

17 October 2011

FIRST QUARTER FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (1Q FY2012) SINGAPORE EXCHANGE REPORTS \$88 MILLION PROFIT

- Revenue: Up 12% to \$178 million (\$159 million in 1Q FY2011)
- EBITDA: Up 15% to \$115 million (\$100 million) and Net Profit: \$88 million (\$74 million)
- Earnings per share: Up 18% to 8.2 cents (7.0 cents)
- Interim Dividend per share: 4 cents (4 cents)

All figures above are quarterly and year-on-year comparatives are in brackets unless otherwise stated

SGX registered revenues of \$178 million (\$159 million), net profit of \$88 million (\$74 million) and earnings per share (EPS) of 8.2 cents (7.0 cents) in 1Q FY2012. The Board of Directors has declared an interim dividend of 4 cents (4 cents) per share, payable on 16 November 2011.

Mr Magnus Bocker, SGX CEO, said “We are pleased with our results in this quarter. SGX had record derivatives volumes¹ and continued to see growing interest for listings and new memberships. We successfully rolled out a number of new initiatives, including, reduced minimum bid-ask spreads, all-day trading in our securities market and Reach – our new securities trading engine. We also revised our listing rules to improve corporate governance. These building blocks further enhance SGX as the Asian Gateway. However, we remain cautious with uncertain global financial markets and continuing macroeconomic challenges in Europe and the US.”

Business Highlights

SGX's securities daily trading value (SDAV) for the quarter was \$1.6 billion, lifted by the strong August SDAV of \$2.0 billion and on par with 1Q FY2011. The SDAV level of \$1.6 billion was about 9% higher than the \$1.4 billion in the preceding quarter, 4Q FY2011. Derivatives volume was 33% higher at record volumes of 322,152 contracts per day.

Highlights of key businesses

- **Securities:** The revised minimum bid-ask spreads and continuous all-day trading (CAT) were introduced on 4 July and 1 August, respectively. The initial results are encouraging. The reduced bid-ask spreads have helped improve liquidity and, at the same time, lower the market impact costs by up to 40%. With CAT, trading activities that took place during 1230 to 1400 in August and September ranged from 5% to 15% of daily traded value or approximately 9% on average.
- **Derivatives:** We had record derivatives volumes of 322,152 contracts per day, surpassing the last peak average daily volume of 315,650 contracts in 3Q FY11, in the context of increased market volatility. Of particular note was the continued growth in the Indian Nifty, Chinese A50 and Rubber futures contracts.
- **OTC Derivatives:** Our clearing platform for over-the-counter (OTC) derivatives cleared a record volume of 60,017 lots (48,175 lots) in OTC Commodities: 33,064 lots (27,004 lots) in Freight Forward Agreements and 24,146 lots (9,561 lots) in Iron Ore Swaps. In OTC Financial Derivatives, we cleared a notional value of \$59 billion in Interest Rate Swaps, bringing the cumulative value to \$169 billion since inception in November 2010.

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

- *Membership*: Three (nil) new member firms joined the Derivatives market: BNP Paribas Securities (a French member); GF Futures (our first Chinese member); and GH Financials Group (a UK member).
- *Equity and Debt Listings*: A total of \$1.3 billion (\$1.5 billion) was raised through equity listings: \$150 million in IPO funds from six new listings² (\$82 million and eight new listings) and \$1.1 billion (\$1.4 billion) through secondary fund raising. In addition, \$25 billion (\$50 billion) of debt capital programmes were listed through 54 issues (80 issues).
- *Reach initiative*³: We successfully migrated to the new Reach securities trading engine on 15 August. The Reach trading engine, equipped with new functionalities, allows us to introduce new products and a broader range of order types for continued improvements and enhancements to the Securities market.

Market Development, Risk Management & Regulation

Following the migration to the Reach trading engine, we have improved the securities market opening and closing routines to enhance transparency and trading safeguards. New order types were introduced to allow investors more flexibility in order execution.

SGX Listing Rules were amended, effective 29 September, to strengthen corporate governance practices and foster greater corporate disclosure to safeguard shareholders' interest and enhance the quality of the marketplace.

The public was consulted on proposed enhancements to our default management framework for exchange-traded and OTC derivatives contracts. The changes are to provide greater clarity to members on the limits of their liabilities in case of default by other participants. We also sought public feedback on proposed changes to the Error Trade Policy for the securities market which will promote greater certainty in trades executed.

Outlook

Market activity in the near term could be adversely affected by the prevailing uncertainty and challenging global macroeconomic outlook. We will, nonetheless, continue with our current initiatives and investments.

FINANCIAL PERFORMANCE

SGX's quarterly net profit rose 18% to \$88 million (\$74 million) and EBITDA 15% to \$115 million (\$100 million), respectively. Driven by increased revenues, SGX's EPS was 18% higher at 8.2 cents (7.0 cents) and the ROE improved to 10.1% (8.7%).

Revenue was up 12% to \$178 million (\$159 million). Although Securities and Issuer Services revenues were flat in the quarter, revenues from Derivatives, Depository, Member Services and Connectivity and Market Data, grew by 27% to \$90 million (\$71 million) in 1Q FY2012.

² 1Q FY 2012: Five IPOs and one reverse takeover (RTO); and 1Q FY 2011: Six IPOs and two RTOs.

³ Reach initiative comprises (a) a new state-of-the-art data centre with co-location facilities; (b) new securities trading engine with enhanced functionalities and offering response times of less than 90 microseconds; and (c) setting up point of presence in four liquidity hubs: Chicago; London; New York; and Tokyo.

Expenses were 10% higher at \$75 million (\$68 million) mainly driven by Technology expenses on increased depreciation of new platforms and the phased roll-out of the Reach initiative which began in April 2011.

Staff expenses were steady at \$29 million (\$28 million). The reduction in share-based compensation expense, as the annual performance share plan will only be granted in 2Q FY2012, helped offset the increase in base staff costs and variable bonus. Headcount was 595 (592) on 30 September 2011.

Processing and royalties were 25% higher at \$8 million (\$6 million), primarily due to higher royalties paid on increased derivatives volumes.

Cashflow generated from operations grew by 19% to \$105 million (\$89 million). Capital expenditure incurred in 1Q FY2012 was \$15 million (\$5 million), largely for the roll-out of the Reach technology initiative and the development of our new Risk Management System. We expect capital expenditure for FY2012 to remain within the range of \$40 to \$45 million, as previously announced.

SGX's total equity was \$868 million (\$854 million) on 30 September 2011. The unrestricted cash reserves were \$623 million (\$617 million), including the FY2011 final dividend of \$160 million (\$168 million) and 1Q FY2012 interim dividend of \$43 million (\$43 million).

PERFORMANCE REVIEW

Securities Revenue, 40% (45%) of SGX's revenue

Securities revenue was \$72 million (\$71 million).

Our SDAV was flat at \$1.6 billion (\$1.6 billion) and the reported off-market trades were 4% (6%) of the overall market value traded. Consequently, the Clearing and Access revenues were steady at \$56 million (\$56 million) and \$15 million (\$14 million), respectively. The average clearing fees were 2.8 basis points (2.8 basis points) and the proportion of trades above \$1.5 million was 46% (42%).

On 30 September, 773 companies (779 companies) were listed on SGX, 41% or 314 were overseas companies. Trading value of these overseas companies accounted for 41% (45%) of the total securities market turnover, 7% (11%) of which comprised Chinese companies. Turnover velocity⁴ of the overseas ex-Chinese companies was 80% (89%) and for Chinese companies, it was 92% (115%). These compared to an average velocity of 61% (60%) for the total market.

We saw continued interest in our suite of 84 (74) Exchange Traded Funds (ETFs) which spans different asset classes such as equities, fixed income, money market and commodities, including gold, on 30 September 2011. With our increased marketing and investor education efforts, the average daily trading value of ETFs almost doubled at \$49 million (\$25 million). The top five actively traded ETFs were: SPDR Gold; MSCI India; MSCI Asia ex-Japan; MSCI Indonesia and MSCI Thailand.

⁴ Calculated based on primary listed securities only.

Derivatives, 24% (21%) of SGX's revenue

Derivatives revenue grew 26% to \$43 million (\$34 million).

Derivatives volume increased 33% to a record 20 million (15 million) contracts, or average daily volume (DAV) of 322,152 (241,906) contracts, in 1Q FY2012. Except for the Japanese Nikkei225 Index, the average volatility of the underlying equity indices⁵ was higher in this quarter compared to a year ago.

Futures & Options revenue rose 12% to \$29 million (\$26 million) on higher volumes offset by the weaker US-dollar. Our newer contracts, namely Indian Nifty futures, Chinese A50 futures and Japanese Nikkei225 options, accounted for approximately 28% of overall volumes, compared to 17% a year ago. Algorithmic trading contributed to 33% (30%) of the overall derivatives volume. The average yield per contract was \$1.44 (\$1.70).

DAV of our key Asian Gateway equity contracts registered higher volume this quarter: Japanese Nikkei225 futures 128,700 (121,770); MSCI Taiwan futures 78,109 (59,790); Indian Nifty futures 66,066 (38,683); MSCI Singapore futures 20,158 (14,618); Chinese A50 futures 12,500 (841); and, Japanese Nikkei225 options at 11,865 (1,155) contracts. Market share of our main contracts improved year-on-year: the Japanese Nikkei225 futures was 29% (27%) and Indian Nifty futures was 19% (13%), while the MSCI Taiwan futures slowed to 22% (24%).

Structured warrants revenue improved 39%, albeit from a low base, to \$1.3 million (\$1 million) on increased trading interest. The average daily trading value grew to \$34 million from \$19 million a year ago.

Interest income, license and other revenue was 77% higher at \$12 million (\$7 million) mainly driven by: (i) higher collaterals held of \$4.8 billion (\$2.8 billion) given increased open interest positions and better management of collateral balances; (ii) higher licensing revenue on increased DAV; and (iii) revenue from OTC Financial Derivatives.

In 1Q FY2012, we cleared OTC Financial Derivatives of \$59 billion in notional value and OTC Commodities of 60,017 lots (48,175 lots) equivalent to a notional value of \$3.1 billion (\$5.6 billion). The drop in energy swaps volume to 1,457 lots (11,610 lots) resulted in a reduction in the overall notional value cleared this quarter. However, the iron ore swaps and forward freight agreements volumes registered strong growth to 24,146 lots (9,561 lots) and 33,064 lots (27,004 lots), respectively.

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

Market data revenue was 21% higher at \$9 million (\$8 million). The average number of securities and derivatives terminals was 46,180 (38,658) and 24,496 (23,810), respectively, in 1Q FY2012.

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

Member Services and Connectivity revenue was 24% higher at \$11 million (\$9 million).

Membership revenue was steady at \$2 million (\$2 million). Three member firms joined our derivatives market this quarter: BNP Paribas Securities (a French member); GF Futures (our first Chinese member); and GH Financials Group (a UK member).

⁵ The average volatility of Indian Nifty Index was 20% (13%); Taiwanese TWSE Index was 24% (15%); MSCI Singapore Index was 20% (12%); and Japanese Nikkei225 Index was 19% (24%).

Connectivity revenue increased 32% to \$9 million (\$7 million) mainly driven by revenue from our new Co-Location services since 18 April 2011, as well as additional connectivity subscriptions from our members. The average securities and derivatives connectivity subscriptions were 171 (114) and 647 (579), respectively.

Depository Services, 15% (13%) of SGX's revenue

Depository revenue rose 31% to \$27 million (\$20 million).

Securities settlement revenue was 42% higher at \$19 million (\$14 million) driven by increased institutional settlement instructions as more institutions utilise SGX Prime, our pre-matching infrastructure, for improved settlement efficiency.

Contract processing and depository management revenues were flat at \$5 million and \$2 million (\$5 million and \$2 million), respectively.

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

Issuer Services revenue was steady at \$16 million (\$16 million).

Listings revenue decreased by 3% to \$9 million (\$9 million) as fund raising activities slowed down due to uncondusive market conditions spawned by ongoing macroeconomic concerns.

In 1Q FY2012, the total equity fund raising was \$1.3 billion: \$150 million (\$82 million) in primary funds raised by six (eight) new listings and \$1.1 billion (\$1.4 billion) in secondary funds raised. On the fixed income side, 54 new issues (80 new issues) – including nine or 64% of the total exchange-listed Asia ex-Japan G3 bonds – were listed on SGX, for \$25 billion (\$50 billion) in debt capital raising.

Corporate action revenue remained at \$7 million (\$7 million) despite a reduction in corporate action activities to 491 transactions (553 transactions) in 1Q FY2012.

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Appendix

Pro-Forma Financial Highlights

\$ Million	1Q FY2012	1Q FY2011	4Q FY2011	Change 1Q vs 1Q	Change 1Q vs 4Q
Income Statement					
Revenue	178.4	159.0	160.6	12.2%	11.1%
Expenses	74.5	68.1	72.4	9.5%	2.9%
Earnings before interest, tax, depreciation and amortisation	115.1	99.6	98.4	15.5%	16.9%
Reported Net Profit attributable to equity holders	87.5	74.2	79.5	17.9%	10.1%
Less:					
- Write back of ASX-SGX transaction related costs	-	-	(0.9)	-	NM
Underlying Profit	87.5	74.2	78.6	17.9%	11.4%
Statement of Financial Position					
Cash and cash equivalent (excluding restricted reserves)	623.2	617.1	544.8	1.0%	14.4%
Capital expenditure	14.7	4.6	13.5	NM	8.8%
Total equity	868.4	853.9	824.0	1.7%	5.4%
Financial Indicators					
(a) Based on Reported Net Profit attributable to equity holders					
Net profit margin (%)	48.3	46.7	49.2	1.6 pts	-0.9 pts
Return on equity (%)	10.1	8.7	9.6	1.4 pts	0.5 pts
Basic earnings per share (cents)	8.20	6.96	7.45	1.24	0.75
Operating cash flow per share (cents)	9.85	8.32	7.67	1.53	2.18
(b) Based on Underlying Profit					
Net profit margin (%)	48.3	46.7	48.7	1.6 pts	-0.4 pts
Return on equity (%)	10.1	8.7	9.5	1.4 pts	0.6 pts
Basic earnings per share (cents)	8.20	6.96	7.36	1.24	0.84
Dividend per share (cents)					
Interim base	4.00	4.00	-	-	4.00
Final dividend	-	-	15.00	-	(15.00)

NM = Not meaningful

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