



NEWS RELEASE

Robust performance in a difficult market

SGX results for the financial year ended 30 June 2009 (FY2009)

- **Net profit \$305.7 million; ROE 39%**
- **Asian Gateway revenue 47%**
- **Operating leverage maintained at 130%**
- **Active secondary market with \$12.07 billion raised**
- **Cost discipline and continued technology investment**
- **Total FY2009 dividend of 26.0 cents per share, payout maintained at 90%**

05 August 2009 - Singapore Exchange Limited (SGX) today announced a net profit of \$305.7 million for the financial year ended 30 June 2009. This is 31.2% lower compared to the previous year FY2008 (\$444.3 million¹) due to a decline in securities market revenue and stable revenue. Return on equity was a creditable 39.3%. SGX directors have proposed a final dividend of 15.5 cents per share, bringing the total for the year to 26.0 cents per share.

Mr Hsieh Fu Hua, Chief Executive Officer of SGX said: "Despite the extent of turmoil in FY09, we remain profitable and our business, robust, most significantly in risk management and regulation. While the environment remains uncertain, SGX is well poised to face further challenges and seize opportunities to grow."

Please refer to the "CEO's Statement" and "Financial Highlights", as attached, for details.

The complete FY2009 full year financial statements are available on the Investor Relations page of our website at www.sgx.com. (SGX SP, SGXL.SI)

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¹ Excludes the \$34.0 million distribution from SGX-DT Compensation Fund in FY2008.

CEO's Statement

FY2009 marked a year of financial turmoil. Despite the market uncertainty, SGX remained profitable and our business, resilient.

The Group earned a net profit of \$305.7 million for the financial year ended 30 June 2009, 31.2% lower than the preceding year (FY2008: \$444.3 million¹) when global stock market indices peaked. The return on equity was maintained at a creditable 39.3% (FY2008: 49.7%¹) and earnings per share amounted to 28.74 cents (FY2008: 41.88 cents¹).

The directors are pleased to propose a final dividend per share of 15.5 cents on a tax-exempt one-tier basis which comprises a base dividend of 3.5 cents per share and a variable dividend of 12.0 cents per share. This brings the full year dividend to a total of 26.0 cents per share (FY2008: 38.0 cents per share), giving a payout ratio of 90% (FY2008: 91%¹).

Financials

Operating revenue was \$594.8 million, down 22.6% over the prior year (FY2008: \$768.6 million). The reduction was mainly due to a 33.6% decrease in the securities market revenue, which fell to \$298.6 million (FY2008: \$449.6 million). Stable revenue declined 13.8% year-on-year to \$140.2 million (FY2008: \$162.7 million), as listing and corporate action activities slowed down considerably. Net derivatives clearing revenue remained flat at \$156.0 million (FY2008: \$156.3 million) as structured warrants clearing revenue fell by more than half, offsetting the gains in futures clearing revenue.

The Group's cost discipline was evident; FY2009 total operating expenses shed 5.6% to \$227.5 million (FY2008: \$241.0 million). This was achieved despite continued investment in technology in the market downturn.

The operating leverage, defined as the ratio of stable revenue and net derivatives clearing revenue to total operating expenses, stood at 130.2% (FY2008: 132.4%).

Securities Market

An uncertain market environment and investor risk aversion led to a significant decrease in trading activity in our cash market; the securities daily average trading value (SDAV) fell 42.2% to \$1.23 billion, compared to \$2.12 billion a year ago. The annualised turnover velocity for the securities market was 66.6%, compared to

¹ Excludes the \$34.0 million distribution from SGX-DT Compensation Fund in FY2008.



72.2% in FY2008. Turnover velocity rebounded from a low of 58.2% in 3Q FY2009 to 84.2% in 4Q FY2009, a level last observed in 1Q FY2008, when turnover velocity was 84.8%.

Secondary capital raising activity via rights issuance and placements has been strong, with total funds raised amounting to \$12.07 billion (FY2008: \$12.19 billion). There were 19² new listings (FY2008: 67³) on the Mainboard (10 new listings) and Catalist (9 new listings), which raised \$441.5 million in total (FY2008: \$6.49 billion). Foreign listings accounted for 52.6% of these new listings (FY2008: 73.1%). Total market capitalisation stands at \$526.37 billion as at 30 June 2009, a 20.0% drop compared to a year ago.

There is growing acceptance of Exchange Traded Funds (ETFs) with both retail and institutional investors, as the total value traded in ETFs reached \$3.83 billion, a 74.9% increase over the prior financial year (FY2008: \$2.19 billion). With the five ETFs added in the last quarter, there are now 35 SGX-listed ETFs offering investors access to various geographical regions and asset classes, including commodities. We expect the ETF market to grow strongly as more investors see the merits of this new instrument in Asia.

Derivatives Market

Futures and options trading volume grew 8.3% to 58.3 million contracts in FY2009 (FY2008: 53.8⁴ million contracts). The CNX Nifty India futures contracts continued to outperform the rest, growing 33.6% to 9.6 million contracts (FY2008: 7.2 million⁴ contracts). There was a 15.4% increase in the trading volume of the Nikkei 225 futures contract which rose to 26.9 million contracts (FY2008: 23.3 million contracts). The Nikkei is increasingly traded round the clock and since October 2008, we have extended our trading hours of the Nikkei 225 futures contract to 10.55pm Singapore time.

Structured warrants trading value dropped 52.3% to \$14.5 billion (FY2008: \$30.5 billion). This downturn mirrors the underlying securities market.

Launched in February 2009, Extended Settlement contracts traded a total value of \$67.3 million by end June 2009. In response to market demand, we have expanded the range of underlying stocks from 28 to 72 in June 2009, and plan to introduce longer-dated contracts.

² Includes 4 Reverse Takeovers (RTOs).

³ Includes 7 RTOs.

⁴ The number of CNX Nifty Index futures contracts (IN) has been adjusted for comparison purposes as the contract size was reduced fivefold in November 2007.



Algorithmic trading accounted for an estimated 21.4% of total derivatives volume in June 2009, rising from a low of 14.0% in December 2008, due to the active participation of an increased number of high velocity traders. In FY2010, we plan to introduce other initiatives to make our marketplace more algo-friendly, including market access and connectivity improvements.

Commodities and Over-The-Counter (OTC) Clearing

SGX AsiaClear's OTC business cleared 67,174 contracts in FY2009, an increase of 51.8% year-on-year (FY2008: 44,257 contracts). Its trading and clearing network now reaches out to 336 counterparty accounts (FY2008: 221 counterparty accounts). To complement the existing energy-related product suite, we plan to launch a bunker fuel oil futures contract in 1H FY2010. Efforts are underway to launch OTC clearing services for financial derivatives. Operating revenue for AsiaClear amounted to \$1.9 million this financial year (FY2008: \$1.1 million).

The Singapore Commodity Exchange (SICOM), a wholly-owned SGX subsidiary, traded 343,259 rubber futures contracts in FY2009 (FY2008: 452,392 contracts), the drop being attributable to adverse credit and trading conditions. We are building a clearing link between SGX and SICOM so that SICOM can expand its distribution network to a larger international customer base via SGX Clearing Members. In addition, we have plans to launch new commodities products, including gold and coffee, on SICOM. Operating revenue for SICOM amounted to \$1.4 million in FY2009.

Risk Management and Regulation

In response to the financial turbulence and the challenging market environment, SGX increased interaction with listed companies, their Boards and auditors to heighten vigilance in high risk areas. SGX is introducing further measures to improve listed companies' corporate governance practices. SGX also took steps to facilitate secondary fund raising by listed companies.

SGX issued public consultations to strengthen the Derivatives and CDP Clearing Funds. In addition, we also consulted the public on revisions to price limits for Nikkei 225 and CNX Nifty India futures contracts and processes for managing non-delivery of securities. Recently, an Investor Education Fund was set up to support initiatives aimed at improving investor understanding and ability to make informed investment decisions.

Technology

In April 2009, SGX launched SGXAccess API, a new high speed access mechanism to connect to the securities market. This connectivity option is targeted at high velocity algorithmic traders who will enjoy a reduced latency which is 10 times faster than the alternative mechanism, SGXAccess FIX. In conjunction with this development, SGX also introduced the Securities Market Direct Feed which delivers market data up to 60% faster than the existing SecuritiesBook product.

Following the derivatives trading engine (Quest-DT) upgrade in December 2008, we have added more functionality to facilitate algorithmic trading, such as improved throughput and a facility that allows real-time order management and post trade checks for SGX Clearing Members.

Market Outlook

Our securities business bore the brunt of reduced IPO activity and lower cash market turnover in FY2009. While markets worldwide staged a recovery since March 2009, trading activity is dependent on funds flow, both domestic and international, and therefore, difficult to predict. This means that in the short term, our securities market will continue to be subject to some uncertainty. Inevitably, this will affect our key revenue drivers, including the SDAV and IPO market. Provided current market trading conditions prevail, we expect increased interest in new listings.

While underlying securities market activity in the region has been volatile, our derivatives market continues to grow as SGX offers a well diversified suite of products across major Asian markets. Moreover, our introduction of new products and service enhancements should augment revenues in the longer term.

In sum, the key drivers of the business are: attracting new listings to our marketplace; developing new customer types, like algorithmic traders; and growing the derivatives business, including commodities and OTC clearing which will extend to financial derivatives. Also, we note the emergence of alternative trading platforms such as 'dark pools' in the US and Europe. These are expected to increasingly feature in Asia, which may present opportunities for SGX to expand its Asian Gateway.

Finally, FY2010 will be a year of transition in our leadership with Mr Magnus Böcker joining us from Nasdaq OMX as our new CEO with effect from 1 December 2009. Together with an able and passionate management team, Magnus will continue the journey of building SGX as an enduring marketplace.

Financial Highlights of FY2009 Results – 1 July 2008 to 30 June 2009

S\$ Million	FY2009	FY2008	Change	4Q FY2009	4Q FY2008	Change
Operating Revenue	594.8	768.6	(22.6%)	170.0	172.0	(1.2%)
Operating Expenses	(227.5)	(241.0)	(5.6%)	(64.1)	(68.3)	(6.1%)
Operating Profit	367.3	527.6	(30.4%)	105.9	103.7	2.1%
Other Gains/(Losses)	1.3	48.5*	(97.3%)	3.0	4.3	(31.0%)
Profit Before Tax and Share of Results of Joint Ventures and Associated Companies	368.6	576.1	(36.0%)	108.9	108.0	0.8%
Share of Results of Joint Ventures and Associated Companies	0.0	(0.6)	NM	0.0	(0.0)	NM
Tax	(62.9)	(97.2)^	(35.2%)	(17.7)	(17.6)	0.8%
Profit Attributable to Equity Holders						
- before distribution from SGX-DT Compensation Fund	305.7	444.3	(31.2%)	91.2	90.4	0.9%
- after distribution from SGX-DT Compensation Fund	305.7	478.3	(36.1%)	91.2	90.4	0.9%
Basic earnings per ordinary share (cents)						
- before distribution from SGX-DT Compensation Fund	28.74	41.88	(13.14)	8.57	8.51	0.06
- after distribution from SGX-DT Compensation Fund	28.74	45.09	(16.35)	8.57	8.51	0.06
Interim base (tax exempt one tier) dividend per share (cents)						
- base	10.50	9.00				
- total	<u>10.50</u>	<u>9.00</u>				
Final (tax exempt one tier) dividend per share (cents)						
- base	3.50	3.00				
- variable	12.00	26.00				
- total	<u>15.50</u>	<u>29.00</u>				
Total for financial year	<u>26.00</u>	<u>38.00</u>				

*Includes \$34 million distribution from SGX-DT Compensation Fund.

^Distribution from SGX-DT Compensation Fund is not subject to tax.

NM: Not Meaningful