



MEDIA RELEASE

21 February 2013

ASX Limited half-year result to 31 December 2012

Financial highlights (all comparisons to the prior corresponding period)

- Statutory net profit \$171.1 million, down 2.5%
 - Earnings per share 97.7 cents, down 2.5%
- Underlying net profit (excluding significant items) \$171.1 million, down 5.3%
 - Operating revenue \$304.8 million, down 3.3%
 - Interest and dividend income \$25.2 million, flat
 - Cash operating expenses \$71.3 million, up 1.3%
 - Earnings per share 97.7 cents, down 5.3%
- Interim dividend 87.9 cents per share fully franked, down 5.3%
 - 90% payout ratio of underlying net profit
- Capital expenditure \$15.4 million
 - Increasing investment in new products and services
 - Strong balance sheet position maintained

Mr Elmer Funke Kupper, ASX Managing Director and CEO, said: "The first half of the financial year remained challenging as trading activity in equity markets continued to be near cyclical lows and well below the levels of the previous year. This led to a reduction in ASX Group revenue of 3.3%.

"Revenue performance varied significantly by quarter, with revenue down 8.8% in the first quarter and up 2.8% in the second quarter. The growth in the second quarter was driven by good performances in our Listings and Issuer Services, Derivatives, and Technical Services businesses. ASX's diversified revenue profile continues to provide resilience.

"In the first half of the 2013 financial year ASX progressed several initiatives that will provide valuable new products and services to the Australian market. In December 2012 ASX announced that seven ASX clients will work with the company to develop an Australian-based service for clearing of over-the-counter (OTC) derivatives. And in parallel, ASX is developing a new collateral management service that will allow clients to reduce the cost of the collateral they have to lodge to support their financial market activities. These investments will give Australia a world-class financial infrastructure and help support its commitments to the G20.

"Substantial progress has been made in designing and implementing changes to the Australian regulatory environment, brought about by international responses to the global financial crisis and the fragmentation of the cash equities trading market in Australia. In November 2012 sensible controls around dark pools and high frequency trading

were announced that should help support investor confidence in the equity market. Further measures are under review and ASX will continue to be an active participant in the review process.

"In early February 2013 the Treasurer announced that the current market structure for cash equities clearing and settlement will remain in place for the next two years, and requested ASX to put in place a Code of Practice as the provider of these services. ASX will work in consultation with industry stakeholders and Australian regulators to establish a Code of Practice within the next six months, consistent with ASX's existing customer charter and the principles set out by the Council of Financial Regulators in its recommendations to the Treasurer. ASX is committed to making the investments that will give Australia a world-class clearing and settlement infrastructure. The company's strong balance sheet allows it to make the necessary investments."

Business highlights

Operating revenue for 1H13 was \$304.8 million, down 3.3% on the prior corresponding period (pcp) and up 3.2% on the six months immediately prior (2H12).

Below is a summary of the revenue performance across ASX's main business areas. All comparisons are against the pcp and based on underlying net profit.

- **Listings and Issuer Services – revenue \$73.6 million, up 7.3%**

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 was up 6.8% to \$60.0 million. IPO activity declined, with 41 new listings versus 57 in the pcp. There was a higher level of secondary capital raised, up 3.6% to \$22.5 billion.

Issuer Services revenue, generated mainly by CHESS holding statements, rose 9.6% to \$13.6 million.

In 1H13 ASX progressed several initiatives to help the Australian capital markets remain globally competitive, including:

- Introduced more flexible capital raising rules for small and mid-cap companies. In the recent AGM season, more than 590 companies obtained shareholder approval to use the more flexible rules
- Commenced a trial of a new equity research scheme that aims to improve the information available to investors on small and mid-cap companies
- Finalised improved disclosure rules around reserves and resources in the mining and oil and gas industries.

Over the next 6 to 12 months ASX expects to provide retail access to Australian Government Bonds and, subject to regulatory clearance, reduce the timetable for completing rights issues and offer a new managed funds settlement service that will improve the efficiency and distribution of managed funds.

- **Cash Market – revenue \$54.9 million, down 18.0%**

Cash Market revenue consists of trading (\$15.7 million), clearing (\$19.7 million) and settlement (\$19.5 million). The three components were all impacted by the subdued equity market activity levels, which saw the total daily average value traded (on and off-market, all venues) decline by 19.9%. The average daily value traded on ASX declined by 24.5%.

In October 2011 Australia introduced a new market structure for trading of cash equities. In 1H13 the revenue that is exposed to the new market structure represented 5% of ASX's total revenue. ASX's market share of on-market traded value in 1H13 was 96.5%. On-market traded value represents the cash equity trades executed in the order books of ASX and Chi-X.

ASX continued to respond well to the challenges presented by Australia's new market structure. New block and sweep order types were added to ASX's Centre Point execution service. In 1H13 Centre Point accounted for 4.0% of the on-market value traded through ASX. In addition, ASX unbundled the fees for cash market settlement services to better align these activities with customer needs.

During 1H13 ASX continued to provide extensive input to regulators on the market structure for equities trading, clearing and settlement in Australia. Sensible controls were recently announced around dark pools and high frequency trading that should help protect the quality of the Australian market. These are in addition to important measures that ASIC has in place, including the current supervision cost recovery arrangements, which have proved highly effective in controlling order proliferation by ensuring that those whose activities generate regulatory supervision bear the cost. More work is under way and ASX will continue to participate in the review process.

On 11 February 2013 the Treasurer announced that the current market structure for clearing and settlement of cash equities will remain in place for two years and requested ASX to put in place a Code of Practice as the provider of these services.

- **Information Services – revenue \$30.6 million, down 11.7%**

The reduction in Information Services revenue was linked to the fall in equity market activity. Retail data usage declined by 23.9% and professional data usage declined by 9.9%.

ASX is redesigning its Information Services business to better align with different user categories and is introducing low latency data services. Low latency data services are in place for cash equities and will be introduced for futures in the first half of this calendar year.

- **Technical Services – revenue \$24.6 million, up 8.8%**

Technical Services revenue predominantly relates to the provision of access to ASX systems, connectivity and data centre services.

In February 2012 ASX opened its new data and co-location centre (ASX Australian Liquidity Centre – ALC). As at 31 December 2012, ASX hosted 111 cabinets in the ALC on behalf of 66 clients.

ASX has extended its global distribution network by establishing a hub in the co-location and data centre of the Singapore Exchange (SGX), providing direct connectivity to the ASX 24 market for Singapore-based clients. ASX will provide a similar hub in its Sydney data centre to allow Australian customers to connect to Singapore. This service will be extended to London and Chicago over the next 12 months.

- **Derivatives and OTC Markets – revenue \$94.4 million, down 2.3%**

Derivatives is ASX largest business, accounting for 31.0% of total revenue in 1H13. Revenue growth varied significantly by quarter. In the first quarter revenue declined 9.4% compared to a very strong quarter in the previous year. Second quarter revenue grew by 6.4%.

ASX 24 Derivatives (futures and options on futures) revenue was \$79.9 million, down 2.3%. The number of contracts traded was up 0.6%, and principal trader and market-maker rebates were higher than the previous year.

ASX Derivatives (exchange-traded options and index options) revenue was \$14.5 million, down 2.5%, largely due to a fall in the number of contracts traded.

ASX will continue to expand its Derivatives business with the introduction of new products, including energy futures (electricity) and equity index derivatives (VIX and sectoral).

In December 2012 ASX announced that seven domestic and international banks had agreed to work with ASX on the development of an OTC derivatives clearing service for the Australian market. The new service will provide

central counterparty clearing for OTC-traded A\$ interest rate derivatives. The first phase of the clearing solution will be delivered by mid-2013.

- **Austraclear – revenue \$19.1 million, up 7.5%**

The growth in Austraclear revenue was driven by strong growth in holdings revenue and registry revenue. Average balances held in Austraclear in 1H13 were up 6.8%, reaching \$1.4 trillion at 31 December 2012.

In 2013 ASX will deliver the first phase of a new collateral management service. The first phase will allow ASX clients to optimise the use of their available collateral in Austraclear to support exchange-traded and OTC transactions. Equities will be added in a future phase by connecting the service to CHESS, ASX's equity sub-register.

In the medium term, ASX will aim to connect its Australian collateral management service to the collateral pools in other markets. To progress this, ASX has joined with four other central securities depositories as foundation members of the Liquidity Alliance – a forum to exchange information, identify common needs and extend global collateral solutions. The other four initial members are Cetip (Brazil), Clearstream (Germany/Luxembourg), Iberclear (Spain) and Strate (South Africa).

Interest and dividend income - \$25.2 million, flat

Interest income from ASX's own cash balances declined 35.6% to \$7.5 million, due to lower market interest rates. Interest income from cash collateral balances from participants was up 40.2% to \$14.4 million, driven by increases in the collateral balances held and the interest margin earned.

Dividend income from ASX's shareholding in IRESS was unchanged on the first half of the previous year (\$3.3 million).

Expenses

Cash operating expenses were \$71.3 million, up 1.3%.

ASX maintained good cost containment in 1H13 during a period of significant investment in new products, services and infrastructure. There were savings in occupancy due to the consolidation of office space following the migration to the new ASX data centre.

The ASX investment program will see an increase in staffing to develop and support new services. ASX had 518 staff at the end of December 2012 compared to 505 at the end of June 2012.

ASX expects full-year expenses to rise by up to 3.5%.

Capital expenditure

Capital expenditure in 1H13 was \$15.4 million. Capital expenditure will increase in the second half of the financial year as business initiatives are progressed. ASX expects full-year capital expenditure of up to \$40 million.

Post balance date activity

ASX activity levels in the first seven weeks of the second half of financial year 2013 reflect recent trends. Up to 15 February 2013:

- Cash market average value traded per day was \$3.8 billion, 4.2% below the pcp
- ASX 24 derivatives daily average volume was 358,000 contracts traded, 16.8% above the pcp
- Total capital raised was \$2 billion, up 49.3% on the pcp.

Mr Funke Kupper said: "The recent economic and political news from the United States and Europe suggests that there is a greater level of stability, from which economic recovery becomes possible. In Australia, market volatility has been low and recent activity levels have been more stable. While this does not create an immediate higher growth environment for exchanges, it does support a gradual return of investor confidence. ASX's diversified revenue profile and strong balance sheet continue to provide resilience, and allow the company to invest in new services for the Australian financial markets."

Complete half-year result materials will be available on the ASX website: <http://www.asxgroup.com.au/media-releases.htm>

A webcast of today's 10.00am (Sydney time) presentation to analysts will be available: www.asxgroup.com.au/hy2013webcast.

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Appendix – ASX Half-Year Result to 31 December 2012

Group Profit and Loss Statement	1H13 \$M	1H12 \$M	Variance \$M	Variance %
Operating Revenue	304.8	315.1	(10.3)	(3.3%)
Cash Operating Expenses	71.3	70.4	(0.9)	(1.3%)
EBITDA	233.5	244.7	(11.2)	(4.6%)
Depreciation and Amortisation	15.4	12.9	(2.5)	(19.5%)
EBIT	218.1	231.8	(13.7)	(5.9%)
Interest and Dividend Income	25.2	25.2	-	-
Underlying Profit Before Income Tax	243.3	257.0	(13.7)	(5.3%)
Income Tax Expense	(72.2)	(76.3)	4.1	5.4%
Underlying Profit After Income Tax	171.1	180.7	(9.6)	(5.3%)
Significant Items After Income Tax	-	(5.1)	5.1	100.0%
Statutory Profit After Income Tax	171.1	175.6	(4.5)	(2.5%)

Operating Revenue	1H13 \$M	1H12 \$M	Variance \$M	Variance %
Listings and Issuer Services	73.6	68.6	5.4	7.3%
Cash Market	54.9	66.9	(12.0)	(18.0%)
<i>Trading</i>	15.7	19.6	(3.9)	(19.8%)
<i>Clearing</i>	19.7	25.1	(5.4)	(21.5%)
<i>Settlement</i>	19.5	22.2	(2.7)	(12.4%)
Information Services	30.6	34.6	(4.0)	(11.7%)
Technical Services	24.6	22.6	2.0	8.8%
Derivatives and OTC Markets	94.4	96.6	(2.2)	(2.3%)
Austraclear	19.1	17.8	1.3	7.5%
Other	7.6	8.0	(0.4)	(3.5%)
Total Operating Revenue	304.8	315.1	(10.3)	(3.3%)

Key Activity Indicators	1H13	1H12	Variance	Variance %
Listings and Issuer Services				
All Ordinaries Index (end of period)	4664.6	4111.0	553.6	13.5%
Number of New Listed Entities (IPOs)	41	57	(16)	(28.1%)
Capital Raised, incl. Scrip-for-Scrip	\$26.2 billion	\$28.5 billion	(\$2.3 billion)	(7.9%)
Cash Market				
Daily Average Cash Market Value Traded	\$3.768 billion	\$4.992 billion	(\$1.224 billion)	(24.5%)
Derivatives and OTC Markets				
ASX Daily Average Contracts Traded	623,855	671,455	(47,600)	(7.1%)
ASX 24 Daily Average Contracts Traded	398,834	396,494	2,340	0.6%