X-pand into the Future

e u r e x *circular 026/04*

Date: Frankfurt, March 4, 2004
Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

⚠ **Action Required** ⚠ **High Priority**

Royal KPN N.V. (KPN) – Extraordinary Dividend

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Content may be most important for:	**Attachments:**
➲ Front Office / Trading ➲ Middle + Back Office ➲ IT /System Administration ➲ Auditing / Security Coordination	None

Summary:

At the Annual General Meeting of Royal KPN N.V. on April 15, 2004, the payment of an extraordinary dividend will be suggested to the shareholders. This extraordinary dividend of EUR 0.13 is in addition to the ordinary dividend of EUR 0.12. You were already informed on February 23, 2004 via the Market Supervision Messages window that an adjustment to the Eurex options on shares of Royal KPN N.V. for existing series would be required. This circular contains a description of the adjustment procedure.

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Management Board:
Rudolf Ferscha (CEO), Jürg Spillmann,
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Royal KPN N.V. (KPN) – Extraordinary Dividend

At the Annual General Meeting of Royal KPN N.V. on April 15, 2004, the payment of an extraordinary dividend will be suggested to the shareholders. This extraordinary dividend of EUR 0.13 is in addition to the ordinary dividend of EUR 0.12.
The ex day is planned for April 19, 2004.

As a result of this extraordinary dividend, an adjustment to the Eurex option on shares of Royal KPN N.V. pursuant to Section 2.19.7 (2) of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich will be required.

Eurex already informed members on February 23, 2004 via the Market Supervision Messages window that an adjustment to the Eurex options on shares of Royal KPN N.V. for existing series would be required. This circular contains a description of the adjustment procedure, if the proposal is passed at the Annual General Meeting on April 15, 2004.

The procedure is as follows:

The closing price of the share on April 16, 2004 is the basis for the adjustment. The price will firstly be reduced by the amount of the regular dividend. The resulting price will be used to calculate the adjustment factor (R-factor).

S1 = Closing price of the share

S2 = S1 - regular dividend

S3 = S2 - extraordinary dividend

R-factor = S3/S2

Adjustment of the strike price will be made by multiplying by the R-factor. The contract size will be increased accordingly, so that the original contract value is maintained.

C1 = old contract size

C2 = new contract size

X1 = old strike price

X2 = new strike price

C2 = (C1 * X1)/X2

The strike prices and contract sizes resulting from the adjustment will be published immediately after close of trading on the last cum trading day, April 16, 2004, via the Market Supervision Messages window. The version number of adjusted series will be increased by 1. New series with version number 0 and the standard contract size of 100 will be introduced with effect from the ex day, April 19, 2004. All outstanding orders and quotes will be deleted after close of trading on April 16, 2004.

On exercise of an adjusted series, a cash payment will be made for the number of shares in excess of the standard contract size.

On the days before payment of the extraordinary dividend the Contract Cover Assignment Entry window should be used to delete all allocations of shares covering short call positions for the product KPN.

Please contact the Functional Help Desk, tel. +49-69-211-1 12 10, should you have any further questions.

Frankfurt, March 4, 2004

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