

August 22, 2008

Exchange Notice

Norwegian Stock Products 18/08

Response to hearing regarding dividend adjustments for Norwegian derivatives

Oslo Børs has, using the responses from the hearing and in cooperation with Oslo Clearing, reached the following conclusions.

1. Dividend adjustment rules

Of the alternatives presented, the majority of the responses were in favor of alternative *d) – New 100% adjusted derivative class*. Oslo Børs will hence introduce a new derivative class where the dividends of the stock(s) included will be adjusted 100%. For the remaining stocks, we will continue today's rule by adjusting for that part of the dividend exceeding 5% of a stock's vwap on last day inclusive.

2. Ordinary vs. extraordinary dividends

Most of the responses were in support of handling dividends as today. That is, we will not differentiate between ordinary and extraordinary dividends. In the Norwegian market, it is often not communicated whether the dividend is ordinary or extraordinary; hence today's regime with treating all dividends equally will be sustained.

3. Dividend adjustment method

Oslo Børs will start using an adjustment factor when adjusting for dividends. Considering the alternatives chosen from 1 and 2, the formulas are presented below.

a) When dividends are adjusted using the 5% rule, the formula will be as follows:

$$A = \frac{P_{cum}^{vwap} - D - D_{5\%}}{P_{cum}^{vwap} - D}$$

A = Adjustment factor

P_{cum}^{vwap} = The stock's volume-weighted average price before the ex-date

D = Dividend (5% or lower of P_{cum}^{vwap})

$D_{5\%}$ = Excess dividend (dividend that exceeds 5% of P_{cum}^{vwap})

New exercise or forward price: Old exercise or forward price * A

New contract size: Old contract size / A

b) For the new derivative class, where dividends are adjusted 100%, the formula will be as follows:

$$A = \frac{P_{cum}^{vwap} - D}{P_{cum}^{vwap}}$$

A = Adjustment factor

P_{cum}^{vwap} = The stock's volume-weighted average price before the ex-date

D = Dividend

Exercise/forward price and contract size will be adjusted as described in a).

Reduction in share capital through repayment to the shareholders will be adjusted similarly.

More detailed information, including implementation date, will be published later on.

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