

London Stock Exchange *plc*

OM's technology offers no proven benefits...

...OM's shares are of uncertain value...

...Numerous questions over OM's ownership, control and governance...

Continue to reject OM Gruppen's Offer



You are reminded that an Extraordinary General Meeting has been convened for 12 noon on Thursday 19 October 2000 at The Park Lane Hotel, Piccadilly, London W1Y 8BX. The purpose of the EGM is to allow London Stock Exchange Shareholders to vote on a resolution to waive the 4.9% limit in respect of any City Code offer which is declared wholly unconditional. A map is enclosed giving directions to the EGM.

If you have not already done so, you are asked to complete and return the yellow form of proxy enclosed in accordance with the instructions printed on it as soon as possible. In any event, your proxy must be received by London Stock Exchange's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 3AH, not later than 12 noon on Tuesday 17 October 2000.

Corporate shareholders are reminded that if they intend sending a corporate representative to the meeting, the representative must complete and bring with them the enclosed white Appointment of Corporate Representative Card.

It would also assist if Shareholders would complete and return the enclosed white Notice of Attendance Card.

If you need additional copies of the Proxy Form, Appointment of Corporate Representative Card or Notice of Attendance Card please contact the Shareholder helpline on 020 7797 3322.

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.

Schroder Salomon Smith Barney, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting exclusively for London Stock Exchange in relation to the Offer. Schroder Salomon Smith Barney has approved this Circular for the purposes of Section 57 of the Financial Services Act 1986. Schroder Salomon Smith Barney is not advising any other person or treating any other person as its customer in relation to the Offer. Schroder Salomon Smith Barney will not be responsible to any such person for providing the protections afforded to its customers or for advising any such person on the Offer.

OM's technology offers no proven benefits...

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

OM's systems have a history of delayed upgrades

OM's equity trading system, SAXESS, has experienced serious reliability problems, despite only serving two small-scale equity exchanges

OM shares are of uncertain value...

Almost three-quarters of OM's Offer is in new OM shares

Does OM merit a "technology" rating, of 78 times historical earnings, when 9 per cent. or less of EBIT is derived from its OM Technology business area?

OM has delivered unimpressive earnings growth on a reported basis

OM's share price, and hence the OM shares you are being offered, currently appears to include a significant element of "hope value" in Jiway, an untested business proposition

OM's ownership, control and governance raises numerous questions...

REJECT OM GRUPPEN'S OFFER

Do not complete any form of acceptance sent to you by OM

Do not return the EGM requisition form sent to you by OM



London **STOCK EXCHANGE**

Don Cruickshank, *Chairman*
Ian Salter, *Deputy Chairman*
Jonathan Howell, *Director of Finance and Operations*
Martin Wheatley, *Director of Business Development*
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*

5 October 2000

To the holders of shares in London Stock Exchange

Dear Shareholder

Introduction

As I stated in my letter to you on 25 September 2000, the London Stock Exchange is not up for sale and accordingly I urge you not to accept the OM Offer. OM's negligible level of acceptances received by 2 October 2000 endorses the Board's view that OM is offering wholly inadequate value to the London Stock Exchange's shareholders and no proven benefits for customers.

The purpose of this Circular is to explain in greater detail why:

- OM's technology offers no proven benefits;
- OM's shares are of uncertain value; and
- OM's ownership, control and governance raises numerous questions.

Consultation and strategy implementation

The London Stock Exchange's strategy, as outlined in my letter to you on 25 September 2000, will be implemented only after a full consultation process with shareholders and customers. It is not practicable for us to conclude this process during OM's bid timetable when our efforts are rightly focussed on seeing off OM's opportunistic offer.

As we have made clear, the London Stock Exchange is not up for sale. Our strategy may involve doing deals but it does not necessarily have to. That is our consistent message to all those who have an interest in our future ownership.

By dismissing OM and engaging in a full consultation process, London Stock Exchange's shareholders and customers will have real influence over our future development.

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 or return any form of acceptance or OM's EGM requisition form. 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 in London Stock Exchange.

Yours sincerely



Don Cruickshank
Chairman

The facts about technology

London Stock Exchange already has robust, reliable and scaleable technology

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

...the objective of this investment programme is to maintain an efficient and reliable trading system which can be developed and enhanced to meet the changing customer needs of Europe's pre-eminent equity exchange

Project	Description	Delivered	Status
Sequence 3	London Market Information Link	21 November 1994	ON TIME
Sequence 4	SEATS PLUS	12 June 1995	ON TIME
Sequence 5	Trade reporting and publication	18 September 1995	ON TIME
Sequence 6	SEAQ/SEAQ International upgrade	27 August 1996	ON TIME
SETS	Order book enhancements	20 October 1997	ON TIME
SETS Enhancement R1	Market hours, minimum order size	20 July 1998	ON TIME
SETS Enhancement R2	Volume Weighted Average Prices, price monitoring	14 December 1998	ON TIME
Y2K	Y2K and capacity upgrade	10 May 1999	ON TIME
TSE 3.1	Enhanced auctions, crossing	30 May 2000	ON TIME

Source: London Stock Exchange

Through this investment programme, London Stock Exchange has established a record of...

- Meeting customer requirements in application design and development
- Methodical planning of information technology testing and delivery to a large number of customers on schedule
- High standards of service management and system availability
- Vigorous risk assessment and planning

London Stock Exchange - successful management of technology

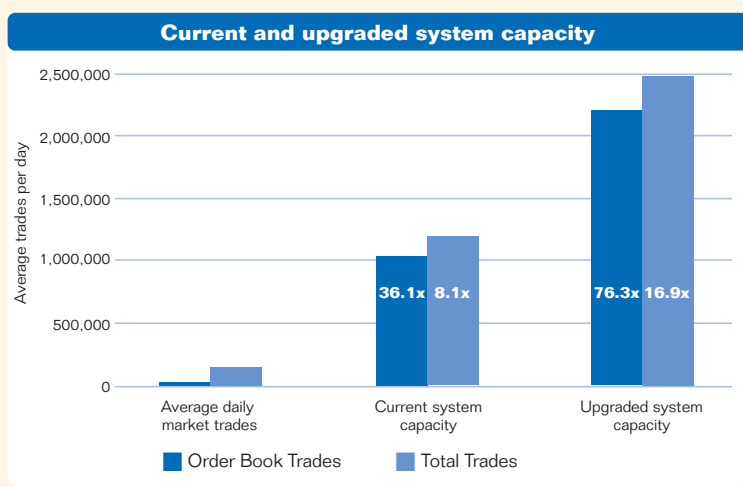
INFORMATION ON OM TECHNOLOGY PUBLISHED BY OM ON ITS WEBSITE...

The facts about technology

London Stock Exchange regularly reviews market trends, activity and likely demands on its trading systems

This ensures our ability to deal with the high level of transactions in the London market...

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



Source: London Stock Exchange

Note: Average daily market trades are in respect of August 2000

Numbers in white represent number of times current system capacity and upgraded system capacity cover current average daily market trades

London Stock Exchange's system capacity...

- is already **over 8x** the level of average total trades per day
- following upgrade will be **over 16x** the level of average total trades per day
- has demonstrated its ability to cope with peaks in customer demand and trading volumes, such as those experienced on index expiry dates

The ability to more than double existing capacity through upgrading has already been thoroughly tested and verified...

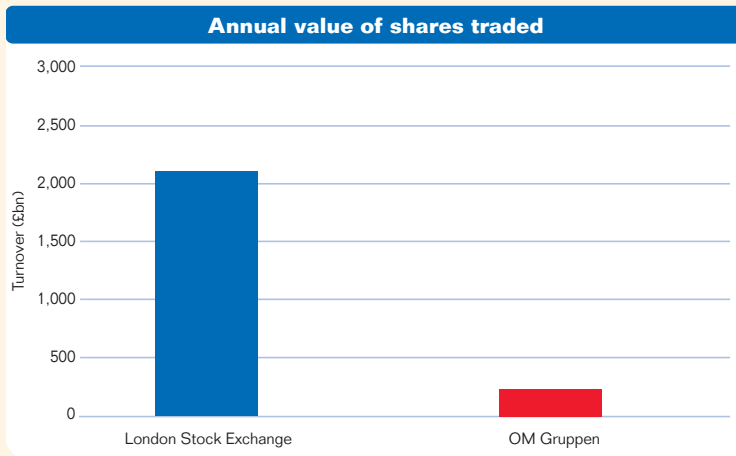
...and will provide appropriate headroom to accommodate expected continuing growth in market volumes

London Stock Exchange - continuing to invest for the future

.....22/04/99 1807 SA% TECHNICAL DISTURBANCE.....03/05/99 1127 INDEX CALCULATION IN EQUITIES IS WRONG AT THE MOMENT.....04/05/99 15:18 INFORMATION ABOUT THE SA%-DISTURBANCE TODAY.....

The facts about technology

OM provides its equity trading technology, SAXESS, to only two small scale exchanges - OM Stockholm and Copenhagen

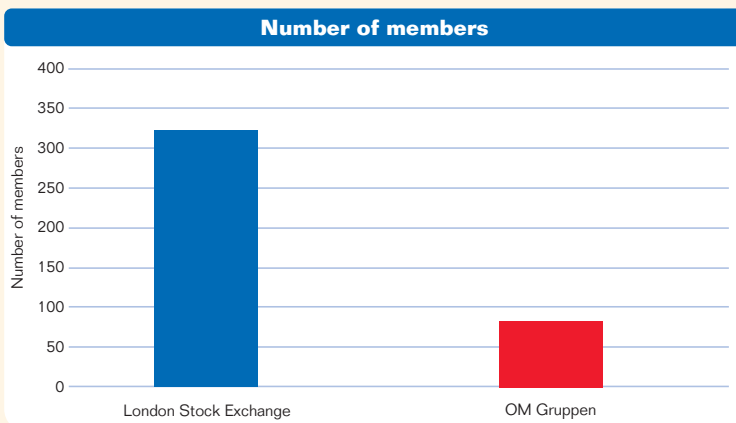


Source: FIBV Annual report 1999

Note: OM annual value of shares traded based on the aggregate of shares traded on OM's Stockholm and Copenhagen equity exchanges in 1999.

Based on a £:US\$ exchange rate of 1:0.6011, source FT 1 January 2000

- London Stock Exchange is **over 8x** larger than OM's Stockholm and Copenhagen equity exchanges in terms of annual value of shares traded



Source: London Stock Exchange (as at 14 September 2000), OM: Norex website (as at 13 September 2000)

Note: OM number of members based on the aggregation of OM's Stockholm and Copenhagen equity exchanges, adjusted to exclude duplicate members

- London Stock Exchange has **over 3x** as many members as OM's Stockholm and Copenhagen equity exchanges

OM lacks scale in equity trading

.....06/05/99 16:16 ABOUT SAX DISTURBANCE TODAY..... 12/05/99 14:20 INFORMATION ABOUT
SAX DISTURBANCE TODAY..... 16/06/99 16:43 ERROR IN TURNOVER VALUE TODAY.....

The facts about technology

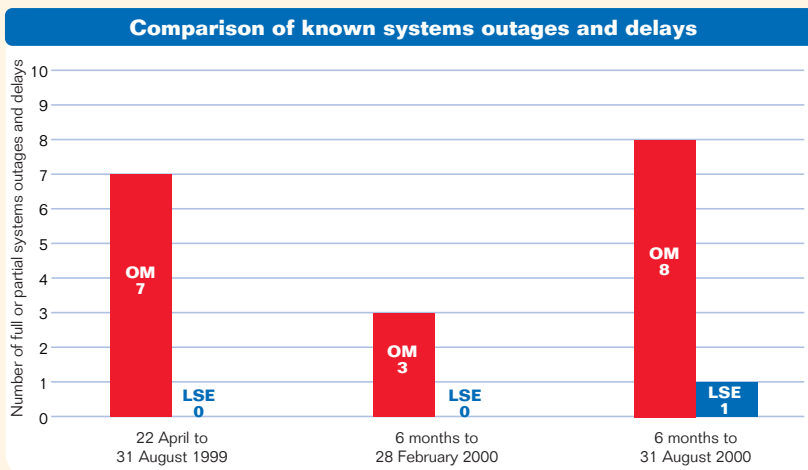
OM has failed to deliver upgrades on schedule

Project	Planned	Delay	Outcome
OM Click new release for Stockholm ⁽¹⁾	10 June 2000	84 days	LATE
UK Power Exchange ⁽²⁾	26 May 2000	10 days	LATE
Athens Stock Exchange ⁽³⁾	October 1999	21 days	LATE
OM Click in Hong Kong for Hang Seng Index Derivatives Products ⁽⁴⁾	August 1999	9 months	LATE
SAXESS in Copenhagen ⁽⁵⁾	11 June 1999	10 days	LATE

Source:

- (1) Stockholm Stock Exchange Notice, 5 May 2000
- (2) UK Power Exchange Press Releases, 10 April 2000 and 23 May 2000
- (3) Reuters, 22 October 1999 and 12 November 1999
- (4) Hong Kong Standard 30 August 1999; South China Morning Post 19 November 1999; and Hong Kong Futures Exchange Press Release 24 May 2000
- (5) OM Press Release, 9 June 1999

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



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 also note on page 9)

London Stock Exchange has had only one outage in the last 18 months and has taken decisive steps to prevent a recurrence by...

- Identifying the nature and cause of the problem, subsequently validated by an external review
- Undertaking a programme of work to implement independent recommendations
- Implementing additional system controls and management measures

OM's technology - would you rely on this?

..... 12/07/99 12:48 INFORMATION ABOUT THE SAX-DISTURBANCE..... 26/07/99 16:11 SAXESS PROBLEM REPORT VERS 2..... 05/08/99 12:25 SAX DISTURBANCE.....

The facts about technology

London Stock Exchange Shareholders should be aware of the following extract from OM's website, most of which has been withdrawn from general viewing since the announcement of the Offer

22/08/00 17:31	Summary-info about the stop in SAXESS today	The stop in SAXESS earlier today was caused by an application error. All members were affected at the same time. SAXESS stopped immediately at 11:31. The trading started again at 12:45 (order cancellations from 12:30). Reagrds, Rune Atling / Member Helpdesk.
21/06/00 10:26	Disturbances in the network are now fixed....	A small problem in the network caused delays from 09:45 to 10:15 and affected a few SSE-members. The problems were fixed about 10:15. Member Helpdesk / Rune Atling.
19/06/00 15:58	Power failure in London..	Due to power failure in London (at the place where the DDS-equipment is situated), all London Based members have lost contact with SAXESS. We do not know yet, when the failure is going to be fixed. Member Helpdesk.
08/06/00 18:47	SAXESS Disturbance information	The trading in SAXESS was stopped today at 16:00:32 until restart time at 17:25. The opening hours was prolonged until 17:30 (Copenhagen Exchange until 17:45). The cause of the disturbance was an internal software error. Member Help Desk Mika Laaja.
26/05/00 15:11	Information about technical problems in the NMF	Due to technical problems in the NMF-feed this morning, from 09:00, there were no information about prices and indexes. The problem was fixed att 11:00.
28/04/00 11:43	SAXESS stopped today, between 11:21:20 to 11:26:00	The stop was caused by an internal error. All markets were affected and no members could trade during the stop.
07/04/00 08:10	Problems in the SAXESS systems	Due to technical problems, no overnight restored orders are available in the SAXESS system. For further information, please call member helpdesk +45 8 405 65 70.
04/04/00 18:20	Trading at OM Stockholm Exchange was interrupted today	At 17:26:17 the SAXESS System stopped due to a software error. The error is corrected. It was caused by a cancellation of a trade initiated from two different internal users at the same time. The trading day was NOT prolonged.
24/03/00 11:45	SAXESS Disturbance Information	Due to heavy trading there was an overload in the system. The problem occurred 10:54 because of the heavy opening of HM-F. We had delays in the central systems which probably grow worse locally. The delay in the central system was recovered at 10:32.
17/03/00 11:20	Delays in the SAXESS system this morning from 09:30 to 10:07	Due to a heavy load during opening of the SSE equity market, there was a delay in the SAXESS system up to 20 seconds between 09:30 to 10:07.
31/01/00 10:24	Nordic Market Feed has not been running today (000131)	The Nordic Market Feed has not been running at all today - Trouble shooting is in progress. The error is in the central information system. SAXESS Trading system is running without problems.
17/11/99 18:38	SAXESS DISTURBANCE (991117)	The technical problem in SAXESS was identified as a hardware problem. The problem has now been solved.
08/11/99 14:42	SAXESS Disturbance 991108 at 14:31	There was a short temporary stop due to technical problem in the matching function. The problem is resolved.
11/10/99 18:42	SAXESS-disturbance 991011 (summary)	Due to communication problems (X25), a number of members experienced loss of X25-connections, started at 11.25 am. The main reason was a G/W-computer with disc-problems. At 11.42 am the G/W-computer was running again. Some of the affected members had problems to log on again, after contact was re-established and therefore had to be restarted. All of the affected members were running again at 12.25 am. Affected marketplace: The Stockholm Exchange.
07/10/99 10:27	Communication problems on the Danish market	Due to communication problems in Denmark - the opening of the danish market is postponed. More information later.
29/09/99 10:39	Small X.25 problem at the moment	At the moment do some connections might have problem routing between our communication nodes. Some connection with NTN no starting with 3xx xxx xxx do have problem. (production and test). We work with te problem.
28/09/99 18:10	SAXESS Disturbance 990928 (6)	SSE - Today's problem with some X25-connections was solved at 2:27 p.m. The basic problem was a G/W-computer with disc-problems. When the real problem was detected a number of connections had to be switched-over to establish new contacts with an alternative G/W-computer.
31/08/99 18:27	SAXESS disturbance, CSE-market was stopped between 15.27 - 16.45	The CSE market in Denmark was stopped due to communication problems. The problem was localized to Malmö, by MSJ Worldcom the CSE market closed at 17.15 (prolonged). The Swedish SSE market was not affected.

.....26/08/99 1904 SAXESS - DISTURBANCE..... 31/08/99 1827 SAXESS DISTURBANCE
CSE-MARKET WAS STOPPED BETWEEN 1527 - 1645..... 28/09/99 1810 SAXESS

The facts about technology

26/08/99 19:04	SAXESS - Disturbance 99-08-26	At 06.33 a central router problem was detected at one of the two SAXESS sites. Interactive sessions could only be established by connecting to the other site. Some members could not perform the automated fail-over-process at the site and therefore had to switch their connections to the other site. At 09:55 most of the X25 connections did not get any multicast-flow (ticker-information) due to central problems. An application process sending the multicast-flow stopped the sending. The problem was solved at 10.10.
05/08/99 12:25	SAX DISTURBANCE 1998-08-05	The multicast flow has been suspended for those who connects with X25 links. The problem is now solved.
26/07/99 16:11	SAXESS problem report vers 2	Shortly after 16:00 CET on Monday 26 July, several members of the Stockholm Exchange lost connection to the SAXESS central trading system. After analysing the cause of the problem together with the network supplier, we have concluded that the error was related to the communication network between the affected members and the primary production node. The problem affected slightly more than 25% of the market share of members. As this was far from the 75% required to force a mandatory trading halt, the market was kept open and close at 17:00 CET as normal. The exchange noted that some members had problems switching to the backup production node which resulted in total loss of trading orders. The communications problem was resolved at 18:45 CET by the network supplier and full availability to the SAXESS production system was restored. Additional information added 27 July 1999. It was noted that certain members using the SAXESS Trade application had a problem switching to the backup production node due to a problem in this application. After the problem was further analysed today, the exchange found a flaw in the way the SAXESS Trade application handles network failures which affected some, but not all, SAXESS users. The exchange has decided to correct this by posting a patch to the SAXESS Server shortly after internal testing is completed. Olof Neiglick, Executive Vice President, OM STOCKHOLM EXCHANGE
12/07/99 12:48	Information about the SAX-disturbance (July 12)	At 08.25 am this morning occurred a hardware (SCSI disc) problem in the database computer. The problem should't not normally have effect on the SAXESS system and the trading day due to the time of error (after morning start up sessions). At 08.30 am occurred another database problem as resulted that the backend processes both in the primary and secondary trading engine computer went down. This error (soft ware) is related to the first error at 08.25 am. The system was restarted, and at 09.00 am all the processes were up and running. Queries daily statistics will be stopped during the day. The opening time (normally 09.00 am) at the Copenhagen Exchange was delayed an half hour to 09.30 am.
16/06/99 16:43	Error in turnover value today 990616	The turnover value in after-hours and off-exchange-trades with special conditions are not included in today's trade- information. For those who are trading in SAX, the information is available in the SAX system. The Stock Exchange will look at the possibility to publish this information later.
12/05/99 14:20	Information about SAX disturbance today (may 12)	At 11.02 today, an internal error in SAX occurred. This error disabled all order processing. The error was located and corrected within 17 minutes. After this, the system was restarted - a process that was completed at 11.37. At 11.40 it was possible to cancel orders and trading was resumed at 11.50
06/05/99 16:16	About SAX disturbance today (thursday , may 6)	SAX was stopped today due to communication problems. The multicast flow was stopped and interactive channels were delayed for a large number of members due to this communication error. The problem was corrected and SAX was ready for order cancel 2.25 p.m. and for order entries (=trading) at 2.35. The trading was stopped between 1.55 p.m. and 2.35 p.m.
04/05/99 15:18	Information about the SAX-disturbance today (may 4)	The communication network for SAX has some well-known limits. The technical staff at each site have more information about current limits and the plans to speed up the communication lines. Because of the extreme load in SAX-network at 10.32 a.m. today the built-in flow control had to delay the incoming queue to SAX. In situations like today, when there is a extreme load of orders and trades in SAX-network, the function for flow-control is necessary to protect from over-load situations that can happen because of the small band-width. Depending on the application you are using for trading (e.g. Saxess, NxORC or others) the reaction can differ and in some cases the applications lose contact (time-out) with SAX and will therefore start to log-in again.
03/05/99 11:27	Index calculation in equities is wrong at the moment.	Index calculation in equities is wrong at the moment. Troubleshooting in progress.
22/04/99 18:07	SAX technical disturbance - Thursday april 22	At 13:54 today, a technical SAX disturbance caused a short interruption for all sessions. After this event, all unicast and multicast message recovery attempts to the primary site failed. Recovery attempts were rejected with a "no records found" error. A few member servers required manual reconfiguration to bypass this error.

Source: OM website as at 5 September 2000

Note: Categorisation into Full Outage, Partial Outage or Delay has been added based on the London Stock Exchange's assessment of OM's description of each individual systems problem. (See Additional information Note 3 for further details)

The history of SAXESS in OM's own words

.....DISTURBANCE.....
29/09/99 1039 SMALL X25 PROBLEM AT THE MOMENT.....
07/10/99 1027 COMMUNICATION PROBLEMS ON THE DANISH MARKET.....

Does OM merit a “technology” rating?

OM Technology

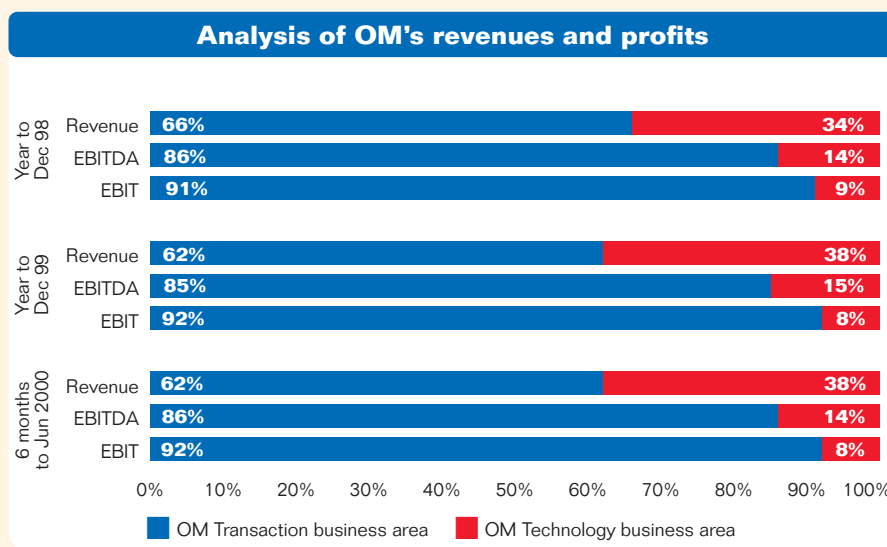
The OM shares you are being offered are currently trading at

- 78 times historical earnings and
- over four times the level of one year ago

Source: Bloomberg, OM Offer Document

Note: OM share price based on closing market price as at 3 October 2000
OM earnings per share for the year ended 31 December 1999

BUT OM's Technology business area accounts for only...



...38 per cent. or less of revenues...

...15 per cent. or less of EBITDA...

...9 per cent. or less of EBIT

Source: OM Offer Document and OM Annual report 1999

Note: Revenues, EBITDA, EBIT expressed as a percentage of combined Transaction and OM Technology business areas

Significant internal orders

- “At 30 June 2000, 27 per cent. of outstanding contracted revenues to the OM Technology business area represented outstanding contracted sales to other OM business areas and 60 per cent. of sales to Jiway”

Source: OM Offer Document

What is the total level of internal sales to Jiway?

How much profit will OM generate on sales of technology to third parties?

Is OM really a technology business or is it driven by its Transaction business area?

..... 11/10/99 1842 SAKESS-DISTURBANCE [SUMMARY]..... 08/11/99 1442 SAKESS DISTURBANCE
AT 1431..... 17/11/99 1838 SAKESS DISTURBANCE..... 31/01/00 1024 NORDIC

Does OM merit a “technology” rating?

OM’s Transaction business area

OM’s Transaction business area accounts for...

- 62 per cent. or more of revenues
- 85 per cent. or more of EBITDA
- 91 per cent. or more of EBIT

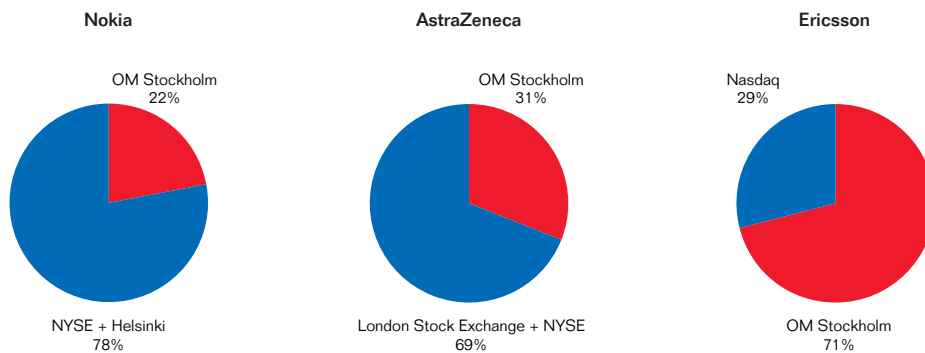
Source: OM Offer Document

Note: Revenues, EBITDA and EBIT expressed as a percentage of combined Transaction and OM Technology business areas

OM’s Transaction business area revenues include OM’s equity exchange activities...

- On OM Stockholm, OM’s largest single equity exchange, **trading in the ten most liquid stocks accounted for 68 per cent.** of total value of trading turnover in 1999
- For the three most liquid stocks traded on the OM Stockholm exchange, **a significant proportion of the trading activity takes place on other exchanges**

Proportion of trading on OM Stockholm exchange for the three most liquid stocks



Source: OM Annual report 1999

Note: Pie charts above show the proportion of equity trading in the three most liquid stocks traded on OM Stockholm exchange

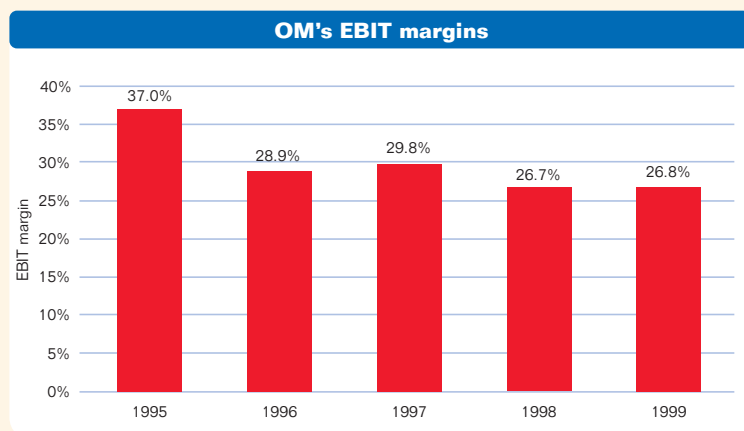
There is significant competition in the trading of these stocks

How reliable are OM’s equity trading revenues?

MARKET FEED HAS NOT BEEN RUNNING TODAY..... 17/03/00 120 DELAYS IN THE SAXESS SYSTEM THIS MORNING FROM 0930 TO 1007..... 24/03/00 145 SAXESS DISTURBANCE INFORMATION.....

Does OM merit a “technology” rating?

Does OM’s financial record stand up to scrutiny?



- OM’s Offer Document highlights the development of OM’s EBITDA
- However, OM’s EBIT margins have declined

Source: OM Annual reports

Note: 1995, 1996, 1999 as reported

1997 figure pro forma for the acquisition of the Stockholm Stock Exchange, as per OM Annual report 1998

1998 adjusted for restructuring costs of SEK44 million

- In the **six months to 30 June 2000**, OM’s adjusted EBIT margin fell to **only 23.7 per cent.**
- In the **year ended 31 March 2000**, the London Stock Exchange’s adjusted EBIT margin was **24.8 per cent.**.. London Stock Exchange **already has lower trading charges** than OM

Source: London Stock Exchange Annual report, OM Offer Document

Note: OM: adjusted for SEK 100 million VAT refund from Swedish State

London Stock Exchange: based on continuing activities adjusted for £5.1 million fees in respect of company reorganisation, £2.2 million expenditure on Y2K and EMU requirements and £4.4 million release of property provision

OM’s management have set themselves a “20/20” performance target – 20 per cent. growth in revenues per annum and 20 per cent. return on shareholders’ equity...

- Is 20 per cent. growth in revenues per annum particularly demanding for a “technology” company?
- OM has **failed** to meet its 20/20 performance target in **four of the last five** years

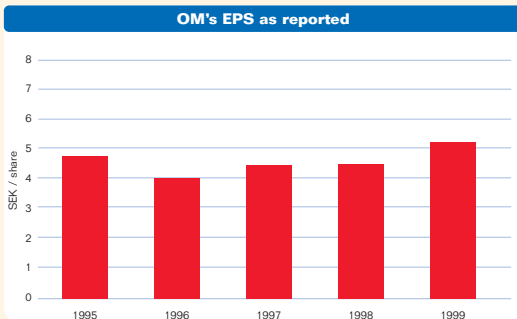
Does OM deliver on its promises?

.....04/04/00 18:20 TRADING AT OM STOCKHOLM EXCHANGE WAS INTERRUPTED TODAY.....
.....07/04/00 08:10 PROBLEMS IN THE SAXESS SYSTEMS.....

Does OM merit a "technology" rating?

Does OM's financial record stand up to scrutiny?

OM has an unimpressive earnings per share (EPS) record, on a reported basis

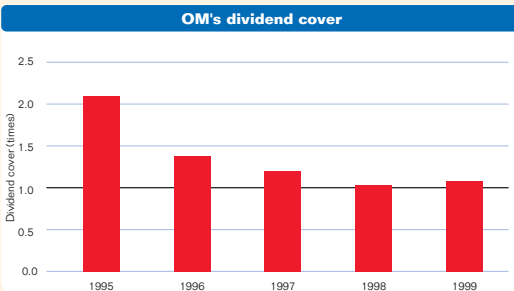


Source: OM Annual reports

Note: 1997 figure pro forma for the acquisition of the Stockholm Stock Exchange, as per OM Annual report 1998

- OM's EPS, on a reported basis, has 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

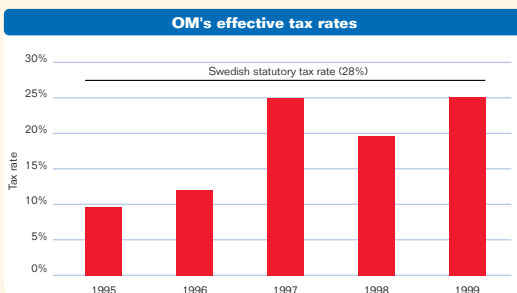


Source: OM Annual reports

Note: Dividend cover defined as the number of times dividends are covered by reported earnings

- OM has only just managed to cover its dividend with reported earnings in each of the last three years
- Put another way, OM has paid out as dividends an average of 93 per cent. of its reported earnings in the last three years

OM's reported earnings reflect a tax rate below the Swedish corporate tax level...



Source: OM Annual reports

Note: Effective tax rate calculated as the percentage of reported profit before tax represented by tax charge
1997 figure pro forma for the acquisition of the Stockholm Stock Exchange, as per OM Annual report 1998

- OM's effective tax rate in each of the five financial years ended December 1995 to 1999 has been below the Swedish corporate tax level
- In the 6 months to 30 June 2000, OM's effective tax rate fell to 15 per cent.

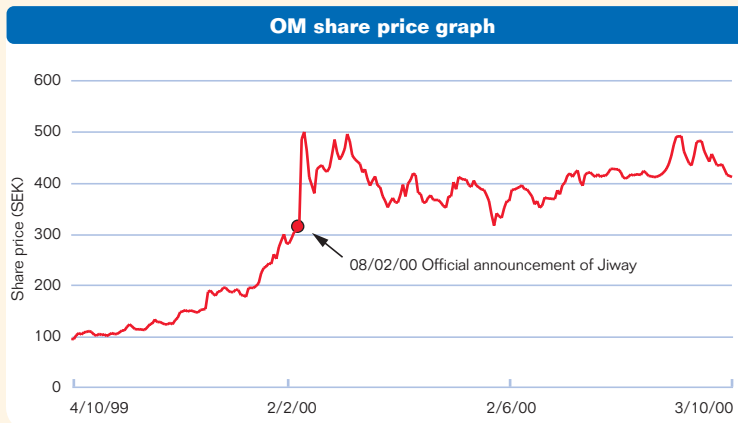
...how sustainable is OM's effective tax rate?

OM's earnings, adjusted for the Swedish corporate tax rate, have barely covered dividends over the last three years

.....28/04/00 1:43 SXXESS STOPPED TODAY, BETWEEN 1:2:120 TO 1:2600..... 26/05/00 15:11
INFORMATION ABOUT TECHNICAL PROBLEMS IN THE NMF.....

Does OM merit a “technology” rating?

Jiway appears to represent a significant proportion of OM’s current share price



Source: Primark Datastream as at 3 October 2000

The value of Jiway is uncertain...

- Jiway’s target is to achieve a market penetration of 50 per cent. of European online 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

What London Stock Exchange Shareholders need to remember about Jiway...

- It is an untested business proposition, only scheduled to start operations in November 2000
- It is 40 per cent. owned by a single US investment bank
- If it is to be run as a separate business from the London Stock Exchange, how will the separate organisations “collaborate to achieve common benefits” when both are competing for the same retail business?

... it appears to represent a significant proportion of the value of OM shares you are being offered

How much is “hope value”?

.....08/06/00 1847 SAKESS DISTURBANCE INFORMATION.....
..... 19/06/00 1558 POWER FAILURE IN LONDON.....

Questions over OM's ownership, control and governance

London Stock Exchange Shareholders should remember that OM's shares are tightly controlled

- **OM's board** includes members who either themselves hold, or represent 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.**
 - **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. of OM's issued share capital. **Mr Stenhammar is related to the Wallenberg family**
- In addition, the **Wallenberg family also** has a significant shareholding in SEB, which holds **2.7 per cent.** of OM's issued share capital

Who else is included within the 40 per cent. represented on the OM board?

The increasing interest of the Swedish State in OM

The Swedish State is currently the second largest shareholder in OM Gruppen and is represented on its board by the Director General and Chairman of the Swedish National Debt Office...

- As at 7 September 2000, the Swedish State owned 9.5 per cent. of OM

The Swedish State has said that it expected to achieve a 10 per cent. holding in OM...

- OM's prospectus at the time of the acquisition of the Stockholm Stock Exchange, dated 19 December 1997, refers to an expectation that the Swedish State would achieve 10 per cent. ownership of OM
- Since 30 June 2000, the Swedish State has increased its shareholding in OM from 7.7 per cent. to 9.5 per cent.

...which, if achieved, would give the Swedish State certain rights to prevent a third party from gaining full control of OM Gruppen

Why should the Swedish State hold this investment in OM Gruppen?

What level of influence would you really have?

Questions over OM's ownership, control and governance

Current investigation by Finansinspektionen

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

The OM Chairman's profit related licence agreement

- A company owned by Mr Stenhammar receives a profit related licence payment of **one per cent.** of OM's income after financial items
- This licence agreement has a **twenty year term** and does not expire until 2005
- This agreement is **not on display** to London Stock Exchange Shareholders
- OM's Offer Document explicitly states that "should the income of OM increase as a result of the offer then ... the **profit related payment payable to the Chairman** of 1 per cent. of OM's income after financial items **will also increase**"
- The acquisition of a profitable company such as the London Stock Exchange by OM, using its highly rated shares, may increase the amount payable to Mr Stenhammar under this agreement

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

Is this profit sharing agreement appropriate for a public company?

Is OM's ownership, control and governance appropriate for an owner of London Stock Exchange?

.....MOST OF WHICH IS NO LONGER AVAILABLE FOR GENERAL VIEWING.....

Continue to reject
OM Gruppen's Offer

Additional information

1. Previous Circular

This Circular should be read in conjunction with the Previous Circular, additional 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 the Previous Circular and no significant new matter has arisen which would have been mentioned in that circular had it arisen before 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

London Stock Exchange has defined the terms "full outage", "partial outage" and "delay" as follows:

- A full outage is when London Stock Exchange believes from reading the description of the problem from the OM website that no customers were able to trade using the trading system
- A partial outage is when London Stock Exchange believes from reading the description of the problem from the OM website that more than one customer was unable to trade using the trading system
- A delay is when 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 in the form and context in which it appears.

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 5 October while the OM Offer remains open for acceptance:

- (i) this Circular;
- (ii) the documents listed as available for inspection in the Previous Circular; and
- (iii) the letter of consent referred to in paragraph 4 of the Additional information.

5 October 2000

Definitions

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

“Board” or “Directors”	the directors of London Stock Exchange;
“Circular”	this document;
“City Code”	the City Code on Takeovers and Mergers;
“EBIT”	earnings before interest and taxation;
“EBITDA”	earnings before interest and taxation, depreciation and amortisation;
“London Stock Exchange” or “LSE” or “Company”	London Stock Exchange plc;
“LSE Share”	an ordinary share of 5p in the capital of London Stock Exchange;
“LSE Shareholder” or “London Stock Exchange Shareholder”	the holder of a LSE Share;
“Offer Document”	the Offer Document dated 11 September 2000 from Lazard Brothers & Co., Limited on behalf of OM and addressed to LSE Shareholders;
“OM” or “OM Gruppen”	OM Gruppen AB (publ);
“OM Offer” or “Offer”	the offer for LSE 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 offer;
“Previous Circular”	the circular to LSE Shareholders dated 25 September 2000;
“Schroder Salomon Smith Barney”	Salomon Brothers International Limited, doing business as Schroder Salomon Smith Barney, (Schroder is a trademark of Schrodgers Holdings plc and is used under licence by Salomon Brothers International Limited);
“SEK”	Swedish Krona; and
“UK”	United Kingdom of Great Britain and Northern Ireland.

the 1990s, the number of people in the UK who are employed in the public sector has increased from 10.5 million to 12.5 million, and the number of people in the public sector who are employed in health care has increased from 2.5 million to 3.5 million (Department of Health 2000).

There are a number of reasons for this increase. One of the main reasons is the increasing demand for health care services. The population of the UK is ageing, and there is a growing number of people with chronic conditions such as heart disease, diabetes, and asthma. This has led to an increase in the number of people who need to be treated in hospitals and other health care settings.

Another reason for the increase is the expansion of the public sector. The government has invested heavily in health care over the past few decades, and this has led to the creation of new jobs in the public sector. This includes jobs in hospitals, community health centres, and other health care settings.

There are also a number of other factors that have contributed to the increase in the number of people employed in the public sector. These include the increasing number of people who are working part-time or on a temporary basis, and the increasing number of people who are working in non-traditional health care settings such as home care and telehealth.

Despite the increase in the number of people employed in the public sector, there is still a significant shortage of health care workers. This is particularly true in the areas of nursing, medicine, and allied health professions. This shortage is due to a number of factors, including the increasing demand for health care services, the retirement of experienced workers, and the difficulty of attracting new workers to the profession.

There are a number of ways in which the shortage of health care workers can be addressed. One of the most important ways is to increase the number of people who are trained in health care professions. This can be done by increasing the number of places on health care courses, and by providing more support for students who are studying in health care professions.

Another way to address the shortage is to encourage more people to work in health care. This can be done by providing more incentives for people who work in health care, and by making health care work more attractive. This includes providing better pay and benefits, and providing more opportunities for professional development.

There are also a number of other ways in which the shortage of health care workers can be addressed. These include increasing the number of people who are working in non-traditional health care settings, and increasing the number of people who are working part-time or on a temporary basis. These measures can help to increase the number of people who are available to work in health care, and can help to address the shortage of health care workers.

OM's technology offers no proven benefits...

...OM's shares are of uncertain value...

...Numerous questions over OM's ownership, control and governance...

Continue to reject OM Gruppen's Offer



London **STOCK EXCHANGE**