X-pand into the Future

e u r e x *circular 071/04*

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

⚠ **High Priority**

Deutsche Lufthansa AG (LHA) – Capital Increase

Contact: Eurex Functional Help Desk, Equity Products, tel. +49-69-211-1 12 10

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

Summary:

On May 24, 2004 Deutsche Lufthansa AG announced a capital increase with subscription rights for existing shareholders. The subscription ratio is 5:1. The subscription price for the new Lufthansa shares will be at least EUR 9.85. The capital increase means that an adjustment to the Eurex options on Deutsche Lufthansa AG (LHA) shares will be required.

This circular contains a description of the adjustment procedure.

Eurex Deutschland
D-60485 Frankfurt am Main
www.eurexchange.com

Eurex Customer Support
Tel. +49-69-211-1 17 00
Fax +49-69-211-1 17 01

Management Board:
Rudolf Ferscha (CEO), Jürg Spillmann,
Daniel Gisler, Thomas Lenz,
Peter Reitz, Michael Widmer

Deutsche Lufthansa AG (LHA) – Capital Increase

On May 24, 2004 Deutsche Lufthansa AG announced that the Board of Deutsche Lufthansa AG, with the agreement of the Supervisory Council, has passed a capital increase protecting subscription rights of existing shareholders. Deutsche Lufthansa AG shareholders will be offered one new share in Deutsche Lufthansa AG for every five old shares held. The subscription price for the new Lufthansa shares will be at least EUR 9.85. The final subscription price is due to be announced on June 1, 2004. The subscription period is scheduled from June 3, 2004 until June 16, 2004. Exchange trading of subscriptions rights is planned from June 3, 2004 until June 14, 2004. The new shares are fully entitled to dividends in the fiscal year 2004.

The capital increase will be managed as follows:

- Five old Deutsche Lufthansa AG shares give the right to subscribe to one new Deutsche Lufthansa AG share.
- The subscription price for the new Deutsche Lufthansa AG shares will be at least EUR 9.85.
- The subscription period will begin on June 3, 2004 and end on June 16, 2004.
- Trading of subscription rights will begin on June 3, 2004 and end on June 14, 2004.
- The new Deutsche Lufthansa AG shares are fully entitled to dividends in the fiscal year 2004.

As a result of the capital increase, an adjustment to the Eurex option on shares of Deutsche Lufthansa AG pursuant to Section 2.1.7 (3) of the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich will be required. The Eurex Exchanges will calculate the adjustment factor (R-factor) on the basis of the Xetra closing auction price on June 2, 2004. The strike prices will be reduced by multiplying them by the R-factor. The contract size will be increased correspondingly, so that the original contract value is maintained. The version number of existing series will be increased by 1.

The R-factor will be calculated as follows:

R = ((number of old shares / number of new shares) * (1 - (issue price of new shares / closing auction price))) + (issue price of new shares / closing auction price)

The adjusted series and the resulting new contract sizes will be published via the Market Supervision Messages window, immediately after the close of trading on June 2, 2004.

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

New series with the version number 0 and a standard contract size of 100 will be introduced with effect from June 3, 2004. All outstanding orders and quotes will be deleted after close of trading on June 2, 2004.

On the days before the capital increase, the Contract Cover Assignment Entry window should be used to delete all allocations of shares covering short call positions for the product LHA.

The new position limit will be published via the Market Supervision Messages window once the capital increase has been concluded.

Should there be any alterations to the capital increase planned by Deutsche Lufthansa AG, in particular to the subscription price, these will be published on the Market Supervision Messages window as soon as they become known.

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

Frankfurt, May 26, 2004

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