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Procedures for the Spin-off of Givaudan AG (Spin-off of the Flavours and Fragrances Division of the Roche Group)

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- Front Office / Trading
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Attachments:
Full text of Circular

Summary:

Roche Holding AG plan to spin off their Flavours and Fragrances division into Givaudan AG.

Start of trading for Givaudan shares is foreseen for 08 June 2000.

When the spin-off takes effect, an adjustment is required for the Roche option at Eurex. The attached circular provides an overview of the adjustment procedures.

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Procedures for the Spin-off of Givaudan AG (Spin-off of the Flavours and Fragrances Division of the Roche Group)

Roche Holding AG plan to spin off their Fragrances and Flavours division. The spin-off will result in the formation of a new exchange-quoted company (Givaudan AG). The spin-off will be managed so that for each Roche share or Non-voting equity security (NES) held, shareholders will receive one Givaudan AG share. The distribution will be carried out in the form of a special dividend of the nominal value of Givaudan shares of CHF 10.00.

Following shareholder approval of the proposal at the general meeting of 09 May 2000, start of trading of Givaudan shares at SWX is foreseen for 08 June 2000. The Index Commission of SWX have announced that Givaudan AG would be included in the Swiss Market Index (SMI) immediately on its initial quotation.

When the spin-off takes effect, an adjustment is also required to the Roche option. The form of the adjustment has been chosen so at the time of the adjustment the result is value-neutral. A description of the required steps is given below.

- From the time of the spin-off, the underlying security of the Roche option will be a basket containing Roche NES-ex and Givaudan.
- The basis price and contract size for Roche options will remain unchanged
- On exercise, a basket consisting of one Roche NES-ex and one Givaudan AG share should be delivered
- A new option will be introduced on Roche NES.

In order to be able to settle the basket, the Roche option and the Roche NES option will be converted into a dummy option and a dummy underlying representing the basket of Roche NES-ex and Givaudan.

The procedure is explained in detail below:

The day of the spin-off/last trading day cum is 07 June 2000.
On 06 June 2000 the Givaudan share and a dummy Roche underlying will be set up in the Eurex system (ISIN and security codes will be communicated in good time).
On 07 June 2000, after close of trading, the following actions will be carried out on Eurex:

- The ISIN and security codes of the Roche option and the Roche underlying will be converted into the basket (new ISIN and security code).
- The dummy Roche underlying set up on 06 June 2000 will be converted into the original Roche NES (ROG/CH0002241815)

On 08 June 2000 a new Roche option (with Roche NES as the underlying) will be set up in the Eurex system.

Trading in the new option will begin on 09 June 2000.

On 07 June, in all Eurex reports, in the theoretical price file, and in all back-office messages transmitted during the batch, the old data will apply. During the conversion, no back-office messages will be transmitted. At the start of the first trading day of the Givaudan shares, only the new data will be valid in all areas of the Eurex system.

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Following the spin-off, the value of a contract can be calculated according to the following formula:

C*S1 = C*SB = C*S2 + C*S3
C = Contract size
S1 = Price of ROG cum
S2 = Price of ROG ex
S3 = Price of Givaudan
SB = Price of the basket

This formula is always applicable for the valuation of an option series after a spin-off. After the day of the spin-off, no new series will be introduced for the basket.

On exercise of the basket option after the spin-off, two delivery instructions will be transmitted to SIC/Clearstream;
Trade 1: Delivery of 1 Roche NES share against payment of C* exercise price
Trade 2: Delivery of 1 Givaudan share against payment of CHF 0.

After the spin-off, for technical reasons, Roche NES and Givaudan cannot be pledged as cover for Short Call positions. In addition you should note that for the dummy underlying, no price information will be delivered in the underlying zone, the ticker, or in the Pricing Model Input file. Only the price information for the basket components Roche NES and Givaudan will be reported in the ticker.

Reports

Givaudan shares as a component of the basket will appear in the reports RPTCE080 (Pending Delivery) RPTCE090 (Late Delivery) and RPTCE100 (Settled Delivery). In the report RPTCE080 ROG and Givaudan will first appear individually **one day later.** Thus, on the day of exercise, Report RPTCE080 will show the basket. On the following day, the report will show ROG and Givaudan as separate deliverable components.

As Givaudan AG will be included in the Swiss Market Index, it is foreseen to introduce an option on the equity of Givaudan AG. You will receive further information on the timing of the introduction and setting up the option in a separate circular.

If you have any questions, please contact our Equities products help-desk on Tel. +49 (0)69-2101-1210.

Frankfurt 10 May 2000

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