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OM GROUP

Response to LSE's latest circular

Commenting, Per E. Larsson, President & Chief Executive Officer of OM said:

"LSE's latest document simply confirms that it has no strategy and no vision. LSE's shareholders rightly want to know what LSE is proposing as an alternative to the very clear blueprint that OM has sent out: yet the hard reality is that LSE is simply drifting. OM's offer by contrast is firm, substantial and valuable."

OM has noted LSE's latest circular. It is long on words about OM but short on LSE's future. The circular distorts selected OM data and aims to paint a misleading picture of OM's record and prospects. A few examples:

- *The data point for the year 1995 in calculating EPS growth has clearly been chosen selectively by LSE, since OM in 1995 had an exceptionally low tax rate and an exceptionally high financial income. OM believes that growth in operating cash flow per share is a better measurement of long term growth in shareholder value. Earnings before interest, taxation, depreciation and amortisation ("EBITDA") per share, have during the same period, 1995-1999, shown an impressive compound growth of 26 per cent a year.*
- *LSE is using OM's historical EPS in relation to the current share price to calculate a P/E ratio, in an attempt to discredit OM's current share price. In doing so, LSE ignores the expectations of continued growth in OM's business inherent in the current share price. OM is a growth company; revenues have grown on average in excess of 35 per cent. per annum over the last four years and growth in EBITDA has averaged over 30 per cent. over the same period.*

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- *LSE shows that it does not fully grasp technology issues by referring to "...annual value of shares traded...." when the relevant measure for equity trading scalability should be the number of trades. In terms of number of executed trades per day the SAXESS system on the OM Stockholm Exchange handles more executed trades than the LSE does in its SETS order book. In the first six months of 2000, the average daily volume on the OM Stockholm Exchange was approximately 58,500 trades whereas the corresponding figure for LSE on the SETS order book is 33,087.*
- *Commenting on LSE's reference to delays in the completion of a project for the Copenhagen Stock Exchange, Jan Ovesen, Vice President of the Copenhagen Stock Exchange said: 'The postponement of the start of the joint market was solely due to lack of readiness on the part of our members. OM has always delivered on its commitments and we have every confidence that OM will continue to provide us a world leading service for our stock exchange.'*

LSE's own record in technology and management does not stand up to critical scrutiny. On LSE's "long-term investment programme" in technology:

- *How much of the "£185 million" has gone straight to Andersen Consulting, an external consultant?*
- *How much know-how actually resides in LSE, since the majority of LSE's capital is invested in physical property assets, not in IT systems or technology investments?*
- *Why did LSE publicly throw out this "long-term investment" in favour of Xetra?*

ENQUIRIES

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The Directors of OM accept responsibility for the information contained in this announcement and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.

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Lazard has approved this announcement solely for the purposes of Section 57 of the Financial Services Act 1986.

END.