

19 April 2011

SGX operations show strong third quarter

- **Revenue: \$169 million (\$153 million in 3Q FY2010)**
- **EBITDA¹: \$103 million (\$97 million)**
- **Net Profit: \$67 million (\$75 million)**
- Net Profit excluding ASX-SGX transaction related costs & gains from disposal of premises: \$77 million

Singapore Exchange (SGX) today announced a 4% year-on-year increase in net profit to \$77.3 million, excluding the ASX-SGX transaction related costs of \$12.0 million and gain from disposal of premises of \$1.7 million, for the third quarter of financial year 2011. Excluding these items, return on equity and earnings per share were 10.3% (10.2%) and 7.25 cents (7.01 cents) respectively.

Revenue rose 10% to \$168.8 million as major businesses – particularly derivatives and depository - grew. The derivatives market achieved all-time high daily average volume of 315,650 contracts on increased volatility especially in March. SGX was the world's third-biggest capital-raising centre in the quarter, raising a total of \$7.5 billion from 11² new listings including Hutchison Port Holdings.

Mr Magnus Bocker, SGX CEO, said "Despite global uncertainties and tough market conditions, our performance was solid and strong in the quarter. We continue to expand our products and services including adding OTC clearing of Foreign Exchange Forwards and more metal futures. Our Reach initiative achieved its first milestone when we opened the SGX Data Centre on 11 April. We look forward to offering the world's fastest trading engine and international liquidity hubs in the coming months."

Directors have declared an interim dividend of 4.0 cents per share for the third quarter of FY2011.

Please refer to Financial Statements for 3Q FY 2011 for full details. The report is also available at www.sgx.com. (SGX SP, SGXL.SI)

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¹ Earnings before interest, tax, depreciation and amortisation.

² Includes nine IPOs and two reverse takeovers.

SINGAPORE EXCHANGE RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2011 (3Q FY2011)

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- **EBITDA¹: \$103 million (\$97 million)**
- **Net Profit: \$67 million (\$75 million)**
- Net Profit excluding ASX-SGX transaction related costs & gain from disposal of premises: \$77 million

All figures above are quarterly and comparatives are year-on-year unless otherwise stated. For a meaningful review of SGX's underlying performance, discussions in this Statement are based on the financial results which exclude ASX-SGX transaction related costs and gain from disposal of premises.

CEO's Statement

SGX generated strong operating results in the third quarter amidst global market uncertainty. SGX's net profit for the quarter was up 4% to \$77.3 million, excluding the ASX-SGX transaction related costs of \$12.0 million and gain from disposal of premises of \$1.7 million. This was achieved on the back of a 10% increase in revenue to \$168.8 million which helped offset the higher expenses from our continued investments in building SGX's Asian Gateway.

The Merger Implementation Agreement with ASX was terminated following the Australian Treasurer's decision to reject the proposed merger on 8 April 2011. Nonetheless, SGX, as the Asian Gateway, remains well-positioned to leverage on opportunities within the region's vibrant and dynamic economies. We will continue to pursue organic as well as other strategic growth opportunities.

Whilst securities market activities were largely flat with daily average value (SDAV) of \$1.7 billion in this quarter, derivatives average volume (DAV) in March was a record of 381,451 contracts per day as the average volatility of the Nikkei225 Index was up almost fourfold to 50% from 13% in February.

In the first quarter of 2011, SGX was the third largest capital raising centre in the world, raising a total of \$7.5 billion from 11² new listings including Hutchison Port Holdings. Hutchison Port Holdings, which raised US\$5.5 billion (approximately \$6.8 billion), is the world's largest IPO so far this year and South East Asia's largest IPO to-date. This reinforces SGX's global position in the maritime transportation sector and as a favourable environment for listing of business trusts. In addition, there were 79 new bond listings, including two RMB issues, raising a total of \$31.1 billion in this quarter.

The LME-SGX metal futures contracts in copper, zinc and aluminium were successfully launched in February 2011. The total volumes traded since its launch on 15 February were 54,744 contracts.

The clearing of OTC Financial Derivatives (Interest Rate Swaps) continued to gain traction with over US\$36 billion notional value cleared since the launch on 15 November 2010. As at 31 March, there were 11 members participating in this service.

SGX welcomed three new members to its derivatives market in this quarter: Royal Bank of Scotland as a Trading Member; SEB as a Trading and a Clearing Member; and UBS as a new Clearing Member for the clearing of OTC Financial Derivatives.

¹ Earnings before interest, tax, depreciation and amortisation.

² Includes nine IPOs and two reverse takeovers.

We have begun the rollout of the Reach³ initiative with the opening of the new state-of-the art SGX Data Centre on 11 April 2011. This serves as the launch pad for new services including SGX Co-Location Service and the fastest connection to SGX trading systems. The launch of SGX Reach, the new securities trading engine, is scheduled for 15 August 2011.

Review Period: 3Q FY2011 vs 3Q FY2010

Financial Performance and Interim Dividend

SGX's net profit, excluding the ASX-SGX transaction related costs and gain from disposal of premises, was up 4% to \$77.3 million (3Q FY2010: \$74.6 million), leading to the nine-month profit of \$233.2 million⁴ compared to \$240.4 million a year ago.

Revenue was up 10% to \$168.8 million from \$153.3 million on the back of strong growth in derivatives volume and increased institutional participation in securities market activities. Operating profit for 3Q FY2011 was up 5% to \$93.8 million (\$89.7 million) and EBITDA was up 7% to \$103.4 million (\$96.7 million).

Expenses were up 18% to \$75.0 million (\$63.6 million) mainly attributable to Technology expenses which were up \$7.9 million to \$27.6 million (\$19.7 million). This is due to our stepped-up investments: the Reach initiative (including the rental and transition expenses relating to the new SGX Data Centre) and the clearing of OTC Financial Derivatives initiative. The Reach initiative is part of SGX's efforts to expand its membership and distribution network and to promote high frequency trading in SGX markets. Headcount as at 31 March 2011 was 588 (604).

SGX's total equity was \$748.0 million (\$731.2 million) as at 31 March 2011. The unrestricted cash reserves were \$526.3 million (\$454.3 million), including the interim dividend payable of \$42.7 million (\$39.9 million).

Cash flow generated from operations was \$96.1 million (\$83.2 million). Capital expenditure incurred in this quarter was \$15.6 million (\$23.2 million), primarily relating to the Reach initiative. Our capital expenditure for FY2011 is expected to remain within the range of \$60.0 to \$65.0 million as previously announced.

SGX's return on equity (ROE) and earnings per share (EPS) – excluding the ASX-SGX transaction related costs and gain from disposal of premises – were 10.3% (10.2%) and 7.25 cents (7.01 cents), respectively⁵.

Our board of directors is pleased to declare the interim base dividend for the third quarter of 4.0 cents (3.75 cents) per share, payable on 23 May 2011.

³ Developing the world's fastest securities trading engine (offering response times of less than 90 microseconds) supported by a state-of-the-art data centre with co-location facilities and establishing point of presence in four global liquidity hubs: Chicago; London; New York; and Tokyo.

⁴ Excludes (a) ASX-SGX transaction related costs incurred in 2Q and 3Q, totalling \$19.5 million (within the range of \$20.0 million as previously indicated); and (b) gain from disposal of premises \$1.7 million. Including these items; the reported net profit was \$215.4 million; EPS was 20.20 cents; and ROE was 28.8%.

⁵ Based on the 3Q FY2011 reported net profit of \$67.0 million, SGX's ROE and EPS were 9.0% and 6.28 cents, respectively.

Performance Review

Securities (44% of SGX's revenue)

Securities revenue rose 5% to \$73.7 million (\$70.2 million).

SDAV increased 13% to \$1.7 billion (\$1.5 billion) helping to lift our access revenue by 12% to \$15.2 million (\$13.5 million). Clearing revenue was up 3% to \$57.6 million (\$56.0 million) as the proportion of trades above \$1.5 million in contract value was seven percentage points higher at 44% (37%). Turnover velocity slipped two percentage points to 62% (64%) reflecting increased risk aversion during the quarter from retail investors.

The daily average trading value of our exchange traded funds (ETFs) more than doubled to \$40.3 million compared to \$14.5 million a year ago.

Derivatives (23% of SGX's revenue)

Derivatives revenue was 21% higher at \$38.8 million (\$31.9 million).

Futures & Options (F&O) DAV rose 34% to an all time high of 315,650 contracts (234,803 contracts) on increased volatility especially in March. Revenue was 14% higher at \$29.0 million (\$25.5 million) due to the depreciation of the US dollar and reduced yields. High frequency trading accounted for 31% (26%) of the F&O volume. Structured warrants revenue remained flat at \$1.1 million (\$1.1 million).

DAV of Nikkei 225 and Nifty futures contracts grew strongly, 39% and 47%, respectively, to 147,197 contracts (106,020 contracts) and 56,908 contracts (38,790 contracts). DAV of our MSCI Singapore futures contract was up 6% to 16,097 contracts (15,157 contracts) and MSCI Taiwan futures contract was steady at 71,971 contracts (70,301 contracts). Our FTSE China A50 futures contract continued to gain momentum: this quarter's DAV was 11,034 contracts up from 7,851 contracts in 2Q FY2011. DAV of Nikkei Options contract was 6,265 contracts compared to 7,318 contracts last quarter.

In this quarter, our commodities volumes were 101,316 contracts (79,252 contracts), including 54,744 contracts from the newly launched LME-SGX metal futures contracts. We also cleared 42,207 lots (35,782 lots) of OTC Commodities Derivatives, equivalent to a notional value of US\$4.5 billion (US\$3.7 billion), and OTC Financial Derivatives (Interest Rate Swaps) of US\$33.3 billion in notional value.

Interest income, license and other revenue increased 63% to \$8.7 million (\$5.3 million) due to: improved collateral management revenue; higher license revenue on increased F&O volume; and revenue from the newly launched OTC Financial Derivatives.

In response to the tragic events in Japan, SGX raised \$300,000 for the Japan Disaster Relief from contributions by staff and SGX members; and SGX's clearing revenue from the trading of Nikkei Index products on 25 March.

Market Data (5% of SGX's revenue)

Market data revenue improved 4% to \$8.1 million (\$7.8 million) due to increased subscriptions for securities price information. The average number of securities and derivatives terminals for the quarter were 41,871 (40,607) and 24,000 (24,842), respectively.

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

Member Services and Connectivity revenue increased 9% to \$9.1 million (\$8.4 million). Membership revenue increased 3% to \$1.9 million as new members joined our markets.

Connectivity revenue rose 11% to \$7.2 million (\$6.5 million) on increased subscriptions for connections to our securities and derivatives markets on the back of our growing membership base. The new SGX Co-Location service was launched on 18 April 2011, following the opening of SGX Data Centre.

Depository Services (14% of SGX's revenue)

Depository Services revenue increased 25% to \$23.8 million (\$19.1 million). Securities settlement revenue rose 42% to \$16.8 million (\$11.8 million) as settlement instructions for institutional trades increased by 33% to 1.3 million (1.0 million). The contract processing revenue, on the other hand, slipped 4% to \$5.5 million (\$5.7 million) on reduced retail trades.

Issuer Services (9% of SGX's revenue)

Issuer Services revenue remained steady at \$15.0 million (\$15.0 million).

Listings revenue was 8% higher at \$10.1 million (\$9.4 million) primarily due to higher listing revenue from new bond listings. Corporate action revenue, on the other hand, slowed down to \$4.9 million (\$5.6 million) on reduced corporate action activities.

There were 11 (7) new companies listed on SGX Mainboard and SGX Catalist, raising a total of \$7.5 billion (\$522 million), whilst secondary equity fund raising was \$2.3 billion (\$532 million) in this quarter. In terms of fixed income listings, there were 79 (48) new issues raising \$31.1 billion (\$24.5 billion).

To enhance SGX Issuer Services, SGX will offer, in partnership with NASDAQ OMX, a comprehensive suite of tools and solutions designed to enhance the investor relation activities of listed companies in Asia.

Market Development and Risk Management & Regulation

We continue to tap opportunities within Asia's vibrant and dynamic economies by enhancing SGX infrastructure and systems; growing membership and distribution channels; expanding our product & services suite; and further strengthening safeguards in our markets.

As we embrace high speed trading and advanced technology to meet the diverse needs of our global trading community, SGX will be introducing enhanced safeguards including circuit breakers and pre-trade risk controls. These initiatives will strengthen SGX marketplace by providing the capability to SGX Members and their customers to manage risk exposures more effectively. Separately, we are migrating SICOM contracts (Rubber and Coffee futures) to the SGX platform to allow access to a wider group of market participants.

Centralised clearing of OTC derivatives continues to gain importance globally. We are encouraged by the take up of SGX AsiaClear's clearing service for OTC Financial Derivatives, as well as OTC Commodities. Expansion of this clearing service for other asset classes, including Foreign Exchange Forwards, is currently underway.

In the securities market, we are working closely with market participants on their readiness for the planned Continuous All-Day Trading in second quarter 2011, subject to regulatory approval.

A new scalable structure for the securities clearing fund will be implemented, effective 3 May. This structure will better align members' contribution to their clearing risk exposures with CDP. Additional collateral will be required for exposures exceeding their typical volume, thereby assuring adequate financial resources in the event of clearing member default.

On 1 February 2011, new listing rules were introduced for admission of early stage mineral, oil and gas companies to SGX Catalist.

Outlook

Market activities in this quarter have been affected by global events. Nonetheless, SGX, with its various initiatives, is well positioned to capture opportunities arising from its Asian Gateway strategy, given the underlying growth trajectory of Asian economies and capital markets.

Appendix

Pro-Forma Financials and Financial Highlights of Third Quarter FY2011 Results- 1 January 2011 to 31 March 2011

\$ Million	3Q FY2011	3Q FY2010	Change	9 Months FY2011	9 Months FY2010	Change
Income Statement						
Revenue	168.8	153.3	10.1%	500.0	477.4	4.7%
Expenses	75.0	63.6	17.9%	214.7	190.3	12.9%
Earnings before interest, tax, depreciation and amortisation	103.4	96.7	6.9%	312.6	304.5	2.7%
Reported Net Profit attributable to equity holders	67.0	74.6	(10.2%)	215.4	240.4	(10.4%)
Add/(less):						
- ASX-SGX transaction related costs	5.3	-	NM	12.8	-	NM
- ASX-SGX financing related costs	6.7	-	NM	6.7	-	NM
- Net gain on disposal of freehold property	(1.7)	-	NM	(1.7)	-	NM
Underlying Profit	77.3	74.6	3.6%	233.2	240.4	(3.0%)
Statement of Financial Position						
Cash and cash equivalent (excluding restricted reserves)	526.3	454.3	15.8%	526.3	454.3	15.8%
Capital expenditure	15.6	23.2	(32.7%)	43.7	41.7	4.9%
Total equity	748.0	731.2	2.3%	748.0	731.2	2.3%
Financial Indicators						
(a) Based on Reported Net Profit attributable to equity holders						
Net profit margin (%)	39.6	48.4	(8.8)	43.0	50.2	(7.2)
Return on equity (%)	9.0	10.2	(1.2)	28.8	32.9	(4.1)
Basic earnings per share (cents)	6.28	7.01	(0.73)	20.20	22.60	(2.40)
Operating cash flow per share (cents)	9.01	7.82	1.19	25.03	25.87	(0.84)
Interim base dividend per share (cents)	4.00	3.75	0.25	12.00	11.25	0.75
(b) Based on Underlying Profit						
Net profit margin (%)	45.7	48.4	(2.7)	46.6	50.2	(3.6)
Return on equity (%)	10.3	10.2	0.1	31.2	32.9	(1.7)
Basic earnings per share (cents)	7.25	7.01	0.24	21.87	22.60	(0.73)

[Note: SGX's Financial Year is from 1 July to 30 June]