

SECOND QUARTER FINANCIAL YEAR 2012 (2Q FY2012) SINGAPORE EXCHANGE REPORTS \$65.4 MILLION PROFIT

- Revenue: \$148.1 million (\$172.2 million in 2Q FY2011)
- EBITDA: \$89.3 million (\$109.6 million) and Net Profit: \$65.4 million (\$74.2 million)
- Earnings per share: 6.1 cents (7.0 cents)
- Interim Dividend per share: 4.0 cents (4.0 cents)

All figures above are for the quarter except for figures in brackets which are for a year earlier unless otherwise stated

SGX recorded revenue of \$148.1 million (\$172.2 million), net profit of \$65.4 million (\$74.2 million) and earnings per share (EPS) of 6.1 cents (7.0 cents) in 2Q FY2012. This brings SGX's net profit to \$152.9 million for the six months ended 31 December 2011 (1H FY2012), 3% higher than last financial year's \$148.4 million. The Board of Directors has declared an interim dividend of 4.0 cents (4.0 cents) per share, payable on 14 February 2012.

Mr Magnus Bocker, SGX CEO, said, "SGX reported a net profit of \$65.4 million in difficult market conditions following a decline in securities turnover. We continue to expand our products and services, including the start of the world's first clearing of OTC Foreign Exchange Forwards. We also welcomed our first Catalist mineral, oil and gas listing. During the quarter, we effectively transferred customers' positions and margins following the collapse of MF Global. This demonstrates the importance of a strong and capable clearing house. We remain cautious and focused on cost discipline amid global economic challenges."

Business Highlights

Investor sentiment was affected by macroeconomic uncertainty and this led to lower securities trading volumes. Price volatility, on the other hand, led to increased risk management activities by existing and new customers in the derivatives market.

- **Securities:** Securities daily average trading value (SDAV) was \$1.1 billion (\$1.8 billion) and \$1.4 billion (\$1.7 billion) for 2Q and 1H FY2012 respectively. We expanded the range of investment products for customers by listing six new exchange-traded funds (ETFs) and adding 15 Depository Receipts to our GlobalQuote platform. To support our members and educate retail customers, we conducted courses on the new requirements for the trading of "Specified Investment Products" effective 1 January 2012.
- **Derivatives:** Derivatives¹ daily average trading volume (DAV) was up 11% to 274,757 contracts (248,325 contracts) with market share of our key contracts remaining steady. DAV for 1H FY2012 was 22% higher at 298,796 contracts (245,025 contracts). "After-hour trading" contributed 16% (14%) of the overall volume this quarter. Chinese A50 futures DAV doubled year-on-year to 16,959 contracts (7,851 contracts) and was 36% higher quarter-on-quarter. Year-on-year DAV of Nikkei options rose 39% to 10,202 contracts (7,318 contracts) and Rubber futures were up 24% to 1,118 contracts (898 contracts). The average monthly open interest of derivatives grew 44% year-on-year to 1,346,544 contracts (932,475 contracts).
- **OTC Derivatives:** We started clearing over-the-counter (OTC) Asian Foreign Exchange (FX) Forwards on 24 October 2011. This quarter, we cleared a total notional value of \$17.2 billion in Interest Rate Swaps, leading to a cumulative value of \$185.8 billion since the launch in

¹ Excludes structured warrants, extended settlement contracts and OTC derivatives cleared.

November 2010. We also cleared 56,885 lots (41,268 lots) of OTC Commodities resulting in year-on-year growth of 38% while adding OTC coal (CFR China) and naphtha swaps (CFR Japan) to our product suite in December 2011.

- *Membership:* The total number of Securities and Derivatives Trading and Clearing Memberships grew 10% year-on-year, from 124 to 136.
- *Equity and Debt Listings:* We had nine new listings², including Lonza Group (our first Swiss listing) and CMNC Goldmine (our first Catalist mineral, oil and gas company). A total of \$2.4 billion (\$7.3 billion) of equity funds was raised: \$214.7 million (\$4.9 billion) in IPO funds and \$2.2 billion (\$2.3 billion) in secondary fund raising. In addition, \$19.0 billion was raised through 35 new bond issues (\$41.6 billion and 69 new bond issues).

Market Development, Risk Management & Regulation

We continue to remain vigilant and monitor our risk exposures closely given the market volatility and uncertain conditions. Our robust risk management enabled us to handle the bankruptcy of MF Global swiftly without impacting customers' ability to continue to manage their positions.

In addition, in the Securities Market, we continue to uphold the integrity of our market through the enforcement of our Listing Rules.

SGX hosted the Chief Regulatory Officers Conference for global market regulators, policy makers and self-regulated organisations to share their experiences on regulatory challenges and global regulatory trends on 1 and 2 December 2011. Valuable insights from the perspectives of Europe, US and the emerging markets were given.

We are working on the ASEAN Trading Link, under the auspices of the ASEAN Exchange collaboration, to collectively promote ASEAN as a highly investable asset class.

Outlook

Market activity will continue to be influenced by the global economic outlook. SGX's investments and initiatives will be paced accordingly.

FINANCIAL PERFORMANCE

SGX's revenue and EBITDA were \$148.1 million (\$172.2 million) and \$89.3 million (\$109.6 million), respectively. On the back of the net profit of \$65.4 million (\$74.2 million³), SGX's EPS was 6.1 cents (7.0 cents).

For the six months ended 31 December 2011, SGX's net profit was \$152.9 million (\$148.4 million³) with revenues of \$326.5 million (\$331.3 million) and EBITDA of \$204.4 million (\$209.3 million). The EPS was 14.3 cents (13.9 cents).

Revenues from Derivatives, Depository, Market Data and Member Services and Connectivity grew 7% to \$80.3 million (\$74.8 million) while Securities and Issuer Services revenues were 31% lower at \$67.5 million (\$97.4 million). For 1H FY2012, Derivatives, Depository, Market Data and Member

² 2Q FY12: 9 IPOs; 2Q FY11: 12 IPOs.

³ Excluding the one-off ASX-SGX transaction cost of \$7.5 million, SGX's underlying net profit was \$81.7 million and \$155.9 million, respectively, in 2Q and 1H FY2011.

Services and Connectivity revenues grew 17% to \$170.7 million although Securities and Issuer Services revenues fell 16% to \$155.2 million.

Expenses decreased by 4% to \$68.9 million (\$71.7 million). Staff expense was 9% lower at \$25.5 million (\$28.0 million) mainly due to the reduced variable compensation expense in line with lower profitability. This helped offset the increase in base staff costs. Headcount was 608 (584) on 31 December 2011.

Technology expenses were 2% lower at \$26.3 million (\$26.8 million).

Processing and royalties declined by 11% to \$6.0 million (\$6.7 million). The increase in royalties expense on higher derivatives volumes was offset by lower securities processing costs.

Cashflow generated from operations was lower by 6% to \$77.2 million (\$82.2 million). Capital expenditure amounted to \$7.2 million (\$23.6 million). Capital expenditure for FY2012 is expected to remain within the range of \$40 to \$45 million, as previously announced.

SGX's total equity was \$731.1 million (\$720.9 million) on 31 December 2011. The unrestricted cash reserves were \$486.7 million (\$463.6 million), including the 2Q FY2012 interim dividend payable of \$42.7 million (\$42.7 million).

PERFORMANCE REVIEW

Securities Revenue, 36% (47%) of SGX's revenue

Securities revenue declined by 34% to \$53.2 million (\$81.1 million) as the SDAV fell by 37% to \$1.1 billion (\$1.8 billion). The average clearing fees improved to 3.0 basis points (2.8 basis points).

Table below summarises the metrics of our Securities market:

	2Q FY12	2Q FY11	Change
SDAV	\$1.1B	\$1.8B	-37%
<i>% of trades below \$1.5M</i>	58%	54%	+4% pt
<i>% of trades above \$1.5M</i>	42%	46%	-4% pt
Primary and secondary listed market capitalisation (quarter end)	\$775.8B	\$902.0B	-14%
% of total value traded			
<i>Singapore companies</i>	56%	50%	+6% pt
<i>Overseas companies</i>	44%	50%	-6% pt
Overall turnover velocity (primary listed only)	47%	63%	-16% pt
<i>Singapore companies</i>	39%	48%	-9% pt
<i>Overseas companies</i>	73%	99%	-26% pt

Derivatives, 25% (20%) of SGX's revenue

Derivatives revenue grew 11% to \$37.7 million (\$33.9 million).

Derivatives volume was 8% higher at 16.8 million (15.6 million) contracts or DAV of 274,757 contracts (248,325 contracts) this quarter on heightened volatility of the underlying equity indices.

Futures & Options revenue dropped 3% to \$24.6 million (\$25.3 million) mainly due to higher volume rebates on newer contracts and foreign exchange hedging costs. Of note, our Indian Nifty futures, Chinese A50 futures and Japanese Nikkei225 options accounted for 30% of overall volumes, compared to 25% a year ago. The average yield per contract was \$1.46 (\$1.62).

Table below summarises the DAV and market share of key Asian Gateway equity contracts:

	DAV (contracts)			Market Share (%)		
	2Q FY12	2Q FY11	Change %	2Q FY12	2Q FY11	Change % pt
Nikkei225 futures	100,385	110,916	-9	28	28	-
MSCI Taiwan	65,895	56,209	+17	23	24	-1
Indian Nifty	58,479	47,794	+22	18	14	+4
MSCI Singapore	17,795	14,225	+25	NA	NA	NA
Chinese A50	16,959	7,851	+116	0.4	0.2	+0.2
Nikkei225 options	10,202	7,318	+39	3	2	+1
Others	5,042	4,012	+26	NA	NA	NA
Total	274,757	248,325	+11			
Algorithmic trading	35%	29%	+6% pt			

	Volatility		
	2Q FY12	2Q FY11	Change % pt
Nikkei225 Index	18%	14%	+4
TWSE Taiwan Index	26%	8%	+18
Nifty Index	25%	17%	+8
MSCI Singapore Index	19%	11%	+8

(Source: Bloomberg)

Structured warrants revenue was steady at \$1.2 million (\$1.2 million). The quarterly average daily trading value grew to \$35.5 million (\$24.2 million) and the proportion of trades above \$400,000 was 57% (41%).

Interest income, license and other revenue was 62% higher at \$12.0 million (\$7.4 million) mainly driven by: (i) higher collaterals held of \$5.2 billion (\$3.3 billion) given increased open interest positions and better management of collateral balances (ii) higher royalty fees collected from increased DAV; and (iii) revenue from OTC Clearing.

In 2Q FY2012, we cleared 56,885 lots (41,268 lots) of OTC Commodities and \$17.2 billion (\$4.8 billion) in notional value of OTC Financial Derivatives. Iron ore swaps clearing volume grew more than four times to 35,138 lots (7,893 lots) and was 46% higher quarter-on-quarter.

Market Data, 6% (5%) of SGX's revenue

Market data revenue was 13% higher at \$8.9 million (\$7.9 million) mainly on increased subscriptions for price information and the revised fee for Derivatives Quote. The average number of securities and derivatives terminals was 44,487 (40,169) and 25,391 (23,576), respectively, in 2Q FY2012.

Member Services and Connectivity, 7% (5%) of SGX's revenue

Member Services and Connectivity revenue increased by 9% to \$10.4 million (\$9.5 million).

Membership revenue was \$1.9 million (\$2.3 million) as only one member was admitted to our market compared to 14 members in the same quarter a year ago.

Connectivity revenue rose 16% to \$8.4 million (\$7.2 million) primarily due to revenue from our new Co-Location services since 18 April 2011. The average securities and derivatives connectivity subscriptions were 182 (122) and 605 (604), respectively.

Depository Services, 16% (14%) of SGX's revenue

Depository revenue was \$23.3 million (\$23.5 million).

Securities settlement revenue increased 7% to \$17.3 million (\$16.2 million) mainly driven by increased institutional settlement instructions as more institutions utilise SGX Prime, our pre-matching infrastructure, for post-trade settlement efficiency.

Contract processing was 24% lower at \$4.4 million (\$5.8 million) as the number of contracts processed declined 33% to 2.0 million from 3.1 million a year ago. Depository management revenue was flat at \$1.6 million (\$1.5 million).

Issuer Services, 10% (9%) of SGX's revenue

Issuer Services revenue was 12% lower at \$14.3 million (\$16.3 million).

Listings revenue decreased 16% to \$8.3 million (\$9.9 million) as fund raising activities slowed.

In 2Q FY2012, the total equity fund raising was \$2.4 billion (\$7.3 billion): \$214.7 million (\$4.9 billion) in primary funds raised by nine (12) new listings and \$2.2 billion (\$2.3 billion) in secondary funds raised. On the fixed income side, 35 new bond issues (69 new bond issues), raising \$19.0 billion (\$41.6 billion), were listed on SGX.

Corporate action revenue was lower at \$6.0 million (\$6.4 million) due to reduced corporate action activities, 454 compared to 479 a year ago.

Please refer to the Appendix for the Financial Highlights.

Appendix

Financial Highlights

\$ Million	2Q FY2012	2Q FY2011	Change	1H FY2012	1H FY2011	Change
Income Statement						
Revenue	148.1	172.2	(14.0%)	326.5	331.3	(1.4%)
Expenses	68.9	71.7	(3.9%)	143.4	139.8	2.6%
Earnings before interest, tax, depreciation and amortisation	89.3	109.6	(18.6%)	204.4	209.3	(2.3%)
Reported Net Profit attributable to equity holders	65.4	74.2	(11.8%)	152.9	148.4	3.1%
Add:						
- ASX-SGX transaction related costs	-	7.5	(100%)	-	7.5	(100%)
Underlying Profit	65.4	81.7	(19.9%)	152.9	155.9	(1.9%)
Statement of Financial Position						
Cash and cash equivalent (excluding restricted reserves)	486.7	463.6	5.0%	486.7	463.6	5.0%
Capital expenditure	7.2	23.6	(69.6%)	21.9	28.1	(22.2%)
Total equity	731.1	720.9	1.4%	731.1	720.9	1.4%
Financial Indicators						
(a) Based on Reported Net Profit attributable to equity holders						
Net profit margin (%)	44.0	42.9	1.1 pts	46.4	44.8	1.6 pts
Return on equity (%)	8.9	10.3	-1.4 pts	20.9	20.6	0.3 pts
Basic earnings per share (cents)	6.13	6.95	(0.82)	14.32	13.91	0.41
Operating cash flow per share (cents)	7.23	7.71	(0.48)	17.08	16.02	1.06
(b) Based on Underlying Profit						
Net profit margin (%)	44.0	47.3	-3.3 pts	46.4	47.0	-0.6 pts
Return on equity (%)	8.9	11.3	-2.4 pts	20.9	21.6	-0.7 pts
Basic earnings per share (cents)	6.13	7.66	(1.53)	14.32	14.62	(0.30)
Dividend per share (cents)						
Interim base	4.00	4.00	-	8.00	8.00	-

Note: SGX's financial year is from 1 July to 30 June.