



Pursuant to the provisions of Article 7 of the Articles of Association of the Zagreb Stock Exchange, Inc., Ivana Lučića 2a/22 (hereinafter: Exchange), on 20 January 2020, the Exchange Management Board passed the following

**RESOLUTION**  
**on the CROBEX® index**

**1. General provisions**

**Article 1**

This resolution defines the index name, selection criteria in respect of the index constituents, index calculation methodology, index divisor calculation and index revision.

**2. Index name**

**Article 2**

- (1) The name of the index is CROBEX®.
- (2) CROBEX®<sup>1</sup> is the property of the Zagreb Stock Exchange.

**3. Selection criteria**

**Article 3**

- (1) In the selection of the constituents of the CROBEX® index, only the shares listed in the Regulated market which trade on more than 75% of the total number of trading days in the six-month period preceding the revision may qualify.
- (2) By way of exception from paragraph 1 of this Article, if a proposal for the initiation of pre-bankruptcy settlement procedure is made, or in case of bankruptcy or liquidation proceedings being instigated against the company, shares of that company are not eligible for inclusion into CROBEX® index.
- (3) Any shares meeting the requirements from paragraph 1. and 2. shall be ranked on the basis of two criteria:
  1. their share in the free float market capitalisation
  2. their share in the order book turnover in the course of six months preceding the revision.
- (4) Each of the above criteria shall be given a weighting of 50%, with a mean or a weighted market share to be calculated and shares to be ranked according to the mean.
- (5) The CROBEX® index shall include at least 15, and not more than 25 shares with the highest rank.
- (6) In case of the issuers with more than one class of shares which meet the criteria for inclusion in the CROBEX® index, only one class of shares with a higher ranking shall be included.

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<sup>1</sup> CROBEX is registered with the State Intellectual Property Office of the Republic of Croatia under registration number: Z20080271.

#### 4. Tolerance zone

##### Article 4

- (1) In order to ensure the index stability, a 23/28 tolerance zone shall apply in its revision.
- (2) It means that the 22 (twenty-two) top-ranking shares will be admitted to the revised CROBEX® index directly. The 3 (three) remaining constituents will be selected from among the shares ranking 23rd to 28th, with precedence given to the constituents of a higher rank in the previous CROBEX® index.

#### 5. Index calculation methodology

##### Article 5

- (1) Base date is set on 1 July 1997.
- (2) Base value is set at 1000 index points on base date.
- (3) CROBEX® index shall be calculated as a ratio of the free float market capitalisation and the index divisor.
- (4) The free float market capitalisation of a particular share shall be calculated as the product of the number of shares in the issue, the free float factor and the last share price.
- (5) The portion of the share's free float market capitalisation in the total free float market capitalisation of the CROBEX® index on the last day of the month preceding the regular revision date may not exceed 10% which is assured by using the weighting factors.
- (6) Weighting factor is equal to 1 (one) for those shares which do not exceed the 10% of the total free float market capitalisation of the index.
- (7) Weighting factor is less than 1 (one) for those shares which exceed the 10% of the total free float market capitalisation of the index.
- (8) If the share is not traded on a particular day, its last price in the previous session shall be used.
- (9) The index shall be calculated continuously in the course of the trading session according to the following formula:

$$I_t = \frac{\sum_{i=1}^n p_{i,t} \cdot q_{i,T} \cdot f_{i,T} \cdot w_{i,T}}{D_T}$$

I	CROBEX® index value
p	last price
q	number of listed shares
f	free float factor
w	weighting factor
D	index divisor
i	counter that represents the shares included in the index
T	revision date
t	time of index calculation

#### 6. Free float

##### Article 6

The following shall not be deemed free float:

1. the Issuer's own (treasury) shares
2. shares held by the persons controlling 5% or more of the total outstanding in the respective issue, unless shares are held by pension and investment funds.

**6.1. Free float factor**

**Article 7**

- (1) In respect of the shares with a free float below 20%, the free float factor shall be determined by rounding up the free float figure to the next integer.
- (2) In respect of the shares with a free float exceeding 20%, the free float factor shall be determined by rounding up the free float figure to the next multiple of 5 (five).

**7. Calculation of index divisor**

**Article 8**

- (1) The CROBEX® index divisor shall be adjusted if new shares are included in the index or if current constituents are removed from the index and whenever the free float factor changes due to an alteration in the number of shares in the issue of a constituent to ensure the time comparability of the index.
- (2) The CROBEX® index divisor is calculated as follows:

$$D_{T+1} = D_T \cdot \frac{I(T')}{I(T)}$$

$I(T')$	CROBEX® index value after the change on day $T'$
$I(T)$	CROBEX® index value prior to the change on day $T$
$T$	revision date

**8. Index revision**

**Article 9**

The index revision may be regular or extraordinary.

**8.1. Regular index revision**

**Article 10**

- (1) The CROBEX® index shall be revised after the close of trading on the third Friday in March and September, with the revision applying as of the following trading session.
- (2) The CROBEX® index shall be revised on the basis of trading data from the six-month period preceding the revision, and any change in the index composition shall be disclosed to the public.

**8.2. Extraordinary index revision**

**Article 11**

- (1) In case of extraordinary events which may affect representativeness of the CROBEX® index occurring between two regular revisions, the Index Committee may conduct an extraordinary revision of the CROBEX® index.
- (2) The following events in particular shall be deemed extraordinary:

1. corporate actions,
2. delisting of a particular share,
3. long-term trading suspension in respect of a particular share,
4. proposal for the initiation of pre-bankruptcy settlement procedure, instigation of bankruptcy or liquidation against the company.

(3) When an index constituent is removed in case of events referred to in paragraph 2 of this Article, no new share shall be included in the index in the course of extraordinary revision but the index shall continue with fewer constituents than those stipulated in this Resolution.

### **8.3. Extraordinary events**

#### **8.3.1. Stock split**

##### **Article 12**

(1) Stock split is such a corporate action by which the issuer, pursuant to a resolution passed at the general meeting, without changing the company's equity capital, increases the number of shares outstanding by reducing the nominal value of shares in the initial issue or else increases the number of shares issued without a nominal value by issuing two or more shares to each shareholder instead of one previously held.

(2) The number of shares outstanding in the index shall rise, with their price falling in proportion to the stock split ratio. The index divisor shall remain unchanged.

(3) The change referred to in paragraph 2 of this Article shall apply following a notification by the Central Depository and Clearing Company (hereinafter: CDCC) on the stock split being conducted, after the close of the last trading session in the current number of shares in the issue. The foregoing changes shall become effective in the subsequent trading session (ex-date).

#### **8.3.2. Reverse stock split**

##### **Article 13**

(1) Reverse stock split is such a corporate action by which the issuer, pursuant to a resolution passed at the general meeting, without changing the company's equity capital, reduces the number of shares outstanding by increasing the nominal value of shares in the initial issue or else reduces the number of shares issued without a nominal value by issuing one share to each shareholder instead of two or more previously held.

(2) The number of shares outstanding in the index shall fall, with their price rising in proportion to the reverse stock split ratio. The index divisor shall remain unchanged.

(3) The change referred to in paragraph 2 of this Article shall apply following CDCC notification on the reverse stock split being conducted, after the close of the last trading session in the current number of shares in the issue. The foregoing changes shall become effective in the subsequent trading session (ex-date).

#### **8.3.3. Stock dividend**

##### **Article 14**

(1) Stock dividend is such a corporate action by which the issuer distributes a certain number of newly issued shares to all current shareholders in proportion to their participation in the company's equity capital.

(2) The number of shares outstanding in the index shall rise, with their price falling in proportion to the bonus issue ratio. The index divisor shall remain unchanged.

(3) The change referred to in paragraph 2 of this Article shall apply following information on general assembly decision, after the close of the last trading session in the current number of shares in the issue. The foregoing changes shall become effective in the subsequent trading session.

(4) If the first day of trading without the right to grant new shares falls before the general meeting passes a resolution on the capital increase, the Index Committee shall remove the respective constituent from the index.

(5) On receipt of information on general assembly decision, the Index Committee shall include previously removed constituent back in the index after the close of trading. The foregoing changes shall become effective in the subsequent trading session.

#### **8.3.4. Rights issue**

##### **Article 15**

(1) Rights issue is such a corporate action by which the issuer offers a certain number of newly issued shares for sale to all current shareholders by issuing subscription rights which are a separate financial instrument.

(2) Once the new share issue is listed on the Exchange, the number of shares outstanding in the index shall rise, provided that the new share issuance exceeds the current number of shares by at least 10%. Otherwise, the number of shares shall be altered in the first subsequent regular index revision.

#### **8.3.5. Capital increase through the public offer**

##### **Article 16**

(1) Capital increase through the public offer is such a corporate action by which the issuer offers a public a certain number of newly issued shares for sale.

(2) Once the new share issue is listed on the Exchange, the number of shares outstanding in the index shall rise, provided that the new share issuance exceeds the current number of shares by at least 10%. Otherwise, the number of shares shall be altered in the first subsequent regular index revision.

#### **8.3.6. Share cancellation**

##### **Article 17**

(1) Share cancellation is such a corporate action by which the issuer, pursuant to a resolution passed at the general meeting, cancels a certain number of treasury shares.

(2) On receipt of general information on general assembly decision on share cancellation, the number of shares in the index shall be altered, provided that the number of shares cancelled accounts for at least 10% of shares in the issue. Otherwise, the number of shares in the issue shall be altered in the first subsequent regular index revision.

#### **8.3.7. Squeeze out**

##### **Article 18**

(1) Squeeze out is such a corporate action by which, pursuant to a resolution passed at the general meeting, all the shares of minority shareholders are transferred to the majority shareholder against payment of an adequate cash compensation.

(2) On receipt of general information on general assembly decision, the share shall be removed from the index after the close of trading.

#### **8.3.8. Takeover**

##### **Article 19**

(1) Company takeover is the takeover of the joint stock company pursuant to the Joint Stock Companies Takeover Act

(2) Once the Exchange receives notification of the takeover, depending on its outcome, the Index Committee may remove the respective share from the index, alter its weighting or keep its weighting.

### **8.3.9. Acquisition**

#### **Article 20**

(1) Company acquisition is such a corporate action by which the target (acquired company) transfers all its assets to the acquiring company in exchange for the shares in the acquiring company so it ceases to exist without going into liquidation.

(2) On receipt of information on general assembly decision, the shares of the acquired company shall be removed from the index.

(3) The shares of the acquiring company shall remain in the index provided that they had been among its constituents before, with their weighting being altered if necessary. Otherwise, the acquiring company's shares shall not be included in the index but their inclusion shall be considered during the next regular index revision.

### **8.3.10. Merger**

#### **Article 21**

(1) Company merger is such a corporate action by which the companies being merged transfer all their assets to a new company arising out of the merger (takeover company) so they cease to exist without going into liquidation.

(2) On receipt of information on general assembly decision, the shares of the acquired company or both companies shall be removed from the index.

(3) Otherwise, the takeover company's shares shall not be included in the index but their inclusion shall be considered in the next regular index revision.

### **8.3.11. Division by separation**

#### **Article 22**

(1) Division by separation is such a corporate action by which one or more parts of assets of the company being divided are transferred to:

- one or more new companies being established for the purpose of separation (division by formation) or
- one or more companies which already exist (division by acquisition),

where the company being divided does not cease to exist but its equity capital is reduced.

(2) On receipt of information on general assembly decision, the shares of the company being divided may be removed from the index or their weighting may be altered.

### **8.3.12. Division by split-off**

#### **Article 23**

(1) Division by split-off is such a corporate action by which one or more parts of assets of the company being divided are transferred to:

- one or more new companies being established for the purpose of split-off (division by formation) or
- one or more companies which already exist (division by acquisition),

where the company being divided ceases to exist without going into liquidation.

(2) On receipt of information on general assembly decision, the shares of the company being divided shall be removed from the index.

(3) The inclusion of shares in the companies arising from the split-off shall be considered in the next regular index revision.

**8.3.13. Delisting of a particular share**

**Article 24**

In case of delisting, the respective constituent shall be removed from the index.

**8.3.14. Long-term trading suspension in respect of a particular share**

**Article 25**

In case of a trading suspension which exceeds 15 (fifteen) consecutive trading days, at the end of the mentioned period, the Index Committee shall convene a meeting and decide to remove the respective constituent from the index, alter its weighting or keep its weighting.

**8.3.15. Instigation of pre-bankruptcy settlement procedure, bankruptcy or liquidation proceedings against the company**

**Article 26**

(1) In case of proposal for the initiation of pre-bankruptcy settlement procedure being made or bankruptcy or liquidation being instigated against the company, the respective constituent shall be removed from the index as soon as the Exchange learns of the occurrence of the said circumstance.

(2) After the pre-bankruptcy settlement is reached, the inclusion of respective constituent shall be considered in the next regular index revision.

**8.3.16. Other circumstances**

**Article 27**

In case of corporate actions or events which are not regulated by this Resolution occurring, the Index Committee shall consider the need for extraordinary revision and, if necessary, conduct extraordinary revision to maintain the representativeness of the index and ensure its time comparability.

**8.3.17. Discretionary decision-making**

**Article 28**

In case of the foregoing corporate actions occurring, the Index Committee may decide to conduct an index base adjustment in a manner different from those described above if it believes such an adjustment to be more appropriate to the respective circumstances.

**8.3.18. Cash dividend payment and dividend advance**

**Article 29**

Cash dividend payment and dividend advance shall not give rise to the index revision.

**8.4. Fast index entry**

**Article 30**

(1) The Index Committee may conduct an extraordinary revision to add a new share to the index in case that, according to share trading data, the respective share trades on 100% of all trading sessions in the first 30 (thirty) days from its listing, taking account of its market capitalisation and liquidity.

(2) During the first regular revision following fast index entry, the period referred to in article 3. paragraph 1. of this Resolution relates to the period from the share listing date.

(3) The portion of the share's free float market capitalisation in the total market capitalisation of the CROBEX® index may not exceed 10%.

(4) In the event referred to in paragraph 1 of this Article, index may include a large number of shares than that

stipulated by this Resolution.

#### **8.5. Data correction policy**

##### **Article 31**

In case of missed dividend or missed corporate action which influences index calculation, the Index Committee will adjust the index accordingly.

##### **Article 32**

(1) The Index Committee makes decision on the final composition of the index.

(2) The process of selecting shares that will be included in the index is based on the quantitative criteria set out in Article 3 of this Decision.

(3) Notwithstanding the quantitative criteria referred to in paragraph 2 of this Article, the Index Committee may take a different decision regarding the number of shares that will be included in the index, decide on the inclusion or exclusion of individual share from the index, changing the weight of individual share in the index, as well as adjustment methodology in case of corporate actions, if it is estimated that the application of only quantitative criteria may affect the interest of the participants of the capital market or the representativeness of the index.

(4) If at the time of the index revision there is information that may have an impact on the inclusion of individual shares (eg. withdrawal from listing on a regulated market, the takeover, the upcoming status changes of the issuer etc.), the Index Committee may decide not to include or exclude that individual share to or from the index composition.

(5) The Index Committee may decide to withhold certain share in the index even if it does not meet the quantitative criteria referred to in paragraph 2 of this Article, if it is estimated that the application of only quantitative criteria may affect the interest of the participants of the capital market or representativeness of the index. The Index Committee may not exercise this right in two consecutive index revisions for the same share.

#### **9. Disclosure to the public**

##### **Article 33**

Changes in the composition of the CROBEX index shall be posted by the Exchange on its web pages.



**10. Transitional and final provisions**

**Article 34**

(1) This Resolution shall enter into force on 27 January 2020.

(2) By entering into force, this Resolution derogates the Resolution on the CROBEX® index dated 30 August 2019 (OU/2019-155).

Designation: OU/2020-8

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For delivery to:

1. All Member firms
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