

FINANCIAL YEAR ENDED 30 JUNE 2012 (FY2012) SINGAPORE EXCHANGE REPORTS \$292 MILLION PROFIT

- Revenue: \$647.9 million (\$660.7 million in FY2011)
- EBITDA: \$404.4 million (\$411.1 million) and Net Profit: \$291.8 million (\$294.9 million)
- Earnings per share: 27.3 cents (27.6 cents)
- FY2012 Proposed Final Dividend of 15.0 cents and Total Dividend of 27.0 cents (27.0 cents)

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

SGX recorded revenue of \$647.9 million (\$660.7 million) and a net profit of \$291.8 million (\$294.9 million) in FY2012. The earnings per share (EPS) was 27.3 cents (27.6 cents) and the return on equity (ROE) was 35% (36%).

SGX's underlying profit was \$303.9 million (\$311.8 million¹) excluding one-off items and EPS was 28.5 cents (29.2 cents¹). The one-off items are an impairment loss of \$11.0 million from our investment in the Bombay Stock Exchange mainly due to the depreciation of Indian Rupee against Singapore dollar and a \$1.1 million impairment loss following the cessation of business of Chi-East, our joint venture with Chi-X Global.

The Board of Directors has proposed a final dividend of 15.0 cents (15.0 cents) per share, leaving total dividend unchanged at 27.0 cents per share. This represents a 99% (98%) payout of the reported profit in FY2012.

Mr Magnus Bocker, SGX CEO, said, "We reported a net profit of \$292 million and an underlying profit of \$304 million amid challenging market conditions. We strengthened our Asian Gateway position with the Reach initiative, added new capabilities in our Securities market, and introduced new derivatives products. We also grew non-securities revenues by 12% year-on-year and maintained cost discipline."

Business Highlights

- **Securities:** Trading activities continued to be affected by macroeconomic uncertainties. Securities daily average traded value (SDAV) was \$1.3 billion compared to \$1.6 billion a year ago. We improved our market with continuous all-day trading where the additional one and the half hours represents 8% of total trading value, and revised bid-ask spreads to remain competitive. We also expanded our suite of ETFs to 93 issues (84 issues) and introduced dual currency trading, allowing investors to trade in their preferred currencies. To meet increasing retail investors' need for investment knowledge, we rolled out various educational programmes through SGX Academy and launched the "My Gateway" portal (www.sgx.com/mygateway).
- **Derivatives:** Derivatives volumes grew to a record of 76.0 million (65.7 million) contracts² in FY2012. Daily average volume (DAV) was 16% higher at 308,312 contracts (266,783 contracts) and average month-end open interest grew 53% to 1,432,145 contracts (934,081 contracts). Our newer contracts – Indian Nifty futures, Chinese A50 futures, Nikkei options and the latest addition MSCI Indonesian futures contracts, continued to gain momentum. These contracts accounted for 31% (24%) of overall volumes. Chinese A50 futures volume tripled to 5,617,226 contracts (1,773,230 contracts). Algorithmic trading contributed 34% of overall volume. We also became the first Asian exchange to offer exchange-hosted pre-trade risk controls.

¹ FY2011: Excluding ASX-SGX transaction related costs of \$18.6 million and net gain on disposal of premises \$1.7 million.

² Excludes structured warrants, extended settlement contracts and OTC derivatives cleared.

- *OTC Clearing:* We further expanded the suite of OTC Financials and OTC Commodities cleared in FY2012. We commenced clearing of Foreign Exchange Forwards in October 2011. We added OTC clearing of CFR South China Coal swaps and CFR Japan Naphtha swaps in November 2011. We cleared a total notional value of \$163 billion (\$110 billion) in interest rate swaps and a record 248,837 lots (164,837 lots) of OTC Commodities. Iron ore swaps reached a new high of 124,193 lots (44,781 lots).
- *Member Services and Connectivity:* We added 11 new members to our derivatives markets including GF Futures (our first Chinese member) and 5 futures brokers from Taiwan (Yuanta, KGI, Sinopac, Concord and President). We also partnered with our members – Ong First, Phillip Futures, UOB Bullion and CIMB Securities – to attract, train and grow the Professional Traders profession in Singapore. In addition, we welcomed Hong Leong Finance as a Full Sponsor on Catalist, bringing the Sponsor pool to nine Full Sponsors and nine Continuing Sponsors. We became the first exchange in Asia to offer hubs in Chicago and London to conveniently and cost-effectively connect global investors to our markets.
- *Market Data:* The list of market data distributors grew by 14 new licensees while distribution to retail investors increased in both the Securities market and Derivatives market. We also introduced ultra-high speed market data feeds and broadened distribution of our data feeds through partnership with media channels.
- *Depository Services:* We continued to focus on improving settlement efficiency for institutional investors. We expanded our services to include dual-currency traded securities. Migration of our aging securities post-trade systems solution to an open access platform is in progress. The new platform will enable SGX to enhance its services in the securities post-trade arena.
- *Issuer Services:* For FY2012, the slowdown in the global IPO market resulted in 23 new listings³ raising \$825 million (\$14.1 billion from 34 new listings) and \$5.2 billion (\$6.8 billion) in secondary fund raising. For the fixed income market, a total of \$161.3 billion was raised through 300 new bond issues (\$170.1 billion and 355 new bond issues).

Market Development, Risk Management & Regulations

In the Securities Market, we made available new order types to allow investors more flexibility in the execution of their orders. Publication of the indicative equilibrium price during opening and closing routines increased transparency for investors. In line with the Futures Industry Association's recommendation, we introduced exchange-hosted pre-trade risk controls for the Derivatives market.

In FY2012, we consulted the public on the proposed changes to further improve market robustness and transparency. These included proposed changes to the Error Trade Policy, an enhanced regulatory framework for direct access to our market, and introduction of pre-trade risk controls and circuit breakers in the Securities market. For the Derivatives market, the proposals include enhancements to the Default Management Framework and changes to the reporting and registration of Negotiated Large Trades. The public was also consulted on the proposed new rules for admission and continuing listing of mineral, oil and gas exploration companies on the Mainboard.

SGX Listing Rules were amended to strengthen corporate governance practices and foster greater corporate disclosure to safeguard shareholders' interest. On Sustainability Reporting, we partnered with KPMG to survey the Sustainability practices of the largest 100 listed companies in Singapore. We intend to share the findings with our listed companies.

³ FY2012: 20 IPOs and 3 reverse takeovers.

Under the auspices of the ASEAN Exchange collaboration to jointly promote ASEAN as an investable asset class, we are preparing for the launch of ASEAN Trading Link. We also joined the Monetary Authority of Singapore in signing a Memorandum of Understanding on the Expedited Review Framework for Secondary Listings – to shorten the time to market for secondary listing of ASEAN companies.

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 liquidation of MF Global swiftly and effectively without impacting customers' ability to continue to manage their positions.

Outlook

Ongoing macroeconomic uncertainties in Asia, Europe and the USA will continue to affect markets. SGX will remain focused on growing our customer base and product offerings, and pacing investments in line with opportunities. We expect the capital expenditure for FY2013 to be \$30 million to \$35 million. The Board aims to declare a base dividend of 4 cents per share every quarter.

FINANCIAL PERFORMANCE

SGX's net profit was \$291.8 million (\$294.9 million) with revenue of \$647.9 million (\$660.7 million) and EBITDA of \$404.4 million (\$411.1 million). The EPS was 27.3 cents (27.6 cents) and ROE was 35% (36%). Excluding the one-off items, SGX's underlying profit was \$303.9 million (\$311.8 million⁴) and EPS was 28.5 cents (29.2 cents).

Revenues were at \$647.9 million (\$660.7 million). Non-Securities revenues from Derivatives, Depository, Market Data and Member Services and Connectivity rose 12% to \$341.0 million (\$304.1 million). Securities and Issuer Services revenues, on the other hand, decreased 14% to \$305.7 million (\$355.0 million).

Expenses were at \$284.0 million (\$287.2 million).

Staff expenses were \$105.9 million (\$107.0 million). Base staff cost was higher at \$70.7 million (\$64.1 million) mainly due to annual salary adjustments and new hires. Variable staff cost was \$35.2 million (\$42.9 million). Headcount was at 592 (590) on 30 June 2012.

Technology expenses were 4% lower at \$104.4 million (\$108.3 million) mainly due to lower project-related expenses.

Professional Fees increased 30% to \$13.0 million (\$9.9 million). The increases were largely legal fees and costs for applications to US and European regulatory bodies for recognition under new regulatory requirements for clearing activities.

Cashflow generated from operations was lower at \$345.3 million (\$348.9 million) due to working capital movements. As at 30 June 2012, the unrestricted cash reserves were \$547.7 million (\$544.8 million) before the proposed final dividend of \$160.2 million (\$160.1 million).

Capital expenditure was \$40.8 million (\$57.3 million).

SGX's total equity was \$833.0 million (\$824.0 million) as at 30 June 2012.

⁴ FY2011: ASX-SGX transaction related costs of \$18.6 million and net gain on disposal of premises \$1.7 million; and, FY2012: Impairment loss on the investment in Bombay Stock Exchange (\$11.0 million) and Chi-East joint venture (\$1.1 million).

PERFORMANCE REVIEW

Securities Revenue, 38% (44%) of SGX's revenue

Securities revenue declined 16% to \$244.1 million (\$289.0 million) as SDAV fell 19% to \$1.3 billion (\$1.6 billion). The average clearing fee was 2.9 basis points (2.8 basis points).

Table below summarises the metrics of our Securities market:

	FY12	FY11	Change
SDAV	\$1.3B	\$1.6B	-19%
% of trades below \$1.5M	58%	55%	+3% pt
% of trades above \$1.5M	42%	45%	-3% pt
Primary and secondary listed market capitalisation (year end)	\$842B	\$893B	-6%
% of total value traded			
Singapore companies	57%	53%	+4% pt
International companies	43%	47%	-4% pt
Turnover velocity (primary listed only)	53%	59%	-6% pt
Singapore companies	44%	47%	-3% pt
International companies	74%	89%	-15% pt

Derivatives, 26% (21%) of SGX's revenue

Derivatives revenue grew 18% to \$167.5 million (\$142.0 million).

Derivatives volume grew 16% to 76.0 million (65.7 million) contracts or DAV of 308,312 contracts (266,783 contracts).

Futures & Options revenue was only 2% higher at \$107.8 million (\$105.9 million) mainly due to lower yield per contract of \$1.42 (\$1.61) and cost of foreign exchange hedges.

Table below summarises the metrics of our Derivatives market:

	DAV (contracts)			Market Share (%)		
	FY12	FY11	Change %	FY12	FY11	Change % pt
Nikkei225 futures	116,849	119,298	-2	29	28	+1
MSCI Taiwan	71,817	63,959	+12	23	24	-1
Indian Nifty	60,865	49,966	+22	21	15	+6
MSCI Singapore	17,544	15,125	+16	NA	NA	NA
Chinese A50	23,212	7,297	+218	0.5	0.4	+0.1
Nikkei225 options	11,889	4,981	+139	3.2	1.2	+2
MSCI Indonesia	574	NA	NM	NA	NA	NA
Rubber futures	1,036	816	+27	10	3	+7
Others	4,526	5,341	-15	NA	NA	NA
Total	308,312	266,783	+16			

	FY12	FY11	Change %
Average open interest (month end)	1,432,145	934,081	+53
Algorithmic trading	34%	29%	+5% pt

	Volatility		
	FY12	FY11	Change % pt
Nikkei225 Index	18%	22%	-4
TWSE Taiwan Index	22%	14%	+8
Nifty Index	20%	17%	+3
MSCI Singapore Index	18%	13%	+5

(Source: Bloomberg)

Structured warrants revenue was \$4.3 million (\$4.3 million). The average daily trading value was \$30.1 million (\$22.3 million) and the proportion of trades above \$400,000 was 55% (40%).

Collateral management income, license and other revenue was 74% higher at \$55.5 million (\$31.8 million) mainly driven by: (i) higher collaterals held given increased open interest positions and better management of collateral balances; (ii) higher royalty fees on increased DAV; and (iii) revenue from OTC Clearing.

We cleared a record 248,837 lots (164,837 lots) of OTC Commodities and \$163.0 billion (\$110.0 billion) in notional value of OTC Financial Derivatives. Freight forward agreements clearing grew 26% to 109,319 lots (86,491 lots) and iron ore swaps increased to 124,193 lots (44,781 lots) this financial year.

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

Market data revenue grew 12% to \$36.1 million (\$32.3 million).

Member Services and Connectivity, 7% (6%) of SGX's revenue

Member Services and Connectivity revenue increased 10% to \$43.2 million (\$39.3 million).

Membership revenue was \$7.9 million (\$8.2 million).

Connectivity revenue grew 14% to \$35.3 million (\$31.0 million) due to the new Co-Location services launched in April 2011. The average securities and derivatives connectivity subscriptions were 179 (133) and 644 (613), respectively.

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

Depository revenue was 4% higher at \$94.2 million (\$90.6 million).

Securities settlement revenue was 6% higher at \$67.5 million (\$63.4 million) due to higher number of institutional settlement instructions at 5.2 million (5.1 million).

Revenue from Contract Processing was 7% lower at \$19.6 million (\$21.0 million). The number of contracts processed (for clearing house settlement) declined 13% to 9.4 million (10.8 million).

Depository management revenue was 15% higher at \$7.2 million (\$6.2 million).

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

Issuer Services revenue was 7% lower at \$61.5 million (\$66.0 million).

Listings revenue decreased 10% to \$35.0 million (\$38.9 million) as equity fund raising activities slowed. In FY2012, the total equity fund raised was \$6.0 billion (\$20.9 billion): \$825 million from 23 new listings (\$14.1 billion from 34 new listings) in primary funds raising and \$5.2 billion (\$6.8 billion) in secondary funds raising. The debt capital market had 300 new bond issues (355 new bond issues), raising \$161.3 billion (\$170.1 billion), including RMB and retail bonds.

Corporate action revenue decreased 2% to \$26.5 million (\$27.1 million) due to lower corporate action transactions processed.

Appendix

Financial Highlights for FY2012 and FY2011

\$ Million	FY2012	FY2011	Change
Income Statement			
Revenue	647.9	660.7	(2%)
Expenses	284.0	287.2	(1%)
Earnings before interest, tax, depreciation and amortisation	404.4	411.1	(2%)
Reported Net Profit attributable to equity holders	291.8	294.9	(1%)
Add/(less):			
- Impairment loss on investment in joint venture	1.1	-	NM
- Impairment loss on available-for-sale financial assets	11.0	-	NM
- ASX-SGX transaction related costs	-	11.9	(100%)
- ASX-SGX financing related costs	-	6.7	(100%)
- Net gain on disposal of freehold property	-	(1.7)	(100%)
Underlying Profit	303.9	311.8	(3%)
Statement of Financial Position			
Cash and cash equivalent (excluding restricted reserves)	547.7	544.8	1%
Capital expenditure	40.8	57.3	(29%)
Total equity	833.0	824.0	1%
Financial Indicators			
(a) Based on Reported Net Profit attributable to equity holders			
Net profit margin (%)	44.6	44.5	0.1 pts
Return on equity (%)	35.2	36.0	(0.8 pts)
Basic earnings per share (cents)	27.3	27.6	(0.3)
Operating cash flow per share (cents)	32.3	32.7	(0.4)
(b) Based on Underlying Profit			
Net profit margin (%)	46.5	47.1	(0.6 pts)
Return on equity (%)	36.7	38.0	(1.3 pts)
Basic earnings per share (cents)	28.5	29.2	(0.7)
Dividend per share (cents)			
Interim dividend paid	12.0	12.0	-
Proposed final dividend	15.0	15.0	-
Total dividend	27.0	27.0	-

NM = Not meaningful

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

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In addition to offering a fully integrated value chain from trading and clearing, to settlement and depository services, SGX is also Asia's pioneering central clearing house. Headquartered in Asia's most globalised city, and centred within the AAA strength and stability of Singapore's island nation, SGX is a peerless Asian counterparty for the clearing of financial and commodity products.

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