of future growth is our infrastructure technology. We've contracted with a government to provide secure processing where high reliability is required. We're finding there's a degree of demand for this type of infrastructure and we're getting interest from both government and the private sector.

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In the year ended 2001 ASX had capex of $29.5 million, it was $8.2 million in 2002 and last year it was $10.1 million. What are your capital expenditure priorities and will the gross amount remain at current levels?

**CEO Richard Humphry**
Capex will be related to on-going maintenance of our systems and will remain near recent levels. The high capex figures in 2001 reflected our move to new premises and the re-equipment of our electronic infrastructure. We'd have to embark on a major new project for capex to significantly exceed $10 million.

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ASX Perpetual Registrars Limited (50 percent owned by ASX) increased EBITDA 43 percent to $12.1 million but contribution to ASX was down to $0.9 million from $2.0 million previously. What is the outlook for the joint venture?

**CEO Richard Humphry**
The equity accounted contribution to our result of only $0.9 million masks a very strong performance by ASX Perpetual. Operating revenue rose 12.1 percent to $48.9 million and operating expenses rose only 4.5 percent to $36.7 million. We were very pleased with EBITDA of $12.1 million and we'd expect further growth as market sentiment improves and corporate actions rise.

ASX Perpetual has made a big investment in technology and has significant leverage to more active markets and especially IPOs. In the latest 12 months only 10 percent of revenue was sourced from corporate action and that compares with 30 percent in 2001.

ASX Perpetual has completely re-engineered its work practices. As a result, staff numbers have declined, costs are down and it's winning new business. It's recently won the Westpac contract from Computershare. The high levels of depreciation and amortisation hide the strong progress at ASX Perpetual and the outlook is quite strong.

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Is it your intention to retain 50 percent of the joint venture or do you envisage selling down and listing it on ASX at some future stage?

**CEO Richard Humphry**
ASX Perpetual does have the potential to be floated and listed in its own right but that would be some way off as the company is still in its infancy. Currently, our wish is to retain a 50 percent interest.

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Will the loss on developing ASX FundConnect make you more cautious as an organisation and therefore less likely to seek growth outside your traditional businesses?

**CEO Richard Humphry**
I would hope not. The FundConnect project was and still is a very good strategic fit for ASX.

But, after we carried out detailed research it became clear the industry was aiming to vertically integrate in Europe and that trend undermined the case for FundConnect. We now need to watch how the industry progresses.

The second issue was that the project was extremely large. It was to be a major capital commitment for ASX and we sought financial backing from the fund management industry. That wasn't obtained, principally because the industry has been undergoing significant convergence and fund performance was under pressure.

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ASX has argued against prescriptive legislative reforms in areas of corporate governance. Have you won the battle and what implications do you see for our market?

**CEO Richard Humphry**
The problem with prescriptive legislation is that once in place, it's very difficult to adjust to changing market circumstances. We might believe certain rules are needed right now but the environment is constantly changing and we need continual review if we're to reflect community needs.

The initiative with the ASX Corporate Governance Council is an attempt to empower the shareholder through better quality information. What we're not seeking to do is apply one set of guidelines across every listed company. Each company can be different, all we want to do is make sure they explain their position to shareholders, who can then make their own decision.

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Uptake of the ASX WorldLink initiative continues to be slow, obviously impacted by stagnant markets elsewhere. Do you have any plans to expand the current limited reach beyond the two-way Singapore link and the one-way link to American markets?

**CEO Richard Humphry**
It is still early days overall, and I am sure that at least in part that overall usage is something that will be determined by market conditions and fluctuations, as you'd expect. However, while the current linkages are soundly based in terms of principle and actual operating capacity, we have always said that we would seek to expand its functionality and reach where possible and appropriate.

Although it is quite early days on both fronts, with that in mind it is interesting to note that Tokyo Stock Exchange has initiated preliminary exploratory talks with us in recent months that might lead to some more formal linked-trading type of relationship in the future, and with Singapore Exchange we would like to expand the present platform for equities trading to include some derivatives such as exchange-traded options. In both cases, though, I stress it is early days and there is certainly no decision or agreement to announce.

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Share prices have improved since the March quarter of 2003. How has ASX performed year to date and do you expect ASX's financial performance to reflect the better trend in 2004?

**CEO Richard Humphry**
Although it's only two months into the new financial year, we're seeing strong growth in equity volumes. If this continues, I'd expect ASX to have a successful year. In July, equity volumes averaged 60,000 versus 53,000 last year and in August we've averaged over 66,000 versus 48,600 last year.

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Thank you Richard.