

**TECHNICAL REGULATIONS FOR THE COMPOSITION AND  
CALCULATION OF THE LATIBEX INDICES ADMINISTRATED BY  
SOCIEDAD DE BOLSAS, S.A.**

**LATIBEX AS  
LATIBEX TOP  
LATIBEX BRASIL**

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## **0. REVIEW HISTORY**

- January 2023: Changes in Latibex Indices Governance, whose administrator is Sociedad de Bolsas, S.A. New methodology document.

## 1. INTRODUCTION

The present document contains the Technical Regulations for the Composition and Calculation governing the Latibex Indices administered by Sociedad de Bolsas, S.A.

Sociedad de Bolsas, S.A., a BME Group company, is responsible for the management and functioning of the Spanish Stock Exchange Interconnection System (SIBE) – a technical trading platform of the Spanish stock exchange market that also houses the order book. Sociedad de Bolsas is the primary source of information generated in SIBE and is responsible for its organization and management. It is also the administrator of the IBEX indices and the strategy indices on stocks, the benchmarks for the Governing Bodies of the Stock Exchanges, the fixed income and Public Debt indices, and the FTSE Latibex Index Series, and is responsible for their structure, management, calculation, and dissemination.

These technical regulations will be revised periodically within a period never to exceed one year.

The aim of these revisions will be first, to make sure that the indices continue to reflect the reality they are intended to measure, and second, to ensure their role as underlying assets in the trading of derivative products, i.e. that they continue to be appropriate, representative, and reproducible. Among others, any changes that involve a change in the type of calculation data, fundamental changes in the methodology, changes related to any interruption or suspension of the indices – including the transitional rules for the new index – as well as changes that affect the ability of index users to continue using them as established are considered substantial changes. Any modification or alteration of these technical regulations must be approved by the Board of Directors of Sociedad de Bolsas, S.A. following a report by the Technical Advisory Committee on the indices as proposed by the Index Manager (with reference to section 3).

Such modifications or alterations are published no later than 48 hours after the corresponding decision is made and take effect within seven days of their publication, unless expressly agreed otherwise.

Sociedad de Bolsas, S.A. has a transition procedure for possible cessation of the indices cited in these technical regulations, which stipulates the conditions for its implementation. It also has a procedure to be implemented should a contingency arise and a procedure of public consultations about substantial changes in the methodology.

## 2. INDICES' GOVERNANCE

### 2.1. Technical Advisory Committee

The oversight function for the Latibex Indices is assigned to the Technical Advisory Committee.

The Technical Advisory Committee responsible for the indices is composed of at least five and no more than nine members. If the number is even, the chair will cast the deciding vote.

The Board of Directors of Sociedad de Bolsas, S.A. is responsible for appointing the members of the Technical Advisory Committee, its chair, and secretary and for renewing the offices every four years, as established in the procedures for its appointment, replacement or cessation, and the establishment of its internal rules of operations.

## **2.2. Index Manager**

The Index Management Secretariat at Sociedad de Bolsas is responsible for management of the indices. Its main functions are the management, calculation, publication, and maintenance of the Sociedad de Bolsas Indices.

The periodic review of the Latibex Indices' constituents is assigned to the Index Manager.

Ordinary reviews of the Latibex Indices are carried out twice a year, in May and November, in order to redefine the indices for the following period. All other meetings will be held on an extraordinary basis.

The results of the ordinary reviews are published the third Friday of the month of the review and come into effect the first trading day of the following month. Decisions taken at an extraordinary meeting are published and come into effect in accordance with the specific decisions taken by the Index Manager.

It is also the responsibility of the Index Manager to propose to the Technical Advisory Committee any modification or alteration of the present Technical Rules, which will report through the Index Management Secretariat to the Board of Directors of Sociedad de Bolsas, S.A. for its approval.

## **3. COMPOSITION AND CALCULATION OF THE LATIBEX INDICES**

All information concerning the calculation of the Latibex Indexes, particularly the Indexes, components, weighting and formula, shall be made public at all times.

The Index Manager will in all events make the Index inclusion or exclusion decisions it deems appropriate with respect to any security, with consideration for special circumstances not set out in the present Technical Regulations, without prejudice to publication, where appropriate, of the relevant notices.

### **3.1. LATIBEX AS**

#### **3.1.1. Composition of the Index**

The LATIBEX AS index is designed to represent real-time evolution of the stocks listed in the BME MTF Latibex market and for use as an underlying index for trading in

financial derivatives. For these purposes, it constitutes an active market, when exchanging homogeneous goods, being a liquid market with transparent prices based on real transactions.

The LATIBEX AS index is composed of all the stocks listed in the BME MTF Latibex market. The constituents' stocks of the LATIBEX AS index are not subject to liquidity screening

Those newly listed companies in the BME MTF Latibex market will be included as constituents of the LATIBEX AS index after the close of the first trading session. Accordingly, those companies delisted from the BME MTF Latibex market will be excluded from the index LATIBEX AS with immediate effects.

Nevertheless, the ordinary reviews must be held twice a year, at May and November, taking into consideration a control period defined as the six-month interval prior to the date of the review. With respect to extraordinary reviews, the control period shall be that decided by the Index Manager at that time.

### 3.1.2. Formula for the calculation of the index

The formula used in the calculation of the Index value is:

$$\text{LATIBEX AS}(t) = \text{LATIBEX AS}(t - 1) \times \frac{\sum \text{Capi}(t)}{[\sum \text{Capi}(t - 1) \pm J]}$$

LATIBEX AS(t) = Value of LATIBEX AS Index expressed in index points.

t = Moment when the Index is calculated.

i = Company included in the Index.

S<sub>i</sub> = No. of computable shares of company i for calculating the value of the Index.

P<sub>i</sub> = Price of the shares of the Company i included in the Index at moment (t).

Capi = Capitalization of the Company included in the Index, i.e. (S\*P).

∑ Capi = Aggregate Capitalization of all Companies included in the Index.

J = Amount used to adjust the value of the Index due to capital increases, etc.

Coefficient J represents the capitalization adjustment required to assure Index continuity and is introduced in connection with certain financial transactions defined according to the Technical Regulations for the Composition and Calculation of the Index, section 3.1.3, as well as the redefinitions of the Index.

The function of the J component is to assure that the Index value is not altered by such financial transactions.

The value of the J adjustment component shall reflect the capitalization difference of the Index before and after the adjustment.

### 3.1.2.1. Price

As a general reference, the price will be that at which the last transaction was completed on the BME MTF Latibex Market. Nonetheless:

- The closing price of the securities will be the price established in the Regulations for Trading on BME MTF Latibex Market.
- Where a security is suspended from trading for whatever reason (takeover bid, etc.), the valid price to be taken for the calculation of the Index shall be the price at which the last transaction was made prior to the suspension of the security in question. Following the closing of the market, the closing price will be calculated in accordance with the above paragraph.

In market stress situations that affect all or part of the component securities, the Index will be calculated as established in the preceding paragraphs.

In addition, the Manager may, in exceptional circumstances, propose to the Technical Advisory Committee a solution different from those indicated above, if it is considered appropriate, bearing in mind the characteristics of each case.

### 3.1.2.2. Number of Shares

In general, the number of each company's shares taken for calculation of the Index value will depend on its free float.

This number will vary whenever financial transactions take place involving the securities in the Index, which presumes compliance with the contents of section 3.1.3. of these Technical Regulations. These adjustments to the index will be made on the basis of the number of shares the Manager objectively deems appropriate at the time. This number will always be made public and included in the Index announcements.

- A/ The free float shall be deemed complementary to block ownership capital. For purposes of calculating block ownership capital, it will be calculated with available public information.
- B/ The number of each company's shares taken for calculation of the Index value shall be adjusted by a free float factor. For those stocks included in the index with a free float higher than 5%, it will be rounded up to the next percentual figure. Those stocks with a free equal or float lower than 5% are not eligible for the index.

Changes to each company's free float shall be updated:

- at the ordinary reviews, only if the new applicable free float factor has changed more than 3% above or below the current factor at the moment of the review.
- whenever the free float of a company is higher than 99%, it will not be subject to the 3% change rule, and it will be rounded up to 100%.

- given a corporate event affecting the index, any change in the free float factor will be implemented at the same time than the said event.

Without prejudice to the foregoing, and as a result of exceptional circumstances, in order to achieve an efficient replication of the index, the Manager may, at any time, change the free float factor of a stock, with prior notification being given as appropriate.

#### **3.1.2.3. Base value of the index**

The base value of the index is 1,000 at the close of trading on 1 December 1999.

### **3.1.3. Adjustments for Corporate Actions affecting the securities in the index**

The aim of the adjustments to the Index is to ensure, to the extent possible and in a simple manner, that the Index reflects the performance of a portfolio composed of the same shares as make up the Index.

The adjustments to the Index, carried out by the Manager, are:

- calculated on their corresponding date depending on their nature,
- introduced once the market is closed and at the closing price of each security,
- effective as of the start of trading the next trading day,

so as to ensure that the value of the Index is not altered in any way.

Should a transaction take place with one or more securities in the Index that requires an adjustment not contemplated within these Technical Regulations, or should the adjustment described herein not completely fulfil the purpose of the Index, the Manager may propose to the Technical Advisory Committee that a new adjustment be made or any other action to fulfil the purpose of the Index.

From the standpoint of adjustments, financial transactions which affect the Index are:

#### **3.1.3.1. Ordinary dividends and other types of shareholder remuneration similar to ordinary dividend payments**

Ordinary dividends and other types of shareholder remuneration similar to ordinary dividend payments shall not be adjusted in the index.

These are deemed to be the following:

- the beginning of a periodic and recurring payment,
- the change of a periodic and recurring dividend payment for another item of the same nature,



- the periodic and recurring charging of shareholder remuneration against equity accounts

#### **3.1.3.2. Capital Increase**

The Index will be adjusted whenever one of the companies included therein carries out a capital increase with preferential subscription rights. Such adjustments shall be effective from the day on which the shares begin to trade ex-subscription right on the BME MTF Latibex market. On that date, and for purposes of the Index calculation, the number of shares in that company will be increased on the assumption that the increase is going to be totally subscribed and, simultaneously, the (J) adjustment described above in section 3.1.2 will be introduced.

Increases in company capital where, as a result of the kind of transaction involved, the General Shareholders' Meeting decides to eliminate preferential subscription rights shall be included in the Index at the time they are admitted to the BME MTF Latibex market, and the (J) adjustment will be made for the amount of the capital increase.

If, as a result of capital increases made without preferential subscription rights, the new shares admitted account for less than 1% of the total number of company shares used to calculate the value of the Index, the adjustment shall be made every six months at the same time as the ordinary review of the Index composition.

Additionally, every six months, and at the same time as the ordinary review of the Index composition, an adjustment will be made for the differences between the number of shares included in the Index of companies which carried out capital increases during the control period and the number of shares actually subscribed in such capital increases.

#### **3.1.3.3. Reductions of capital and other equity accounts**

The Index will be adjusted whenever any company included therein reduces its capital by cancelling shares. Such adjustments will be effective on the day the shares are excluded from the BME MTF Latibex market. On such date, for purposes of Index calculation, the number of shares of the company will be reduced and, simultaneously, the (J) adjustment will be introduced for the amount of the reduction.

The Index will be adjusted whenever any company included therein reduces its share premium reserve or other equivalent equity accounts, with a distribution of the amount of the reduction to the shareholders, and said transaction is not similar to the payment of an ordinary dividend. Such adjustments will be effective on the day the amount distributed to the shareholders is discounted in BME MTF Latibex market. On such date, for purposes of Index calculation, the amount shall be discounted and, simultaneously, the (J) adjustment will be introduced for the amount of the reduction.

#### **3.1.3.4. Issue of Convertible or Exchangeable Financial Instruments**

The Index is not adjusted as a consequence of the issue of financial instruments, which are convertible or exchangeable on the issue date. Nonetheless, every six

months, coinciding with the ordinary review of the Index, those shares converted or exchanged by the holders of such instruments during the previous six months will be included.

Without effect to that stated above, if, as a result of an issue of convertible or exchangeable instruments or of a conversion into shares of an issue of these characteristics, a substantial alteration in the listed price or number of issued shares should occur, the Manager may decide the corresponding adjustment in the price or number of shares before the following ordinary review of the Index takes place, with prior notification being given as appropriate.

#### **3.1.3.5. Variation in the Par Value**

The Index shall be adjusted whenever a company included therein reduces the par value of its shares and distributes the resulting amount to the shareholders, and said transaction is not similar to the payment of an ordinary dividend. Such adjustments will be effective on the day the amount distributed to the shareholders is discounted in the BME MTF Latibex market. On such date, for purposes of Index calculation, the amount of the reduction will be discounted and, simultaneously, the (J) adjustment will be introduced for the amount of the reduction.

The Index shall be adjusted whenever a company included therein carries out a share split or a regrouping of shares by altering the par value of its shares. Such adjustments will be effective on the day the transaction is discounted in the BME MTF Latibex market, applying, where appropriate, the relevant (J) adjustment.

#### **3.1.3.6. Mergers and Absorptions**

In the event of mergers and absorptions in which the absorbing company is included in the Index and the absorbed company is not, the Index shall be adjusted considering the transaction, where applicable, as a capital increase according to section 3.1.3.2.

If as a result of a merger or absorption transaction involving companies of which one is part of the Index, the resulting company is quoted on the BME MTF Latibex market and meets all requirements necessary for inclusion in the Index, the Manager may decide the company's inclusion therein. Such adjustment will be preceded by the corresponding notice in sufficient advance.

#### **3.1.3.7. Take Over Bid**

In the event of a takeover bid launched on the totality of the shares of the social capital of a company included in the Index, the affected security will be excluded from the index whenever the acceptance levels are at least 75% of the social capital of the company once the official outcome of the offer has been published. The Index shall be adjusted excluding the capitalization of the affected company.

The Index Manager shall make public the index inclusion or exclusion decisions with respect to any security affected by a tender offer, as well as the effective dates, which will be communicated well in advance.

#### **3.1.3.8. Segregation of equity or spin-off of companies with shareholder remuneration**

The Index shall be adjusted whenever a company included therein carries out a segregation of equity or spins off a company with shareholder remuneration. These adjustments shall be effective from the day on which the operation is discounted in the BME MTF Latibex market. On that date, for purposes of calculating the Index, the amount of this operation will be discounted and, simultaneously, the (J) adjustment will be introduced for the amount of the reduction.

If, as a result of a segregation of equity or company spin-off, the shareholder remuneration consists in delivering shares of a listed or expected to be listed company in the BME MTF Latibex market, the Index shall be adjusted on the effective date of the operation. This adjustment shall consist of the temporary inclusion of the proportional part of the spin-off company in the index. Once the segregation has concluded, and after at least one trading day of the company, the Index Manager may, as appropriate, exclude the segregated company at its closing price and the (J) adjustment will be made for the amount of the reduction.

If, as a result of a segregation of equity or company spin-off, it is not possible to establish the impact on the share price in order to make the corresponding adjustment (J), the Index shall be adjusted on the date of the operation. This adjustment shall consist of the temporary exclusion of the aforementioned company from the Index. Once the first day of trading after a segregation of equity or company spin-off has concluded, the Index Manager may, as appropriate, once again include the company at its closing price.

Without prejudice to the foregoing, if as a result of an equity segregation or company spin-off, the company no longer meets the necessary requirements for inclusion in the Index, the Manager may decide the company's exclusion, which shall be preceded by the corresponding notice.

#### **3.1.3.9. Extraordinary dividends and other types of shareholder remuneration not similar to ordinary dividend payments.**

Extraordinary dividends and other types of shareholder remuneration not similar to ordinary dividend payments shall be adjusted by the amount of the dividend or remuneration considered exceptional and non-periodic.

These adjustments shall be effective from the day on which the transaction is discounted in the BME MTF Latibex market. On that date, for purposes of calculating the Index, the amount of this transaction will be discounted and, simultaneously, the (J) adjustment will be entered for the amount of the reduction.

#### **3.1.3.10. Company resolution or bankruptcy**

The Index shall be adjusted whenever a company included therein is suspended from trading after a bankruptcy declaration or its dissolution or resolution, with no economic compensation to the shareholders, which will be preceded by the correspondent notice from the Manager.

On the effective date of the adjustment, and for index calculation purposes, the technical price for the exclusion of the stock of the index will be zero.

#### **3.1.4. Calculation of reference prices of other products associated with the Index**

Financial products associated with the Index shall, in the judgement of the Manager and pursuant to the relevant agreement, be linked to the Index by any of the following methods:

- closing prices, or the arithmetic mean of several closing prices
- opening prices, or the arithmetic mean of several opening prices
- the simple arithmetic mean of all Indexes generated during the session, or the arithmetic mean of several of them
- averages of specific Index references
- daily reference prices generated according to the algorithm described in 3.1.4
- any other reference considered appropriate by the Manager

according to the characteristics and outstanding volumes of the products.

### **3.2. LATIBEX TOP**

Latibex Top Index is composed of the top fifteen stocks by capitalization and liquidity traded in the BME MTF Latibex market and included in the Latibex AS index, with at least one liquidity provider.

The ordinary reviews of LATIBEX TOP Index constituents must be held twice a year, in May and November, taking into consideration a control period defined as the six-month interval prior to the date of the review. With respect to extraordinary reviews, the control period shall be that decided by the Index Manager at that time.

At ordinary reviews, changes in composition shall be made at the close of the last trading session at the month of the review.

If a company has listed more than one class of shares, only the most liquid class shall be eligible for the Latibex Top Index. The liquidity shall be measured as the total traded volume in euros of each stock during the control period.

At ordinary reviews, the stocks are ranked by descending free float adjusted capitalization.

- Non constituents stocks ranked in position 12<sup>th</sup> or above shall be included in the index.

- Constituent stocks ranked in position 18th or below shall be excluded from the index.

The regulations applicable to the LATIBEX TOP Index in that related to the calculation formula, price, number of shares, adjustments for corporate actions and calculation of the reference prices of other products associated with the Index are the same as those covered in these Technical Rules for the LATIBEX AS index.

There is a maximum weighting of 10% allowed for each component in the index reviews.

These adjustments to the individual weights shall be effective the same day on which the ordinary reviews are effective. For this purpose, the maximum weighting for a constituent will be calculated with the closing prices on the third Friday of the month of the review.

In the case that any constituent's weight rises significantly between reviews, exceeding the limit, the Index Manager may decide to perform an adjustment to the index to reestablish the maximum weight, which will be preceded by the correspondent notice from the Manager.

The base value of the index is 1,000 at the close of trading on 30 December 2002.

### **3.3. LATIBEX BRASIL**

LATIBEX BRASIL Index represents the performance of the Brazilian stocks listed in the BME MTF Latibex market.

LATIBEX BRASIL index is composed of the Brazilian stocks traded in the BME MTF Latibex market and included in the Latibex AS index, with at least one liquidity provider, with no fixed number of constituents.

The ordinary reviews of LATIBEX BRASIL Index constituents must be held twice a year, in May and November, taking into consideration a control period defined as the six-month interval prior to the date of the review. With respect to extraordinary reviews, the control period shall be that decided by the Index Manager at that time.

At ordinary reviews, changes in composition shall be made at the close of the last trading session at the month of the review.

If a company has listed more than one class of shares, only the most liquid class shall be eligible for the LATIBEX BRASIL Index. The liquidity shall be measured as the total traded volume in euros of each stock during the control period.

The regulations applicable to the LATIBEX BRASIL Index in that related to the calculation formula, price, number of shares, adjustments for corporate actions and calculation of the reference prices of other products associated with the Index are the same as those covered in these Technical Rules for the LATIBEX AS index.

There is a maximum weighting of 15% allowed for a component in the index reviews. In case the following stocks ranked by free float adjusted capitalization reach a resulting weighting higher than 14%, 13%, 12%, 11% and 10%, they shall be adjusted to reflect the maximum weightings.

These adjustments to the individual weights shall be effective the same day on which the ordinary reviews are effective. For this purpose, the maximum weighting for a constituent will be calculated with the closing prices on the third Friday of the month of the review.

In the case that any constituent's weight rises significantly between reviews, exceeding the limit, the Index Manager may decide to perform an adjustment to the index to reestablish the maximum weight, which will be preceded by the correspondent notice from the Manager.

The base value of the index is 3,000 at the close of trading on 30 December 2003.

#### **4. COMPLAINTS REGARDING THE CALCULATION OF THE INDICES**

Any complaints regarding the calculation of the Indices should be addressed in writing, including electronic media established for this purpose, to the Technical Advisory Committee. The complaints will be resolved in a reasonable and fair time, according to the complaint's procedure available to these effects.

#### **5. INFORMATION ABOUT THE INDICES**

Sociedad de Bolsas, S.A., as Benchmark Administrator, shall publish information on the Indexes through the channels it establishes for such purpose. The information regarding the Indices shall include the publication of announcements on the same as well as the real-time data information included by Sociedad de Bolsas, S.A. in its vendor-feed data flow available to professional information distributors.

The Indices announcements shall include the principal data on the Indices at closing and all relevant official announcements pertaining to ordinary and extraordinary reviews.

Sociedad de Bolsas, S.A. shall issue the appropriate certificates on relevant prices of the Indexes at the request of parties to contracts that use such prices.

For more information about the index, you can visit [www.sbolsas.com](http://www.sbolsas.com) or please contact the Indexes Manager at [indiceslatibex@grupobme.es](mailto:indiceslatibex@grupobme.es)