X-pand into the Future

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

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

Simplified Public Exchange Offer France Telecom/Orange

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Content may be most important for:	**Attachments:**
➲ Front Office / Trading ➲ Middle + Back Office	none

Summary:

On September 11, 2003, the companies France Telecom (FTE) and Orange (OAG) communicated in a common press release that France Telecom will submit to Orange shareholders an offer to exchange, on a voluntary basis, Orange shares for France Telecom shares. According to this exchange offer, Orange shareholders will receive eleven shares of France Telecom for 25 Orange shares. When the transaction becomes effective the stock option on Orange will be adjusted.

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Simplified Public Exchange Offer France Telecom/Orange

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The offering period began on September 12, 2003 and will end on October, 7 2003 inclusive. The results of the exchange will be published, according to the indicative schedule, on October 20, 2003 at the latest. Immediately afterwards, settlement and delivery of the new shares will take place.

As stipulated in the Contract Specifications for Futures Contracts and Options Contracts at Eurex Deutschland and Eurex Zürich, section 2.23.7 (7), the exchange offer requires an adjustment of the stock options on Orange (OAG/OAG5) upon effectiveness of the transaction. The respective adjustment will be made on the trading day following the publication of the official exchange result (scheduled for October 20, 2003 at the latest). As the exact date has not been determined, the day of adjustment will be announced via the "Marketsupervision Message" screen, as soon as the official result has been published.

The adjustment of the options will be based on the published exchange ratio of 25 Orange shares for eleven France Telecom shares, resulting an R-factor of 2,2727. The exercise prices of OAG will be multiplied by this R-factor. The contract size will be reduced so that the original contract value will remain unchanged. In the following please find a list of the future exercise prices and contract sizes based on the series which currently are available for trading.

Old exercise price	New exercise price	Old contract size	New contract size
5,00	11,36	100.0000	44.0141
5,50	12,50	100.0000	44.0000
6,00	13,64	100.0000	43.9883
6,50	14,77	100.0000	44.0081
7,00	15,91	100.0000	43.9975
7,50	17,05	100.0000	43.9883
8,00	18,18	100.0000	44.0044
8,50	19,32	100.0000	43.9959
9,00	20,45	100.0000	44.0098
9,50	21,59	100.0000	44.0019
10,00	22,73	100.0000	43.9947
11,00	25,00	100.0000	44.0000
12,00	27,27	100.0000	44.0044
14,00	31,82	100.0000	43.9975

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For options on Orange shares no new maturities and exercise prices will be introduced. Option series without open interest will be discontinued after the adjustment. As soon as there are no more open positions, trading in options on Orange shares will be terminated.

All outstanding orders and quotes will be deleted from the order book after close of trading on the trading day on which the adjustment will be executed.

Clearing Measures:

Pending deliveries in OAG/OAG5 shares will be cancelled after close of trading and replaced by delivery instructions with the adjusted number of shares. Collateral balances involving OAG/OAG5 shares will be changed in the Eurex system.

On the days prior to this capital measure, the "Contract Cover Assignment Entry" screen should be used to delete all allocations of OAG shares covering short call positions.

In the case of exercised contracts of an adjusted series (OAG/OAG5), cash settlement will be made for any fractional shares the new contract size may cover.

At present, there is no open interest in the Orange option with expiry on the penultimate trading day of the month (OAG5). Trading in this product will be terminated with immediate effect.

Should you require further information, please do not hesitate to contact the functional helpdesk equity products at +49-69-211-1 12 10.

Frankfurt, October 8, 2003

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