

GUIDE TO EURONEXT'S BELGIAN MARKET INDICES

Introduction

Stock market indices are essential for portfolio management, serving as benchmarks for measuring performance and tools for controlling market risks.

Indices are constructed to be representative of an entire market, a single sector or a population of specific stocks. For its component companies, an index is a vehicle for reaching a broad customer base comprising investors, investment managers and analysts.

To meet the needs of derivatives markets while providing suitable benchmarks for managing equity portfolios, Euronext has developed a consistent range of capitalization-weighted indices calculated in the form of price indices and return indices. Euronext itself computes and publishes the index values. In 2003 Euronext started to rethink its approach, with the aim of raising the profile and liquidity of medium-capitalization stocks. This led to the creation of a single regulated market in which stocks are listed in alphabetical order, with each stock also being identified by its capitalization: large, medium or small. The revised listing format will be inaugurated in Brussels in April 2005. At the same time, new mid-cap and small-cap indices will be created to meet investor needs and round out the range of existing indices.

The new range of Euronext indices has benefited from this overhaul. Liquidity - a key criterion for investors who trade the component stocks - is now given greater consideration in selecting the stocks that make up each index. In all the indices, capitalization weights are now adjusted to reflect the free float¹, in line with standard international practice.

The new range consists of three real time indices – the Bel 20 index, the Bel Mid and the Bel Small and two general indices, namely the Belgian Continuous Index and the Belgian All Shares (BAS)

Global indices

The index population is the set of companies whose shares are admitted to trading on Euronext's regulated markets. A company's country of incorporation is immaterial, provided that its decision-making center is located entirely or primarily in Belgium or that the volumes traded on Euronext's Brussels market are sufficiently representative of total trading in its stock. If a company has more than one class of quoted shares, only the most active class – generally its ordinary shares – is considered.

1. The Belgian All Shares index (BAS Index)

Base value: 1,000 at 01/01/1980

The BAS index is an "All shares" index representing the evolution of all domestic companies traded on Euronext Brussels. It is calculated and published in two versions, a price and a re-investment version. The Price and Re-investment Index are based on the closing prices of all domestic shares quoted on the fixing and continuous segments. The shares are weighted according to their daily market capitalization. However, companies having a free float of 5% or less are removed from the index with free float being a measure (in %) for the part of the issued shares of the company that are available to the public for trading. Every Belgian IPO is included in the index from the first quotation day on. This index is the benchmark for the Belgian market.

The official starting date was January 2, 1985 but a monthly index was recalculated between 1980 and 1984 with basis January 1, 1980 = 1,000

The index is calculated once a day on the basis of the last prices on the market. It is available after 5.40 p.m.

¹ Free float is the proportion of shares freely available to the investing public

For the BAS price index all Corporate actions which modify the number of shares in issue, and hence the market capitalization, of a component of the index can influence the evolution of the index. To make sure that this change, independent of the real market trend, does not influence the continuity of the index, it is necessary to adjust the basis systematically as to assuring the stability of the index. On the supposition that all the prices remain unchanged, corporate actions should not provoke any changes in the index. The adjustment method is: after the closing of the trading on the day preceding the day of the corporate action which modifies the number of equities in issue of a company, and before the opening of the trading on the next day, the market capitalization is adjusted. The calculation is performed on the basis of the total market capitalization of the index being the sum of all individual market capitalizations of the companies in the index.

The BAS Re-investment Index does not only consider corporate actions modifying the number of shares in issue of companies, but also net dividend payments. This is the major difference with the BAS Price Index. The base (divisor) of this index, in contrast with the base of the BAS Price Index, is adjusted to prevent the index from falling on the day a dividend is detached, due to the fall in price of a stock on an ex-coupon basis. This way the re-investment Indices reflect the total of what the investor has gained from his investment. Therefore, they are also called performance Indices, as it is presumed that the shareholder will re-invest the dividend amount he has received. This type of index allows investors to compare the performance of an investment in shares with other assets. For the BAS re-investment index the re-investment of NET dividends, this means after deduction of the Belgian withholding tax is taken into account.

2. The Belgian Continuous re-investment Index **Base value: 1,000 at 01/01/1980**

The Belgian Continuous Re-investment Index includes all Belgian shares trading on the continuous segment of Euronext Brussels, including the Bel 20 index constituents. The shares are weighted on the basis of their full market capitalization. As such this index reflects the price and dividend evolution of the most liquid Belgian companies. Only a re-investment version is available whereby the NET dividends are reinvested.

The official starting date was January 2, 1985 but a monthly index was recalculated between 1980 and 1984 with basis January 1, 1980 = 1,000 for the opening value only.

The closing and the opening price for the index are calculated once a day and published after 5.40 p.m.. For the closing and opening price of the index the official closing/opening prices of the components are used. When the trading in a share is suspended or when a share does not receive an opening price, the last known closing price is used to calculate both opening and closing values for the index

Corporate actions are executed as with the BAS Re-investment index.

Real-time indices

1. Bel 20 **Base value: 1,000 at 31/12/1990**

The Bel 20 index, the most widely used indicator of the Brussels market, represents the performance of the largest stocks. Its movements are closely correlated with variations in the market as a whole. And it serves as the underlying for options and futures traded on Euronext.liffe, Euronext's derivatives exchange.

The Bel 20 index is weighted by **free-float capitalization**². It measures changes in the value of a sample of minimum 10 to maximum 20 stocks listed on Euronext's regulated markets in Brussels.

Stocks are selected for inclusion on the basis of multiple requirements, applicable to each component security and to the composition of the index as a whole. And because of the need to provide the derivatives markets (in index options and futures) with a suitable instrument for hedging, arbitrage and speculative transactions, the liquidity of the component stocks must be monitored constantly. Accordingly, the composition of the sample is determined according to the following criteria:

. **Size:** Eligible stocks rank among the largest free float adapted market capitalization for domestic stocks listed on the regulated market of Euronext Brussels. The components must have a minimum free float market capitalization of 500 000 times the level of the Bel 20 index in order to assure that only blue chips are included.

. **Liquidity** is determined by daily velocity (i.e. ratio of trading volume to the total number of shares). The Bel 20 shares are included in the Belgian Continuous Index and the Belgian All Shares index and is calculated every 15 seconds throughout the day.

2. Bel Mid index

Base value: 1,000 at 1/2/1995 – re-investment and price index

As part of its program to introduce a single list in 2005, Euronext has developed a new range of Mid and Small cap indices: a Bel Mid index of mid-cap stocks and a Bel Small index of small-cap stocks. These indices have been designed after wide-ranging consultations with the financial community and in cooperation with market participants. They are intended to enhance the profile and liquidity of mid-cap and small-cap stocks.

The Bel Mid index is composed of the next-largest capitalizations after the maximum 20 biggest stocks that make up the Bel 20. Component stocks must have a free float market capitalization higher than 50,000 times the Bel 20 index level with a minimum annual free float velocity of 10%.

By construction, the Bel Mid shares are included in the Belgian All Shares Index (BAS). The value of the index is updated every 15 seconds. As an illustration, at end-November 2004 the market capitalization of stocks in the index ranged from around EUR 200 million to EUR **1.1** billion (4).

Review occurs quarterly at the end of February, May, August and November, for application at the beginning of April, July, September and January, respectively.

The index complements the Belgian Midcap Index (a re-investment index) as of 3 January 2005. The price version is available since the first of March 2005 and the base is the level of the Belgian Midcap re-investment Index at 31 December 2004, being 2631.03.

3. Bel Small Index

As with the Bel 20 and Bel Mid indices, Bel Small index components are selected on the basis of liquidity and free float capitalization.

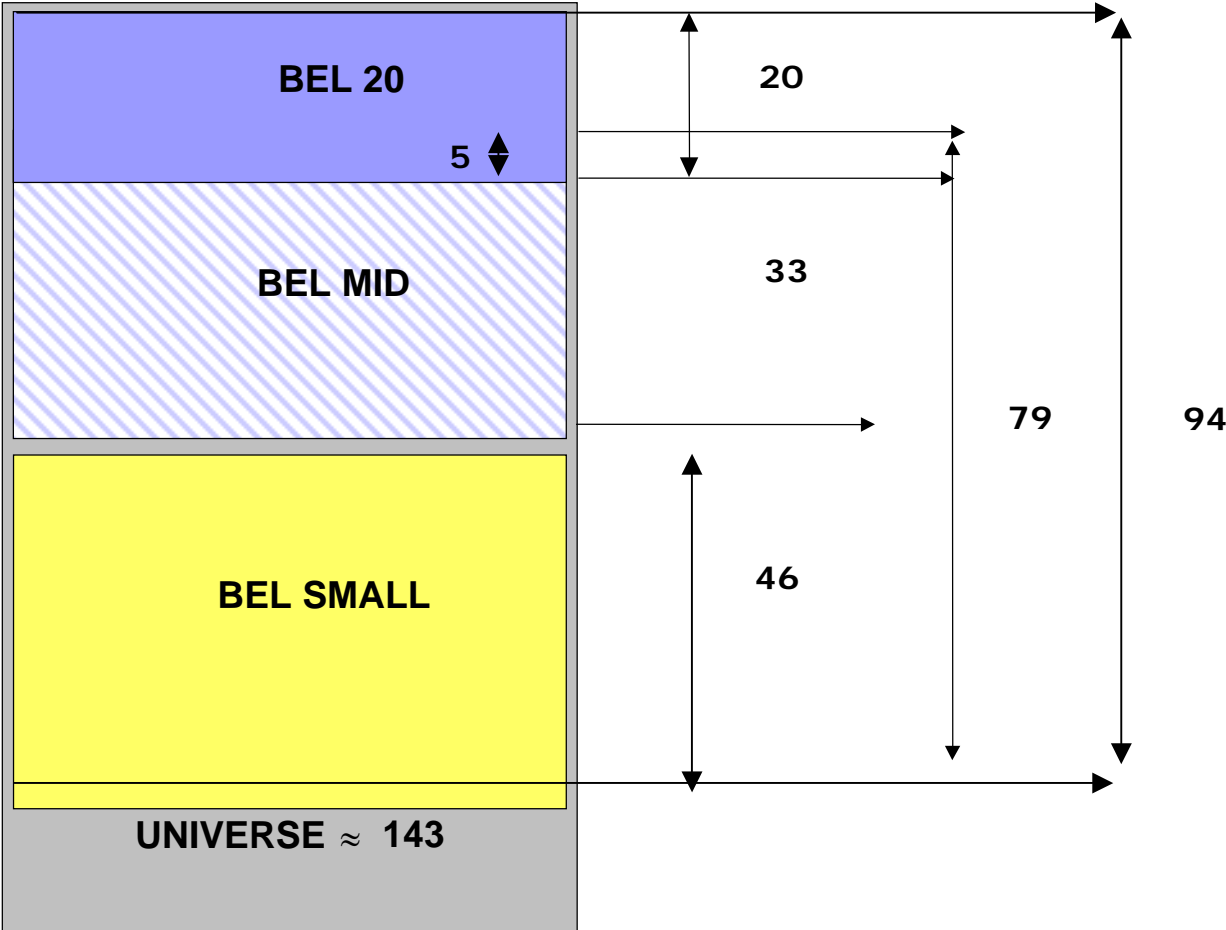
The index is made up of stocks whose free-float market capitalization lies between the level of the Bel 20 index multiplied by EUR 5.000 and the Bel 20 multiplied by EUR 50.000. Free float velocity must be at least 10%, and the weight of individual shares is capped at 10%.

Review occurs quarterly at the end of February, May, August and November for application at the beginning of April, July, September and January, respectively.

² Since the first of March 2005

This index complements the Belgian Small cap (a re-investment index) as of 3 January 2005. The new component selection is based on 30 November 2004 figures. The price version will be available on 1 March 2005, and the base is the level of the Belgian Small cap re-investment index at 31 December 2004, being 4999.83.

The Bel Small stocks are included in the Belgian All Shares Index (BAS). The value of the index is updated every 15 seconds.



3. Sector indices

A share price will be crucially affected by the area of the economy in which the company earns most of its revenues. Euronext's sector indices give investors a way to gauge the performance of different sectors of activity.

These indices also aid investment decisions by reflecting market conditions in different sectors. And they can be used to see how one company is doing compared with others operating in the same area.

3.1 General sector indices

Euronext's sector indices are based on the FTSE sector classification and are available at all classification levels. The sample for each sector index is made up of BAS stocks that have been classified under that sector. Samples for the "sector-specific indices", which look at the most fine-grained level of sector classification, comprise fewer stocks than do sector indices drawn from the broader levels of classification.

Press release 10/01/2002:

On 23 December 1999, the executive committee of BXS decided to replace the BXS classification system by the classification system of the index compiler FTSE international. Furthermore, the committee decided to calculate and to publish a new set of sector indices based on this classification system from 15/02/2000 onwards.

The list of members of the Index Steering Committee is available on the www.euronext.com.

4. Index supervision

4.1 The Index Steering Committee

Euronext Brussels indices are supervised by the Index Steering Committee (ISC). The ISC is tasked with managing the index samples and making sure they are reliable and representative. The Committee brings a threefold guarantee of expertise, independence and transparency. It operates independently of Euronext and can thus act freely in the interests of the market and investors.

The ISC meets at least two times a year. Its decisions on sample adjustments are disclosed in press releases published after Committee meetings; they do not take effect for at least two months.

The ISC may convene an extraordinary meeting if circumstances so require, notably in the case of exceptional events affecting component stocks.

4.2 Reviews

Review procedures depend on the type of index. Euronext Brussels uses two index types:

. **Tradable index:** Bel 20

. **Benchmark indices:** Bel Mid index and Bel Small Index.

Tradable indices are reviewed yearly, with component stocks examined in terms of eligibility and selection criteria. Benchmark indices are reviewed quarterly.

5. Calculating the indices

5.1 Frequency

Indices may be calculated either on a continuous basis, like the Bel 20®, or daily at the market close, like the BAS.

a- Continuous indices

The Bel 20 is a continuous index disseminated every 15 seconds from 9 am to 5.30 pm. An opening index is calculated from the opening prices of all quoted index stocks, and, in the case of unquoted, halted or suspended stocks, from the previous day's benchmark prices or estimates (for cash tender offers and share exchange offers). The opening index is disseminated at the same time as the first instantaneous index.

During the trading session, from 9 am to 5.30 pm, index values are calculated in real time from the most recent quoted prices and disseminated every 15 seconds.

5.2 Factors used to calculate indices

a- Free float

Bel 20 index

Free float is the portion of the capital that is available to the public. The definition used by the Expert committee when calculating the free float takes into account the total number of shares issued by the company but with exclusion of the shares in auto-control, the shares held directly or indirectly by the founders and/or the state, controlling stakes and shares being part of a shareholder's pact which do not belong to one of the categories mentioned above and stakes deemed to be stable.

Each stock's free float is calculated once a year on the basis of the information available. It is rounded up to the next multiple of 5%. The float is reviewed each year at the end of December. Revised figures are published in early January and take effect on the second business day of March.

Exceptional reviews may be carried out if the rounded percentage of free float falls by 50%. Exceptional reviews are announced in a market notice published by Euronext Brussels.

b- Capping factor

The weighting of any one stock in the Bel 20 index is capped at 15% of the index's free-float capitalization to ensure that no single stock carries too much weight and that the sample is properly representative. If a stock breaches this limit, it will be brought back to 15% by applying the capping factor. Capping factors are reviewed annually. They are published along with the free float in early January on the basis of information received at the close of the last business day in December. They take effect on the second business day in March.

5.3 Calculation method

The same approach is used to calculate each Euronext index. Like their counterparts on major international markets, the indices are based on market capitalization. However the Bel 20 index is a basket index with a base value of around 200,000 euros (base = 1000).

a- The price index

The starting point is a price index that excludes account dividend payments.

b- Re-investment indices

Two Bel 20 re-investment indices are calculated: the net re-investment index (net dividends) and the total re-investment index (gross dividends including tax credits).

Re-investment indices are calculated at the market close they measure net and total returns obtained by reinvesting net (being gross dividend minus withholding tax) or gross dividends on the dividend payment date, for each component stock.

These indices make it possible to track the return on a portfolio invested in Belgian equities and in which dividends have been reinvested, and to compare the returns against those earned on other assets.

The return indices are derived directly from the price index on which they are based.

Bel 20®

Eligible stocks	the most liquid Domestic stocks out of the largest Free float adapted market capitalizations listed on Euronext Brussels
Selection	the list of candidate stocks is made up of the most representative stocks in terms of free float adapted market capitalization and with a minimum trading free float velocity of 30%. Free float Market cap must be higher than 500,000 times the Bel 20 index – grandfather clause for 2004 components till 2006
Number of stocks	variable: min 10 - max 20
Weighting	free-float capitalization. The free float is rounded up to the next multiple of 5%
Capping	yes (15% on individual shares)
Reviewed	annually
Free-float review	annual review at end-December. Revised figures are announced at beginning of January and take effect on the second business day in March
Capping review	annual (as for the free float), barring exceptional circumstances
Calculated	every 15 seconds
Base value	1,000 at 31/12/1990
Data available	since 31/12/1990
Return index	private and institutional re-investment indices
Interconnection	the Bel 20® shares are included in the BAS (Belgian All Shares) and Belgian Continuous Index
Derivatives	futures, warrants and trackers
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