



Financial Statements  
as at December 31, 2003  
and Management Report

Deutsche Börse AG,  
Frankfurt am Main

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

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**Deutsche Börse Aktiengesellschaft**  
**Frankfurt am Main**  
**Balance Sheet as of 31<sup>st</sup> of December 2003**

**Assets**

	31.12.2003		31.12.2002	
	€	€	T€	T€
<b>Fixed Assets</b>				
<b>Intangible Assets</b>				
Software	37,162,190.00		61,258	
Prepayments	<u>365,300.00</u>	37,527,490.00	<u>1,477</u>	62,735
<b>Tangible Assets</b>				
Fixtures in third party land	9,323,877.00		10,218	
Other assets, operating and office equipment	13,364,420.00		14,552	
Prepayments and assets under construction	<u>0.00</u>	22,688,297.00	<u>32</u>	24,802
<b>Financial Assets</b>				
Shares in affiliated companies	1,991,083,191.94		1,987,082	
Loans to affiliated companies	150,000,000.00		0	
Investments	22,249,351.22		10,465	
Long-term securities	9,465,552.26		8,114	
Other loans	<u>720,042.83</u>	<u>2,173,518,138.25</u>	<u>1,096</u>	<u>2,006,757</u>
		2,233,733,925.25		2,094,294
<b>Current Assets</b>				
<b>Accounts Receivable and Other Assets</b>				
Accounts receivable - Trade	72,393,262.77		62,507	
Accounts receivable - Group	59,367,510.49		7,914	
Receivables from companies in which the company has a participating interest	61,060.08		370	
Other assets	<u>15,606,510.61</u>	147,428,343.95	<u>14,963</u>	85,754
<b>Cash and Bank Balances</b>		341,892,334.41		21,551
		<u>489,320,678.36</u>		<u>107,305</u>
<b>Deferred Expenses and Accrued Income</b>		<u>1,310,174.69</u>		<u>1,050</u>

**Equity and Liabilities:**

	31.12.2003		31.12.2002	
	€	€	T€	T€
<b>Equity</b>				
<b>Subscribed Capital</b>	111,802,880.00		111,803	
<b>Capital Reserve</b>	1,367,526,075.19		1,367,526	
<b>Other Profit Reserves</b>	374,815,700.98		221,484	
<b>Unappropriated surplus</b>	<u>135,000,000.00</u>	1,989,144,656.17	<u>70,000</u>	1,770,813
<b>Provisions</b>				
Provisions for pensions and similar obligations	15,015,894.00		13,120	
Provisions for deferred taxes	76,316,364.34		32,354	
Sundry provisions	<u>59,407,646.57</u>	150,739,904.91	<u>50,114</u>	95,588
<b>Liabilities</b>				
Commercial Paper	0.00		288,115	
Trade creditors	8,985,988.03		14,278	
Amounts owed to group undertakings	540,083,828.49		23,337	
Amounts owed to undertakings in which the company has a participating interest	2,166,441.72		2,145	
Other Liabilities	33,162,014.55		8,373	
--thereof tax € 8.275.961,01 ('2002: T€ 3)--				
--thereof social security € 36.076,55 (2002: T€ 40)--				
		<u>584,398,272.79</u>		<u>336,248</u>
		2,724,282,833.87		2,202,649
<b>Deferred Income and Accrued Expenses</b>		<u>81,944.43</u>		<u>0</u>

Deutsche Börse Aktiengesellschaft  
Profit and Loss Account for the period 1<sup>st</sup> of January to 31<sup>st</sup> of December 2003

	<u>2003</u>		<u>2002</u>
	€	€	--
Sales Revenue		730,967,005.40	658,879
Other Operating Income		118,852,316.52	110,538
Personnel Expenses			
Wages and Salaries	49,380,830.98		45,156
social security, pensions and other benefits	9,897,727.33	59,278,558.31	8,465
--thereof pensions € 4.514.009,48 (2002: T€ 3.743)--			
Depreciation of intangible and tangible assets		32,641,997.88	40,329
Other operating expenses		446,659,241.68	527,232
Income from participating interests		53,136,558.17	24,650
--thereof from affiliated companies € 50.006.431,90 (2002: T€ 290)--			
Income from profit and loss transfer agreements		82,095,091.29	96,623
Income from financial assets: other securities and loans		1,572,488.73	4,721
Interest and similar income		18,034,442.19	18,104
--thereof from affiliated companies € 8.727.442,51 (2002: T€ 292)--			
Expenses for transfer of losses		0.00	4,243
Depreciation of current assets: financial assets and securities		10,018,820.00	48,886
Interest and similar charges		29,134,094.98	13,758
--thereof from affiliated companies € 15.923.773,74 (2002: T€ 1.643)--			
Profit on ordinary activities		<u>426,925,189.45</u>	<u>225,446</u>
Tax on profit or loss	161,530,138.31		94,382
Other taxes	<u>-2,129,948.86</u>	<u>159,400,189.45</u>	<u>-7,109</u>
Net profit for the financial year		<u>267,525,000.00</u>	<u>138,173</u>
Transfer to profit reserves		<u>132,525,000.00</u>	<u>68,173</u>
Unappropriated surplus		<u>135,000,000.00</u>	<u>70,000</u>

## **Deutsche Börse Aktiengesellschaft**

### **Notes to the Annual Financial Statements for 2003**

#### **Preliminary remarks**

The annual financial statements of Deutsche Börse AG were prepared on the basis of the accounting provisions of the *Handelsgesetzbuch* (German Commercial Code – HGB) relating to large corporations and the provisions governing accounting for stock corporations (“*Aktiengesellschaften*”).

The total cost (type of expenditure) format was chosen for the income statement.

The Company is a large corporation as defined by section 267 (3) of the HGB.

#### **Accounting policies**

The accounting policies correspond to those used in the previous year.

#### **Intangible assets**

Intangible assets are carried at cost, including non-recoverable input tax, and reduced by amortization.

#### **Property, plant and equipment**

Property, plant and equipment is carried at cost, including non-recoverable input tax, and reduced by depreciation for wear and tear. In the case of movable assets, additions in the first half of the year are written down in their full annual amount, while acquisitions in the second half are depreciated at 50 percent of the annual amount in accordance with section R44 of the *Einkommensteuer-Richtlinie* (German Income Tax Directive). Low-value assets are written off in the year of acquisition.

#### **Noncurrent financial assets**

The equity investments disclosed under noncurrent financial assets are generally carried at cost; other noncurrent loans are reported at their principal amounts. Investments that are expected to be subject to permanent impairment are written down to the lower of cost or market value. Contributed property, plant and equipment is recognized at the carrying amount and disclosed in the statement of

changes in noncurrent assets under "Reclassifications". Securities are measured at cost or at the lower quoted market prices at the balance sheet date.

### **Receivables and other assets**

Receivables and other assets are generally carried at their principal amount. Specific valuation allowances take account of all identifiable risks. General valuation allowances are charged for potential risks.

### **Provisions for pensions**

Provisions for pensions are measured at the present value under the German normal entry age method on the basis of actuarial principles in accordance with section 6a of the EStG (German Income Tax Act). The calculations are based on Prof. Klaus Heubeck's 1998 mortality tables using a discount rate of 6 percent.

To standardize retirement provision for the employees of Deutsche Börse Group, a deferred compensation plan was introduced effective 1 July 1999. The existing pension plans were closed as at 30 June 1999. Deutsche Börse AG bears sole responsibility for the new plan and for the arrangement of retirement provision to participating employees. The provisions included in the deferred compensation plan were also measured on the basis of actuarial reports.

### **Tax provisions and provisions**

Tax provisions and other provisions were set up in the amount expected to be required for settlement. The intrinsic value was used as the basis for the calculation of the provision for stock option programmes.

### **Liabilities**

The liabilities of €288.1 million (31 December 2002) from the commercial paper programme still outstanding in 2002 were repaid during 2003. Other liabilities are carried at their redemption amount.

### **Foreign currency**

Foreign currency receivables and liabilities are measured at the ECB reference rate at the balance sheet date.

## Balance sheet disclosures

### Noncurrent assets

The presentation of and changes in noncurrent assets are shown in the statement of changes in noncurrent assets.

### Equity investments

#### Investments in affiliated companies

Deutsche Börse AG held the following investments in affiliated companies as at 31 December 2003.

<u>Name of company</u>	<u>Location</u>	<u>Equity</u> <u>(TEUR)</u>	<u>Net profit/loss</u> <u>2003 (TEUR)</u>	<u>Share of capital</u> <u>direct</u> <u>(indirect)</u>
Cedel International S.A.	Luxembourg	2.039.303	53.316	100 %
Clearstream International S.A.	Luxembourg	671.359	139.944	(100 %)
Clearstream Banking S.A.	Luxembourg	388.918	63.738	(100 %)
Clearstream Banking AG	Frankfurt	88.538	30.362	(100 %)
Clearstream Services S.A.	Senningerberg	49.319	6.039	(99,93 %)
Clearstream Services Ltd.	London	GBP 6.682	GBP 194	(99,93 %)
Clearstream Properties S.A.	Luxembourg	37.802	929	(100 %)
Filinks S.A.S.	Paris	1.359	2.448	(100 %)
Immobilière Espace Kirchberg A S.A.	Luxembourg	503	595	(100 %)
Immobilière Espace Kirchberg C S.A.	Luxembourg	962	1.034	(100 %)
Immobilière Espace Kirchberg D S.A.	Luxembourg	-83	-10	(100 %)
Deutsche Börse Finance S.A.	Luxembourg	185	60	(100 %)
Deutsche Börse Systems AG*	Frankfurt/Main	2.415	82.073	100 %
Deutsche Börse Systems Inc.	Delaware, USA	US\$1.370	US\$467	(100 %)
Deutsche Börse IT Holding GmbH	Frankfurt/Main	53.546	-10.007	100 %
entory AG	Ettlingen	5.063	-6.901	(100 %)
Finnovation GmbH*	Frankfurt/Main	25	8	(100 %)
Silverstroke AG	Ettlingen	302	-416	(100 %)

itory UK Ltd.**	London	4	-4	(100%)
atec GmbH**	Munich	80	-2	(100%)
entory ventures GmbH**	Karlsruhe	-2		(100%)
projects IT-Projektbörse GmbH**	Karlsruhe	14	-35	(100%)
Xlaunch AG*	Frankfurt/Main	4.000	22	(100 %)
Xlaunch Erste Verwaltungsgesellschaft mbH	Frankfurt/Main	24	0	(100 %)
Xlaunch Zweite Verwaltungsgesellschaft mbH	Frankfurt/Main	24	0	(100 %)
Eurex Zürich AG	Zurich	CHF 50.898	CHF 371	49,97 %
Eurex Frankfurt AG	Frankfurt/Main	28.929	-3.297	(49,97 %)
Eurex Clearing AG*	Frankfurt/Main	8.913	1.042	(49,97 %)
Eurex Repo GmbH*	Frankfurt/Main	550	-3.484	(49,97 %)
Eurex Bonds GmbH	Frankfurt/Main	4.584	.316	(38,45 %)
U.S. Exchange Holdings Inc.	USA	US\$17.200		(49,97 %)
U.S. Futures Exchange L.L.C.	USA	US\$-596	US\$-2.796	(49,97 %)
Deutsche Gesellschaft für Wertpapierabwicklung mbH	Frankfurt/Main	450	-106	100 %
DeuBö Vermögensverwaltungs AG	Frankfurt/Main	42	0	100 %
Fördergesellschaft für Börsen und Finanzmärkte in Mittel- und Osteuropa mbH	Frankfurt/Main	2.649	2.393	100 %
Infobolsa S.A.***	Madrid	10.521	555	50 %
Infobolsa Internet S.A.U	Madrid	113	39	(50 %)
Difubolsa, Servicos de Difusao e Informacao de Bolsa S.A.	Lisbon	101	58	(50 %)
Infobolsa Deutschland GmbH	Frankfurt/Main	.750	-800	(50 %)

Before profit transfer or loss absorption.

Being wound up.

Majority of voting rights.

Deutsche Börse Systems AG transferred €82,073 thousand to Deutsche Börse on the basis of the profit and loss transfer agreement. Profits of Xlaunch AG in the amount of €22 thousand were transferred on the basis of profit and loss transfer agreements.



Deutsche Börse AG's direct equity interest in Eurex Zürich AG, including the 0.02 percent interest held by members of its Executive Board, amounts to 49.97 percent. On the basis of the profit participation rights granted to Deutsche Börse AG – comprising not only a threefold dividend right, but also a corresponding share in any liquidation proceeds – its actual beneficial interest in Eurex Zürich AG's profit or loss is 79.99 percent. Capital consolidation is based on this figure. After allowance for voting trust and pooling arrangements, the share of voting rights is 50 percent.

Deutsche Börse AG acquired 50 percent of the shareholders' equity of Infobolsa S.A. in November 2002. Infobolsa Deutschland GmbH is a subsidiary of Infobolsa S.A. Madrid, a joint venture between Deutsche Börse AG and Bolsa de Madrid.

Deutsche Börse AG sold its interests in Deutsche Börse Computershare GmbH (51 percent) to Computershare Investments (UK) Ltd. effective 31 December 2003.

#### Other equity investments

Deutsche Börse AG held the following direct or indirect investments of more than 10 percent as at 31 December 2003.

<u>Name of company</u>	<u>Location</u>	<u>Equity (TEUR)</u>	<u>Net profit/loss 2003 (TEUR)</u>	<u>Share of capital direct (indirect)</u>
FDS Finanz-Daten-Systeme GmbH & Co. KG	Frankfurt/Main	3.264	830	50 %
FDS Verwaltungsgesellschaft mbH	Frankfurt/Main	36		(50 %)
NEWEX Kapitalmarktberatung GmbH	Vienna	916	62	
IX International Exchange Ltd.*	London	63		
Deutsches Börsenfernsehen GmbH	Frankfurt/Main	30	0	35,10 %
Deutsche Gesellschaft für Ad hoc-Publizität mbH*	Frankfurt/Main	892	556	33,33 %
STOXX Ltd.	Zurich	10.377	8.065	33,33 %
iBoxx Ltd.	London	2.270	-1.340	19,997 %
European Energy Exchange AG	Leipzig	28.471	-1.725	(11,60 %)

\* Data from the annual financial statements as at 31 December 2002.

### **Noncurrent financial instruments**

These relate to shares in various investment funds and in exchange-traded funds on the DJ Euro Stoxx 50.

### **Receivables and other assets**

There were no trade receivables with more than one year to maturity.

Other current assets principally relate to receivables from interest rate swaps in the amount of €8,391 thousand and to tax refund claims of €4,581 thousand. This item also includes reinsurance claims against insurance companies of €1,595 thousand which have a remaining maturity of more than one year and which are pledged to IHK (Chamber of Commerce) Frankfurt.

### **Subscribed capital**

The subscribed capital of Deutsche Börse AG amounts to €111,803 thousand (previous year: €111,803 thousand) and is divided into 111,802,880 no-par value shares. The share premium remains at €1,367.5 million.

At the Annual General Meeting on 14 May 2003, shareholders resolved to increase authorized capital II. The Executive Board is thereby authorized, with the consent of the Supervisory Board, to increase the subscribed capital by up to €41,104 thousand through the issue of new no-par value registered shares against cash and/or non-cash contributions (authorized capital I) and by a further €14,797 thousand (authorized capital II). The Executive Board is also authorized, with the consent of the Supervisory Board, to disapply shareholders' pre-emptive rights to the extent that the subscribed capital increased against non-cash contributions is increased for the purposes of acquiring companies, parts of companies or stakes in companies. In relation to the increase in authorized capital II, the Executive Board is authorized to disapply shareholders' pre-emptive rights to issue the new shares for cash at an issue price that is not significantly lower than the stock exchange price.

The Executive Board is also authorized, with the consent of the Supervisory Board, to issue up to 3,000,000 stock options on shares of Deutsche Börse AG up to 13 May 2008. The share capital is thus contingently increased by up to €3,000 thousand (contingent capital I). The contingent capital increase serves only to meet stock option obligations and will only be implemented to the extent that the holders of stock options issued exercise their options and the Company does not meet its obligations by transferring own shares or by way of a cash payment. The share capital is also contingently increased by up to €30,000 thousand through the issue of up to 30,000,000 new no-par value registered shares with a notional amount of €1.00 each (contingent capital II).

The Annual General Meeting on 14 May 2003 resolved to transfer €20,807 thousand from the unappropriated surplus to other retained earnings. €49,193 thousand was distributed to shareholders. €132,525 thousand from the net profit of the financial year will be transferred to other retained earnings, following which the unappropriated surplus will amount to €135,000 thousand.

### **Other provisions**

Other provisions in the amount of €59,408 thousand mainly comprise the following items:

	€ thousand
• Anticipated losses from rental expenses	17,652
• Outstanding invoices	8,373
• Obligation to refund current and future pension payments to the IHK on the basis of the transition agreement	8,137
• Other personnel provisions	8,075
• Anticipated losses from interest rate swaps	5,971
• Phantom stock option programmes	3,337
• Miscellaneous other provisions	<u>7,863</u>
	59,408

### **Current liabilities**

An affiliated company granted a loan of €497,485 thousand that is due in five years. Other current liabilities have a maturity of less than one year. Charges or similar rights were not created on current liabilities.

### Other financial obligations

Other financial obligations in accordance with section 285 (3) of the HGB are composed of the following items:

<b>€ thou.</b>	<b>505,333</b>
<b>€ thou.</b>	<b><u>392,677</u></b>

**a) Obligations from rental agreements, leases and maintenance contracts**

<b>€ thou.</b>	<b>53,900</b>
<b>€ thou.</b>	<b><u>47,200</u></b>

Obligations relate to long-term contracts for the rental of office space amounting to €23,900 thousand; this figure relates to the expected payments for 2004. Other obligations in the amount of €30,000 thousand relate to maintenance contracts.

**b) Obligations from insurance policies**

<b>€ thou.</b>	<b>3,008</b>
<b>€ thou.</b>	<b><u>4,800</u></b>

This amount relates to the annual payment commitment of €3,008 thousand resulting from the consequential loss/personal liability insurance policy, of which €2,371 thousand is passed on to affiliated companies.

**c) Obligations from loan agreements**

<b>€ thou.</b>	<b>213,500</b>
<b>€ thou.</b>	<b><u>44,800</u></b>

There are obligations to affiliated companies from unused loan commitments in the amount of €213,500 thousand.

**d) Obligations from other agreements**

	<b>€ thou.</b>	<b>234,925</b>
2002	<b>€ thou.</b>	<b><u>295,877</u></b>

The obligations partly result from agency agreements with DBS (€155,818 thousand) and Eurex (€79,107 thousand). In relation to DBS, €102,608 thousand is attributable to application development, €40,284 thousand to data centre services and €12,926 thousand to other agency services.

**e) Comfort letter**

Deutsche Börse AG has issued a comfort letter with an unlimited term in favour of Eurex Clearing AG, under which DBAG undertakes to provide Eurex Clearing AG with 80 percent of the funds it needs to meet its obligation as the central counterparty to settle derivatives contracts traded on Eurex as well as transactions on the Eurex Bonds platform. An unlimited letter of comfort has also been issued in favour of Clearstream Banking AG in accordance with section 5 (10) of the statutes of the *Einlagensicherungsfonds* (deposit insurance fund), under which Deutsche Börse AG has undertaken to indemnify Bundesverband Deutscher Banken e.V. (German Banking Association) against all losses. A guarantee and negative covenant has also been signed by Deutsche Börse AG and Deutsche Börse Finance S.A. in which Deutsche Börse AG guarantees to pay capital and interest as well as any other amounts to be paid by Deutsche Börse Finance S.A. for the bonds issued as part of the debt issuance programme.

**f) Deferred compensation**

The provisions set up for the deferred compensation plan were recognized on an employee basis at the individual subsidiaries. However, since Deutsche Börse AG is the debtor to the employees participating in the programme, a financial obligation exists in the amount of the provisions of €1,762 thousand established at the individual subsidiaries.

## **Income statement disclosures**

### **Sales revenue**

Sales revenue of €730,967 thousand primarily relates to Eurex (€402,477 thousand), Xetra (€209,933 thousand) and Information Services (€118,556 thousand) segments.

### **Other operating income**

Other operating income principally includes income from agency agreements (€83,868 thousand) and income from the reversal of provisions (€6,696 thousand).

### **Depreciation and amortization expense**

Depreciation and amortization expense includes impairment losses on intangible assets in the amount of €68 thousand.

### **Other operating expenses**

Other operating expenses are composed in particular of the cost of agency agreements with affiliated companies (€131,836 thousand), IT costs (€121,993 thousand), legal and consulting costs (€47,262 thousand), premises expenses (€30,303 thousand), non-recoverable input tax (€22,710 thousand), settlement costs/Xetra (€12,487 thousand), costs for the purchase of price information from regional exchanges (€7,514 thousand), advertising and marketing costs (€5,871 thousand), insurance premiums (€2,942 thousand) and contributions to various institutions for the promotion of Germany as a financial centre (€2,690 thousand). This item also includes prior-period expenses of €71 thousand. These relate to losses from the disposal of noncurrent assets.

### **Impairment losses on noncurrent and current financial assets**

Write-downs of noncurrent financial assets and current assets relate in full to impairment losses.

### **Proposal on the appropriation of the unappropriated surplus**

€61,492 thousand of the unappropriated surplus of €135,000 thousand will be distributed to shareholders. The remaining amount of €73,508 thousand will be appropriated to other retained earnings.

**Other Information****Members of the Supervisory Board (as of 31<sup>st</sup> of December 2003):****Dr. Rolf-E. Breuer****Chairman of the Supervisory Board****Supervisory Board mandates:**

Bertelsmann AG

Deutsche Bank AG (Chairman)

Deutsche Lufthansa AG (until 18.06.2003)

E.ON AG

Siemens AG (until 23.01.2003) (Vice Chairman)

**Other mandates:**

Compagnie de Saint-Gobain S.A.

Kreditanstalt für Wiederaufbau

Landwirtschaftliche Rentenbank

**Manfred Zaß****Vice Chairman of the Supervisory Board**Former Chairman of the Executive Committee DekaBank Deutsche Girozentrale,  
Frankfurt/Main**Supervisory Board mandate:**

Deutsche EuroShop AG (Chairman)

**David Andrews (since 14.05.2003)**

Chief Executive Officer

Xchanging Ltd.,

London

**Other mandates:**

Xchanging Ltd., London

Together HR Services Limited, London

Ins-Sure Services Limited, London

Xchanging Procurement Service, London

**Ralf Arnemann (until 14.05.2003)**

Employee, IP Applications Section  
Deutsche Börse Systems AG,  
Frankfurt/Main

**Herbert Bayer**

Trade union secretary  
ver.di,  
Department 1 Financial Services, District Frankfurt Main and Region,  
Frankfurt/Main

**Supervisory Board mandate:**

dwp bank/Deutsche Wertpapier Service Bank AG (since 19.11.2003)  
Eurohypo AG

**Udo Behrenwaldt (since 14.05.2003)**

Management consultant,  
Frankfurt/Main

**Supervisory Board mandates:**

Deutsche Asset Management Investmentgesellschaft mbH (Vice Chairman since 26.03.2003)  
Deutsche Bank Privat- und Geschäftskunden AG  
Deutsche Vermögensbildungsgesellschaft mbH (Chairman)  
DB Trust Vermögensverwaltung AG (since 01.07.2003) (Chairman)

**Other mandates:**

DWS Investment S.A., Luxembourg  
DWS Polska TFI S.A., Warsaw  
Deutsche Asset Management S.A., Warsaw  
DWS (Austria) Investmentgesellschaft mbH, Vienna  
Deutsche Asset Management GmbH, Vienna  
Deutsche Asset Management France S.A., Paris

**Birgit Bokel (since 14.05.2003)**

Employee, Facility Management Section  
Deutsche Börse AG,  
Frankfurt/Main



**Dr. Peter Coym (until 14.05.2003)**

Member of the Executive Committee  
Lehman Brothers Bankhaus AG,  
Frankfurt/Main

**Mehmet Dalman (since 14.05.2003)**

Member of the Executive Committee  
Commerzbank AG,  
Frankfurt/Main

**Other mandates:**

Commerzbank Capital Markets Corporation, Chairman of the Board of Directors, New York  
Commerz Securities (Japan) Company Ltd., Chairman of the Board of Directors, Hongkong/Tokyo  
Commerzbank Capital Markets (Eastern Europe) S.A., Prague

**Leonhard H. Fischer (until 14.05.2003)**

Chief Executive Officer  
Winterthur Group,  
Winterthur

**Supervisory Board mandates:**

Axel Springer Verlag AG  
Eurex Clearing AG (until 25.03.2003)  
Eurex Frankfurt AG (until 25.03.2003)  
Fördergesellschaft für Börsen und Finanzmärkte  
in Mittel- und Osteuropa mbH  
K+S Aktiengesellschaft (until 07.05.2003)

**Other mandates:**

Dresdner Kleinwort Benson North America Inc.  
(until 21.02.2003) (Chairman of the Board of Directors)  
Dresdner Kleinwort Wasserstein Group Inc.  
(until 21.02.2003) (Board of Directors)  
Eurex Zürich AG (Administrative Board) (until 25.03.2003)

**Uwe E. Flach**

Vice Chairman Executive Committee  
DZ BANK AG, Deutsche Zentral-Genossenschaftsbank (until 31.12.2003),  
Frankfurt/Main

**Supervisory Board mandates:**

AGAB Aktiengesellschaft für Anlagen und Beteiligungen (until 26.12.2003)

(Chairman)

Andreae-Noris-Zahn AG (Vice Chairman)

DVB Bank AG (until 17.12.2003) (Chairman)

Stada Arzneimittel AG

Union Asset Management Holding (until 18.12.2003)

**Hans-Peter Gabe**

Employee, Personnel Services Section

Deutsche Börse AG,

Frankfurt/Main

**Dr. Manfred Gentz (since 14.05.2003)**

Member of the Executive Committee

DaimlerChrysler AG,

Stuttgart

**Supervisory Board mandates:**

DWS Investment GmbH

Hannoversche Lebensversicherungs-AG (Vice Chairman until 07.07.2003)

Zürich Beteiligungs-AG (Germany)

DaimlerChrysler Services AG

DaimlerChrysler Bank AG (Vice Chairman)

**Other mandates**

DaimlerChrysler United Kingdom Holding plc., London

DaimlerChrysler Espana Holding S.A., Madrid

DaimlerChrysler Japan Holding Ltd.

DaimlerChrysler North America Holding Corporation, Auburn Hills/USA

DaimlerChrysler Corporation, Auburn Hills/USA

DaimlerChrysler France Holding S.A., Paris

DaimlerChrysler Mexico Holding, S.A. de C.V., Santiago Tianguistenco

Freightliner LLC, Portland/USA

EHG Elektroholding GmbH, Frankfurt

**Prof. Dr. Dr. Dr. h.c. mult. Klaus J. Hopt (since 14.05.2003)**

Director Max-Planck-Institut für Ausländisches und Internationales Privatrecht, Hamburg

**Harold Hörauf**

Personally liable partner

HSBC Trinkaus & Burkhardt KGaA, Düsseldorf

**Supervisory Board mandates:**

Börse Düsseldorf AG (Chairman)

INKA Internationale Kapitalanlagegesellschaft mbH (Chairman)

**Other mandates:**

BVV Versicherungsverein des Bankgewerbes a.G.

BVV Versorgungskasse des Bankgewerbes e.V.

HSBC Investment Managers S.A. (Chairman of the Administrative Board)

HSBC Trinkaus & Burkhardt (International) S.A. (Vice Chairman of the Administrative Board)

HSBC Trinkaus Capital Management GmbH (Chairman of the Supervisory Board)

**Sandra S. Jaffee**

Executive Vice President Citibank N.A. (until 30.01.2004)

President und CEO Global Securities Services,

New York

**Dr. Stefan Jentzsch**

Member of the Executive Committee

HVB Group,

Munich

**Supervisory Board mandates:**

DAB bank AG (Vice Chairman)

HVB Informations-Verarbeitungs-GmbH (Vice Chairman)

HVB Systems AG

INDEXCHANGE Investment AG (until 31.05.2003) (Chairman)

Infineon Technologies AG

Vereins- und Westbank AG (Vice Chairman)

**Other mandates:**

Bank Austria Creditanstalt AG

Bank von Ernst & Cie. AG (until 01.12.2003) (Vice Chairman)

HVB Alternative Financial Products AG, Vienna (since 14.08.2003) (Chairman of the Administrative Board)

HVB Alternative Investment AG, Vienna (since 14.08.2003) (Chairman of the Supervisory Board)

HVB Wealth Management Holding GmbH

**Hessel Lindenbergh**

Member of the Executive Committee

ING Group (until 30.06.2003)

**Supervisory Board mandate:**

Banque Bruxelles Lambert S.A. (until 30.06.2003) (Vice Chairman)

**Other mandates:**

DHV Holding, Amersfoort (since 25.03.2003)

Gamma Holding NV, Helmond (since 06.05.2003)

Koninklijke Numico NV, Zoetermeer (since 23.09.2003)

Netherlands Bankers' Association (until 30.06.2003)

Ortec International NV, Gouda (since 27.11.2003)

Petroplus International NV, Rotterdam (since 27.05.2003)

**Friedrich von Metzler**

Personally liable partner

B. Metzler seel. Sohn & Co. KGaA,

Frankfurt/Main

**Supervisory Board mandates:**

DWS Investment GmbH

Philipp Holzmann AG (until 16.11.2003)

Fördergesellschaft für Börsen- und Finanzmärkte in Mittel- und

Osteuropa mbH (until 31.12.2003)

**Other mandates**

Metzler-Payden LLC

**Fritz Nols (until 14.05.2003)**

Chairman of the Supervisory Board  
Fritz Nols Global Equity Services AG,  
Frankfurt/Main

**Supervisory Board mandates:**

Fritz Nols Global Equity Services AG (Chairman)

**Other mandates:**

da Vinci Asset Management AG (Chairman)

**Klaus M. Patig (until 14.05.2003)**

Member of the Executive Committee  
Commerzbank AG,  
Frankfurt/Main

**Supervisory Board mandates:**

BVV Versicherungsverein des Bankgewerbes a.G.  
BVV Versorgungskasse des Bankgewerbes e.V.  
COMINVEST Asset Management GmbH (Chairman)  
Degussa AG (until 12.02.2003)  
efiport AG  
Ferrostaal AG  
Fördergesellschaft für Börsen und Finanzmärkte in  
Mittel- und Osteuropa mbH  
G. Kromschröder AG (Vice Chairman)  
Pensor Pensionsfonds AG (Vice Chairman)  
VINCI Deutschland GmbH

**Other mandates:**

Caisse Centrale de Réescompte S.A. (Président du Conseil de Surveillance)  
Commerz Asset Management plc. (Chairman of the Board of Directors)  
Commerz Securities (Japan) Company Limited, Tokyo/Japan (Member of the Board of Directors)  
Commerzbank Capital Markets Corporation, New York (Member of the Board of Directors)  
Jupiter International Group plc. (Chairman of the Board of Directors)  
Korea Exchange Bank, Seoul (since 28.03.2003) (Non-Standing Director)  
Montgomery Asset Management LLC. (Member of the Board of Directors)

**Roland Prantl (until 14.05.2003)**

Employee, Configuration Management Section  
Deutsche Börse Systems AG,  
Frankfurt/Main

**Sadegh Rismanchi**

Employee Configuration Management Section  
Deutsche Börse Systems AG,  
Frankfurt/Main

**Supervisory Board mandate:**

Deutsche Börse Systems AG

**Gerhard B. Roggemann (until 14.05.2003)**

Member of the Executive Committee  
WestLB AG,  
Düsseldorf/Münster

**Supervisory Board mandate:**

AXA Lebensversicherung AG  
Börse Düsseldorf AG (Vice Chairman)  
Fresenius AG  
Hapag-Lloyd AG  
Solvay Deutschland GmbH  
VHV Autoversicherungs-AG  
West Pensionsfonds AG (Vice Chairman)  
West Pensionskasse AG (Vice Chairman)  
WPS WertpapierService Bank AG (until 14.02.2003)

**Other mandates:**

AXA Investment Managers Deutschland GmbH,  
Banque d'Orsay S.A. (Chairman of the Board of Directors)  
International University of Bremen GmbH (Board of Governors)  
WestAM Holding GmbH (Chairman of the Supervisory Board)  
WestLB Asset Management Kapitalanlagegesellschaft mbH (Chairman of the Supervisory Board)  
WestLB International S.A. (Chairman of the Administrative Board)

**Rainer Roubal (until 14.05.2003)**

Chairman of the Executive Committee  
ICF Kursmakler AG,  
Frankfurt/Main

**Dr. Herbert Walter (since 14.05.2003)**

Chairman of the Executive Committee  
Dresdner Bank AG,  
Frankfurt/Main

**Supervisory Board mandate:**

TSV München von 1860 GmbH & Co. KGaA (since 24. .2003)

**Other mandates:**

Dresdner Bank Luxemburg S.A. (since 01.12.2003) (Chairman of the Administrative Board)

**Otto Wierczimok (since 14.05.2003)**

Employee, Vaults Section  
Clearstream Banking AG,  
Frankfurt/Main

**Supervisory Board mandate:**

Clearstream Banking AG

**Johannes Witt**

Employee, Financial Accounting and Controls Section  
Deutsche Börse AG,  
Frankfurt/Main

**Supervisory Board mandate:**

Fritz Nols Global Equity Services AG (since 20.05.2003)

**Silke Zilles**

Employee, Product Design and Customer Relations Section  
Deutsche Börse AG,  
Frankfurt/Main

**Audit Committee**

Leonhard H. Fischer (until 14. Mai 2003) (Chairman)

Dr. Manfred Gentz (since 14. Mai 2003)

Harold Hörauf (since 14. Mai 2003)

Dr. Stefan Jentzsch (since 14. Mai 2003) (Chairman)

Fritz Nols (until 14. Mai 2003)

Friedrich von Metzler (until 14. Mai 2003)

Johannes Witt

**Committee for Personnel Issues**

Udo Behrenwaldt (since 14. Mai 2003)

Dr. Rolf-E. Breuer (Chairman)

Hans-Peter Gabe

Friedrich von Metzler

Klaus M. Patig (until 14. Mai 2003)

**Supervisory Committee for Strategic Issues**

Ralf Amemann (until 14. Mai 2003)

Herbert Bayer

Dr. Rolf-E. Breuer (Chairman)

Mehmet Dalman (since 14. Mai 2003)

Uwe E. Flach (until 14. Mai 2003)

Hessel Lindenbergh (since 14. Mai 2003)

Rainer Roubal (until 14. Mai 2003)

Manfred Zaß

Silke Zilles (since 14. Mai 2003)

**Supervisory Committee for Technological Issues**

David Andrews (since 14. Mai 2003) (Chairman)

Dr. Peter Coym (until 14. Mai 2003) (Chairman)

Dr. Stefan Jentzsch

Sadegh Rismanchi

Gerhard B. Roggemann (until 14. Mai 2003)

Dr. Herbert Walter (since 14. Mai 2003)

**Supervisory Committee for Clearing and Settlement Issues (since 14. Mai 2003)**

Uwe E. Flach

Prof. Dr. Dr. Klaus Hopt

Sandra S. Jaffee (Chairman)

Otto Wierczimok



**Member of the Executive Committee (as of 31.12.2003):**

**Werner G. Seifert**

Chairman of the Executive Committee Deutsche Börse AG

Responsible for the Group Coordination and Corporate Center section

**Group mandates**

**Supervisory Board mandates:**

a/c/e Alliance CBOT/Eurex LLC. (until 31.12.2003)

(Member of the Supervisory Board)

Deutsche Börse Systems AG (Chairman)

entory AG (Chairman)

Eurex Frankfurt AG (Vice Chairman)

Eurex Clearing AG (Vice Chairman)

Xlaunch AG (Chairman)

**Administrative Board mandate:**

Eurex Zürich AG (Vice President)

**Other mandates:**

Clearstream International S.A.

(Vice Chairman of the Board of Directors)

**André Roelants**

Vice Chairman of the Executive Committee Deutsche Börse AG

Responsible for Customers/Markets

Chairman of the Executive Committee Clearstream Banking S.A., Luxembourg

President and Chairman of the Group Executive Management Clearstream International S.A., Luxembourg

**Group mandates**

**Supervisory Board mandate:**

Clearstream Banking AG, Frankfurt (Chairman)

**Other mandates:**

Clearstream Banking S.A., Luxembourg (Chairman of the Board of Directors)

Clearstream International S.A., Luxembourg (Member of the Board of Directors)

**External mandates**

**Other mandates:**

Blue Orchard Finance (Member of the Board of Directors)

SWIFT, (since 11.06.2003) (Member of the Board of Directors)

**Rudolf Ferscha**

Member of the Executive Committee Deutsche Börse AG  
 Responsible for Customers/Markets (Trading and Clearing Services)  
 Chairman of the Executive Board Eurex Frankfurt AG  
 Chairman of the Executive Board Eurex Zürich AG  
 Chairman of the Executive Committee Eurex Clearing AG  
 Chief Executive Officer Eurex Bonds GmbH  
 Member of the Executive Board Eurex Deutschland  
 Chief Executive Officer Frankfurter Wertpapierbörse

**Group mandates****Supervisory Board mandates:**

a/c/e Alliance CBoT/Eurex LLC. (until 31.12.2003)  
 Clearstream Banking AG (Member of the Supervisory Board) (since 25.03.2003)  
 Deutsche Börse Systems AG (Member of the Supervisory Board)  
 Xlaunch AG (Member of the Supervisory Board)

**External mandates****Other mandates:**

FOA London (Member of the Board of Directors)  
 SFOA, Geneva (Member of the Board of Directors)  
 IFM (Member of the Board)  
 IFCI (Member of the Executive Committee)  
 The Clearing Corporation (since 23.10.2003) (Member of the Board of Directors)

**Matthias Ganz**

Member of the Executive Committee Deutsche Börse AG  
 Responsible for Operations  
 Chairman of the Executive Committee Clearstream Banking AG  
 Member of the Group Executive Management Clearstream International S.A.  
 Member of the Executive Committee Clearstream Banking S.A.  
 Chief Executive Officer Frankfurter Wertpapierbörse (since 05.03.2003)

**Group mandates****Supervisory Board mandate:**

entory AG

**Other mandates:**

Clearstream International S.A., Luxembourg (Member of the Board of Directors)  
 Clearstream Banking S.A., Luxembourg (since 12.05.2003) (Member of the Board of Directors)

**Mathias Hlubek**

Member of the Executive Committee Deutsche Börse AG

Responsible for Finance/Corporate Center

Member of the Executive Committee Deutsche Börse Systems AG

Member of the Executive Committee Clearstream Banking S.A., Luxembourg

Member of the Executive Committee Clearstream Services S.A.

Member of the Group Executive Management Clearstream International S.A.

Chief Executive Officer Deutsche Börse IT Holding GmbH

**Group mandates****Supervisory Board mandates:**

entory AG

Eurex Clearing AG (since 25.03.2003)

Eurex Frankfurt AG (since 25.03.2003)

**Administrative Board mandate:**

Eurex Zürich AG (since 25.03.2003)

**Other mandates:**

Clearstream International S.A. (Member of the Board of Directors)

Clearstream Services S.A. (Chairman of the Board of Directors)

Clearstream Banking S.A. (since 12.05.2003) (Member of the Board of Directors)

**Michael Kuhn**

Member of the Executive Committee Deutsche Börse AG

Responsible for Technology/Systems

Chairman of the Executive Committee Deutsche Börse Systems AG

Member of the Executive Committee Clearstream Services S.A.

Chief Executive Officer Deutsche Börse IT Holding GmbH (since 17.01.2003)

**Group mandates****Supervisory Board mandates:**

entory AG (Member of the Supervisory Board)

Eurex Frankfurt AG (Member of the Supervisory Board)

Eurex Clearing AG (Member of the Supervisory Board)

**Administrative Board mandate:**

Eurex Zürich AG (Member of the Administrative Board)

**Other mandates:**

Clearstream Services S.A. (Member of the Board of Directors)

The remuneration of the active members of the Executive Board in 2003 totalled €5,030 thousand, while pension benefits for the former Executive Board members amounted to €263 thousand. Provisions of €5,779 thousand were set up for the pension entitlements of former Executive Board members. A provision of €1,201 thousand was established as remuneration for the Supervisory Board in 2003. The expenses for the technology advisory council amounted to €54 thousand.

Deutsche Börse AG has established a virtual stock option program for Executive Board and Supervisory Board members and senior executives of Deutsche Börse AG and its subsidiaries. On the basis of the intrinsic value of the phantom stock options allocated, the provision was reduced by €94 thousand as at the closing date and credited to staff costs. This provision totals €3,337 million (2002: €3,431 million). In addition, Deutsche Börse AG set up a Group Share Plan (GSP) for non-executive employees of Deutsche Börse AG and its subsidiaries that comprises a component for the acquisition of employee shares, plus a stock option component. The intrinsic value of the issued and outstanding stock options is zero at the closing date, and no provision was therefore established.

The Company had 509 employees as at 31 December 2003 (2002: 488). An average of 499 employees were employed in 2003 (2002: 482). The average number of full time equivalents in 2003 was 449 (2002: 434).

On 22 September 2003, the Executive Board and Supervisory Board renewed their declaration of conformity under section 161 of the AktG and made it available to shareholders on a permanent basis.

Deutsche Börse AG prepares consolidated financial statements. These consolidated financial statements are published in the *Bundesanzeiger* (Federal Gazette) and filed within the Frankfurt/Main commercial register.

Frankfurt/Main, 25 February 2004

Deutsche Börse Aktiengesellschaft

Dr. Werner G. Seifert

André Roelants

Rudolf Ferscha

Dr. Matthias Ganz

Mathias Hlubek

Dr.-Ing. Michael Kuhn

# DEUTSCHE BÖRSE AG

## Fixed Asset Movement Schedule as of 31.12.2003

	Acquisition and Production Costs					Depreciation and amortization					Book Value	
	Amount brought forward 01.01.2003	Additions 2003	Disposals 2003	Reclassifications 2003	Status 31.12.2003	Amount brought forward 01.01.2003	Additions 2003	Write-ups 2003	Disposals 2003	Status 31.12.2003	31.12.2003	31.12.2002
	€	€	€	€	€	€	€	€	€	€	€	€
<b>Intangible Assets</b>												
Software	205,597,356.68	2,232,833.05	20,532,401.45	1,112,327.08	188,410,115.36	144,339,592.68	27,420,369.13	0.00	20,512,036.45	151,247,925.36	37,162,190.00	61,257,764.00
Prepayments	1,477,627.08	0.00	0.00	-1,112,327.08	365,300.00	0.00	0.00	0.00	0.00	0.00	365,300.00	1,477,627.08
	<u>207,074,983.76</u>	<u>2,232,833.05</u>	<u>20,532,401.45</u>	<u>0.00</u>	<u>188,775,415.36</u>	<u>144,339,592.68</u>	<u>27,420,369.13</u>	<u>0.00</u>	<u>20,512,036.45</u>	<u>151,247,925.36</u>	<u>37,527,490.00</u>	<u>62,735,391.08</u>
<b>Tangible Assets</b>												
Fixtures in third party land	13,893,517.52	528,747.14	0.00	0.00	14,422,264.66	3,675,871.52	1,422,516.14	0.00	0.00	5,098,387.66	9,323,877.00	10,217,646.00
Other assets, operating and office equipment	33,199,419.05	2,633,435.83	1,499,188.60	32,393.87	34,366,060.15	18,647,356.05	3,799,112.61	0.00	1,444,828.51	21,001,640.15	13,364,420.00	14,552,063.00
Prepayments	32,393.87	0.00	0.00	-32,393.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	32,393.87
	<u>47,125,330.44</u>	<u>3,162,182.97</u>	<u>1,499,188.60</u>	<u>0.00</u>	<u>48,788,324.81</u>	<u>22,323,227.57</u>	<u>5,221,628.75</u>	<u>0.00</u>	<u>1,444,828.51</u>	<u>28,100,027.81</u>	<u>22,688,297.00</u>	<u>24,802,102.87</u>
<b>Financial Assets</b>												
Shares in affiliated companies	2,032,397,010.22	14,045,706.36	25,500.00	0.00	2,046,417,216.58	45,315,204.64	10,018,820.00	0.00	0.00	55,334,024.64	1,991,083,191.94	1,987,081,805.58
Loans to affiliated companies	0.00	150,000,000.00	0.00	0.00	150,000,000.00	0.00	0.00	0.00	0.00	0.00	150,000,000.00	0.00
Investments	19,254,014.80	11,784,500.00	0.00	0.00	31,038,514.80	8,789,163.58	0.00	0.00	0.00	8,789,163.58	22,249,351.22	10,464,851.22
Long-term securities	11,077,310.51	2,305.89	0.00	0.00	11,079,616.40	2,963,722.57	0.00	-1,349,658.43	0.00	1,614,064.14	9,465,552.26	8,113,587.94
Other loans	1,096,142.26	100,412.09	478,511.52	0.00	720,042.83	0.00	0.00	0.00	0.00	0.00	720,042.83	1,096,142.26
	<u>2,063,824,477.79</u>	<u>175,932,924.34</u>	<u>502,011.52</u>	<u>0.00</u>	<u>2,239,255,390.61</u>	<u>57,068,090.79</u>	<u>10,018,820.00</u>	<u>-1,349,658.43</u>	<u>0.00</u>	<u>65,737,252.36</u>	<u>2,173,518,138.25</u>	<u>2,006,756,387.00</u>
	<u>2,318,024,791.99</u>	<u>181,327,940.36</u>	<u>22,533,601.57</u>	<u>0.00</u>	<u>2,476,819,130.78</u>	<u>223,730,911.04</u>	<u>42,680,817.88</u>	<u>-1,349,658.43</u>	<u>21,956,864.96</u>	<u>243,085,205.53</u>	<u>2,233,733,925.25</u>	<u>2,094,293,880.95</u>

## **Deutsche Börse Aktiengesellschaft**

### **Group Management Report for 2003**

The financial markets felt the effects of the weak state of the economy in 2003. Even after the rapid end to the Iraq war, the global economy showed few signs of recovering, and output in the industrialized nations recorded only subdued growth, following stagnation in the winter 2002/2003 period. Especially in the Eurozone, macroeconomic activity remained weak, showing no significant signs of growth during the year. By contrast, the USA and Japan saw demand picking up rapidly. However, the continued decline in employment indicates that the downturn in the global economy which had begun three years before could not be reversed in 2003. The first signs of growth, coupled with a general improvement in sentiment at the end of the Iraq war, fuelled an appreciable recovery in the German equity market in particular during the second half and a strong increase in the DAX, which rose by 28 percent over the year, and by an even more impressive 80 percent from its low on 12 March 2003 to the end of the year.

#### **Business review 2003**

Deutsche Börse AG's business activities are composed of the Xetra (cash market: electronic order book and floor trading), Eurex (derivatives market) and Information Services (sales of price information and information distribution) segments, and these markets developed in 2003 as follows.

The historical trends continued on the cash and derivatives markets in 2003. For example, the value of all equities traded on the cash market fell further year-on-year (see the table under "Xetra segment"), while the number of trades in the electronic trading system recorded another sharp increase. Trading activity on the Eurex derivatives market segment also rose.

Demand for equity market data fell in the Information Services segment, especially in the second half of the year, on the back of the cost-cutting programmes instituted by German banks in their branch networks. However, the shortfalls were offset by higher sales volume figures for derivatives market data and the strong index business.

#### **Xetra segment**

Revenue in the Xetra cash market segment improved slightly to €209.9 million from €208.1 million in the previous year. This stabilization in sales revenue after two years of contraction is attributable to a number of factors: on the Xetra electronic trading system, the volume of trading increased by 19 percent to 71.4 million trades. Also, the Central Counterparty (CCP) was introduced for equity trading at the end of March 2003. The CCP assumes responsibility for the risk in the event of default by a counterparty to the transaction and allows greater

efficiency in the settlement of market transactions. €30.4 million was generated with the CCP in 2003. The table below presents the trading volume on the major European cash markets once again.

**Trading volume on the major European cash markets**

	<b>Order book turnover 2003 vs. 2002</b>
	%
Deutsche Börse	-11
Euronext	-20
London Stock Exchange	-25
Stockholmsbörsen (OM Group)	-9

Source: Federation of European Stock Exchanges (FESE)

**Eurex segment**

Trading on European derivatives exchanges grew strongly again, reaching new record highs. Very high turnover figures were recorded mid-year, due in particular to the substantial increase in trading with derivatives on fixed-income products; in the year as a whole, 27 percent more contracts were traded on Eurex than in the previous year (see the table below). With 1,015 million traded contracts (2002: 801 million), trading activity on Eurex passed the billion mark for the first time.

General economic developments in 2003 and the related uncertainty among market participants enabled Eurex to benefit greatly from the increased need for hedging by investors. All in all, the Eurex segment generated sales revenue of €402.5 million, an increase of €76.6 million compared to the previous year.

**Trading activity on major derivatives exchanges**

	<b>Increase in contract volumes 2003 vs. 2002</b>
	%
Eurex	27
Euronext Liffé	-6
CME	5
CBOT	22

Source: Listed exchanges

**IS segment**

Sales revenue in the IS segment slipped slightly to €118.6 million, down €6.3 million on 2002. The distribution of real-time data accounted for about 80 percent of total revenue. The data, which is distributed via Reuters and Bloomberg, not only contains information on cash markets, but increasingly also on derivatives markets. Around 70 percent of the data packages went to international customers in 2003. Cost savings in the sales network of German commercial banks reduced overall sales revenue from the sale of real-time data. This could not be fully offset by the increasing sale of cash market data.

**Significant transactions**

March 2003 saw the launch of the Central Counterparty for equities (CCP) on Frankfurt Stock Exchange. This added a clearing component to the existing two-stage process chain of trading and settlement in the cash market, cementing Deutsche Börse Group's positioning as a full service provider for the securities industry.

Deutsche Börse AG charged write-downs totalling €10.0 million on the interests in DB IT Holding GmbH. This move was driven by the decline in sales revenue of entory AG, which once again fell short of expectations, as well as this company's low profitability.

As at 31 December 2003, Deutsche Börse AG sold its interest (51 percent) in Deutsche Börse Computershare GmbH to Computershare Investments (UK) Ltd.

**Results of operations**

Despite a macroeconomic environment marked by continued stagnation and uncertainty about the future, Deutsche Börse AG again succeeded in continuing its growth course in 2003. As Deutsche Börse AG is broadly diversified and because its business model is primary tailored to the turnover of financial products, the Company was able to successfully repeat its track record of growth, boosting sales revenue by 11 percent in 2003 to €731.0 million (2002: €658.9 million). The largest contribution to this growth was made by the Eurex segment, whose sales revenue rose by 24 percent to €402.5 million (2002: €325.9 million). The Xetra segment also improved its sales revenue by 1 percent to €209.9 million (2002: €208.1 million) in spite of the general economic situation.

Costs in 2003 amounted to €577.7 million, down 16 percent on the previous year. This decrease is mainly due to the lower software development costs in 2003, as well as to the drop in expenses for IT and management consulting. The cost/income ratio improved against 2002 from 75 percent to 58 percent.

Earnings before taxes (EBT) were up 89 percent to €426.9 million (2002: €225.4 million). The strong demand for derivatives products, coupled with the slight increase in the number of cash market trades, more than compensated for the weaker development in the Information Services segment, where Deutsche Börse was unable to escape the effects of further consolidation at customers.

Deutsche Börse AG's return on sales rose in 2003 from 20.9 percent to 36.6 percent, while its return on equity shot up to an impressive 13.4 percent (2002: 7.8 percent).



<b>Deutsche Börse AG's key performance figures</b>			
	2003 €m	2002 €m	Change
Sales revenue (€m)	731.0	658.9	11%
EBT (€m)	426.9	225.4	89%
Net profit	267.5	138.2	94%
Shareholders' equity	1,989.1	1,770.8	12%
Employees as at 31 Dec.	509	488	4%

### **Financial condition**

Deutsche Börse AG's noncurrent assets amounted to €2,233.7 million as at 31 December 2003 (31 December 2002: €2,094.3 million). The ratio of equity to net tangible assets therefore also increased to 89 percent in 2003 from 84.6 percent in 2002. This is due to the higher appropriation to retained earnings.

Shareholders' equity at the same date amounted to €1,989.1 million (2002: €1,770.8 million). The equity ratio in 2003 was 73 percent (2002: 80 percent). This decrease is principally attributable to the increase in liabilities to affiliated companies on account of the loan extended.

The commercial paper still outstanding in 2002 in the amount of €288.1 million (31 December 2002) was systematically repaid. Commercial paper was still issued up to mid-2003, all of which matured in 2003. In addition, an affiliated company granted a loan of €497.5 million which was financed by a bond issued by the subsidiary.

Deutsche Börse AG's liquidity ratio developed as follows:

	<u>31 Dec. 2003</u>	<u>31 Dec. 2002</u>
Cash ratio	131.2%	4.8%
Current ratio	64.7%	24.2%

The strong increase in liquidity is due to the higher cash and bank balances of €341.9 million in 2003.

Since 2001, Deutsche Börse AG has regularly commissioned the leading rating agencies Moody's and Standard & Poor's to rate its creditworthiness. Moody's rating for Deutsche Börse AG is Aa1, Standard & Poor's is AA+. The exceptionally good ratings underscore the high financial strength of Deutsche Börse AG.

## **Risk report**

Deutsche Börse AG has established a risk management system for managing and monitoring risks so that developments that jeopardize the continued existence of the Company can be identified at an early stage and suitable countermeasures can be deployed.

### **Risk management: process and organisation**

The integration of Clearstream International into the risk management system was completed in 2003. All risk management processes have been organized on a group-wide basis and adapted to the specific requirements of the legal entities where necessary. The principal focus is on the creation of an early-warning system so that risks can be identified, assessed, monitored and reported in time.

Reports on the development of core competition risk indicators are provided to the Executive Board at regular meetings. Various organizational units in the Group liaise with the bodies involved in the legislative process, and report at an early stage on potential regulatory risks.

The Executive Board is also regularly kept informed in the meetings of the project steering committees about the risks resulting from Deutsche Börse AG's strategic projects.

The central Group Risk Management department measures and evaluates operating risk and reports once a quarter or on an ad-hoc basis to the Risk Management & Compliance Committee (RMCC). The standing members of the RMCC are the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the heads of the Group Risk Management and Legal Affairs departments. This process ensures that the responsible executives are continuously and comprehensively informed about the risk position.

The risks are monitored and evaluated on the basis of a wide range of information available to the Company. Two proven methods are used. The first of these is the risk indicator method for qualitative risk analysis. This captures more than 300 indicators on a regular basis and analyses their critical potential. The second method used is value at risk (VaR), which enables quantitative risk analysis. Any potential adverse effects on the results of operations are simulated in case the risks arise.

The risks inherent in the operating environment and the industry, operating risks, financial and other risks are discussed in the following.

### **Operating environment risks, industry risks**

#### **(a) General risks**

Deutsche Börse AG currently operates systems for 17 cash and derivatives markets, and offers settlement and custody services for nationally and internationally traded equities and

bonds. Its commercial success is thus contingent upon the development of activities on the capital markets. In the Xetra and Eurex segments, sales revenues are directly linked to activity on the capital markets operated, while the sales revenues of the Information Services segment are indirectly linked. Trading and settlement-related revenue in these segments may also decline if liquidity migrates to other financial marketplaces, or if a prolonged bear market results in a sharp downturn in trading.

Market structures and their business environment are also constrained by the regulatory environment, changes in which may adversely affect Deutsche Börse AG's business, financial position or results of operations. Any legal or tax changes may affect the behaviour of participants and thus the Group's financial position and results of operations. This indirect impact prevents Deutsche Börse AG from quantifying the effects of individual scenarios.

**(b) Risk of loss of institutional liquidity**

Deutsche Börse AG's core business involves the operation of highly liquid markets, primarily for the institutional trading of standardized investment instruments. From the perspective of an investor placing trading orders, these trading platforms offer the particular advantage of low transaction costs. The difference between bid and ask prices (the spread), which accounts for the bulk of actual trading costs, is very low because of the high – mostly institutional – liquidity on all the systems. In addition, the price discovery process is also highly transparent for investors in particular: automatic order execution in an open order book, meaning that it is visible to all parties. Because of the crucial unique selling points from the market perspective, the business risk of losing substantial institutional liquidity is very low. These uniques include neutrality, i.e. independence from individual intermediaries, and efficient, transparent price discovery in Deutsche Börse Group's trading systems.

**(c) Product innovation risk**

The launch of new products is always accompanied by the risk that they will be rejected by customers. If this risk were to materialize, it would reduce projected revenues and require the investments made, which may be considerable, to be written down or off. At present, these comprehensive new products include the move into the US derivatives market. To reduce the market risk from these expansion projects, all activities are implemented only after comprehensive consultation and agreement with the market participants, i.e. the subsequent customers.

**Operating risk**

All of Deutsche Börse AG's core products, such as the Eurex derivatives exchange and the Xetra cash market system, are highly computerized. Although the trading and settlement processes are automated as far as possible and come close to the ideal of straight-through processing, manual support is necessary in specific processes. In addition, manual intervention in market and system management is essential in special cases. These cases entail

the risk of errors or omissions. For this reason, availability risk and integrity risk in particular must be analysed.

The materialization of these risks could have direct consequences, such as obligations to pay compensation and revenue shortfalls, as well as indirect consequences, such as the loss of reputation and the resulting loss of customers and their business.

**(a) Availability risk**

Availability risk arises because the systems required for smooth operations must be continuously available. However, this availability may be impaired by hardware failure, operator or security errors, or physical damage to the data centre facilities.

The overall systems availability of Deutsche Börse AG's host systems was again over 99.9 percent in 2003, and thus complied with the high standards specified for security and reliability. During the course of the introduction of the Central Counterparty (CCP) in April 2003, availability and processing problems arose during a single week; thereafter, however, this system achieved an availability of more than 99.9 percent.

Deutsche Börse Systems AG and Clearstream Services S.A., the systems providers of Deutsche Börse Group, protect themselves from availability risk primarily through the redundant design of all systems components.

In addition, Deutsche Börse AG minimizes the risk of penetration of its systems environment through effective IT security measures, such as a special network, firewall and authentication architecture. Deutsche Börse AG invests permanently and heavily to ring-fence its network and systems. For instance, the systems are examined regularly for weak points by specialist external agencies.

**(b) Integrity risk**

The impact of software errors is minimized by comprehensive testing and simulations in the run-up to each release, as well as by constant availability of IT specialists. In addition, manual errors are minimized by the security mechanisms built into the workflows and the prescribed internal controls.

Despite all the efforts made, users suffered interruptions during the above-mentioned introduction of the CCP in 2003 due to processing errors in the settlement processes.

## **Financial risk**

### **(a) Investment and credit risk**

As part of its investing and lending activities, Deutsche Börse AG is exposed to the risk of changes in market rates of interest, and the risk of default or delayed repayment by the counterparties. There are no material exchange rate risks.

Deutsche Börse AG's own funds are primarily invested in euros, US dollars and Swiss francs. These investments are mostly in money market instruments with very high credit ratings (minimum of A- from S&P or A3 from Moody's), and in euro-denominated bonds with a rating of at least AA- (S&P) or Aa3 (Moody's). The money market instruments used are mainly term money deposits with banks that are protected by German deposit insurance funds or third-party bank guarantees, and investments in bonds with a repurchase agreement for the business day following the date of the investment (overnight reverse repos). Deutsche Börse AG manages the existing investment risk by allocating investment funds across a wide variety of counterparties and securities, systematically using market information systems and employing derivative interest rate and foreign currency instruments.

Deutsche Börse AG's liquidity is projected on a monthly basis for the current and the following year. This in turn determines the maturity structure of investments. In the event of a liquidity shortage, term deposit investments may be liquidated against payment of early repayment interest penalties.

### **(b) Borrowing risk**

As part of its borrowing activities, Deutsche Börse AG is exposed to the risk of changes in market rates of interest, the risk that maturing liabilities cannot be funded, and the risk of default of counterparties granting credit facilities. There are no material exchange rate risks.

Sufficient liquidity must be available at all times to meet Deutsche Börse AG's payment obligations.

Deutsche Börse AG has excellent credit ratings. S&P rated Deutsche Börse AG AA+ (2002: AA+) and Moody's Aa1 (2002: Aa1) at the balance sheet date.

Deutsche Börse AG has a commercial paper programme and a medium term note programme (issued by Deutsche Börse AG and Deutsche Börse Finance S.A.) that enable it to raise short- and long-term debt in the amount of several billion euros.

Deutsche Börse AG also has several credit lines that are sufficient to manage its liquidity and protect it against default risk.

## **Other risks**

### **(a) Litigation risks**

Deutsche Börse AG is involved in various legal proceedings as claimant and defendant, and in arbitration proceedings, in Germany arising in the ordinary course of business in its various business areas. While it is not feasible to predict or define the ultimate outcome of all pending or threatened legal proceedings, Deutsche Börse AG does not believe that the outcome of these proceedings will have a material adverse affect on the Group's financial condition or results of operations. The total number of proceedings as well as the amounts in dispute do not entail significant risks.

### **(b) Compliance risk**

The Compliance Unit is functionally responsible for group-wide consulting, training, monitoring and control in the areas of money laundering prevention (including prevention of terrorist financing), insider trading, financial crime, rules of conduct and conflicts of interest. The Compliance Unit's goal is to maintain the integrity of the Group in these defined risk areas and to comply with the legal requirements and audit and reporting duties.

No incidents or violations in these areas were reported in 2003.

## **Outlook for 2004**

### **Employees**

Due to normal fluctuation rates, the number of employees in Deutsche Börse AG is likely to drop slightly in 2004.

### **Investment and financing**

The main focus of capital spending in 2004 will be on expenses for the completion and roll-out of the Eurex US derivatives market and on expanding the services of the existing clearing house to OTC trading. In both cases, costs will be incurred primarily for adapting the system to the legal and regulatory environment, and for marketing and testing the technical systems.

Deutsche Börse AG's high cash flow will allow the investments in systems and new services that are currently planned to be financed internally.

### **Environment for further business growth**

During the first few weeks of the year, trading on the cash market increased sharply as against the fourth quarter of the previous year (average in Q4 2003: 5.8 million Xetra trades, 2.2 million contract notes; January 2004: 6.7 million Xetra trades, 2.9 million contract notes). The derivatives market also started the year on an upward note (average number of contracts on Eurex in Q4 2003: 77.8 million; January 2004: 91.4 million). As in the previous year,

Deutsche Börse AG's economic development initially depends on trading trends in the markets, which are difficult to predict in any detail. However, broadly diversified sources of revenue and a series of linear trends that are stable in the medium term allow certain basic assumptions to be made as to how activities will develop. For example, the shift from OTC business to regulated trading platforms in both the cash and the derivatives markets is continuing steadily in many European markets.

Further growth is expected in the Information Services segment from the sale of data from the new Eurex US exchange, among other things.

#### **Continued earnings growth**

Deutsche Börse AG expects further growth in its profit from ordinary activities in 2004. The very high earnings growth recorded in the previous years will probably slow down on the back of two extensive capital projects. The move into the USA by the Eurex derivatives exchange and the expansion of the services of the clearing house for OTC trading require initial investments that will push down earnings in 2004.

#### **Events after the balance sheet date**

On 30 January 2004, U.S. Futures Exchange L.L.C. ("Eurex US") acquired 100 percent of the shares of Exchange Place Holdings L.P. ("BrokerTec") in a share-for-share exchange. The former BrokerTec shareholders thereby acquired 20 percent of the shares in Eurex US. For accounting purposes, BrokerTec will be consolidated as from 30 January 2004. As at the date of first-time consolidation, BrokerTec had net assets with a fair value of close to zero. Following the acquisition, Eurex Frankfurt AG invested US\$25 million in Eurex US in the form of a capital increase.

On 4 February 2004, the Commodities and Futures Exchange Commission granted Eurex US a license to operate a futures exchange in the United States. Trading on Eurex US commenced on 9 February 2004.

Frankfurt/Main, 25 February 2004

Deutsche Börse Aktiengesellschaft

Dr. Werner G. Seifert

Rudolf Ferscha

Dr. Matthias Ganz

Mathias Hlubek

Dr.-Ing. Michael Kuhn

André Roelants



## **Audit opinion**

We have audited the annual financial statements, together with the bookkeeping system, and the management report of Deutsche Börse AG, Frankfurt am Main, for the business year from January 1, 2003 to December 31, 2003. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. On the whole the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Frankfurt/Main, February 25, 2004

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

(Wohlmannstetter)  
German Public  
Auditor

(Mock)  
German Public  
Auditor



Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft