



Rules for the Construction and Maintenance of the **Oslo Børs OBX Oil Service Index**

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Introduction

1.1 Background

This booklet describes how Oslo Børs calculate the Oslo Børs OBX Oil Service Index. It is aimed at users, investors and others interested in the construction and computation of such Index.

The Oslo Børs OBX Oil Service Index is a hybrid of the OBX index and the OSE101010 (Energy Equipment and Service) Construction, maintenance and calculation of the Oslo Børs OBX Oil Service Index and the adjustments of it, are described below.

1.2 Oslo Børs and the Index Committee

Oslo Børs is the sole and exclusive owner of all rights, titles and interest of the Index. Any products based on the Index require permission by Oslo Børs.

Oslo Børs carry out the daily maintenance of the Index, such as calculating and distributing the index levels and calculation parameters, in accordance with "Rules for the Construction and Maintenance of the Oslo Børs OBX Oil Service Index".

The role of the Oslo Børs index Committee is to determine and review "Rules for the Construction and Maintenance of the Oslo Børs OBX Oil Service Index" and to consider and agree on additions and deletions in accordance with these rules.

1.3 Information Policy

Changes to the index composition and "Rules for the Construction and Maintenance of the Oslo Børs OBX Oil Service Index" will be published by Oslo Børs.

Deadlines for announcements:

Rule amendments: Material changes to the rules are normally announced 1 month before they are put into effect.

1.4 Index Currency

The Oslo Børs OBX Oil Service Index is calculated and quoted in Norwegian Kroner (NOK). To calculate the index in any other currency than the quote currency, the index levels may be multiplied by the exchange rate of the new currency to the index quote currency.

2 Construction and Maintenance

2.1 Eligible securities

Oslo Børs distinguish between primary or secondary listing. A Company whose shares have a secondary listing on the Exchange or a foreign domicile is also eligible for index inclusion. For secondary listings and foreign domicile, only the part of the outstanding shares which is registered in the Norwegian CSD (VPS) is eligible for inclusion.

Security types not included in the Index are closed-end funds, exchange traded funds, mutual funds, unit-investment trusts, convertible debentures, preferred stocks, rights, warrants, and other derivative securities.

2.2 Oslo Børs OBX Oil Service Index (OBOSX)

2.2.1 General

The Oslo Børs OBX Oil Service Index is intended to be an investible Index with a composition of highly liquid shares within the oil service sector.

2.2.2 Selection Criteria

The Oslo Børs OBX Oil Service Index is a hybrid of the OBX index and the OSE101010 Energy Equipment & Service Index, and contains only the companies that are members of both the OBX Index and the OSE101010 Energy Equipment & Service Index.

2.2.3 OBX Index

The OBX is a tradable index which is constructed for the main purpose of derivative trading. The index is aimed to be a highly liquid composition of shares that reflects the Norwegian investment universe and function as a desired investment tool for all types of investors, fund managers etc. in the marketplace. The index is highly liquid and consists of the 25 most traded shares on Oslo Børs. The OBX index is reviewed semi-annually in June and December each year.

2.2.4 OSE101010 Energy Equipment & Service Index

The OSE101010 Energy Equipment & Service Index consists of all shares listed within the Oil Service sector on Oslo Børs, and is by construction not intended to be an investible index. The maintenance of the index composition is carried out on a daily basis to reflect the continuous changes in outstanding shares and listed companies.

2.2.5 Periodic review of the index

The Oslo Børs OBX Oil Service Index is reviewed semi annually. The review is conducted on the basis of figures as of after closing on the last trading day of November and May. Implementation of the reviewed index will take effect the Friday after the 3rd Thursday of June and December each calendar year. Rebalancing will be undertaken using closing prices the day prior to implementation.

In the period between reviews, the number of shares for each security applied in the index calculation is fixed with the exception of adjustments for corporate actions with priority for existing shareholders. The review is conducted in NOK.

2.2.6 Capping

The following index weight restrictions must be met by index funds tracking indices in order to comply with UCITS III/ Vpfl. § 4-8a:

- The market value of the largest constituent may not exceed 35% of the index total market value.
- The market value of each constituent other than the largest may not exceed 20% of the index total market value

Oslo Børs is maintaining the weighting restrictions by using a semi-annual and an "as needed" procedure.

(a) Semi-annual adjustment:

Adjustments will come into effect on the first trading day after expiration in June and December. The largest stock, if exceeding 30% of the Oslo Børs OBX Oil Service Index total market value, will be capped at 30%. Other stocks, if exceeding 18% of the Oslo Børs OBX Oil Service Index total market value, will be capped at 18%. The capping is repeated if necessary until all stocks are within the capping limits of 30% and 18%.

(b) "As needed" adjustment:

The index may be recapped on an "as needed" basis in between rebalancing times.

The "as needed" adjustment will be activated if the largest stock exceeds 35% and/or other stocks exceed 20% of the Oslo Børs OBX Oil Service Index total market value. The stocks will be recapped until the weight restrictions according to (a) are satisfied.

Corporate actions and fast entry/exit may result in additional adjustments.

The extra weight removed from the overweight stock(s) will be distributed amongst the remaining stocks in proportion to their relative weights.

3 Index Calculation

3.1 General

Oslo Børs calculate index-values in real-time.

3.2 Formula

The main objective of the index calculation is to exceedingly reflect the changes in value of a portfolio consisting of the Index Constituents.

Oslo Børs is calculating the Indices using the below formula:

$$I_t = \frac{\sum_{i=1}^n q_{i,t} * p_{i,t}}{\sum_{i=1}^n q_{i,t} * (p_{i,t-1} - d_{i,t}) * j_{i,t}} * I_{t-1},$$

where

I_t = Index level at time t

$q_{i,t}$ = Number of shares of company i applied in the index at time t

$p_{i,t}$ = Price in quote currency of a share in company i at time t

$d_{i,t}$ = Dividend only used for total return Indices

$j_{i,t}$ = Adjustment factor for adjusting the share price of a constituent security due to corporate actions by the issuing company at time t

3.3 Price Algorithm

To represent the price in the quote currency of a share, $p_{i,t}$ in the formula in 3.2, Oslo Børs apply the following rule:

If an officially registered trading price for an index stock has not been quoted on the relevant trading day, the last quoted trading price shall be used in the calculation. If a bid has been quoted that is higher than the last quoted trading price, the bid shall be applied in the calculation. If an offer has been quoted that is lower than the last quoted trading price, the offer shall be applied in the calculation. If either the closing bid or offer is used as the closing value, this price will be viewed as the last traded price in the calculation of the index on the following day, until a new official trade price is registered.

In algorithmic form:

If there exists an official trade then

if bid > trade then $p_{i,t} = \text{bid}$

if ask > 0 and ask < trade then $p_{i,t} = \text{ask}$

else $p_{i,t} = \text{trade}$

else if bid > start then $p_{i,t} = \text{bid}$

else if ask > 0 and ask < start then $p_{i,t} = \text{ask}$

else $p_{i,t} = \text{start}$

where

bid = best official buying order

ask = best official selling order

trade = last official trade in the security

start = the starting price of the security in the index

3.4 Number of Shares

The number of shares of a company applied in the index, $q_{i,t}$ in the formula in 3.2, is the free float number of shares. If corporate actions cause adjustments to the index, the number of shares is changed to reflect the new free float market capitalization of the company in the index.

In connection with non-cash issues and similar issues, see rule 4.6, Oslo Børs make the adjustment without delay.

3.5 Dividends

Oslo Børs only calculate a total return version of the Oslo Børs OBX Oil Service Index.

To reflect the true performance of an index, dividends are reinvested in the total return version of the index. The reinvestment is carried out by adjusting the $p_{i,t-1}$ in the denominator in the index with subtraction of dividends from this price on the ex-dividend date t . This adjustment reinvests the dividend in all index constituents in proportion to their respective weights. Adjustment shall also be made for scrip dividends, other cash distributions or for capital reductions where the whole or part of the cash distribution or the amount of the reduction replaces an ordinary dividend.

$$\tilde{p}_{i,t-1} = p_{i,t-1} - \text{dividend}$$

3.6 Adjustment Factor

If a company carries through with a corporate action with priority for existing shareholders, any diluting effects must be adjusted for in order to reflect the true performance of the security and index. In the event of a corporate action undertaken by a constituent company, Oslo Børs will calculate the adjustment factor applied in the index calculation, $j_{i,t}$ in the formula in 3.2, according to the rules in section 4.

The adjustment factor expresses the theoretical percentage change in the stock price as a result of the dilution.

3.7 Suspension and Trading Halt

In case of a suspension or trading halt of an Index Constituent, please refer to the trading rules of Oslo Børs.

4 Corporate Actions

This section lists the most common corporate actions undertaken by listed companies and describes the appropriate adjustment applied by Oslo Børs to uphold the correct representation of the Indices performance. Re-balancing will be undertaken using closing prices the day prior to implementation.

The following corporate actions may lead to an adjustment of the Indices:

- Issues
- Split / Reverse split and change in face value
- Market price issue
- Spin-off and adjustments for issues
- Merger / take-over
- Redemption and cancellation of shares

The adjustments effected after the individual events are described in detail below.

4.1 Discretionary adjustments

Oslo Børs decide which adjustment alternative shall be employed. The Exchange may in the cases described below make other adjustments than those stated, if warranted by special circumstances. Oslo Børs may also make adjustments to an index in other cases than stated below. Notwithstanding, the index adjustments shall wherever possible be in accordance with the aims set forth in 3.2.

4.2 Daily review of number of shares in the index

Oslo Børs OBX Oil Service Index is reviewed on a semi annual basis and includes the free float number of shares. The number of new shares is determined in accordance with the terms of the corporate action.

4.3 New Share Issue with rights for existing shareholders (Rights Issue)

New share issue is an offer by the company to existing shareholders to take part in a new issue of shares. The new shares are offered in proportion to each shareholder's existing holding, generally at a reduced price. The issue of shares at below-market-price results in dilution of the head shares. In a rights issue both the number of shares outstanding and market capitalisation of the company increases.

Effective from the ex-date, the number of shares and price of the constituent is adjusted to reflect its true performance.

It is assumed that the right offering is fully subscribed. In the case of a not fully subscribed offering, the number of shares included in the index will be adjusted to reflect the actual number of shares subscribed. If the new shares deviate significantly from the Index Constituent, the Method described in 4.7.1 shall be applied.

Oslo Børs is calculating the adjustment factor using the following formula:

$$\text{Adjustment factor } j = \left(\frac{P_{ex}}{P_{cum}} \right)$$

$$P_{ex} = \left(\frac{P_{cum} \cdot m + P \cdot n}{m + n} \right)$$

P_{cum} = Security price cum-rights

P_{ex} = Theoretical security price ex-rights

P = Subscription price

m = Number of headshares

n = Number of new shares

4.3.1 Conditional ex date

If a share trades exclusive the right to participate in a rights issue prior to the General Meetings approval of the rights issues in question, the exchanges may exclude the share until such approval is submitted. Each case should be reviewed individually.

4.4 Bonus issue

A bonus issue or stock dividend is an issue of shares free of charge to existing shareholders, the shares being brought into existence by the capitalisation of the company's reserves. The new shares are issued in proportion to each shareholder's existing holding. The issue of bonus shares is merely an accounting transaction and results in no flow of capital into or out of the company. The number of shares increases but the market capitalisation of the company remains unchanged. If the new shares deviate significantly from the Index Constituent, the Method described in 4.7.1 shall be applied.

Oslo Børs will increase the number of shares of the constituent security, by the number of additional shares, on the day that the Index Constituent is first available for trading on the Exchange ex rights (ex-day).

4.4.1 Conditional ex date

If a share trades exclusive the right to participate in a bonus issue prior to the General Assembly's approval of the bonus issues in question, the exchanges may exclude the share until such approval is submitted. Each case should be reviewed individually.

4.5 Split / Reverse split and change in face value

A stock split or reverse split is the action of a company in splitting or recouping its shares, reducing or increasing, respectively, par value in proportion and so increases or decreases, respectively, the number of shares. The economic effect of a stock split or reverse stock split is equivalent to bonus issue, as there is no flow of capital into or out of the company. The number of shares increases but the

market capitalisation of the company remains unchanged. If the new shares deviate significantly from the Index Constituent, the Method described in 4.7.1 shall be applied.

A reduction of share capital removes part of the nominal share capital of a security without affecting the market value. If the reduction takes place by maintaining the number of shares but reducing the face value of the shares (change in denomination) the price will not be affected and only the face value will be changed.

Oslo Børs will increase the number of shares of the constituent security, by the number of additional shares, on the day that the Index Constituent is first available for trading on the Exchange ex rights (ex-day).

4.6 Market price issue

Market price issues where existing shareholders have waived their pre-emptive right to subscribe in the issue are usually offered to the public, directly to a person or an organisation. As the issue is not reserved for present shareholders it is assumed that they are somehow compensated for, if any, dilution. The issue of new shares results in flow of capital into the company, the number of shares increases and the market capitalisation of the company changes. Other issues like private placements and employee share issues, assimilation and division of shares, conversion of convertible debts and exercise of warrants or similar securities are also treated as a market price issue.

Effective on the ex-date, the number of shares of the constituent security is adjusted to reflect the new market capitalisation of the company. If the new shares deviate significantly from the Index Constituent, the Method described in 4.7.1 shall be applied.

Temporary securities with deviating dividends are included separately in the index calculation because, by definition, the price for the security will differ from the price for the permanent security.

When the temporary security is later merged into the permanent security, an adjustment is made the day after the general meeting, which ensures that the transfer to the permanent security does not affect the index value.

4.7 Spin-off and adjustments for issues

A spin-off is the action of a parent company distributing out among its shareholders the controlling stock that it holds in a subsidiary company or issuing of shares in a new company based on a part of its current business. The spin-off results in outflow of capital in form of capital transfer from the parent company to the new company. In a spin-off the number of shares outstanding remains unchanged. However, the price of the company will be affected.

4.7.1 Valuation method, Fixed price method and exclusion from the Index

When the company, the shares of which constitute an Index Constituent, carries out any of the following measures and where the shareholders have preferential rights of participation the Valuation Method, Fixed price method or exclusion from the index shall be used:

- (i) issue of convertible bonds (debentures), debenture certificates carrying subscription warrants or similar securities,
- (ii) offer to acquire securities or rights of any type or receive such securities or rights without consideration and
- (iii) when a new issue is carried out which involves the issue of a new type of stock having rights that deviate significantly from the rights carried by the Index Constituent.

Valuation Method

Where valuation of the right can be effected, the opening exchange Price of the Index Constituent $P_{i,t-1}$ on the ex-day shall be determined at the most recent price on the preceding Bank Day less the calculated value of the right. Thereafter the regular index calculation shall take place employing the most recent transaction prices.

Oslo Børs have also the possibility of using an OTC stock price. These prices will only be used if they are representative taking into consideration the volume of trading in the rights or when-issued futures. In such cases the valuation shall be based on the last paid price of the rights or the when-issued futures on the day prior to the ex-day.

The calculated value of the right can also be based on the median value of valuations from members of the Exchange, however, on the condition that the Exchange, not later than the Bank Day prior to the ex-day, receive no less than five valuations.

If a satisfactory estimate of the right can be obtained, the Valuation Method shall primarily be used.

Fixed price method

If no satisfactory estimate of the right has been obtained, effective on the ex-date only, the index is calculated using the closing share price from the previous trading day. This price is used in the calculation of the index up to and including that day the first closing price is quoted excluding subscription rights (or corresponding rights). The following day, a new base value is calculated on the basis of the previous days latest bid price.

Exclusion from the index

If no satisfactory estimate of the right has been obtained, effective on the ex-date only, Oslo Børs can decide to exclude the constituent from the index. However, if no price has been obtained on the ex-day, the constituent security will remain excluded from the index until the day after the first price observation. The adjustment results in the excluded constituent having the same performance as the weighted average performance of the other Index Constituents as a proxy for its true performance.

4.8 Merger / take-over

A merger or take-over is to combine the ownership of two companies into a new company or that one company obtains the ownership of the other.

The adjustments below will be effective on the day the acquiring company control at least 90% of the outstanding shares in the acquired company. The term "control" is here defined as when either, (a) the acquiring company notifies Oslo Børs of their control or receiving accepts of at least 90 per cent, (b) the transaction is registered in Oslo Børs trading system or (c) the shares are registered with the CSD (VPS).

If the acquiring company and the acquired company are listed on Oslo Børs, the acquired company is deleted from the index when the company is de-listed from the Exchange or when shares issued to the shareholders in the acquired company is subject for trading in the acquiring company.

If the acquiring company is not listed, the acquired company is deleted when 90 % acceptance is reached. Other Adjustments

4.9 Other adjustments

Oslo Børs may in the cases described above make other adjustments than those stated if special circumstances so indicate. The index adjustments shall wherever possible be in accordance with the calculation principles above.

5 Limits of liability

Oslo Børs assume no liability for loss or damages related to or arising out of the use of the Oslo Børs OBX Oil Service Index. The Exchange expressly disclaims all warranties of accuracy, completeness, merchantability or fitness for a particular purpose with respect to the Index. Neither the Exchange nor any third party make any express or implied warranties or representations in respect of the Index, the results to be obtained by the use hereof or the value of the Index at any given time.