X-pand into the Future

e u r e x *circular 160/04*

Date: Frankfurt, November 15, 2004
Recipients: All Eurex members and vendors
Authorized by: Peter Reitz

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

Karstadt AG (KAR) – Capital Increase

Contact: Eurex Helpdesk Equity Products: Tel. +49-69-211-1 12 10

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

Summary:

The Extraordinary General Meeting of Karstadt AG will decide on November 22, 2004 on a capital increase with subscription rights for existing Karstadt AG shareholders. The subscription ration will be 8:7. The price of new Karstadt AG shares will be at least EUR 4,00. The subscription period has not been defined yet. As a result of the capital increase an adjustment to the Eurex options on shares of Karstadt AG (KAR) is required.

This circular contains a description of the adjustment procedure.

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Management Board:
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Daniel Gisler, Thomas Lenz,
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Karstadt AG (KAR) – Capital Increase

The Extraordinary General Meeting of Karstadt AG will decide on November 22, 2004 on a capital increase with subscription rights for existing Karstadt AG shareholders. Karstadt AG shareholders will be offered seven new shares for every eight old shares. The price of new Karstadt shares will be at least EUR 4,00. The subscription periode has not been defined yet.

The capital increase will be managed as follows:

- Eight old Karstadt AG shares give the right to subscribe to seven new Karstadt AG shares
- The price of new Karstadt AG shares will be at least EUR 4,00
- New Karstadt AG shares will attract dividends for the fiscal year 2004
- The subscription periode has not been defined yet

As a result of the capital increase, an adjustment to the Eurex options on shares of Karstadt 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 the last cum trading day. 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 the adjusted series will be increased by 1.

The R-factor is 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 close of trading on the last cum trading day.

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

New series with the version number 0 and a standard contract size of 100 will be introduced with effect from the ex day. All outstanding orders and quotes will be deleted after close of trading on the last cum trading day.

On the days before 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 KAR.

Further details, particularly concerning the start of the subscription period will be published promptly via the *Market Supervision Messages* window.

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

Frankfurt, November 15, 2004

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