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THE ENVIRONMENT THE EXCHANGE

Q3 Aug 1999

QUARTERLY REPORT

The market for 1999 PRNs has now reached the end of the second quarter, and we are seeing very encouraging bid and offer activity as we approach the busiest trading period for this year. In this issue the report covers a number of key elements:

- Summary of trading for period 1st Feb 1999 to 31st July 1999
- Dates for the Regional Roadshows to be held in October 1999
- Coming Soon!
- Contact points for further information

Managing Director's Comments:

After a very quiet first six months it is good to see that members are starting to take advantage of the service that we are offering with almost 10,000 tonnes traded over the last quarter. Prices have generally reflected those at the end of last year with the exception of plastic which has generally held higher. Equally it is good to see the increased efficiency with which members are clearing their contracts.

We are anticipating that demand for PRNs will peak as last year in the final quarter which makes it extremely difficult for all involved in the compliance field to anticipate and plan effectively. This peak is due to a number of factors however a primary problem is the annual nature of the PRN with no effective carry forward mechanism. This makes it difficult for reprocessors to invest in this year for gains that will come about at some time in the future. The introduction in the next quarter of our forward contract will do much to overcome this barrier. For those that wish to learn and understand more about forward contracts and other aspects of the exchange be sure to attend one of our roadshows. When we introduce our forward contracts we will also be introducing a direct debit service which will mean that our members will have an even more efficient clearing mechanism.

The DETR is once again reviewing the Regulations and further amendments are before the Houses of Parliament. Between them these cover a number of aspects but the most significant for the majority of members are:

- That the activity obligations will be adjusted so that converters have a 2% lower obligation whereas packer/fillers and sellers will have a 1% increase;
- The wholesaler obligation per se will be removed;
- All those whose majority activity is selling will have an obligation to inform the general public about what they, the general public, can do to improve recycling rates;
- Quarterly compliance may be introduced;
- There is on-going discussion about at what level compliance will reduce to in the year 2000 but the most probable outcome continues to be £2 million and 50 tonnes handled.

Angus Macpherson
Managing Director



Below is a graph portraying PRN price trends for the period 1st Feb 1999 to 31st July 1999. Also included are some of the major milestones achieved by the exchange during that period.

February 1st, 1999

- 1999 PRN market officially starts
- Membership stands at 81 companies

February 9th, 1999

- Prices begin being quoted for 1999 PRNs
- Clarification of further trading in 1998 PRNs pending

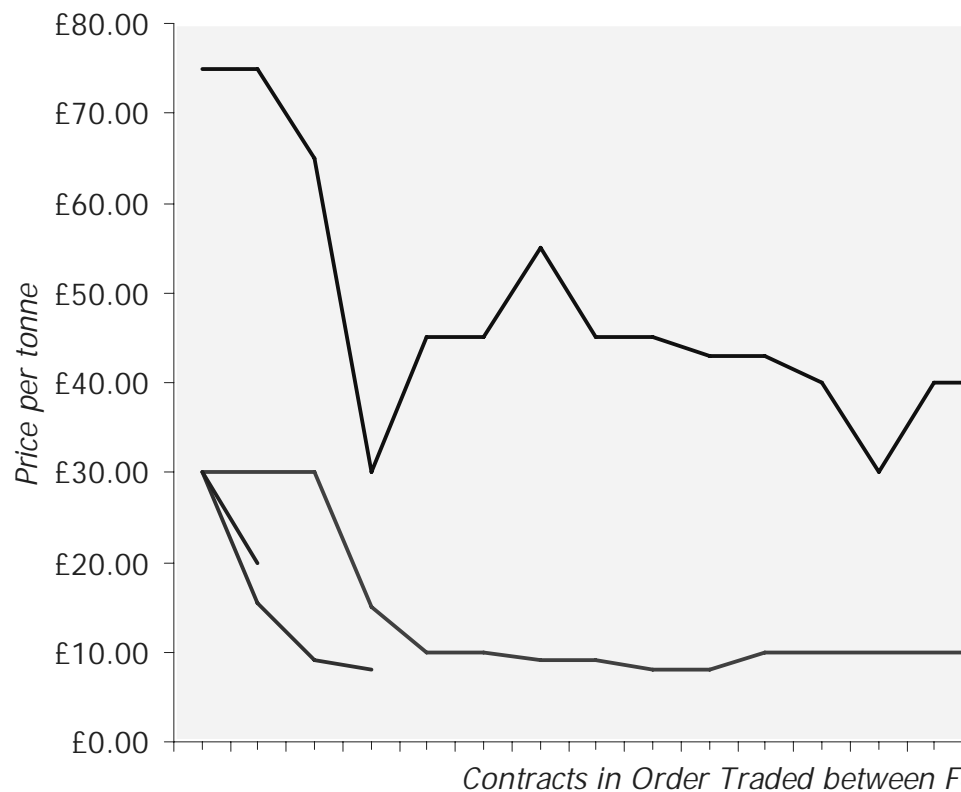
T2E 1999 Trade

February 19th, 1999

- Environment Agency advice on 1998 PRNs
- Trading in 1999 PRNs commences

March 19th, 1999

- Slow trading as companies calculate their obligations and await the DETR announcement on PRNs
- Advice from SEPA regarding 1998 PRN trading
- Membership reaches 100
- Fees for 1999 PRN trading introduced



April 19th, 1999

- Changes in PRN system announced
- Limited further trading in 1998 PRNs
- James Blunt joins the Environment Exchange
- Member meetings scheduled for May

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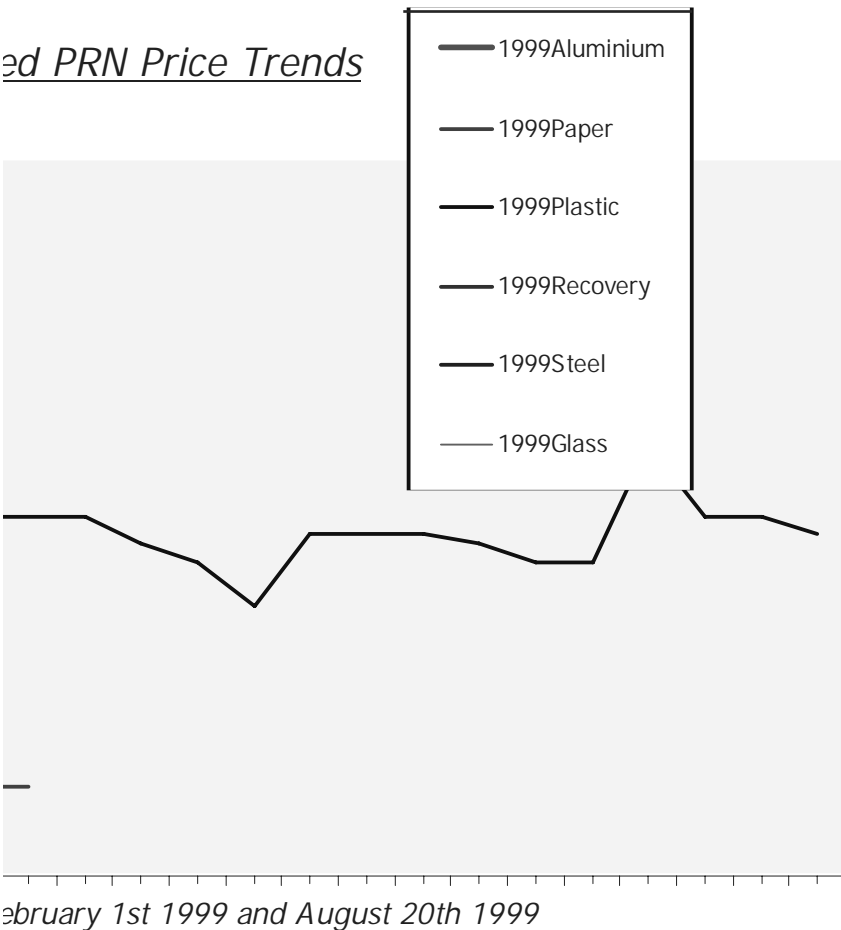
June 1st, 1999

- Increased bid activity
- Downward movement in offer prices
- Member meetings completed and forward contracts planned

June 22nd, 1999

- Trading in 1998 PRNs continuing
 - Increase in buying interest in 1999 PRNs
 - New recycling and recovery targets legislated in Parliament
- Overview of PRN market published by DETR
Packaging Waste Regulations in Northern Ireland

PRN Price Trends



July 8th, 1999

- Trading in 1998 PRNs continuing
 - Increasing buying interest in 1999 PRNs
- Plastic PRN market particularly active
PRN issuing fee to be introduced

July 21st, 1999

- Large increase in trading volumes
- Plastic 1999 PRNs traded 1,500 tonnes in the last week
- Paper 1999 PRNs traded 500 tonnes in the last week
- Trading in 1998 PRNs now diminishing
- The British Plastics Federation issues recycling survey
- Membership reaches 130

August 4th, 1999

- Continued improvement in 1999 PRN trading volumes
- Plastic 1999 PRNs traded 1,266 tonnes in the last week
- Paper 1999 PRNs traded 2,001 tonnes in the last week
- David Curry joins exchange as the new market operator

Regional Roadshows to be held in October/November 1999

The Environment Exchange will be running a series of roadshows in conjunction with regional partners during October and November. Below is a list of dates and venues which we would strongly encourage you to attend:

October

Monday 4th	LONDON	The Environment Council, 212 High Holborn, London
Wednesday 6th	SOUTH	Novotel, Southampton
Thursday 7th	WEST	The Create Centre, Smeaton Road, Bristol
Friday 8th	WALES	University Conference Centre, Cardiff
Monday 11th	MIDLANDS	The Botanic Gardens, Birmingham
Tuesday 12th	NATIONAL	LARAC Conference, Birmingham
Wednesday 13th	NATIONAL	LARAC Conference, Birmingham
Thursday 14th	NORTH-WEST	Waterside Conference Centre, Wigan
Friday 15th	NORTH-EAST	International Centre for Life, Newcastle
Wednesday 20th	NATIONAL	Environmental Management Forum, Olympia 2, London
Tuesday 26th	EAST ANGLIA	Wyboston Lakes, St Neots
Thursday 28th	NORTH	Business Link Conference Centre, Bradford

November

Wednesday 10th	EAST SCOTLAND	Randolph Business Centre, Edinburgh
Thursday 11th	WEST SCOTLAND	Quality Hotel Central, Glasgow
Wednesday 24th	NORTH SCOTLAND	Station Hotel, Perth
Thursday 25th	NORTH ENGLAND	Earth Centre, Doncaster

Coming Soon!

As discussed in detail in the 2nd Quarterly Report the Environment Exchange will be launching its Forwards Contracts for PRNs in the 4th Quarter - Watch this space!

The Exchange is researching and preparing its Recyclable Commodities market due to be launched at the end of 1999.

For further information, Please contact :

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