London Stock Exchange *plc*

Building the business

greater focus on customer services

further internationalisation of services

effective consultation process

continue to reject OM Gruppen's Offer

London STOCK EXCHANGE

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services Act 1986 immediately.

If you have sold or transferred all of your London Stock Exchange Shares, please send this Circular, as soon as possible, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

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London STOCK EXCHANGE

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Ian Salter, *Deputy Chairman*
Jonathan Howell, *Director of Finance and Operations*
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Gary Allen, *non-executive*
Graham Allen, *non-executive*
Michael Marks, *non-executive*
Peter Meinertzhagen, *non-executive*
Ian Plenderleith, *non-executive*
Simon Robertson, *non-executive*
Hector Sants, *non-executive*
Nigel Sherlock, *non-executive*

19 October 2000

To the holders of shares in the London Stock Exchange

Dear Shareholder

Introduction

I have written to you twice recently to explain why your Board recommends that you reject the offer by OM Gruppen for the London Stock Exchange. Despite the recent increase in its terms, the Board continues to advise shareholders to reject the Offer on the basis that it represents inadequate value. The revised OM Offer provides London Stock Exchange shareholders with a choice between two unattractive alternatives: either even more new OM shares of uncertain value or some cash and even less influence. For customers, OM's proposal still offers no proven benefits.

The purpose of this Circular is to set out how we intend to build the business from the strong foundations that already exist. Beyond these initiatives, there are a number of important strategic issues on which full consultation with our shareholders and customers is required before longer-term decisions can be made about participation in European rationalisation and the globalisation of capital markets. This consultation process has already started on an informal basis. The more formal process, centred around the Exchange Markets Group, will start as soon as the Offer Period has ended.

Building the business

The pre-requisite for future success is to sustain and build on the strengths of the London Stock Exchange. Our immediate initiatives to build the business are to:

- give greater focus to customer services;
- further internationalise our services;
- continue to enhance market infrastructure; and
- implement an effective consultation process.

Further details of how we intend to build our business are set out on pages 4 to 16 of this Circular.

Interim results

The London Stock Exchange has today released its interim results for the six months to 30 September 2000 and declared its first dividend following demutualisation.

I am pleased to report a strong performance in our first set of results following demutualisation. Turnover from continuing operations was £90.6 million, an increase of 20 per cent. over the same period last year (1999: £75.3 million), with strong performances from each of our major revenue streams.

Operating profit from continuing operations and before exceptional items was £29.1 million, significantly ahead of the equivalent period last year (1999: £15.4 million). Reported earnings per share for the half year were 34.7 pence (1999: 50.5 pence), reflecting the high level of exceptional charges incurred in the period. Earnings per share for continuing operations before exceptional items were 76.4 pence (1999: 44.1 pence), demonstrating the underlying strength of the business.

The Board has declared an interim dividend of 10 pence per share, payable in January 2001 to shareholders on the register as at 8 December 2000.

The full text of the interim results is set out on pages 22 to 30 of this Circular.

Recommendation

Your Board, with the full support of Schroder Salomon Smith Barney, its financial adviser, strongly recommends London Stock Exchange Shareholders to reject OM's Offer and not to complete and return any form of acceptance. In providing advice to the Directors, Schroder Salomon Smith Barney has taken into account the Directors' commercial assessments. Your Directors do not intend to accept OM's Offer in respect of their aggregate beneficial interests in 5,900 shares.

Yours sincerely

Don Cruickshank

Don Cruickshank

Chairman

Overview

We will develop our business along three lines

Expanding our service offering

We will...

- Continue the development of our core trading systems through enhancements such as the UK central counterparty
- Focus on services to support the retail community
- Develop further information products for our customers
- Support clearing and settlement services to increase the overall efficiency of the central market

Expanding our product range

We will...

- Develop further equity related products, such as "extraMARK" with its existing Exchange Traded Funds
- Evaluate other financial and non-financial products, including e-commerce and business-to-business areas

Expanding geographically

To build the business we will...

- Develop AIM and techMARK as international markets
- Develop a pan-European market for liquid equities
- Increase the level and spread of remote membership
- Continue to compete for global listings

The London Stock Exchange's reliable and efficient trading and information systems will underpin all of these activities

Building the business

Greater focus on customer services

Our objective is to enhance the strong competitive position of the London Stock Exchange, both in the UK and internationally

The London Stock Exchange will build on its existing core competences, namely...

- Managing robust and reliable trading systems and services
- Managing the delivery of technology
- Developing well-regulated markets
- Adopting innovative and flexible market structures and services
- Establishing and developing strong brands

We will continue to invest in and develop the services provided to the UK equity markets that are key for our customers to maintain and enhance order flows, price formation and liquidity

To achieve this, the London Stock Exchange will...

- Continue to invest in the development of SETS and SEAQ, including capacity and network upgrades **– to be implemented during 2001**
- Support the introduction of the UK central counterparty with London Clearing House and CRESTCo **– due to be launched on 26 February 2001**
- Develop additional services to meet the needs of specific sectors of our customer community **– both domestic and international, through 2001**

Developments for the retail community

A key objective for the London Stock Exchange is addressing the different interests of those customers seeking better, more cost effective services to support retail markets, both in the UK and internationally, and those customers seeking a broader European wholesale market

- The London Stock Exchange is therefore establishing a new Broker Services Group, headed by Chris Broad, currently Head of Service Development, to take specific responsibility for enhancing our services for the retail community

Building the business

Greater focus on customer services

To facilitate this, the Broker Services Group will be provided with dedicated financial and executive resources to pursue a range of specific initiatives, such as...

- Aligning the operation of the central market more closely with the needs of the retail community
- Providing additional support within the current structure through the provision of price discovery and trade execution services in non-UK equities for the retail sector
- Providing products to private client brokers to meet the needs of their retail customers for effective and competitively priced information services
- Developing new initiatives to support the marketing activities of private client brokers
- Working with the UK Government, CRESTCo, APCIMS, intermediaries and market users towards full dematerialisation which would result in a more effective and efficient market structure

Pan-European market

The London Stock Exchange intends to work in close co-operation with leading market participants to develop a pan-European market

- The London Stock Exchange can create a pan-European market by admitting the leading European equities to trading on its existing systems
- For such a pan-European market, the London Stock Exchange would extend its current arrangements with London Clearing House and CRESTCo to provide a central counterparty and clearing and settlement services
- The London Stock Exchange would want to develop a pan-European market which meets the requirements of leading market participants, whose participation would ultimately influence its success

Building the business

Greater focus on customer services

Information services

The London Stock Exchange already has a successful track-record in creating and distributing on-line information products tailored to the needs of its diverse customer base

Date	Service
August 1999	**"Your Company Report"**, a service for issuers providing on-line price performance, comparison charts, prices for companies and indices
November 1999	**"On-line Stock Exchange Notices"**, a service for regulatory information
November 1999	Dedicated **techMARK** segment of londonstockexchange.com
January 2000	Dedicated **AIM** segment of londonstockexchange.com
February 2000	**"Share Monitoring Service"**, providing 12 month on-line company and FTSE indices performance data and graphing
April 2000	**"Share Prices Service"**, providing free delayed prices and indices values on-line, fully interactive portfolio tracking plus intra day charts for indices
September 2000	**"Regulatory News Service (RNS)"**, re-engineered to allow companies to make announcements securely via the internet, offering wider access to information, to the particular benefit of private investors

The London Stock Exchange will continue to develop competitively priced information products that meet the needs of customers

- The London Stock Exchange will develop its information services business to offer more tailored services for
  - Companies, to allow them greater access to information about the trading of their shares
  - Private client brokers, to enable them to meet the needs of their customers
- Enhancement of systems capacity and networks is intended to allow further extension of the reach and scale of access available to the London Stock Exchange's information services
- The London Stock Exchange is also evaluating ways to generate additional revenues from third parties by using capacity in its systems and networks to support their activities

Building the business

Further internationalisation of services

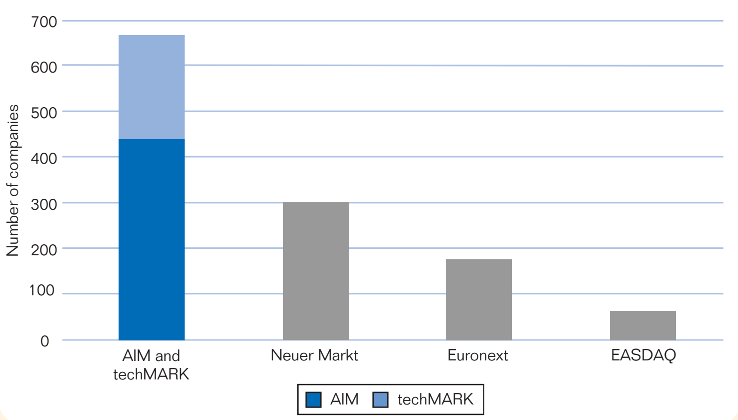
Development of techMARK and AIM

London Stock Exchange already is the most international of all equity exchanges and has...

- Listed more overseas securities than any other equity exchange, with nearly 500 companies from 63 countries as at 31 December 1999
- More cross-border equity business than any other exchange
- Significant inward investment into UK equities

London Stock Exchange already has, in techMARK and AIM, the largest growth/technology market in Europe...

Number of companies on European growth/technology markets



- techMARK and AIM, in aggregate, include **668 companies**
- techMARK and AIM, in aggregate, have **more than twice the number** of companies than on the next largest European growth/ technology market

Notes:
1. All figures are as at 31 July 2000 with the exception of EASDAQ which is as at 29 September 2000
2. techMARK and AIM figures sourced from the London Stock Exchange's July Factsheets
3. Neuer Markt figures sourced from the EURONM website, as at 11 October 2000
4. Euronext figures based on the aggregate of Nouveau Marché, EURO.NM Amsterdam and EURO.NM Belgium sourced from the EURONM website, as at 11 October 2000
5. EASDAQ figures sourced from the EASDAQ website, as at 11 October 2000

...and has already had significant international success, with techMARK and AIM attracting 40 companies from a range of overseas countries, including Australia, Bermuda, Canada, Israel, the Republic of Ireland and the US

Building the business

Further internationalisation of services

The London Stock Exchange is now committing to reposition techMARK and AIM as international markets by…

- Increasing promotional spend significantly to extend the reach and profile of these markets, particularly amongst overseas investors across Europe
- Competing for new members and issuers from other European jurisdictions
- Continuing to compete outside Europe for issuers, building on existing successes
- Providing broader trading access to the London market for non-UK brokers

The London Stock Exchange is developing plans, including the identification of priority overseas markets, to promote its established international position through further investment…

- **Increased corporate marketing** including
  - **Increased promotion** of techMARK and AIM internationally, emphasising the quality of corporate disclosure and regulation together with the international diversity of advisers, investors and issuers already accessing and operating in London markets
  - **Additional brand development** to broaden the international appeal and usage of the London Stock Exchange, techMARK and AIM brands
- **Enhanced issuer services**, for example through the provision of value-added information services over the internet
- **Commitment of additional resources** to implement successfully the marketing and development programmes aimed specifically at companies, intermediaries and investors in the UK and overseas markets
- **The internationalisation of techMARK and AIM** will be led by Tim Ward, currently Head of Marketing and Company Services, who was the prime architect of techMARK

Building the business

Continuing to enhance market infrastructure

The London Stock Exchange remains committed to working with market users to address issues relating to the UK market infrastructure

UK central counterparty

- The initiative by the London Stock Exchange, London Clearing House and CRESTCo to introduce a UK central counterparty is scheduled for 26 February 2001
- A UK central counterparty should
  - Provide a basis for better counterparty risk management
  - Allow the development of settlement netting which, in turn, will benefit high volume users
- The UK central counterparty is a core part of a central market structure and the efficiency and confidence it generates
  - Makes SETS a more effective trading mechanism
  - Improves the quality and consistency of prices, to the benefit of all users of the market

Stamp duty

- The continuing imposition of stamp duty on transactions in UK shares remains a matter that affects the competitiveness and attractiveness of the UK equity markets, and the London Stock Exchange in particular
- The London Stock Exchange will continue to lobby the UK Government for the abolition of stamp duty

Dematerialisation

- Dematerialised holding of shares in the UK is not as widespread or comprehensive as is necessary to deliver the expected benefits of efficient, speedy and cheaper settlement
- The London Stock Exchange believes that dematerialisation is a critical factor in the effective and efficient operation of a cohesive market structure and will work with the UK Government, CRESTCo, APCIMS, intermediaries and market users to ensure its wider adoption

Building the business

Technology

The London Stock Exchange already offers its customers efficient, reliable and scaleable systems

Since 1994, the London Stock Exchange has invested over £185 million as part of its long-term investment programme in technology...

...and as a result has trading systems that meet exacting customer needs and can be developed and enhanced to support...

- Developments for the retail community
- A pan-European trading market
- Trading of products other than cash equities

The London Stock Exchange is continuing to invest in its trading systems to increase capacity and functionality, and as part of its long-term investment programme is planning to...

- **More than double the London Stock Exchange's existing trading capacity** and provide appropriate head-room to accommodate expected continuing growth in market volumes
- **Enhance the London Stock Exchange's data network** to provide additional capacity for existing services, to allow cheaper international access and to provide the opportunity for third parties to utilise surplus capacity, providing the London Stock Exchange with additional revenues

The London Stock Exchange is also developing its established relationships with leading international information vendors to provide remote access to its trading systems, offering market users the potential to benefit from...

- Increased options for participating in the markets
- Greater choice of providers of remote access
- Reduced costs

The Board may consider partnerships or joint venture arrangements which enhance our delivery capability, particularly in the area of technology

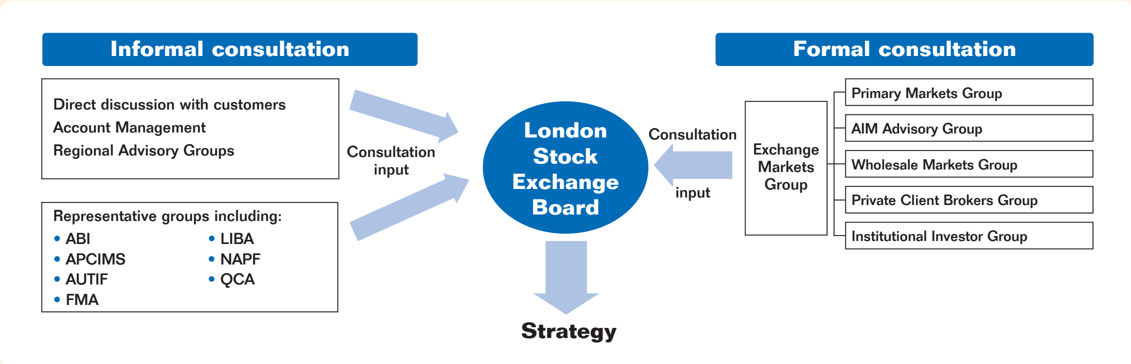
Building the business

Effective consultation process

The London Stock Exchange aims to provide efficient markets for all its customers: whether domestic or international, wholesale or retail, issuers, intermediaries and investors

The Board believes that the diversity of markets is a key element of London's strength as Europe's leading financial centre and means there is a need for full consultation to ensure the London Stock Exchange can meet the needs of this diverse customer base

The London Stock Exchange's formal consultation process will be based on a new structure which will have at its core the Exchange Markets Group ("EMG")



Representation on EMG will be drawn broadly from the market as a whole, including retail brokers, investment banks, corporate advisers, investing institutions, issuers and other key groups...

- EMG's initial composition, of approximately 30 individuals, and its terms of reference will be announced as soon as practicable after the Offer Period has ended
- EMG will be chaired by Don Cruickshank, will meet at least six times per year and will provide advice directly to the Board
- EMG will be supported by a number of new and existing consultative groups which will provide input from the diverse sections of the market
- In addition, the London Stock Exchange will continue to work with other service providers, including London Clearing House and CRESTCo, to support developments aimed at increasing market efficiency

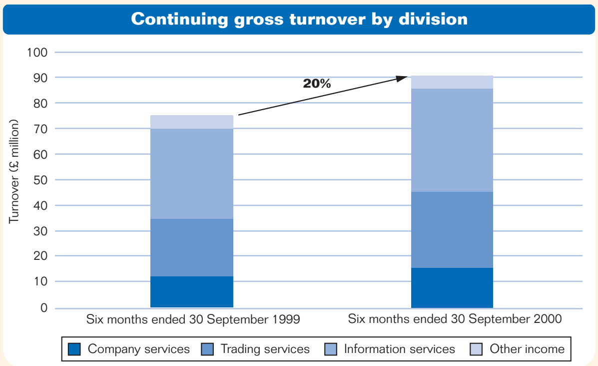
The London Stock Exchange's new consultation process is designed to ensure that strategic initiatives reflect the needs of customers and shareholders

Building the business

Financial strategy

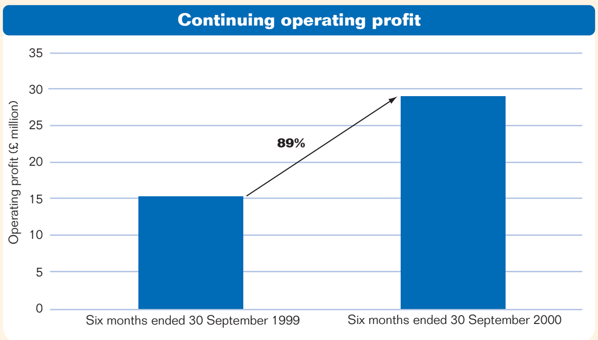
Interim results

Following demutualisation, the London Stock Exchange has focused on maximising shareholder value through the provision of high quality, competitively priced services. This first set of reported results for the six months ended 30 September 2000 demonstrates strong performance from each major revenue stream...



- Continuing gross turnover has increased by **20 per cent.** to **£90.6 million**, with strong growth in all major revenue streams

- **Company services –** More than 50 companies have joined techMARK since its inception in November 1999 and techMARK companies have accounted for a third of all money raised from equities on the main market during this period
- **Trading services –** The London Stock Exchange's markets have accommodated average trading volumes of 148,000 bargains a day in the period – more than 40 per cent. higher than during the same period last year
- **Information services –** London Stock Exchange data is currently available on over 104,000 terminals worldwide. We are continuing to introduce new information products for companies and private client brokers. Overall, our website now has around 340,000 user sessions, with approximately three million page impressions, per month



- Continuing operating profit on a pre-exceptional basis has increased by **89 per cent.** to **£29.1 million**

Note: Above figures stated on a continuing operations basis and before exceptional items.
The full text of the interim results is set out on pages 22 to 30 of this Circular.

Interim dividend

As stated at the time of demutualisation, the London Stock Exchange has announced its first dividend as part of this set of interim results. The Board has declared an interim dividend of 10 pence per share, payable in January 2001 to shareholders on the register as at 8 December 2000

Building the business

Financial strategy

Balance sheet strength

As the London Stock Exchange develops following demutualisation, the Board believes it is appropriate, in line with other international stock exchanges, to maintain a strong balance sheet with significant cash balances for the following reasons...

- To provide financial stability during the transition from quasi-mutual status
- To ensure confidence in the London Stock Exchange's ability to take a leading role in market developments
- To finance investment in development expenditure
- To maintain strategic flexibility at a time of unprecedented change in the London Stock Exchange's operating environment
- To ensure the London Stock Exchange is able to meet the capital adequacy requirements imposed by the FSA

In particular, the Board strongly believes it is important to maintain a strong balance sheet to maximise strategic flexibility during the current period of unprecedented change

The Board will keep the London Stock Exchange's capital structure under review. If circumstances change, the Board will consider appropriate uses of the London Stock Exchange's net cash balances in the best interests of shareholders

Building the business

Financial strategy

Property strategy

The Exchange Tower

- The London Stock Exchange has reduced its number of employees over recent years and sub-let surplus space in the Exchange Tower – currently 42 per cent. of the net useable square footage is sub-let
- This has provided income, which has increased to approximately £4 million in the year ended 31 March 2000

In view of its future requirements, the London Stock Exchange intends to vacate the Exchange Tower and relocate to new corporate headquarters by the end of 2004 at the latest, which has been selected to coincide with the break options and expiry dates of existing leases

- The Board intends to maintain the London Stock Exchange's principal location and corporate headquarters in the financial centre of London
- As at 30 September 2000, the Exchange Tower had a book value of £63.3 million and was valued by DTZ Debenham Tie Leung at £98.5 million on an Existing Use Value basis
- Insignia Richard Ellis has assessed the potential Open Market Value for redevelopment of the Exchange Tower in current market conditions and estimated that it could be in the range of £105-£110 million
- Achievement of this potential Open Market Value for redevelopment is subject to the resolution of various constraints including, but not limited to, the expiry of third party leases, the last of which can be terminated in 2004
- In the event of a sale of the Exchange Tower, proceeds would be offset by the cost of redemption of the Mortgage Debenture Stock, which the London Stock Exchange may be obliged to redeem at a gross redemption yield equal to 12 per cent. Treasury Stock 2013/2017 (which as at 30 September 2000 implied a multiple of 1.64 times nominal value equivalent to a value of £49.2 million), payment of any capital gains taxation and the costs associated with the new corporate headquarters
- Further information on property, including reports by DTZ Debenham Tie Leung and Insignia Richard Ellis, are set out on pages 33 to 37 of this Circular

Financial strategy

Intentions on listing

At the time of demutualisation, your Board concluded that your Company should not proceed to a full listing at that stage

The Board considers that the reasons for not proceeding to a full listing at that stage remain valid today...

- The business is still evolving
- The benefits of the recent demutualisation have not yet had time to take full effect
- London Stock Exchange has the ability to finance the next phase in its development through existing financial resources
- The Board continues to believe in the rationale for the general application of the 4.9% shareholding limit, to ensure continued diversity of ownership

The Board believes that your Company's immediate priority is to focus on building the business

The Board nevertheless envisages moving to a full listing in due course and will keep the timing of any such move under review

Building the business

OM's inadequacies for shareholders and customers

OM's revised Offer continues to represent inadequate value for shareholders and offers no proven benefits for customers

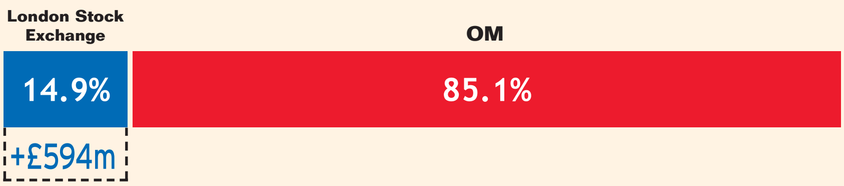
OM's two unattractive alternatives

EITHER: Even more new OM shares of uncertain value under OM's All Share Offer...

OM's enlarged fully diluted share capital

OR: Even less influence under OM's Majority Cash Alternative...

OM's enlarged fully diluted share capital before the rights issue



London Stock Exchange Shareholders should be aware of the following facts about OM's Majority Cash Alternative

- **London Stock Exchange Shareholders, in aggregate,** are being offered **only 14.9 per cent.** of OM's enlarged fully diluted share capital **before the rights issue**
- OM intends to **dilute further the interests of London Stock Exchange Shareholders** by launching a **rights issue to raise up to £594 million** in which **accepting London Stock Exchange Shareholders would not be entitled to participate**

London Stock Exchange Shareholders are being asked to accept new OM shares of uncertain value but, as a result of OM's rights issue, will not know...

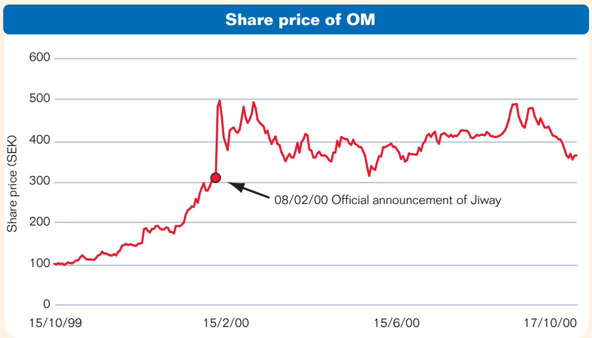
- The number of OM shares they will end up with
- The percentage of OM's share capital they will own, although it **could well be less than 14.9 per cent. in aggregate**
- The resulting capital structure of OM

OM's inadequacies for shareholders and customers

OM's shares are of uncertain value

The OM shares you are being offered are volatile and are currently trading at

- More than 69 times historical earnings
- Over three and a half times the level of one year ago



Source: Primark Datastream as at 17 October 2000

- OM's share price has fallen by over 25 per cent. from its peak of SEK 490 following announcement of the Offer

Jiway appears to represent a significant proportion of OM's current share price – **how much of this is 'hope value'?**

- An untested business proposition
- Only scheduled to start operations in November 2000
- 40 per cent. owned by a single US investment bank
- Expected to be initially loss-making
- Jiway's target is to achieve a market penetration of 50 per cent. of European on-line cross-border retail trading
- As this market develops, an increasing number of competitors, some with the advantages of brand and liquidity, are expected to launch competing offerings

Flowback – a major issue for London Stock Exchange Shareholders

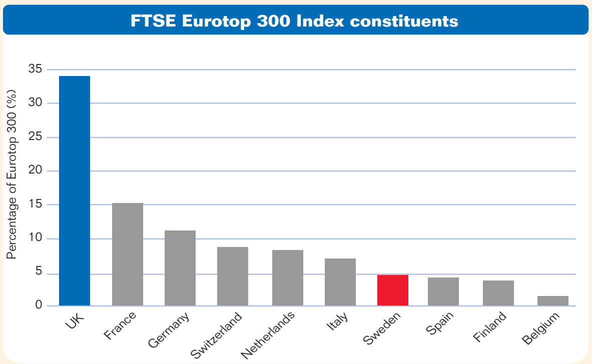
- London Stock Exchange Shareholders in aggregate are being offered **an unknown but potentially large number of new OM shares**
- OM intends to launch a rights issue to raise up to £594 million to refinance the Offer – **resulting in an unknown but potentially large further supply of new OM shares in OM's home market**
- The tight ownership of, and level of trading in, OM shares mean that potential flowback from London Stock Exchange Shareholders selling new OM shares could have a serious impact on the OM share price

How sustainable is OM's current share price?

OM's inadequacies for shareholders and customers

OM's technology offers no proven benefits

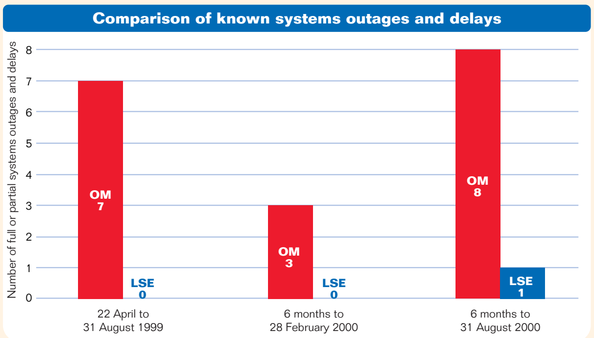
Despite the fact that OM's equity trading system, SAXESS, only serves two small-scale equity exchanges...



- London Stock Exchange's equity market interests amount to 34 per cent. of the Eurotop 300 by market capitalisation
- London Stock Exchange's domestic market capitalisation is almost twice as large as any other European equity market

Source: FTSE International Limited
Note: The chart above shows percentage of Eurotop 300 accounted for by individual countries by market capitalisation as at 21 September 2000
FTSE Eurotop 300 is a market capitalisation weighted index of Europe's largest 300 companies

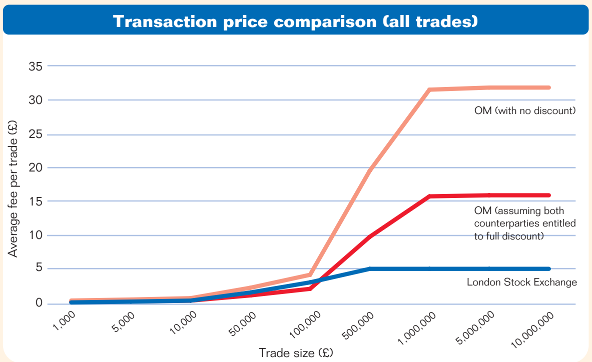
OM's equity trading system, SAXESS, has experienced numerous full or partial systems outages and delays...



- SAXESS has experienced 18 full or partial system outages or systems delays between 22 April 1999 and 31 August 2000

Source: London Stock Exchange, OM website
Note: Covers the period from OM's upgrade to SAX 2000 on 22 April 1999 to 31 August 2000 see Additional Information paragraph 3 for further details

OM has higher trading charges than the London Stock Exchange



- London Stock Exchange has lower trading charges than OM

…in particular for larger trades

…and also for small transactions

…even after discounts

Source: London Stock Exchange price list and OM price list
Note: Order book equity trades. Average of fees payable by both counterparties. Fees vary according to whether counterparty is passive (i.e. leaves a limit order on the book) or aggressive (i.e. hits an existing limit order). OM operates a scheme whereby members whose total monthly bill exceeds given thresholds are entitled to discounts of up to 50 per cent. This example assumes both counterparties receive a 50 per cent. discount, and so fees are effectively halved. Based on a £:SEK exchange rate of 1:13.8.

OM adds nothing

OM's inadequacies for shareholders and customers

Does OM merit a "technology" rating?

OM has only generated **9 per cent. or less of EBIT from its Technology business area in the last two and a half years**

OM's management has failed to **meet its own 20/20 performance target in four of the last five years**

OM has an unimpressive earnings per share record

- Earnings per share on a reported basis have increased at a compound annual rate of only 2.3 per cent. from 1995 to 1999
- It is unusual for a "technology" company to pay out the majority of its reported earnings as dividends – OM has only just managed to cover its dividend with reported earnings in each of the last three years

Questions over OM's ownership, control and governance

OM's shares are tightly controlled, with board members either holding themselves, or representing shareholders who hold, **40 per cent. in aggregate** of OM's issued share capital

Within this 40 per cent.:

- The **Swedish State owns 9.5 per cent.,** having **increased its shareholding in OM from 7.7 per cent. since 30 June 2000**
- **Investor**, an investment vehicle of the **Wallenberg family**, owns **15.3 per cent.**
- The chairman of OM Gruppen, **Olof Stenhammar** and related companies, owns **4.2 per cent.** Olof Stenhammar is related to the **Wallenberg family**

The **Wallenberg family** also has a significant shareholding in **SEB**, which holds **2.7 per cent.**

Why has OM failed to disclose clearly who constitutes this 40 per cent.?

The Swedish State has said that it expected to **achieve a 10 per cent. holding in OM**, which, if achieved, would give it certain rights to **prevent a third party from gaining full control**

Trading in OM shares in the period prior to the launch of OM's Offer is presently under investigation by the Finansinspektionen (the Swedish Financial Supervisory Authority)

A company owned by Olof Stenhammar, chairman of OM Gruppen, receives a profit related licence payment of one per cent. of OM's income after financial items

Why should he be rewarded simply for OM acquiring the London Stock Exchange?

OM – lack of clarity on ownership, control and governance

continue to reject OM Gruppen's Offer

London Stock Exchange's interim results

The full text of the London Stock Exchange's unaudited interim results for the six months to 30 September 2000 is set out below. Page numbers referred to in the report on page 30 are references to the pages in the interim results statement.

"Chairman's statement

Building on our strengths

In March, shareholders overwhelmingly endorsed our proposals to move to a commercial basis of operation by voting to become a public limited company and allowing shares to be transferable. From that time, the London Stock Exchange has been able to focus on its primary objective – to maximise shareholder value through the provision of high quality, competitively priced services to companies, intermediaries and investors.

We have continued to build on the strengths of our existing businesses during a period of significant growth in the UK equity market and strong performances from AIM and techMARK.

Financial results

An excellent set of results has been recorded in the first half of the year. Turnover from continuing operations was £90.6 million, an increase of 20 per cent. over the same period last year with strong performances from each of our major revenue streams.

Operating profit from continuing operations, before exceptional items, increased by 89 per cent. from £15.4 million in 1999 to £29.1 million. Earnings per share for continuing operations before exceptional items were 76.4 pence compared with 44.1 pence per share for the same period last year.

After tax of £10.1 million, profit was £10.3 million and the Board will pay an interim dividend in January 2001 of 10.0 pence per share to shareholders on the register on 8 December 2000.

Company services

We continue to improve both the structure of our markets and the services we offer to companies.

More than 50 companies have joined techMARK since its inception in November 1999. techMARK companies have accounted for a third of all money raised from equities on the main market during this period.

In February, the London Stock Exchange successfully introduced the second of its attribute markets, extraMARK, incorporating the first Exchange Traded Fund product, the iShares plc iFTSE 100.

Trading services

The London Stock Exchange's markets have accommodated average trading volumes of 148,000 bargains a day – more than 40 per cent. higher than during the same period last year.

We have expanded access to our trading systems for customers of information vendors such as Bloomberg and Thomson Financial (Global TOPIC), bringing the London market within easy reach of a wider range of investors.

Following extensive consultation with customers, we are working towards the introduction of the UK central counterparty. This initiative, in conjunction with CRESTCo and the London Clearing House, will make a significant contribution to reducing risk and, in the longer term, will reduce trading costs.

Information services

London Stock Exchange data is currently available on over 104,000 terminals worldwide.

In September, the Regulatory News Service was successfully upgraded to allow companies to make announcements securely via the internet. We believe this will become the normal procedure for making and viewing company announcements in the future, widening access to information, to the particular benefit of private investors. Details of forthcoming and recent initial public offerings are also now available on our website.

We are continuing to introduce new information products for companies and private client brokers to meet the needs of their customers. In addition, many private investors are also taking advantage of our delayed news and prices services, available free through our website. Overall, our website now has around 340,000 user sessions, with approximately three million page impressions, per month.

Board changes

I was pleased to join the Board as a non-executive director and then chairman in May after Sir John Kemp-Welch's retirement. Following the Annual General Meeting in September, Gavin Casey resigned as chief executive. We are grateful to him for his progressive leadership during the last four years. In the interim, before his successor is appointed, I have accepted the Board's request to take over executive responsibilities. I look forward to working with our strong management team to meet the challenges that lie ahead.

In order to strengthen the Board further, we believe it is a priority to ensure that the majority of non-executive directors are independent, in accordance with the UK Corporate Governance model.

Current trading and prospects

The first half financial performance was broadly in line with the directors' expectations and trading at the start of the second half continues to be satisfactory. The directors view the prospects for the London Stock Exchange with confidence.

Don Cruickshank

Don Cruickshank
Chairman

19 October 2000

Consolidated profit and loss account

Six months ended 30 September 2000

	Notes	Six months ended 30 September 2000 £m	Six months ended 30 September 1999 £m Restated	Year ended 31 March 2000 £m
Turnover				
Group and share of joint venture				
Continuing operations		**90.6**	75.3	164.0
Discontinued operations		**1.2**	5.9	11.7
Gross turnover		**91.8**	81.2	175.7
Less: share of joint venture's turnover				
Continuing operations		**(2.7)**	(2.1)	(4.5)
Net turnover	2	**89.1**	79.1	171.2
Administrative expenses				
Operating costs		**(59.2)**	(61.0)	(124.2)
Exceptional items	3	**(13.8)**	–	(5.1)
		(73.0)	(61.0)	(129.3)
Operating profit				
Continuing operations – before exceptional items		**29.1**	15.4	41.8
– after exceptional items		**15.3**	15.4	36.7
Discontinued operations		**0.8**	2.7	5.2
		16.1	18.1	41.9
Share of operating profit of joint venture and income from other fixed asset investments		**0.3**	0.2	0.3
Net interest receivable	4	**4.0**	3.0	6.3
Profit on ordinary activities before taxation		**20.4**	21.3	48.5
Taxation on profit on ordinary activities	5	**(10.1)**	(6.3)	(14.6)
Profit for the financial period		**10.3**	15.0	33.9
Dividend		**(3.0)**	–	–
Retained profit for the financial period		**7.3**	15.0	33.9
Earnings per share	6	**34.7p**	50.5p	114.1p
Adjusted earnings per share	6	**76.4p**	44.1p	119.2p
Dividend per share		**10.0p**	–	–

Statement of total recognised gains and losses

Profit for the financial period	**10.3**	15.0	33.9
Other recognised gains and losses for the period Prior period adjustments	**–**	9.7	13.4
Total recognised gains for the period	**10.3**	24.7	47.3

Note: Prior year comparatives have been restated due to a change in accounting policy, made in the financial statements for the year ended 31 March 2000, to meet the requirements of FRS 15 on tangible fixed assets. This has resulted in the surplus for the six months to 30 September 1999 being reduced from £18.6 million to £15.0 million.

Consolidated balance sheet

At 30 September 2000	Notes	30 September 2000 £m	30 September 1999 £m Restated	31 March 2000 £m
Fixed assets				
Tangible assets		**110.7**	112.7	114.4
Investments		**2.7**	1.0	2.5
		113.4	113.7	116.9
Current assets				
Debtors: amounts falling due within one year		**32.3**	28.3	35.7
Deferred tax due after more than one year		**1.9**	0.6	1.2
Investments – term deposits		**208.0**	196.0	196.0
Cash at bank		**4.1**	5.2	4.4
		246.3	230.1	237.3
Creditors: amounts falling due within one year		**(67.1)**	(59.2)	(59.1)
Net current assets		**179.2**	170.9	178.2
Total assets less current liabilities		**292.6**	284.6	295.1
Creditors: amounts falling due after more than one year		**(30.0)**	(30.0)	(30.0)
Provisions for liabilities and charges	7	**(30.0)**	(33.5)	(31.0)
Net assets		**232.6**	221.1	234.1
Capital and reserves				
Called up share capital	8	**1.5**	–	–
Reserves				
Revaluation reserve		**48.7**	50.6	49.6
Capital redemption reserve		**–**	14.7	8.8
Trade compensation reserve		**15.0**	15.0	15.0
Profit and loss account		**167.4**	140.8	160.7
Total shareholders' funds		**232.6**	221.1	234.1

Consolidated cash flow statement

Six months ended 30 September 2000	Notes	Six months ended 30 September 2000 £m	Six months ended 30 September 1999 £m Restated	Year ended 31 March 2000 £m
Net cash inflow from operating activities	10	**31.5**	18.7	45.0
Returns on investments and servicing of finance				
Interest received		**6.0**	4.5	10.6
Interest paid		**(1.5)**	(1.5)	(3.0)
Dividends received		**–**	–	0.1
Net cash inflow from returns on investments and servicing of finance		**4.5**	3.0	7.7
Taxation				
Corporation tax paid		**(9.7)**	0.4	(12.1)
Capital expenditure and financial investments				
Payments to acquire tangible fixed assets		**(5.8)**	(2.6)	(14.7)
Receipts from sale of tangible fixed assets		**–**	1.1	1.2
Receipts from sale of fixed asset investments		**–**	–	0.1
Net cash outflow from capital expenditure and financial investments		**(5.8)**	(1.5)	(13.4)
Acquisitions and disposals				
Payments to acquire shares in joint venture		**–**	–	(1.5)
Net cash inflow before use of liquid resources and financing		**20.5**	20.6	25.7
Management of liquid resources				
Increase in term deposits		**(12.0)**	(2.0)	(2.0)
Financing				
Redemption of A shares		**(8.8)**	(19.9)	(25.8)
Decrease in cash in the period		**(0.3)**	(1.3)	(2.1)

Notes to the financial information

1. Basis of preparation

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year ended 31 March 2000, and are unaudited. The interim financial statements do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985.

Comparative figures for the year ended 31 March 2000 are an abridged version of the Group's full accounts which carried an unqualified audit report and have been delivered to the Registrar of Companies.

2. Analysis of turnover

	Six months ended 30 September 2000 £m	1999 £m Restated	Year ended 31 March 2000 £m
Continuing operations			
Company services	**15.5**	12.1	25.7
Trading services	**29.6**	22.5	54.1
Information services	**40.4**	35.3	72.9
Other income	**5.1**	5.4	11.3
	90.6	75.3	164.0
Discontinued operations			
Competent authority	**1.2**	5.9	11.7
Gross turnover	**91.8**	81.2	175.7
Less: share of joint venture's turnover	**(2.7)**	(2.1)	(4.5)
Net turnover	**89.1**	79.1	171.2

3. Exceptional items

Exceptional items are for costs in respect of the Company reorganisation and demutualisation in the year to 31 March 2000, and in the current year for the proposed merger with Deutsche Börse and in defence of the bid from OM Gruppen.

4. Interest

Interest receivable			
Bank deposits	**6.4**	5.4	11.1
Interest payable			
On bank and other loans repayable after five years	**(1.5)**	(1.5)	(3.0)
Interest on discounted provision for leasehold properties	**(0.9)**	(0.9)	(1.8)
Total	**(2.4)**	(2.4)	(4.8)
Net interest receivable	**4.0**	3.0	6.3

5. Taxation

	Six months ended 30 September 2000 £m	1999 £m Restated	Year ended 31 March 2000 £m
Corporation tax for the period at 30%	**11.4**	8.0	17.8
Deferred taxation	**(0.7)**	(1.7)	(3.1)
Adjustment for previous years:			
Corporation tax	**(0.7)**	–	(1.0)
Deferred taxation	**–**	–	0.8
Joint venture	**0.1**	–	0.1
Taxation charge	**10.1**	6.3	14.6

The effective rate of taxation in the six months to 30 September 2000 is higher than the standard rate of taxation primarily because certain expenses are disallowed for tax purposes.

6. Earnings per share

Earnings per share of 34.7p (1999, restated 50.5p, year ended 31 March 2000, 114.1p) are based on profit for the financial period of £10.3m (1999, restated £15.0m, year ended 31 March 2000, £33.9m) and a weighted average number of Ordinary shares in issue of 29.7m.

Adjusted earnings per share are in respect of continuing operations before exceptional items. Adjusted earnings per share of 76.4p (1999, restated 44.1p, year ended 31 March 2000, 119.2p) are based on adjusted earnings for the financial period of £22.7m (1999, restated £13.1m, year ended 31 March 2000, £35.4m) and a weighted average number of Ordinary shares in issue of 29.7m.

7. Provisions for liabilities and charges

	Pensions £m	Property £m	Total £m
1 April 2000	1.3	29.7	**31.0**
Utilised during the period	(0.1)	(1.6)	**(1.7)**
Interest on discounted provision	–	0.9	**0.9**
Surplus provision released	–	(0.2)	**(0.2)**
30 September 2000	1.2	28.8	**30.0**

Pensions

The pensions provision represents a pension surplus which first arose in 1990 and is being released to the profit and loss account over the expected remaining service lives of scheme members in accordance with the accounting policy for pension costs.

Property

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting for those properties which are surplus to business requirements. The leases have a maximum term of 14 years to expiry.

8. Share capital

		30 September 2000	30 September 1999	31 March 2000
Authorised				
Ordinary shares of 5p each	– number	**40,000,000**	–	–
	– £	**2,000,000**	–	–
A shares of 5p each	– number	**–**	5,601	5,601
	– £	**–**	280	280
B shares of 5p each	– number	**–**	14,399	14,399
	– £	**–**	720	720
Issued, called up and fully paid				
Ordinary shares of 5p each	– number	**29,700,000**	–	–
	– £	**1,485,000**	–	–
A shares of 5p each	– number	**–**	1,477	880
	– £	**–**	74	44
B shares of 5p each	– number	**–**	14,399	14,399
	– £	**–**	720	720

All outstanding A shares were redeemed with effect from 12 April 2000. On 12 April 2000, the B shares held by the share trustee were purchased by the Company and cancelled, each remaining B share was reclassified as an Ordinary share and there was a bonus issue of 99,999 Ordinary shares for every Ordinary share held. This increased the number of shares in issue to 29.7m.

9. Reconciliation of movements in shareholders' funds

	Six months ended 30 September 2000 £m	Six months ended 30 September 1999 £m Restated	Year ended 31 March 2000 £m
Profit for the financial period	**10.3**	15.0	33.9
Dividend	**(3.0)**	–	–
Redemption of A shares during the period	**(8.8)**	(19.9)	(25.8)
Net addition to shareholders' funds	**(1.5)**	(4.9)	8.1
Opening shareholders' funds	**234.1**	226.0	226.0
Closing shareholders' funds	**232.6**	221.1	234.1

10. Note to the consolidated cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	**16.1**	18.1	41.9
Depreciation of tangible assets	**9.5**	12.0	22.2
Decrease/(increase) in debtors	**3.8**	0.3	(7.6)
Increase/(decrease) in creditors	**3.8**	(9.9)	(8.5)
Provisions utilised during the period	**(1.7)**	(1.8)	(3.0)
Net cash inflow from operating activities	**31.5**	18.7	45.0

Independent review report to London Stock Exchange plc

Introduction

We have been instructed by the company to review the financial information set out on pages 4 to 9 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority (which the company applies as if its shares were listed) require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2000.

PricewaterhouseCoopers
Chartered Accountants
London
19 October 2000"

Letter from PricewaterhouseCoopers on the interim results for the six months ended 30 September 2000

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

The Directors
London Stock Exchange plc
Old Broad Street
London EC2N 1HP

The Directors
Schroder Salomon Smith Barney
33 Canada Square
London E14 5LB

19 October 2000

Dear Sirs

We have reviewed the basis of compilation and the accounting policies for the interim results of London Stock Exchange plc (the "Company") for the six months ended 30 September 2000 (the "Interim Results"), for which the directors of the Company are solely responsible, as set out on pages 22 to 30 of the Company's Circular dated 19 October 2000.

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board.

In our opinion, the Interim Results have been properly compiled on the basis stated in note 1 thereto and the basis of accounting is consistent with the accounting policies of the Company.

Our work in connection with the Interim Results has been undertaken solely for the purpose of reporting to the directors of the Company and of Schroder Salomon Smith Barney. We accept no responsibility to any offeror or its shareholders or any other person in respect of, arising out of or in connection with that work.

PricewaterhouseCoopers
Chartered Accountants

Letter from Schroder Salomon Smith Barney on the interim results for the six months ended 30 September 2000

SCHRODER SALOMON SMITH BARNEY
A member of citigroup

Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

The Directors
London Stock Exchange plc
Old Broad Street
London EC2N 1HP

19 October 2000

Dear Sirs

We refer to the unaudited interim results for London Stock Exchange plc (the "Company") for the period ended 30 September 2000 (the "Interim Results") set out on pages 22 to 30 of the Company's Circular dated 19 October 2000.

We have discussed the Interim Results and the basis on which they have been prepared with you as Directors of the Company. We have also discussed the accounting policies and calculations for the Interim Results with PricewaterhouseCoopers, auditors to the Company, and we have considered their letter of today's date addressed to yourselves and to ourselves on this matter.

On the basis of the foregoing, we consider that the Interim Results, for which you as directors are solely responsible, have been prepared by the Directors with due care and consideration.

Yours faithfully,
For and on behalf of
Schroder Salomon Smith Barney

Philip Robert-Tissot
Managing Director

DTZ Debenham Tie Leung
International Property Advisers

30 Throgmorton Street
London EC2N 2BQ

16 October 2000

The Directors
London Stock Exchange plc
Old Broad Street
London EC2N 1HP

Dear Sirs

The Exchange Tower, London, EC2
Revaluation for accounts purposes: 30 September 2000

In accordance with written instructions dated 11 October 2000, we undertook a revaluation of the Exchange Tower in order to provide our opinion of the freehold value thereof, as at 30 September 2000. This was submitted on 12 October 2000. We are now required to summarise our advice in respect of the Exchange Tower for inclusion in a circular to your shareholders. We now summarise that advice below.

Our revaluation was prepared in accordance with the current RICS Appraisal and Valuation Manual, hereinafter referred to as the Manual, effective from January 1996 and was undertaken by valuers qualified for the purpose. The term revaluation is defined in the Manual as:

> *"a further valuation in respect of a property which has been the subject of a previous valuation by the same Valuer (or organisation), who relies principally on the details of the property obtained from his previous valuation, and the resulting Report."*

Since 1994, DTZ Debenham Tie Leung (formerly DTZ Debenham Thorpe) have been instructed by the London Stock Exchange (hereinafter referred to as the Exchange) to value the subject property for annual accounts' purposes and we last reported to the Exchange in respect thereof on 31 March 2000. In formulating our current opinion of value we relied upon details of the building obtained over such a period and did not re-inspect.

The Exchange informed us of material changes to the property since March 2000 and we comment below under the heading "Material Changes" on those aspects to which we have had particular regard in this revaluation.

Basis of valuation

In assessing value, we adopted the definitions contained within the Manual. Practice Statement 3, thereof, states that where the purpose of the valuation is for takeovers and mergers under the City Code and the buildings are

> *"Non-specialised and occupied for the purposes of the undertaking"*

then the valuation is to be undertaken on the basis of Existing Use Value (EUV). Practice Statement 4 defines EUV as follows:–

"An opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:–

(a) a willing seller;

(b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a prospective purchaser with a special interest;

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion;

(f) the property can be used for the foreseeable future only for the existing use; and

(g) that vacant possession is provided on completion of the sale of all parts of the property occupied by the business (save that, solely where the property is owned by a public or other non-profit-making body for the delivery of a service, it is to be assumed that the property will continue to be occupied or let for its existing use)".

The Exchange Tower, London EC2
In our opinion and following discussion with the Exchange, it was agreed that EUV was appropriate method of valuation for the Exchange Tower and we adopted that basis for the purpose of the valuation.

Material changes
We understood that there had been various tenancy changes in the Exchange Tower since our last revaluation and the Exchange provided us with a revised tenancy schedule to which we have had regard.

Realisation costs
We made no allowance for vendor's sale costs, nor for any tax liabilities including Value Added Tax, which may arise from any disposal of the properties or any part thereof. We made deductions to reflect the purchaser's normal acquisition costs and the valuation figures were expressed as net of these costs.

Assumptions
In undertaking our valuation, we made a number of general and specific assumptions. These were set out in detail in our report dated 12 October 2000.

Valuation
Having considered the available comparable evidence and in the light of current market conditions, we were of the opinion that the value of the freehold interest in the Exchange Tower, assuming that the Exchange will continue to occupy the areas it currently occupies and otherwise with the benefit of the existing leases, was as follows:–

Property owner occupied for the purposes of the business

The Exchange Tower, London EC2	£98,500,000	(Ninety Eight Million, Five Hundred Thousand Pounds)

The valuation should be read in conjunction with our detailed report dated 12 October 2000 which will be displayed at the offices of Herbert Smith.

Confidentiality and disclosure
The contents of this report are intended to be confidential to the Exchange and intended for its use in respect of inclusion in a circular to shareholders only. Consequently, and in accordance with current market practice, no responsibility is accepted to any other party in respect of the whole or part of its contents. Before this report or any part of it is reproduced, or referred to in any document, circular or statement other than the circular or associated documentation and before its contents or the contents of any part of it are disclosed or released to any third party, written approval as to the form and content of such publication of the disclosure must first be obtained from DTZ Debenham Tie Leung. Such publication or disclosure will not be permitted unless, where relevant, it incorporates the special assumptions referred to herein. For the avoidance of doubt such approval is required whether or not DTZ Debenham Tie Leung is referred to by name and whether or not this report is combined with others.

Yours faithfully

N. G. Butterworth

N G Butterworth ARICS
Chartered Surveyor
For and on Behalf of

DTZ Debenham Tie Leung

Insignia Richard Ellis Limited
Berkeley Square House
London W1X 6AN

Insignia Richard Ellis

The Directors
London Stock Exchange plc
Old Broad Street
London EC2N 1HP

16 October 2000

Dear Sirs

REDEVELOPMENT VALUATION

1. Introduction
In accordance with your instructions we have considered the property known as the Exchange Tower site, in order to advise you of the potential Open Market Value of the freehold interest for redevelopment, were certain conditions permitting redevelopment to take place to occur.

2. The Property
We understand that the London Stock Exchange's ownership extends to an area bounded by Throgmorton Street, Old Broad Street, Threadneedle Street and to the west properties owned by Royal & SunAlliance. On this basis the site area is approximately 1.4 acres.

The site is currently occupied by the Exchange Tower and associated buildings, which we understand has a net lettable floor area of approximately 25,370 m^2 (273,080 sq ft) and a gross floor area of approximately 49,700 m^2 (535,000 sq ft). A significant proportion of this accommodation is occupied by the London Stock Exchange, whilst the remainder is subject to a number of leases all of which we understand can be terminated by the end of June 2004.

3. Valuation
Subject to the comments and assumptions which are set out below or in the schedule of Valuation Principles and Assumptions we are of the opinion that the potential Open Market Value of the Exchange Tower site is in the range £105 – £110 million.

This value is applicable only on the assumption that all of the following conditions have been successfully resolved at the date of the valuation:–

- Full vacant possession has been secured. The above valuation has made no allowance for any costs incurred in securing possession.
- A satisfactory detailed planning consent, and if necessary Conservation Area consents, has been secured for the redevelopment of the existing buildings on the site, with a new Tower, providing a significant improvement on the existing net lettable floor area and maximising the potential of the site within the policies of the City of London Unitary Development Plan Review 2000. In particular on the assumption that the new policy on high buildings is adopted by the Corporation of London and is supported by the relevant authorities when deciding any planning application in respect of this site. A Planning Application has yet to be submitted.
- The satisfactory resolution of all third party rights in connection with the proposed redevelopment.
- Current market conditions continue to apply.

The valuation should be read in conjunction with the separate appendix to this report dated 16 October which will be displayed at the offices of Herbert Smith

4. Confidentiality

The contents of this report are intended to be confidential to the London Stock Exchange and intended for its use in respect of inclusion in a circular to shareholders. Consequently no responsibility is accepted for any other party in respect of the whole or part of its contents.

With the exception of the circular to shareholders, neither the whole nor any part of this report, nor any reference thereto, may be included in any published document, circular or statement, nor published in any way nor disclosed orally to any third party, without our written approval of the form or context of such publication or disclosure. For the avoidance of doubt, such approval is required whether or not Insignia Richard Ellis are referred to by name and whether or not our report is combined with any other material.

Yours faithfully

J Ardley
Director
For and on behalf of
Insignia Richard Ellis Limited

Additional information

1. Previous documents

This Circular should be read in conjunction with the circulars to shareholders dated 25 September 2000 and 5 October 2000, copies of which are available from the London Stock Exchange. Save as disclosed in this Circular, the Directors are not aware of any material change in the information contained in those two circulars and no significant new matter has arisen which would have been mentioned in those circulars had it arisen before 5 October 2000 or 25 September 2000.

2. Responsibility

The Directors of London Stock Exchange, whose names are set out on page 2 of this Circular, accept responsibility for the information contained in this Circular, save that the only responsibility accepted by the Directors in respect of the information relating to OM, which has been compiled from public sources, has been to ensure that such information has been correctly and fairly reproduced or presented. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

3. Bases

The London Stock Exchange has defined the terms "outage" and "delay" as follows:

- an outage is when the London Stock Exchange believes from reading the description of the problem from the OM website that either no customers were able to trade using the trading system ("full outage") or that more than one customer was unable to trade using the trading system ("partial outage")
- a delay is when the London Stock Exchange believes from reading the description of the problem on the OM website that more than one customer experienced delays, and that the period during which delays were occurring appeared to persist for longer than 20 minutes

For the London Stock Exchange systems, the same criteria have been applied to information from London Stock Exchange internal records.

4. Consents

Schroder Salomon Smith Barney, which is regulated by The Securities and Futures Authority Limited, is registered in England and Wales with number 1763297 and has its registered office at Victoria Plaza, 111 Buckingham Palace Road, London, SW1W 0SB has given and not withdrawn its written consent to the inclusion in this Circular of its name and letter in the form and context in which they appear.

PricewaterhouseCoopers has given and not withdrawn its written consent to the inclusion of its name and letter in this Circular in the form and context in which they appear.

DTZ Debenham Tie Leung has given and not withdrawn its written consent to the inclusion of its name and letter in this Circular in the form and context in which they appear.

Insignia Richard Ellis has given and not withdrawn its written consent to the inclusion of its name and letter in this Circular in the form and context in which they appear.

5. Documents on display

A copy of each of the following documents will be available for inspection at the offices of Herbert Smith, Exchange House, Primrose Street, London, EC2A 2HS, during usual business hours on weekdays (excluding Saturdays and public holidays) from 19 October while the OM Offer remains open for acceptance:

(i) this Circular;

(ii) the documents listed as available for inspection in the previous circulars dated 25 September and 5 October 2000;

(iii) the letters of consent referred to in paragraph 4 of the Additional information;

(iv) the letters from PricewaterhouseCoopers, Schroder Salomon Smith Barney, DTZ and Insignia Richard Ellis reproduced on pages 31 to 37 of this Circular; and

(v) the property reports referred to on pages 33 to 37 of this Circular.

19 October 2000

Definitions

In this Circular, the following words and expressions shall have the following meanings, unless the context requires otherwise:

"ABI"	Association of British Insurers;
"APCIMS"	Association of Private Client Investment Managers and Stockbrokers;
"AUTIF"	Association of Unit Trusts and Investment Funds;
"Board" or "Directors"	the directors of London Stock Exchange;
"DTZ"	DTZ Debenham Tie Leung;
"Circular"	this document;
"City Code"	the City Code on Takeovers and Mergers;
"CRESTCo"	CRESTCo Limited;
"EBIT"	earnings before interest and taxation;
"EBITDA"	earnings before interest and taxation, depreciation and amortisation;
"FMA"	Fund Managers Association;
"FSA"	Financial Services Authority;
"LCH"	London Clearing House Limited;
"LIBA"	London Investment Banking Association;
"London Stock Exchange" or "Company"	London Stock Exchange plc;
"London Stock Exchange Share"	an ordinary share of 5p in the capital of London Stock Exchange;
"London Stock Exchange Shareholder"	the holder of a LSE Share;
"Mortgage Debenture Stock"	the £30 million $10^1/_8$ per cent. Mortgage Debenture Stock 2016;
"NAPF"	National Association of Pension Funds;
"Offer Document"	the offer document dated 13 October 2000 from Lazard Brothers & Co., Limited on behalf of OM and addressed to London Stock Exchange Shareholders;
"OM" or "OM Gruppen"	OM Gruppen AB (publ);
"OM Offer" or "Offer"	the offers for London Stock Exchange Shares made by Lazard Brothers & Co., Limited on behalf of OM as described in the Offer Document and, where the context so requires, any subsequent revision, variation, extension or renewal of such offers;
"OM Offer Period" or "Offer Period"	the period commencing on (and including) 8 June 2000 until whichever of the following dates shall be the latest: (i) 27 October 2000; (ii) the time at which the Offer lapses; (iii) the time at which the Offer becomes unconditional;
"QCA"	Quoted Companies Alliance;
"Schroder Salomon Smith Barney"	Salomon Brothers International Limited, doing business as Schroder Salomon Smith Barney, (Schroder is a trademark of Schroders Holdings plc and is used under licence by Salomon Brothers International Limited);
"SETS"	Stock Exchange Electronic Trading Service; and
"UK"	United Kingdom of Great Britain and Northern Ireland

continue to reject OM Gruppen's Offer

imprima London, Frankfurt, New York, Washington, Birmingham C81032

London STOCK EXCHANGE