



LOM (HOLDINGS) LIMITED

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2011 Half Year Financial Results

16th August 2011

To our Shareholders:

The first half of 2011 initially was characterized by a stabilization of economic activity in the west, continued growth in Asia and a general return of market confidence. Global equity markets generally rallied for the first two months and then came under increasing volatility as Greek and European debt woes returned to center stage of the markets' collective attention in the spring. These fears were compounded by economic statistics over the summer indicating that the U.S. economy was slowing. Additionally, significant fears have emerged that the monetary authorities in China have been too aggressive in tightening in order to contain Chinese domestic inflation, and there will be a resultant hard landing for economic growth in Asia. Expectations of a global double dip recession have become widespread and resulted in heavy selling pressure in the global equity markets during the summer. Global bond yields have fallen sharply with a resultant rise in bond prices; this rally has been underpinned by the recent US Federal Reserve's signal to the markets that interest rates will not start to rise until at least 2013. However, the overall weakness in the global equity markets negatively impacted volumes and revenues in our brokerage operations.

Interestingly the situation is extremely similar to the events described in my first half 2010 shareholders letter of 16th July 2010. In that letter I went on to state the following; *"To date most of the world's global equity markets are showing negative returns for the year, with the worst showings being in the European markets. Our outlook for equity markets this year is that they will continue to be challenged by earnings sustainability concerns due to the moderation of growth in the West; however we believe that there will not be a global double dip recession mainly due to a continuing strong performance from Asia and stabilization in the West will set the stage for stronger growth in 2011. As the global stock markets are discounting mechanisms, we should see stronger equity markets by the end of this year."*

Last year that was exactly what happened; fears of a double dip recession receded and the markets went on to post strong gains. From 1st September 2010 to the end of 2010 the S&P rallied 20%, the FTSE 100 rallied 14% and the Hang Seng rallied 12% over the four month period.

We believe we will witness the same occurrence this year and that equity markets will rally strongly for the remainder of the year. This should help improve revenues in our broking operations. Staff costs have remained relatively stable, however, development costs have been higher than normal as we have built (and now internally launched) our new in-house and on-line brokerage trading system called OPUS. We plan to launch OPUS to external customers in the last quarter of the year.

LOM posted a small loss for the first half of 2011: \$1,220 versus a loss of \$357,286 in the first half of 2010.

Revenues had the following year-on-year changes:

- Broking fees fell 6.5% to \$1.76 million (40% of revenues).
- Management and advisory fee revenues rose 26% to \$911,069 (21% of revenues).
- Fees from corporate finance work fell 71% to \$32,668 (under 1% of revenues).
- Foreign Exchange revenues rose 33% to \$601,597 (14% of revenues).
- Net interest earnings rose 26% to \$408,719 (9.2% of revenues).
- Investment Services income rose 30% to \$709,229 (16% of revenues).
- Loss on securities held in inventory was \$47,053

Costs for the group had the following year-on-year changes:

- Operating costs, ex commission payments, rose 5%.
- Overall operating expenses rose 3.6%.
- Employee expenses rose 1.8%.

On other financial measures:

- LOM's assets under administration were \$823 million as of 30th June 2011 as compared to \$876 million in assets at the end of 2010.
- LOM remains in a strong financial position with net equity of \$18.4 million and no debt.
- LOM holds cash and equivalents of \$3.44 million, representing 19% of net equity.
- As of 30th June 2011 LOM's book value was \$2.98 per share.

LOM paid a dividend of \$0.01 per share on 1st June to shareholders of record 16th May.

Our current share price on the Bermuda Stock Exchange is \$2.90 and our current market capitalization is \$17.87 million.

LOM will continue to buy back shares for cancellation to a total outlay not exceeding \$500,000. Over the first half of 2011, the Company purchased for cancellation 59,576 shares at an average price of \$3.05.



Scott Lines, CEO