Group Management Report

Deutsche Börse AG prepared its consolidated financial statements for the year ended 31 December 2006 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As stipulated by section 315a of the HGB (Handelsgesetzbuch – German Commercial Code), they are supplemented by a Group management report prepared in accordance with section 315 of the HGB. The Group management report also takes into account the requirements of DRS (Deutscher Rechnungslegungsstandard – German Accounting Standard) 15.

Business and operating environment

Overview of Deutsche Börse Group

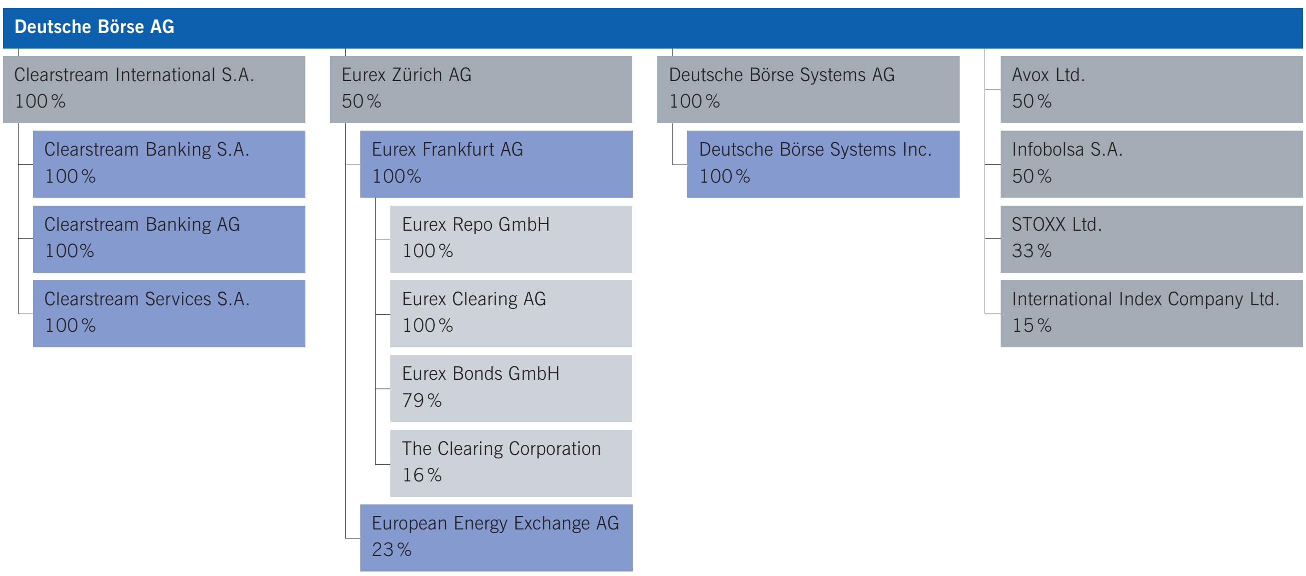
Business operations and Group structure

Deutsche Börse Group is much more than just an organizer of markets for trading in shares and other securities. It is a transaction service provider: it uses state-of-the-art technology to open the way for companies and investors to the global capital markets.

Deutsche Börse's portfolio of products and services is much more comprehensive than that of its competitors. It covers the entire process chain from trading and clearing in equities and derivatives, transaction settlement, custody services and the provision of market information to the development and operation of electronic systems. Its process-oriented business model improves the efficiency of capital markets: issuers benefit from low costs of capital, while investors enjoy high liquidity and low transaction fees.

Deutsche Börse Group is composed of Deutsche Börse AG and its subsidiaries, associates and joint ventures. Deutsche Börse AG itself operates the Frankfurt Stock Exchange's cash market via the fully electronic Xetra trading platform and floor trading, and sells price information from the cash and derivatives markets. The derivatives market and clearing services are business areas of Eurex Zürich AG, a joint venture between Deutsche Börse AG and SWX Swiss Exchange AG, and its subsidiaries. Clearstream International S.A. and its subsidiaries are responsible for the settlement of securities transactions and securities custody. Deutsche Börse Systems AG and Clearstream Services S.A. build and operate Deutsche Börse Group's technological infrastructure. The principal shareholdings are presented in the chart below; Deutsche Börse AG's basis of consolidation is presented in full in note 2 of the notes to the consolidated financial statements.

Simplified shareholding structure of Deutsche Börse Group as at 31 December 2006



Management and control

As a German stock corporation, the legal bodies of Deutsche Börse AG are the Annual General Meeting, the Supervisory Board and the Executive Board, each of which has its own areas of responsibility.

The Annual General Meeting resolves the appropriation of the unappropriated surplus, appoints the Supervisory Board and resolves on the approval of the acts of the Executive Board and the Supervisory Board retrospectively. In addition, it resolves corporate actions and other matters governed by the AktG (Aktiengesetz – German Stock Corporation Act). The Supervisory Board appoints, supervises and advises the Executive Board and is directly involved in key decisions affecting the Company. Additionally, it adopts the annual financial statements together with the Executive Board. Members of the Supervisory Board are appointed for a period of three years; however, when electing members to the Supervisory Board, the Annual General Meeting may determine a shorter term of office. The Supervisory Board of Deutsche Börse AG is composed of 21 members: 14 shareholder and seven employee representatives. The Executive Board is solely responsible for managing the Company. The Chief Executive Officer coordinates the activities of the Executive Board members. As at 31 December 2006, the Executive Board of Deutsche Börse AG was composed of six members.

The compensation system and the compensation paid to the individual members of the Executive Board of Deutsche Börse AG are presented in the remuneration report, which is disclosed in the corporate governance chapter on pages 71 to 75. It forms part of this Group management report and accordingly has been audited by the auditors.

Reporting segments

For the purposes of corporate management and financial reporting, Deutsche Börse Group's business activities are composed of the following segments: Xetra, Eurex, Clearstream, Market Data & Analytics and Information Technology. The Corporate Services segment provides internal services and covers the central functions.

Reporting segment	Business areas
Xetra	Cash market using the Xetra electronic trading system and floor trading Central counterparty for equities Admission of securities to listing
Eurex	Eurex electronic derivatives market trading platform Over-the-counter (OTC) trading platforms Eurex Bonds and Eurex Repo Central counterparty for bonds, derivatives and repo transactions
Clearstream	Settlement and custody services for domestic and foreign securities Global securities financing services Investment funds services
Market Data & Analytics	Sales of price information and information distribution Index development and sales
Information Technology	Development, building and operation of technological infrastructures Provision of IT solutions
Corporate Services	Group strategy Responsibility for central functions

Organizational structure

Deutsche Börse Group's organizational structure is function-based and, in addition to the central functions, reflects the three core elements of its business model: building of trading, clearing, settlement and custody

Organizational structure of Deutsche Börse Group as at 31 December 2006

systems (Technology/Systems), operating these systems (Operations) and loading them with transactions (Customers/Markets).

Disclosures in accordance with section 315 (4) HGB
In accordance with section 315 (4) of the HGB, Deutsche Börse AG makes the following disclosures as at 31 December 2006:

The share capital of Deutsche Börse AG amounts to €102,000,000 and is composed of 102,000,000 no-par value registered shares. There are no other classes of shares besides these ordinary shares.

The Executive Board of Deutsche Börse AG is not aware of any restrictions affecting the voting rights or transfer of shares.

The Children's Investment Fund Management (UK) LLP, London, United Kingdom, notified Deutsche Börse AG that it exceeded the threshold of 10 percent of the voting rights in the Company on 10 April 2006. The fund indirectly held 10.06 percent of the voting rights or 10,264,953 votes at that date.

The Children's Investment Master Fund, George Town, Cayman Islands, a fund managed by The Children's Investment Fund Management (UK) LLP, notified Deutsche Börse AG that it exceeded the threshold of 10 percent of the voting rights in the Company on 10 April 2006. The fund directly held 10.06 percent of the voting rights or 10,264,953 votes at that date. This share is included in the above-mentioned share held indirectly by The Children's Investment Fund Management (UK) LLP.

There are no holders of shares with special rights granting the holder powers of control.

Employees holding shares in Deutsche Börse AG may exercise their rights of control directly.

Members of the Executive Board are appointed and dismissed in accordance with sections 84 and 85 of the AktG (Aktiengesetz – German Stock Corporation Act). In accordance with Article 6 (3) of the Articles of Association, membership of the Executive Board generally terminates when the members attain the age of 60.

Changes in the Articles of Association are resolved by the Annual General Meeting in accordance with section 119 (1) no. 5 of the AktG. In accordance with Article 12 (4) of the Articles of Association, the Supervisory Board has the power to resolve changes to the Articles of Association which relate only to their wording. In accordance with Article 18 (1) of the Articles of Association, resolutions are passed by a simple majority of votes cast, unless explicit requirements of the AktG stipulate otherwise. Insofar as the AktG prescribes a majority of share capital to be represented at the Annual General Meeting for resolutions, a simple majority of the share capital shall suffice to the extent that this is legally permissible.

The Executive Board is authorized until 23 May 2011 to increase the share capital, subject to the approval of the Supervisory Board, by issuing new no-par value registered shares against cash and/or non-cash contributions on one or more occasions by up to a total of €5,200,000 (authorized share capital I). Full authorization, particularly the conditions for suspending the shareholders' pre-emptive rights, derives from Article 4 (3) of the Articles of Association.

The Executive Board is authorized until 13 May 2008 to increase the share capital, subject to the approval of the Supervisory Board, by issuing new no-par value registered shares against cash and/or non-cash contributions on one or more occasions by up to a total of €14,797,440 (authorized share capital II). Full authorization, particularly the conditions for suspending the shareholders' pre-emptive rights, derives from Article 4 (4) of the Articles of Association.

The Company's share capital has been contingently increased in accordance with Article 4 (5) of the Articles of Association by up to €3,000,000 by issuing up to 3,000,000 no-par value registered contingent shares (contingent share capital I). The contingent capital increase is used exclusively to service stock options, granted up to 13 May 2008 as a result of the authorization under item 2 of the agenda of the Annual General Meeting of 14 May 2003. The contingent capital increase is only implemented insofar as the holders of issued stock options exercise these and the Company does not service these stock options by transferring treasury shares or by way of a cash payment. The new shares participate in profit starting at the beginning of the financial year in which they are issued through the exercise of stock options.

The Company's share capital has been contingently increased in accordance with Article 4 (6) of the Articles of Association by up to an additional €30,000,000 by issuing up to 30,000,000 no-par value registered contingent shares (authorized share capital II). The contingent capital increase is only implemented insofar as the holders of options or conversion rights or those required to exercise their options or conversion rights exercise their options or conversion rights or, insofar as they are required to exercise their options or conversion rights, fulfill their obligation to do so using options or convertible bonds issued or guaranteed up to 13 May 2008 by the Company or a wholly owned subsidiary of the Company held directly or indirectly pursuant to the authorization resolution by the Annual General Meeting on 14 May 2003. The new shares will be issued at an option or conversion price to be determined in accordance with the aforementioned authorization resolution. The new shares participate in profits starting at the beginning of the financial year in which they are issued through the exercise of options or conversion rights or the fulfillment of conversion or option obligations. The Executive Board is authorized, with the approval of the Supervisory Board, to define the further details of the implementation of the capital increase.

The Annual General Meeting held on 24 May 2006 authorized the Executive Board to acquire up to 10 percent of the share capital as treasury shares. The shares acquired, together with any treasury shares held by or allocated to the Company in accordance with sections 71a and following of the AktG acquired for any other reasons, may at no time exceed 10 percent of the Company's share capital. The authorization is valid until 31 October 2007 and may be exercised in part or in full on one or more occasions by the Company or by dependent companies, or companies in which the Company holds a majority share, or by third parties on its or their behalf. The Executive Board may elect to acquire the shares either (1) on the stock exchange or (2) via a public tender offer addressed to all shareholders. The full and exact wording of the authorization to acquire treasury shares, particularly the permissible purposes for their use, can be found in item 7 of the agenda of the Annual General Meeting of 24 May 2006.

In the event of a change of control following a takeover bid, the following material agreements apply:

- On 31 August 1998, Deutsche Börse AG and SWX Swiss Exchange AG agreed, under the terms of a shareholders' agreement relating to their joint investment in Eurex Zürich AG and its subsidiary companies, an extraordinary right of termination for a period of 60 days following registered notification. This applies in the event that a third exchange organization obtains a controlling influence over the other party whether by means of a takeover or a merger. Termination would have the effect of ending the joint venture.
- On 25 October 2006, Deutsche Börse AG and the SWX Group agreed in a cooperation agreement to combine their business operations in the area of structured products in a European exchange organization under a joint name and trademark. The cooperation agreement provides for a right of termination for both parties with a termination notice period of six months to the end of the month, which has the effect of ending the joint venture if a change of control occurs at Deutsche Börse AG or the SWX Group. The right of termination expires if it is not exercised within three months of the date of the change of control. According to the cooperation agreement, a change of control has taken place if a person, corporation, or partnership directly or indirectly acquires control over a company, either alone or together with Group companies or in consultation with other persons or companies. A company has control if it directly or indirectly holds more than 50 percent of the voting rights or the capital of another corporation or partnership, if it must fully consolidate another corporation or partnership under IFRSs, or if it is able to control a company through voting trusts or by making appointments to executive bodies.
- On 10 May 2005, Deutsche Börse AG and its subsidiary Clearstream Banking S.A. concluded a facility agreement with a consortium of 37 banks for a working capital credit line with a total amount of up to USD 1,000,000,000. In the event of a change of control, the lead manager of the consortium must terminate the

agreement within a period of 30 days and declare all amounts due to the lenders immediately repayable, if required to do so by a majority of the consortium banks who together have provided two-thirds of the amount of the facility granted at the date of the change of control. Within the meaning of this facility agreement, a person or group of persons have control if they coordinate their actions and this provides them the opportunity to govern the business of the Company or to determine the composition of the majority of the Executive Board.

- Members of Deutsche Börse AG's Executive Board have a special right of termination in the event of a change of control. According to one part of the agreements with Executive Board members, a change of control is subject to one or several shareholders or third parties acquiring 30 percent of existing voting rights or being able to otherwise exercise a controlling influence over the Company. Such influence also exists if the shareholder(s) or third parties hold a share of the voting rights equal to more than half of the voting stock present at three consecutive Annual General Meetings. According to the other part of the agreements with Executive Board members, a change of control has occurred if (1) a shareholder or third party discloses in accordance with sections 21, 22 of the WpHG (Wertpapierhandelsgesetz – German Securities Trading Act) its ownership of more than 50 percent of voting rights in Deutsche Börse AG, (2) an intercompany agreement in accordance with section 291 AktG is entered into with Deutsche Börse AG as a dependent company or (3) Deutsche Börse AG is absorbed in accordance with section 319 AktG or merged in accordance with section 2 of the UmwG (Umwandlungsgesetz – German Reorganization and Transformation Act).

In addition to the above mentioned agreements, Deutsche Börse AG and its subsidiaries are party to further agreements, which are subject to a change of control in the event of a takeover offer. However, in the opinion of Deutsche Börse AG, they are not material within the meaning of section 315 (4) of the HGB.

The compensation agreements entered into with the members of the Executive Board in the event of a takeover offer can be found in the remuneration report on pages 71 to 75 of the corporate governance chapter.

Strategy and internal management control

In recent years, Deutsche Börse Group has developed into one of the largest exchange organizations in the world. Its objective is to continue growing, both organically and, potentially, externally in all segments in the coming years, in order to achieve sustainable increases in enterprise value in the future as well.

The foundation for this growth is Deutsche Börse Group's successful business model. The core components of the business model are, firstly, the integration of different financial market services such as trading, clearing, settlement and custody and, secondly, the provision of these services for different asset classes such as equities, bonds and derivatives. This combination enables Deutsche Börse Group to offer its services on a more efficient basis than many other exchange organizations. The efficiency of the business model is reflected on the one hand by the fact that Deutsche Börse Group is one of the providers of trading, clearing and settlement services in Europe with the most attractive prices, and on the other in the profitability of the Company. Deutsche Börse Group is one of the most profitable companies in its sector, with an EBITA margin (earnings before interest, tax and goodwill impairment) of 56 percent in the year under review.

The Company considers three principal factors to determine organic growth: the development of the financial markets in line with general economic conditions (e.g. increase in trading volumes on the cash market), structural changes in the financial markets (e.g. increasing use of fully computerized trading strategies, known as algorithmic trading) and the Company's innovative ability, which is demonstrated by its constant introduction of new products and services. While the Company cannot affect the development of the financial markets, since they evolve in line with general economic conditions, it is able to exert an influence on the latter two factors in part or in full. The increasing significance of the structural growth factors and of its new products should further reduce Deutsche Börse Group's dependence on the factors outside its control in the future.

In order to take advantage of opportunities for external growth, Deutsche Börse Group constantly monitors and assesses the possibilities which arise. In this context, the Company is open to cooperation agreements and business combinations in various forms, provided that these create value for the Company and its shareholders.

Deutsche Börse Group's internal management control system is primarily based on the performance indicators EBITA, costs, return on shareholders' equity and net tangible equity (equity less goodwill).

Deutsche Börse Group manages its EBITA via sales revenue and costs. Total revenue is composed of sales revenue with external customers, net interest income from banking business, own expenses capitalized and other operating income. Sales revenue with external customers is generally dependent on the three growth factors described above. Net interest income is dependent on the development of Clearstream's international settlement business on the one hand and the development of short-term interest rates in the euro zone and the US on the other. Own expenses capitalized comprise development costs for internally generated computer software. Other operating income results mainly from the operational management of the Eurex Zürich derivatives market for SWX Swiss Exchange AG.

With regard to costs, the Company distinguishes between fee and commission expenses from banking business, staff costs, depreciation, amortization and impairment losses (excluding goodwill impairment) and other operating expenses. Fee and commission expenses from banking business are a variable cost component whose amount depends on the development of the international settlement and custody business at Clearstream. Staff costs comprise wages and salaries as well as social security contributions and the cost of retirement benefits. They are firstly subject to an element of inflation and secondly depend on the development of Deutsche Börse AG's stock price, since they also include changes in the provisions and payments in respect of the stock option plan for members of the Executive Board and senior executives. The depreciation, amortization and impairment losses for intangible assets, property, plant and equipment, and investment property (excluding goodwill) is dependent on the amount of investments capitalized. Other operating expenses principally comprise the costs of developing and operating the Group's technological infrastructure, office infrastructure costs and marketing costs.

Since around 80 percent of Deutsche Börse Group's total costs are fixed costs, the Company can handle higher volumes of business without a significant increase in costs. The approximately 20 percent represented by variable costs includes the fee and commission expenses from banking business, the operation of the floor trading system and various license fees, among other items.

In November 2005, Deutsche Börse Group set itself the objective of closing the 2006 financial year with costs at the same level as in 2005. After adjusting for the costs incurred in 2005 in connection with the entory subgroup, this represents a cost target of around €1,090 million. With total costs amounting to €1,092.4 million, Deutsche Börse Group achieved the cost target set. This successful outcome was based on strict cost discipline in the year under review.

The return on shareholders' equity after taxes is another key performance indicator underlying Deutsche Börse Group's strategy. It represents the ratio of after-tax earnings to the average equity available to the Company in 2006. In 2006, this ratio increased to 30.1 percent (2005: 17.7 percent). This was largely due to the growth in earnings, but was also affected by the further reduction in equity relating to the capital management program. In the year under review, therefore, Deutsche Börse Group already reached its target, originally set for 2007, of achieving a return on shareholders' equity of 20 percent.

Deutsche Börse Group uses net tangible equity (equity less goodwill) as a management performance indicator in the context of the capital management program. The aim of this program is to distribute funds not required for the Group's operating business to shareholders. A figure of around €1 billion was determined as the minimum amount for net tangible equity in order to protect the Group's high credit ratings. The program is described in detail in the "Financial position" section (see page 101).

Economic environment

2006 marked the fourth consecutive year of significant growth of the global economy. The major industrial nations are expected to have experienced stronger economic growth than in the previous year. According to current estimates, real GDP in the OECD countries rose by an average of 3.2 percent (2005: 2.7 percent).

In the context of macroeconomic development, Deutsche Börse Group's business is mainly influenced by economic trends in Germany, the rest of Europe and the United States.

In 2006, the German economy grew somewhat faster than the Company had expected. Real GDP was up by 2.5 percent year on year. This is the strongest economic upswing since 2000. In contrast to previous years, growth impulses originated mainly from within Germany. In addition to investment, consumption was also strong: private consumption increased by 0.6 percent following two years of virtual stagnation.

At the European level as well, greater domestic demand and investment provided momentum to the economy. In 2006, real GDP increased by 2.6 percent in the euro zone. As a result of this growth and the associated inflation risks, the European Central Bank raised its key interest rate by a total of 1.25 percentage points over the course of the year to 3.5 percent.

In the US, economic growth slowed after a very strong first quarter. Nevertheless, real GDP is expected to have grown by 3.3 percent in 2006 overall. The slowdown in growth can be attributed mainly to a rise in imports, a decline in real estate investment and a lull in public and private consumption. The Federal Reserve therefore decided against further raising its key lending rate, which has been at 5.25 percent since summer 2006, despite continuing inflation risks during the second half of the year.

Given this economic growth, the financial markets also performed very positively in the year under review:

The stock markets performed extremely favorably, particularly in the second half of 2006, influenced by falling oil prices, climbing corporate profit forecasts and healthy takeover activity, reaching multiyear highs. For example, the blue-chip index DAX rose by 22 percent to 6,597 points in the course of the year, despite a weak phase in the second quarter. In spite of continued low volatility, trading volumes on the major exchanges increased, significantly in some cases, as against the previous year.

Trading activity on selected cash markets

		2006 billions	Change 2006 vs. 2005 %
London Stock Exchange[1]	£	1,511	+44
Deutsche Börse Group – Xetra[1]	**€**	**1,593**	**+42**
Euronext[1]	€	2,444	+34
NYSE Group[2]	Shares	458,495	+10
Nasdaq[3]	Shares	244,798	+4

Source: the exchanges listed, own calculations
1) Order book volume electronic trading
2) Executed volume of NYSE-listed securities
3) Executed volume of Nasdaq-listed securities

On the derivatives markets, changes in the estimates of the future course of monetary policy, particularly in the US, provided a boost to business with money market products. At the long end of the maturity spectrum, increasing yields in the largest economies led to a significant increase in turnover in government bond derivatives. Equities and equity index derivative trading activity was naturally influenced by developments on the underlying equities markets. In the first and last quarter of 2006, increased valuations were a driving factor, as was the temporarily significantly higher volatility in the second quarter.

Trading activity on selected derivatives markets

Traded contracts	2006 millions	Change 2006 vs. 2005 %
CME	1,341	+28
Deutsche Börse Group – Eurex	**1,527**	**+22**
Euronext.Liffe	730	+21
CBOT	806	+19

Source: the exchanges listed

According to the Bank for International Settlements, the face value of bonds issued internationally – a relevant figure for Deutsche Börse Group's custody business –

increased by 12 percent to €12.3 trillion between June 2005 and June 2006. In the same period, the face value of securities issued nationally rose by only 1 percent. The growth in the volume of bond issuance is primarily due to the low interest rates (by long-term standards) and the resulting attractive financing opportunities for issuers. The trend towards the issue of international securities continued in the year under review.

Development of bond markets

	2006 € trillions	Growth rate %
Bonds outstanding [1]		
international	12.3	12
domestic	30.0	1
Net issuance volume [2]		
international	1.0	27
domestic	0.9	–24

Source: Bank for International Settlements, as of end of June 2006
1) As of June 2006, growth compared to June 2005
2) First six months of 2006, growth compared to first six months 2005

Overview of business development
In 2006, Deutsche Börse Group achieved by far the best results in its history. The extremely positive environment in the financial markets, structural growth factors and continuing cost discipline all contributed to this outcome. As a result of the scalability of its business model, Deutsche Börse Group was able to convert all of the additional sales revenue generated into additional earnings.

Sales revenue in the year under review rose by 14 percent to €1,854.2 million (2005: €1,631.5 million). At the same time, total costs in the year under review fell by 5 percent to €1,092.4 million (2005: €1,145.6 million), and earnings therefore increased significantly: EBITA reached a new record figure of €1,029.1 million (2005: €710.9 million), an increase of 45 percent.

Deutsche Börse Group achieved growth of 56 percent in net income, which rose to €668.7 million (2005: €427.4 million). In addition to the substantial increase in earnings, the lower tax rate also had a positive effect on net income. Adjusted for goodwill impairment and extraordinary, non-taxable income, it amounted to 36 percent in the year under review (2005: 38 percent).

The improvement in basic earnings per share of 68 percent to €6.73 (2005: €4.00) was even more impressive. An additional factor here was the lower average number of shares outstanding following the share buy-backs.

Deutsche Börse Group's key performance figures

	2006 €m	2005 €m	Change %
Sales revenue	1,854.2	1,631.5	14
Total expenses	1,092.4	1,145.6	–5
EBITA	1,029.1	710.9	45
Net income	668.7	427.4	56
Earnings per share (basic) (€)	6.73	4.00	68
Earnings per share (diluted) (€)	6.72	4.00	68

In 2006, the second quarter was by far the best during the reporting period, in terms of sales revenue and earnings (see table below).

Highlights by quarter

	Q1		Q2		Q3		Q4	
	2006 €m	2005 €m	2006 €m	2005 €m	2006 €m	2005 €m	2006 €m	2005 €m
Sales revenue	464.7	399.4	491.1	405.5	432.0	417.8	466.4	408.8
Total costs	266.1	273.8	259.1	279.2	257.2	286.3	310.0	306.3
EBITA	257.0	177.7	291.4	174.4	255.0	179.9	225.7	178.9
Net income for the period	162.0	109.0	185.8	109.6	175.1	110.3	145.8	98.5
Earnings per share (basic and diluted) (€)	1.61	0.97	1.86	1.02	1.76	1.05	1.50 [1]	0.96

1) Basic earnings per share; the diluted earnings per share amounted to €1.49.

Employees

As at 31 December 2006, Deutsche Börse Group had 2,966 employees. This represents a slight 2 percent increase in the number of employees over 31 December 2005. The increase was mainly attributable to the Market Data & Analytics segment. This is because of the new Avox Ltd. employees, who were recruited as part of the expansion of the business. In the Eurex segment, the number of employees fell due to the deconsolidation of U.S. Futures Exchange L.L.C. Employee numbers in the Corporate Services and Xetra segments changed slightly in the period under review as part of the reorganization of a department.

Employees by segment

	31 Dec. 2006	31 Dec. 2005
Xetra	182	166
Eurex	173	189
Clearstream	931	905
Market Data & Analytics	200	170
Information Technology	1,049	1,050
Corporate Services	431	441
Total Deutsche Börse Group	**2,966**	**2,921**

Deutsche Börse had an average of 2,935 employees in 2006. This fell from 3,179 in 2005, as this figure still comprised the employees of the entory subgroup until 30 September 2005, which was sold effective 1 October 2005. There was an average of 2,739 full-time equivalent (FTE) employees during the year (2005: 2,979).

In the course of the year, 184 employees left Deutsche Börse Group, resulting in a staff turnover rate of 6 percent, equivalent to that in previous years.

Sales revenue per employee rose by 24 percent during the reporting year and amounted to €677 thousand (2005: €548 thousand). Staff costs per employee rose by 11 percent to €151 thousand (2005: €136 thousand).

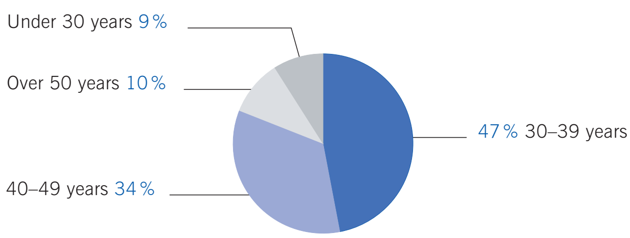
As at 31 December 2006, Deutsche Börse Group employed people at 15 locations worldwide. The key countries and regions are:

Employees per country / region

	31 Dec. 2006	%
Germany	1,551	52
Luxembourg	1,123	37
United Kingdom	112	4
Rest of Europe	105	4
North America	48	2
Asia	22	1
Middle East	5	0
Total Deutsche Börse Group	**2,966**	

The average age of Deutsche Börse Group's employees at the end of the year under review was 39 years. The employee age structure as at 31 December 2006 was as follows:

Deutsche Börse Group employees' age structure



The average length of service at the end of the year under review was nine years. The following table illustrates the length of service of the Group's employees as at 31 December 2006:

Employees' length of service

	31 Dec. 2006	%
Less than 5 years	748	25
5 to 15 years	1,751	59
More than 15 years	467	16
Total Deutsche Börse Group	**2,966**	

As at 31 December 2006, the percentage of graduates among Deutsche Börse Group's employees was 51 percent. This figure is calculated on the basis of the number of employees holding a degree from a university, university of applied technology, or a professional academy, as well as employees who have completed studies abroad.

In total, the Company invested an average of three days per employee in staff training.

Environmental protection
It is a matter of course that in all its activities Deutsche Börse Group treats the environment with great care. Its business operations – building, operating and loading IT systems – do not entail any direct environmental risk. All environmental protection measures therefore relate to the infrastructure of its office buildings in Frankfurt and Luxembourg, and to the selection and monitoring of suppliers.

The Frankfurt headquarters to which Deutsche Börse AG moved in 2000, as well as the buildings of the Luxembourg subsidiary Clearstream International S.A. that opened in 2003, were all designed to take advantage of state-of-the-art energy-saving concepts. In the year under review, a further improvement in the Group's energy consumption was achieved by introducing a free cooling system in the Clearstream buildings in Luxembourg. In order to use energy more efficiently, the outside temperature is used to cool offices and data centers in spring and autumn.

Research and development activities
As a service provider, Deutsche Börse Group does not engage in research and development activities comparable with those of manufacturing companies. This section of the report has therefore been omitted. The Group's product development activities are described in more detail in the report on expected developments.

Deutsche Börse shares

Deutsche Börse's share price rose by 61 percent in the course of 2006, almost as strongly as earnings per share, which rose by 68 percent. The shares closed the year at €139.42 (2005: €86.56). The low for the year was €84.25, just after the beginning of the year on 10 January. The high for the year was €140.88 on 19 December.

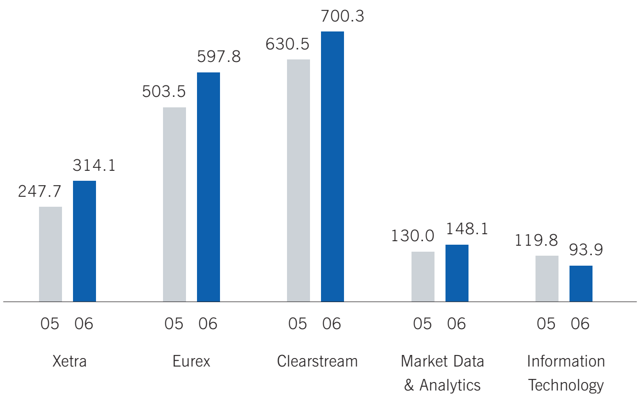
In 2006, investors enjoyed an annual return of 64 percent (price gains plus dividend). Over the same period, investments in the DAX, the German blue-chip index, generated a return of a mere 22 percent.

The excellent business performance, prospects of continuous capital market growth and market expectations that exchange consolidation would continue all led to a sustained and widespread interest in Deutsche Börse AG shares, in particular among international investors. As at 31 December 2006, the proportion of non-German shareholders remained at the high level of around 84 percent (2005: 90 percent). The proportion of institutional investors also remained high: their holdings accounted for 98 percent of the Company's shares at the end of the year (2005: 97 percent).

Results of operations, financial position and net assets

Results of operations
In 2006, Deutsche Börse Group's sales revenue increased by 14 percent to €1,854.2 million (2005: €1,631.5 million), due to the positive development of the financial markets. In absolute terms, this increase in sales revenue was most evident in the strong Eurex, Clearstream and Xetra segments.

Sales revenue by segment
€ millions



In addition to sales revenue, Deutsche Börse Group's total revenue includes net interest income from banking business, own expenses capitalized and other operating income. Net interest income in the year under review rose by 34 percent to €150.7 million (2005: €112.7 million), reflecting increased settlement activities in Clearstream's international settlement business and higher interest rates. Own expenses capitalized fell by 20 percent to €22.2 million (2005: €27.8 million) despite the increase in development activities. Other operating income increased by 8 percent in the reporting year to €85.8 million (2005: €79.1 million).

Deutsche Börse Group's EBITA increased by 45 percent to €1,029.1 million (2005: €710.9 million). The EBITA margin rose to 56 percent (2005: 44 percent). All business areas contributed to the increase in earnings, and in particular the Eurex, Clearstream and Xetra segments.

EBITA and profitability by segment

	2006		2005	
	EBITA €m	EBITA-margin %	EBITA €m	EBITA-margin %
Xetra	179.0	57	112.6	45
Eurex	392.7	66	253.9	50
Clearstream	324.3	46	233.4	37
Market Data & Analytics	58.7	40	45.5	35
Information Technology	93.8	21[1]	91.1	20[1]
Corporate Services	–23.9	–	–33.2	–
Reconciliation	4.5	–	7.6	–
Total	**1,029.1**	**56**	**710.9**	**44**

1) EBITA/(internal + external sales revenue)

The improved earnings situation as against the previous year is primarily due to the growth in sales revenue. In addition, Deutsche Börse Group achieved a reduction in costs in the year under review compared with 2005 of 5 percent to €1,092.4 million. This decline is mainly due to effects from the deconsolidation of the entory subgroup.

In detail, the following changes relating to the various cost items occurred in the year under review:

- Fee and commission expenses from banking business were up on the previous year's figures due to the positive business performance in the Clearstream segment.
- Following the sale of the entory subgroup to Softlab GmbH on 1 October 2005, consumables used, which were previously purchased as external services via the entory subgroup, were eliminated in 2006. Deutsche Börse Group continued to directly purchase some of these external services from entory after the sale. The relevant costs are reported as consulting costs under other operating expenses.
- Staff costs increased by 2 percent – mostly reflecting higher costs relating to the stock option plan for the Executive Board and senior executives of Deutsche Börse AG and its subsidiaries. Following the Deutsche Börse AG shares significant outperformance of the Dow Jones STOXX 600 Technology (Return) (EUR) benchmark index, the total expense for the stock option plan increased to €73.3 million during the reporting year (2005: €32.9 million). The plan is presented in detail in note 46 of the notes to the consolidated financial statements.
- The expense for depreciation, amortization and impairment (excluding goodwill impairment) fell again. This reflects the decline in the volume of investments and the amount of expenses capitalized.
- The decline in other operating expenses is mainly due to a reimbursement of non-recoverable input tax amounting to €15.3 million in the Eurex segment.

Cost overview

	2006 €m	2005 €m	Change %
Fee and commission expenses from banking business	141.4	136.5	4
Consumables used	0	25.7	–100
Staff costs	414.9	406.1	2
Depreciation, amortization and impairment losses (other than goodwill)	130.4	161.4	–19
Other operating expenses	405.7	415.9	–2
Total	**1,092.4**	**1,145.6**	**–5**

Xetra segment

Business activities in the Xetra cash market segment in the year under review developed extremely positively. Trading volumes both in the Xetra electronic trading system and in floor trading again rose significantly as against the already strong performance in the previous year. Structural changes in the equities market as well as very favorable general conditions on the financial markets contributed to this growth.

The number of transactions on the Xetra electronic trading system rose by 32 percent to 107.7 million compared with the previous year. The trading volume (single-counted) was 42 percent higher at €1,592.9 billion. Business performance on the Xetra system is largely dependent on the trading activities of institutional investors and banks' own-account trading. A number of factors had a beneficial effect on the Xetra trading volume: the positive economic environment – measured, among other things, by economic growth in 2006 and rising company profits –, the rise in the levels of the leading indices over the year and temporary increases in volatility. Structural changes in trading also played a major role. In addition to these general economic factors, the increasing use of fully computerized trading strategies is particularly noteworthy here. Deutsche Börse AG gives volume rebates for automatically generated orders as part of its ATP initiative, a package of incentives for automated trading. Also as a result of the ATP initiative, the proportion of algorithmic trading rose again in the year under review, accounting on average for around 34 percent of total Xetra trading volume (2005: 25 percent).

In floor trading, the number of transactions increased by 22 percent to 33.8 million and the trading volume (single-counted) by 19 percent to €137.6 billion. Trading volumes on the floor of the Frankfurt Stock Exchange are mostly dependent on orders from private investors. They placed the greatest number of buy and sell orders for equities, bonds and structured products in the first quarter of 2006. As a result of the sharp fall in the leading DAX index and other indices in May, their investment behavior around the mid-year period was nervous despite a confident outlook for the German economy.

Together with the seasonal decline in orders in the summer months recorded every year, this made the third quarter the weakest in the year under review. Trading activity picked up again only in the fourth quarter on the back of significant price gains at the end of the year.

Trading activity on the cash market

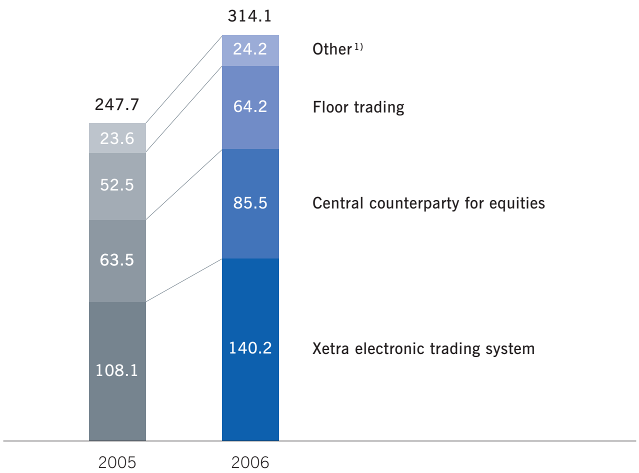
	Trades concluded [1]		Order book volume (single-counted)	
	2006 millions	2005 millions	2006 € billions	2005 € billions
Xetra	107.7	81.3	1,592.9	1,125.5
Floor	33.8	27.7	137.6	115.9

1) Xetra transactions; contract notes in floor trading

All in all, the Xetra segment increased its sales revenue by 27 percent to €314.1 million (2005: €247.7 million). In addition to income from trading, the central counterparty for equities (CCP) as well as income from cooperation agreements contributed to this growth. The sales revenue of the central counterparty is primarily dependent on the amount of activity on the Xetra trading system. Income from cooperation agreements mainly stems from systems operation for the Irish Stock Exchange and the Vienna Stock Exchange. Xetra sales revenue also includes listing fees; these are generated on the basis of the number of companies newly admitted to listing and of the total number of companies quoted.

Breakdown of sales revenue in the Xetra segment

€ millions



1) Including income from listing and cooperation agreements

EBITA in the Xetra segment rose by 59 percent year-on-year to €179.0 million (2005: €112.6 million), producing an EBITA margin of 57 percent (2005: 45 percent). With costs remaining essentially unchanged compared with the previous year, the increase in the Xetra segment's profitability is due mainly to the growth in sales revenue.

Eurex segment

Trading volumes on the Eurex derivatives exchange, a joint venture of Deutsche Börse AG and SWX Swiss Exchange AG, continued the growth trend of previous years and rose further in the year under review. Trading activity was 22 percent higher year-on-year and reached 1,526.8 million contracts traded (2005: 1,248.8 million), a new record level. The equity index derivatives made the largest contribution to this growth with an increase of 46 percent in the year under review.

Contract volumes in the derivatives market

	2006 m contracts	2005 m contracts	Change %
Equity index derivatives	487.4	333.8	+46
Equity derivatives	308.1	256.0	+20
Interest rate derivatives	731.2	658.9	+11
Total [1]	**1,526.8**	**1,248.8**	**+22**

1) Due to rounding, the total does not equal the sum of the individual figures shown.

Although the favorable development of the equity markets and movements on the interest rate markets also have an effect on trading activity on Eurex, structural changes have been the main reason for the growth in trading volume in recent years.

The following growth drivers, among others, can be identified in the year under review:

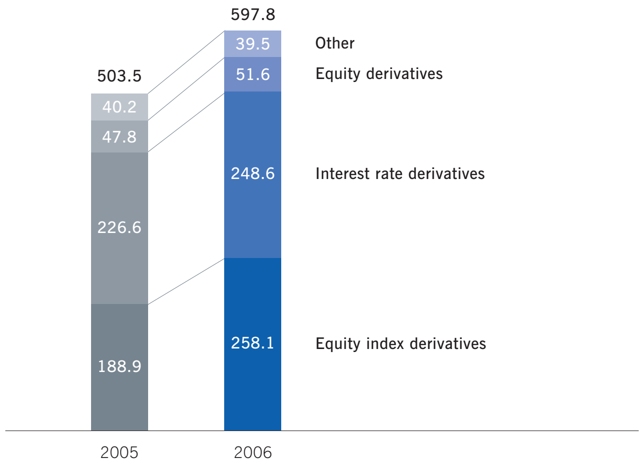
- In the context of the new European legal and administrative requirements, investment funds may also increasingly use derivatives.
- Market players are now making more use of derivatives to hedge financial market risks.
- Issuers of structured cash market products use derivatives to create and manage products, and as hedging instruments.
- Banks and investors are increasingly applying fully automated trading strategies.
- Assets managed by hedge funds with very high levels of trading activity have grown.

In addition, new products and services provided by Eurex contribute to market participants' trading activity. For example, futures on individual equities and a series of equity and equity index options were introduced in the year under review. Furthermore, in 2005, a program to increase trading of equities and equity index derivatives was introduced, and enhanced in 2006. This program limits trading fees for especially large orders to an amount that varies depending on the product, in order to attract more business from the OTC market.

Sales revenue was €597.8 million and thus 19 percent higher than in the previous year (2005: €503.5 million), thanks mainly to the increase in trading activity.

Breakdown of sales revenue in the Eurex segment

€ millions



With lower costs than in the previous year, EBITA for the Eurex segment grew at a faster rate than sales revenue, rising by 55 percent to €392.7 million (2005: €253.9 million). Eurex therefore achieved an EBITA margin of 66 percent (2005: 50 percent). The costs declined because depreciation, amortization and impairment losses (excluding goodwill) fell and €15.3 million in non-recoverable input tax was reimbursed.

The sale of 70 percent of the U.S. Futures Exchange L.L.C. to Man Group plc also had a positive impact on the earnings of the Eurex segment: extraordinary income amounting to around €24 million was recorded in the third quarter of 2006 in respect of the transaction.

Clearstream segment

Business in the Clearstream segment was driven by the higher volume of securities under custody and the increase in the number of settlement transactions in 2006. The overall value of securities deposited with Clearstream, which is the factor that determines deposit fees in the custody business, rose to €9,696 billion (2005: €8,752 billion). Within this total, the value of international instruments increased by 11 percent to €4,368 billion (2005: €3,936 billion). This positive performance was primarily due to the higher issue volume of international fixed-income securities. The value of domestic securities also grew by 11 percent to €5,328 billion (2005: €4,816 billion); this was mainly the result of the higher valuation of domestic equities deposited.

In Clearstream's settlement business, the overall number of settlement transactions rose by 17 percent to 62.9 million (2005: 53.9 million). The number of settlement transactions relating to international securities increased substantially by 20 percent to 24.5 million (2005: 20.4 million). The reason for this was the increased emission volume of international securities, especially Eurobonds, and the associated rise in trading activity. The number of domestic settlement transactions also rose substantially by 15 percent to 38.4 million (2005: 33.5 million) as a result of increased trading activity on the cash markets.

In the case of its global securities financing services, which primarily comprise the tripartite repo, collateral management and securities lending products, Clearstream increased the average monthly outstanding volume by 43 percent to €301.2 billion in December 2006 (December 2005: €210.9 billion).

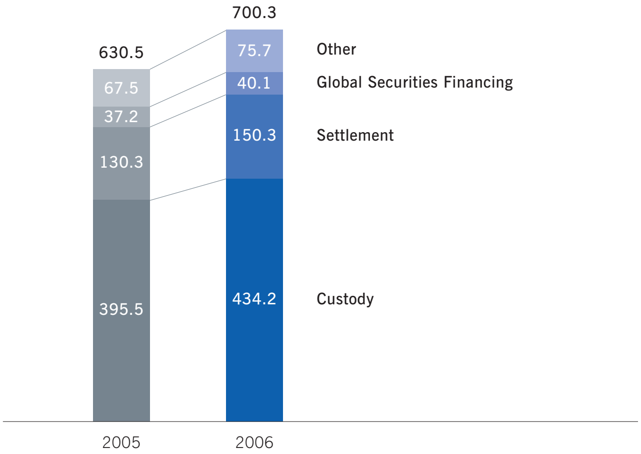
Clearstream's average daily cash reserves in the year under review fell slightly by 1 percent to €3,740 million, as expected (2005: €3,796 million). In addition to the level of short-term interest rates, the amount of cash reserves and the breakdown between individual currencies are the main factors affecting the amount of net interest income in the Clearstream segment.

Clearstream segment: Key indicators

	2006	2005	Change
Custody	€bn	€bn	%
Value of securities deposited (as at 31 December)	9,696	8,752	11
international	4,368	3,936	11
domestic	5,328	4,816	11
Settlement	m	m	%
Securities transactions	62.9	53.9	17
international	24.5	20.4	20
domestic	38.4	33.5	15
Global securities financing	€bn	€bn	%
Average outstanding volume in December	301.2	210.9	43
Average cash reserves	€m	€m	%
Total	3,740	3,796	–1
Euro	1,530	1,650	–7
US dollars	1,403	1,181	19
Other currencies	807	965	–16

In 2006, the Clearstream segment increased its sales revenue by 11 percent to €700.3 million (2005: €630.5 million) and its net interest income from banking business by 34 percent to €150.7 million (2005: €112.7 million).

Breakdown of sales revenue in the Clearstream segment
€ millions



Clearstream segment EBITA rose by 39 percent to €324.3 million (2005: €233.4 million). The EBITA margin improved substantially to 46 percent (2005: 37 percent) due to the fact that there was only a modest increase in costs compared with previous year, while sales revenue and net interest income from banking business rose sharply.

Market Data & Analytics segment

The business of the Market Data & Analytics segment consists of the sale of price information, trading statistics, analyses and indices, among other products and services. Business in this segment in the year under review developed very positively.

The sales revenue generated by the segment rose by 14 percent year-on-year to reach €148.1 million (2005: €130.0 million). As in the previous year, the distribution of real-time data from the cash and derivatives markets operated by Deutsche Börse Group accounted for around 79 percent of this figure. The growth was helped by increases in sales of data packages and higher-value products, as well as by newly launched products and services.

EBITA in the Market Data & Analytics segment rose by 29 percent to €58.7 million (2005: €45.5 million), while the EBITA margin amounted to 40 percent (2005: 35 percent). The segment achieved a substantial improvement in earnings over the previous year, despite a small increase in costs resulting from investments in new products and services, thanks to the rise in sales revenue.

Information Technology segment

External sales revenue in the Information Technology segment declined during the year under review by 22 percent to €93.9 million (2005: €119.8 million). Adjusted for the sales revenue from the divested entory subgroup, however, external sales revenue rose by 17 percent. The growth was mostly attributable to higher transaction volumes on the IT platforms operated. At the same time, the internal sales revenue generated from business with other segments within Deutsche Börse Group remained almost unchanged year-on-year at €344.5 million (2005: €340.6 million). EBITA for the Information Technology segment in 2006 improved by 3 percent to €93.8 million (2005: €91.1 million).

Development of profitability

The Group's return on shareholders' equity in the year under review increased to 30.1 percent (2005: 17.7 percent). This was principally due to the growth in earnings, but was also affected by the renewed fall in equity relating to the capital management program.

The weighted average cost of capital (WACC) after taxes amounted to 8.2 percent in the year under review (2005: 6.7 percent). Deutsche Börse AG's cost of equity reflects the return on a risk-free alternative investment plus a premium for general market risk, as well as taking account of the specific risk of Deutsche Börse shares compared with the market as a whole, known as the beta. The cost of debt represents the terms on which Deutsche Börse AG is able to raise long-term debt finance.

Deutsche Börse's cost of capital

	2006 %	2005 %
Risk-free interest rate 1)	3.8	3.4
Market risk premium	5.0	5.0
Beta 2)	1.2	0.9
Cost of equity 3) (after tax)	9.9	7.9
Cost of debt 4) (before tax)	3.7	3.7
Tax shield 5) 37%	1.4	1.4
Cost of debt (after tax)	2.3	2.3
Equity ratio 6) (annual average)	77	77
Debt/equity ratio 7) (annual average)	23	23
WACC (after tax)	8.2	6.7
WACC (before tax)	8.5	7.0

1) Average return on ten-year German federal government bonds
2) Statistical measure of the sensitivity of the price of an individual share to changes in the entire market. A beta of 1.0 means that the performance of the share moves strictly parallel to the reference market as a whole. A beta above 1.0 denotes greater volatility than the overall market and a beta below 1.0 less volatility.
3) Risk-free interest rate + (market premium x beta)
4) Interest rate on the €500 million corporate bond issued by Deutsche Börse Finance S.A.
5) The tax shield denotes and quantifies the reduction in tax paid that arises from the deductibility of interest payments on debt and is factored into the calculation of the cost of capital.
6) 1 – debt ratio
7) (Total liabilities – financial instruments of Eurex Clearing AG – liabilities from banking business – cash deposits by market participants – total current and noncurrent provisions) / (total assets – financial instruments of Eurex Clearing AG – liabilities from banking business – cash deposits by market participants); basis: average balance sheet positions in the financial year

Deutsche Börse Group's profitability is also demonstrated by its return on capital employed (ROCE). This pre-tax figure measures the sustainable earnings generated from operating activities in relation to the capital employed in the business.

The difference between ROCE and the cost of capital is equal to the relative value added, which rose in the reporting year to 36.7 percent (2005: 23.0 percent). Absolute value added is calculated by multiplying this figure by capital employed. This rose by 53 percent to €841.7 million (2005: €551.1 million).

Return on Capital Employed (ROCE)

	2006 €m	2005 €m
EBITA	**1,029.1**	**710.9**
Intangible assets	1,475.2	1,595.1
+ Equity investments 1)	44.0	36.1
+ Cumulative goodwill impairment 1)	186.4	184.8
+ Trade receivables and other non-interest-bearing current assets 1)	1,238.2	1,168.8
– Non-interest-bearing provisions 1)	425.8	356.5
– Non-interest-bearing liabilities 1)	223.6	226.8
= Capital employed	**2,294.3**	**2,401.5**
ROCE: EBITA as % of capital employed	**44.9**	**29.6**
Relative value added (%)	**36.7**	**23.0**
Absolute value added (€m)	**841.7**	**551.1**

1) Annual averages

Financial position

Operating cash flow

Deutsche Börse Group generated strong cash flow from operating activities of €843.4 million in 2006 (2005: €667.7 million). The increase of 26.3 percent is primarily attributable to the higher net income.

The Group invested €69.2 million (2005: €63.5 million) in intangible assets and property, plant and equipment during the financial year, somewhat less than originally estimated (around €80 million). Cash flows from investing activities decreased to €–269.8 million (2005: €465.5 million) due to an increase in original duration over three months for short-duration deposits as at the balance sheet date. The Group generated further negative cash flows of €592.1 million (2005: €791.3 million) from financing activities, mainly for the purchase of its own shares within the scope of its capital management program, which was launched in 2005.

As a result, cash and cash equivalents amounted to €1,026.8 million at the end of 2006 (2005: €1,045.3 million). Strong cash flows from operating activities ensure Group liquidity. At €774.2 million (2005: €604.2 million), free cash flow, i.e. cash flows from operating activities less payments to acquire noncurrent assets, significantly exceeded the previous year's level.

Cash flow statement (condensed)

	2006 €m	2005 €m
Cash flows from operating activities	843.4	667.7
Cash flows from investing activities	–269.8	465.5
Cash flows from financing activities	–592.1	–791.3
Cash and cash equivalents as at 31 December	1,026.8	1,045.3

Capital management program

Under this program, the Company is distributing funds not required for the Group's operating business to shareholders. The program aims to achieve a distribution ratio of 50 to 60 percent and further distributions in the form of share buy-backs. These measures are subject to special investment needs and capitalization requirements. The program is the result of an intensive review of capital requirements, which considered the Group's capital needs from legal, regulatory, credit rating and economic capital perspectives. To ensure the continued success of its Eurex central counterparty and Clearstream custody businesses, the Group wants to maintain a strong "AA" credit rating. Customers in these business areas require a service provider with a strong credit rating. The Group currently uses net tangible equity (equity less goodwill) as one of its management control indicators for capital requirements. It was estimated in 2005 that, together with a conservative interest cover and debt/equity ratio, a minimum amount of around €1 billion was necessary in order to maintain good credit ratings. Deutsche Börse Group's net tangible equity amounted to €1,193.5 million as at 31 December 2006 (2005: €1,115.2 million).

In May 2005, Deutsche Börse Group had announced its intention to distribute a total of around €1.5 billion to its shareholders in the period up to the end of May 2007. In response to the positive performance of the business, it increased this amount by around €200 million to €1.7 billion in August 2006. After returning around €800 million to its shareholders in the form of share buy-backs and dividends in 2005, Deutsche Börse Group paid a dividend amounting to €210.4 million and repurchased shares with a total price of €389.7 million in 2006. As at the balance sheet date of 31 December 2006, a total of €1.4 billion had been distributed to shareholders since the capital management program was launched.

Of the total of 14.2 million shares repurchased in 2005 and 2006, the Company cancelled 5.9 million shares on 24 May 2005 and 3.9 million shares on 10 April 2006. A further 0.2 million shares were acquired by employees under the terms of the Group Share Plan (see note 46 in the notes to the consolidated financial statements). As at 31 December 2006, the remaining 4.2 million shares were held by the Company as treasury shares.

Deutsche Börse Group will continue to review its capital requirements as part of its regular planning process.

Dividend

The payment of a dividend of €3.40 per share for the 2006 financial year will be proposed to the Annual General Meeting – this represents an increase of 62 percent over the previous year (2005: €2.10). In accordance with this proposal, the distribution ratio is 50 percent (2005: 49 percent), and thus at the lower end of the medium-term target corridor of 50 to 60 percent defined by the capital management program at the end of May 2005. With 97,799,111 shares in issue carrying dividend rights for the 2006 financial year, this produces a total distribution of €332.5 million (2005: €210.4 million).

Credit ratings

Deutsche Börse AG regularly has its creditworthiness reviewed by the rating agencies Moody's and Standard & Poor's, while Clearstream Banking S.A. is rated by Fitch and Standard & Poor's. In the year under review, Moody's raised its outlook, which had been downgraded following the announcement of the capital management program, from "negative" to "stable". There were no other changes.

Ratings of Deutsche Börse AG

	Long-term	Short-term
Moody's	Aa1	P–1
Standard & Poor's	AA	A–1+

Ratings of Clearstream Banking S.A.

	Long-term	Short-term
Fitch	AA	F1+
Standard & Poor's	AA	A–1+

Net assets

Deutsche Börse Group's noncurrent assets amounted to €1,907.6 million as at 31 December 2006 (2005: €2,007.8 million). Goodwill of €1,069.9 million (2005: €1,071.5 million), mainly from the acquisition of Clearstream International S.A., represented the largest part of these noncurrent assets. The Group invests primarily in trading and settlement systems, which are capitalized as software and amortized over the expected useful life. As at 31 December 2006, the balance sheet showed software with a residual carrying amount of €129.8 million (2005: €188.8 million).

Clearstream International S.A. has also invested in office real estate in Luxembourg. These buildings are partly used by the Group itself and partly let. They were carried in the balance sheet as land and buildings (2006: €119.3 million, 2005: €122.1 million) or as investment property (2006: €94.4 million, 2005: €107.3 million). Securities from banking business amounted to €283.4 million (2005: €329.4 million) and represented the majority of the noncurrent financial assets.

Noncurrent assets were offset by equity amounting to €2,283.3 million (2005: €2,200.8 million) and debt, mainly from a corporate bond, of €499.9 million (2005: €501.6 million).

Overall, Deutsche Börse Group invested €69.2 million in the year under review, 9 percent more than in the previous year (2005: €63.5 million). The main focus of these investments were the Information Technology, Eurex and Clearstream segments.

Working capital

As Deutsche Börse Group collects fees for most of its services directly after the end of the month, the trade receivables of €183.2 million as at 31 December 2006 (2005: €163.2 million) were relatively low when compared with the sales revenue. For this reason, the Group had negative working capital of €–277.9 million at the end of 2006 (2005: €–188.2 million), the rise being mainly due to an increase in tax provisions. Working capital is current assets less current liabilities, excluding technical closing date balance sheet items.

Technical closing date balance sheet items

The balance sheet items "current receivables and securities from banking business" and "liabilities from banking business" are technical closing date items that were strongly correlated in the year under review, and fluctuated between approximately €5 billion and €7 billion. These amounts mainly represent customer balances within the international Clearstream settlement business.

The balance sheet item "financial instruments of Eurex Clearing AG" relates to the function of Eurex Clearing AG: as it acts as the central counterparty for Deutsche Börse Group's various markets, its financial instruments are carried in the balance sheet at their fair value. The financial instruments of Eurex Clearing AG are described in detail in notes 3 and 43 of the notes to the consolidated financial statements and in the risk report below.

Market participants linked to Eurex Clearing provide collateral partly in the form of cash deposits, which are subject to daily adjustments. The cash deposits are generally invested on a secured basis overnight by Eurex Clearing AG and reported in the balance sheet under "restricted bank balances". The total value of cash deposits varied in the year under review between €1 billion and €2 billion.

Risk report

Risk management is an elementary component of the management and control of Deutsche Börse Group. Effective and efficient risk management is fundamental to protecting the Group's interests: it enables the Group to achieve its corporate goals and safeguards its continued existence. The Group has therefore established a Group-wide risk management concept for processes, roles and responsibilities applicable to all staff and organizational entities of Deutsche Börse Group. This concept is designed to ensure that emerging risks can be identified and dealt with appropriately at an early stage.

Risk management: Organization and methodology
The risk management system of Deutsche Börse Group, as stated in the Group Risk Management Policy, aims at ensuring that all threats, causes of potential loss and disruptions are properly identified in good time, centrally recorded and assessed (i.e. quantified in financial terms to the greatest possible extent). It ensures that the most appropriate course of action is chosen and that adequate countermeasures are initiated. In addition, a consolidated report is submitted in good time to the Executive Board of Deutsche Börse AG. The Executive Board of Deutsche Börse AG takes direct and joint ownership of all risk management matters.

All material risks – whether existing or potential – and the related risk control measures are routinely reported on a monthly basis and, when deemed necessary, forwarded on an ad hoc basis to the Executive Board, allowing them to direct appropriate actions.

While the Executive Board is ultimately responsible for the management of all risks, Deutsche Börse Group has adopted a two-tier approach. First, there is a decentralized risk management organization where primary responsibility for risk identification, notification and control within defined parameters is assigned to the relevant departments. Second, risk assessment and risk reporting is assigned to a central function unit with Group-wide responsibilities, the Group Risk Management department.

Deutsche Börse Group has developed its own corporate risk structure and distinguishes between operational, financial, project and business risks (see chart on page 106).

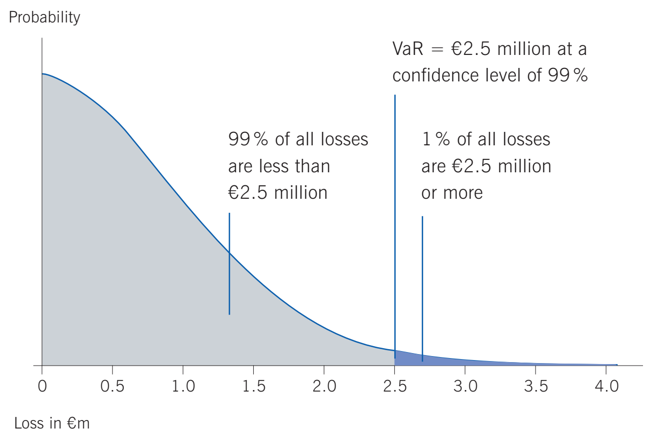
Internal Auditing ensures through independent audits that the adequacy of the risk control and risk management functions is monitored. The results of these audits are also fed into the risk management system.

Group-wide risk management instruments
Deutsche Börse Group gives considerable attention to its risk mitigation process and ensures that appropriate measures are taken to avoid, reduce and transfer or intentionally accept risk.

Deutsche Börse Group has installed a standardized approach for measuring and reporting all gross and residual operational, financial and business risks across its organization: the concept of "value at risk" (VaR). The purpose is to allow the overall risk appetite to be expressed in a comprehensive and easily understood way, and to facilitate the prioritization of risk management actions.

The VaR quantifies existing and potential risks. It denotes the maximum cumulative loss Deutsche Börse Group could face independent loss events materialized over a specific time horizon for a given probability. Deutsche Börse Group's models are based on a one-year time horizon, 99 percent confidence level and assumption of uncorrelated events. This means that there is a 99 percent probability that the cumulative loss within the next year will be below €2.5 million and, conversely, that there is a 1 percent probability of one or more losses occurring within the next year which, in total, will be equal to or greater than the VaR calculated.

Example illustrating the risk distribution relating to a confidence level of 99 percent



The calculation of the VaR is a three-step process:

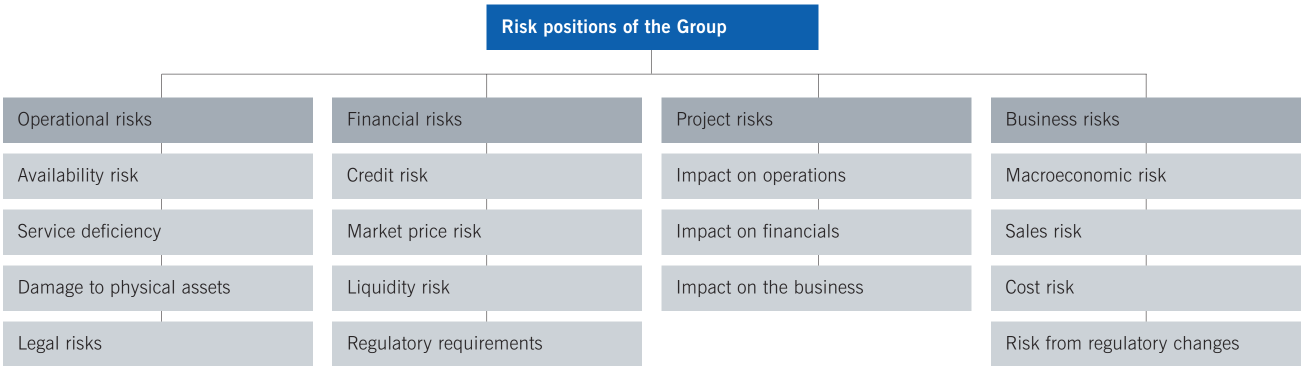
1. Determination of the loss distributions for every single risk: This is achieved using historical data (such as market data, default, claim or outage history) or best expert opinion. The losses related to a risk could, for example, be distributed triangularly (used e.g. for the operating risk arising from the destruction or loss of securities deposited) or they might conform to a Bernoulli distribution (used e.g. for credit risk, where a counterparty either defaults or fulfills).

2. Simulation of losses using the Monte Carlo method: A Monte Carlo simulation is used to run multiple trials of all random loss distributions at the same time in order to achieve a stable VaR calculation. This produces a spread of possible total losses.

3. Calculation of VaR on the basis of the Monte Carlo simulation: To do this, the results of the Monte Carlo simulation are arranged in descending order by size. If there are e.g. 100 simulations and a 99 percent confidence level is required, the second biggest loss is the corresponding VaR estimation.

In order to determine whether Deutsche Börse Group can bear the risk of a possible loss, the VaR calculated is compared against the then current EBITA forecasts. As at 31 December 2006, the total VaR of the Group represented less than half of its 2006 EBITA. This proportion is further reduced when the risk mitigation provided by Deutsche Börse Group's customized insurance program is also considered.

Risk system of Deutsche Börse Group



Risk structuring and assessment
The following sections describe the relevant individual risks in more detail.

Operational risks

Operational risk encompasses all existing and newly arising risks in the context of the ongoing provision of services by Deutsche Börse Group. In terms of content, operational risk is defined as the risk of loss resulting from inadequate or defective systems and internal processes, from human or technical failure, from inadequate or defective external processes, from damage to physical assets and from legal risks. For Deutsche Börse Group, the main risks in this risk category lie in the uninterrupted and smooth delivery of its core products. In particular, these include the Xetra and Eurex cash and derivatives market trading systems, as well as the CCP, CASCADE and Creation clearing and settlement systems.

Operational risks that Deutsche Börse Group does not wish to retain and that can be insured at a reasonable price are transferred by taking out insurance policies. All insurance policies are coordinated centrally, thereby ensuring that uniform risk/cost benefit insurance cover is in place for the entire Deutsche Börse Group. The most significant policies of the insurance program are individually reviewed and approved by the Executive Board of Deutsche Börse Group.

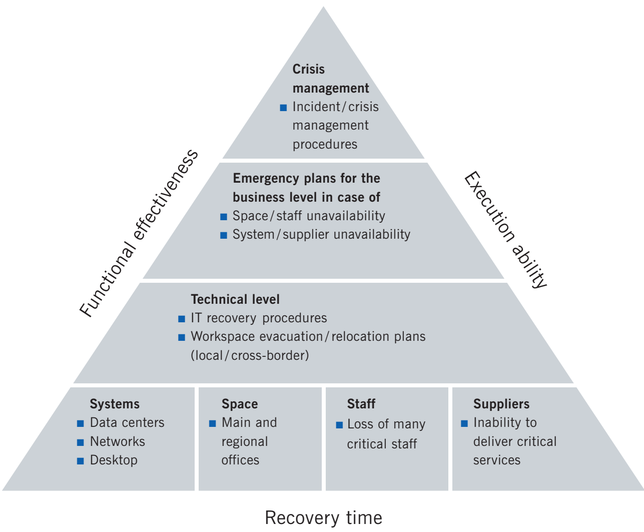
(a) Availability risk
Availability risk results from the fact that resources essential to Deutsche Börse Group's service offering could fail, thereby making it impossible to deliver services on time or at all. This risk is therefore one of the most critical for the Group. Possible triggers include hardware and software failures, operator and security errors, and physical damage to the data centers.

For instance, it cannot be excluded that in the unlikely case of a lengthy outage of Eurex trading systems while the market is very volatile, market participants try to make claims against Deutsche Börse Group.

In particular, Deutsche Börse Group manages availability risk through intensive activities in the field of business continuity management (BCM). BCM encompasses all the processes that ensure business continues as normal, even if a crisis occurs, and therefore substantially reduces availability risk. It relates to arrangements for all the key resources (systems, space, staff, suppliers), including the redundant design of all critical IT systems and technical infrastructure, as well as back-up workspaces located in each of the main operational centers available for employees in critical functions. These BCM arrangements are regularly tested according to the three following dimensions (see also the chart below):

- Functional effectiveness: validate that the arrangements are technically functioning
- Execution ability: ensure that staff are familiar with and knowledgeable in the execution of the plans and procedures
- Recovery time: confirm that the plans and procedures can be executed within the defined recovery time objective

Three dimensions of business continuity management



Service availability of Deutsche Börse Group's main products was again over 99.9 percent in 2006 and thus complied with the high standards specified for reliability.

(b) Risk of service deficiency
In contrast to availability risk, the occurrence of processing errors does not prevent Deutsche Börse Group from providing services to its customers. However, errors or omissions may occur that relate mainly to manual input. Despite all the automated systems and efforts aimed at delivering straight-through processing (STP), there is still a requirement for manual work. In addition, manual intervention in market and system management is necessary in special cases.

In the year under review, sustained improvements were again made to reduce the potential risk of processing errors – either through a reduction in the amount of manual intervention necessary or through better protection. No significant losses occurred as a result of processing errors in 2006. Neither did last year provide any indication of events that could lead to significant losses in the future.

Nevertheless, it should be noted that risk management processes do not guarantee that incidents, claims and resulting loss will not occur, nor can it predict the specific occurrence of particular risk events. Despite all the risk mitigation measures deployed, Deutsche Börse Group remains exposed in certain business segments, i.e. in the custody area, to the risk of inadequate handling of customer instructions, which could, in extreme circumstances, result in significant losses.

(c) Damage to physical assets
This category includes the risks due to accidents and natural hazards, as well as terror and sabotage. No losses occurred as a result of damage to physical assets in 2006. Neither are there any indications of acute risks.

(d) Legal risks
Legal risks include losses that could arise as a result of non- or inappropriate compliance with new or existing laws, losses from inadequate contract terms, or court decisions in the context of corporate governance. Deutsche Börse Group has established a Group Compliance function that seeks to protect the Group from any prejudice that may result from the failure to comply with

applicable laws, regulations and standards of good practice, with a particular focus on the following topics:

- prevention of money laundering and terrorist financing
- professional and banking secrecy
- prevention of insider dealing
- prevention of market manipulation
- prevention of fraud
- prevention of conflicts of interest and corruption
- data protection

No losses occurred as a result of legal risks in the year under review. Neither are there any indications of acute risks.

Financial risks

Deutsche Börse Group is exposed to financial risks mainly in the form of credit risk within the Clearstream subgroup, Eurex Clearing AG and the treasury business. In addition, Group receivables are subject to credit risk. On a very small scale, there are also market price risks from cash investments and liquidity risks. The exposure to the above risks is mitigated through the existence of effective control measures.

(a) Credit risk

Credit risk consists of the risk that a counterparty will default and that Deutsche Börse Group's claims on this counterparty cannot be met in full or at all.

The companies within the Clearstream subgroup extend loans to their customers in order to increase the efficiency of securities transaction settlement. However, these lending operations cannot be compared with those of other credit institutions. Firstly, the loans are extended solely on an extremely short-term basis. Secondly, they are extended only for the purposes of increasing the efficiency of securities transaction settlement and are largely collateralized and granted to customers with very good credit ratings. Furthermore, credit lines granted can be revoked at any time. The creditworthiness of potential customers is assessed before entering into a business relationship. Clearstream establishes customer-specific credit lines on the basis of both regular reviews of the customer's creditworthiness and ad hoc analyses as required.

Eurex Clearing AG clears transactions only with its clearing members, in accordance with its clearing conditions. Its clearing activities cover securities, rights and derivatives traded on Eurex Deutschland and Eurex Zürich AG ("Eurex exchanges"), Eurex Bonds GmbH, Eurex Repo GmbH, the Frankfurt Stock Exchange and the Irish Stock Exchange and for which Eurex Clearing AG acts as the central counterparty.

In order to safeguard Eurex Clearing AG against the risk of the default of a clearing member, clearing members are required under the terms of the clearing conditions in the version dated 20 November 2006 to provide daily – and in addition, where necessary, intraday – collateral in the form of cash or securities (margins) in an amount stipulated by Eurex Clearing AG. The intraday profit or loss arising as a result of price movements is either settled between the counterparties in cash (variation margin) or deposited by the seller with Eurex Clearing AG as collateral due to the change in value of the position (premium margin). In the case of bonds, repo or equities transactions, the margin is collected either from the buyer or from the seller (current liquidating margin) – depending on the ratio between the purchase price and the current market price. In addition to settling profits and losses, these measures are intended to protect against the risk of the maximum possible cost of closing out an account on the next business day, assuming the most unfavorable price movement possible (worst-case loss) for the positions held in the account (additional margin). Margin calculations are performed separately for customer accounts and the Company's own accounts.

The method of calculating the margin is known as risk-based margining and is essentially a VaR approach. First of all, the maximum cost of closure is calculated for each trading participant, each position account and each product individually. Opposite positions with the same risk profile are then offset against each other provided that they have been highly correlated over significant periods of time. The target confidence level for the additional margin is at least 99 percent.

In addition to providing margins, each clearing member must contribute to a clearing fund independently of its individual risk. The fund provides collective protection against the financial consequences of the default of a clearing member. Moreover, each clearing member must prove that it has liable capital of an amount stipulated by Eurex Clearing AG depending on the risk of the clearing member. Regular stress tests ensure that the amounts of the margins and of the lines of defense are sufficient to cover the risk exposure.

If a clearing member does not fulfill its obligations to Eurex Clearing AG, its outstanding positions and transactions are closed out as a final consequence. The shortfall and costs incurred in such a closure would be covered in the first instance by the collateral provided by the relevant clearing member or by its contribution to the clearing fund. Any remaining shortfall would initially be covered by the retained earnings of Eurex Clearing AG and then by a proportionate claim on the contributions made by all other clearing members to the clearing fund. Finally, any deficit arising from the default of a clearing member would be covered by comfort letters issued by Deutsche Börse AG and SWX Swiss Exchange AG. In these letters, Deutsche Börse AG and SWX Swiss Exchange AG have given an undertaking to Eurex Clearing AG to provide the latter with the funds required to cover the deficit arising. Deutsche Börse AG and SWX Exchange AG bear the obligation from the undertaking in the proportions of 85 percent and 15 percent respectively, and the obligation is limited to a maximum amount of €700 million.

Additional credit risks are associated with the Treasury department's cash investments. Deutsche Börse Group reduces this risk by distributing it across a number of counterparties, by defining investment limits for each counterparty and by largely collateralizing investments. The Group establishes maximum investment limits on the basis of regular assessments of creditworthiness and ad hoc analyses as required.

(b) Market price risk
Market price risks can arise in connection with cash investments as a result of fluctuations in interest rates and foreign exchange rates. In 2006, these market price risks were largely hedged using swap transactions. The latter involve exchanging future payment flows which are uncertain as a result of market price risks for payment flows whose amount is guaranteed. Regular reviews ensure the effectiveness of these hedges. The Group is exposed to share price risks only to a very small extent resulting from investment in an index-based exchange-traded fund and also from contractual trust arrangements (insolvency-proof fund assets covering Deutsche Börse Group's existing pension plans).

(c) Liquidity risk
Deutsche Börse Group is exposed to liquidity risk in that it may lack sufficient liquidity to meet its daily payment obligations or incur increased refinancing costs in the event of liquidity bottlenecks. Daily and intraday liquidity is monitored by Treasury and managed with the help of a limit system. Extensive credit lines are available – as described in note 43 in the notes to the consolidated financial statements – to provide cover in extreme situations. In the reporting year, Deutsche Börse Group had excess liquidity as a result of which no liquidity bottlenecks occurred.

(d) Regulatory requirements
The Clearstream subgroup, Clearstream International S.A., Clearstream Banking S.A., Clearstream Banking AG, as well as Eurex Clearing AG must meet the equity and liquidity requirements specified by the national supervisory authorities. They consistently achieved these ratios throughout 2006.

Project risks

Project risks can arise as a result of project implementation (launch of new products, processes or systems), which may have a significant impact on one of the three other risk categories (operational, financial and business risk). These risks are assessed as described in the above sections and are addressed in the early stages of major projects. All projects that were planned and implemented in 2006 carried no or only limited risk. They did not trigger a change in the overall risk profile of Deutsche Börse Group. Risks connected with the delivery of projects, such as budget risk, quality/scope risk or deadline risk, are separately monitored by the Corporate Project Coordination unit and are reported on a monthly basis to the Executive Board.

Business risks

The business risk reflects the relative sensitivity of the Group to the macroeconomic developments and its vulnerability to event risk arising from external threats. It is translated in EBITA terms, reflecting both some volatility in topline earnings and a potential increase in the structural cost base.

(a) Macroeconomic risk

Financial performance of Deutsche Börse is directly or indirectly subject to the evolution of a number of macroeconomic factors (e.g. interest rates, GDP growth, index value, index volatility). The resulting overall downside potential is limited thanks to the effective diversification of Deutsche Börse Group's business model, which currently spans operating systems for cash and derivatives markets as well as settlement and custody services both for nationally and internationally traded equities and bonds. A review of macroeconomic assumptions is performed on a quarterly basis.

(b) Sales and cost risk and risk from regulatory changes

Deutsche Börse Group's earnings position may also be adversely affected by external threats – either endogenous changes to the market structure and the business environment or exogenous changes, such as the evolution of the regulatory environment. For the three major segments of the Group (Eurex, Clearstream and Xetra), scenarios are established around the most significant risk events and quantitatively assessed. The respective departments of Deutsche Börse Group closely monitor the developments in order to take early mitigation actions.

One of the key aspects of the Group's core business is institutional liquidity, which generates the particular advantage of low transaction costs for the institutional trading of standardized investment instruments. In addition, the price discovery process is transparent for investors: automatic order execution in an open order book, meaning that its entries are visible to all parties. Because of the Company's crucial unique selling proposition from the market perspective, the business risk of losing substantial institutional liquidity is very low. Deutsche Börse Group guarantees neutrality, i.e. independence from individual intermediaries, and efficient, transparent price discovery in its trading systems.

A commonality in the industry is the dependence on key accounts. In the Xetra, Eurex and Clearstream segments, a substantial proportion of trading volumes is accounted for by a few key accounts. However, as the key accounts for the trading systems differ from those of Clearstream, the settlement and custody organization, this leads to diversification and thus partly offsets the dependencies on specific key accounts at Group level.

Regulatory environment

Deutsche Börse Group has been closely monitoring the evolution of the EU Capital Requirements Directives (Basel II) from the early stage until its finalization in June 2006. The Group is currently also actively following the transposition of the international framework to the national regulatory level in order to fulfill the new local requirements in good time.

More specifically in Germany, a circular on "MaRisk" (minimum requirements for risk management) for credit institutions and financial services providers was published by the German Federal Financial Supervisory Authority (BaFin) on 20 December 2005. The MaRisk circular acts as an integrated document based on section 25a of the KWG (Kreditwesengesetz – German Banking Act) and replaces the minimum requirements for trading activities (MaH), minimum requirements for credit activities (MaK) and minimum requirements for internal auditing (MaIR). The MaRisk requirements constitute the basis for the implementation of the second pillar of Basel II (Supervisory Review Process). Besides the requirements for risk management, the MaRisk rules also include requirements for internal auditing as well as for the lending and trading business.

Deutsche Börse Group implemented the MaRisk requirements at its Clearstream Banking AG and Eurex Clearing AG subsidiaries as at 1 January 2007. The Basel II regulatory equity requirements are scheduled to be implemented at the Clearstream subgroup companies and at Eurex Clearing AG within the stipulated deadline. The Clearstream subgroup is applying to use the Advanced Measurement Approach (AMA) to measure operational risks.

Summary
Based on the market environment and Deutsche Börse Group's business model, the Executive Board considers the risks for the Group to be limited and manageable. No significant changes in the risk profile are expected in financial year 2007.

Report on post-balance sheet date events

There have been no reportable events.

Report on expected developments

The report on expected developments describes the expected development of Deutsche Börse Group in financial years 2007 and 2008. It contains forward-looking statements and information, i.e. statements and information on events in the future. These prognoses are based on the Company's expectations and presumptions at the time of publication of this forecast report. These expectations and presumptions are in turn subject to known and unknown risks and uncertainties. Numerous factors influence the success, the business strategy and the financial results of the Company. A number of these factors are outside the Company's control. Should one of the risks or uncertainties arise or one of the presumptions made turn out to be incorrect, the actual development of the Company could deviate in both a positive or a negative way, from the forward-looking statements and information in this report.

Development of operating environment
Deutsche Börse Group expects economic growth to continue in all regions relevant to the Group's business in 2007 and 2008. Economic growth is expected to be slightly lower during the forecast period than in 2006 due to an anticipated slowing in corporate profit growth. Real GDP is expected to increase by around 2 percent in Germany, Europe and the US. This expectation is based primarily on the assumption of a "soft landing" scenario in the US, which would not experience a recession but rather an extended period of weaker economic growth. Economists consider this scenario to be the most likely.

The anticipated economic growth will form the foundation for the continued upward trend on the financial markets. In addition, this trend is likely to be supported by continued high corporate profits, attractive long-term equity market valuations and continuing "de-equitization", e.g. the takeover of companies using private equity and the repurchase of own shares by companies.

A further rise in inflation and interest rates, a slump in corporate profits and declining consumer spending are among the risk scenarios threatening the expected upward trend on the financial markets. The Company currently considers the likelihood of one or more of these scenarios negatively impacting the development of the financial markets during the forecast period to be low.

The Company is not expecting any significant changes in its business policy in the forecast period at present. On the basis of its successful business model that covers the entire process chain for securities transactions and the most prominent investment classes, Deutsche Börse Group will continue to observe trends in the financial markets worldwide, and leverage them in order to continue developing its products and services. The Group's key strategic goal is to provide all customers with outstanding services.

Development of results of operations
On the basis of an expected upturn in the financial markets coupled with Deutsche Börse Group's successful business model, the Company is forecasting further growth in sales revenue for 2007 as well as 2008. Structural changes in the financial markets and the introduction of new products and services will also contribute to this growth. The Company expects EBITA to grow faster than sales revenue in connection with its continued policy of active cost management. Should the financial markets not develop as expected, the Company is confident that it can compensate, wholly or partially, for variances, based on its diversified business model.

Xetra segment
Sales revenue in the Xetra cash market segment will depend on equity market trends, equity volatility and structural changes relating to trading activity. On average the volatility of the equity markets, i.e. fluctuations in securities prices or indices above or below an average value, continued to be historically low in 2006. An increase in volatility, as seen briefly in the second quarter of 2006, could provide Xetra with additional growth impulses during the forecast period. Structural changes in the equity market stem primarily from the increasing use of fully computerized trading strategies, known as algorithmic trading. For the forecast period, the Company anticipates a further proportional increase in these strategies in Xetra's trading volume. However, the expanded product and service portfolio will also bolster cash market sales revenue growth. For example, on 1 January 2007, the SWX Group and Deutsche Börse AG pooled their structured products trading in a joint subsidiary with a view to becoming Europe's leading stock exchange in this market segment. Xetra Release 8.0, which is to be launched in the second quarter of 2007, will also introduce a host of improvements for trading by institutional investors and banks. Among other things, the electronic trading system's processing and data distribution times will again be shortened in order to meet the increasing needs of market players.

Eurex segment
In contrast to the cash market, the general trend on the financial markets will play a subordinated role in the Eurex derivatives market segment. Here, the Company expects structural growth factors to be more significant. These factors were explained in more detail in the "Results of operations" section. The Company is also expanding its product and service portfolio for the derivatives market. As part of Eurex Release 10.0, software will be enhanced and hardware upgraded in order to further reduce processing times on the derivatives market. In addition to the continuous expansion of the existing product range, the first quarter of 2007 will see the introduction of a product in the new investment class of credit derivatives. This new product will be a futures contract on the iTraxx Europe index. The index tracks a balanced portfolio of the 125 most liquid European investment grade reference debtors for credit default swaps (CDS). The iTraxx indices are calculated by International Index Company Ltd., a leading provider of CDS indices. Market participants are able to hedge against credit risks such as corporate insolvency, default, or restructuring using credit derivatives.

On 1 February 2007, Eurex launched an incentive program to increase own-account trading by customers. The program's objective is to promote algorithmic trading. It offers volume rebates of up to 30 percent for on-exchange transactions involving Eurex's major product groups. If the new price model had been used during the first nine months of 2006, Eurex's revenue from trading and clearing would have been reduced by €25 million to €30 million. Deutsche Börse AG and SWX Swiss Exchange AG will absorb the effects of price reduction in line with the profit distribution of 85 percent and 15 percent. The positive effects of expected dynamic growth will offset price reductions.

Clearstream segment
Sales revenue in the Clearstream segment will also largely be generated through the settlement and custody of international bonds in the future. The Company predicts that the volume of fixed-income securities issued internationally will continue to grow faster than that of securities issued nationally. However, a substantial hike in long-term interest rates could impact Clearstream's business overall, as issuing activity would be expected to fall. In terms of customer structure, the Company expects continued customer consolidation in Clearstream's domestic and international business. Since this leads to larger customers who would receive larger rebates, this could lead to a decline in average fees. As Deutsche Börse Group faces especially intense competition in the areas of settlement and custody of international bonds, loss of market share and a consequent reduction in Clearstream's sales revenue could occur. For the forecast period, however, the Company does not expect any loss of market share.

The Company also does not expect its results of operations to be impacted during the forecast period by "Target2 Securities", the European Central Bank's planned securities settlement platform. This assessment is based firstly on the fact that this project has yet to be approved by the European Union finance ministers, and secondly, according to the preliminary project timetable, it is scheduled to be introduced not before 2013.

As part of the Clearstream segment's upgraded product and service offering, the Company is planning, among other things, to launch a new investment fund settlement service during the forecast period: the CFF, or Central Facility for Funds. The CFF will enable full delivery-versus-payment settlement functions between fund sales, custodians and transfer agents for Clearstream, thus circumventing transaction-related settlement risk.

Deutsche Börse Group expects net interest income from banking business to remain at around the same level as in 2006 during the forecast period. This estimate is based on an expected decline in customer deposits, in spite of increasing business activity, due to customers' improved liquidity management and an anticipated stagnation in short-term interest rates.

Market Data & Analytics segment
For the Market Data & Analytics segment, the Company anticipates further increases in demand for financial market data, due to forecasted financial market developments.

Development of pricing models
For the forecast period, Deutsche Börse Group anticipates sustained price pressure in some of its areas of business, such as in Xetra's electronic trading activities. The Company's objective is to mitigate this price pressure by continually improving its products and services and offering targeted price incentives for price-elastic business. For example, Xetra and Eurex users' network bandwidths were significantly increased while costs remained stable during the period under review, and price incentives were expanded to include equity clearing for algorithmic trading in the cash market. In spite of this, it is to be expected that average sales revenue per chargeable unit will decline slightly over the long term in some areas.

Regulatory framework
Regulatory changes in areas in which Deutsche Börse Group is active stem from the Markets in Financial Instruments Directive (MiFID) on the one hand and the Code of Conduct for clearing and settling shares on the cash market on the other.

MiFID is designed to foster transparent and fair competitive conditions for all participants and improve investor protection. To achieve this, MiFID introduces strict pre-trading and post-trading transparency rules for on-exchange and OTC equity trading. In addition, investment service companies will be obliged to offer their customers "best execution" of orders, i.e. execution at the best possible price.

Deutsche Börse Group sees the new guidelines as an opportunity to expand its service range: the Company is developing a host of new services in the cash market and for market data, which are expected to lead to a slight improvement in the results of operations during the forecast period. Deutsche Börse Group considers itself to be excellently positioned with its transparent and deep liquidity pool – even against the backdrop of the new best execution obligations. The Company does not anticipate the potential market entry of banks or other exchange organizations to significantly impact its results of operations in its cash market business during the forecast period.

The Code of Conduct is a market initiative designed to create a consistent, standard and cost-effective European framework for cross-border equity trading, clearing and settlement. Deutsche Börse Group helped to define the Code, and will implement it in its entirety by the end of 2007. It covers the following areas: price transparency, access and interoperability, as well as the organization of services and separate accounting. Deutsche Börse Group already meets many of the requirements in the Code of Conduct and does not expect it to materially affect the Company's business model, revenue or cost structure upon its introduction.

Cost management

Deutsche Börse Group does not anticipate any significant increase in overall costs due to its continued active cost management efforts. In financial year 2007, the Company expects costs to increase slightly between 3 percent and 5 percent, corresponding to total costs of slightly over €1.1 billion. The anticipated increase can be attributed partly to unavoidable inflationary and technical effects, such as the consolidation of the joint venture with the SWX Group in the area of structured products. Given this, staff costs are expected to increase, as well as banking fee and commission expenses resulting from greater settlement and custody volumes. Additionally, the 2007 cost forecast takes into account a planned increase in investment volume for new products and services of around 25 percent more than in 2006.

A further reduction in depreciation, amortization and impairment expense (excluding goodwill) is likely to have a positive effect on costs. Another of the Company's objectives for 2008 is to handle additional business activities with only a slight increase in total costs.

Based on the anticipated increase in sales revenue and active cost management, Deutsche Börse Group expects a new record EBITA of over €1.1 billion for 2007. Furthermore, a tax rate of approximately 36 percent is anticipated for the forecast period. If the corporate tax reform that is currently being planned in Germany were to be implemented as it stands today, it could lead to a slight reduction in the Company's tax burden beginning in 2008.

Development of the financial position

The Company expects its ongoing business activities to continue to generate positive operating cash flow. As part of its cash flows from investing activities, Deutsche Börse Group plans to invest around €80 million per year in intangible assets and property, plant and equipment in the forecast period (2006: €69.2 million). These investments will serve primarily to develop new and enhance existing Group products and services in the Xetra, Eurex and Clearstream segments.

Under the capital management program, the Group will continue to make funds surplus to business requirements available to the shareholders in the forecast period. Under its dividend policy, Deutsche Börse Group aims to distribute 50 to 60 percent of its net income for financial years 2007 and 2008 to shareholders. The remaining funds are largely earmarked for the continued repurchase of own shares.