NYSE Euronext changes the review frequency and calculation method of the AEX-index family.

rights issue treatment and special dividends treatment also impacted

The Global Index Group standardizes its Blue-Chip Indices. The main features of the new standard are:

- *A transparent calculation method*
- *A quarterly review scheme that is both stable and representative*
- *Index changes in between reviews only for corporate actions*
- *Leaving only a limited number of differences between the main indices regarding selection*

What's new for the AEX-index family:

- The basket model with a fixed divisor will change into a floating divisor based index. This means no rounded weight factors anymore
- Changed treatment for several for **corporate actions**.
  - **rights issues**
  - **special dividends**
- Reviews to be effective after the close of the **third Friday of March**, June, September and December (March being the annual review)
- Review schedule to an annual full review with **a quarterly update** for clear new entrants or replacement for removed constituents
- The implementation of the changes is planned for September.

What will stay the same:

- Changes to the AEX index in between the annual reviews will be kept to a minimum.
- The selection method will not be changed: turnover over a period of 12 months will remain the basis and companies will only be included where there is solid evidence of liquidity.
- Definition of what's an ordinary or special dividend will remain the same. Just the way any adjustment takes place will be different.
- No updates for changes in listed shares, free floats or capping factors apart from the annual review.

The AEX-index will switch to a floating from a fixed divisor.

In the new set up the rounded numbers will be replaced by the full number of listed shares in combination with a free float factor and a capping factor. Additionally the ‘fixed divisor’ of 100 will be replaced by a floating divisor that will change on the occasion of reviews and corporate actions.

Table 1 index calculated using divisor method

Name	price	shares in issue	free float (ff)	cap ping (cf)	total
Aegon	5.368	1,736,049,139	90%	1	8,387,200,600
Kon. Ahold	10.455	1,191,887,562	100%	1	12,461,184,461
Air France – KLM	12.63	300,219,278	80%	1	3,033,415,585
Akzo Nobel	43.57	231,664,187	100%	1	10,093,608,628
ArcelorMittal	34.12	1,560,914,610	55%	1	29,292,123,571
ASML Holding	25.715	431,283,135	100%	1	11,090,445,817
Kon. BAM Groep	6.24	135,196,679	85%	1	717,083,185
Kon. Boskalis Westminster	32.025	94,545,251	70%	1	2,119,468,164
Corio	50.1	76,363,025	100%	1	3,825,787,553
Kon. DSM	34.455	181,425,000	85%	1	5,313,348,619
Fugro	51.09	78,772,478	85%	1	3,420,813,016
Heineken	37.11	489,974,593	50%	1	9,091,478,573
ING Groep	7.743	3,830,613,744	100%	1	29,660,442,220
Kon. KPN	11.885	1,628,855,322	100%	1	19,358,945,502
Kon. Philips Electronics	24.73	972,411,769	100%	1	24,047,743,047
Royal Dutch Shell A	22.605	3,545,663,973	100%	0.557	44,643,401,899
Randstad Holding	38.42	169,559,691	65%	1	4,234,414,163
Reed Elsevier	9.101	723,692,901	95%	1	6,257,012,637
SBM Offshore	15.94	164,426,752	100%	1	2,620,962,427
TNT	22.995	370,988,519	100%	1	8,530,880,994
TomTom	6.323	221,718,090	45%	1	630,865,567
Unibail - Rodamco	151.2	91,264,549	100%	1	13,799,199,809
Unilever	22.855	1,714,727,700	95%	1	37,230,596,504
Wereldhave	72.5	21,276,988	100%	1	1,542,581,630
Wolters Kluwer	15.91	292,799,333	100%	1	4,658,437,388

index market capitalisation	296,061,441,560
divisor	830,082,128
index level	356.67

Example based on index data of April 2010. For illustration purposes only.

The basket model will disappear

Currently the AEX is constructed as a basket having a value 100 times the level of the index. So with an index level of 356,67, the index basket is worth € 35.667,--. At index reviews and whenever there are corporate action adjustments, the number of shares of one or more constituents is changed in order to maintain the index level and hence the value of the portfolio. The numbers of shares in the current basket are usually rounded numbers, for instance there are 30 Heineken shares in the basket since March 2010. Table 1 shows how the current index is constructed and calculated.

Table2 Current index (basket model)

name	price	#shares	amount in the basket
Aegon	5.368	189.0	1014.552
Kon. Ahold	10.455	144.0	1505.52
Air France - KLM	12.63	29.0	366.27
Akzo Nobel	43.57	28.0	1219.96
ArcelorMittal	34.12	103.0	3514.36
ASML Holding	25.715	52.0	1337.18
Kon. BAM Groep	6.24	14.0	87.36
Kon. Boskalis Westminster	32.025	8.0	256.2
Corio	50.1	9.0	450.9
Kon. DSM	34.455	19.0	654.645
Fugro	51.09	8.0	408.72
Heineken	37.11	30.0	1113.3
ING Groep	7.743	461.0	3569.523
Kon. KPN	11.885	196.0	2329.46
Kon. Philips Electronics	24.73	117.0	2893.41
Royal Dutch Shell A	22.605	238.0	5379.99
Randstad Holding	38.42	13.0	499.46
Reed Elsevier	9.101	83.0	755.383
SBM Offshore	15.94	20.0	318.8
TNT	22.995	45.0	1034.775
TomTom	6.323	12.0	75.876
Unibail - Rodamco	151.2	11.0	1663.2
Unilever	22.855	196.0	4479.58
Wereldhave	72.5	2.5	181.25
Wolters Kluwer	15.91	35.0	556.85
Total			35666.52
divisor			100
index level			356.67

Example based on index data of April 2010. For illustration purposes only.

Change of effective date and additional quarterly reviews

The Global index Group intends to move the effective date of the reviews of all its main indices to after the close of the Third Fridays of March/June/September and December. These dates are chosen to align the indices with the expiration of major derivative contracts. Years ago it was decided not to do the review on an expiration date to reduce pressure on administrative systems. Today, the market has the capability to cope with huge volumes and it has become an advantage to rebalance the index at a time where there is a lot of activity in the market. That is why the change to such standard date is pursued.

In 2008 an interim review in September was introduced that created the possibility to fill open places and facilitate the inclusion of recently IPO'd shares. At the interim review the changes to the basket are kept minimal in order to avoid index turnover. Now two quarterly reviews will be added in June and December. As these dates will not trigger an update of numbers of shares, free float percentages or capping factors, the stability of the index will be maintained while enhancing the possibilities to react more quickly to major developments.

More review moments will not necessarily lead to more index turnover for the AEX-index, because the changes apart from the annual review will be limited. Moreover, if changes should happen, they will be spread out over more moments, which will lessen the impact of the events.

Changes at the annual review

In the new set up changes in the composition and the free float factors will be announced at least two weeks before the review.

The numbers of shares in the index will be based directly on the numbers of shares listed at that time. This number is announced a few days in advance in combination with the applicable free float factors. The capping factor will be determined based on the situation a few days before the effective date. The new portfolio will then be published in an index announcement.

After the close of the third Friday of March, when the actual changes are implemented, the only thing that will happen is the fine-tuning of the divisor in order to keep the index level unchanged.

As the new procedure will not involve rounding, the uncertainties around the index rebalancing will be reduced and therefore the index replication will become easier.

Changes for corporate actions[1]

The intended change of the calculation method will make corporate action treatment easier and make it possible to align the treatment better with what is actually happening. That's why the rules for two types of corporate actions will be impacted.

The treatment will change in such a way that it will more reflect what is going on in the underlying market.

a) Extraordinary payments/special dividends. In the basket index the price effect of such a payment is compensated by adding shares of the constituent to the index. To replicate the index, the investor is required to buy shares with the proceeds of the extraordinary payment.

   In the divisor based index, the divisor will be adapted to compensate for the decrease in market capitalisation. The

[1] Corporate action: an event involving one or more constituents of the index which may trigger an adjustment of the index portfolio.

different treatment means that for index replication purposes the investor should use the proceeds to buy the whole index. In line with what happens on the underlying market, the percentage weight of the constituent making the payment will go down.

b) Rights issues. In case of a rights issue the price of the constituent will initially go down with the value of the right, which is followed (a few weeks later) by an increase of the listed shares that will lead to an increase of the market capitalisation. In the basket model shares are added to compensate for the value of the rights only. With the divisor based model it becomes possible to include the new shares from the rights issue as well in the index. So this treatment will change: the divisor is adapted for the price effect and the inclusion of the new shares[2].

For other corporate actions the treatment will remain the same, with the notion that there won't be a rounding issue in case of a removal from the index.

Impacts of the changes for users of the index

- The treatment of corporate actions will change as any payment to shareholders (apart from dividend) will not be reinvested in the constituent itself, but rather in the whole basket.

- There will be two additional moments on which rebalancing *may* occur. More often than not these moments will pass without any changes to the index.

- The practice around reviews will change marginally. In stead of having to wait until after the close of the day on which the rebalancing occurs, the new portfolio will be published two days in advance. Besides that the date on which the rebalancing occurs will move from the first business day of March and September to the Third Friday of March, June, September and December.

- The basis for the annual review will change from the calendar year to the 12 month period from February-January and similarly for the 12 month periods preceding the other reviews.

[2] New shares are included provided that they are fungible with the existing ones and provided that they represent less than 40% of the current shares.

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Contact us for more information.

This document is not intended as a formal consultation. However, users of the index and other parties that feel they have an interest are kindly invited to give their reactions to the Global Index Group of NYSE Euronext.

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