



A solid second quarter for Singapore Exchange

- Revenue: Up 14% to \$172.2 million (\$150.7 million in 2Q FY2010) - Adjusted Net Profit¹: Up 14% to \$81.7 million (\$71.8 million) - Base Dividend per Share: 4.0 cents (3.75 cents)

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

18 January 2011 - Singapore Exchange (SGX) today announced an adjusted net profit of \$81.7 million for the second quarter of its financial year 2011, up 14% from \$71.8 million year-on-year.

Revenue rose 14% to \$172.2 million primarily due to increased trading activities in the securities market. Adjusted² return on equity was 11.3% (11.1%) and the earnings per share was 7.66 cents (7.24 cents). Directors have declared an interim dividend of 4.0 cents per share for 2Q FY2011.

Mr Magnus Bocker, SGX CEO said, "We saw growth across all our businesses which contributed to the strongest quarter in over a year. We will continue to grow our membership base and launch new products and services. We are on track to roll out the Reach initiative, starting with the launch of co-location services for our members and customers in the new data centre in 4Q FY2011 and SGX Reach (new securities trading engine) in later 2011. This will further strengthen SGX's position as the Asian Gateway."

Please refer to Financial Statements for 2Q FY2011 for full details. The report is also available on our website at www.sgx.com. (SGX SP, SGXL.SI)

SINGAPORE EXCHANGE RESULTS

FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (2Q FY2011)

- Revenue: Up 14% to \$172.2 million (\$150.7 million in 2Q FY2010)
- Adjusted Net Profit¹: Up 14% to \$81.7 million (\$71.8 million)
- Base Dividend per Share: 4.0 cents (3.75 cents)

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CEO's Statement

Singapore Exchange second quarter was a solid one lifted by increased securities and derivatives volumes. MSCI Singapore Index climbed 3% to 377. This quarter also saw larger IPOs, expanded membership base and new product launches.

On 25 October 2010, we announced a proposed combination with ASX Limited to create the premier Asia Pacific exchange. The regulatory due process is proceeding as planned, with no objection received from the Australian Competition and Consumer Commission (ACCC) on 15 December 2010. We continue to work with the relevant stakeholders, including Foreign Investment Review Board (FIRB), with the aim of completing the proposed combination in 2011.

On the equity listings front, we had 12 new companies joining the SGX Mainboard and Catalist in this quarter. These companies added \$15.7 billion in market capitalisation. Our real estate sector, in particular, gained with the addition of Global Logistics Properties (the world's largest real estate IPO), Sabana REIT (the world's largest Shariah-compliant REIT) and Mapletree Industrial Trust. There were 80 new bond issues (including retail bonds issued by Singapore Airlines and DBS Bank) listed on SGX, raising a total of \$41.6 billion in the second quarter.

We welcomed ten local and global banks for the clearing of over-the-counter (OTC) traded financial derivatives (interest rate swaps) through SGX AsiaClear in November 2010. Earlier in the same month, SGX AsiaClear also introduced the clearing of OTC traded Indonesian coal swaps. In addition, we welcomed IIFL Securities (our first Indian member firm), GETCO Asia (a global market maker) and Standard Chartered Securities to our securities market.

We launched GlobalQuote, on 22 October 2010, to facilitate the trading of American Depository Receipts, initially with 19

Chinese companies. Euro STOXX50 futures contract was added to our suite of derivatives contracts on 6 December. Our Chi-East joint venture, a pan-Asian crossing network for securities listed in Australia, Hong Kong, Japan and Singapore, commenced operations in November. These initiatives serve to strengthen SGX's position as the Asian Gateway.

Financial Performance and Interim Dividend

Review Period: 2Q FY2011 vs 2Q FY2010

SGX's net profit, excluding the ASX-SGX transaction related costs of \$7.5 million, was up 14% to \$81.7 million (2Q FY2010: \$71.8 million). Operating profit was up 21% to \$100.5 million (\$83.4 million) and earnings before interest, tax, depreciation and amortization (EBITDA) was up 23% to \$109.6 million (\$88.9 million).

Operating expenses, excluding the \$6.3 million CEO transition costs a year ago, were up 18% to \$71.7 million (\$61.0 million) primarily due to Technology, Processing & Royalties and Staff expenses.

Technology expense increased 33% to \$25.6 million (\$19.3 million). This step-up cost was mainly attributable to increased depreciation from our previously announced technology investments: the Reach^[2] and OTC Clearing initiatives. Processing & Royalties rose 16% to \$6.7 million (\$5.8 million) on higher market activities. The overall Staff expense, excluding the CEO transition costs in 2Q FY2010, increased 12% to \$28.0 million (\$24.9 million) due to: salary adjustments; cessation of government Jobs Credit Scheme; and higher variable bonus provision. Headcount as at 31 December 2010 was 584 (593).

SGX's total equity stood at \$720.9 million (\$693.4 million) as at 31 December 2010. The unrestricted cash reserves were \$463.6 million (\$423.7 million), including the interim dividend payable of \$42.7 million (\$39.9 million).

Cash flow generated from operations was \$82.2 million (\$88.4 million). Capital expenditure incurred in this quarter was \$23.6 million (\$14.3 million), primarily relating to our technology investments including the new data centre of our Reach initiative. Our capital expenditure for FY2011 is expected to remain within the range of \$60 to \$65 million as previously announced.

SGX's adjusted^[3] return on equity (ROE) and earnings per share (EPS) were 11.3% (11.1%) and 7.66 cents (7.24 cents). We expect the ASX-SGX transaction related costs in FY2011 to be approximately \$20 million, including this quarter's charge of \$7.5 million.

Our board of directors is pleased to declare the interim base dividend for the second quarter of 4.0 (3.75) cents per share, payable on 18 February 2011.

Performance Review for the Quarter Ended 31 December 2010

Securities (47% of SGX's revenue)

Securities revenue rose 20% to \$81.0 million (\$67.4 million). The daily average trading value increased 30% to \$1.8 billion (\$1.4 billion) helping to lift our clearing and access revenues by 16% and 28%, respectively. Turnover velocity increased four percentage points to 63% (59%) and the proportion of trades below \$1.5 million in contract value was 54% (63%).

The daily average trading value of our 75 exchange traded funds (ETFs) more than doubled to \$45.0 million compared to \$20.0 million a year ago. The cumulative trading value of securities quoted on GlobalQuote was \$1.3 billion since its launch on 22 October 2010.

Derivatives (20% of SGX's revenue)

Derivatives revenue improved 8% to \$33.9 million (\$31.3 million).

The Futures & Options (F&O) daily average volume (DAV) was up 12% to 248,325 (222,065) contracts, while the revenue registered a 5% increase to \$25.3 million (\$24.0 million) due to the depreciation of the US dollar. High frequency trading accounted for 29% (26%) of the F&O volume.

The DAV of Nikkei 225 and Nifty futures contracts grew to 110,916 (108,258) contracts and 47,794 (34,421) contracts, respectively, on the back of improved market share. DAV of our MSCI Singapore futures contract remained steady at 14,225 (14,220) contracts notwithstanding a three-percentage point drop in the volatility of SI MSCI Index. DAV of MSCI Taiwan futures contract was 8% lower at 56,209 (61,213) contracts on reduced volatility at 11% (15%) and lower market share at 24% (27%). Our FTSE Xinhua China A50 futures and Nikkei options contracts continued to gain momentum in this quarter. DAV of these contracts grew rapidly, quarter-on-quarter, from their low base of 841 to 7,851 contracts and 1,155 to 7,318 contracts, respectively.

In this quarter, a total of 184,839 contracts were traded on our commodities platforms. We also cleared 41,248 (37,347) lots of OTC commodities derivatives, equivalent to a notional value of \$6.4 billion (\$2.2 billion).

Interest income, license and other revenue was 23% higher at \$7.4 million (\$6.0 million) primarily due to improved collateral management revenue.

Market Data (5% of SGX's revenue)

Market data revenue rose 5% to \$7.9 million (\$7.5 million) due to increased subscription for securities price information. The average number of securities and derivatives terminals for the quarter were 40,032 (36,717) and 23,614 (25,158), respectively.

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

Member Services and Connectivity revenue was 24% higher at \$9.5 million (\$7.7 million). Membership revenue increased 34% to \$2.3 million from \$1.7 million as new members joined our securities and derivatives markets. Our expanded membership base, as at 31 December 2010, included 4,243 (3,908) Securities Trading Representatives, 30 (24) Securities Trading Members, 29 (25) Securities Clearing Members, 216 (201) Derivatives Trading Members (Individual), 246 (235) Derivatives Trading Members (Proprietary), 30 (30) Derivatives Trading Members and 34 (25) Derivatives Clearing Members.

Connectivity revenue rose 21% to \$7.2 million (\$6.0 million) on increased subscription for connections to our securities and derivatives markets on the back of our growing membership base. We are on track to roll out the new co-location services, part of the Reach initiative, in 4Q FY2011.

Depository Services (14% of SGX's revenue)

Depository Services revenue increased 19% to \$23.5 million (\$19.9 million) primarily due to higher settlement revenue.

Securities settlement revenue rose 30% to \$16.2 million (\$12.5 million) as settlement instructions for institutional trades increased by 37% to 1.3 million (0.9 million). Conversely, the contract processing revenue slipped 2% to \$5.8 million (\$5.9 million) on reduced retail trades.

Issuer Services (9% of SGX's revenue)

Issuer Services revenue remained steady at \$16.3 million (\$16.0 million).

Listings revenue was 6% higher at \$9.9 million (\$9.4 million) due to higher initial listing revenue from larger IPOs. Corporate action revenue, on the other hand, dropped 4% to \$6.4 million (\$6.6 million) on reduced corporate action activities.

There were 12 (12) new companies listed on SGX Mainboard and SGX Catalist, raising a total of \$4.9 billion (\$3.0 billion), while secondary equity fund raising was \$2.3 billion (\$5.1 billion) in this quarter. In our fixed income business, 80 new issues, raising \$41.6 billion, were listed on SGX. As at 31 December 2010, there were 782 (781) listed companies – 756 (754) primary listings and 26 (27) secondary listings – and 1,313 (1,164) bonds listed on SGX.

Market Development

We continue to consult the public on issues pertinent to the development of our securities and derivatives markets. In this quarter, we sought the public's views on five proposals: continuous all-day trading for the securities market; regulatory framework for admission of remote trading members for the securities market; callable bull/bear contracts; introduction of Robusta coffee contracts on SGX's platform; and the launch of SGX Options on S&P Nifty Index contracts.

We have also formalised a majority of the temporary measures initiated in January and February 2009 to facilitate and shorten the time-to-market for secondary fund raising in the interests of both shareholders and issuers. These measures will enhance SGX's position as an efficient and service oriented capital raising venue.

The launch of SGX AsiaClear's new clearing service for OTC-traded financial derivatives in November 2010 was a significant milestone for the financial services industry in Singapore. The OTC community can now manage and reduce counterparty risk by clearing OTC-traded derivatives through SGX AsiaClear, thereby enabling growth in OTC derivatives activities. The SGX Derivatives Clearing Fund has since been strengthened to support this initiative.

Outlook

We will continue to grow our membership base and launch new products & services. We are on track to roll out the Reach initiative, starting with the launch of co-location services for our members and customers in the new data centre in 4Q FY2011 and SGX Reach (new securities trading engine) in later 2011. Barring unforeseen circumstances and if the current trading momentum continues, SGX will benefit from a potential increase in securities and derivatives market activities.

[1] Excludes ASX-SGX transaction related costs of \$7.5 million. Without the adjustments: net profit was \$74.2 million; earnings per share at 6.95 cents; and return on equity at 10.3%.

[2] Developing the world's fastest securities trading engine 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

[3] Excludes (a) CEO transition costs of \$6.3 million in 2Q FY2010; and (b) ASX-SGX transaction related costs of \$7.5 million in 2Q FY2011. Without these adjustments, SGX's ROE and EPS were 10.3% and 6.95 cents, respectively, for 2Q FY2011.

Financial Highlights of Second Quarter FY2011 Results – 1 October 2010 to 31 December 2010

| S\$ Million | 2Q FY2011 | 2Q FY2010 | Change | 1H FY2011 | 1H FY2010 | Change |
|--|--------------|--------------|--------|--------------|--------------|--------|
| INCOME STATEMENT | | | | | | |
| Revenue | 172 | 151 | 14% | 331 | 324 | 2% |
| Expenses | 72 | 67 | 7% | 140 | 127 | 10% |
| Earnings before interest, tax, depreciation and amortisation | 110 | 89 | 23% | 209 | 208 | 1% |
| Profit attributable to equity holders | 74 | 72 | 3% | 148 | 166 | (11%) |
| Adjusted ¹ profit attributable to equity holders | 82 | 72 | 14% | 156 | 166 | (6%) |
| STATEMENT OF FINANCIAL POSITION | | | | | | |
| Cash and cash equivalent (excluding restricted reserves) | 464 | 424 | 9% | 464 | 424 | 9% |
| Capital expenditure | 24 | 14 | 65% | 28 | 19 | 52% |
| Total equity | 721 | 693 | 4% | 721 | 693 | 4% |
| PERFORMANCE INDICATORS (%) | | | | | | |
| Net profit margin | 42.9% | 47.3% | (4) | 44.8% | 51.0% | (6) |
| Adjusted ¹ net profit margin | 47.3% | 47.3% | - | 47.0% | 51.0% | (4) |
| Return on equity | 10.3% | 10.3% | - | 20.6% | 23.9% | (3) |
| Adjusted ¹ return on equity | 11.3% | 10.3% | 1 | 21.6% | 23.9% | (2) |
| PER SHARE (in cents) | | | | | | |
| Basic earnings per share | 6.95 | 6.75 | 0.20 | 13.91 | 15.59 | (1.68) |
| Adjusted ¹ basic earnings per share | 7.66 | 6.75 | 0.91 | 14.62 | 15.59 | (0.97) |
| Operating cash flow per share | 7.71 | 8.31 | (0.60) | 16.02 | 18.05 | (2.03) |
| Dividend per share | | | | | | |
| Interim base | 4.00 | 3.75 | 0.25 | 8.00 | 7.50 | 0.50 |

¹ Excludes ASX-SGX transaction related costs of \$7.5 million in 2Q FY2011.