

THIRD QUARTER FINANCIAL YEAR 2012 (3Q FY2012) SINGAPORE EXCHANGE REPORTS \$78 MILLION PROFIT

- Revenue: \$163.6 million (\$168.8 million in 3Q FY2011)
- EBITDA: \$102.8 million (\$103.4 million) and Net Profit: \$77.8 million (\$67.0 million)
- Earnings per share: 7.3 cents (6.3 cents)
- Interim Dividend per share: 4.0 cents (4.0 cents)

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

SGX recorded revenue of \$163.6 million (\$168.8 million), net profit of \$77.8 million (\$67.0 million) and earnings per share (EPS) of 7.3 cents (6.3 cents) in 3Q FY2012. This brings SGX's net profit to \$230.7 million for the nine months ended 31 March 2012 (YTD), 7% higher than last financial year's \$215.4 million. The Board of Directors has declared an interim dividend of 4.0 cents (4.0 cents) per share, payable on 16 May 2012.

Mr Magnus Bocker, SGX CEO, said, "We reported a net profit of \$78 million in the third quarter on improved Securities and Derivatives activities and continued cost discipline. Our efforts to grow our non-Securities businesses continue to bear fruit. SGX is on track to be the first Asian exchange to launch hubs in Chicago and London to conveniently and cost-effectively connect global investors to SGX markets. These hubs will be available along with exchange-hosted pre trade risk controls for the derivatives market."

Business Highlights

- **Securities:** Securities daily average traded value (SDAV) was \$1.46 billion (\$1.71 billion), up 30% from \$1.12 billion in 2Q FY2012. YTD SDAV was 17% lower at \$1.39 billion (\$1.68 billion). We expanded our suite of ETFs with three new listings and announced the introduction of dual currency trading to enable investors to trade in their preferred currencies and to enhance liquidity of the securities. As part of our retail investor initiatives, we launched the "My Gateway" portal (www.sgx.com/mygateway), in January, to meet increasing investor interest for investment knowledge and education.
- **Derivatives:** Derivatives¹ daily average traded volume (DAV) was 315,919 contracts (316,359 contracts), up 15% from 274,757 contracts in 2Q FY2012. YTD DAV was 13% higher at 304,185 contracts (268,801 contracts). Total open interest increased 46% to 1,459,473 contracts (999,458 contracts), reflecting SGX's position as the clearing house of choice. Marketing of our Chinese A50 futures contracts was initiated in the US after CFTC approval in January. Chinese A50 futures registered record volumes: DAV almost tripled to 30,247 contracts (11,034 contracts) and was up 78% quarter-on-quarter. DAV of Nikkei225 options doubled to 13,080 contracts (6,265 contracts) and Rubber futures were up 35% to 957 contracts (709 contracts). We registered improved market share for our key contracts. The launch of our new MSCI Indonesia futures contract is expected by end June.
- **OTC Clearing:** We cleared a total notional value of \$26.9 billion (\$42.2 billion) in both new and back-loaded Interest Rate Swaps (IRS) this quarter, of which \$24.2 billion (\$17.4 billion) were new transactions. We also cleared a record 72,394 lots (42,942 lots) of OTC Commodities, an increase of 69%. Forward freight agreements volume was 49% higher at 37,039 lots (24,813 lots) while iron ore swaps volume more than doubled to 32,015 lots (11,121 lots).

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

- *Member Services:* We admitted Yuanta Futures (formerly known as Polaris Futures) and HSBC to our Derivatives market. We also welcomed Hong Leong Finance as a Full Sponsor on Catalyst, bringing the Sponsor pool to nine Full Sponsors and nine Continuing Sponsors. In addition, we partnered with our Derivatives members – Ong First and Phillip Futures – to set up Professional Traders Development Programme to attract, train and grow the pool of professional traders in Singapore.
- *Issuer Services:* We had one IPO and one reverse takeover (RTO), raising \$36 million (11 new listings and \$7.6 billion). Secondary fund raising was \$448 million (\$1.9 billion) this quarter. In addition, \$55.2 billion was raised through 65 new bond issues (\$31.1 billion and 64 new bond issues).

Market Development, Risk Management & Regulations

We joined the Monetary Authority of Singapore in signing a Memorandum of Understanding on the Expedited Review Framework for Secondary Listings. This initiative, which is part of the ASEAN Capital Market Framework, will shorten the time to market for secondary listing of ASEAN companies.

This quarter, we consulted the public on the proposed removal of engine-level iceberg order functionality in the Securities and Derivatives markets, as well as proposed changes to the reporting and registration of Negotiated Large Trades in the Derivatives market.

We continue to step up efforts to encourage Sustainability Reporting by listed companies. Our latest initiative is a partnership with KPMG to survey the largest 100 listed companies in Singapore on their Sustainability Reporting practices.

Outlook

Market volumes will continue to be primarily driven by global economic forces. We see growing interest from Singapore and international companies to seek a listing on SGX. We will continue to grow our customer base and product offerings, and pace investments in line with opportunities.

FINANCIAL PERFORMANCE

SGX's net profit was \$77.8 million (\$67.0 million) with revenue of \$163.6 million (\$168.8 million) and EBITDA of \$102.8 million (\$103.4 million). The EPS was 7.3 cents (6.3 cents).

For the nine months ended 31 March 2012, SGX's net profit was \$230.7 million (\$215.4 million) with revenue of \$490.1 million (\$500.0 million) and EBITDA of \$307.1 million (\$312.6 million). The EPS was 21.6 cents (20.2 cents).

SGX's underlying net profit for 3Q FY2011 and YTD 3Q FY2011, excluding the one-off ASX-SGX transaction costs and gain from disposal of premises, were \$77.3 million and \$233.2 million, respectively.

Revenues from Derivatives, Depository, Market Data and Member Services and Connectivity grew 5% quarter-on-quarter to \$84.0 million (\$79.8 million) from \$80.3 million in 2Q FY2012. These revenues rose 13% to \$254.7 million YTD from \$225.9 million a year ago. Securities and Issuer Services revenues, on the other hand, decreased 11% to \$79.4 million (\$88.7 million) and were 14% lower at \$234.6 million (\$273.4 million) for the nine-month ended 31 March 2012.

Expenses were 6% lower at \$70.6 million (\$75.0 million).

Staff expenses increased 2% from \$28.5 million to \$29.0 million mainly due to annual salary adjustments and new hires following the in-sourcing of certain technology capabilities. However, this increase was partially offset by the write-back of share-based compensation mainly due to staff attrition. Headcount was 603 (588) on 31 March 2012.

Technology expenses were 10% lower at \$25.3 million (\$28.0 million) mainly due to pacing of project-related expenses.

Cashflow generated from operations was lower at \$61.6 million (\$96.1 million) due to working capital movements. As at 31 March 2012, the unrestricted cash reserves were \$505.8 million (\$526.3 million), before the 3Q FY2012 interim dividend payable of \$42.7 million (\$42.7 million), up from \$486.7 million a quarter ago.

Capital expenditure was \$7.7 million (\$15.6 million) and YTD was \$29.6 million (\$43.7 million).

SGX's total equity was \$769.2 million (\$748.0 million) as at 31 March 2012.

PERFORMANCE REVIEW

Securities Revenue, 40% (44%) of SGX's revenue

Securities revenue declined 12% to \$65.0 million (\$73.7 million) as SDAV fell 15% to \$1.46 billion (\$1.71 billion). The average clearing fee was 2.8 basis points (2.7 basis points).

Table below summarises the metrics of our Securities market:

	3Q FY12	3Q FY11	Change
SDAV	\$1.46B	\$1.71B	-15%
<i>% of trades below \$1.5M</i>	59%	56%	+3% pt
<i>% of trades above \$1.5M</i>	41%	44%	-3% pt
Primary and secondary listed market capitalisation (quarter end)	\$870.9B	\$889.4B	-2%
% of total value traded			
<i>Singapore companies</i>	54%	52%	+2% pt
<i>International companies</i>	46%	48%	-2% pt
Overall turnover velocity (primary listed only)	57%	62%	-5% pt
<i>Singapore companies</i>	43%	48%	-5% pt
<i>International companies</i>	92%	94%	-2% pt

Derivatives, 26% (23%) of SGX's revenue

Derivatives revenue grew 10% to \$42.5 million (\$38.8 million).

Derivatives volume was steady at 18.9 million (18.8 million) contracts or DAV of 315,919 contracts (316,359 contracts) despite lower volatility of the underlying equity indices this quarter.

Futures & Options revenue was 8% lower at \$26.6 million (\$29.0 million) mainly due to: foreign exchange hedging costs and a change in the product and customer mix. Our Indian Nifty futures, Chinese A50 futures and Japanese Nikkei225 options accounted for 33% of overall volumes, compared to 24% a year ago. The average yield per contract was \$1.41 (\$1.54).

Table below summarises the metrics of our Derivatives market:

	DAV (contracts)			Market Share (%)		
	3Q FY12	3Q FY11	Change %	3Q FY12	3Q FY11	Change % pt
Nikkei225 futures	117,397	147,197	-20	29	28	+1
MSCI Taiwan	73,350	71,971	+2	26	24	+2
Indian Nifty	59,230	56,908	+4	21	14	+7
MSCI Singapore	16,262	16,097	+1	NA	NA	NA
Chinese A50	30,247	11,034	+174	0.6	0.4	+0.2
Nikkei225 options	13,080	6,265	+109	3.4	1.2	+2.2
Rubber futures	957	709	+35	9.6	3.0	+6.6
Others	5,396	6,178	-13	NA	NA	NA
Total	315,919	316,359	-0.1%			
Average open interest (month end)	1,459,473	999,458	+46			
Algorithmic trading	32%	31%	+1% pt			

	Volatility		
	3Q FY12	3Q FY11	Change % pt
Nikkei225 Index	14%	49%	-35
TWSE Taiwan Index	15%	19%	-4
Nifty Index	19%	20%	-1
MSCI Singapore Index	14%	19%	-5

(Source: Bloomberg)

Structured warrants revenue was 21% lower at \$0.9 million (\$1.1 million). The quarterly average daily trading value was \$24.6 million (\$25.0 million) and the proportion of trades above \$400,000 was 49% (40%).

Collateral management income, license and other revenue was 73% higher at \$15.0 million (\$8.7 million) mainly driven by: (i) higher open interest positions resulting in increased collaterals held of \$4.7 billion (\$3.6 billion); and (ii) revenue from OTC Clearing.

In 3Q FY2012, we cleared a record 72,394 lots (42,942 lots) of OTC Commodities and \$26.9 billion (\$42.2 billion) in notional value of OTC Financial Derivatives. Freight forward agreements clearing grew 49% to 37,039 lots (24,813 lots) and iron ore swaps about two times to 32,015 lots (11,121 lots) this quarter.

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

Market data revenue grew 6% to \$8.6 million (\$8.1 million). The average number of securities and derivatives terminals was 42,531 (45,727) and 24,483 (24,000), respectively.

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

Member Services and Connectivity revenue increased 21% to \$11.0 million (\$9.1 million).

Membership revenue was 4% higher at \$2.0 million (\$1.9 million).

Connectivity revenue grew 25% to \$9.0 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 186 (139) and 653 (614), respectively.

Depository Services, 13% (14%) of SGX's revenue

Depository revenue was 8% lower at \$21.9 million (\$23.8 million).

Securities settlement revenue was 10% lower at \$15.0 million (\$16.8 million) as institutional settlement instructions declined 6% to 1.25 million (1.34 million).

Contract processing was 7% lower at \$5.1 million (\$5.5 million) as the number of contracts processed declined 8% to 2.5 million from 2.7 million a year ago.

Depository management revenue was 17% higher at \$1.8 million (\$1.5 million).

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

Issuer Services revenue was 4% lower at \$14.4 million (\$15.0 million).

Listings revenue decreased 12% to \$8.9 million (\$10.1 million) as equity fund raising activities slowed.

In 3Q FY2012, the IPO market was quiet and the total equity fund raised was \$484 million (\$9.5 billion): \$36 million (\$7.6 billion) in primary funds raising and \$448 million (\$1.9 billion) in secondary funds raising. However, the debt capital market was more active with 65 new bond issues (64 new bond issues), raising \$55.2 billion (\$31.1 billion) of which perpetuals accounted for seven issues and \$3.5 billion.

Corporate action revenue increased 12% to \$5.5 million (\$4.9 million) following a change in the mix of transactions processed and a larger shareholder base serviced.

Please refer to the Appendix for the Financial Highlights.

Appendix

Financial Highlights

\$ Million	3Q FY2012	3Q FY2011	Change	YTD FY2012	YTD FY2011	Change
Income Statement						
Revenue	163.6	168.8	(3%)	490.1	500.0	(2%)
Expenses	70.6	75.0	(6%)	214.0	214.7	(0%)
Earnings before interest, tax, depreciation and amortisation	102.8	103.4	(1%)	307.1	312.6	(2%)
Reported Net Profit attributable to equity holders	77.8	67.0	16%	230.7	215.4	7%
Add/(less):						
- ASX-SGX transaction related costs	-	5.3	(100%)	-	12.8	(100%)
- ASX-SGX financing related costs	-	6.7	(100%)	-	6.7	(100%)
- Net gain on disposal of freehold property	-	(1.7)	(100%)	-	(1.7)	(100%)
Underlying Profit	77.8	77.3	1%	230.7	233.2	(1%)
Statement of Financial Position						
Cash and cash equivalent (excluding restricted reserves)	505.8	526.3	(4%)	505.8	526.3	(4%)
Capital expenditure	7.7	15.6	(51%)	29.6	43.7	(32%)
Total equity	769.2	748.0	3%	769.2	748.0	3%
Financial Indicators						
(a) Based on Reported Net Profit attributable to equity holders						
Net profit margin (%)	47.2	39.6	7.6 pts	46.6	43.0	3.6 pts
Return on equity (%)	NA	NA	NA	39.1	37.8	1.3 pts
Basic earnings per share (cents)	7.3	6.3	1.0	21.6	20.2	1.4
Operating cash flow per share (cents)	5.8	9.0	(3.2)	22.9	25.0	(2.1)
(b) Based on Underlying Profit						
Net profit margin (%)	47.2	45.7	1.5 pts	46.6	46.6	-
Return on equity (%)	NA	NA	NA	39.0	39.8	(0.8 pts)
Basic earnings per share (cents)	7.3	7.3	-	21.6	21.9	(0.3)
Dividend per share (cents)						
Interim base	4.0	4.0	-	12.0	12.0	-

Note: SGX's financial year is from 1 July to 30 June. Some numbers may be subject to rounding.

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