X-pand into the Future

e u r e x *circular 050/04*

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Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

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

Merger of EM.TV & Merchandising AG into EM.TV AG

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

Summary:

On April 19, 2004 EM.TV & Merchandising AG made an ad hoc merger announcement. The new company is called EM.TV AG. The merger has already been entered in the Companies' Register at the Municipal Court in Munich and became effective on April 19, 2004. Shareholders of EM.TV & Merchandising AG will receive ten new shares in EM.TV AG for every 73 old shares held, as well as a corresponding number of certificates (in two series) giving them the right to purchase further shares in EM.TV AG. The listing of EM.TV AG shares, as well as of the certificates, is planned for April 27, 2004.

This circular contains a description of the adjustment procedure for the Eurex option on shares of EM.TV & Merchandising AG.

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Merger of EM.TV & Merchandising AG into EM.TV AG

On April 19, 2004 EM.TV & Merchandising AG made an ad hoc merger announcement. The new company is called EM.TV AG. The merger has already been entered in the Companies' Register at the Municipal Court in Munich and became effective on April 19, 2004. As a result of the registered merger EM.TV & Merchandising AG no longer exists and its shareholders who hold the right to exchange are now shareholders of EM.TV AG. Within the framework of the exchange, shareholders of EM.TV & Merchandising AG will receive ten shares in EM.TV AG for every 73 shares held in EM.TV & Merchandising AG, as well as a corresponding number of certificates (in two series) giving them the right to purchase further shares in EM.TV AG. For Series 1, the certificates guarantee for two years after their issue the right to purchase 0.39 further shares in EM.TV AG at a purchase price of EUR 2.50 per share. For Series 2, the certificates guarantee for four years after their issue the right to purchase 0.39 further shares in EM.TV AG at a purchase price of EUR 3.50 per share.

The listing of EM.TV AG shares, as well as of the certificates, is planned for April 27, 2004. Until this date the old shares will continue to be listed, unchanged, under the old ISIN DE0005684807 granting the right to exchange.

At the start of listing of the new EM.TV AG shares, as well of as the certificates, an adjustment to the Eurex option on shares of EM.TV & Merchandising AG will be necessary, pursuant to section 2.1.7 (6) of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich. The type of adjustment has been chosen so that it has a neutral effect on the value at the time of adjustment. A description of the necessary steps follows below:

- From April 27, 2004 the strike price for the Eurex option on shares of EM.TV & Merchandising AG is a basket comprising the new EM.TV AG shares as well as the certificates for Series 1 and Series 2. The contract size remains unchanged. Instead of 100 shares in EM.TV & Merchandising AG there will be 100 baskets comprising the components mentioned above.
- The ISIN and short code for the new basket option remain unchanged (DE0005684807/ETV).

  The new ISINs for the basket components are as follows:

New EM.TV AG	= DE0009147207
Series 1 certificates	= DE000A0A7RQ9
Series 2 certificates	= DE000A0A7RR7

- R-factor: 7.3 (73:10)

  K-factor: 0.136986 (1:R-factor)

  This K-factor (capital adjustment factor) should be used when valuing the basket option from April 27, 2004 onwards. The basket price is calculated as follows:

  Z1 = Series 1 certificates

  Z2 = Series 2 certificates

  Price basket = 0.136986 * EM.TV AG new + 0.136986 * Z1 + 0.136986 * Z2

- Therefore, the contract value of the Eurex option on shares of EM.TV AG from April 27, 2004 is as follows:

  100 * price of EM.TV old = 13.6986 * price of EM.TV AG new + 13.6986 * price of Z1 + 13.6986 * price of Z2

  However, the delivery of certificates will not take place, for technical reasons. As a result, on exercise, only 13 EM.TV AG shares are to be delivered. On exercise a cash payment will be made for the remaining amount.

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Exercise:

The following delivery instruction will be transmitted to SIS/Clearstream on exercise of the basket option from April 27, 2004 onwards:

Delivery of 13 new EM.TV AG shares on payment of the old contract size (100) * strike price.

The amount due reduces per contract by the following cash payment:

0.6986 * Xetra EM.TV AG closing price + 13.6986 * closing price of Series 1 certificates plus 13.6986 * closing price of Series 2 certificates on the day of exercise.

On the days preceding the capital measure the Contract Cover Assignment Entry window should be used to delete all allocations of shares covering short call positions for the product EM.TV & Merchandising AG.

For technical reasons, EM.TV AG shares cannot be used to cover short call positions on the basket option after the merger.

Please note that on the last cum trading day there will be no system inputs from Eurex due to the capital measure. Adjustments will only take place within the delivery process. For these reasons strike prices and contract sizes of the option on EM.TV AG will remain unchanged in the Eurex system.

All outstanding orders and quotes will be deleted after close of trading on April 26, 2004.

Eurex Report Presentation:

The EM.TV AG share as well as the cash payment amount, as components of the basket, appear in the reports RPTCE080 (Pending Delivery) and RPTCE100 (Settled Delivery). However, these will not appear in RPTCE080 until **one day later**. In the first instance the report of the exercise day only shows the basket. On the following day the report will show EM.TV AG and the Series 1 certificates as components of the basket.

Series 2 certificates will not be shown as components of the basket for technical reasons.

Please feel free to contact the Functional Help Desk (Equity Products) on +49-69-211-1 12 10 should you have any further questions.

Frankfurt, April 22, 2004

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