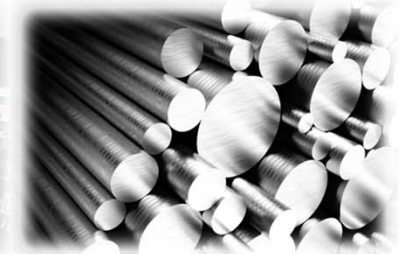


# HKEx Acquisition of LME

## Media and Analyst Presentation

15 June 2012



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The statements contained in this presentation that are not historical facts are forward-looking statements. These forward-looking statements are based on current expectations, estimates and projections about the financial markets in which HKEx will invest, and the beliefs and assumptions of HKEx. Words such as "expects", "targeted", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "forecasts", "projects", variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and returns may differ materially from what is expressed or forecasted in such forward-looking statements. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include, but are not limited to changes in economic conditions; changes in the level of capital investment; success of business and operating initiatives; changes in the regulatory environment; fluctuations in interest and exchange rates; the outcome of litigation; changes in political and economic stability; government actions; and natural phenomena such as floods, earthquakes and hurricanes. Other unknown or unpredictable factors could cause actual results or performance to differ materially from those in the forward-looking statements contained in this presentation. We caution that the foregoing list of important factors is not exhaustive.

# LME Represents a Compelling Transaction for HKEx

Combines two leading global exchanges in metals and offshore China

Kick-starts HKEx strategy to expand into commodity products

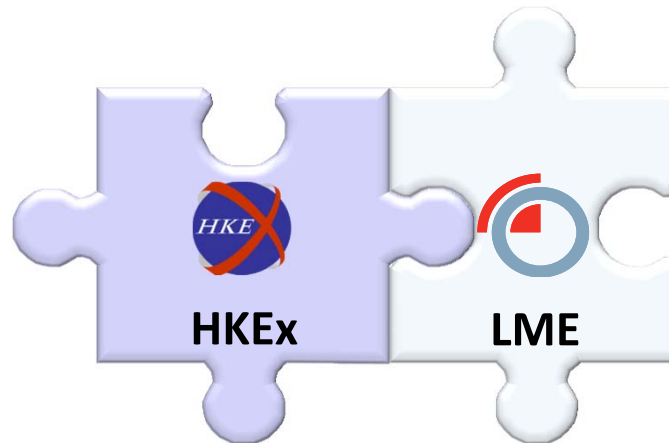
Leverages strongly complementary business models

Positions HKEx for continued robust growth

*Further enhances HKEx's position as the international exchange of choice for China and the China exchange of choice for international participants*

# Combines Two Global Leaders

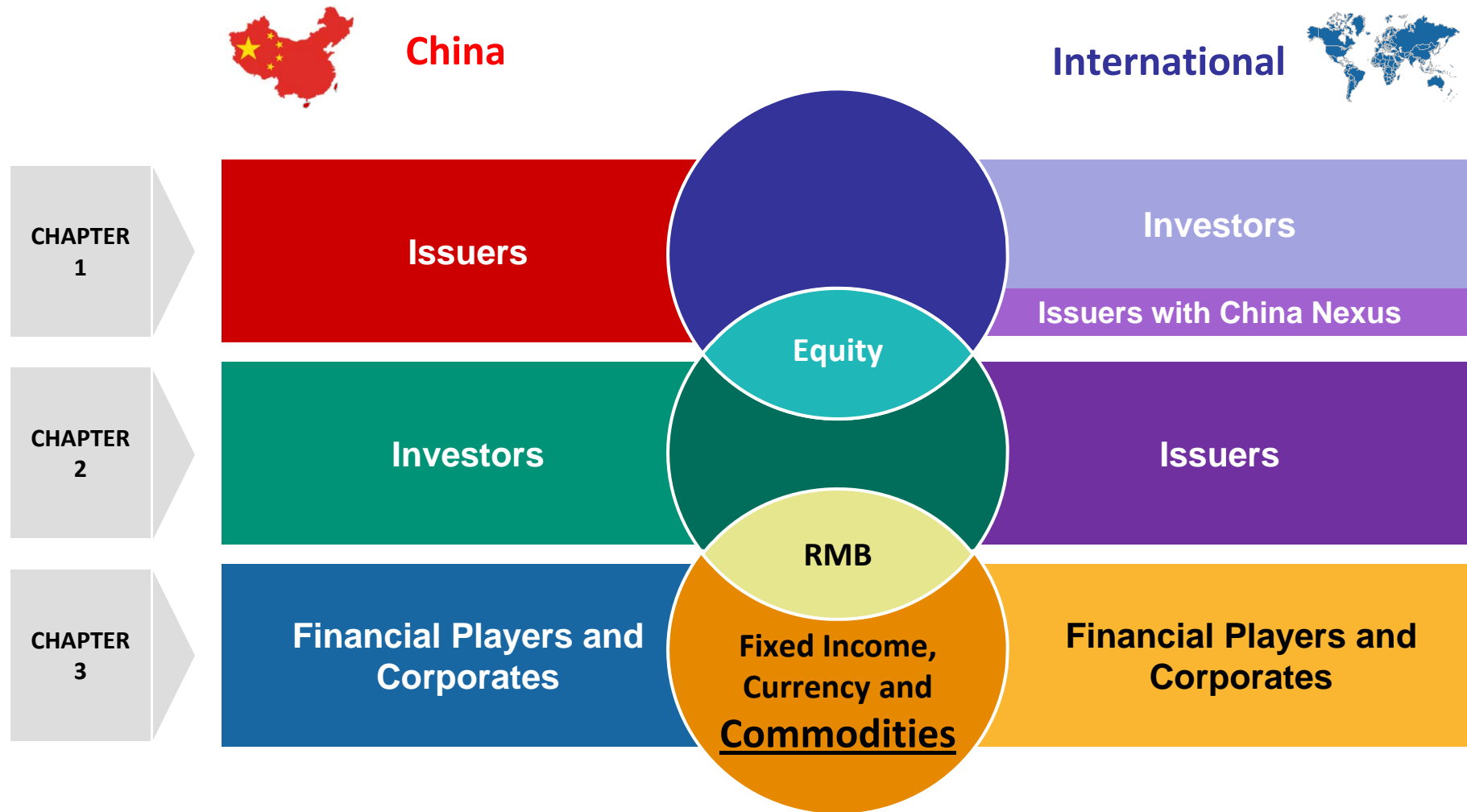
- #1 global market for IPOs
- #1 RMB offshore centre
- Dominant listing venue for Chinese and international companies
- Leading exchange in equity derivatives
- Vertically integrated with three clearing houses
- International market standards and regulation
- Trusted venue for Mainland China players



- Global leader in base metals trading
- World's price formation venue for metals
- Most liquid market with highest open interest
- Most trusted global storage network
- Business model ingrained in global physical market
- Members include industry's most influential participants
- Globally recognised branding

*Brings together the world's leading base metals exchange trading venue with the leading operator of exchanges and clearing houses in Asia*

# Opens the Next Chapter in HKEx Strategic Development

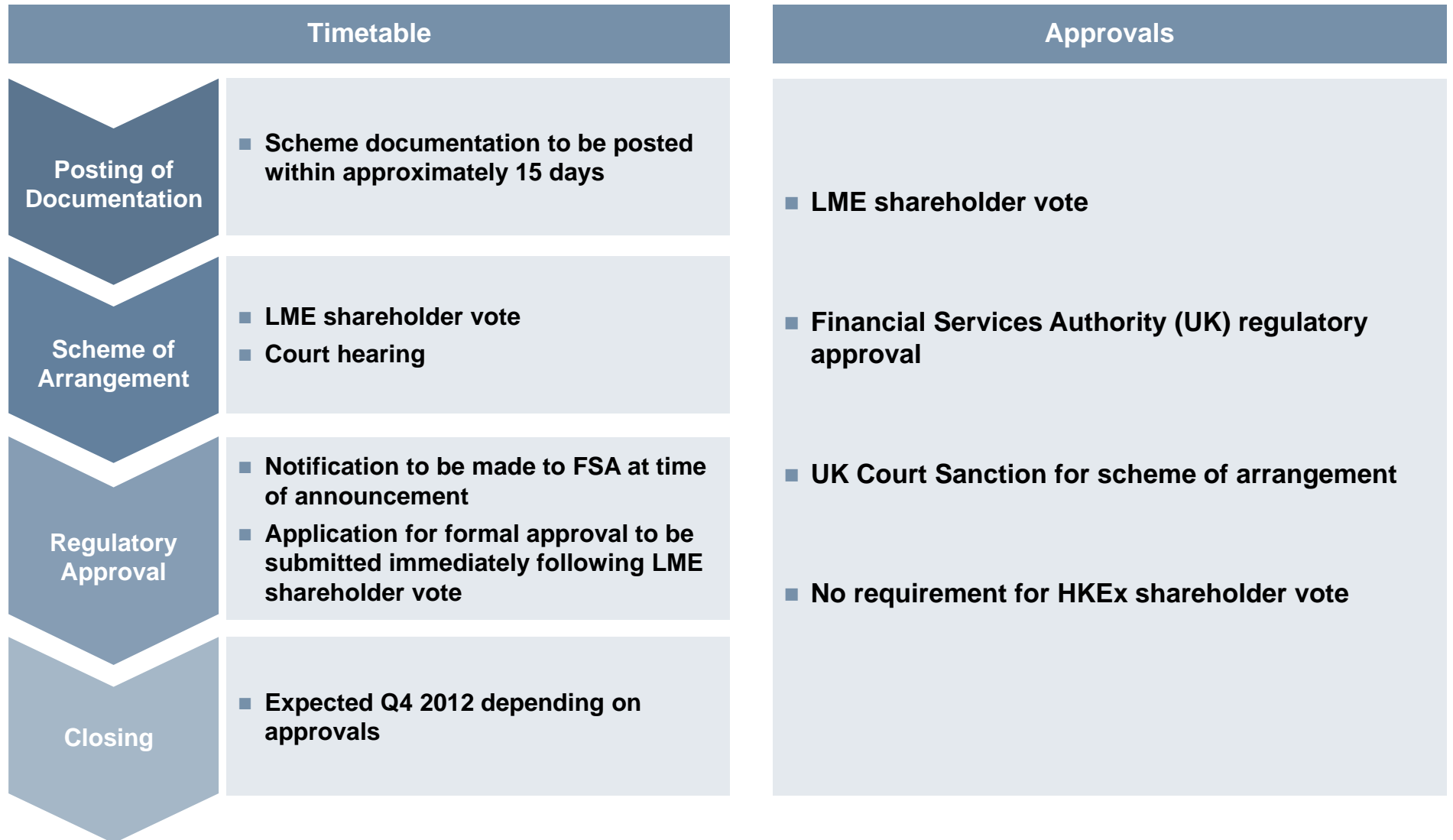


# Transaction Summary

Aggregate Consideration	<ul style="list-style-type: none"> <li>£1,388 million (HKD 16,673 million) for 100% of LME</li> </ul>
Price per Share	<ul style="list-style-type: none"> <li>£107.60 (HKD 1,292.55) per share <sup>(1)</sup></li> </ul>
Consideration Mix	<ul style="list-style-type: none"> <li>All cash</li> </ul>
Governance	<ul style="list-style-type: none"> <li>LME to remain FSA regulated Recognised Investment Exchange based in London</li> <li>Board is comprised of 9 directors, including 2 existing independent directors of the LME (subject to FSA approval)</li> </ul>
Management	<ul style="list-style-type: none"> <li>Retain and augment LME's current management team</li> </ul>
Transaction Structure	<ul style="list-style-type: none"> <li>Scheme of arrangement</li> </ul>
Financing	<ul style="list-style-type: none"> <li>Funded by existing cash resources and at least £1.1bn of new bank facilities from China Development Bank, Deutsche Bank, HSBC and UBS</li> <li>Expect to refinance part or all of the credit facilities at a later date through a combination of equity and bond issuance</li> </ul>
Dividends	<ul style="list-style-type: none"> <li>HKEx to maintain existing dividend policy</li> </ul>
Timetable	<ul style="list-style-type: none"> <li>Anticipated closing in Q4 2012 (subject to LME shareholder vote, FSA approval and court sanction of scheme)</li> </ul>

(1) Per LME A-share only. LME B-shares to remain in place with existing rights maintained

# Timeline and Key Approvals

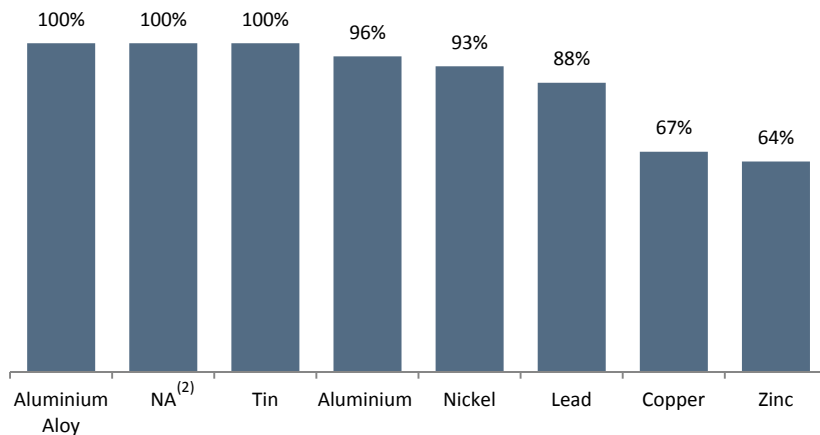


# LME is the World's Largest Marketplace for Base Metals Contracts

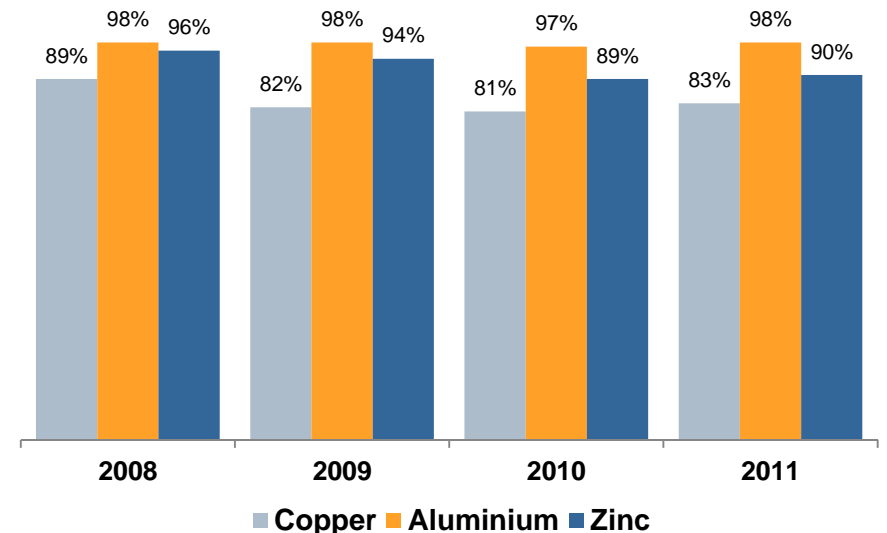
## The LME Sets the Global Standard

- ✓ World's largest base metals futures market with 80%<sup>(1)</sup> of all base metals forward and options contracts
- ✓ World's price formation venue with prices discovered on the LME used as the global benchmark and basis for physical trading
- ✓ Most liquid contracts, with 146.6 million lots traded in 2011, totalling US\$15.4 trillion in notional value
- ✓ Global network with worldwide network of 732 LME-approved warehouses across 37 locations in 14 countries
- ✓ Delivery locations in the US, Europe and Asia
- ✓ 93 members representing globally leading financial institutions, futures brokers and metals traders and producers

### 2011 Market Share of Trading Volume<sup>(1)</sup>



### Market Share of Open Interest<sup>(1)</sup>



(1) Company information  
 (2) NA = North American Special Aluminium Alloy



# Wide Range of Base Metals Product Offering

## Non-ferrous Metals



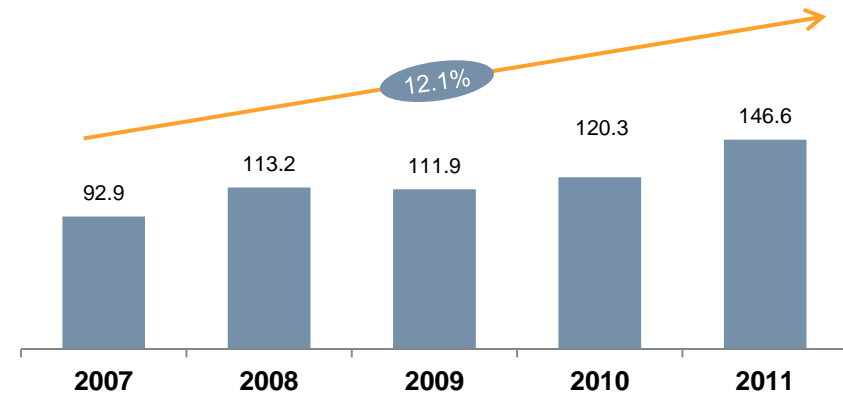
## Minor Metals & Steel Billet



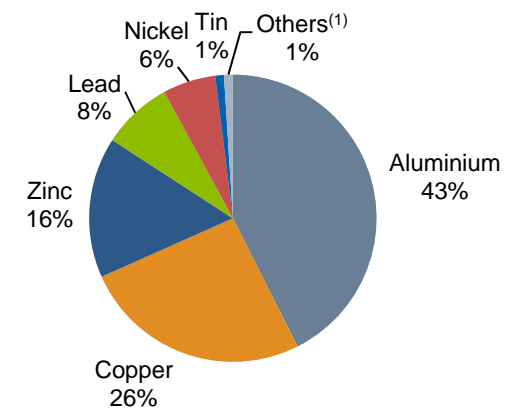
## Contract Types

- **Futures**
- **Options**
- **TAPOs (Traded Average Prices Options)**
- **Swaps**

## Historical Volumes (mm lots)



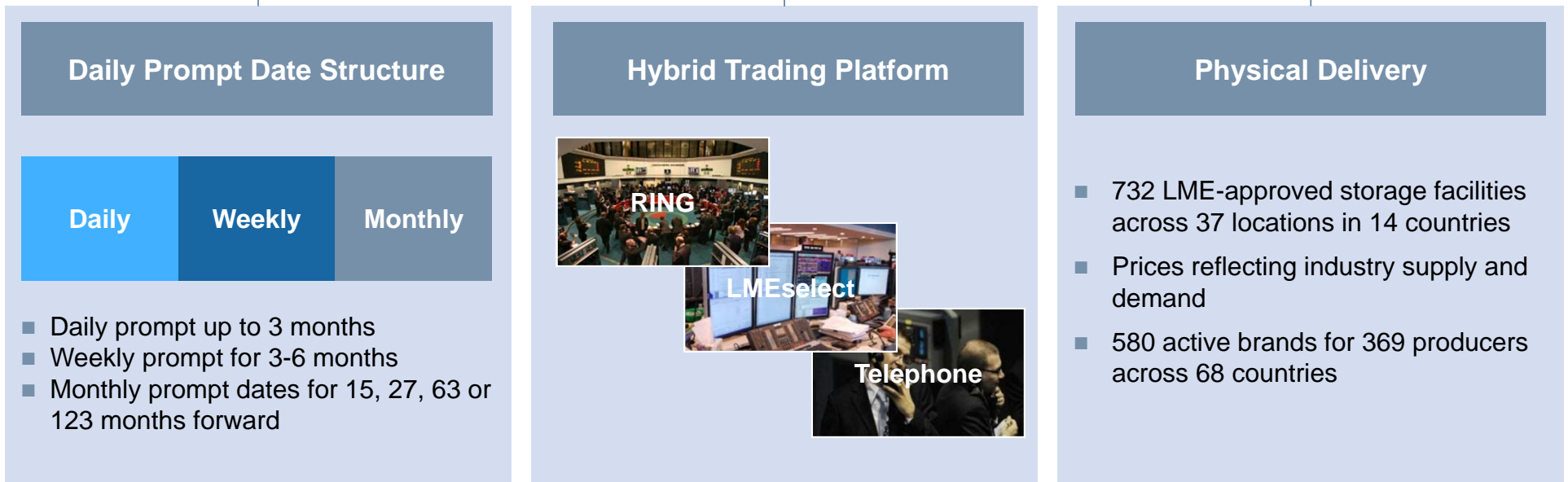
## 2011 Volume Per Metal



**Volume growth has shown significant resilience during a period of challenging global economic conditions**

(1) Others include Aluminium Alloy, North American Special Aluminium Alloy, LMEZ, Steel Billet, Cobalt, Molybdenum and LMEminis

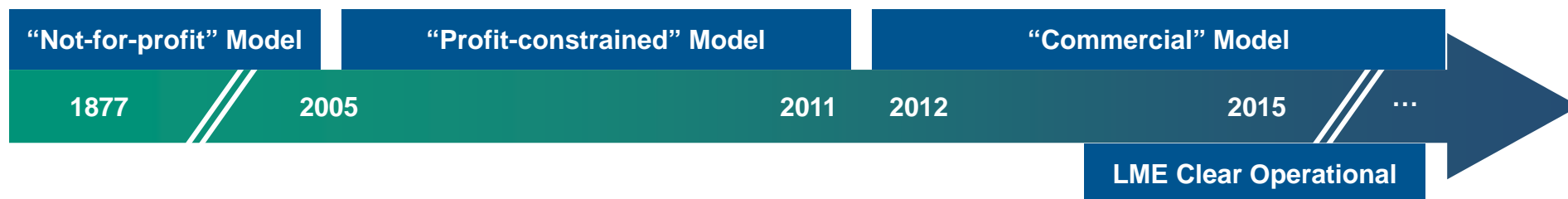
# LME's Unique Business Model



*Note: HKEx has committed to preserve the LME brand, the operation of the Ring and the prompt date structure until at least 1 January 2015.*

**LME is ingrained in the global base metals market infrastructure**

# LME Financials – Moving To a Commercial Model



£ 000's	Actual			Pro-Forma <sup>(3)</sup>
	2010	2011	Growth	2011
Revenue <sup>(1)</sup>	50,763	61,179	20.5%	85,224
Expenses <sup>(2)</sup>	(38,619)	(49,940)	29.3%	
EBITDA <sup>(1)</sup>	18,327	20,371	11.1%	44,288
<b>Profit After Tax<sup>(1)</sup></b>	<b>9,456</b>	<b>7,682</b>	<b>(18.8%)</b>	23,827
Total Assets	65,361	104,154	59.4%	
Net Assets	49,678	76,430	53.9%	

Note: (1) Income / profit figures included above are derived from continuing operations

(2) Expenses include depreciation

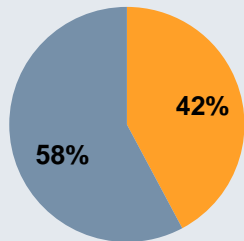
(3) Assumes fee increase which is effective on 2 July 2012 is applied to full year. Represents an estimate based on application of new fees to 2011 trading volumes as appropriate. HKEx has committed to no further fee increase on existing products until at least 1 January 2015.

**Pro-forma financials adjust 2011 results for announced fee increase to be implemented in July 2012. Even with this fee increase, LME's fees are very competitive compared to global peers**

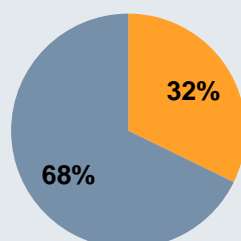
# Strategic Rationale – Addressing a Core Need of the Mainland Market

China is the leading consumer and producer of base metals...<sup>(1)</sup>

Consumption



Production



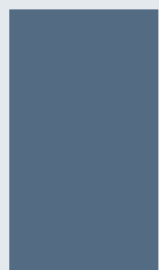
■ China ■ Rest of World

... but lacks efficient hedging and physical trading

- Connection to the international physical market
- Global price discovery
- Direct international trade connection
- Capital efficiency

LME is the global market leader...<sup>(2)</sup>

80%



14%



3%



3%



LME

SHFE

CME

MCX

... with significant room for growth in China under HKEx ownership

- Increased liquidity in Asian time zone
- New products tailored to Asian market needs
- Vertically integrated trading and clearing platform
- Market data distribution in China
- International storage and assaying standards

**Together, HKEx and LME are best positioned to address current deficiencies**

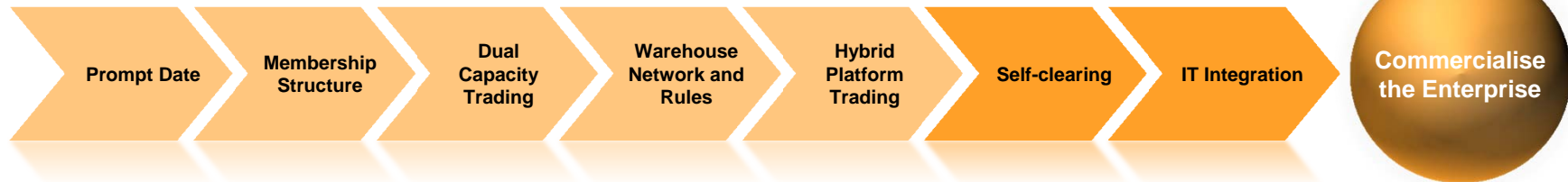
Note:

(1) Wood Mackenzie, UBS Research and US Geological Survey

(2) Represents non-ferrous metal forward and options contracts. Based on publicly available data from the Futures Industry Association, Reuters, LME, CME, MCX and SHFE website for FY2011

# HKEx's Strategic Plan Post Acquisition

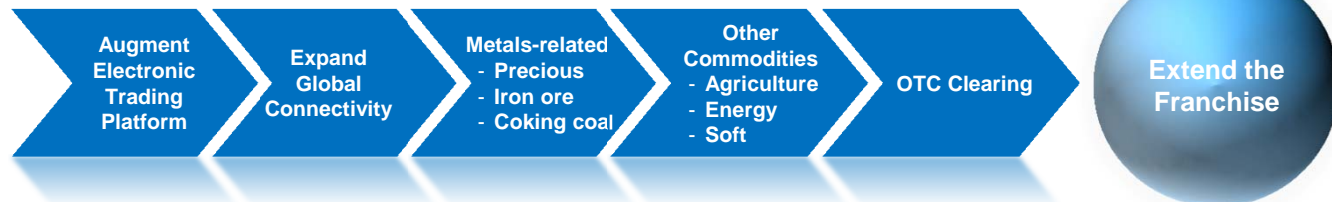
## PRESERVE AND ENHANCE LME DNA



## EXPAND LME TO ASIA AND CHINA

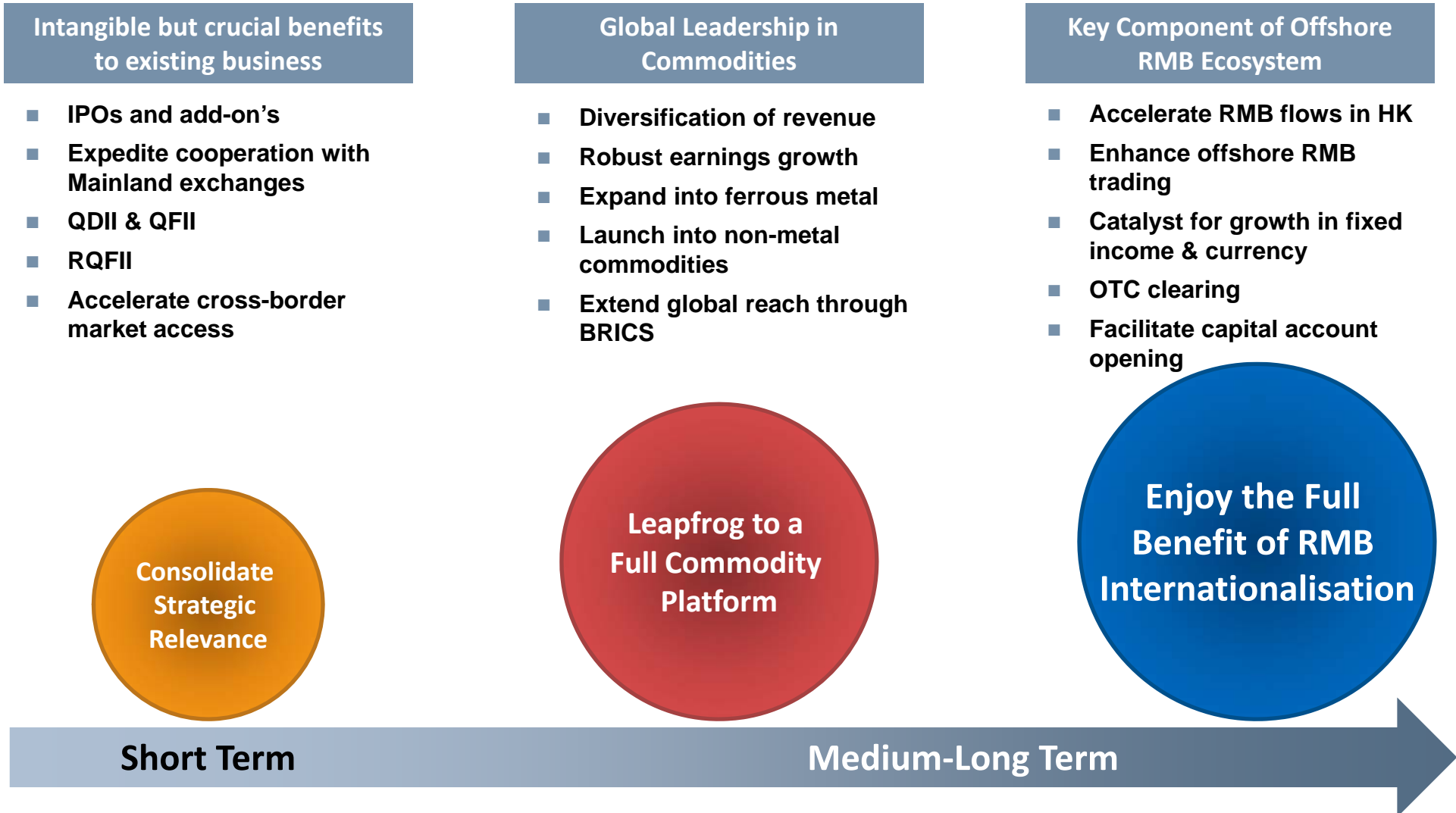


## REALISE THE FULL POTENTIAL OF DEMUTUALISATION



***Incremental revenue growth from growing China and Asia volumes, self-clearing and new products. EPS accretive to HKEx in the 3rd year following completion***

# LME Brings Immediate and Long-term Strategic Value to HKEx



# LME is a Transformational Milestone for HKEx to Become ...

A

**Globally Competitive**

**Horizontally and Vertically Integrated**

***Exchange Across***

**All Asset Classes**

