

The BSE launches BUMIX index on June 1

Press conference with Zsolt Horváth, CEO of the Budapest Stock Exchange and
Gábor Marosi member of the Index Committee of the Budapest Stock Exchange.

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Press Release

In response to market demands, the Budapest Stock Exchange Ltd. decided to create the BUMIX index (Budapest Stock Exchange Mid and SmallCap Index), an index that gathers together companies listed with medium capitalisation. The Exchange starts the continuous calculation and publication of the new index data on June 1, 2004.

The creation of the BUMIX index was motivated by the desire to reach a number of important goals. On the one hand, the present BUX is strongly concentrated, the four leading equities solidly determine the development of the index, and the other shares in the index, due to their low weight, exercise only a minor influence. On the other hand, the BUMIX index also offers a realistic chance for the inclusion of shares into an index that do not meet the admission criteria of the BUX index (primarily due to their size).

A presence in the index is important for stock exchange issuers, since index membership is a precondition for investment according to many potential investors. In recent years, it has been increasingly common for large foreign institutional investors and fund managers setting up their portfolios to use an index tracking investment approach. Index membership calls attention to the given company, enhances demand for its shares, and provides a certain marketing value. Investor interest can be further boosted by the fact that research coverage is better for companies figuring in the index, and thus these companies are normally easier to evaluate. The BUMIX index also offers a realistic future alternative for companies that become listed on the stock exchange in the future whereby they can be included in a stock exchange index.

The new index may become an underlying product for futures trading later on. The listing of the BUMIX-based futures market product is expected to take place in the autumn of 2004. In the interest of heightening its successful launch, the BSE will provide support by way of waiving the transaction fee for this futures product during a transitional period from September to December.

International Experience

We can see examples of the calculation of a midcap index similar to BUMIX in addition to a main index at several markets. Among European markets, such indexes exist at the Deutsche Börse, in Athens, Barcelona, Euronext Paris, and Warsaw.

MidCap indexes serve as supplements to the leading indexes (containing blue chip shares). They represent an index built on shares left out from these, shares ranking behind the leading equities in terms of turnover and capitalisation. The applied calculation formula of MidCap indexes and the method of implementing the necessary corrections in the index are identical to those of the blue chip indexes.

When selecting shares to be included in the index, similar criteria to those of the blue chip indexes are considered, but the limits set are less stringent. The practice in some foreign countries is that while only national companies are admitted to blue chip indexes, MidCap indexes can also include foreign firms. An example of this on the domestic market would be Graphisoft shares: the company is incorporated abroad but it now has a chance to be admitted in an index with the launch of the new index.

Points Considered in the Creation of the BUMIX Index

The Exchange carried out a wide-scale opinion poll both among domestic institutional investors and private investors, and the concept of the new index was created in light of the poll's results, according to the principles outlined below.

The official name of the index: Budapest Stock Exchange Mid- and SmallCap Index, and the official abbreviation is BUMIX. The base value of the index was set as at January 5, 2004, with an initial value of 1000 points. BUMIX will operate, (similarly to BUX), as a total return index, i.e. the dividend payout will also play a role in its performance evaluation.

There is an overlap between the basket of the new index and the BUX index basket. Only those series of shares can be admitted to the BUMIX basket where the market capitalisation adjusted for free float does not exceed HUF 100 billion. Furthermore, in order to be admitted to the basket, it is necessary for the market-value turnover of the series of shares over the last six months to have reached HUF 1,250 million, while the number of deals concluded for the given series of shares must be at least 1,250 (in number).

A minimum of 12 and a maximum of 25 companies' shares can be included in the index. When determining the scope of the securities to be included in the basket, the global ranking used with the BUX index shall be applied, where the three previously-mentioned criteria (capitalisation, turnover at market value, number of deals) are taken into account with weights of 40%, 30%, and 30% respectively.

For the weighting, starting from capitalisation adjusted for free float, the digression method also used with the BUX index is applied, but in a stronger form than with the BUX: above 5% only half of the capitalisation, above 10% only a quarter of the capitalisation shall be considered.

The quantity of shares figuring in the initial basket of the index has been established by the BSE on the basis of a revision and weighting in March, carried out in a manner identical to the one used with the BUX index. The calculation methods of the index, its revision mechanisms, as well as the handling of corporate events are, in all other cases, fully identical with the methods applied to the BUX index.

Based on the principles above, the setup of the initial BUMIX index basket is attached as Appendix 1. In Appendix 2, the changes in the performance of the BUMIX index are shown (in comparison with the developments in the BUX index over the same period), established for the period retroactive until January 2, 2002.

The new vendor codes are: Bloomberg: BUMIX
Reuters: .BUMIX

Further information is available on the Budapest Stock Exchange website (www.bse.hu). Please address any questions to Gábor Kutas, Head of the Business Development and Communications Division of the Budapest Stock Exchange Ltd., at the following email address: kutasg@bse.hu.

Appendix 1

The BUMIX Index Basket, According to the Weightings Based on Prices on March 24, 2004

Share	Closing price 24.03.2004	Admitted amount 24.03.2004	Market Capitalisation HUF bn	Size of the free float	Free-float capitalisation	Capitalisation after digressive reduction	% of basket capitalisation	Basket capitalisation	Limited admitted amount in the basket qiT
Antenna Hungária	2,430	11,875,200	28,856,736,000	15.42%	4,449,708,691	4,449,708,691	4.17%	5,607,698,414	2,307,695
BorsodChem	13,285	12,188,768	161,927,782,880	10.54%	17,067,188,316	11,685,756,077	10.95%	14,726,850,758	1,108,532
Danubius	3,405	8,285,437	28,211,912,985	40.94%	11,549,957,176	9,484,458,087	8.89%	11,952,688,200	3,510,334
DÉMÁSZ	13,200	3,702,910	48,878,412,000	39.02%	19,072,356,362	12,187,048,089	11.42%	15,358,598,725	1,163,530
Egis	9,060	7,785,715	70,538,577,900	49.01%	34,570,957,029	16,061,698,255	15.05%	20,241,585,703	2,234,171
FHB	7,650	5,800,001	44,370,007,650	38.34%	17,011,460,933	11,671,824,231	10.94%	14,709,293,297	1,922,783
FOTEX	192	70,723,650	13,578,940,800	49.10%	6,667,259,933	6,667,259,933	6.25%	8,402,343,961	43,762,208
Globus	1,065	8,870,744	9,447,342,360	25.05%	2,366,559,261	2,366,559,261	2.22%	2,982,431,331	2,800,405
Graphisoft	1,500	10,631,674	15,947,511,000	33.66%	5,367,932,203	5,367,932,203	5.03%	6,764,879,902	4,509,920
NABI	1,075	4,624,600	4,971,445,000	45.69%	2,271,453,221	2,271,453,221	2.13%	2,862,574,947	2,662,860
Pannonplast	1,550	4,210,931	6,526,943,050	79.35%	5,179,129,310	5,179,129,310	4.85%	6,526,943,050	4,210,931
RÁBA	795	13,473,446	10,711,389,570	54.52%	5,839,849,594	5,839,849,594	5.47%	7,359,608,814	9,257,370
Synergon	410	9,554,630	3,917,398,300	64.65%	2,532,598,001	2,532,598,001	2.37%	3,191,679,900	7,784,585
TVK	3,820	24,234,843	92,577,100,260	15.59%	14,432,769,931	10,925,864,464	10.24%	13,769,205,374	3,604,504
Total			540,461,499,755		148,379,179,959	106,691,139,416	100.00%	134,456,382,377	

Appendix 2

