

STANDARD
& POOR'S

S&P ADR INDEX

INDEX METHODOLOGY

June 2007

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Introduction

The S&P ADR Index is based on the non-U.S. stocks comprising the S&P Global 1200. Since not all foreign companies offer American Depositary Receipts (ADR) programs, the S&P ADR Index is made up of those companies from the S&P Global 1200 that offer either Level II or Level III ADRs. In addition, S&P Global 1200 companies offering global shares or ordinary shares (as in the case of Canadian equities) that trade on a major U.S. exchange are eligible for inclusion in the index.

Highlights

Standard & Poor's indices are global in scope. The S&P Global 1200 indices are real-time, market capitalization-weighted indices that include the largest and the most liquid stocks from around the world. These indices cover seven distinct regions, 29 countries, and capture approximately 70% of world market capitalization. The S&P ADR Index offers U.S. investors the opportunity to invest efficiently in foreign equities, with the ease attached to domestic equity investing. Together with the S&P 500, the S&P ADR Index provides easy entry into global investing for a U.S. investor.

Index Family

Other members of the S&P Global 1200 family of indices include:

S&P 500. Widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy.

S&P Europe 350. The S&P Europe 350 is the ideal benchmark for Europe. With coverage of approximately 70% of the region's market cap spanning 17 exchanges, the index combines the benefits of representation with investability.

S&P/TSX 60. The S&P/TSX 60 index is a large cap index for Canada. Offering exposure to 60 large, liquid Canadian companies, the S&P/TSX 60 is the basis for the most highly traded futures contract in Canada.

S&P/TOPIX 150. The S&P/TOPIX 150 index includes 150 highly liquid securities selected from each major sector of the Tokyo market.

S&P/ASX All Australian 50. The S&P/ASX All Australian 50 index is a large cap index for Australia. The constituent companies represent the biggest national and multi-national publicly listed and domiciled companies in the Australian equities market.

S&P Asia 50. Combining coverage of Hong Kong, Korea, Taiwan and Singapore, the S&P Asia 50 measures four major markets in Asia.

S&P Latin America 40. The S&P Latin America 40 includes highly liquid securities from major sectors of the Mexico, Brazil, Argentina and Chile equity markets.

S&P 700. The S&P 700 covers the non-U.S. segment of the global equity markets. It is the S&P Global 1200 excluding the S&P 500. The S&P 700 accounts for over 40% of the S&P Global 1200's market cap, covering 28 important equity markets. The S&P ADR Index is drawn from the constituents of the S&P 700 and covers approximately 55% of its market capitalization

Eligibility Criteria

Most Standard & Poor's global indices are constructed with a fixed number of constituents. However, the S&P ADR Index is based on the criteria of including all those companies in the S&P 700 which trade in the U.S. either in the form of level II or III ADRs, global shares or ordinary shares. The aim is not to replicate a fixed percentage of the market capitalization, but to design a highly liquid index whose global constituents are tradable in the U.S. This creates a highly cost-effective, easily replicable trading instrument that provides an appropriate barometer of the market's performance. Stocks are added and deleted based on when they are added or deleted to the underlying indices, or when stocks either launch a new ADR program or cancel an existing ADR program.

Eligibility Factors

Stocks are eligible for the S&P ADR Index if they are added to any one of the six underlying indices -- the S&P Europe 350, the S&P/TSX 60, the S&P/TOPIX 150, the S&P Asia 50, the S&P/ASX All Australian 50 or the S&P Latin America 40. Inclusion in one of these indices ensures that criteria for size, liquidity, profitability, and sector and market representation are already met. Similarly stocks dropped from any one of these indices are removed immediately from the S&P ADR Index.

A stock which is currently a member of the six underlying indices will be automatically included in the S&P ADR Index if it has a level II or III ADR program, has global shares listed on the NYSE, NASDAQ or AMEX or has an ordinary share listing on any the three primary U.S. exchanges. Similarly, if a stock does not list on the one the primary U.S. exchanges it will be ineligible for inclusion in the S&P ADR Index.

Please refer to the individual S&P Global 1200 regional index methodologies for additional information on index eligibility factors by geographic area.

Timing of Changes

Addition. An index addition is made if, at the time of inclusion of the stock in one of the six underlying regional indices, it already has a U.S. listing available. In this situation the U.S. listing is added to the S&P ADR Index at the time of inclusion to the underlying index. If a stock does not have a U.S. listing at the time of inclusion in the S&P 700, but develops one subsequently, it is added to the S&P ADR Index within ten business days of its listing and after due notice to clients.

Deletion. Deletions can occur if the stock is deleted from one of the underlying indices due to acquisitions, mergers, spin-offs, bankruptcies or suspension. A stock can also be deleted if it ceases to have a listing on a major U.S. exchange, or if it cancels its ADR program.

A guiding principle of Standard & Poor's index management is the minimization of turnover among index constituents. Deletions from the index due to delistings, bankruptcy, and/or spin-offs are announced at least two business days prior to implementation, whenever possible, through the Standard & Poor's Web site: www.indices.standardandpoors.com.

Index Construction

Approaches

The S&P ADR Index represents the opportunity set of investable equities around the world, but trading in the U.S. Index constituents are leading companies from each of the 10 sectors of the Global Industry Classification Standard (GICS[®]). The S&P ADR Index is calculated in real time.

The S&P ADR Index is calculated using a base-weighted aggregate methodology. This means the level of an index reflects the total float-adjusted market value of all of the component stocks relative to a particular base period. An indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. The total market value of a company is determined by multiplying the price of its stock by the number of shares available after float adjustment. The number of shares is determined by adjusting all of the underlying listed shares by the ADR ratio, to come up with the total available ADR shares. The index is calculated in real time.

Index Calculations

On any given day, the index value is the quotient of the total available market capitalization of its constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. This includes additions and deletions to the index, rights issues, share buybacks and issuances, and spin-offs. The divisor's time series is, in effect, a chronological summary of all changes affecting the base capital of the index. The divisor is adjusted such that the index value at an instant just prior to a change in base capital equals the value at an instant immediately following that change.

Please refer to the S&P Index Mathematics document for details on index level calculations.

Index Maintenance

Constituents of the S&P ADR Index are also constituents of the non-U.S. portion of the S&P Global 1200. As such, some specific changes to index constituents – such as share changes, IWF changes, dividend distributions, price adjustments, etc. – will follow the policy of the respective regional index.

Changes in the index level reflect changes in the total market capitalization of the index that are caused by stock price movements in the market. They do not reflect changes in the market capitalization of the index, or of the individual stocks, that are caused by corporate actions such as dividend payments, stock splits, distributions to shareholders, mergers, or acquisitions. When a corporate action affects the price of a security – such as when the price drops on a special distribution ex-date – the price of the security is adjusted on the ex-date and the index divisor is adjusted to offset any change in the total market value of the index.

When a stock is added or deleted from the index, the index divisor is adjusted so the change in index market value that results does not change the index level.

5% Rule

All share changes of 5% or more are done at the effective date, or as soon as reliable information is available. As a general rule, changes of less than 5% are applied on the third Friday of March, June, September and December. Similarly, changes reflecting float adjustment are applied if they cause a capitalization change of 5% or more. Changes of less than this are applied during the quarterly review periods. There may, however, be minor differences in these rules in the regional indices to accommodate differences in regional trading practices.

Please refer to individual S&P Global 1200 regional index methodologies for further treatment of shares changes by geographic area.

Corporate Actions

Maintaining the S&P ADR Index includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, ADR ratio changes, and stock price adjustments due to restructurings or spin-offs. Some corporate actions, such as stock splits, ADR ratio changes and stock dividends, require simple changes in the number of ADRs used for index calculation and the stock prices of the companies in the index. Other corporate actions, such as share issuances, change the market value of an index and require a divisor adjustment to prevent the value of the index from changing.

Adjusting the divisor for a change in market value leaves the value of the index unaffected by the corporate action. This helps keep the value of the index accurate as a barometer of stock market performance, and ensures that the movement of the index does not reflect the corporate actions of the companies in it. Divisor adjustments are made after the close of trading and after the calculation of the closing value of the index. Any change in the index divisor also affects corresponding sub-indices and divisors. Each sub-index is maintained in the same manner as the headline index.

Corporate actions such as splits, ADR ratio changes, stock dividends, spin-offs, rights offerings, and share changes are applied on the ex-date.

The following table summarizes the types of index maintenance adjustments and indicates whether a divisor adjustment is required.

Corporate Actions and the Effect on the Divisor

Events	Adjustment Factor	Divisor Adjustment Required
Cash Dividend	Applied only to total return indices	No
Special Cash Dividend	Dividend from non-operating income; price adjustment needed	Yes
Stock dividend and/or split. Can be caused by changes in ADR ratios, as well.	Price and share adjustments (offsetting)	No
Stock dividend from class A shares into existing class B shares, both of which are included in the index.	Adjustment for price of A; adjustment for shares in B	Yes
Stock dividend of different class, same company and is not included in the index.	Price adjustment	Yes
Reverse Split. Can be caused by changes in ADR ratios, as well.	Adjustment for price and shares	No
Rights offering	Adjustment for price and shares. In the case of ADRs, these two adjustments may occur on different days.	Yes
Rights offering for a new line	Adjustment for price	Yes
Spin off	Adjustment for price	Yes
New share issuance	Adjustment for shares	Yes
Reduction of capital	Share adjustment	Yes
New addition to index	Share adjustment	Yes
Deletion from index	Share adjustment	Yes
Merger (acquisition by index company for stock)	Share increase	Yes
Warrant conversion into shares	Share increase	Yes

Currency of Calculation

The index is calculated in U.S. dollars only. The U.S. exchanges close at 04:30 PM Eastern Time. The index's closing value is calculated at 05:15 PM Eastern Time to allow for late trades.

Base Date

The S&P ADR Index has a base date of December 31, 1997 = 1000. The history for the index begins on this date as well.

Investable Weight Factor (IWF)

Quarterly, on the third Friday of March, June, September and December, float factors (Investable Weight Factors or IWFs) are reviewed and updated based on the companies' latest filings. The timing of these changes depends on the methodologies of the associated regional index.

Depending on the country of domicile and the associated regional index, other periodic adjustments may be made to the IWFs.

Please refer to the Appendix for a general summary of Investable Weight Factors. Refer to the individual S&P Global 1200 regional index methodologies for further treatment of Investable Weight Factors by geographic area.

Index Data

Total Return and Net Return Indices

Both a price return and a total return index series are calculated. Cash dividends are applied on the ex-date of the dividend.

Standard & Poor's calculates daily return series using both gross and net cash dividends reinvested. Net reinvested return is reflective of the return to an investor where dividends are reinvested after the deduction of a withholding tax. The tax rate applied is the rate to non-resident institutions that do not benefit from double taxation treaties. The net reinvested return series approximates the returns available to an investor based in Luxembourg, reflecting the minimum possible dividend reinvestment since the highest rates are theoretically applied to Luxembourg-based investors. The rates applied are the current effective rates and are sourced from Ernst & Young's *Worldwide Corporate Tax Guide* and the Economic Intelligence Unit. These rates are maintained and updated to reflect any ongoing changes.

Index Governance

Index Committee

Each of Standard & Poor's global indices is the responsibility of an Index Committee that monitors overall policy guidelines and methodologies, as well as additions to and deletions from these indices. The Index Committees are composed of Standard & Poor's staff specialized in the various regional equity markets. In some cases, regional committees include non-S&P staff as minority members. In Canada, the S&P/TSX 60 is maintained with the assistance of the Toronto Stock Exchange; in Japan, the S&P/TOPIX 150 is maintained with the assistance of the Tokyo Stock Exchange; and in Australia, the Australian Stock Exchange is a contributor.

Decisions made by the Index Committees include all matters relating to index construction and maintenance. The Index Committees meet regularly to review market developments, and convenes as needed to address major corporate actions.

It is the sole responsibility of the Index Committees to decide on all matters relating to methodology, maintenance, constituent selection and index procedures. The Index Committees make decisions based on all publicly available information and discussions are kept confidential to avoid any unnecessary impact on market trading. Due to the unique rules of S&P ADR Index composition, many changes in index composition are determined by activity in the component indices of the S&P Global 1200 index.

Index Policy

Announcements

All additions, deletions, share and Investable Weight Factor (IWF) changes are normally announced two-to-five days ahead of the effective date. These announcements are posted on the Web site and sent to clients by email. Quarterly changes are also announced two-to-five days before the effective date.

All index announcements are via Standard & Poor's Web site at www.indices.standardandpoors.com.

Holiday Schedule

The S&P ADR Index is calculated on all trading days in the U.S. It is not calculated on all the days that the U.S. exchanges are closed.

A complete holiday schedule for the year is available on the Standard & Poor's Web site at www.indices.standardandpoors.com.

Recalculation Policy

Standard & Poor's attempts to avoid incorrect data that affects the indices on a best-efforts basis. Incorrect share calculations, corporate actions, and exchange rates are corrected immediately. However, index values are typically not corrected retroactively.

Intraday Recalculation

In the event that an international stock changes its Sedol Number and, consequently, the Reuters Code (RIC) at the opening, the new RIC is input for calculation purposes, even if the information has not been publicly disseminated on time. In such events when a new RIC is not available, the index calculation is based on the last traded price during the official trading hours on the stock exchange.

Real-Time Calculation

A real-time index is calculated for an index as soon as the first market within the index opens. The opening price is the first trade of any stock in the designated exchange. In the event that a stock does not open, the previous closing price is used. The indices are calculated until 10 minutes past the last exchange in the index closes, to allow for last minute revisions by stock exchanges.

Index Precision

The level of precision for index calculation is as follows:

- Index values are published rounded to two decimal places.
- Share prices are rounded to six decimal places.
- Shares outstanding are expressed in units.
- Investable Weight Factors are rounded to four decimal places.
- Exchange rates are stated to 14 decimal places.
- Market capitalization is stated to four decimal places.
- Index values are calculated to 14 decimal places

Index Dissemination

Market-sensitive announcements, including the additions or deletions of stocks in indices, are normally made when markets are closed. In general, announcements for markets in the U.S. are made at 05:15 PM Eastern Time; announcements for other indices are made at 04:15 PM Eastern Time.

Tickers

Daily index values, corporate actions, index weights and portfolios can be received via Standard & Poor's FTP site. Additionally, daily index values can be viewed on Bloomberg and Reuters. The tickers are as below:

	Bloomberg	Reuters
Price Return	SPADR	.SPADR

FTP

Daily stock level and index data is available via FTP on subscription.

For further information, please refer to Standard & Poor's Web site at www.indices.standardandpoors.com.

Appendix

Explanation of Investable Weight Factor (IWF) or Float Shares

$IWF = 1 - \Sigma$ % held by strategic shareholders

All issues in the S&P Global 1200 are assigned a float factor, called an investable weight factor or IWF. The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company. The company's adjusted market capitalization determines an equity issue's relative weight in the index.

Standard & Poor's identifies three types of shareholders whose holdings are considered to be control blocks and subject to float adjustment:

1. Holdings by other publicly traded corporations, venture capital firms, private equity firms/strategic partners or leveraged buy-out groups.
2. Holdings by government entities, including all levels of government (restricted only to governments of domestic listing markets).
3. Holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors or founders. Secondly, holdings of trusts, foundations, pension funds, employee stock ownership plans or other investment vehicles associated with and controlled by the company.

The holdings within each group form a cumulative total. In cases where holdings in a group exceed 10% of the outstanding shares of a company, the holdings of that cumulative group will be excluded from the float-adjusted count of shares to be used in index calculations. To arrive at the 10% and over calculations, individual holdings below 5% will be ignored. Holdings under 5% will only be taken into account if they belong to clearly related shareholders like family members or board members. This rule has been adopted to provide a level playing field for all countries, as reporting requirements differ widely between markets.

Additionally, statutory limits on foreign ownership are recognized and applied where necessary. Corporate charter or government decree may limit the total amount of shares that non-domiciled investors may own. Case-by-case research is needed to assess the impact of large foreign holdings within a foreign ownership restriction.

Some Exceptions to the Rule:

1. Japan and Korea are special cases where the existence of Kairetsus, Chaebols or closely inter-related companies makes the task of segregating strategic holdings particularly complex. For Japan, all strategic holders as reported by the company will be adjusted to present the most available and liquid float for the company. For Korea, strategic holders less than 5% will be included only if they are clearly deemed to be related, as in holdings by subsidiary companies.
2. Holdings by investors whose interests are not strategic in nature but are for investment purposes will be ignored completely. These include mutual funds, pension funds, and other institutional investors. It is common for domestic and international fund managers to have exposures in companies which put them in the category of “block owners” by most definitions. However, the nature of the funds management business is plainly to buy and sell shares when there is value in doing so, and not to seek control or remove shares from circulation. Ordinarily these shares are considered part of free float. The following “block owners” will not be subject to a free float adjustment:
 - a. Holdings by Depositary Banks
 - b. Pension Funds
 - c. Mutual funds
 - d. 401K plans of the company
 - e. Government Pension Funds
 - f. Insurance Companies
 - g. Investment Funds
 - h. Independent Foundations
 - i. Savings and Investment Plans
 - j. Rights/Warrants

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