JSE LIMITED RESULTS RESILIENT DESPITE TOUGH TRADING CONDITIONS

Johannesburg 8 March 2010 – JSE Limited's full year results for 2009, published today, show that the exchange has weathered a year of tough global market conditions well. This resilient performance resulted from rising trade volumes in its cash equity markets and strong performances from several other divisions in the group. The JSE has received international recognition for its handling of the impact of the global financial crisis and the fallout from it in 2009.

Despite the economic conditions, revenues at the JSE climbed 8% to R1, 156 million for the year (2008: R1, 072 million). "The challenges of 2009 were significant. In addition to adapting to the aftermath of the crisis, management focused on positioning the exchange for continued growth. This included strategic initiatives such as the launch of the Africa Board and the acquisition of the Bond Exchange OF South Africa (BESA)," says Russell Loubser, CEO of the JSE.

In 2009 JSE operating costs increased by 12% (2009: R810 million; 2008: R723 million) which resulted in a 2.4% decrease in net profit after tax from R374 million in 2008 to R366 million in 2009. The cost increase was due primarily to higher personnel costs following the BESA acquisition and a decision to bolster the IT team in order to enhance JSE technology.

2009 Overview

Listings

The economic conditions of 2009 resulted in fewer listings and more delistings across most exchanges and the JSE was no exception. In 2009, 10 new companies listed on the JSE compared with 23 in 2008. This included the substantial listing of Vodacom Ltd. High levels of corporate activity among JSE-listed groups boosted the revenue of the listings division.

AltX, the board for young, fast-growing companies had a turbulent year in the aftermath of the global financial crisis. "Nevertheless, the market remains an ongoing focus area for the JSE and plays an important role in raising funds for small-cap South African companies," says Loubser. During 2009, three companies graduated out of AltX to move their listings to the main board.

Equities Trading

The equities business contributing to the bulk of the JSE’s revenue (R647 million or 56% of revenue; 2008: R579 million or 54% of revenue). Foreign investors were net buyers of R75 billion of equities during 2009, a swing of R130 billion on the previous year.

“Increased foreign inflows for 2009 indicate a confidence in South Africa’s economic prospects and well as trust in the JSE’s world-class systems and regulation capabilities,” comments Loubser.

In a bid to encourage trade and improve liquidity the JSE implemented a new billing model that will incentivise high volume and value participants. This new pricing model became effective on 1 March 2010.

Derivatives

Despite increased trading volumes in the cash equity market, 2009 was a tough year for the JSE’s ***equity derivatives*** market with volumes falling. This is largely owing to investor uncertainty and deleveraging in the aftermath of the global financial crisis and because Lehman Brothers, previously a large player in the JSE’s equity derivatives market, did not survive the fallout. Investor confidence showed signs of recovering from November 2009, with contract volumes partially recovering.

Demand for ***currency derivatives*** continued to grow in 2009, with volumes of contracts traded climbing 29% off a low base over the previous year. Currency futures are a small but growing contributor to total revenue.

Overall volumes of ***commodity derivative*** contracts declined during 2009. While agricultural futures volumes held up as markets saw record exports of white maize, options trade fell with traders opting to buy futures instead of having to pay the premium on the options. The JSE’s commodities derivatives market reinvented itself in 2009, previously exclusively an agricultural market, the division broadened its focus to include all commodities and now offers metals and oil contracts. This development is due to a licensing agreement with the CBOT Group, the world’s largest and most diverse derivatives exchange.

Interest rate products

The JSE's spot and derivative bond market – including the operations of newly acquired BESA – generated 2% of the JSE's total revenue in 2009. After bond market volumes in South Africa reached a historical peak in 2008, volumes fell in 2009. Volumes traded by foreigners in 2009 were 49% below those of 2008 and this impacted secondary market turnover in JSE-listed bonds. Despite this, the turnover volumes in 2009 remained higher than previous years (R13.8 trillion in 2007 and R11.4 trillion in 2006).

Information Sales

The information sales division revenue grew 13% as a result of the development of new target markets and data offerings, despite tough circumstances faced by the financial industry worldwide.

Strategic Initiatives

During 2009, the JSE continued to develop two key strategies.

The ***Africa strategy*** is a long-term strategy to promote the growth of capital markets on the African continent. The JSE plans to be positioned as a gateway to investors worldwide wishing to access opportunities throughout the African continent. Our projects undertaken in 2009 in this regard are:

- The launch of the Africa Board in early 2009 which creates a platform for top African issuers to list on their home exchanges and dual list on the JSE. Trustco Limited of Namibia was the first listing on the Africa Board and we expect more listings in this year, with Wilderness Safaris listing in April 2010;

- Creating indices reflecting issuers listed in countries across the continent to enables investors to track the performance of top issuers across the continent;
- Developing a hub and spoke model to route orders and data to and from African exchanges; and
- Forging closer relationships with African exchanges to develop new businesses and markets.

In June 2009, the JSE purchased BESA and merged the interest rate operations of the two exchanges. "I am very happy at the manner in which the integration of BESA was achieved," says Loubser. "The new Interest Rate Division is working on our ***Interest Rate Growth Strategy*** with the National Treasury and the market participants to position the market for a return to growth."

The Interest Rate Division is focused on reducing costs, growing the number of interest rate products including derivatives, driving higher volumes and implementing common risk management processes.

Prospects
As a significant portion of revenue being dependent on the level of trades on the Exchange, the JSE is not able to predict future profits.

The JSE has no long-term borrowings and R921 million in cash reserves (2008: R946 million). The Exchange analyses its capital requirements in three categories: to ensure a smoothly operating stock exchange; to be able to guarantee all on-market equities trades; and to maintain infrastructure and meet capital needs for expansion.

The directors of JSE are proposing to declare ordinary dividend number 6 of 192 cents per share to be approved at the Annual General Meeting. This equates to 2.1 times cover.

“Our focus remains on building a sustainable and diversified business model. We are confident that the African Board and the Interest Rate Products division will advance this objective. Apart from these new initiatives, we are committed to continuous improvement in order to satisfy client demands and remain at the forefront of the fast-changing exchange industry,” says Loubser.

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