

Methodology

Introduction

The Dow Jones Internet Composite IndexSM represents the largest and most actively traded stocks of U.S. companies in the Internet industry. The index consists of 40 stocks: 15 Internet commerce and 25 Internet services.

Index Universe

Eligible for the index are all stocks traded on the New York Stock Exchange, American Stock Exchange and Nasdaq that meet the following criteria:

- The company must generate at least 50% of annual sales/revenues from the Internet.
- New IPOs must have a minimum of three months' trading history. Spinoffs require this history only if the parent stock has been trading for less than three months.
- The company must have a three-month average market capitalization of at least \$100 million.
- The stock must have sufficient trading activity to pass liquidity tests.

Stock Selection

Stocks are selected to the index based on float-adjusted market capitalization and trading volume:

- 1 Eligible stocks are ranked first by three-month average float-adjusted market capitalization and then by three-month average share volume.
- 2 A final rank is calculated based on an equally weighted average of the market cap and volume rankings.
- 3 Companies are sorted by final rank within the Internet Commerce and Internet Services sectors. Stocks are selected to the index based on the final ranks. Composition changes during scheduled reviews are subject to the following buffers, which are designed to limit turnover.
 - Current components are not eligible to be removed from the index for a period of six months following their addition, except where the company has been acquired.
 - Noncomponents ranked 15th or higher in the Internet Services sector or 10th or higher in the Internet Commerce sector are added to the index, replacing the lowest-ranked components.
 - Components ranked 45th or lower in the Internet Services sector or 25th or lower in the E-commerce sector are deleted from the index and replaced with the highest-ranking noncomponents.

Review Frequency

The index is reviewed quarterly. Changes take effect on the 3rd Friday of March, June, September and December.

Weighting

The index is calculated in USD. Historical data are available daily back to June 30, 1997. The index has a base value of 100 as of June 30, 1998.

Data Availability

The index is weighted by market capitalization, except that a ceiling is imposed on very large stocks. A stock's market value is limited to no more than 10% of its sector (Internet Commerce or Internet Services).

For more information on the Dow Jones Internet Composite IndexSM,
email djindexsupport@dowjones.com or call 609-520-7249. Learn more at www.djindexes.com.

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