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Annual Press Conference 2015

Deutsche Börse AG

Dear Ladies and Gentlemen,
dear members of the press,

on behalf of the Executive Board, I welcome you to the annual press briefing of Deutsche Börse AG on financial year 2014.

We have had a successful, yet certainly challenging year.

Our net revenue in 2014 increased significantly compared to the previous year. We achieved considerable results, and the figures speak for themselves. We took on new providers for market data and custody services which ideally complement our product and service range. We increased the number of our offices worldwide. We strengthened our position in new key areas with strong innovation. And last but not least, we continued to increase our efficiency and internationalise the company. Drawing on this, we will suggest to the Supervisory Board to maintain a stable dividend at the rate of €2.10 per share.

2014 was also a challenging year. For example, global uncertainty about the future of regulation and especially record-low interest rates affected our trading revenue.

We posted a good result not only because of the significant increase in trading volumes in the fourth quarter; we are also now able to reap many benefits of our years and the continued expansion of our product and service offerings.

§ We are now one of the leading European exchange organisations, permanently a part of the elite in our industry worldwide: with our results, we currently place third, and in terms of market capitalisation, we are fourth, worldwide.

- § Also in 2014, Deutsche Börse AG distinguished itself from its competitors on our continent, primarily through organic growth and a significantly diversified product and service range. This is reflected in our market capitalisation, which is now around €13 billion.
- § Ladies and gentlemen, we are well positioned and have been since 2005. Our internationalisation continued with offices in Prague, Tokyo, Singapore, New York, Beijing, Hong Kong and Cork in Ireland. We have evolved from a European to a global exchange organisation. Our workforce has grown from 2,900 in 2005 to currently 4,500 employees worldwide in the course of this expansion.
- § Unfortunately we have not had the tailwind enjoyed by our competitors in the US or in Asia given support by their domestic authorities, for example, in mergers and acquisitions. Drawing on our own efforts, however, we continued to be one of the leading platforms in 2014.
- § Innovative products were once again our strongest growth driver in 2014, as they have been for a number of years. Deutsche Börse AG is now a high-performance innovator. Gregor Pottmeyer will go into this in more detail later. First, let me point out a few other important facts: our new products and services allow us to achieve reasonable growth rates. This applies to both our derivatives markets and our offer to the fund industry in the post-trading business segment as well as for our exchange-traded funds.
- § We have also successfully entered into the commodity business: trading in power and gas products at the European Energy Exchange in Leipzig, in which we have a controlling interest, has grown in the last year by a significant double-digit percentage.

Asia is another focus of our growth activities. We were able to achieve a coup last year, which will not be the only one to come, with the strategic cooperation with Bank of China. And since January, the clearing house that we set up in Singapore now has received “in-principle” regulatory clearance from the financial supervising authority.

Sales in our Asian business segment have already doubled to more than €100 million compared to 2007, and the profit share is expanding. And we have laid the foundation for further growth in Asia.

I would like to take this opportunity to thank our Asia task force for their groundbreaking work. And I am sure: this work will continue to bear fruit in the coming years.

Ladies and gentlemen, I would like to bring this overview to a close for now.

Deutsche Börse AG is in an excellent position. You’ll find out more about this in detail in the next few minutes. Personally, I found it very important to see the integrity of our business practices and that litigation is largely avoided. I would now like to hand over to CFO Gregor Pottmeyer, who will present the detailed figures.

2. Presentation of the operating result and project progress (Gregor Pottmeyer)

Ladies and gentlemen, Deutsche Börse Group employs approximately 4,500 employees. In 2014, our company had net revenue of over €2 billion and a profit before interest and tax of around €1 billion.

We are active in 24 locations worldwide, including 14 in Europe, 4 in North America and 6 in Asia. Last year we added Cork, Ireland, as well as Leipzig and Milan. Our participants and customers are located in almost all parts of the world.

Our traditional core business continues to lie in the operation of the Frankfurt Stock Exchange. But the focus of our activities is now on products, services and infrastructure that go far beyond traditional securities trading. In the global exchange industry, we are still one of the exchange organisations with the most diversified offering. In recent years, we have, in particular, promoted our offerings for risk management in clearing, for liquidity management in the custody business, of market data, as well as trading and clearing technology.

This also made our operating results more independent from economic fluctuations, as demonstrated by last year's results: net revenue amounted to €2,043.0 million, an increase of 7 per cent compared to the previous year. And although we have also increased our investments in growth, our earnings before interest and tax – the adjusted EBIT – rose by 3 per cent to €982.8 million.

About half of this growth is due to acquisition initiatives. For example, the Leipzig-based European Energy Exchange EEX has been fully consolidated since Deutsche Börse took over a controlling interest in the company, which has been the case since the beginning of 2014. A new addition, at the beginning of the year 2014, is the provider of cloud-based market data, Ipendium based in London. And our post-trading business provider, Clearstream, has taken over the hedge fund custody operations from Citco, based in Cork, Ireland, effective from the fourth quarter of 2014; also as a result of this, sales volumes have increased.

Now on to the level and development of net revenue in the individual business areas:

Net revenue of the Eurex derivatives exchange rose by 8 per cent and reached a value of about €803 million. We have achieved growth – in the last months of the year even high double-digit growth – in particular in index derivatives. This made it possible to compensate for the lower revenues in interest rate derivatives, which are due to the continued record-low interest rates by the central banks.

In our cash market, Xetra, net revenue increased again by 7 per cent to €162 million, mainly due to the rapid development in the last few months of the year. In addition, we recorded IPOs of technology companies on the primary market for the first time.

Clearstream, one of the largest providers of securities settlement and custody services worldwide, continued its very positive development. Its net revenue went up by 7 per cent to €698 million, and the custody volumes increased as at December 2014 by 5 per cent to €12.5 trillion. Due to the record-low interest rates, net interest income reached only €33 million, 9 per cent less than in the previous year.

Market Data + Services has had a new organisational structure since the second quarter. The new subsegments are called Information, Index, Tools and Market Solutions. Overall, net revenue rose pro forma by 6 per cent to €381 million. This segment benefited from increased demand for information products with a high level of analytics and the granting of index licences for exchange-traded funds and software services.

Given the difficult macroeconomic environment of the past year, we can be very satisfied with our results. For instance, the European Central Bank has again tightened its policies of record-low interest rates by introducing negative interest rates. In addition, the uncertainty about the future of capital market regulation continues. The discussion of a financial transaction tax continues to come up again and again. The implementation of binding norms for clearing derivatives traded off-exchange according to the European Market Infrastructure Regulation EMIR was further delayed last year.

The capital markets union planned by Commission President Jean-Claude Juncker should improve the conditions for raising capital in Europe. This will be the next step to further deepen the integration of European financial markets. Deutsche Börse supports these efforts.

The importance of regulated markets as safe havens for trading in the face of uncertain expectations about future economic development can be seen in the significant increase in trading activities for Xetra and Eurex since the end of the third quarter of 2014. This positive trend has continued into the first weeks of 2015. For Deutsche Börse, this also means cyclical opportunities for further growth in the medium term.

However, our goal is to make our business results independent of economic fluctuations in our market environment as much as possible. Our product innovations play an important role in this respect. These efforts for continued growth culminated extraordinary success stories in 2014. I would like to mention four examples.

First: In the Eurex segment, the number of transactions in innovative products has increased by 39 per cent. These products include our derivatives on Italian and French government bonds – BTP and OAT –, in dividends and in volatility and in the Korean KOSPI benchmark index.

Second: Trading in power and gas products on the European Energy Exchange (EEX), which also belongs to Eurex, increased by 44 per cent in 2014.

Third: Clearstream recorded a growth of 24 per cent in post-trading business activities for the fund industry.

And fourth: Invested assets in exchange-traded funds on the pan-European STOXX indices have grown by 28 per cent. This benefits not only trading activities but also the market data business.

These examples show that thanks to the broad diversification of its product portfolio, Deutsche Börse is well equipped to withstand even difficult economic periods. Particularly in post-trading business activities, our revenues stabilised at Group level. The fact that this model is now being copied by other exchange organisations that have extended their range of products such as in clearing and in the data area in recent months proves its success. No other large exchange in the world has yet reached the degree of diversification that we have built over the years.

At the same time, we have been developing our new structural growth opportunities for years. In the past year, we have further increased our investments in growth. This year, we are once again planning a slight increase in this area.

Our strategic activities focus on three main points:

- § First: Expansion of the product and service offering
- § Second: Expansion of leadership in data and technology
- § Third: Geographic expansion and acquisition of new customer groups

We have once again achieved progress in each of these areas in 2014.

In anticipation of the implementation of EMIR, we have developed an offering for clearing off-orderbook derivatives: EurexOTC Clear. Last year, this service obtained the necessary licence from the European supervisory authority. We have already won over 40 banks and dozens of institutional investors. In January, we surpassed the €100 billion mark for the nominal value of the cleared interest-rate swap transactions.

Along with the clearing obligations also comes an increase in the demands on collateral. In addition, the demands on the capital requirements of banks have increased as a result of the Basel III requirements that have been implemented in Europe through the Capital Requirements Directive IV. This increases the value of collateral and, at the same time, the demand for their efficient management. The new requirements increase the systemic stability of the financial markets. However, they also drive up the costs for market participants. In order to keep the costs for the banks at a reasonable level, without jeopardising collateral, Clearstream has developed a solution to the global collateral management, the Global Liquidity Hub.

So far, Clearstream has secured commitments from the CSDs from Australia, Brazil, Singapore, Spain and South Africa. Together they form the Liquidity Alliance. Through a new shared portal we were able to considerably improve connection of customers in the past year. In addition, more and more banks, such as Citi and Standard Chartered, have been using our services since January this year.

Another major project in the trading area is TARGET2-Securities – in short, T2S –, the project of the European Central Bank for the unification of the European settlement environment. After years of planning, it is set to be implemented in three waves from 2015. A study by the consulting firm Oliver Wyman has shown that T2S with Clearstream as a central provider can bring annual savings of €30 to 70 million per bank.

This creates a high need for conversion for the post-trading service providers in Europe, which is likely to result in consolidation. Clearstream has supported this initiative from the beginning. As a national and international central securities depository, Clearstream will be among those who will benefit from the reform. In particular, we expect to gain new business opportunities in the marketing of our additional services in the custody of securities.

That is all I would like to say about the expansion of our product range. Now on to our second strategic focus: the expansion of our leadership in data and technology. After the successful launch of our new trading technology T7 for our derivatives markets, we have also updated C7, our clearing technology. C7 is more reliable than the existing system and ensures a higher degree of flexibility for the implementation of new products and services.

Likewise, our Prisma system for calculating the collateral for derivatives trading relates to the clearing segment. We introduced a new release for this product in 2014. Prisma helps market participants in the efficient use of their collateral by allowing them a portfolio-based risk management.

For our trading technology, we were able to achieve two successes in international exports: first, we expanded our existing technology partnership with the Indian leading stock exchange Bombay Stock Exchange on the cash market. Second, the African Stock Exchange, based in Mauritius, has chosen our Xetra technology to build a new trading network in the emerging countries in Africa.

In terms of market data, in particular our STOXX index subsidiary has internationalised and further expanded its product range.

I would now like to talk about our third area of growth: our Asia initiative.

As Reto Francioni stated earlier, our most successful projects in Asia are the strategic partnership with Bank of China, and the establishment of a clearing house in Singapore. The expansion of our business relationships with partners in China as the economically strongest country in the region is at the core of our interest. In addition, we have strengthened our activities in Singapore as a basis for our economic activities in East, South and Southeast Asia, because this location offers us the best conditions in terms of technology, legal matter and last but not least also geographically and culturally.

Our cooperation with the Taiwan Futures Exchange TAIEX has also commenced trading in derivatives on the Taiwan share index TAIEX. By the end of 2014, more than 210,000 contracts were traded and settled. The project follows the equally successful cooperation with the Korea Stock Exchange. We now generate monthly volumes of 1.9 million contracts there.

We began additional cooperation last year with the Thailand Stock Exchange, the Philippine Stock Exchange and the Shanghai Stock Exchange. The latter two relate to the market data area. For example, the Shanghai Stock Exchange has accepted responsibility for the distribution, marketing and sale of important information products of Deutsche Börse in mainland China.

In addition to expanding our geographic reach with our focus on Asia, we are also gaining new customers by expanding our offering in new product groups. Since the beginning of this year, the energy exchange EEX has taken over the French Powernext. As a result, they have been able to expand their offerings in particular in the gas contracts, where they already achieved very high growth rates in the past year. This brings EEX one step closer to its goal of becoming Europe's leading energy exchange.

In the last fiscal year, net revenue of Deutsche Börse Group amounted to €2,043 million, in the upper half of the forecast range of €1.9 to 2.1 billion. Operational costs, adjusted for special items, developed according to plan and amounted to €1,069 million.

For 2015, we expect our net revenue to improve further to around €2.1 to 2.3 billion based on structural growth and an improved cyclic environment in some business areas. While the expected continuation of the policy of record-low interest rates will continue to negatively impact our business, we expect improved development in equity index derivatives due to a recovery in the equity markets in 2015. In addition, we expect a continuous increase in the contribution of our various growth initiatives.

In addition, we expect operating costs excluding exceptional items of around €1,180 million. The increase compared to 2014 will depend significantly on consolidation effects, as indicated by the French energy market Powernext. In addition, we expect currency effects that do not affect revenues, and we will slightly increase investments. Depending on net revenue, this would still result in a slight to marked increase in EBIT.

With the development of 2014 and our plans for the current financial year, we are on track to achieve our medium-term target of about €2.3 to 2.7 billion in net revenue in 2017, which from now would mean an average growth in revenue of about 5 to 10 per cent per year.

As part of its capital management, Deutsche Börse Group pursues a dividend payout ratio of 40 to 60 per cent of consolidated net income. In combination with an attractive return for our shareholders, we conduct a conservative policy, also with the objective of maintaining the high credit rating that is important for our customers.

Accordingly, the rating agency Standard & Poor's confirmed its "AA" credit rating for Deutsche Börse in August 2014, and the forecast looks even better. Likewise, Fitch Ratings affirmed the "AA" rating of Clearstream Banking in October last year with a stable outlook.

For fiscal 2014, the Executive Board of Deutsche Börse AG proposes a stable dividend of €2.10 per share. This still requires the formal approval of the Supervisory Board of Deutsche Börse AG, which has already expressed its support, and the shareholders of Deutsche Börse AG at the Annual General Meeting on 13 May 2015.

Thank you.

Ladies and gentlemen, this concludes our overview of the business activities of Deutsche Börse. In particular, my colleagues are now available for your questions.
