

Audit opinion

Annual financial statements  
as at 31 December 2005  
and management report

Deutsche Börse Systems AG  
Frankfurt am Main





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This is an English Translation of the German text,  
which is the sole authoritative version

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft



**Deutsche Börse Systems AG, Frankfurt/Main**  
**Balance Sheet as at 31 December 2005**

Assets	31.12.2005	31.12.2004
	€	T€
<b>NONCURRENT ASSETS</b>		
<b>Intangible Assets</b>		
Software	3,106,365.00	2,339
	<b>3,106,365.00</b>	<b>2,339</b>
<b>Tangible Assets</b>		
Fixtures improvements	2,135,512.00	2,899
Other assets, hardware, furniture and office equipment	17,699,185.00	13,745
	<b>19,834,697.00</b>	<b>16,644</b>
<b>Financial Assets</b>		
Shares in affiliated companies	470,154.68	470
Other loans	62,304.45	86
	<b>532,459.13</b>	<b>556</b>
<b>Total Noncurrent Assets</b>	<b>23,473,521.13</b>	<b>19,539</b>
<b>CURRENT ASSETS</b>		
<b>Accounts Receivable and Other Assets</b>		
Trade accounts receivable	10,585,957.08	10,103
Accounts receivable Group	87,273,116.36	87,490
Other current assets	3,654,758.30	2,849
	<b>101,513,831.74</b>	<b>100,442</b>
<b>Cash and Bank Balances</b>	<b>14,968,161.46</b>	<b>423</b>
<b>Total Current Assets</b>	<b>116,481,993.20</b>	<b>100,865</b>
<b>DEFERRED EXPENSES AND ACCRUED INCOME</b>	<b>8,066,448.87</b>	<b>8,360</b>
<b>Total Assets</b>	<b>148,021,963.20</b>	<b>128,764</b>

Shareholders' Equity and Liabilities	31.12.2005	31.12.2004
	€	T€
<b>SHAREHOLDERS' EQUITY</b>		
<b>Subscribed Capital</b>	<b>2,000,000.00</b>	<b>2,000</b>
<b>Capital reserve</b>	<b>415,110.03</b>	<b>415</b>
<b>Unappropriated Surplus</b>	<b>0.00</b>	<b>0</b>
<b>Total shareholders' equity</b>	<b>2,415,110.03</b>	<b>2,415</b>
<b>Provisions</b>		
Provisions for pensions and similar obligations	16,129,692.00	13,031
Other provisions	35,971,719.98	20,341
<b>Total provisions</b>	<b>52,101,411.98</b>	<b>33,372</b>
<b>LIABILITIES</b>		
Trade accounts payables	7,774,236.37	5,948
Amounts owed to group undertakings	77,419,034.31	81,780
Other liabilities	8,168,436.01	5,249
<i>thereof tax € 3,836,206.43 (previous year T€ 2,576)</i>		
<i>thereof social security € 1,737.84 (previous year T€ 2)</i>		
<b>Total Liabilities</b>	<b>93,361,706.69</b>	<b>92,977</b>
<b>DEFERRED INCOME AND ACCRUED EXPENSES</b>	<b>143,734.50</b>	<b>0</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>148,021,963.20</b>	<b>128,764</b>



**Deutsche Börse Systems AG, Frankfurt/Main**  
**Profit and Loss Account**  
**for the period 1 January to 31 December 2005**

	2005		2004	
	€	€	T€	T€
Sales Revenue		272,711,614.22		261,352
Other Operating Income		16,836,278.47		18,165
Personnel Expenses				
Wages and salaries	-64,547,530.91		-46,269	
Social security, pensions and other benefits	-12,585,782.77	-77,133,313.68	-11,286	-57,555
<i>thereof pensions € 6,553,591.75 (previous year T€ 5,281)</i>				
Depreciation				
of intangible and tangible assets	-12,428,359.71	-12,428,359.71	-14,015	-14,015
Other Operating Expenses		-127,182,361.65		-122,978
Income from Participating Interests		760.00		0
<i>thereof from affiliated companies € 760.00 (previous year T€ 0)</i>				
Income from Financial Assets: Other Securities and Loans		167.53		0
Interest and similar Income		940,431.45		659
<i>thereof from affiliated companies € 930,118.80 (previous year T€ 652)</i>				
Interest and similar Charges		-964,389.47		-1,171
<i>thereof to affiliated companies € 2,672.29 (previous year T€ 0)</i>				
<b>Profit before tax from ordinary activities</b>		<b>72,780,827.16</b>		<b>84,457</b>
Tax on Profit		-84.00		0
Expenses for Profit and Loss Transfer Agreement		-72,780,743.16		-84,457
<b>Net Profit for the Financial Year</b>		<b>0.00</b>		<b>0</b>
<b>Unappropriated Surplus</b>		<b>0.00</b>		<b>0</b>





## Notes to the Annual Financial Statements for 2005

### Accounting policies

The annual financial statements of Deutsche Börse Systems AG for 2005 were prepared on the basis of the provisions of the German Commercial Trading Code (HGB) and the German Companies Act (AktG).

The statement of income is presented according to the type of expenditure format.

Deutsche Börse Systems AG is a large corporation within the meaning of section 267 (3) HGB.

The valuation methods remain unchanged from the previous year.

Fixed assets in foreign currency are converted into Euros using historical exchange rates applicable at the point at which the assets were acquired. Foreign currency receivables and liabilities are stated using the reference date of the ECB applicable on the day on which the items were recorded or the lower (receivables) or higher (liabilities) reference rate of the ECB applicable on the reporting date. Expenditure and income items have been converted using the ECB reference rate on the day on which the items were recorded.

Intangible assets are carried at acquisition cost less scheduled depreciation using the straight-line method.

Property, plant and equipment is valued at acquisition or production cost. Property, plant and equipment subject to attrition are written down using the straight-line method with the maximum rates permitted for tax purposes. Depreciation is normally calculated starting on the first day of the month in which the asset is acquired. Minor non-current assets are fully expensed in the year of acquisition.

Investments in associates shown under non-current financial assets are carried at acquisition cost; other long-term loans are carried out at their nominal value.

Receivables and other assets are carried strictly at their nominal value. Itemized allowances are made for debts recognized to be bad or doubtful. A general allowance to cover debts which are latently bad or doubtful but not yet identified as such, is also maintained.

Provisions for pensions and similar obligations are measured on the basis of actuarial principles using their present value in accordance with section 6a of the Income Tax Act (EStG), based on a 6 percent discount rate. The 1998 mortality tables of Prof. Dr. Klaus Heubeck were used in the prior year. The new "2005 G" tables (generation tables) were used for the first time in the year under review. For tax purposes, the difference resulting from the application of the new tables will be spread over three financial years in accordance with section 3a (4) EStG. For the purposes of commercial law, the difference resulting from the application of the new tables is accounted for in 2005 in full.

As a result of tax regulations, the present value of provisions for the employee-financed Deferred Compensation Program has been used in certain cases for establishing the extent of the provisions.

Other accruals take account of all identifiable risks and liabilities of uncertain amount as at 31 December 2005 and cover the anticipated payment obligation. The liabilities accrued for the stock option program are measured according to the intrinsic value of the options. The service anniversary and early-retirement provisions have been measured in

accordance with actuarial principles using their present value (or the cash value for recipients of early-retirement benefits) with a discount rate of 5.5 or 6 percent. The 2005 mortality tables of Prof. Dr. Klaus Heubeck were used for calculation purposes (prior year: 1998 tables).

Liabilities are carried on the basis of the actual amount payable.

## Balance Sheet Disclosures

### Non-current assets

The presentation and development of non-current assets can be found in the statement of changes in non-current assets.

### Shares in affiliated companies

Deutsche Börse Systems AG holds 100 percent of the shares in Deutsche Börse Systems Inc., Delaware/USA, whose shareholders' equity amounted to USD 1,950 thousand as at 31 December 2005. Net income is stated as USD 349 thousand.

### Deferred expenses and accrued income

Deferred expenses and accrued income totaling EUR 8,066 thousand mainly concern EUR 6,277 thousand in rental and leasing prepayments as well as EUR 1,280 thousand in maintenance and license fees. Extra rental payments of EUR 436 thousand for a building in Frankfurt am Main were accrued as well.

### Shareholders' Equity

The fully paid-in capital stock (subscribed capital) of EUR 2,000,000.00 is divided into 2,000,000 no-par-value registered shares, which may only be transferred with the Company's permission.

### Other provisions

The following tables shows the break-down of EUR 35,972 thousand in other accruals:

	<u>thousand EUR</u>
Stock option programs	11,661
Holiday pay and balance of flexible working hours	6,402
Interest payments of taxes due to Trade fees (Xontro)	5,450
Bills not yet received	2,913
Early-retirement	2,815
Staff bonuses and directors' fees	2,761
Service anniversary	1,594
Group Share Plan	1,160
Other accruals	1,216
	-----
Total	35,972

Deutsche Börse AG has established a phantom stock option program for members of the Management Board and other executives of Deutsche Börse AG and its subsidiaries. Deutsche Börse Systems AG takes part in this program. The accrual of EUR 1,149 thousand charged against personnel expense in 2004 was increased by EUR 10,512 thousand to EUR 11,661 thousand.

In addition, Deutsche Börse AG has a Group Share Plan (GSP) for the non-management employees of Deutsche Börse AG and its subsidiaries consisting of shares and stock options available to the staff for acquisition. Deutsche Börse Systems AG takes part in this program as well. The intrinsic value following the issued stock options in circulation as at 31 December 2005 was EUR 1,160 thousand; an allowance of the same amount has accordingly been made for this item.

## Liabilities

Liabilities are broken down as follows. No liens or similar rights were ordered for the liabilities.

thousand EUR	Total	Thereof less than 1 year
Trade accounts payable (prior year)	7,774 (5,948)	7,774 (5,948)
Amounts owed to group undertakings (prior year)	77,419 (81,780)	77,419 (81,780)
Other liabilities (prior year)	8,168 (5,249)	8,168 (5,249)
Thereof tax (prior year)	3,836 (2,576)	3,836 (2,576)
Thereof social security (prior year)	2 (2)	2 (2)
<b>Total liabilities (prior year)</b>	<b>93,362 (92,977)</b>	<b>93,362 (92,977)</b>

## Income Statement Disclosures

### Sales revenue and other operating income

Sales revenue of EUR 272,712 thousand consists of EUR 200,727 thousand for data centre services and EUR 71,985 thousand for software services. Divided into geographic markets, EUR 261,309 thousand was earned in Germany, EUR 5,732 thousand in Switzerland, EUR 3,132 thousand in Great Britain, EUR 310 thousand in the USA and EUR 2,228 thousand in all other geographic markets.

Other operating income totals EUR 16,836 thousand and comprises mainly income from services rendered to group companies (EUR 15,492 thousand), income attributable to other periods due to the reversal of accrued liabilities (EUR

795 thousand) refunds of other taxes (EUR 93 thousand), the reversal of allowances (EUR 61 thousand) and income received in relation to receivables previously written down (EUR 19 thousand).

## **Other operating expenses**

Other operating expenses of EUR 127,182 thousand primarily comprise consulting and support expenses (EUR 22,974 thousand), the cost of the communications network (EUR 14,799 thousand), IT-operating costs (EUR 31,971 thousand), services rendered by Deutsche Börse AG (EUR 41,298 thousand), costs passed on from DBS Inc. (EUR 7,224 thousand), telecommunication rental/leasing charges (EUR 671 thousand), non-deductible input tax (EUR 1,219 thousand) as well as expenses attributable to the disposal of fixed assets attributable to other periods (EUR 250 thousand),

## **Transfer of profit**

EUR 72,781 thousand has been transferred to Deutsche Börse AG according to the profit and loss transfer agreement.

## **Other financial obligations**

Other financial obligations concern leasing, rental, maintenance and other contracts. Expenses of EUR 101,355 thousand are anticipated for fiscal 2006. These include payments under the service agreement with Deutsche Börse AG (EUR 41,528 thousand) and charges for sharing the use of trading systems (EUR 1,752 thousand). DBS Inc. is expected to hold Deutsche Börse Systems AG liable for EUR 8,011 thousand under the service agreement. In addition to the above amounts, other financial obligations also exist with regard to associates with IT services which are charged according to the extent to which the services are utilized. Furthermore, the Company also expects to incur EUR 16,020 thousand for network expenses, EUR 1,606 thousand for communications, EUR 1,050 thousand for services from external data centers, EUR 15,481 thousand for obligations arising from maintenance contracts, EUR 11,399 thousand for rental and leasing contracts and EUR 4,507 thousand for hardware rental and leasing contracts.

The obligations with regard to Deutsche Börse AG and DBS Inc. are obligations to associates.

## **Other information**

### **Members of the Supervisory Board**

Dr. Reto Francioni - Chairman -	since 16 November 2005, Chairman since 24 November 2005, Chairman of the Management Board of Deutsche Börse AG, responsible for Group Coordination/Corporate Center, Customers/Markets, Frankfurt am Main
Rudolf Ferscha	up to 31 December 2005, member of the Management Board of Deutsche Börse AG, responsible for Customers/Marktes, Frankfurt am Main

Hermann Lange	Employee representative, Networks and Infrastructure/ Configuration Management and Quality Assurance, Schöneck
Volker Potthoff	Managing Director of Deutsche Börse AG, Bridel, Luxembourg
Sadegh Rismanchi	Employee representative, Networks and Infrastructure/ Configuration Management and Quality Assurance, Maintal
Dr. Werner G. Seifert	up to 14 May 2005, Chairman of the Management Board of Deutsche Börse AG, responsible for Group Coordination/Corporate Center, Customers/ Markets, Frankfurt am Main
Holger Wohlenberg	Managing Director of Deutsche Börse AG, responsible for Market Data & Analytics, Königstein

The members of the Supervisory Board received no remuneration from the Company in 2005.

## Management Board

Members of the Management Board:

Dr.-Ing. Michael Kuhn - Chairman -	responsible for Central Support, Frankfurt am Main
Yves Baguet	responsible for Delivery, Waltzing (Arlon), Belgium
Mathias Hlubek	responsible for Group Corporate Center, Kronberg
Ulrich Kastner	up to 28 February 2006, responsible for Application Development Trading and Consulting, Eschborn
Gerhard Leßmann	responsible for Application Development Clearing and Settlement, Custody, Kronberg

For the members of the Management Board EUR 2,890 thousand were expensed in 2005 for fixed and performance-related compensation. For long-term incentive components the members of the Management Board received EUR 896 thousand from the Company in 2005.

Former members of the Management Board and their surviving dependants received a total of EUR 195 thousand in the same period.

A total of EUR 1,969 thousand has been set aside for the pension obligations towards former members of the Management Board and their surviving dependants.

## Employees

The Company had 538 employees during 2005 on average. On 31 December 2005, 536 persons were employed at Deutsche Börse Systems AG, excl. the Management Board.

Of the 536 employees, 12 have temporary employment contracts, and 31 have part-time employment contracts.

16 employees were absent on maternity or child-rearing leave. Taking temporary staff into consideration, staff capacity in 2005 was 514.

## **Group Affiliation**

Deutsche Börse Systems AG is a wholly-owned subsidiary of Deutsche Börse AG, Frankfurt am Main. Deutsche Börse Systems AG is included in the consolidated financial statements of Deutsche Börse AG, which are available from the premises of our Company.

In accordance with section 20 (4) AktG, Deutsche Börse AG, Frankfurt am Main, has notified us that it owns a majority stake in our Company.

Frankfurt am Main, 14 March 2006

Deutsche Börse Systems AG

The Management Board

Dr.-Ing. Michael Kuhn Yves Baguet Mathias Hlubek Gerhard Leßmann

Deutsche Börse Systems AG, Frankfurt am Main

Statement of Changes in Noncurrent Assets

	Acquisition and Production Costs				Depreciation and Amortization				Book Value	
	Balance as at 1. Jan 05 €	Additions 2005 €	Disposals 2005 €	Balance as at 31. Dez 05 €	Balance as at 1. Jan 05 €	Additions 2005 €	Disposals 2005 €	Balance as at 31. Dez 05 €	as at 31. Dez 05 €	as at 31. Dez 04 €
<b>Intangible Assets</b>										
Software	27,372,149.21	2,649,396.38	0.00	30,021,545.59	25,033,017.21	1,882,163.38	0.00	26,915,180.59	3,106,365.00	2,339,132.00
	<b>27,372,149.21</b>	<b>2,649,396.38</b>	<b>0.00</b>	<b>30,021,545.59</b>	<b>25,033,017.21</b>	<b>1,882,163.38</b>	<b>0.00</b>	<b>26,915,180.59</b>	<b>3,106,365.00</b>	<b>2,339,132.00</b>
<b>Tangible Assets</b>										
Fixtures in third party land	5,770,348.24	0.00	330,162.87	5,440,185.37	2,871,403.24	515,662.00	82,391.87	3,304,673.37	2,135,512.00	2,898,945.00
Other assets, furniture and office equipment	111,975,801.95	13,986,684.33	1,253,013.22	124,709,473.06	98,230,659.95	10,030,534.33	1,250,906.22	107,010,288.06	17,699,185.00	13,745,142.00
	<b>117,746,150.19</b>	<b>13,986,684.33</b>	<b>1,583,176.09</b>	<b>130,149,658.43</b>	<b>101,102,063.19</b>	<b>10,546,196.33</b>	<b>1,333,298.09</b>	<b>110,314,961.43</b>	<b>19,834,697.00</b>	<b>16,644,087.00</b>
<b>Financial Assets</b>										
Shares in affiliated companies	470,154.68	0.00	0.00	470,154.68	0.00	0.00	0.00	0.00	470,154.68	470,154.68
Other loans	85,319.47	103,863.82	126,878.84	62,304.45	0.00	0.00	0.00	0.00	62,304.45	85,319.47
	<b>555,474.15</b>	<b>103,863.82</b>	<b>126,878.84</b>	<b>532,459.13</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>532,459.13</b>	<b>555,474.15</b>
	<b>145,673,773.55</b>	<b>16,739,944.53</b>	<b>1,710,054.93</b>	<b>160,703,663.15</b>	<b>126,135,080.40</b>	<b>12,428,359.71</b>	<b>1,333,298.09</b>	<b>137,230,142.02</b>	<b>23,473,521.13</b>	<b>19,538,693.15</b>





## Management Report for the financial year 2005

Compared with the prior year, the management report of Deutsche Börse Systems AG has been restructured in order to adequately take account of the changed statutory requirements.

### Business and operating environment

#### General Situation of the Company

Deutsche Börse Systems AG is part of the Information Technology segment of the Deutsche Börse Group.

The IT skills of the Deutsche Börse Group are pooled in the Information Technology segment. The individual subsidiaries and segments carry out defined functions along the value creation chain of the Deutsche Börse Group:

- Deutsche Börse Systems AG and Clearstream TEC develop, build and operate mainly the information distribution, trading, clearing and settlement systems of the Deutsche Börse Group. In addition to this internal business, Deutsche Börse Systems AG and Clearstream TEC also develop and operate IT infrastructures for companies in the finance industry outside the group.
- Xlaunch AG is specialized in organizing new markets for standard commodities and services.
- The entory Group designs and develops customized solutions primarily for banks, financial service providers and insurance companies. In the autumn of 2005, the entory Group, incl. Silverstroke AG, entory Ltd. and entory S.A. was sold; the 100% equity investment was acquired from Softlab GmbH. Softlab is a subsidiary of the BMW Group. With this step, the Information Technology segment has refocused its service portfolio. The know how of the entory Group in the field of Business Process Management will be retained by way of a strategic partnership.

Deutsche Börse Systems AG:

Deutsche Börse Systems AG supplies development and operating services for trading, clearing, market data and analytics and settlement as part of the Information Technology segment of the Deutsche Börse Group. For many years, it has been building and operating various exchange systems, including Xetra®, Eurex®, Eurex US, the central counterparty (CCP) and the data distribution system CEF. It also supplies operating services for the settlement systems of Clearstream Banking Frankfurt (CBF), for instance CASCADE and Xemac. 538 employees translate the corporate strategy into technology applications and provide for its proper operation. In addition, they supply IT services to external customers outside the Deutsche Börse Group. Beside others, Deutsche Börse Systems AG operates the Xontro trading system for BrainTrade Gesellschaft für Börsensysteme mbH, the trading systems Xetra and Eurex for European Energy Exchange AG (EEX), as well as mainframe applications and server systems for Deutsche WertpapierService Bank AG (dwpbank).

The international financial sector represents an extremely dynamic environment. Changing conditions and economic factors as well as unforeseen trends cause rapid developments of the markets. Providing reliable services and a high degree of flexibility are extremely important factors for setting the pace on these dynamic markets.

The year 2005 was characterized by sharply increased transaction volumes caused by higher trading and settlement activities on the markets of the Deutsche Börse Group. Despite the increased load, the systems were operated with the accustomed high reliability.

In order to provide services with a high degree of availability, it is essential to ensure that resources which are necessary for continuous operation of the systems are kept available at all times. The relevant resources are based on several components:

- IT infrastructure: Redundant design including the front end, the network and the data centers of the Deutsche Börse Group (back end);
- Processes: Mission-critical processes can be operated from various locations; fully equipped back-up locations are maintained for this purpose. In addition, operating departments are distributed over various locations, and the employees are trained to manage system failures and restore normal operation.

In addition to providing the necessary resources, a permanent monitoring as well as regular tests of the complete technical infrastructure are essential in conjunction with close alignment with the worldwide system users. Deutsche Börse Systems AG develops emergency scenarios together with its customers, and carries out regular tests including individual architecture components. In 2005, 128 customers and their end customers took part in these tests.

Xetra, the spot market system, and Eurex, the futures market system, provided average service availabilities – the availability of all components of the architecture from the data center to the end user – of 99.99 percent in 2005. Similarly high values were obtained for all systems with comparable requirements.

Apart from the high level of service reliability, a high degree of flexibility is necessary to enable the IT infrastructure to be constantly adapted to increasing business requirements.

The year 2005 was characterized by a sharp increase in processing capacity demand, particularly in futures trading on Eurex, apart from the further increase in trading volume, also due to the introduction of a new market maker program. In the data communication network for all Eurex participants Deutsche Börse Systems AG has implemented the Eurex bandwidth upgrade in order to enable the significantly higher volumes to be processed with a high degree of reliability and at high speed. In order to ensure that equal conditions for all Eurex participants, the more than 1,000 connections in 18 countries were converted on a single day, the 26 November 2005. In the previous months, the necessary infrastructure had been expanded and tested in conjunction with the participants of Eurex.

The use of a modular and flexible system architecture is a pre-requisite to efficiently implement complex functional requirements in IT systems.

Example Eurex Release 8.0: The automation of business processes by the electronic market platform Eurex constituted the basis for the success of the largest futures market in the world. The demands of the market today go far beyond mere matching of standard buy and sell orders. With the introduction of Eurex Release 8.0, functionalities which enable customer specific configuration of contracts were introduced. The fact that the markets are extremely dynamic leads to increasing requirements with regard to the service reliability. Therefore even the failure risks which are minor as a result

of the high service availability are addressed by additional security functions. Eurex Release 8.0 has provided a so-called "heartbeat" function. If the connection of a participant with the Eurex service is interrupted, the system deletes all of his quotes in the order book and thus prevents quotes being inadvertently executed.

The architecture of the systems of the Deutsche Börse Group enables the creation of new products for the financial industry with little effort as a result of assembling system components of internal as well as external systems. The products are implemented with minimum impact on participants, and thus market entry barriers are reduced.

The Irish Stock Exchange (ISE) and Deutsche Börse AG have been cooperating for many years. Deutsche Börse Systems AG has been operating the ISE spot market platform on the Xetra system since the year 2000. This cooperation was expanded in 2005. Since 5 December 2005, Eurex Clearing AG provides a central counterparty for the Irish stock market. Eurex Clearing AG also uses transaction services of the settlement provider CrestCo Ltd. The IT infrastructures of Deutsche Börse Systems AG and CrestCo Ltd. have been combined in such a way that the participants of the Irish market can rely on their infrastructure for trading and settlement. Deutsche Börse Group therewith offers for the first time clearing services for a market outside of the Deutsche Börse Group.

### **Overview of business development in the year under review**

Despite higher transaction loads and the implementation of complex market requirements in the systems of the Deutsche Börse Group, Deutsche Börse Systems AG was able to increase the efficiency of system operation in 2005. The costs of the infrastructure of the data centers and networks were reduced by approx. 7 percent compared with the prior year. Consolidation of the IT infrastructure played a major role in this respect.

Example networks: In 2005, Deutsche Börse Systems AG made further progress with consolidating the global data communications network of the Deutsche Börse Group. Market participants throughout the world are now able to simultaneously access 14 applications of the Deutsche Börse Group via a high-performance connection – including Xetra, CCP, Xontro and CASCADE. Despite a flexible arrangement for allocating capacities on the joint network, the individual data flows are completely screened with respect to each other in order to satisfy maximum requirements regarding the service quality. This is particularly important for Eurex and Xetra customers, as the decisions for placing an order can be taken within milliseconds. The reliability of the market-critical network, which enables the system to be accessible without restriction throughout the world, has also been enhanced. Average world-wide availability has now been raised above 99.999%.

Sales revenues of Deutsche Börse Systems AG increased by 4 percent compared with the prior year. Internal revenues as well as external revenues, generated with companies in the finance industry outside the group, increased.

## **Business development**

Internal revenue: Most internal revenue at Deutsche Börse Systems AG is generated by Derivatives Markets, Cash Markets and Market Data & Analytics, and accounts for approx. 64 percent of total revenue. In total, internal revenue has increased by 5 percent compared with the prior year. The strongest increase was caused by Market Data & Analytics. As a result of increasing market requirements, capacities have been extended in the area of Consolidated Exchange Feed. Total revenue with Market Data & Analytics increased by approx. 23 percent.

External revenue: The three main external customers of Deutsche Börse Systems AG are dwpbank, BrainTrade and EEX. In total, external revenue in 2005 increased by 3 percent compared to the prior year. This increase is mainly due to additional order volume of dwpbank and higher transaction-related revenue with BrainTrade. The following examples demonstrate the efficiency of Deutsche Börse Systems AG as a service provider for other financial companies:

- dwpbank: Since 2003, Deutsche Börse Systems AG has been operating mainframe applications and server systems for dwpbank, as well as the network infrastructure in the data center of the Deutsche Börse Group. In 2005, Deutsche Börse Systems AG extended operating services to further systems of dwpbank and implemented a new system in accordance with the bank's requirements. Deutsche Börse Systems AG has therefore established itself as a strategic partner of dwpbank.
- EEX: Since 2004, Deutsche Börse Systems AG operates the markets of EEX – spot and derivatives market – providing services from trading and clearing right through to settlement. Trading with European Emission Allowances (CO<sub>2</sub>-certificates) based on the Xetra system successfully started in 2005. The European Emission Allowances are also settled on the systems of Deutsche Börse Systems AG which have been specifically adapted for this purpose. In the year under review, Deutsche Börse Systems AG was able to further expand business with EEX. Extensions to the Eurex system enable trading with futures based on European Emission Allowances. In addition, Deutsche Börse Systems AG has provided functionalities for the calculation and risk assessment of value-added tax.

## Research and development activities

Research and development expenses of EUR 2,602 thousand (prior year: EUR 2,416 thousand ) have focused mainly on the evaluation of new methods, procedures and products in the fields of software development and system architecture.

## Employees

In 2005, the number of employees at Deutsche Börse Systems AG declined slightly, and amounted to 536 as of 31 December 2005. On average, 538 persons were employed by Deutsche Börse Systems AG. During 2005, five employees left Deutsche Börse Systems AG, resulting in a fluctuation ratio of 0.9 percent.

Deutsche Börse Systems AG employs staff in Frankfurt and Chicago.

The age structure of Deutsche Börse Systems AG as of 31 December 2005 is as follows:

Age	Number of employees	Percentage
< 30 years	17	3.2%
30 – 39 years	211	39.4%
40-49 years	235	43.8%
50 >years	73	13.6%
<b>Total</b>	<b>536</b>	<b>100%</b>

The length of company service as at 31 December 2005 was as follows:

Service with Deutsche Börse	Number of employees	Percentage
< 5 years	116	21.6%
5 - 15 years	309	57.6%
15 >years	111	20.7%
<b>Total</b>	<b>536</b>	<b>100%</b>

As of 31 December 2005, 62 percent of all employees at Deutsche Börse Systems AG are graduates. This percentage comprises employees with a degree from a university, university of applied technology, or a professional academy as well as employees who have completed studies abroad.

The average number of training days at Deutsche Börse Systems AG equals to 2.8 days per employee.

## Net Assets, Financial Position and Results of Operations

Deutsche Börse Systems AG generated net profit of EUR 72,781 thousand in 2005; this figure was transferred to the parent company Deutsche Börse AG in accordance with the profit transfer agreement.

Sales revenue of Deutsche Börse Systems AG totaled EUR 272,712 thousand in 2005 (prior year: EUR 261,352 thousand), and comprised the revenue of the data center (EUR 200,727 thousand; prior year: EUR 191,763 thousand) and the revenue for software services (EUR 71,985 thousand; prior year: EUR 69,589 thousand).

Return on sales (the ratio between net income after taxes and revenue) at Deutsche Börse Systems AG has declined compared with the prior year, and amounted to 26.7 percent for 2005 (prior year: 32.3 percent). The main reason for this development is the higher personnel expenses.

Personnel expenses amount to EUR 77,133 thousand (prior year: EUR 57,555 thousand), including wages and salaries (EUR 64,548 thousand; prior year: EUR 46,269 thousand). Accordingly, wages and salaries were up 39.5 percent compared with the prior year. This increase is attributable to two factors: The performance of the share price of Deutsche Börse AG increased the costs of the staff profit participation and option program to EUR 15,000 thousand (prior year: EUR 358 thousand), and a one-off special bonus of EUR 1,987 thousand (prior year: EUR 0 thousand). Adjusted by these factors, wages and salaries increased by 7.9 percent.

Depreciation amounted to EUR 12,428 thousand (prior year: EUR 14,015 thousand). Other operating expenses amounted to EUR 127,182 thousand (prior year: EUR 122,978 thousand).

As of 31 December 2005, fixed assets of Deutsche Börse Systems AG amounted to EUR 23,474 thousand (prior year: EUR 19,539 thousand); this was opposed by shareholders' equity of EUR 2,415 thousand (prior year: EUR 2,415 thousand). There are also liabilities due to associates of EUR 77,419 thousand (prior year: EUR 81,780 thousand).

The free liquidity of Deutsche Börse Systems AG (receivables and credit balances due within not more than 30 days less liabilities due within the next 30 days) amounted to EUR 20,755,473 as at 31 December 2005 (prior year: EUR 5,489,105).

In financial 2005, the Company invested EUR 2,649 thousand in purchased software and EUR 13,987 thousand in hardware. The hardware investments were used to replace existing hardware systems and extend existing systems, such as the Eurex and the spot market as a result of the increase in volumes at peak times. Investment in new technologies was a further major item of investment.

## Risk Management

Deutsche Börse Systems AG is included in the Group-wide risk management of Deutsche Börse AG on the basis of a service contract. Deutsche Börse AG has a risk management system for managing and controlling risks so that it is able to identify developments which might pose a risk to the continued existence of the Company at an early stage, and appropriate action can be taken. For this reason, please refer to the comments in the risk management report in the group management report.

## Special Risks

Deutsche Börse Systems AG is exposed to operational risks as a result of operating the computer-based markets of the Deutsche Börse Group and operating applications for customers.

The world's largest derivatives exchange Eurex as well as the spot market system Xetra including the central counterparty CCP are completely computerized. This is also applicable for the other exchanges operated by Deutsche Börse Systems AG (Eurex US, Börse Wien, Helsinki Exchange, Irish Stock Exchange, European Energy Exchange etc.), ECNs (Eurex Bonds, Eurex Repo, etc.) and also for the clearing and settlement systems of Clearstream Banking Frankfurt AG.

For this reason, Deutsche Börse Systems AG is exposed mainly to operational risks, and in particular the availability risk and the risk of incorrect processing. These risks may result directly in obligations, claims for damages and loss of sales. In addition to the direct negative effects, there may also be indirect effects due to the potential loss of customers and the business of such customers due to a loss of reputation.

Operational risks which the Company does not wish to bear itself and which can be insured for a reasonable price are transferred by way of taking out insurance policies. Central coordination of all insurance policies by the parent company ensures that there is uniform and cost-efficient insurance cover for the entire Group.

The relevant individual risks are described in detail in the following:

**(a) Availability risk**

Availability is attributable to the fact that systems which support mission-critical processes may fail, meaning that the process of providing the services is delayed or becomes impossible. This risk is accordingly one of the most critical for Deutsche Börse Systems AG. It is caused by various factors, including the failure of hardware and software components, operating and security errors as well as physical damage to the data centers.

In 2005, service availability of the main systems of Deutsche Börse Systems AG was again more than 99.9 percent, and accordingly was consistent with the stringent requirements regarding their reliability.

Deutsche Börse Systems AG protects itself against the availability risk by means of redundant and disaster-tolerant design of all critical IT systems and the technical infrastructure. Emergency workstations are also provided for employees in critical functions.

**(b) Incorrect processing**

In contrast to the availability risk, in the event of incorrect processing a service is provided to customers of Deutsche Börse Systems AG; however, errors may occur. These are mainly due to manual interventions which are exposed to the risk of errors and omissions. Despite all automation and efforts to achieve so-called Straight-through Processing (STP) manual support is still necessary. It is also necessary in special cases to intervene manually in market and system management.

Significant improvements were also achieved in 2005 in order to reduce the potential risk of incorrect processing, either by reducing the necessary amount of manual intervention or by way of providing better protection for necessary manual intervention. No significant losses occurred in 2005 as a result of incorrect processing, and there are also no indications of events which occurred in 2005 and which might result in significant losses in future.

## **Branches**

The Company does not maintain any branches.

## **Report on post-balance sheet date events**

Ulrich Kastner, members of the Management Board, responsible for Application Development Trading and Consulting, left the Management Board on 28 February 2006.

## Report on expected developments

The aim of Deutsche Börse Systems AG is to serve its customers as a reliable partner. A high degree of flexibility is provided to guarantee stable services in dynamic markets. Deutsche Börse Systems focuses on providing support for implementing the strategy of the Deutsche Börse Group and to run business with companies in the financial sector outside the Group.

Further research and development spending is planned for 2006 in order to further expand the technology leadership of Deutsche Börse Systems AG.

Following a phase of consolidation in recent years, the European market for IT services in the financial sector represents an attractive market. Deutsche Börse Systems AG will utilize this potential as a competent partner in the financial sector with its portfolio of services focusing on the operation of IT systems.

Investments for additional services with internal and external customers as well as the expectation of a moderate development in volume-driven business compared to previous years will lead to a planned temporary reduction in EBIT in 2006.

Frankfurt am Main, 14 March 2006

Deutsche Börse Systems AG

The Management Board

Dr.-Ing. Michael Kuhn   Yves Baguet   Mathias Hlubek   Gerhard Leßmann



## Audit opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Deutsche Börse Systems AG, Frankfurt/Main, for the business year from 1 January to 31 December 2005. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.



**Deutsche Börse Systems AG**  
Audit opinion  
Annual financial statements as at 31.12.2005  
and management report  
Translation

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 14 March 2006

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Bors	Stamm
Wirtschaftsprüfer	Wirtschaftsprüfer