

QUARTERLY REPORT

OM Environment Exchange (OMEE) is four months into the 2000 PRN trading year. Total trading volumes to the end of April totalled almost 17,000 tonnes with the majority of trading activity occurring in the last two weeks of April.

Year on year growth has been quite dramatic. At this stage in 1999 only 94 tonnes had been traded through OMEE. As a result of larger trading volumes we are forming an early price picture which is beginning to reflect 1999 and 1998 figures.

This issue covers the following:

- 2000 PRN prices
- Managing Director's Comments
- OMEE PRN market statistics
- Forwards
- Forth-coming Events

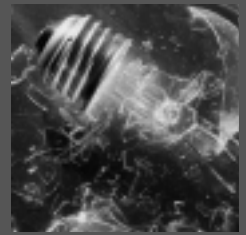
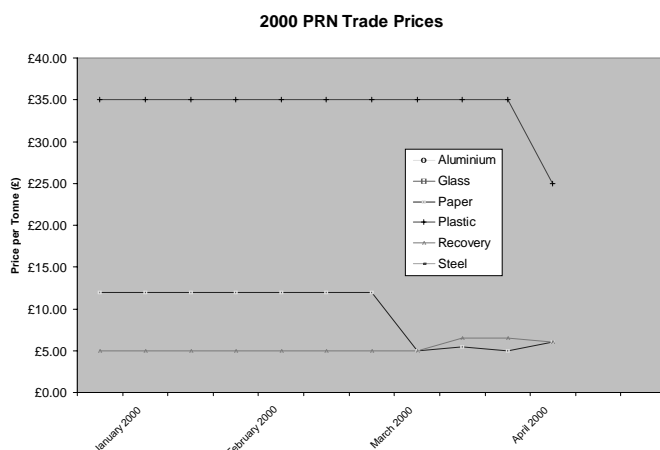
2000 PRN prices

Below are the average transaction prices for 2000 PRNs to date this year. The message is clear when you compare average prices for 2000 to 1999. PRNs are already available at extremely competitive prices in 2000. So put your orders up early on OMEE and allow the market to do the work for you!!

	1999 Average PRN Prices	2000 Average PRN Prices
Aluminium	£12.49	-
Glass	£5.35	-
Paper	£6.12	£5.60
Plastic	£31.48	£25.99
Recovery	£5.92	£5.74
Steel	£6.82	£14.00

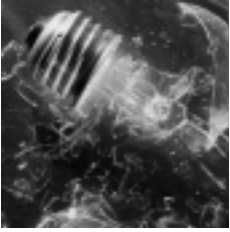
NOTE: All prices quoted above are volume weighted to give the most accurate average price picture. 2000 PRN average prices cover the period 1st January 2000 to 30th April 2000. Average prices for 2000 which are blank are as a result of no trading to date in that category.

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



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Managing Director's Comments:



Trading has continued at the same high volumes that were shown at the end of last year. It is good to see that some businesses have decided to buy early this year rather than risk the end of year lottery. Indications are that the market will be much more balanced this year with anticipated growth in reprocessor capacity aligning itself more closely with company's obligations.



Many of you will be aware that the targets in the EC Directive are due for review prior to the next 5 year tranche to 2006. Indications are that they wish to increase all targets with a greater emphasis on re-use, and proportionately higher recycling targets. We have explained to the Environment Directorate that recycling is not a race and the first nation to 100% is not necessarily the winner. We also expressed concern on the reliability of how re-use statistics could be measured.



Representatives from other nations have argued that there must be a balance between the environmental, welfare and economic costs. There has also been a cry from industry for greater harmonisation across Europe in interpretation of the regulations. In particular they want to see universal standards for the accreditation of reprocessors, a universal symbol so that companies could identify on their packaging that they had met their obligation and common statistics for each nation.

Within the United Kingdom we continue to express concern that VAT is charged on PRNs, effectively a tax on a tax. Also we have highlighted that a centralised registrar for PRNs would offer benefits to all. It could both track the movement of PRNs and provide timely information on both the quantity of PRNs that could be issued and the quantity that have been issued. This would aid all in both management and planning.

We are now working to an agreed timetable with the FSA on PRN Forwards. We would encourage all those who are interested in this product to visit our stand at either ET 2000 in Birmingham between 6th to 8th June or IWM in Torbay between 13th to 16th June to see a demonstration. As part of this process we are introducing direct debit arrangements for all participants and we encourage all to sign these forms and return them to us as quickly as possible.

Our energy products, renewable electricity certificates and emissions trading, are continuing to progress satisfactorily but as yet no clear launch date has been identified. We will keep you posted on our progress.

As always thank you for your continuing support of OMEE.

Yours

Angus Macpherson

BRIDGING THE GAP BETWEEN BUYERS AND SELLERS

OMEE's PRN market statistics

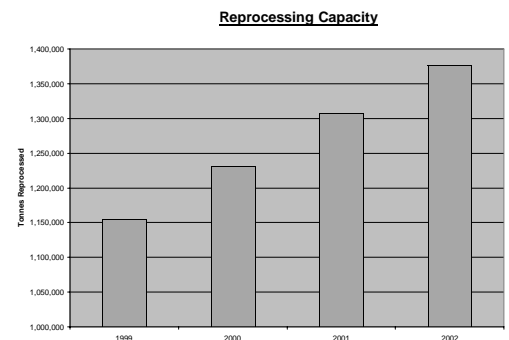
Capacity

In recent months OMEE has carried out a survey of all its participant reprocessors to find out their plans in terms of capacity growth over the next three years.

Of the 210 accredited reprocessors and exporters, 72 are OM Environment Exchange members (one third of the total). The survey asked reprocessors whether they plan to increase or reduce their packaging waste reprocessing or exporting capacity and the overwhelming response was that they plan to increase.

Of the 72 member reprocessors, 75.2% responded giving us a clear indication of the potential capacity of our participants. The chart below shows their combined predictions for the period 2000 to 2002 versus actual capacity in 1999:

Note: the 75.2% response rate has been adjusted upwards to reflect a 100% response in order to estimate total capacity available. The growth rate above has been calculated using individual OMEE participant predictions for each year. The predicted growth equates to 6.7% during 2000, 6.1% during 2001 and 5.3% during 2002. This would mean a 19.2% increase in capacity over the three year period based on actual figures for 1999.

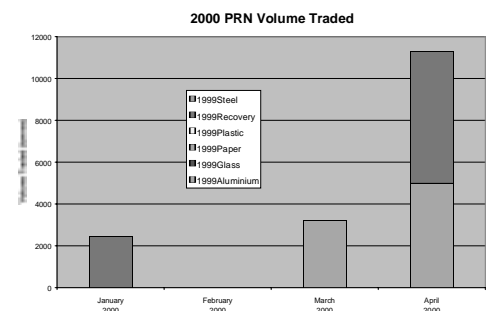


The question remains: "Is this increased capacity going to be enough to cover higher recycling and recovery targets and the influx of newly obligated companies?" In the next issue we will have the results of our on-going survey of the obligations of our participants.

OMEE Volumes traded

To date this year trading on OMEE has experienced considerable growth in comparison to the same period in 1999. Trading however has been limited to two key PRN types, paper and recovery. While we have traded plastic and steel PRNs in April, the volume is small compared with the other figures on the chart.

Bid and offer activity is increasing and it would appear that bids placed at market prices attract offers and vice versa. The chart (right) depicts trading volumes in 2000 PRNs on a monthly basis:



Forwards

The launch of the PRN Forward will shortly take place, subject to the final outcome of discussions with the FSA. The software is being developed and we envisage demonstrating the system at a number of events we will be exhibiting at during the summer and autumn. Details of the dates and venues are listed below.

Trade today and avoid future uncertainty. The solution is a "Forward PRN."

OMEE currently offers a PRN market for the purchase/sale of PRNs on a day to day basis (a 'cash' or spot market) and this suits many participants. However some will wish to know in advance for budget and cash-flow reasons what the cost/value of PRNs will be rather than simply entering the market on a particular day and take the prices that are available at that time.

The solution to this need is a "forward PRN."

The difference between a forward contract and a spot contract is the time at which delivery of both the PRN and the funds are made. With the spot market when you trade both the buyer and seller are immediately required to pay for or deliver the PRNs. With the forward market the buyer and seller agree to buy or sell the PRNs but don't actually exchange funds for PRNs until a set date in the future.

At the time that a forward trade is agreed a deposit is required from both participants to confirm the contract. This deposit will earn interest whilst held by OMEE and be returned on completion of the contract.

Should you require further information on this please call OMEE (020 7815 3879) and we will be happy to provide you with details.

Forth-coming Events

OMEE will be exhibiting at the following shows and we look forward to seeing many of you there:

ET2000 (Stand WR485)	NEC, Birmingham	6th - 8th June
IWM (Stand 534)	Torbay	13th - 16th June
Recycling & Waste Management Exhibition (Stand 765)	NEC, Birmingham	12th - 14th September
EMF 2000 (Stand 19)	Olympia, London	17th October

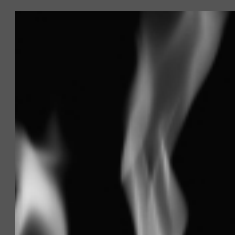
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