X-pand into the Future

eurex circular 059/07

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Porsche AG: Takeover Offer to Shareholders of Volkswagen AG

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Content may be most important for:

- Front Office/Trading
- Middle + Backoffice
- Auditing/Security Coordination

Attachment:

Implied volatilities of the Volkswagen share

Summary:

On March 24, 2007, Porsche AG announced by means of an Ad hoc message that it will increase the stake held in Volkswagen AG from the present 27.3 per cent to up to 31 per cent and thus, in line with the takeover law, to make a mandatory offer for Volkswagen.

This circular contains a description of the potential effect of this transaction on the existing options and futures contracts on shares of Volkswagen AG.

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Porsche AG: Takeover Offer to Shareholders of Volkswagen AG

On March 24, 2007, Dr. Ing. h. c. F. Porsche AG announced per Ad-hoc message that it will increase the stake held in Volkswagen AG from the present 27.3 per cent to up to 31 per cent of the ordinary shares. According to takeover law, a mandatory offer needs to be made, after the 30 per cent voting rights threshold is exceeded.

It is proposed that only the minimum price prescribed by law will be offered as part of the mandatory offer, which is assumed to be EUR 100.92. At the point in time the Ad-hoc message was published, this amount was about 14 percent under the current price of Volkswagen ordinary shares.

According to Porsche AG, the mandatory offer does not aim at obtaining a majority of Volkswagen AG. Also, it will not be conditional upon attainment of a minimum acceptance level (e.g. a majority interest in Volkswagen). Once this mandatory offer has been implemented, any further increases by Porsche of its stake in VW will not trigger a renewed obligation to make another offer.

The current general conditions of the transaction will render a high acceptance level very unlikely, it may, however, be the case that this will change once this mandatory offer has been implemented. Based on the offered price (EUR 100.92 in cash), this would mean that options and futures contracts on shares of Volkswagen AG will mature early and will be settled according to the fair value method.

Under consideration of the special constellation of this takeover offer, the mandatory offer will be handled in the following way:

Contracts will only mature early according to the contract specifications by means of the fair value method, if the free float in Volkswagen will be less than five percent after implementation of the mandatory offer. If this is not the case, the existing contracts will be continued unchanged.

For the case where settlement according to fair value will be required, settlement will be based on the average value of the implied volatilities at the point in time the offer was announced. The announcement was made per Ad-hoc message on March 24, 2007. According to the contract specifications, the implied volatility is calculated based on the implied volatility of the settlement prices on the ten trading days preceding the announcement of the offer, i.e., the trading days of the period March 12, 2007 to March 23, 2007.

Implied Volatilities:

For each options series, one implied volatility was fixed (see attachment). The value corresponds with the average value of the ten trading days between March 12, 2007 and March 23, 2007, whereby both the highest and lowest values were discarded. The following dividend data were used in determining the implied volatilities: EUR 1.20 with ex date April 20, 2007 and EUR 1.50 with ex date April 22, 2008.

For the March 2008 series introduced on March 19, 2007, the 5 settlement prices of March 19 to March 23, 2007 were used for determination of the average volatility. For other series, for which less than ten settlement prices were determined, the following applies:

If the strike price is between two already listed strike prices, the implied volatility was calculated by means of linear interpolation of the volatility of the two already existing strike prices. If the series is above or below the highest or lowest strike price, the implied volatility of the highest/lowest strike price will be continued.

For new series, to be introduced as of April 2, 2007 the following applies:

If the series are introduced in already existing maturities, the same method as described above will apply. If strike prices are between two existing strike prices, calculation will be done by interpolation. If the strike prices are above or below the highest/lowest strike prices, the strike price will be continued.

For series of the month July 2007, to be introduced after the April 07 series have expired, the implied volatility will be determined by the linear interpolation of the June 07 and September 07 series.

Dividends:

If on the day of calculation of the fair value the ex date has not been reached as yet, an underlying dividend of EUR 1.20 or EUR 1.50, respectively will apply. Futures of Volkswagen preference shares (VO3F) have an underlying dividend of EUR 1.31.

Interest rate:

For fair value calculation, Euribor interest rates are used.

Stock futures contract:

Open interest in the stock futures contract will be settled on settlement day based on the bid price under consideration of interest accrued until the original maturity and all dividends accrued until then.

If necessary, further information or any changes in the procedure will be communicated during the course of the transaction.

If you have any questions, please contact the Functional Helpdesk Equity and Equity Index Products under tel. +49-0-69-211-1 12 10.

Frankfurt, March 30, 2007

Attachment to Eurex circular 059/07

Implied Volatilities of the Volkswagen Share

Month	Strike	Call Vola	Put Vola	Month	Strike	Call Vola	Put Vola
Mai 07	78	33,06	35,77	Dez 07	28	40,33	52,68
Mai 07	79	33,84	35,45	Dez 07	32	40,33	47,66
Mai 07	80	34,13	35,19	Dez 07	36	40,33	43,14
Mai 07	81	34,35	35,02	Dez 07	40	40,33	39,07
Mai 07	82	34,35	34,87	Dez 07	44	40,24	35,38
Mai 07	83	34,37	34,69	Dez 07	46	37,38	33,66
Mai 07	84	34,23	34,47	Dez 07	48	34,95	33,71
Mai 07	86	34,19	34,14	Dez 07	52	32,52	33,29
Mai 07	88	33,74	33,56	Dez 07	56	36,18	32,69
Mai 07	90	33,40	33,12	Dez 07	57	31,81	32,56
Mai 07	91	33,19	32,86	Dez 07	58	31,99	32,46
Mai 07	92	32,96	32,65	Dez 07	59	31,97	32,33
Mai 07	93	32,81	32,54	Dez 07	60	31,79	32,10
Mai 07	94	32,70	32,43	Dez 07	61	31,72	31,99
Mai 07	95	32,50	32,22	Dez 07	62	31,76	31,87
Mai 07	96	32,44	32,16	Dez 07	63	31,59	31,78
Mai 07	97	32,42	32,15	Dez 07	64	31,57	31,71
Mai 07	98	32,35	32,10	Dez 07	65	31,41	31,51
Mai 07	100	32,29	32,06	Dez 07	66	31,26	31,31
Mai 07	101	32,36	32,14	Dez 07	67	31,14	31,17
Mai 07	102	32,33	32,12	Dez 07	68	31,05	31,10
Mai 07	105	32,52	32,34	Dez 07	72	30,57	30,54
Mai 07	110	32,83	32,70	Dez 07	76	30,22	30,22
Mai 07	115	33,25	33,16	Dez 07	80	29,72	29,73
Mai 07	120	33,82	33,68	Dez 07	84	29,38	29,35
Mai 07	125	34,42	34,17	Dez 07	85	29,25	29,23
Mai 07	130	34,51	34,26	Dez 07	88	29,13	29,12
Mai 07	135	34,51	34,26	Dez 07	92	28,72	28,72
Mai 07	140	34,51	34,26	Dez 07	94	28,70	28,70
Jun 07	24	35,03	101,54	Dez 07	96	28,62	28,58
Jun 07	28	35,03	91,23	Dez 07	98	28,42	28,40
Jun 07	32	35,03	82,36	Dez 07	100	28,34	28,35
Jun 07	36	35,03	74,58	Dez 07	101	28,36	28,34
Jun 07	38	35,03	71,03	Dez 07	102	28,37	28,33
Jun 07	40	35,03	67,66	Dez 07	103	28,30	28,26
Jun 07	42	35,03	64,47	Dez 07	104	28,24	28,20
Jun 07	44	35,03	61,40	Dez 07	105	28,17	28,13
Jun 07	46	35,03	58,41	Dez 07	110	28,13	28,09
Jun 07	48	35,03	55,53	Dez 07	120	27,91	27,87
Jun 07	49	35,03	54,14	Dez 07	130	27,83	27,81
Jun 07	50	35,03	52,77	Dez 07	140	27,85	27,90
Jun 07	51	35,03	51,42	Dez 07	150	27,87	27,91
Jun 07	52	35,03	50,09	Dez 07	160	27,87	27,91
Jun 07	53	35,03	48,79	Mrz 08	80	29,02	28,99
Jun 07	54	35,03	47,51	Mrz 08	84	29,02	28,99
Jun 07	55	35,03	46,26	Mrz 08	88	28,80	28,74
Jun 07	56	35,03	45,03	Mrz 08	92	28,55	28,50
Jun 07	57	35,03	43,82	Mrz 08	96	28,31	28,25
Jun 07	58	35,03	43,00	Mrz 08	100	28,10	28,05
Jun 07	59	35,03	42,20	Mrz 08	101	28,06	28,01
Jun 07	60	35,03	41,60	Mrz 08	102	28,01	27,96

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Month	Strike	Call Vola	Put Vola	Month	Strike	Call Vola	Put Vola
Jun 07	61	35,03	40,63	Mrz 08	103	27,97	27,92
Jun 07	62	35,03	39,66	Mrz 08	104	27,92	27,87
Jun 07	63	35,03	38,88	Mrz 08	105	27,86	27,83
Jun 07	64	35,10	38,48	Mrz 08	110	27,62	27,58
Jun 07	65	35,10	38,13	Mrz 08	120	27,35	27,30
Jun 07	66	34,90	37,96	Mrz 08	130	27,24	27,18
Jun 07	67	35,13	37,49	Mrz 08	140	27,24	27,18
Jun 07	68	35,16	37,31	Mrz 08	150	27,30	27,18
Jun 07	69	35,09	37,44	Mrz 08	160	27,30	27,18
Jun 07	70	35,03	37,10	Jun 08	36	30,01	33,57
Jun 07	71	35,10	37,01	Jun 08	40	30,64	31,73
Jun 07	72	35,06	36,78	Jun 08	44	31,36	31,16
Jun 07	73	35,49	36,68	Jun 08	48	31,41	30,87
Jun 07	74	35,79	36,51	Jun 08	52	31,44	30,59
Jun 07	75	35,86	36,27	Jun 08	57	31,01	30,17
Jun 07	76	35,86	36,10	Jun 08	58	30,94	30,10
Jun 07	77	35,71	35,94	Jun 08	59	30,85	29,97
Jun 07	78	35,40	35,49	Jun 08	60	30,80	29,88
Jun 07	79	35,08	35,19	Jun 08	61	30,71	29,84
Jun 07	80	34,81	34,85	Jun 08	62	30,63	29,82
Jun 07	81	34,50	34,54	Jun 08	63	30,55	29,75
Jun 07	82	34,10	34,14	Jun 08	65	30,34	29,52
Jun 07	83	34,25	33,77	Jun 08	66	30,31	29,45
Jun 07	84	33,89	33,49	Jun 08	67	30,21	29,44
Jun 07	85	33,75	33,15	Jun 08	68	30,14	29,38
Jun 07	86	33,47	32,91	Jun 08	76	29,47	28,83
Jun 07	88	32,97	32,35	Jun 08	78	29,26	28,65
Jun 07	90	32,62	31,99	Jun 08	79	29,14	28,55
Jun 07	91	32,40	31,77	Jun 08	80	29,05	28,47
Jun 07	92	32,20	31,60	Jun 08	84	28,82	28,31
Jun 07	93	32,04	31,46	Jun 08	92	28,25	27,87
Jun 07	94	31,91	31,34	Jun 08	100	27,77	27,51
Jun 07	95	31,78	31,26	Jun 08	101	27,73	27,49
Jun 07	96	31,67	31,18	Jun 08	102	27,70	27,44
Jun 07	98	31,46	31,00	Jun 08	103	27,66	27,42
Jun 07	100	31,36	30,98	Jun 08	104	27,63	27,39
Jun 07	101	31,36	30,97	Jun 08	105	27,59	27,01
Jun 07	102	31,36	30,94	Jun 08	120	27,00	26,87
Jun 07	103	31,36	30,94	Jun 08	140	26,67	27,25
Jun 07	104	31,36	30,95	Jun 08	160	26,54	29,47
Jun 07	105	31,26	31,09	Jun 08	180	26,74	29,47
Jun 07	110	31,38	31,37	Jun 08	200	26,76	27,46
Jun 07	115	31,67	31,72	Dez 08	52	31,77	29,91
Jun 07	120	32,00	32,13	Dez 08	60	30,19	29,36
Jun 07	125	32,41	32,54	Dez 08	68	29,08	28,92
Jun 07	130	32,84	30,63	Dez 08	76	28,45	28,50
Jun 07	135	31,02	32,68	Dez 08	78	28,44	28,42
Jun 07	140	33,33	30,96	Dez 08	79	28,29	28,37
Sep 07	50	34,81	36,78	Dez 08	80	28,25	28,34
Sep 07	52	34,70	34,94	Dez 08	84	27,99	28,09
Sep 07	54	34,53	33,46	Dez 08	92	27,59	27,71

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Month	Strike	Call Vola	Put Vola	Month	Strike	Call Vola	Put Vola
Sep 07	56	34,31	33,36	Dez 08	100	27,23	27,37
Sep 07	58	33,98	32,97	Dez 08	120	26,57	26,84
Sep 07	60	34,04	33,13	Dez 08	140	26,25	26,64
Sep 07	62	34,05	32,66	Dez 08	160	26,13	26,66
Sep 07	64	33,85	32,57	Dez 08	180	26,10	28,16
Sep 07	68	33,09	31,79	Dez 08	200	26,10	28,55
Sep 07	70	32,34	31,54				
Sep 07	72	31,64	31,16				
Sep 07	75	31,13	30,95				
Sep 07	76	30,85	30,77				
Sep 07	77	30,60	30,57				
Sep 07	78	30,51	30,44				
Sep 07	79	30,45	30,41				
Sep 07	80	30,37	30,35				
Sep 07	81	30,26	30,24				
Sep 07	82	30,09	30,07				
Sep 07	83	29,95	29,95				
Sep 07	84	29,90	29,92				
Sep 07	85	29,90	29,90				
Sep 07	86	29,85	29,83				
Sep 07	87	29,68	29,66				
Sep 07	88	29,54	29,54				
Sep 07	89	29,48	29,51				
Sep 07	90	29,49	29,52				
Sep 07	91	29,44	29,45				
Sep 07	92	29,37	29,36				
Sep 07	93	29,23	29,24				
Sep 07	94	29,14	29,17				
Sep 07	95	29,11	29,15				
Sep 07	96	29,14	29,15				
Sep 07	97	29,08	29,09				
Sep 07	98	29,00	29,00				
Sep 07	99	28,90	28,91				
Sep 07	100	28,84	28,87				
Sep 07	101	28,82	28,84				
Sep 07	102	28,80	28,94				
Sep 07	103	28,78	28,78				
Sep 07	104	28,77	28,76				
Sep 07	105	28,77	28,70				
Sep 07	110	28,67	28,64				
Sep 07	120	28,60	28,62				
Sep 07	130	28,86	28,75				
Sep 07	135	28,86	27,03				
Sep 07	140	28,96	28,83				
Sep 07	150	29,00	28,83				
Sep 07	160	29,00	28,83				