



22 August 2016

SGX and Baltic Exchange: update on Proposed Acquisition

Singapore Exchange Limited (**SGX**) and The Baltic Exchange Limited (**Baltic Exchange**) are pleased to announce that they have agreed on the terms for a recommended offer by SGX for the entire issued share capital of the Baltic Exchange (**Proposed Acquisition**). Today's announcement follows a period of extensive consultation with Baltic Exchange shareholders and other stakeholders.

As previously announced, under the terms of the Proposed Acquisition, Baltic Exchange shareholders will be entitled to receive:

£160.41 in cash (the Cash Price) for each Baltic Exchange Share

£19.30 in cash (the Special Dividend) per Baltic Exchange Share as a final dividend

In aggregate, the Cash Price and the Special Dividend value Baltic Exchange's entire issued ordinary share capital at approximately £87.0 million (approximately S\$153 million).

Declaration and payment of the Special Dividend is subject to approval by Baltic Exchange Shareholders and is conditional on successful completion of the Proposed Acquisition.

It is intended that the Proposed Acquisition will be implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006.

SGX has received irrevocable undertakings to vote in favour of the Proposed Acquisition from the Baltic Exchange Directors and certain Baltic Exchange Shareholders representing approximately 74 per cent of the existing issued share capital of Baltic Exchange.

Completion of the Proposed Acquisition is expected to occur towards the end of November 2016, subject to achieving the necessary shareholder, regulatory and Court approvals before that time.

Post-Acquisition Commitments

Under the terms of the Proposed Acquisition, SGX and SGX Baltic Investments Pte. Ltd (SBI) have committed to:

- Maintain Baltic's headquarters in St Mary Axe;
- Maintain existing multiple clearing house model;

- Strengthen the existing market benchmark production and governance model in-line with the proposed amended Guide to Market Benchmarks;
- Maintain membership subscription fees, end user Baltic data fees and SGX clearing fees of FFA contracts at current levels for at least five years;
- Continue to provide a range of membership services including dispute resolution and social and charitable activities; and
- Procure that Baltic and BEISL will use their reasonable endeavours to revise the terms of data licensing and subscription, specifically to clarify that the usage of the Baltic indices and/or data for physical and financial settlement without the involvement of a Baltic Panellist is unacceptable unless explicitly permitted by licence (e.g. for clearing houses).

Structure of Proposed Acquisition

It is intended that the Proposed Acquisition will be implemented by way of a Court-sanctioned scheme of arrangement between Baltic Exchange and Baltic Exchange Shareholders, under Part 26 of the Companies Act (the **Scheme**). The procedure involves, among other things, an application by Baltic Exchange to the Court to sanction the Scheme, under which all of the Baltic Exchange Shares will be transferred to SBI and Baltic Exchange Shareholders will receive cash on the basis described above.

The Scheme is subject to the conditions described below and will only become effective if, among other things, the following events occur on or before 31 December 2016 or such later date as SBI and Baltic Exchange may agree and, if required, the Court may approve:

- resolutions to approve the Scheme are passed by a majority in number of the Baltic Shareholders present and voting (and entitled to vote) at a meeting of Baltic Exchange Shareholders held at the direction of the Court (the **Court Meeting**), either in person or by proxy, representing not less than 75 per cent. in value of each class of the Baltic Exchange Shares held by those Baltic Exchange Shareholders;
- the special resolution necessary to implement the Scheme is passed by votes in favour representing at least 75 per cent. of the votes cast in person or by proxy at a separate general meeting of Baltic Exchange Shareholders (the **General Meeting**);
- the Scheme is sanctioned (with or without modification, on terms agreed by SBI and Baltic) by the Court; and
- an office copy of the Scheme Court Order is delivered to the Registrar of Companies.

Upon the Scheme becoming effective: (i) it will be binding on all Baltic Exchange Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting (and if they voted, whether or not they voted in favour); and (ii) share certificates in respect of Baltic Exchange Shares will cease to be valid.

If the Scheme does not become effective on or before 31 December 2016 (or such later date as SBI and Baltic may, if required, the Court, agree), it will lapse and the Proposed Acquisition will not proceed.

The Scheme Document will include full details of the Scheme, together with notices of the Court Meeting and the General Meeting. The Scheme Document will also contain the expected

timetable for the Proposed Acquisition, and will specify the necessary actions to be taken by Baltic Exchange Shareholders. Subject to the Court granting its permission, the Scheme Document will be posted to Baltic Exchange Shareholders as soon as practicable. Subject, amongst other things, to the satisfaction or waiver of the Conditions, it is expected that the Scheme will become effective by the end of November 2016.

Conditions

The Proposed Acquisition is conditional upon:

- the UK Financial Conduct Authority (**FCA**) having given notice in writing under section 189(4) of the Financial Services and Markets Act 2000 (**FSMA**) of its approval (or being treated as having given its approval by virtue of section 189(6) of FSMA) of the acquisition of Baltic Exchange Derivatives Trading Limited (a subsidiary of Baltic Exchange) which is a UK authorised person; and
- the Scheme becoming unconditional and becoming effective by no later than 31 December 2016 or such later date (if any) as Baltic Exchange and SBI may agree and (if required) the Court may approve.

The Scheme is conditional upon:

- approval of the Scheme at the Court Meeting (or at any adjournment thereof) by a majority in number of the Baltic Exchange Shareholders entitled to vote present and voting, either in person or by proxy, representing 75 per cent. or more in value of each class of the Baltic Exchange Shares held by those Baltic Exchange Shareholders;
- all resolutions in connection with or required to approve and implement the Scheme as set out in the notice of the General Meeting (and excluding any resolution to approve the Special Dividend) being duly passed by Baltic Exchange Shareholders at the General Meeting (or at any adjournment thereof); and
- the sanction of the Scheme without modification or with modification on terms acceptable to Baltic and SBI and the delivery of an office copy of the Scheme Court Order to the Registrar of Companies.

The Acquisition, the Scheme and any proxies are governed by English law and will be subject to the jurisdiction of the courts of England and Wales.

Implementation Agreement

SGX, SBI and Baltic have today entered into an implementation agreement in relation to the implementation of the Proposed Acquisition and related matters (the **Implementation Agreement**). The Implementation Agreement contains certain assurances and confirmations between the parties, including provisions to implement the Scheme on a timely basis, to co-operate with each other to ensure the satisfaction of the conditions and undertakings regarding the conduct of the business of Baltic. The Implementation Agreement also contains the post-acquisition commitments given by SGX and SBI that are listed above.

Special Dividend

Declaration and payment of the Special Dividend is subject to approval by Baltic Exchange Shareholders and is conditional on successful completion of the Proposed Acquisition. If Baltic

Exchange Shareholders resolve at the General Meeting to declare the Special Dividend, it shall be payable, subject to the Scheme becoming effective, to those Baltic Exchange Shareholders on the Baltic's register of shareholders at 6.00 p.m. on the day before the hearing at which the Court will be asked to sanction the Scheme (if it has been approved by Baltic Exchange Shareholders). The Special Dividend would be paid to eligible Baltic Exchange Shareholders at the same time as the Cash Price is despatched to Baltic Exchange Shareholders, which shall be not later than 14 days after the date of which the Scheme becomes effective.

If the Special Dividend is not approved by Baltic Exchange Shareholders at the Baltic General Meeting, SGX and SBI have agreed that the Cash Price for each Baltic Exchange Share shall be increased by an amount equal to:

- the amount of the Special Dividend per Baltic Exchange Share; less
- an amount equal to any additional UK stamp duty or UK stamp duty reserve tax incurred by SBI as a consequence of the increased Cash Price divided by the total number of Baltic Exchange Shares.

Payment of the Special Dividend is conditional upon the Scheme becoming effective. If the Special Dividend is approved by Baltic Exchange Shareholders but the Scheme does not become effective, the Special Dividend shall not be paid to Baltic Exchange Shareholders.

Recommendation

The Baltic Exchange Directors, who have received financial advice from Nomura International plc (**Nomura**), consider the terms of the Proposed Acquisition to be fair and reasonable. In providing such advice, Nomura has relied on the Baltic Exchange Directors' commercial assessment of the Proposed Acquisition.

The Baltic Exchange Directors believe the Proposed Acquisition to be in the best interests of Baltic Shareholders as a whole and, accordingly, unanimously recommend that Baltic Exchange Shareholders vote in favour of the resolution to approve the Proposed Acquisition at the Court Meeting and the resolutions to be put to Baltic Exchange Shareholders at the General Meeting.

Scheme Document

It is expected that the Scheme Document containing further information about the Proposed Acquisition, including:

- an expected timetable of principal events;
- a summary of the terms of the Proposed Acquisition;
- the background to, and reasons for, the Proposed Acquisition;
- the background to, and reasons for, the Baltic Exchange Directors' recommendation of the Proposed Acquisition;
- SGX's intentions for the business of Baltic Exchange and the Post-Acquisition Commitments;
- information on Baltic Exchange and SGX;
- a summary of the terms of the Implementation Agreement;
- the conditions to the Proposed Acquisition; and
- notices of the Court Meeting and the General Meeting,

together with forms of proxy will, subject to the Court granting its permission, be posted to Baltic Exchange Shareholders as soon as practicable.

Commenting on the Proposed Acquisition, Loh Boon Chye, CEO of SGX, said:

“We are delighted to have received such significant Baltic Exchange shareholder support for this transaction. We look forward to working together with the Baltic Exchange to develop new products, benchmarks and services to the benefit of Baltic Members, SGX shareholders and the shipping community worldwide.”

Commenting on the Proposed Acquisition, Guy Campbell, Chairman of the Baltic Exchange, said:

“The Proposed Acquisition will accelerate the growth and development of the Baltic Exchange beyond what it could achieve on its own. Already a trusted business partner, SGX has committed to retaining the Baltic’s ethos as a membership organisation, retaining our London headquarters and further consolidating the Baltic’s value, influence and reach within the global shipping community.”

“Following extensive consultations with stakeholders, over the past few months, the Board believes that SGX’s offer is in the best interests of Baltic Exchange Shareholders, members, panellists, employees and of the broader London maritime hub, from where it will continue to be based.”

Jefferies International Limited is acting as financial adviser to SGX. Nomura International plc is acting as financial adviser to the Baltic Exchange.

This summary should be read in conjunction with the text of the full Implementation Agreement announcement, which can be found via this [link](#).

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