

The Rules for the PX-GLOB Index of the Prague Stock Exchange

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1. Introduction

The PX-GLOB index is the broad based index of the Prague Stock Exchange. The PX-GLOB index was calculated for the first time on 30th September 1994. The opening value of the index was fixed at 1,000.0 points. The PX-GLOB index is a price index and dividend yields are not considered in its calculation.

2. Eligibility Criteria

The Index Committee of the Prague Stock Exchange (hereinafter referred to as the Index Committee), as the decision-making body, is in charge of selecting the shares to be included in the PX-GLOB index.

2.1 Eligibility of Shares

In general, all shares listed on the Prague Stock Exchange, are subject to the screening process.

It shall be possible to immediately include a stock in the PX-GLOB. At least one trading day must elapse between the first listing of a new issue on the Prague Stock Exchange and its inclusion in the PX-GLOB.

2.1.1. Not Eligible Securities:

- Share issues of investment funds and issues of mutual funds units (Sector No. 18)
- Issues of those holding companies which have emerged from transformation of investment funds
- Preference shares (or eligible only in exceptional cases)
- Equity derivatives

2.1.2 Issues of Securities of a Company May Not Be Included in the Index:

- if a court adopts a decision on the company's bankruptcy, or on rejection of the insolvency petition due to lack of company property or if a decision is adopted by a foreign competent authority with the same or similar legal effects with respect to the company
- if a decision on winding-up of the company and its liquidation is adopted
- if the trading with these securities at the Prague Stock Exchange has been suspended on a long-term basis

2.2 Criteria for Inclusion

There are no Market Capitalization or Turnover criteria for inclusion. All eligible shares according to point 2.1 are to be included.

2.3 Criteria for Exclusion

Under serious circumstances, an issue can be excluded from the index without compensation and this can be done at dates other than those fixed for the periodic updating.

The Prague Stock Exchange aims to anticipate possible disruptions such as mergers, takeovers, bankruptcy filings, longer trading suspensions, etc. and tries to exclude index constituents affected by such difficulties in the course of the quarterly index revisions. The intention is to keep the index liquid, tradable and to avoid extraordinary index exclusions between the review dates.

3. Index Calculation

3.1 Calculation Period

The calculation of PX-GLOB is done on an end-of-day basis, i.e. it is calculated and displayed daily after the trading of equity markets of the Prague Stock Exchange is closed.

3.2 Dissemination of Information

Information on index values, compositions, calculation parameters, etc. is disseminated through all major data vendors and on www.pse.cz

3.3 Index Calculation

The PX-GLOB index is calculated on the basis of the following formula:

$$PX - GLOB_t = Base Value \times \left[\frac{\sum_{i=1}^N (P_{i,t} \times Q_i \times RF_i)}{Start\ cap.} \right] \times AF(t)$$

PX-GLOB	value of the PX-GLOB index
P_i	price of i^{th} stock
Q_i	number of issued shares of stock i
N	number of stocks contained in the PX-GLOB
RF_i	representation factor
$AF(t)$	adjustment factor at time t , on 30 September 1994 = 1.00000000
Start cap.	sum of initial market capitalizations as of 30.09 1994
Base Value	1000
t	time of index calculation

If trading in an index stock is suspended on the Prague Stock Exchange, the most recent exchange price that is available is used for the calculation of the index. If no price is determined for an index stock in the course of a trading day, the most recently fixed price on Prague Stock Exchange is used for the calculation of the index.

3.4 Computational Accuracy

Data accuracy for index calculation:

- Adjustment factor: rounded to 10 decimal places
- Number of all shares listed at PSE: expressed in units
- Representation factor: expressed with 2 decimal places
- Disseminated index values: rounded to 2 decimal places

4. Calculation Factors

4.1 Representation Factor

The representation factor prevents an index constituent from exceeding a defined maximum index weighting on the cut-off dates (see also point 4.2 and section 5).

The representation factor may have a value between 0.01 and 1.00; it always has two decimal places.

The value of a representation factor is usually 1.00. If the weighting of an index constituent exceeds the threshold on one of the quarterly cut-off dates, its representation factor will be reduced until its weighting does not exceed the threshold anymore. The overall aim for the weighting of an index constituent is to come as close as possible to the prevailing weighting threshold.

The representation factor will therefore be re-calculated in case the weighting of an index constituent exceeds the threshold or in case the constituent's representation factor on one of the quarterly cut-off dates is already lower than 1.00 and its weighting below the threshold.

In general, the representation factor is reviewed by the Index Committee on a quarterly basis. In case of an operational index adjustment (e.g. exclusion of a stock contained in the index, capital measures,...) the representation factor may be immediately re-calculated in order to ensure the representativeness of the index.

In case of corporate actions that have to be adjusted between the review dates, the representation factor is reviewed if the corporate action causes a shift in weight of the highest weighted index constituent of at least 5%.

4.2 Index Capitalization Limits

The maximum market capitalization share of index constituents from one issuer may not exceed 20% of the total market capitalization of the PX-GLOB index on:

- the cut-off dates of quarterly periodic reviews (last exchange days in February, May, August and November)
- on the days when the decision was made, according to point 2.3 of these Principles, about the extraordinary exclusion of the issue from the index composition;
- in case of the stock event of securities merger, where index issue is involved

If the Index capitalization limit is exceeded, the Representation factor will be re-calculated.

5. Periodic Reviews

5.1 Quarterly Review of Index Composition

Periodic reviews are conducted on a quarterly basis in order to maintain index quality. Regular PX-GLOB Index Committee meetings take place on the first trading day after the last exchange day in February, May, August and November. The updated index composition enters into force on the first exchange day after the third Friday of March, June, September and December.

5.2 Quarterly Reviews of Calculation Factors (Mar, June, Sept, Dec)

Calculation factors (representation factor and number of shares) are reviewed on a quarterly basis (March, June, September and December) at the beginning of the respective month by the Index Committee team.

Determination of representation factors is based on the official closing prices on the last trading day in February, May, August, and November.

Changes determined in the course of a periodic index review are generally executed after the close of trading on the last trading day in derivative products in March, June, September and December. This is usually the third Friday of the respective month. If the third Friday is an exchange holiday at the Prague Stock Exchange, the changes will be implemented in the evening of the previous trading day.

6. Corporate Actions

The following chapter describes how corporate actions are dealt with when calculating the PX-GLOB index.

6.1 Stock Splits and Reverse Splits

In case of a stock split or a reverse stock split, the adjustment of the number of shares and their price is carried out in the evening of the trading day before the split becomes effective. This corporate action does not result in an inflow or outflow of capital into or out of the company; it is therefore a neutral adjustment.

6.2 IPOs and Fast Entries

In general, the Index Committee decides on the inclusion of IPOs during the quarterly Index Committee meetings.

6.3 Handling of Dividends

The PX-GLOB index is a price index; payments of dividends do not influence the index calculation. In exceptional situations, for example in case of Stock Dividends, Bonus Issues or Optional Dividends (shareholders are given the right to choose between a cash dividend payment and a stock dividend), the Index Committee will decide on a case by case basis.

6.4 Spin-offs

A spin-off company is generally included in an index on the effective date of the spin-off and excluded after the first trading day.

6.5 Mergers & Acquisitions

Various scenarios could happen:

- The acquiring issue is included into the index; the acquisition is not included into the index
The acquiring issue will remain in the index. In compliance with point 4.2 the representation factors used in the index calculations will be modified so that the share of the constituents in the market capitalisation does not exceed 20%.
- Both merging issues are included into the index
The acquiring issue will remain in the index; the acquisition will be excluded from the index. In compliance with point 4.2 the representation factors used in the index calculations will be modified so that the share of the constituents in the market capitalisation does not exceed 20%.
- The acquiring issue is not included into the index; the acquisition is included into the index
The acquisition will be excluded from the index. In compliance with point 4.2 the representation factors used in the index calculations will be modified so that the share of the constituents in the market capitalisation does not exceed 20%.

6.6 Trading Suspensions and Financial Distress

In case an index constituent is suspended from trading for at least ten consecutive trading days, the Index Committee may decide to temporarily exclude the security at its last available price or to leave it in the index.

In case of bankruptcy the security will be delisted and removed from the index immediately. The Adjustment factor will be re-calculated.

In case an index constituent is under utmost financial distress or enters bankruptcy proceedings, the security may be removed from the index.

6.7 Change in the data properties of Issues

Name changes, ID-number changes and other similar changes will be reflected in an index on the day they become effective.

6.8 Rights Issue

Rights issue is the offering of new shares to existing shareholders, i.e. an inflow of capital into the company. The right to purchase new shares is usually expressed by a subscription ratio, e.g. 3:1. This means that the existing shareholder is allowed to purchase one new share for every three old shares he already owns. The factors needed to adjust rights issues correctly are: number of issued shares, subscription price, ex-date, record date, subscription period and subscription right ratio.

The Prague Stock Exchange distinguishes three different subscription prices:

1. Fixed subscription price
2. Maximum subscription price
3. Subscription price band

Furthermore, the Prague Stock Exchange distinguishes between rights issues with “hard underwriting” and those with “soft underwriting”. Hard underwriting means it is guaranteed that all shares of the rights issue will be subscribed for by either the underwriting banks or a third party, whereas rights issues with soft underwriting do not have this guarantee. In case of missing or imprecise information, the Prague Stock Exchange assumes the existence of a soft underwriting.

1. If new shares are offered at a premium to the market price, the Prague Stock Exchange does not take immediate action on the ex-date; in this case the new shares will be adjusted in the index as soon as they have been registered and become available for trading.

If new shares are offered at a fixed subscription price at a discount to the market price, the Prague Stock Exchange distinguishes between the existence of a hard or a soft underwriting.

In case of a hard underwriting, the Prague Stock Exchange calculates a markdown and adjusts the number of shares together with possible changes in the calculation factors and the closing price on the ex-date.

In case of a soft underwriting, the Prague Stock Exchange calculates a markdown and adjusts the closing price, if the information is available prior to the ex-date. The number of shares will be adjusted together with possible changes in the calculation factors after the new shares have been registered and become available for trading.

2. If, in case of an existing hard or soft underwriting, a maximum subscription price is known, the Prague Stock Exchange calculates a markdown if the price of the new shares comes at a discount to the market. If the subscription right does not have a positive value, no markdown is calculated and the new shares will be adjusted together with possible changes in the calculation factors after they have been registered and become available for trading.
3. In case of an announced price band and the existence of a hard or soft underwriting, the Prague Stock Exchange calculates a markdown if the mid value of the price band shows a discount to the market price. If the calculated subscription right does not have a positive value, no markdown is calculated and the new shares will be adjusted together with possible changes in the calculation factors after they have been registered and become available for trading.

In case of incomplete or imprecise information on rights issues, the Prague Stock Exchange will not take action on the ex-date. The new shares will be adjusted together with possible changes in the calculation factors after they have been registered and become available for trading.

All measures mentioned in chapter 6.8. apply analogously to capital decreases.

6.9 Stock Option Programs and Convertible Bonds

New issues due to stock option programs or convertible bonds are implemented in the course of the quarterly index reviews in March, June, September and December.

7. Announcement Policy

The Prague Stock Exchange aims to timely provide its customers with reliable information, which is made available on the index portal <http://www.pse.cz/dokument.aspx?k=Exchange-Indices> and in the News section of www.pse.cz.

7.1 Index Announcement

Changes that result from a quarterly index review are announced immediately after the Index Committee meeting.

Index adjustments that take place between the quarterly review dates are generally announced at least two trading days before the changes take effect. In emergency cases, such announcements may happen in a shorter, but nonetheless adequate period of time.

7.2 E-Mail Service

Index customers of the Prague Stock Exchange may have their e-mail address included in distribution lists for announcements on the PX-GLOB index. In order to subscribe for one of those lists, please refer to the Index Committee or the Licenses Department. For contact details, see section 10.

8. Management Responsibilities

8.1 Index Committee

The Index Committee is the independent decision-making body for all indices of the Prague Stock Exchange. It is responsible for deciding on key policy issues, maintaining the index management rules for all indices of the Prague Stock Exchange, as well as for decisions regarding index changes and for exceptions to the rules in accordance with section 5 of these rules.

The Index Committee meetings take place on a quarterly basis in March, June, September and December at the Prague Stock Exchange or, in emergency cases, more often, if required.

The decisions taken by the Index Committee are published immediately after the committee meetings.

8.2 Index Committee Membership

The Index Committee is composed of a chairperson, a vice-chairperson, voting members, and independent consultants. The Index Committee Members must safeguard strict confidentiality on all issues discussed during the meetings before the dissemination of their decisions to the public, act in good faith and with a view to the interests of investors and investor protection. The different responsibilities and duties of the Index Committee Members can be described as follows:

8.3 Index Management

The Index Committee is responsible for daily operations, such as controlling index calculation and dissemination of index values via data providers. It also provides market participants with information on any adjustments to the composition of indices and/or calculation parameters. It also implements the Committee's decisions.

9 Error Correction Policy

The Prague Stock Exchange undertakes every reasonable effort necessary to provide exact, detailed and accurate information within this rule book. Due to possible inefficiencies concerning the communication of index-relevant issues on part of other stock exchanges or index members, no liability shall be accepted by the Prague Stock Exchange for any errors contained in this information; the general terms and conditions of the Prague Stock Exchange shall apply.

9.1 Index Announcement Corrections

The Prague Stock Exchange will correct a notice for an index adjustment as soon as an error has been identified. All clients will be informed immediately.

10. Contact Details

For any inquiries relating to indices, index data and licensing, please contact us:

Index Committee

phone: +42 221 832 146

e-mail: trading@pse.cz

Licences Department

phone: +43-1-53165-169 or 198

e-mail: licences@wienerborse.at

Market Data Services WBAG

phone: +43-1-53165-288

e-mail: marketdataservices@wienerborse.at

Corporate Websites

www.pse.cz

www.indices.cc

www.wienerborse.at

www.ceeseg.com

Appendix A / Sector Classification

The Prague Stock Exchange uses an own sector classification. The sector classification consists of two stages: eight sectors and 36 subsectors. In a first step, the index constituents are assigned to one of the eight sectors according to their main business. Within the sectors, every company is subsequently attributed to a subsector describing its activity more in detail.

Sectors

BI – Basic industries

All companies engaged in the extraction of raw materials or in the first stages of refining processes, as well as construction companies

IN – Industrial Goods & Services

This sector contains companies that provide support or products to other companies engaged in the production of goods or provision of services to commercial or end users.

CP – Consumer Products

The Consumer Products sector includes companies that provide final goods to end users.

CS – Consumer Services

The Consumer Services sector includes companies that provide services to end users.

HC – Health Care

This sector contains companies with a main focus on the production of pharmacy and biotechnological products, as well as on the provision of health care equipment and services.

UT – Utilities

The utilities sector contains companies engaged in the production, provision and distribution of electricity, heat, gas and water.

FI – Financials

This sector includes all companies that provide banking or insurance services, as well as real estate companies and diversified financial companies.

TT – Technology & Telecom

Companies that provide telecommunications, software & IT services and other technology-related services such as hardware and other equipment used in the technology sector

Sub-Sectors

BI - Basic Industries

BI1 – Oil & Gas: Extraction and refining of oil and gas

BI2 – Mining & Metals: Extraction and refining of metals and similar commodities

BI3 – Paper & Forestry: Production of timber and paper

BI4 – Chemicals: Extraction and production of chemical products

BI5 – Construction: Construction of buildings and roads, heavy construction

BI6 – Construction Materials: Production of construction materials, such as bricks, concrete, etc.

IN – Industrial Goods & Services

- IN1 – Industrial Engineering & Machinery: Construction and design of heavy machines
- IN2 – Transportation: Transportation of commodities and goods ashore, afloat, and by aircraft
- IN3 – Electrical equipment: Producers of cables, batteries, boards and similar products
- IN4 – Packaging: Production and execution of packaging
- IN5 – Aerospace & Defense: Development and production of military and aeronautic technology
- IN6 – Industrial Holding: Management of holdings in different companies from various sectors
- IN7 – Other Industrial Goods: Production of goods not covered by the above mentioned sectors
- IN8 – Other Industrial Services: Provision of services not covered by the above mentioned sectors

CP – Consumer Products

- CP1 – Automobiles & Parts: Manufacturing of automobiles and related parts such as tires
- CP2 – Food, Beverage & Tobacco: Production of groceries, all kinds of drinks and furs
- CP3 – Household Products & Furniture: Production of goods used in private households
- CP4 – Personal Products: Production of goods used for personal needs
- CP5 – Leisure Products: Products and services used for leisure time activities

CS – Consumer Services

- CS1 – Media: Publishing and broadcasting services and related products
- CS2 – Leisure & Gambling: Provision of leisure, lottery and gaming activity
- CS3 – Tourism & Travel: Organization of transport, housing and events related to holiday activities
- CS4 – Retailing: Sale of goods to end-users

HC – Health Care

- HC1 – Pharmaceuticals: Production of drugs and other kinds of medicine for either humans or animals
- HC2 – Biotechnology: Development of fertilizers and genetic research
- HC3 – Health Care Equipment & Services: Outpatient care, home care and products related to care

UT – Utilities

- UT1 – Electric Utilities: Power or heat generating utilities, power distribution and power trading companies
- UT2 – Gas & Water Utilities: Delivery and provision of gas and water to end-users and commercial users
- UT3 – Multi Utilities: Utilities combining gas, water and electricity generation and distribution

FI – Financials

- FI1 – Banking: Provision of banking services for commercial and non-commercial customers
- FI2 – Insurance: Companies providing all kinds of insurance services
- FI3 – Real Estate: Financing, operating and management of properties
- FI4 – Diversified Financials: Companies combining the activities FI -1 to FI – 3

TT – Technology & Telecom

- TT1 – Telecommunications: Provision of telecommunications services, either mobile or fixed line
- TT2 – Software & IT Services: Development and programming of soft- and hardware solutions
- TT3 – Technology, Hardware & Equipment: Production of any kind of computer hardware and server parts

Appendix B / History of Rulebook Changes

2/6/2015 updated Article 2.1. – All shares will be subject to the screening process

2/6/2015 updated Article 3.4 - number of decimal places for the Adjustment factor