BUCHAREST STOCK EXCHANGE

THE INDEX MANAGEMENT RULES FOR BET-C®

Bucharest Exchange Trading Composite® Index

Disclaimer:

This document provides the principles and rules underlying the construction and the management of *BET-C (Bucharest Exchange Trading Composite Index).*BVB reserves the right to manage BET-C index transparently, neutrally and the best possible manner, in the spirit of this index rules. However, BVB doesn't assume any responsibility for any errors or changes in the way the respective rules are applied in certain circumstances, nor for any loss that might derive from this.

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Available on line: www.bvb.ro

This document was translated from Romanian. The Romanian version of "The Index Management Rules for BET-C" is the BVB official document.

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1. INTRODUCTION

1.1 This document presents the rules regarding the calculation principles, the index member companies' selection criteria, the calculation formula and the index management principles of BET-C (Bucharest Exchange Trading Composite Index).

1.2 In "The index management rules for BET-C", unless the context requires otherwise, the following abbreviations shall have the following meanings:

- "**BVB**" means "S.C. Bursa de Valori Bucuresti S.A.";
- "**BET-C**" means "Bucharest Exchange Trading Composite" Index;
- **"BVB Index Committee"** or **"Index Committee"** means the committee of capital market specialists which makes the BVB index management rules, decides upon the index composition, is in charge of the adjustments needed by corporate events and informs the public regarding any changes or events related to the BVB indices.

1.3 The present rules and any amendments of this document are adopted by the BVB Index Committee.

1.4 BET-C index is a market capitalization weighted index of the individual index member companies, adjusted as per the principles presented in this document.

1.5 BET-C index in national currency (RON) is calculated and disseminated by BVB in real time, in every day BVB is open for trading.

1.6 BET-C index denominated in EUR and USD is published daily, after the closing of the trading session, using the currency exchange ratio published by the National Bank of Romania for that day.

1.7 All relevant information regarding BET-C index are going to be made available for public through press releases or BVB web page, www.bvb.ro.

1.8 BVB holds all rights for BET-C index as the full owner of the index.

2. CALCULATION PRINCIPLES

2.1 Basic Aspects

2.1.1 BET-C index was launched on April, 16, 1998 with a start value of 1.000 points, beeing the second index developed by BVB.

2.1.2 BET-C is a composite index and reflects the evolution of all the companies listed on BVB regulated market, Ist and IInd category, excepting the financial investment companies.

2.1.3 BET-C is a market capitalization weighted index of all its member companies.

2.1.4 Similar with the methodology of the other indices developed by BVB, BET-C index methodology reflects the price evolution of the companies traded on the main market segment ("Regular").

2.1.5 In case of corporate events with a significant impact on the market price of the BET-C member companies (like: splits, consolidations, share capital increases, etc.), the periodical or operational index adjustment will be done, so that the continuity of BET-C index values will be assured, thereby avoiding the artificial price influence by those events.

2.1.6 The index will not be adjusted for dividend payments.

2.2 Composition

BET-C index basket is made out of all the companies listed on BVB regulated market, Ist and IInd category, excepting the financial investment companies listed on BVB regulated market.

2.3 Weighting factor

The only weighting factor used is the representation factor.

2.3.1 Representation Factor

a. The individual weight of the companies included in BET-C is determined by the market capitalization of each company of the index, adjusted with the representation factor (market capitalization of a index member company = price x number of shares x representation factor x price correction factor).
b. The purpose of applying the representation factor is to cap the weight of a company in the BET-C index.
c. Applying the representation factor ensures that an index member cannot exceed the maximum weighting cap of 20% in BET-C, at the adjusting time.
d. The representation factors can take values between 0,01 and 1,00.
e. The representation factors are analysed and recalculated quarterly on the occasion of the periodical review of the index.
f. In case of an important operational adjustment that follows a new company listing or the inclusion /exclusion of a company in/from the index which significantly affects the individual company weights in the index, an immediate review of the representation factors will be considered.

3. CALCULATION FORMULA

BET-C index calculation formula is:

$$\text{BET - C}_{\text{T}} = \text{BET - C}_{\text{T-1}} \cdot \frac{\sum\limits_{i=1,N} p_{i,T} \times q_{i,T} \times R_i \times c_{i,T}}{\sum\limits_{i=1,N} p_{i,T-1} \times q_{i,T} \times R_i \times c_{i,T-1}}$$

BET-C_T value of BET-C at time T
BET-C_{T-1} value of BET-C at time T-1

$p_{i,T}$ price of i-th stock at time T;
$p_{i,T-1}$ price of i-th stock at time T-1;
$q_{i,T}$ number of shares of i-th stock at time T;
R_i representation factor of i-th stock ; it is calculated with 2 digits; belongs to (0,1] interval;
$c_{i,T}$ price correction factor for i-th stock at time T, of operational review; it is calculated with 6 digits;
$c_{i,T-1}$ price correction factor for i-th stock at time T-1, of operational review; it is calculated with 6 digits;
N number of companies included in BET-C.

The calculation formulas for BET-C USD and BET-C EUR are:

BET-C USD_T = (BNR exchange rate for USD at time T-1 / BNR exchange rate for USD at time T) x (BET-C RON_T / BET-C RON_{T-1}) x BET-C USD_{T-1}

BET-C EUR_T = (BNR exchange rate for EUR at time T-1 / BNR exchange rate for EUR at time T) x (BET-C RON_T / BET-C RON_{T-1}) x BET-C EUR_{T-1}

4. ADJUSTMENT PROCEDURES

a. BET-C adjustment procedures are made to maintain the continuity of the index values in order to avoid the artificial price influence of the corporate events which have a significant impact on the price.
b. Periodical reviews and adjustments are done quarterly and the operational ones are done immediately or in accordance with the stipulations applicable for the situation that needed such an operation. (see 2.1.5)

4.1 Periodical reviews and adjustments

a. BVB Index Committee meets quarterly for reviewing the BET-C index composition and for the periodical adjustment of the index.
b. Periodical adjustment have as purpose the updating of the BET-C index members weight following to:
   i. Corporate events (share capital increases, etc);
   ii. Changes of the index composition that follows an inclusion/exclusion of a company in/from the index;
   iii. Market price evolution of the index members' shares.

The periodical reviews and adjustments are made on the antepenultimate trading day of the quarterly cycle March-June-September-December, so that it will become effective in the first trading day of the following calendar month, with the exception of the quarterly BET-C index company composition review.

c. If there is the case that on the date of quarterly revision an index member company is suspended from trading or in any other exceptional cases, the BVB Index Committee may decide upon postponing the quarterly adjustment related procedures.

   If a decision of such a postponement is taken, BVB will inform the public in due time about this decision and the reasons for being taken.

4.1.1 Corporate events

a. In case the number of shares issued by a BET-C member company changes following a share capital increase/decrease, a split/consolidation, between two periodical reviews, the new number of issued shares, registered in the Shareholders Registry[1], will be included in the index in the next quarterly review.
b. In case of other corporate events, the periodical adjustments are to be done as per the stipulations of the present document.

[1] This reference is needed due to the long period of time (generally 2-3 months) between the share capital increase/decrease, split/consolidation, decision is taken by the AGM and the effective registry date of the new shares in the Shareholders Registry.

4.1.2 Inclusion and exclusion of companies in/from the index

a. In case of new listings on the BVB regulated market, a company can be included in the index at the first following periodical adjustment.
b. In case a BET-C member company is delisted, that company will be excluded from the index basket in the trading day previous to when the delisting becomes effective. This event needs an operational adjustment and requests for the representation factors recalculation.
c. Decisions regarding the inclusion or exclusion of new companies in/from the index are taken by the BVB Index Committee on quarterly basis, during the periodical meetings of March, June, September and December, and are made available for public one week before their effective date.
d. Quarterly reviews of the index in which the BVB Index Committee is going to decide upon the inclusion/exclusion of some companies in/from the index are held one week before the end of the current quarter.
e. Exceptionally, the BVB Index Committee meets in urgency time and can decide upon the exclusion/inclusion of a company in/from the index. In this specific situations, the Index Committee' decisions are going to be made public immediately.

4.2 Operational adjustments

a. Operational adjustments are made to correct the artificial influences of a corporate event on the market price of a BET-C index member.
b. The operational adjustments are technically implemented through the price correction factor $c_{i,T}$. This factor is taken into account for index calculation starting the first trade on the main market "Regular" of the trading day in which the trading price changes accordingly to the corporate event announced by the index member company (ex-date).
c. The operational adjustments can refer to the following corporate events, without being limited to: split, consolidation, bonus shares, the right to subscribe to new shares at a price lower than the market price, etc.
d. For company i, the price correction factor, c_i, is rebased to 1 at every index quarterly adjustment if this is done in the same time with the modification of the shares number issued and registered in the Shareholders Registry.

4.2.1 Split/Consolidation

In case an index member decides upon a shares split/consolidation, the price correction factor $c_{i,T}$ is determined as follows:

$$c_{i,T} = \frac{q_{i,T}}{q_{i,T-1}}$$

$q_{i,T}$: Number of shares of i-th stock at time T;

$q_{i,T-1}$: Number of shares of i-th stock at time T-1.

4.2.2 Bonus shares offer

In case an index member decides upon a bonus shares offer, the price correction factor $c_{i,T}$ is determined as follows:

$$c_{i,T} = 1 + \frac{q_{i,bonus}}{q_{i,T-1}}$$

$q_{i,bonus}$: Number of bonus shares of i-th stock;

$q_{i,T-1}$: Initial number of shares of i-th stock at time T-1.

4.2.3 The right to subscribe to new shares at a price lower than the market price

In case an index member decides upon the right to subscribe to new shares at a price lower than the market price, the price correction factor $c_{i,T}$ is determined as follows:

$$c_{i,T} = \frac{p_{i,T-1}}{p_{i,T-1} - \left[\left(p_{i,T-1} - p_s\right)/\left(R_s + 1\right)\right]}$$

$p_{i,T-1}$: Price of i-th stock at time T-1;

p_s : Subscription price for the new shares issued;

R_s : Subscription ratio for the new shares.

In case the index members announce other types of corporate events than the ones presented above, BVB Index Committee will calculate and disseminate to the public the new price correction factor $c_{i,T}$ which will be taken into account for index calculation. Likewise, BVB Index Committee will announce the public the $c_{i,T}$ value when two or more types of corporate events are overlapping at the same time.

5. BVB INDEX COMMITTEE

5.1 Overview

BVB Index Committee is organised in accordance with the decision of BVB Board of Governors and operates based upon the proxy delegated to it.

5.2 Members

5.2.1 Voting members

a. The nomination and the revoque of the BVB Index Committee' voting members, proposed by BVB' CEO, is taken by the BVB Board of Governors.

b. The Index Committee has 6 members:

- BVB Index Committee President is BVB' President;
- BVB' CEO
- two representatives of the BVB Strategy and International Alliances department;
- a member of CFA Association Romania.
- a banking specialist, from the research, development, actuary, new products, or asset management department, from other companies than the ones listed on BVB. This criterion is necessary in order to avoid a potential conflict of interests.

c. The voting rights are distributed as follows:

1. Each one of the 6 Committee' members have one voting right;
2. The only veto right is held by the President of the Index Committee.

d. The BVB Index Committee' President will be informed about any transfer of votes before the beginning of the Index Committee' meeting session. In case of position vacancy, the President of the Index Committee will name another representative for exercising the mandate until its expiry. It is considered a definitive impossibility of mandate exercise any events that creates an unavailability of 30 consecutive days.
e. The Index Committee' member capacity is obtained at the individual validation date by the BVB Board of Governors of the persons nominated by BVB.
f. The decision making principle is the simple majority. The Index Committee has quorum when at the meeting session are present at least the President and two voting members.

5.2.3 Obligations and responsibilities

a. BVB Index Committee takes decisions regarding the composition, calculation methodology and the adjustment of BVB indices, as well as the BVB index policy.
b. Index Committee members have the obligation to maintain confidential all the issues discussed during the meeting sessions of the Index Committee until they will be made available for public, to act in good faith, in the interest of the capital market and of the investors.

5.3 Decision making

5.3.1 In general, BVB Index Committee holds it's sessions in the last week of the quarterly month, meaning March, June, September and December, for deciding upon the following:

i. Periodical and operational review of the index, through:
- inclusion/exclusion/replacement of companies' in/from/of BET-C;
- doing the periodical adjustment of the index.

ii. General problems and strategic index policy.

5.3.2 Besides the periodical index review and adjustment meetings, BVB Index Committee can meet in urgency time for operational adjustments.
5.3.3 For decision making the simple majority of votes is needed.
5.3.4 The CEO of BVB leads the Index Committee' meeting and, in case of his unavailability, he will be replaced by another BVB executive.

6. INDEX DISSEMINATION AND COPYRIGHT

6.1 The index values as any changes in the index composition are published on the BVB web site, www.bvb.ro. Index real-time data is available through data vendors and the BVB website, through the offered data monitoring products. The closing values of the index are included in the daily market report, the monthly bulletins and other BVB statistical products.
6.2 The naming "Bucharest Exchange Trading Composite" and the abbreviation "BET-C" are protected by the legislation regarding the protection of the intellectual and industrial property rights. Bucharest Stock Exchange reserves the property right of the "BET-C Index" product. The use of the index as underlying for derivatives and/or structured products is prohibited without the previous valid agreement of BVB.