**MARKET ANNOUNCEMENT**

# COMPUTERSHARE LIMITED (ASX:CPU)

## RESULTS FOR SIX MONTHS ENDED 31 DECEMBER 2001

## MAIN FEATURES

- Half year revenue up 17% to $396.5 million from $339.6 million
- Half year expenses (excluding technology services) up 11% to $310.7 million
- Technology services expenditure up 57% to $46.3m. Development expenditure continues to be conservatively expensed
- EBITDA up 1% to $73.0 million from $71.9 million (excludes one off adjustments)
- Net profit attributable to members up 34% to $24.5 million from $18.3 million (after one off adjustments)

(comparisons are to the six-month period ended 31 December 2000)

26 FEBRUARY 2002

Copies of the Half-Yearly Report and Results Presentation are available for download
at www.computershare.com

**MARKET ANNOUNCEMENT**

SYDNEY, 26 FEBRUARY, 2002 - The world's largest and only global share registrar (transfer agent), Computershare Limited (ASX:CPU), today reported an operating profit before tax of $39.4m for the six months ended 31 December 2001, achieved on revenues of $396.5m.

Computershare CEO, Chris Morris said that the result reflected the continuing strengthening of the core share registry business which has been adversely affected by the global slow down in corporate actions activity in the latter part of the period, with interest rates at 40 year lows.

"Despite the impact of difficult market conditions on our share registry revenue growth, the company executed significant cost reduction initiatives and at the same time funded necessary technology investments for the future," Mr Morris said.

**Profit forecast – 9 January, 2002**

On January 9, the company issued a revised forecast for its earnings (EBITDA) for the half year in light of the deterioration in global market conditions, stating that it anticipated EBITDA would be in line with the previous corresponding period.

As stated above, before any one off adjustments, the group's earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 1% to $73.0m (2000: $71.9m).

Mr Morris explained that since this announcement, the company had undertaken a thorough review of its internal management systems and financial controls. Immediate enhancements such as improved internal reporting mechanisms have been made, with further improvements over the longer term considered a key priority by senior management:

"What was also apparent from the market's reaction to our profit announcement was that we had not fully explained our northern hemisphere business model in respect to the composition of earnings derived from both fees and margin income.

"In response to this we have sought to expand our financial disclosure in these results and are committed to helping the market fully understand our business, assess our performance and appropriately value our growth potential on an ongoing basis.

"Whilst our global strategy has been delivering results, there is no doubt that the current market conditions have renewed our focus on the corporate disciplines required to drive organic growth.

"Given the effectiveness of our cost reduction initiatives over the last 6 months, I believe the company is now in an even stronger position to deliver long term value for our shareholders," Mr Morris said.

## Outlook for Financial Year 2002

Mr Morris noted that present market conditions did not show any signs of a sustained or significant recovery in activity levels and on this basis it was likely that the full year results for the group on an existing business basis would be within the following ranges:

- Revenue will be between $753.0m and $775.0m
- EBITDA is expected to be in the range of $145.0m to $152.0m.
- Net Profit after Tax (NPAT) result is likely to be between $56.0m and $60.0m based on lower than expected borrowing costs and more effective group planning

Mr Morris also noted that any modest recovery in corporate actions or increases in interest rates would quickly push the expectations towards the top of the range.

For the full year ended 30 June 2001 the group recorded revenues of $754.3m, an EBITDA (before non-recurring items) of $151.6m and Net Profit after tax (before non-recurring items) of $58.2m.

Mr Morris said that it was important for the FY 2002 anticipated results to be viewed in context, as never before was the company under such a critical expansion phase as it seeks to establish its proprietary software, the SCRIP system, in the growth markets of the United States, Canada and Hong Kong:

“At this point we are on track for SCRIP to be live in all 3 regions by end 2002, which means that our truly global registry model will be set to deliver efficiencies and benefits to our clients across the regions in which they operate.

“However as the company intends to maintain its conservative accounting policy to expense all technology development in the year it is incurred, it is expected that should market conditions remain unchanged, our critical expansion phase may come at the expense of short-term operating profit growth,” he said.

Following the company’s recent successful expansion into the UK market, market observers would have seen the competitive advantage and increase in market share that has been derived from the implementation of Computershare technology and integrated services that will deliver longer-term benefits.

“Whilst the deterioration of market conditions has adversely affected our short-term profit growth, the timing of the current downturn in corporate actions activity has, however, provided a window of time in which to develop and install our new systems in our North American and Hong Kong operations.

“This means we will be well placed, with superior technology and experienced staff, to take advantage of the major opportunities that will occur in these markets when conditions improve,” Mr Morris said.

## About Computershare

Computershare Limited is a leading financial services and technology provider for the global securities industry, providing services and solutions to listed companies, investors, employees, exchanges and other financial institutions.

It is the largest and only global share registry (or transfer agent), managing more than 68 million shareholder accounts for over 7,500 corporations in ten countries on five continents, and it provides sophisticated trading technology to financial markets in each major time zone.

Founded in Australia in 1979 and headquartered in Melbourne, Computershare employs more than 5,000 people worldwide.

## For further information:

| | | |
|---|---|---|
| Christine Godfrey | or | Margaret Sutherland |
| Investor Relations | | Media Relations |
| Tel: (02) 8234 5456 | | Tel: (03) 9611 5750 |
| Mobile: 0418 536 332 | | Mobile: 0438 012 406 |

## FINANCIAL SUMMARY

A comparison to the equivalent period last year demonstrates the continuing growth of the business in the past 12 months.

| | 6 mths to Dec 2001 $ millions | 6 mths to Jun 2001 $ millions | 6 mths to Dec 2000 $ millions |
|---|---|---|---|
| **Revenue** | 396.5 | 414.7 | 339.6 |
| **EBITDA before one off adjustment** | 72.99 | 79.68 | 71.92 |
| **One off adjustment – Write down in the value of investment in E Trade** | 0.00 | 8.01 | 13.25 |
| **EBITDA post adjustment** | 72.99 | 71.67 | 58.67 |
| **Profit before tax** | 39.40 | 42.86 | 32.92 |
| **Net profit attributable to members of the parent** | 24.47 | 20.46 | 18.27 |
| **Dividend per share (cents)** | ½ | ½ | ½ |
| **EPS - basic (cents)** | 4.3 | 3.8 | 3.4 |

## SUMMARY FINANCIAL COMMENTARY

### Revenue Analysis

| | 6mths Dec 2001 $'000s | 6mths June 2001 $'000s | 6mths Dec 2000 $'000s |
|---|---|---|---|
| **Registry Maintenance** | 185,533 | 181,452 | 162,829 |
| **Non-Registry Sales/Fees** | 68,869 | 67,969 | 37,662 |
| **Corporate Actions** | 32,580 | 36,165 | 38,666 |
| **Margin Income** | 41,907 | 49,833 | 46,930 |
| **Interest Income** | 2,476 | 2,024 | 1,639 |
| **Recoveries** | 59,478 | 69,423 | 45,066 |
| **Other** | 5,633 | 7,859 | 6,801 |
| **Total** | **396,476** | **414,725** | **339,593** |

While basic register maintenance income grew by 2% over the preceding six month period, both Corporate Actions and Margin income declined reflecting lower corporate activity and interest rates at historically low levels. In a predominantly fixed cost business the impact of the revenue decline has translated through to the bottom line.

## Expense Analysis

| | 6mths Dec 2001 $'000s | 6mths June 2001 $'000s | 6mths Dec 2000 $'000s |
|---|---|---|---|
| **Direct Services** | 271,314 | 286,734 | 234,927 |
| **Technology Services** | 46,342 | 35,803 | 29,568 |
| **Corporate Services** | 5,830 | 7,188 | 4,718 |
| **Depreciation & Amortisation** | 26,716 | 26,558 | 19,760 |
| **Borrowing Costs** | 6,878 | 8,411 | 5,991 |
| **Write-down Investment in Etrade** | 0 | 8,014 | 13,250 |
| **Total** | **357,080** | **372,708** | **308,214** |

The six months to 31 December 2001 saw a significant increase in technology spend across the group as crucial development and implementation projects in North America and Asia were accelerated to ensure timely completion. Labour makes up approximately 55% of the group's cost structure and significant labour efficiency improvements were made in the registry businesses with associated headcount reductions. The results to 31 December 2001 include a $3.5m redundancy expense.

## TAXATION

The headline effective tax rate has fallen from 44.5% (as at 30 June 2001) to 38.6% and the underlying effective tax rate adjusted for non-recurring items, the benefit of tax losses not booked and non-deductible goodwill charges fallen from 30.9% to 26.5%. The improved result is primarily due to a reduction of tax rates in Australia and Canada, a critical examination of the group's qualifying research and development activities and expenditure and limiting inefficient transactions to the extent possible.

Computershare has conservatively not booked the benefit of some $8.8m of income tax losses and a further $18.3m of capital losses. The benefit of these losses will be reflected in lower tax expense in future periods when their recovery is virtually certain.

## CASH FLOW / FINANCING

Improved working capital management enabled Cashflow from Operations to increase by $10.0m to $51.3m for the half. Debtors days outstanding was cut from 75days at 30 June to 62 days at 31 December 2001.

At present the group has financing capacity of approximately $225m within its existing financing facilities and available cash resources.

## REVIEW OF OPERATIONS

Mr. Chris Morris, CEO, noted that the results six months to December 2001 represented a significant achievement for the group given the volatility of financial markets and world economic conditions. He noted that these factors impacted the business through subdued corporate actions and lower margin income, although growth was experienced in core registry maintenance and non-registry businesses. He also noted that Computershare Technology Services had been extremely active as it implemented technology and infrastructure to support the expansion of the global registry network. The workload on Computershare Technology Services had necessitated an increase in personnel and costs in the CTS business.

### Australia & New Zealand Business Review

*Key Points*

- Trading activity reasonably strong however IPO's well down
- Won 60% of Australian IPO's in the period
- Re-aligned business activities from a state based operation to a national functional base
- Centralised Investor Contact Centre (200 seats) now fully operational
- Roll-out of 'Workflow' across all offices continuing
- Transition of existing registry clients to CPM model

*Outlook*

- Market conditions to remain unchanged
- Primary focus to renew efforts in service commitments and consistency of processes
- Anticipate continued growth in ESP business

### UK and Ireland Business Review

*Key Points*

- Result affected by reduction in corporate action activity and lower interest rates
- Major new business: Registry: Allied Domecq, Iceland, Somerfield, Rio Tinto, First Active
  ESP: BP, mmO2, National Grid
- Cost reduction program continuing with redundancy costs ($3.0m) expensed this period

*Outlook*

- Anticipate increase in fund raising issues and IPOs in Q4
- Positive financial impact of new business in 2nd half
- Reduction in personnel costs attributed to retrenchments
- Appointment of Iain Saville (CEO UK/Europe) will boost profile of CPU and deepen market relationships

## South Africa Business Review

*Key Points*

- Results effected by STRATE
- Competition decision due 11/4 re Mercantile
- Planning for integration of Mercantile business well progressed when completed will deliver major cost savings
- Workflow planned for Q3 02

*Outlook*

- Telkom float
- Obtain 50% of major analytics business in SA which will add to our global offering
- Efficiencies will be delivered when STRATE operation risk reduced with introduction of book entry settlement

## US Business Review

*Key Points*

- Registry results affected by substantial reduction in corporate actions activity (M&A, stock splits & IPOs)
- Significant positive EBITDA contribution from ESP business
- ESP: Converted 850,000 participant accounts to SCRIP & maintained re-appointments
- Shareholder Survey: Service level improvement of 30% to 90%
- Issuer Survey: Increased satisfaction level by 40%
- Reduced workforce by 35% (saving US$ 3.5m p.a)

*Outlook*

- Market conditions to remain subdued and affect corporate actions revenue
- Major opportunities when SCRIP is live
- Corporate disclosure - major confidence overhang in the market
- Anticipate continued growth in ESP business
- Ongoing efficiency management and controls

## Canada Business Review

*Key Points*

- Results impacted by deferral of Prudential demutualisation (now end Q1 '02)
- Corporate Trust business affected by reduction in volume of new debt issuance activity - had anticipated an increase given lower interest rates
- Major corporate actions: Gulf/ Connoco and Canadian Hunter/Burlington Resources
- Consolidation of operations to Toronto with savings of 150 staff due for completion in June '02

*Outlook*

- Corporate actions activity to remain subdued
- Interest rates remain at record lows
- Increase in cross-border trading activities
- Expense containment to continue

## Hong Kong Business Review

*Key Points*

- Conversion to SCRIP will be completed by May 02
- Processed in the UK major IT savings
- Training and support from Australia

*Outlook*

- Gateway to China
- New settlement system proposed similar to Australia with opportunities for new business and acquisitions
- MTR second tranche scheduled Q2

## Computershare Analytics

*Key points*

Over the last six months, Computershare Analytics, the investor relations and market intelligence arm of Computershare, finalised the integration of Citywatch Ltd and Financial Data Concepts LLC, into Analytics. Other highlights included:

- The rollout of a unique multi-register shareholder analysis service, the *Global Equity Monitor*, to DLC's and other multinationals with multiple registers, including ADR programmes
- Commencement of development work on a global shareownership database and the collection of European and Asian holdings information
- The rollout of an online investor relations tool product, called IRtrack, in the US and Australia
- The development and rollout of a Director's Trading Alert Service for the Australian market, to assist issuers comply with new disclosure requirements under Listing Rule 3.19A and 3.19B
- Extension of the proxy solicitation and takeover acceptance service utilising the Computershare's national Investor Contact Centre in Melbourne

*Outlook*

- Possible sale of shareownership and market intelligence data to major stock exchanges and information vendors
- Expand global offering of Analytics with possible acquisitions
- The proxy solicitation and takeover acceptance services in the UK
- Rollout of IRtrack product in the UK
- Strong interest in and sales of *Global Equity Monitor*, the multi-register analysis product for multinationals

## Computershare Technology Services (CTS)

*Key Points*

- The CTS business encompasses all the group's technology development expenses, technology bureau income and costs and financial markets software operations.
- For the half year ended 31 December 2001 total CTS expenses rose by $10.5m over the spend in the second half of the 2001 financial year.
- This increase in costs is a direct result of major projects such as:
    - Development and implementation of an ESPP system for US Plan Managers
    - Development of a Global Options System
    - Development and implementation of SCRIP in US, Hong Kong and Canadian markets
    - Set up of communications and data infrastructure for North America

*Outlook*

- The massive investment in technology is expected to start to show returns from September 2002 as significant legacy systems and costs are removed from the US and Canadian businesses.
- It is expected that the annual savings will be in excess of $20.0m.
- Mr Morris noted more importantly that the implementation of SCRIP in North America will remove the last competitive disadvantage that that business has in gaining new large North American corporates as clients.

# RECENT DEVELOPMENTS

## Joint Venture with Deutsche Borse

In December, Computershare announced that it had taken a 49% interest in a newly formed joint venture with Deutsche Borse to offer share registration and related services in the German market and at a later stage in continental Europe.

"Whilst this transaction was not immediately earnings accretive its primary significance lies in the fact that we have now formed a synergistic working relationship with the largest European exchange organization and that this will enable us to revolutionise service quality and product innovation, creating a registered shares offering to the German market that will be significantly more efficient and user-friendly for issuers and investors. This is the platform for our European expansion." Mr Morris said.

Mr Morris also noted that since the announcement of this joint venture, the profile of Computershare in Europe had substantially increased generating some other important strategic acquisition and joint venture opportunities.

## Acquisition of Mercantile Registrars (South Africa)

In November of last year, Computershare also announced the acquisition of the Mercantile Registrars business in South Africa. Once again, this acquisition demonstrated our ability to successfully identify businesses where substantial economies of scale can be derived by the merging new businesses with existing operations.

"In addition, with the implementation of Computershare's proven technological expertise, we were able to execute the successful transition of the South African share registration business from its paper based origins to the STRATE electronic settlement environment, thus creating optimal market exposure for Computershare and further opportunities," said Mr Morris.

## ACQUISITION OPPORTUNITIES

Mr Morris noted that the group was currently evaluating a number of acquisition and joint venture opportunities for the group. He noted that Computershare was in an advantageous position of being cashed up and that vendors valuation expectations had been moderated by the current market conditions. Mr Morris commented that Computershare had recently dismissed several opportunities which did not offer the necessary degree of strategic fit or an appropriate valuation.

## INTERIM DIVIDEND

As Mr. Morris explained earlier, the company is currently in a major expansion phase during a period of difficult market conditions. Accordingly, the Board has considered that at this stage is would be prudent to maintain the interim dividend at a rate of ½cent per share which will be fully franked. It is the Board's intention however, that as circumstances change the company's dividend policy will be reviewed accordingly.

The record date for shareholders entitled to the dividend is 13 March 2002 with a payment date of 20 March 2002.