

OMEE Contracts

By placing an order with our trader you are committing to buy or sell PRNs of the price and quantity you dictate.

In the event that a match is found for your offer you are entered into a contract to fulfil your part of the deal (ie either to buy or to sell). You have entered into a legally binding contract once your order has matched!

However, if you place an order with OMEE and nothing happens in the interim (ie no match is found) you are free to come back to us and either withdraw or alter your order.

Please call OMEE on 020 7815 3879 if you need clarification on this or other issues.

Other key elements to OMEE

- Trading hours are 1000 to 1600 each bank day
- Orders are handled in a strict sequence. Orders are primarily ranked in order of price (ie highest buyer, lowest seller). In the event that more than one buyer or more than one seller wish to buy or sell at the same price then the first order that was placed with OMEE takes precedence over the second and so on.
- Settlement of PRN contracts on OMEE takes place when an order is matched. OMEE will demand funds from the buyer and PRNs from the seller. Once both cleared funds and original PRN documents have been received by OMEE, then the trade will be settled (ie buyers receives PRNs and seller receives funds).

Change of Address

Please note that OMEE is moving as of Tuesday 17th April 2001. Our new details will be :

OM Environment Exchange . 131 Finsbury Pavement . London . EC2

Forth-coming Events

OMEE is planning to exhibit at a number of shows in 2001. Below are some dates which may be of interest to you, we look forward to seeing many of you there:

- IWM 2001 Torquay 12th - 15th June
- Recycling & Waste Management Exhibition NEC, Birmingham 11th - 13th September

For further information, Please contact :

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QUARTERLY REPORT

The 2000 obligation year came to a frantic end on 31st January 2001. As in previous years there was a final flurry from companies buying at the last minute.

There were however distinct differences to trading patterns over the compliance year. Many obligated companies bought their PRNs earlier in 2000 rather than leaving it to chance at year end and seemed more informed as to market price, indicating a market that is now maturing.

Another marked change in the PRN system during 2000 was a considerable increase in PRN prices during the last month. In previous years PRN prices have plummeted at year-end due to oversupply in the market, but this year saw the opposite. PRN prices firmed up in January to finish the year trading at a level of about twice the annual average. Early signals suggest that last minute buying is not to be recommended in 2001 due to the significant target increases, which could well stretch PRN supply in a way not experienced so far.

This issue covers the following:

- 2000 PRN prices
- Managing Director's Comments
- Lessons learnt during the 2000 obligation year
- Change of Address
- Forth-coming Events

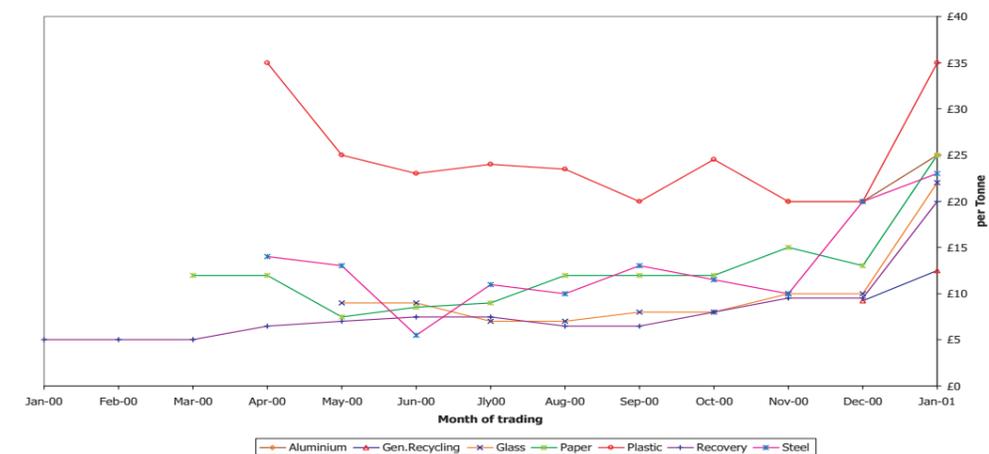
2000 PRN prices

Below are the average PRN transaction prices for 2000 PRNs to date this year.

	1999 Average PRN Prices	2000 Average PRN Prices
Aluminium	£12.49	£16.69
Glass	£5.35	£8.39
Paper	£6.12	£8.86
Plastic	£31.48	£17.69
Recovery	£5.92	£7.73
Steel	£6.82	£9.10
Wood/other	-	£9.53

NOTE: All prices quoted above are volume weighted to give the most accurate average price picture. Wood/other trading averages only appear in 2000 because they only carried an obligation from the beginning of 2000.

Below is a graph showing the Trade Price History for 2000 PRNs



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Managing Director's Comments:

Now that the 2000 compliance year is complete there has been much to celebrate and learn. Firstly on 29 January 2001 we reached the magical figure of 100,000 tonnes of 2000 PRNs traded. This means that just over 3% of the total 2000 PRN market was traded through OMEE. Of this 78% was on behalf of businesses that had registered independently with the Agencies, or their representatives, and 22% was done by compliance schemes. This represents just over 11.1% and 2.3% of their requirements respectively.

Looking at the price picture there has been a steady rise in prices throughout the year with prices escalating rapidly in January 2001 as supplies of 2000 PRNs became tight, partially because compliance schemes and others were buying up substantial tonnages to off-set their 2001 obligations. As a result the maximum volume, 23,518 tonnes, was traded through the market in December, in contrast to the 1998 and 1999 compliance years when the highest volume was traded during January.

45% of our total volume was traded in the last three months of the compliance year. This pattern of purchasing is consistent with earlier years.

While the PRN price picture for 2001 is still forming what is clear on both the spot and forward markets is that prices will be higher this year than last. This is based on the expectation that PRNs will be difficult to obtain come the year end. Therefore you are strongly advised to purchase your PRNs early this year or at least book them early using the forward contracts rather than risk disappointment later and the potential risk of non-compliance in January 2002.

For the more substantial purchasers and sellers the great advantage of the forward contract is it supplies you with flexibility to cover the unexpected. It is possible to either re-sell excess to requirements or re-purchase something that has been sold in excess of your capabilities to ensure that your contracts are honoured.

There still seem to be some misconceptions about the role that OMEE fulfils. Please note that OMEE is a market place where willing buyers and sellers of PRNs conduct business and is not an issuer of PRNs. We have a rulebook and a series of provisions to encourage participants to operate within those rules. OMEE is regulated and forward contracts come under the supervision of the Financial Services Authority. Please read in this quarterly our responses to many frequently asked questions.

Some confusion continues to exist about splitting through OMEE. If purchasers wish to bulk up orders on behalf of their clients they may do so on both forward and spot contracts. If subsequently they wish to split that PRN they will be liable to a £5 issuing fee for every PRN that is issued and a splitting fee. Both of these are passed onto the reprocessor or exporter.

Once again thank you to all our 360 participants who assisted us through the 100,000 tonne mark. We look forward to welcoming you back onto the market in 2001.

Angus Macpherson
Managing Director

BRIDGING THE GAP BETWEEN BUYERS AND SELLERS

Lessons learnt during the 2000 obligation Year

One thing that is certain about the PRN system is that the market is beginning to mature and that fewer companies are being caught out by the Regulations than in the past. There are however some important lessons that can still be learnt by organisations, and whilst not aiming to be an all encompassing summary it is hoped that this section will highlight some of the major ones. Some are general whilst others have specific relevance to OM Environment Exchange:

A company has not registered as having an obligation

Many companies who in the early days dodged the regulations are now being caught and prosecutions are becoming more common.

Companies who believe they may or know they have an obligation are strongly urged to contact their respective Agency before the Agency contacts them.

Last minute PRN buying

As the market matures and targets are raised people are starting to plan where they will source their PRNs from in a particular year. Be aware that 2001 will almost certainly see far greater tightness in the market in terms of supply and demand.

During the final months of 2000 trading supply of PRNs became much tighter. In 2001 a company's obligation will grow on average by 25%, meaning capacity in the accredited reprocessing sector needs to grow considerably too.

The question is can this capacity be developed in a year??

The answer is no one knows, so plan your purchasing strategy in 2001, but don't leave it too late.

Plan and budget ahead

As targets rise the impact that PRNs and other imminent environmental legislative instruments will have on a company's bottom line is going to increase dramatically.

Planning ahead is worthwhile and can save many tens of thousands of pounds.

Being able to budget how much PRNs will cost in any one year has been nigh on impossible to date. However OMEE now has a service that offers companies the chance to plan where it will sell to / buy from and fix a price well in advance.

The result is reprocessors can plan their sales strategy over the year and obligated companies can determine how much their obligation will cost them. For more information please contact OM Environment Exchange on 020 7815 3879.

OMEE is a market-place

We are **NOT** a broker.

OMEE offers a service whereby buyers and sellers can come to one place (ie OMEE) and trade PRNs. OMEE provides the infrastructure that enables you to buy and sell PRNs with the minimum of effort by attracting as many buyers/ sellers to one place at one time.

OMEE never takes ownership of PRNs. We will however ensure that the buyer's money reaches the seller and the seller's PRNs reach the buyer once a trade has occurred.