



## **MEDIA RELEASE**

16 February 2012

### **ASX Limited half-year result to 31 December 2011**

#### **Financial Highlights**

- Statutory profit after tax \$175.6 million, up 2.1%
- Underlying profit after tax (excluding significant items) \$180.7 million, up 2.9%
  - Operating revenue \$315.1 million, up 2.8%
  - Interest and dividend revenue \$25.2 million, up 13.7%
  - Cash operating expenses \$70.4 million, up 3.4%
  - Earnings per share 103.2 cents, up 2.5%
- Interim dividend of 92.8 cents per share fully franked, up 2.9%
  - 90% of underlying profit after tax payout ratio
- Significant items \$5.1 million after tax
  - Redundancies and premises consolidation following a strategic review of business expenses
- Capital expenditure \$22.6 million in line with guidance
  - New data centre on track and on budget

Mr Elmer Funke Kupper, ASX Managing Director and CEO, said: "ASX has achieved a sound result in challenging market conditions, producing growth in revenue, profit and dividend. The Group's diversified earnings profile enabled total revenue to increase, despite activity declines in some markets.

"Revenue growth in the first quarter was 10.9%, driven by strong equity market and derivative volumes. The second quarter, however, was impacted by the sovereign debt crisis in Europe and significant reductions in risk appetite and general market activity. This led to an overall revenue decline in the second quarter of 4.9%.

"ASX has a strong balance sheet which allows the company to continue its investment in technology infrastructure and new products and services. The interim dividend of 92.8 cents per share reflects a 90% payout ratio, consistent with previous results."

## Business Highlights

Operating revenue in the first half was \$315.1 million, up 2.8%. Below is a summary of the revenue performance across the main business areas of the Group. All comparisons are against the previous corresponding period (pcp - first half of financial year 2011).

- **Listings and Issuer Services – revenue \$68.6 million, down 11.8%**

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.

In the first half Listings revenue was down 15% to \$51.6 million. There was a significant reduction in IPO activity, with 57 new listings versus 84 in the pcp. IPO capital raised was down 67.4% to \$6.7 billion.

Secondary capital raised, including scrip-for-scrip raisings, was \$21.7 billion, down 32.2%. The reduction in secondary capital raisings followed a period of significant deleveraging during the Global Financial Crisis. Over an 18-month period in 2008 and 2009, a total of \$140 billion was raised, equal to 12% of the total market capitalisation of the Australian equity market.

ASX continues to expand the number of products listed on the exchange. It launched the S&P/ASX Australian Fixed Income Index Series in October 2011, and rule changes to allow for the listing of fixed interest ETFs took effect in January 2012.

Over the next 12 to 18 months ASX has initiatives under way to further expand its listings business, targeting retail access to Commonwealth Government Securities, the quoting of international securities, and a new wealth management service that will improve the efficiency and distribution of managed funds.

- **Cash Market – revenue \$66.9 million, up 0.2%**

Cash Market revenue consists of three components: trading (\$19.6 million), clearing (\$25.1 million) and settlement (\$22.2 million).

Total Cash Market revenue increased by 0.2%, driven by a strong first quarter (revenue up 12.7%) followed by a significant reduction in market activity in the second quarter (revenue down 12.1%).

Cash Market trading revenue of \$19.6 million was in line with last year, despite a decline in traded value of 4.7% to \$643.9 billion. A greater proportion of trades was executed through execution services that attract higher average fees.

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 the first half represented 6.2% of Group revenue.

ASX prepared well for the new multi-market structure. It reduced its headline trading fee from 1 July 2010, is introducing new order types and execution services, and has completed a state-of-the-art data centre capable of providing a low latency trading environment. These initiatives will largely be completed during the second half of the 2012 financial year.

In addition to its investment in trading products, ASX is expanding its Technical Services business to provide smart routing, low latency data products and data centre services to market participants and other market operators. In the first half, the revenue from Technical Services was larger than the revenue from Cash Market trading.

The new multi-market structure will facilitate a further increase in high frequency trading. This is visible in an increase in the number of trades and a reduction in the average trade size. In the first half, the total number of trades on ASX was up 24.0% to 87.0 million, while the average trade size was down 23.1% to \$7,399.

- **Technical Services and Information Services – revenue \$57.2 million, up 5.7%**

Revenue from Technical Services was \$22.6 million, up 19.5%. Technical Services revenue relates to the provision of trade execution and data services, including co-location, ASX Net, ASX Best and other related data centre services.

ASX made good progress in delivering new services in the first half, and in early February 2012 opened a new data and co-location centre (the ASX Australian Liquidity Centre). The new data centre will be fully operational by the end of April 2012.

Revenue from Information Services was \$34.6 million, down 1.5%. Data usage from professional participants was stable, while retail data usage was down as retail investors reduced trading activity.

- **Derivatives – revenue \$99.6 million, up 17.2%**

Derivatives revenue rose 30.0% in the first quarter and 4.4% in the second quarter.

ASX 24 Derivatives (Futures and Options on Futures) revenue was \$81.8 million, up 21.5%. The number of contracts traded was up 14.6% and large volume rebates were lower than the previous year.

ASX Derivatives (ETOs and Index Options) revenue was \$14.8 million, down 2.0%. The number of contracts traded increased by 36.7%. This increase did not translate to growth in revenues due to an increase in market maker activity and disproportionate growth in index options compared to single stock options.

ASX will target continued growth in its Derivatives business through the introduction of new products, including interest rate futures (Overnight Index Swap), energy futures (electricity and carbon) and equity index derivatives (sectoral and VIX).

- **Austraclear – revenue \$17.8 million, up 5.0%**

Revenue grew across all Austraclear services lines, with transactions revenue up 7.3%, holdings revenue up 1.2%, and registry revenue up 4.0%. Balances held in Austraclear were up 8.7%, reaching \$1.3 trillion in December 2011.

### **Interest and dividend income - \$25.2 million, up 13.7%**

Interest income is derived from the company's own cash balances and cash collateral balances from participants. In the first half both the average balances and the interest spread earned on the balances increased.

Dividend income from ASX's shareholding in IRESS was flat on the previous year.

### **Expenses**

ASX maintained good expense discipline during a period of significant investment in new products, services and infrastructure.

Cash operating expenses rose 3.4% to \$70.4 million, largely due to increases in staff remuneration and long-term incentives, a rise in occupancy costs associated with the new data centre, and a higher ASIC supervisory levy. Equipment, administration and other variable expenses were down.

ASX reported \$7.3 million before tax (\$5.1 million after tax) as significant items. These relate mainly to redundancies, property consolidation and a software write-down, and follow a strategic review resulting in the decision to close two interstate offices and the migration to the new data centre. These items are reported separately to provide insight into the underlying cash operating expenses.

## Capital expenditure

Capital expenditure was \$22.6 million, of which \$10.2 million related to the new data centre. Full-year guidance is for capital expenditure of \$35 million to \$40 million, which includes completion of the data centre.

As a result of increased capital investment over recent years, depreciation and amortisation charges were up 14.2% to \$12.9 million.

## Post balance sheet activity and outlook

ASX volumes in the first six weeks of the second half were consistent with recent trends. As at 10 February 2012, the All Ordinaries Index was down 13.6% on the same time last year. Cash Market daily average value traded in the first six weeks of the half was \$3.9 billion (down 19.0%) and daily average derivative volume was 297,224 contracts, flat on the pcp. The first two weeks of February saw an improvement on the January activity levels, with Cash Market daily average value traded at \$4.8 billion and daily average derivative volume of 414,201 contracts traded.

Mr Funke Kupper said: "Recent activity levels reflect the ongoing uncertainty surrounding the European sovereign debt crisis and a more fragile economy in Australia.

"If a solution to the European crisis is found that gives capital markets confidence, we could see investor sentiment turn positive later in the year. In the meantime, Australia is relatively well placed to deal with the immediate impact from the crisis, supported by continued demand for resources and monetary policy flexibility.

"ASX's diversified revenue profile and strong balance sheet provide resilience in the short-term, 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 half-year result materials 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 here: <http://www.asxgroup.com.au/hy2012webcast>

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Appendix – ASX Half-Year Result to 31 December 2011

<b>Group Profit and Loss Statement</b>	<b>1H12 \$M</b>	<b>1H11 \$M</b>	<b>Variance \$M</b>	<b>Variance %</b>
Operating Revenue	315.1	306.4	8.7	2.8%
Cash Operating Expenses	70.4	68.1	(2.3)	(3.4%)
<b>EBITDA</b>	<b>244.7</b>	<b>238.3</b>	<b>6.4</b>	<b>2.6%</b>
Depreciation and Amortisation	12.9	11.3	(1.6)	(14.2%)
<b>EBIT</b>	<b>231.8</b>	<b>227.0</b>	<b>4.8</b>	<b>2.1%</b>
Interest and Dividend Income	25.2	22.2	3.0	13.7%
<b>Underlying Profit Before Income Tax</b>	<b>257.0</b>	<b>249.2</b>	<b>7.8</b>	<b>3.1%</b>
Income Tax Expense	(76.3)	(73.7)	(2.6)	(3.5%)
<b>Underlying Profit After Income Tax</b>	<b>180.7</b>	<b>175.5</b>	<b>5.2</b>	<b>2.9%</b>
Significant Items After Income Tax	(5.1)	(3.5)	(1.6)	(44.5%)
<b>Statutory Profit After Income Tax</b>	<b>175.6</b>	<b>172.0</b>	<b>3.6</b>	<b>2.1%</b>
<b>Underlying Earnings Per Share (cents per share)</b>	<b>103.2</b>	<b>100.7</b>	<b>2.5</b>	<b>2.5%</b>
<b>Dividend Per Share (cents per share)</b>	<b>92.8</b>	<b>90.2</b>	<b>2.6</b>	<b>2.9%</b>

<b>Operating Revenue</b>	<b>1H12 \$M</b>	<b>1H11 \$M</b>	<b>Variance \$M</b>	<b>Variance %</b>
<b>Listings and Issuer Services</b>	<b>68.6</b>	<b>77.8</b>	<b>(9.2)</b>	<b>(11.8%)</b>
<b>Cash Market</b>	<b>66.9</b>	<b>66.8</b>	<b>0.1</b>	<b>0.2%</b>
<i>Trading</i>	19.6	19.6	-	0.4%
<i>Clearing</i>	25.1	25.0	0.1	0.2%
<i>Settlement</i>	22.2	22.2	-	-
<b>Technical Services</b>	<b>22.6</b>	<b>18.9</b>	<b>3.7</b>	<b>19.5%</b>
<b>Information Services</b>	<b>34.6</b>	<b>35.2</b>	<b>(0.6)</b>	<b>(1.5%)</b>
<b>Derivatives</b>	<b>96.6</b>	<b>82.4</b>	<b>14.2</b>	<b>17.2%</b>
<b>Austraclear</b>	<b>17.8</b>	<b>16.9</b>	<b>0.9</b>	<b>5.0%</b>
<b>Other</b>	<b>8.0</b>	<b>8.4</b>	<b>(0.4)</b>	<b>(5.5%)</b>
<b>Total Operating Revenue</b>	<b>315.1</b>	<b>306.4</b>	<b>8.7</b>	<b>2.8%</b>