



MEDIA RELEASE

16 August 2012

ASX Limited full-year result to 30 June 2012

Financial Highlights

- Statutory profit after tax \$339.2 million, down 3.7%
 - Earnings per share 193.7 cents, down 3.9%
- Underlying profit after tax (excluding significant items) \$346.2 million, down 2.9%
 - Operating revenue \$610.4 million, down 1.2%
 - Interest and dividend revenue \$49.8 million, up 5.1%
 - Cash operating expenses \$141.1 million, up 4.1%
 - Earnings per share 197.6 cents, down 3.1%
- Final dividend 85.1 cents per share fully franked, down 8.5%
 - Full-year dividend 177.9 cents per share, down 2.9%
 - Payout ratio 90% of underlying profit after tax
- Significant items \$7.0 million after tax
 - Redundancies and premises consolidation
- Capital expenditure \$39.1 million in line with guidance
 - New data centre completed and operational
 - Initiatives tracking to plan

Mr Elmer Funke Kupper, ASX Managing Director and CEO, said: "After a strong start to the year, market conditions weakened as the year progressed. In the first half, 2.8% revenue growth translated into 2.9% earnings growth. In the second half, revenue fell by 5.1% and underlying earnings declined by 8.6%, as both retail and institutional investors reduced their risk appetite and activity levels. This was particularly evident in the businesses that service Australia's equity markets, including Listings, Cash Markets and Information Services. The decline in these businesses was largely offset by revenue gains in Derivatives, Technical Services and Austraclear. This shows the benefits of having a well-diversified revenue profile.

"ASX has a strong balance sheet that allows the company to continue to invest in technology and new products and services. The final dividend of 85.1 cents per share and the full-year dividend of 177.9 cents per share reflect a 90% payout ratio of underlying profit after tax, consistent with previous results."

Business Highlights

Operating revenue for the full-year was \$610.4 million, down 1.2%. Below is a summary of the revenue performance across the main business areas of the Group. All comparisons are against the previous financial year.

- **Listings and Issuer Services – revenue \$133.4 million, down 11.2%**

The largest revenue component in the Listings and Issuer Services business is Listings fees. These include annual listings fees and fees related to capital raisings.

Listings revenue (equities, debt and structured products) was down 10.0% to \$109.9 million. There was a significant reduction in IPO activity, with 99 new listings versus 160 in the previous year. As a result, IPO capital raised was down 65.3% to \$10.2 billion. Secondary capital raised, including scrip-for-scrip raisings, was \$40.4 billion, down 31.2%.

ASX continues to expand the number of products listed on the exchange and in 2012 implemented rule changes that allowed for the listing of fixed income Exchange Traded Funds (ETFs). ASX has announced further initiatives to grow its Listings franchise over the coming years, including providing retail access to Commonwealth Government Securities, the quoting of international securities, and a new managed funds settlement service that will improve the efficiency and distribution of managed funds.

In addition, ASX has proposed several changes to improve the efficiency and global competitiveness of the Australian capital market. They include a reduction in the timetable for completing rights issues, greater flexibility in the capital raising process for small and mid-cap companies, a new equity research scheme, and improved disclosure of reserves and resources in the mining, and oil and gas industries.

- **Cash Market – revenue \$124.5 million, down 7.0%**

Cash Market revenue consists of trading (\$36.4 million), clearing (\$45.9 million) and settlement (\$42.2 million). The three components were all impacted by equity market activity levels.

Total Cash Market revenue decreased by 7.0%, driven by a decline in cash market value traded of 11.5% to \$1.2 trillion. Following strong growth in the first quarter of the year, revenues declined sharply in the next three quarters as investor confidence was affected by the ongoing global economic uncertainty and Eurozone debt crisis.

In October 2011 the market structure for trading quoted securities changed and Chi-X launched an alternative venue for trading the top 200 ASX-quoted securities and some ETFs. The change in market structure relates to ASX's Cash Market trading revenue, which in 2012 represented 6.0% of Group revenue.

ASX has responded well to the new market structure. In 2012 the company introduced new order types and execution services, and completed a state-of-the-art data centre capable of providing a low latency trading environment.

During the 2012 financial year, ASX continued to provide input to regulators in relation to the market structure for equities trading in Australia, and particularly the controls required around High Frequency Trading (HFT) and dark execution. Having adequate controls to protect the quality of the market is in the interests of all investors. ASX estimates that in the first six months of this calendar year dark execution averaged around 25% of total trading activity and was as high as 43%.

- **Information Services – revenue \$66.9 million, down 5.6%**

The reduction in Information Services revenue was driven by the fall in equity market activity in the retail sector. Data usage from professional participants was broadly stable.

- **Technical Services – revenue \$45.3 million, up 12.1%**

ASX expanded its Technical Services business to provide smart order routing, low latency data products, and data centre services to its clients and other market operators. In February 2012 the company opened its new data and co-location centre in Sydney. As at 30 June 2012, 59 clients were hosted in the data centre.

The growth in Technical Services is part of ASX's strategy to adapt the ASX business model to a changing market structure and customer needs. In 2012 the revenue from Technical Services was larger than the revenue from Cash Market trading.

- **Derivatives – revenue \$188.7 million, up 9.6%**

Derivatives is ASX largest business, accounting for 30.9% of Group revenues in 2012.

ASX 24 Derivatives (futures and options on futures) revenue was \$161.0 million, up 13.6%. The number of contracts traded was up 5.6%. Revenue growth was assisted by a significant reduction in the level of large volume rebates paid compared to the previous year.

ASX Derivatives (exchange-traded options and index options) revenue was \$27.7 million, down 9.2%. The number of contracts traded increased by 18.5%. This increase did not translate into growth in revenues due to a rise in market-maker activity and stronger growth in index options compared to single stock options where the fee structure is different.

ASX will target continued growth in its Derivatives business through the introduction of new products, including interest rate futures, energy futures and equity volatility and sectoral index derivatives.

- **Austraclear – revenue \$36.0 million, up 6.5%**

Revenue grew across all Austraclear services lines, with transaction revenue up 7.4%, holdings revenue up 5.6%, and registry revenue up 5.9%. Average balances held in Austraclear were up 8.1%, reaching \$1.3 trillion in June 2012.

In April 2012 ASX confirmed that it would develop a collateral management service for the Australian market, allowing its clients to optimise the use of their available collateral for exchange-traded and over-the-counter transactions. The first phase of this service will be completed in 2013 and targets the fixed income collateral that is available in Austraclear. Equities will be added in a next phase by connecting the service to CHESS, ASX's equity sub-register.

Interest and dividend income - \$49.8 million, up 5.1%

Interest income was \$40.5 million, up 8.0%. Interest income grew strongly in the first half as collateral balances increased and margins improved. In the second half, interest rates declined, leading to a marginal decrease in interest income.

Dividend income from ASX's shareholding in IRESS was \$9.3 million, down 6.1% on the previous year.

Expenses

Expenses were well controlled during a period of significant investment in new products, services and infrastructure.

Cash operating expenses were \$141.1 million, up 4.1%, driven by increases in staff remuneration, a rise in occupancy and equipment costs associated with ASX's new data centre, and a higher ASIC supervision levy. Administration and other variable expenses were down.

ASX reported \$9.1 million before tax (\$7.0 million after tax) as significant items. These relate to a decision to close two interstate offices and the migration to the company's new data centre. These items are identified separately to provide insight into the underlying cash operating expenses.

Capital expenditure

Capital expenditure for the year was \$39.1 million. In February 2012 ASX opened its new data and co-location centre. This investment is important to provide a competitive, low latency trading environment for ASX customers. It also creates new revenue opportunities in Technical Services. As a result of the higher capital expenditure in recent years, depreciation and amortisation charges were up 18.5% to \$27.6 million.

Post balance date activity

In the first six weeks of the 2013 financial year, activity levels in the equity and derivative markets were well below the same period in the previous year. The first quarter of the previous (2012) financial year saw particularly strong trading volumes on the back of high market volatility. In the first six weeks of the year up to 10 August 2012:

- Daily average cash market value traded was \$3.5 billion. This was 24.6% below the FY12 average of \$4.7 billion and 36.3% below the comparable period a year ago.
- ASX 24 daily average contracts traded were 347,725. This was 14.0% below the FY12 average of 404,215 contracts and 34.6% below the comparable period a year ago.

Mr Funke Kupper said: "Recent activity levels reflect the ongoing uncertainty surrounding the European sovereign debt crisis and the global growth outlook. Market volatility has reduced, affecting volumes in Australia's interest rate futures market.

"In this environment, ASX's diversified revenue profile and strong balance sheet provide resilience, and we continue to invest in technology and new products and services. This will put the company in a stronger position when investor confidence returns."

Complete full-year result materials, including ASX's 2012 Annual Report, will be available on the ASX website: <http://www.asxgroup.com.au/media-releases.htm>

A webcast of the 10.00am (Sydney time) presentation to analysts will be available: www.asxgroup.com.au/fy2012webcast

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Appendix – ASX Full-Year Result to 30 June 2012

Group Profit and Loss Statement	FY12 \$M	FY11 \$M	Variance \$M	Variance %
Operating Revenue	610.4	617.6	(7.2)	(1.2%)
Cash Operating Expenses	141.1	135.5	(5.6)	(4.1%)
EBITDA	469.3	482.1	(12.8)	(2.7%)
Depreciation and Amortisation	27.6	23.3	(4.3)	(18.5%)
EBIT	441.7	458.8	(17.1)	(3.7%)
Interest and Dividend Income	49.8	47.4	2.4	5.1%
Underlying Profit Before Income Tax	491.5	506.2	(14.7)	(2.9%)
Income Tax Expense	(145.3)	(149.6)	4.3	2.9%
Underlying Profit After Income Tax	346.2	356.6	(10.4)	(2.9%)
Significant Items After Income Tax	(7.0)	(4.3)	(2.7)	(62.8%)
Statutory Profit After Income Tax	339.2	352.3	(13.1)	(3.7%)

Operating Revenue	FY12 \$M	FY11 \$M	Variance \$M	Variance %
Listings and Issuer Services	133.4	150.3	(16.9)	(11.2%)
Cash Market	124.5	133.9	(9.4)	(7.0%)
<i>Trading</i>	36.4	38.7	(2.3)	(5.9%)
<i>Clearing</i>	45.9	49.6	(3.7)	(7.5%)
<i>Settlement</i>	42.2	45.6	(3.4)	(7.5%)
Information Services	66.9	70.9	(4.0)	(5.6%)
Technical Services	45.3	40.4	4.9	12.1%
Derivatives	188.7	172.2	16.5	9.6 %
Austraclear	36.0	33.8	2.2	6.5%
Other	15.6	16.1	(05)	(3.1%)
Total Operating Revenue	610.4	617.6	(7.2)	(1.2%)

Key Activity Indicators	FY12	FY11	Variance	Variance %
Listings and Issuer Services				
All Ordinaries Index (end of period)	4135.50	4659.80	(524.3)	(11.3%)
Number of New Listed Entities (IPOs)	99	160	(61)	(38.1%)
Capital Raised, incl. Scrip-for-Scrip	\$50.6 billion	\$88.1 billion	(\$37.5 billion)	(42.6%)
Cash Market				
Daily Average Cash Market Value Traded	\$4.685 billion	\$5.293 billion	(\$0.608 billion)	(11.5%)
Derivatives				
ASX Daily Average Contracts Traded ¹	108,463	91,495	16,968	18.5%
ASX 24 Daily Average Contracts Traded	404,215	382,687	21,528	5.6%

¹Contract size was reduced in May 2011. Converted in this table to previous contract size for comparison purposes.