The Egyptian Exchange
البورصة المصرية

EGX30 Index Methodology

Contents

Introduction

The Egyptian Exchange (EGX) is committed to applying international best practices in developing and managing its indices, starting with the eligibility criteria for selecting companies to join the index, the periodic index rebalances, the index calculation, and the dissemination of indices data. EGX has played a leading role among the regional stock markets in launching and developing in-house a variety of different indices designed to measure the performance of the market according to liquidity and to meet the needs of investors.

EGX launched the benchmark index **"EGX30 Index"** on 1 February 2003. The index includes the top 30 companies in terms of liquidity and activity. The Index is weighted by the adjusted free floated market capitalization. EGX30 avoids concentration on one industry/ sector and therefore has a good representation of various industries/sectors in the economy.

EGX started publishing the EGX30 Index with a base date of 4 Jan 1998 and a base value of 1000 points. As of 1 March 2009, the Egyptian exchange started publishing EGX30 in US$ terms and renamed CASE30 to EGX30 reflecting the replacement of Cairo and Alexandria Stock Exchanges by the Egyptian Exchange (EGX).

Eligibility Criteria for EGX30

2.1. Securities Nature:

The index includes only common stocks. The Preferred stock, bonds and other securities such as investment funds are not included in the index.

2.2. Number of Trading Days:

- For a company to join the index, its shares must be traded on at least 65% of the number of trading days during the review period .Companies newly listed between the review period could be included in the index in the following cases:

  Large IPOs will be included in the index in case of satisfying one of the following conditions:

  1. The company's adjusted market capitalization exceeds 2 times the median of the adjusted free float market capitalization of the top 60 traded companies ranked as per the liquidity Screens described under section no. (3).Additionally, It is required to be traded at least 75% of the total number of trading days from its first trading date to the next review date, provided that the trading period of the company shall not be less than 2 months from the beginning of trading till the date of review.
  2. The company's adjusted market capitalization exceeds 5 times the median of the adjusted free float market capitalization of the top 60 traded companies ranked as per the liquidity Screens described under section no. (3), with the exception of applying the Minimum Length of Trading Requirement and liquidity screens.

In the case of not satisfying the above mentioned requirements, the company's shares are required to be traded at least 75% of the total number of trading days from its first trading date to the next review date. provided that, the trading period of the company shall not be less than 3 months from the beginning of trading till the date of review.

2.3. Liquidity Screening:

The main criteria for selecting the constituents EGX 30 is assessing each company's liquidity. The liquidity screening process for eligibility is as follows:

3. The total trading value (excluding "OPR"), is calculated monthly for all traded companies.

4. Then all traded Companies are ranked monthly and the top 30 companies are selected in terms of total monthly trading value.

5. The monthly rank of top 30 in trading value is counted during the periodical review (6 months), and then ranked in terms of frequency.

6. Finally, the monthly frequency of the company is analyzed and reviewed.

The eligible companies for inclusion are then selected according to the following criteria:

1. The most frequent companies within the top 30 companies during the review period of 6 months. However, in the case of newly listed companies, which start trading during the period of the review (IPOs), the calculations are done per month since the first trading day, provided that the trading period of the company is not less than 3 months from the beginning of trading till the date of review. (eg, IPO in October, then the total number of reviewed months is only 3 months and not 6 months).

2. Total trading value (excluding "OPR") during the period of review.

- In case of "two or more companies are equal in the monthly frequency", the eligible company will be selected in terms of total trading value (exclude OPR) during the review period.
- In case of "two companies are equal in the monthly frequency and almost equal in total trading value during the review period", both the mean and the standard deviation of the trading value are calculated and compared over the review period, then the company with a lower standard deviation, will be eligible for inclusion.

2.4. The Minimum issued capital requirement:

The issued capital of the company should be complied with term 6 at article 7 of listing rules.

2.5. The minimum limit of the adjusted market capitalization:

The company is considered eligible for inclusion in the index if its adjusted market capitalization is not less than the median of the adjusted market capitalization of the top 60 traded companies ranked as per the liquidity Screening as described in section no. (3).

2.6. Free Float:

The minimum free float for inclusion in EGX 30 should be at least 15%. However, the company is considered eligible for inclusion in the index if its adjusted market capitalization is not less than the median of the adjusted market capitalization for all traded companies during the review period, and it's free float is compatible with the listing rules.

- The free float is the freely floated shares that are traded and held by the public (tradable shares). The free float of listed companies is reviewed by the disclosure department. The department coordinates and follow-up the free float calculation requirements with the listed companies. Listing rules have committed listed companies to report to the disclosure department with the shareholders structure four times a year, end of March, end of June, end of September, and end of December.

2.7. Maximum Number of included companies from the same sector:

The number of included companies from the same sector should not exceed five companies. The selection of companies are based on adjusted free float market capitalization.

2.8. Dollar-denominated Securities:

EGX allowed dollar-denominated shares to be included in EGX 30 Index if they meet all other criteria of index rules, effective since the 1st of August 2007.

The following cases will be presented to the index committee for a final decision on the eligibility for inclusion in EGX indices:

- Companies committing several

repetitive breaches or material violations to EGX listing and disclosure rules and regulations.

- Companies that go bankrupt, merge with other companies or are acquired by other companies, or companies that announced their liquidation, in addition to companies that disclosed their probability of liquidation.

- Companies that have received approval from the Financial Regulatory Authority (FRA) to submit a Tender Offer, or the Companies where an acquirer express no intention to maintain the company listed on the Egyptian Exchange (EGX), or when the Company's Board of Directors approves the delisting of the company

- EGX 30 avoids cross holdings amounting to 30% or more. Cross holdings mean significant ownership of one company in another company or stakes held in one company by another. Thus, to avoid double counting significant cross ownership, amounting to 30% or more is excluded from EGX 30 Index.

Companies Selection:

The main criteria for selecting the constituents of EGX 30 is liquidity. A buffer rule is applied to the constituent selection process at each rebalancing, in order to reduce turnover.

1. All companies ranked in the top 27 as per the liquidity screening described in section no. (3). The top 27 companies are automatically selected for index inclusion.

2. Next, any current constituent companies remaining within the top 33 are re-selected for index inclusion, in order by rank, until the 30 company target count has been reached.

3. If the target count still has not been reached, the highest-ranking non constituents are selected until 30 companies are included.

4. ***Finally, the proposed eligible companies will be presented to the EGX Index Committee for a final decision on the eligibility for inclusion in the EGX30 index.***

Special Cases

In case of special corporate actions took place during the review period as in the case of demerger, merger and acquisition. Company's historical data has to be adjusted as follows:

- **In case of a company demerged,** the closing price of each company for the first trading day after demerger is used for calculating the historical data of both companies for the pre-trading period. **For example:** If XY company demerged into two companies (X Company and Y Company), the closing price of the first trading day of each company **after demerger** occurs is used to calculate the company's portion of historical data. Thus, X company's portion of historical data = closing price of X company divided by sum of closing prices of X and Y, and the same applied to Y Company.

- **In case of mergers and acquisitions,** which result from acquisition of a person or related parties to at least 85% of listed company during the review period, the company's historical data is calculated taking into consideration the actual activity after conducting mergers or acquisition. The company's data is adjusted through calculating the percentage of company's actual trading days after conducting acquisition to company's actual total trading days before and after the acquisition (the review period), then using this percentage to modify company's historical data (trade value, trade volume and number of transaction) by multiplying it by the company's historical data.

- **For Example:** Assuming that the acquisition of company "X" was done on May 15th (almost one month and half before the semi-annual review), and suppose the company was traded in 115 days along the review period (before and after the acquisition), while it was traded in 21 days only after the acquisition, thus, to adjust company's historical data, we calculate the percentage of 115/21= 5.5 and use this multiplier to adjust all historical data, given for example a trade value of EGP 100 million after acquisition, the modified trading value will be (100 * 5.5=550 millions) and so on.

Continued Eligibility Criteria

- Index constituents remain in the index even if any of these constituents lost one or more of the eligibility requirements during the review period.

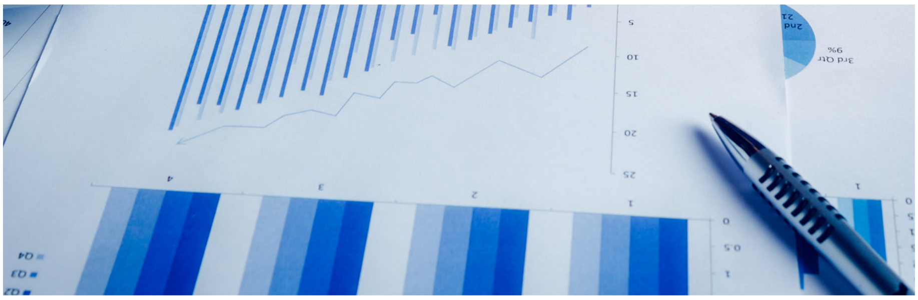
- In case of demerger during the review period both companies will remain in the index till the next review period, and the opening price of each company will be stated according to the approved demerging ratios.

- If special corporate actions took place during the review period, the case should be presented to the index committee to take the proper decision as illustrated below:

- Mergers and acquisitions, which result in any of the following:
- Acquiring person or related party to at least 85% of the listed company.
- Legal personality termination of any constituent.

- **Trading suspension to any of the index constituents for more than one month.**

Index Rebalance

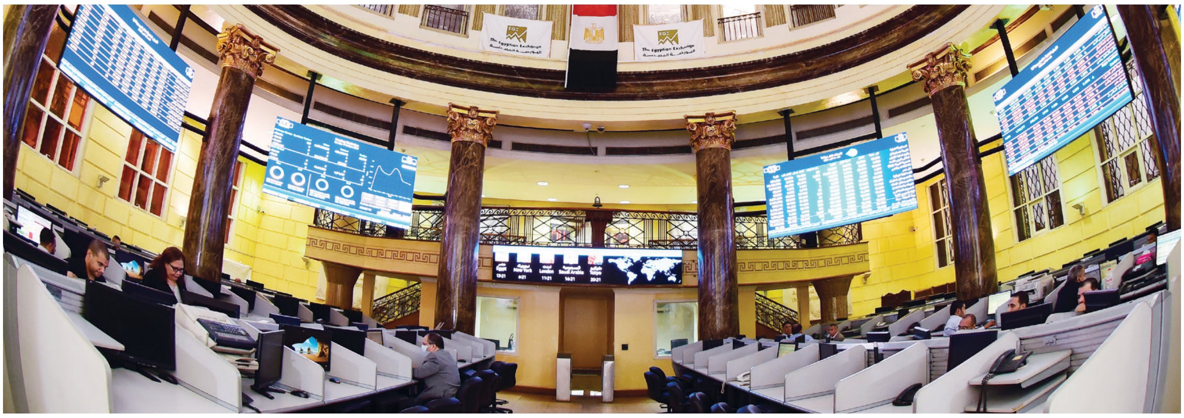


EGX30 constituents are reviewed on semi-annual base (1st of February and 1st of August) by EGX Index Committee, whereby constituents are changed (added or deleted), if necessary, based on the above mentioned criteria.

Index Governance

EGX 30 index is governed by EGX Index Committee, an independent committee consisting of representatives from market participants, fund managers and banks, and chaired by EGX Chairman. The committee is responsible for overseeing the ongoing management of the current indices including development, marketing and periodic review procedures. Additionally the committee provides advice on the construction and methodology of new indices.

Any decision taken by the Index Committee will be made public via EGX publications, website etc. beforehand so that those who follow the index are aware of the changes and adjustments that take place.



Appendix (1)
Detailed Calculation of EGX30 Index

1. Adjusted Market Capitalization Weighted Methodology for calculating EGX 30 Index:

The formula used for calculating EGX 30 is straightforward. The daily index value is calculated by dividing the adjusted market value (Last closing price * number of listed shares * percent of free float) of all constituent companies by a divisor. Adjusted Market Value is synonymous to Adjusted Market Capitalization.

$$\text{Index Value (in EGP)} = \frac{\text{Adjusted Market Value of Constituents}}{\text{Companies Divisor}}$$

EGX Index Value (in US Dollars) is calculated after adjusting for the exchange rate between the Egyptian pound and the US dollar rate at the end of each day.

2. Divisor:

The divisor is a factor that converts adjusted market capitalization of constituent companies to the index level. It is derived at the starting point of the index (Base date) by dividing the adjusted market capitalization by an arbitrary number or Multiplier. For example, if one wanted the starting point for the index to be 1, one would divide the adjusted market capitalization by itself.

For EGX 30 in local currency as well as EGX 30 in dollar terms, the indices were set at 1,000 on its start date, one would then set the divisor at 1/1000 of the adjusted market capitalization.

3. Steps to calculate the divisor at the base date:

Step 1: Calculate the adjusted market capitalization of constituent companies at the starting date. It is equal to the sum of closing price multiplied by listed shares of constituent companies times the percent of free float at the starting date.

Step 2: Assume that we will set the starting value of index at 1000.

Step 3: Calculate index divisor on the starting date to as follows:

$$\text{Index Divisor at } t_0 = \frac{\text{Adjusted Market Value}}{\text{Index Value } t_0} = 1000$$

4. Modifying the Divisor:

A) Modify the companies with addition and deletion

When a company is added to or removed from the index, the market value of the company is added to or subtracted from the index and the market value rises accordingly or decreases, which affects the index level. Since the indicators need to reflect only the market forces that change the value of the company, the index's divisor is adjusted to maintain a constant value to the index. Such amendments shall be made at the beginning of the specified date (prior date) before the trading begins.

B) Market value adjustments

There are two ways in which market value can be changed:

- Market forces: which push stock prices up or down. The index reflects changes as a result of market forces and therefore there is no need to make adjustments to the divisor.
- Corporate events: When companies issue new shares or add equity rights, this affects their market value. When the company carries out these actions that affect market value, these actions do not show their impact on the value of the index. The actions of companies that affect the market value of the index require an adjustment to the divisor to create a balance to prevent a change in the value of the index due to these actions. Thus, with the modification of the divisor, the value of the index remains constant before and after these actions.

Appendix (2)
Summary of Corporate Actions

#	Corporate Actions	Effect on Shares Number	Effect on Open Price	Theoretical Price Calculation	Effect on Divisor
1	Cash Dividend (from Operating Profits)	No	No	Open price will not be adjusted	No Effect
2	Extraordinary Cash Dividend (from Nonoperating Profits)	No	Yes	Adjusted Price = Last Closing Price before the Ex-Date - Coupon Value	Decrease
3	Stock Split	Yes	Yes	Adjusted Price = Last Closing Price Before Split / Stock Split Adjustment Factor	No Effect
4	Reverse Stock Split	Yes	Yes	Adjusted Price= Last Closing Price before Reverse Split × Reverse Stock Split Adjustment Factor	No Effect
5	Stock Dividend	Yes	Yes	Adjusted Price= (Last Closing Price before the Ex-Date × the Number of Listed Shares) ÷ Number of Shares after the Increase	No Effect
6	Capital Increase: Right Issue	Yes	Yes	Adjusted Price= ((Last Closing Price in the Subscription Closing Date× the Number of Listed Shares) + (Subscription Price × the Number of Shares of Capital Increase)) ÷ Total Number of Shares after the Increase	Increase
7	Demerger (The Two Demerged Companies will remain in the Index)	No	Yes	Adjusted Price of the First Demerged Company= Last Closing Price Before Demerger* First Company Ratio. Adjusted Price of the Second Demerged Company= Last Closing Price before Demerger* Second Company Ratio	No Effect
8	Capital Increase: Convertible Bonds	Yes	Yes	Adjusted Price= [(Last Closing Price before Listing the New Shares × Number of Listed Shares before Capital Increase) + (Number of Shares Equivalent to Convertible Bonds × Conversion Price)] ÷ Total Number of Shares after Capital Increase	Increase
9	Capital Decrease: Write Off	Yes	Yes	Adjusted Price= (Last Closing Price × the Number of Listed Shares) ÷ Number of Outstanding Shares after Capital Decrease	No Effect

#	Corporate Actions	Effect on Shares Number	Effect on Open Price	Theoretical Price Calculation	Effect on Divisor
10	Capital Decrease through the Par Value	No	Yes	Adjusted Price= Last Closing Price before Repayment – Repaid Cash Per Stock	Decrease
11	Acquisition	No	No	Open price will not be adjusted	No Effect
12	Issuing New Shares as a Result of Merge	Yes	Yes	Adjusted Price= Par Value after Merger	Increase
13	Increase Par Value of the Shares without Changing the Number of Listed Shares	No	No	Open price will not be adjusted	No Effect
14	Treasury stock: Write-off	Yes	No	Open price will not be adjusted	Decrease

The following steps are performed to calculate the index level when it is necessary to modify the divisor:

1. The adjusted market value, which is equal to the total closing price (according to the equation in the previous table), is calculated by multiplying it by the adjusted number of shares for each company.
2. Calculation of the new divisor:

   New divisor = old denominator multiplied by (adjusted market value) / (previous market value)

   So the new denominator is simply the number that remains on the index at the same level as before the change in market value, meaning that the new divisor can be calculated differently as follows:

   Divisor = the modified market value / previous level of the index
3. Calculate the market value, which is equal to the closing price of the number of restricted shares.
4. Calculate the value of the index by dividing the market value on the denominator.

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