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Annual Press Conference 2014

Deutsche Börse AG

Ladies and gentlemen,

I would like to extend a warm welcome to you here today, also on behalf of the Executive Board. Let us get right to the heart of the matter.

- Deutsche Börse Group generated net revenue of just over €1.9 billion in financial year 2013.
- Our earnings before interest and taxes (EBIT) adjusted for one-time effects stood at around €950 million.
- The Executive Board of Deutsche Börse thus proposes an unchanged dividend of €2.10 per share. This way we continue our policy of combining a corporate strategy focused on the future with shareholder-friendly participation in the company's success.

Our net revenue was stable overall in the past year, despite a difficult macroeconomic environment persisting around the world. Due primarily to the sustained zero-interest rate policy of central banks and the corresponding effects on the net interest result, the exact net revenue figure stands at around €20 million or just one percent below last year's.

At the same time, and thus in contrast to the very challenging conditions of the past financial year, we very rigorously expanded our ambitious investment programme as we announced this time last year. We are making good progress in tapping new growth areas – in Europe, North America and primarily in Asia. Investments are proving effective and are already beginning to pay off.

Our EBIT was around 5% lower than last year's due to record investments; it was also adjusted for one-time effects. We knowingly took this impact on pre-tax earnings into account, for the sake of safeguarding the future. We are also underscoring the fact that we are convinced of the continuing success of our business model and of our company. At the same time we are clearly creating better starting positions for ourselves than many of our competitors. If you look at Deutsche Börse today, you have an absolute technical leader, an extremely sound and well-capitalised company which takes advantages of its opportunities all over the world – even if it is not always easy to do all of this from Europe.

We certainly asserted ourselves well on the market in 2013 and even expanded our market share in some areas. Our successful strategy, which has a long-term focus, will pay off for our shareholders as well. Our Executive and Supervisory Boards will propose a dividend of €2.10 per share at the AGM on 15 May. The total dividend amount will thus be around €390 million.

We will explain how these results fit into our competitive and market environment – to the extent that we can out of respect for our competition – and how we will proceed strategically. To this end, I will talk about the most important elements of our much accelerated strategy and conclude with an outlook on the remainder of the year and beyond. However, first of all, my colleague and company CFO Gregor Pottmeyer will present the results of the divisions as well as developments in cost and capital management. Gregor, the floor is yours!

1. Financial year 2013: Sectoral results and costs

Deutsche Börse Group employs around 3,800 people and generates – as Reto has already mentioned – net revenue of almost €2 billion per year and EBIT of almost €1 billion.

The majority of Germany's most important companies are listed on the Frankfurt Stock Exchange, which we operate, and the majority of exchange trading in their shares also takes place with us. We also offer a broad range of other financial products, services and infrastructure, as the only fully integrated market infrastructure provider with the most broadly diversified offerings worldwide in our industry.

We are represented in twelve other European locations, besides here in the Rhine-Main area, and in key centres in Asia and North America. Our participants and clients hail from practically all corners of the world. In 2007, we generated sales revenue in Asia of around €50 million; today that figure is over €100 million. This also shows the increasing importance that Deutsche Börse Group has attained in the global capital market. And by the way, as the only European stock exchange.

I am now coming to the performance of our business divisions, which was varied. Clearstream, one of the largest central securities depositories in the world, and service provider for liquidity and collateral management, achieved new records. Clearstream's custody volumes rose in 2013 to a new record of around €12 trillion due, among other things, to the addition of new clients we hardly had access to in the past. Net revenue from Clearstream rose to €654 million. The increase affected almost all areas of the segment.

Only in net interest income from the banking business did we lag behind that of the previous year, due to the continuing low interest rate phase. While operating costs also increased to over €500 million, these also include the important one-time effect of the settlement payment in connection with the findings of the US Office of Foreign Asset Control (OFAC). By reaching an agreement with OFAC, the uncertainty which arose at Clearstream as a result of processes which dated back a long time and which were found deficient by the US, was definitively eliminated albeit at a justifiable if hefty cost. At the end of the day, this represents a success, even though the one-time cost was of course painful.

Net revenues declined on Deutsche Börse Group derivatives markets, that is in our subsidiaries Eurex and the New York ISE, as a result of market participants' three-percent decrease in demand for hedging to €741 million, due to monetary policy developments.

On the cash market, Deutsche Börse increased the Xetra segment's net revenues by 5% to €152 million. The upward trend continued in January.

The new Market Data + Services segment - created by merging the technology and the market data business - largely maintained a stable net revenue at €366 million.

We now come to our cost management, capital management and dividend policy.

Over recent years, we have reduced our operating costs on an adjusted basis by 6% – and that with a constant general rise in prices, salaries, etc. There is scarcely any other major global company that has achieved this.

As part of our new efficiency programme, we succeeded in realising 30% of the total savings as planned in 2013. We plan to achieve another 30% in 2014, and from 2016, will achieve total savings to the tune of €70 million per year. The savings will enable us to offset inflation-related cost increases and thus free up funds for growth investments. With these certainly major, but successful efforts, we have also created the necessary flexibility and room to breathe so that we can surge forward into new growth areas as part of our investment programme. At the same time, we are keeping our organisation lean.

It is clear to us that this places some demands on our staff. We do not ask that they rigidly adhere to business as usual, but that they demonstrate a willingness to meet new demands that new markets, new clients and new products bring.

Therefore, on behalf of the entire Executive Board, I would like to thank our employees for addressing the challenges together with us and thus ensuring this company's long-term success. As HR Director, I would like to add that our staff obviously enjoy challenges. This was reflected in the findings of the last staff survey.

However, we did reduce our cost base without additional pressure on our staff; we achieved major savings last year through refinancing of our bonds. This year we expect to lower our financing costs in this way by around €45 million, compared to 2012. This shows that we manage the capital that our shareholders entrust us with, carefully, efficiently and with a focus on the future.

The cost and refinancing measures mentioned along with the overall sound business performance allow us also to continue our dividend policy with the customary degree of reliability.

Due to this success, let me tell you - also with a certain pride - that we are one of the only two companies in the DAX with an AA rating. The important thing is also that we commit to our strategy of sustainability. We are a pioneer in integrated corporate reporting and have created transparency standards for sustainable business activities with our issuer guidelines. It is our commitment not just to certain ethical values that is sustainable but also to economic value creation for our shareholders. And on this note I will hand you back to Reto Francioni.

4. Growth projects 2013

Ladies and gentlemen, I would now like to present our strategy as an answer to the developments in the financial sector. Stock exchange business around the world usually attracts little attention at home. But a lot has happened – also in the last twelve months

The macroeconomic environment in Europe last year was extremely difficult for our business; the low-interest rate policy of the European Central Bank marginalised the net interest income of our subsidiary Clearstream. It also meant that market mechanisms had no effect on pricing in many markets and left market participants with less incentive overall to request further post-trade services and liquidity management offerings.

Please do not take this as a criticism of the valiant interventions by governments and central banks to support the banking sector, to which there was probably no alternative. Deutsche Börse will make its contribution to the solution by providing collateralised, transparent and stable market mechanisms.

However an extremely relaxed monetary policy and a lack of sufficient volatility cannot go on forever. They are certainly not a sign of healthy markets since they only provide an illusion of security; the role of stock exchanges is to support market participants in risk management and investment decisions, cushioning the effects of uncertainty in the economic environment and allocating resources as rationally and effectively as possible. The artificial stimulant of extremely low interest rates worldwide creates the illusion that such vigilance is unnecessary. This must inevitably lead to misallocation in the long term – in other words, badly invested funds.

Higher volatility, as we have seen in recent weeks, need not mean the end of the economic recovery after the damage done by an historic financial crisis of global proportions. Rather, it signals the reawakening of market mechanisms, which are the prerequisite for a self-sustaining, lasting economic recovery. This market strengthening is in the long-term interest of the economic development in Germany, Europe and North America

The same applies to other market interventions that are distorting competition and being driven primarily by political opportunism. Deutsche Börse is in a robust position overall in what is a difficult environment. And by difficult environment I also mean a fast-changing political, competitive and regulatory battle with financial centres in Europe, North America and Asia.

The headlines of recent days and weeks should not go unmentioned in this context. Deutsche Börse has noted the commitment of the German government to the financial transaction tax – while we remain fully aware that the political discussion on this issue is not yet over.

If, however, the bad experiences that countries such as France and Italy have had with financial transaction taxes mean that a core group of countries go it alone, Deutsche Börse’s broad positioning means that it is not vulnerable to such a development. And preparing our company for changing circumstances is one of the duties of the Executive Board.

The fact that we held our ground in the unfavourable environment of 2013 shows that our strategy of diversifying into new products, asset classes and markets, is working. Introducing new solutions targeted at changing client needs, and tapping high-growth regions in Asia are not tasks that can be completed overnight – but we are pursuing this strategy vigorously and consistently and will remain in a strong position all the way.

We are still among the leading market infrastructure providers in the world in terms of market capitalisation – and the leading stock market organisation in Europe.

Our services in the area of risk and liquidity management remain unique around the world. We are the only market infrastructure provider at global level to offer custody, clearing, settlement and trading, all under one roof. We also have leading technology, stable electronic systems and, last but not least, a state-of-the-art regulatory environment in global terms.
Deutsche Börse increased its market capitalisation by 30 percent last year. We have already completed the vertical integration that other stock exchanges are striving for – and we are already one step further. We are converting the traditional stock exchange model into an integrated and international provider of services for risk, collateral and liquidity management.

Deutsche Börse’s strategy is based on exploiting structural growth opportunities and focuses on

- § clearing OTC derivatives,
- § collateral and liquidity management, and
- § further expansion in Asia.

The European Market Infrastructure Regulation, EMIR, came into force in 2012 and is currently being implemented. The associated regulatory requirements will probably take effect in late 2014 or in 2015. To enable market participants to prepare for the associated requirements and meet them as soon as necessary, Eurex Clearing developed a central counterparty for clearing OTC derivatives, which has been available since the end of 2012. More than 30 clearing participants and over 120 institutional investors in total had registered for the service by the end of 2013 – an unequivocal success.

Due to the new regulatory requirements, we also expect to see a sustainable rise in the demand for services for collateral and liquidity management. That is why we are systematically expanding our “Global Liquidity Hub”. We are expecting significant additional net revenue from this initiative in the medium to long term.

Clearstream founded the Liquidity Alliance together with the Australian market infrastructure provider and the central securities depositories in Brazil, Spain and South Africa. The Liquidity Alliance is an alliance of central securities depositories for strategic cooperation in collateral management and is open to new members. All the countries in this alliance now have better functioning collateral management thanks to Clearstream.

Moreover, Clearstream will be continuing to prepare for the future central settlement platform for European Central Bank TARGET2-Securities (T2S) in 2014. Our strong position in the T2S network means that we are expecting an increase in business activity from this too.

In addition to the growth in OTC and unsecured markets, we're going to further strengthen our business in growth regions – with a focus on Asia. We clearly enjoy a very good reputation in Asia and have been able to expand our relationships considerably since the start of our Asian initiative last year.

Based on the model of successful cooperation with the Korean stock exchange KRX for a product on the Korean benchmark index KOSPI, Eurex has entered into a cooperation with TAIFEX, the Taiwanese futures and options exchange; the planned link is expected to start in May. We announced at the beginning of the year that we would be increasing this strategic partnership by purchasing a 5-percent share.

Clearstream has also signed a letter of intent with the Singapore Exchange SGX to develop a solution for collateral management which can be expanded to other markets in the region.

Singapore will also be the focal point of our other Asian activities. Deutsche Börse is in the process of establishing a new clearing house there in consultation with the local supervisory authorities and Deutsche Börse's global customers. We expect this to have high strategic development potential. Our objective is to provide long-term client-oriented products and a robust infrastructure across the entire Asian time zone from this base and thus to contribute to the systemic stability of the region's capital markets.

Singapore seems ideally suited to this role due to its strategically advantageous position as well as the geographic and cultural links it offers - to both South and East Asia. It also has a stable political and legal situation and a well-developed, internationally open capital market structure.

Last but not least, we entered into a strategic partnership with Bank of China at the end of 2013. Bank of China has an extensive product range and very strong customer relationships all over the world. Together with Bank of China, we will be advancing the development of the offshore renminbi market.

Now let us move on to another strategic focus. At the beginning of last year we combined our Information Technology (IT) and Market Data & Analytics departments along with selected external IT services into their own segment.

This move is starting to bear its first fruits. Market participants are benefiting from a much higher standard of efficiency and improved functionality, and all that without any loss of system stability. We also provided our new derivatives trading system T7 to the Bombay Stock Exchange (BSE) who launched it in November.

We are also continually expanding the DAX and STOXX indices, for example through a licence agreement with a Chinese issuer that also enables investors in China to also participate in the EURO STOXX 50. In collaboration with Eurex Repo, STOXX has also developed an index family that represents an alternative to the interbank interest rate benchmark, which has been hit by manipulation scandals.

All in all, we have major plans for 2014, primarily establishing a clearing house in Asia, and are therefore planning to increase spending on growth initiatives by around a further €30 million compared to 2013.

We are, of course, also very closely monitoring the outflow of funds from individual previously high-growth emerging markets. But I am convinced that the countries with solid economies – the ones where we are primarily active – will continue to enjoy high growth. These are, for example, China, Singapore, Taiwan and Korea.

5. Outlook for 2014

We were and still are well equipped for 2014 and beyond. Our forward-looking strategy means that we clearly have an important lead over our competitors, but this doesn't quite mean we can't be overtaken. The re-regulation of the capital markets is, on balance, not a burden but an opportunity for market infrastructure providers. This differentiates us from large parts of the financial sector our growth initiatives are gradually becoming more and more durable with the increasing implementation of EU-wide re-regulation measures.

There is reason to expect an improvement in the macroeconomic situation. The gradual return to reliance on market pricing mechanisms in assessing the macroeconomic environment and the associated volatility makes us fundamentally optimistic.

On this basis, we are also able to make a positive prediction for the longer term – specifically up to 2017. And that is that the aforementioned structural factors in particular make us confident. We expect to increase our net revenues from the current €1.9 billion to €2.3 to €2.7 billion within the next four years, with the final figure depending on the economic development of our market environment. That is equivalent to an increase of 20 to 40 percent. Unless our political environment deteriorates rapidly, we could thus ensure that Europe occupies a place on the international competitive stage which would allow it to enjoy significant influence around the world, and, particularly, in the area of regulation. And not *against*, but *with* the regions of Asia and also North America: by systematically building bridges and other links.

Conclusion

Deutsche Börse is in the process of raising its business model to the next level – but without forgetting its traditional strengths. In so doing, we are expanding our horizons and also the potential of our business. We are starting with what we do best: organising a well-regulated and fair market place with integrity – from trading to securities custody. At the same time we are tapping into new regions, some of which were previously not served by stock exchanges.

We are on our way to becoming an integrated global provider of services for risk, liquidity and collateral management in all the important asset classes, financial products and services.

This strategy enables us as a listed company to penetrate new markets. Moreover, this means we are supporting our clients in handling the regulation-driven reorganisation of their business safely and at the lowest possible cost. That means we are also serving the real economy.

Ladies and gentlemen, policymakers, banks and markets must once again form a productive unit – with the courage to be in conflict, but with players who respect each other and make markets more secure, stable and transparent. We will certainly be pursuing this course with determination. And all of us at Deutsche Börse are looking forward to the challenge.

Thank you for your time. My colleagues are now available for any questions you may have.