DEUTSCHE BÖRSE GROUP

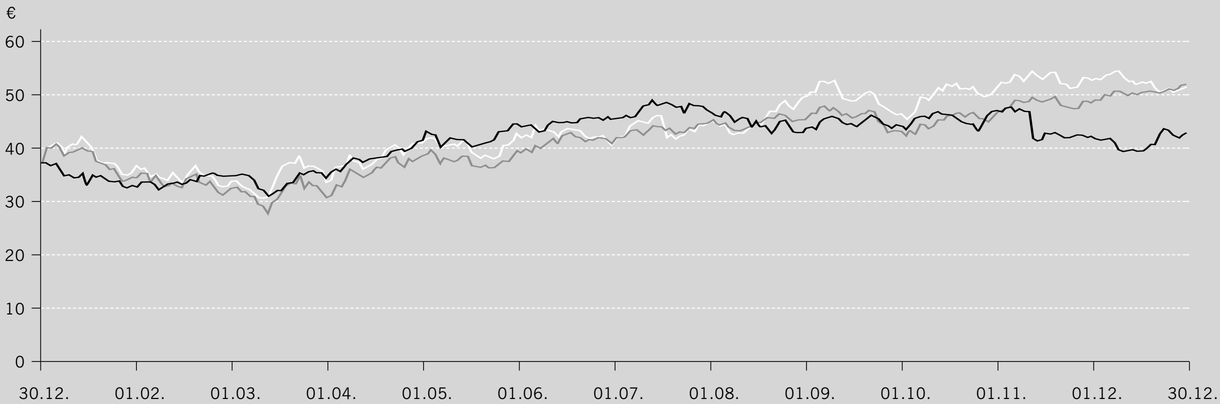
Competition
Annual Report 2003

Deutsche Börse Group: Financial Highlights

			2003	2002	Change in %
Consolidated income statement					
Sales revenue		€m	1,419.4	1,106.5	28
Net interest income from banking business		€m	94.4	64.4	47
Earnings before interest, taxes and goodwill amortization and write-downs (EBITA)		€m	527.8	419.9	26
Earnings before interest and taxes (EBIT)		€m	452.6	351.2	29
Net profit for the period		€m	246.3	235.1	5
Dividend (proposal for 2003)		€m	61.5	49.2	25
Consolidated cash flow statement					
Cash flows from operating activities		€m	530.6	466.2	14
Cash flows from investing activities		€m	–412,4	–1,734.1	–76
Consolidated balance sheet (as at 31 December)					
Total noncurrent assets excl. miscellaneous and deferred tax assets		€m	2,350.2	2,656.4	–12
Shareholders' equity		€m	2,341.0	2,152.2	9
Technical closing date liabilities		€m	4,801.0	3,475.1	38
Total assets		€m	8,288.9	6,544.2	27
Performance indicators					
Earnings per share		€	2.20	2.18	1
Dividend per share		€	0.55	0.44	25
Operating cash flow per share		€	4.75	4.33	10
Employees (average annual FTEs)			3,049	2,302	32
Sales revenue per employee		€ thousands	466	481	–3
EBIT (excluding share of results of associates) / sales revenue		%	31.9	28.6	12
Return on equity		%	10.9	12.7	–14
Equity ratio (as at 31 December)		%	67.1	70.1	–4
Market indicators					
Xetra					
Number of transactions		thousands	71,368	60,001	19
Order book turnover		€m	833,074	876,179	–5
Participants (as at 31 December)			308	359	–14
Floor trading					
Number of transactions		thousands	70,143	86,653	–19
Order book turnover		€m	131,632	157,760	–17
Eurex					
Number of contracts		thousands	1,014,932	801,201	27
Participants (as at 31 December)			406	424	–4
Clearstream					
Number of transactions	national	m	45.3	67.0	–32
	international	m	16.5	15.2	9
Securities deposits (as at 31 December)	national	€bn	4,376	4,118	6
	international	€bn	2,959	2,737	8
Deutsche Börse share price					
Opening price[1] (as at 1 January)		€	38.16	43.21	–12
High		€	49.00	51.50	
Low		€	32.08	32.40	
Closing price (as at 30 December)		€	43.35	38.16	14

[1] Closing price on preceding trading day

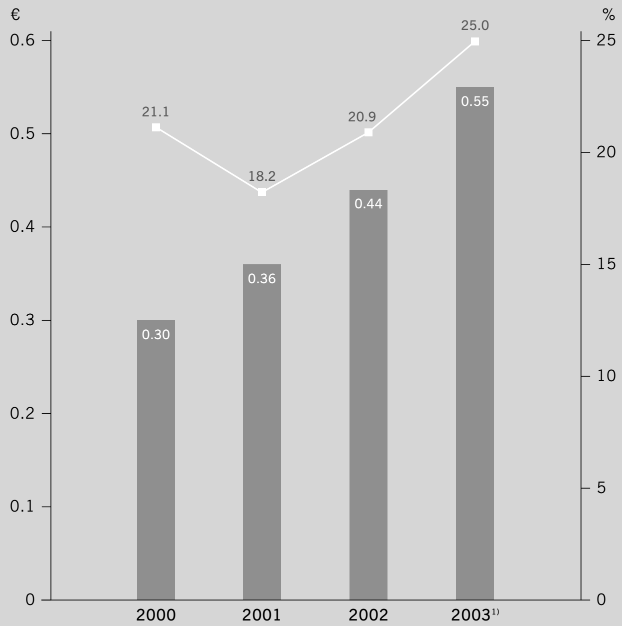
Development of Deutsche Börse AG's Share Price
from 30 Dec. 2002 to 30 Dec. 2003



Daily closing price of Deutsche Börse AG shares
DAX[1]
Dow Jones STOXX 600 Technology Index (EUR) (Return)[1]

[1] Indexed to the closing price on 30 December 2002

Dividend per Share and Payout Ratio
in the years 2000 – 2003



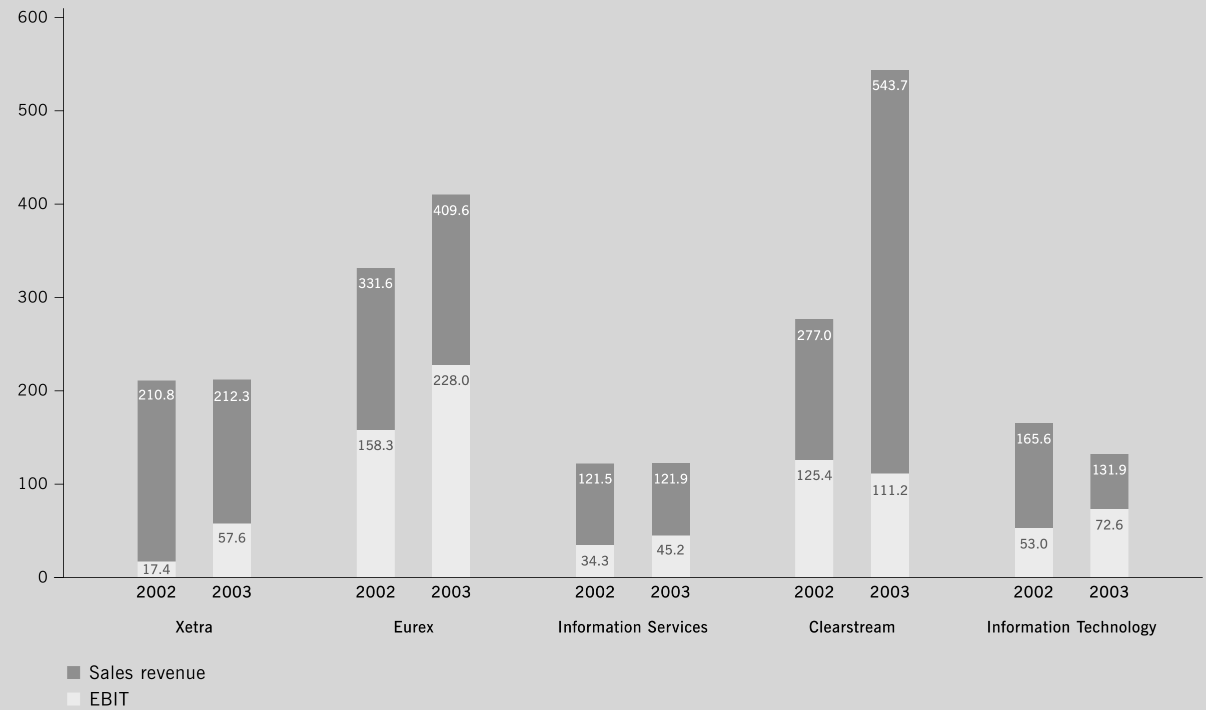
Dividend per share
Payout ratio

[1] Proposal to the Annual General Meeting 2004

Highlights by Quarter
in €m

	Q1 2003	Q1 2002	Q2 2003	Q2 2002	Q3 2003	Q3 2002	Q4 2003	Q4 2002	FY 2003	FY 2002
Sales revenue	350.5	204.9	351.9	205.3	362.9	355.7	354.1	340.6	1,419.4	1,106.5
Net interest income from banking business	26.7	–	23.8	–	22.3	32.6	21.6	31.8	94.4	64.4
Earnings before interest, taxes and goodwill amortization and write-downs (EBITA)	142.1	88.4	131.3	81.2	135.1	136.7	119.3	113.6	527.8	419.9
Earnings before interest and taxes (EBIT)	126.1	87.4	115.3	80.0	109.1	87.9	102.1	95.9	452.6	351.2
Profit before tax from ordinary activities (EBT)	126.8	95.0	112.8	89.4	107.7	92.2	100.8	97.8	448.1	374.4
Net profit for the period	69.8	64.6	71.1	59.7	54.6	38.5	50.8	72.3	246.3	235.1

Sales Revenue and EBIT by Segment
in €m



Content

Dear Shareholders,

Your company, Deutsche Börse, finished the 2003 financial year in good shape. The Group lifted its operating sales revenue by 28 percent and earnings before interest and taxes (EBIT) by 29 percent. Deutsche Börse achieved its goals, generating sales revenue including net interest income from banking business of €1.5 billion and EBIT of €453 million. The Supervisory and Executive Boards will propose to the Annual General Meeting on 19 May 2004 that the dividend per share be increased by 25 percent to €0.55.

The capital markets appreciate Deutsche Börse's business model: the share price increased by 14 percent to €43.35 in 2003 and continued to improve in the opening weeks of this year. From the company's IPO in February 2001 until the end of 2003, its shares outperformed the DAX by 70 percent. Please refer to the section entitled "Lead or Leave: Deutsche Börse in International Competition" beginning on page 14 to find out how the Group is positioning itself strategically.

Deutsche Börse's success is due to the expertise, dedication and determination of all its employees. On behalf of both myself and my colleagues on the Executive Board, I would like to thank them for their commitment. They will remain the driving force behind the company's dynamic development in the future.

A good ten years after it was reorganized as an Aktiengesellschaft (public limited company) and three years after its initial listing, Deutsche Börse is progressing well. The Group – as well as you, dear shareholders – can therefore remain firmly upbeat about the future.

With kind regards,

Werner G. Seifert
Chief Executive Officer

Deutsche Börse AG Shares

- **Deutsche Börse AG established on international capital markets as an issuer of its own shares and bonds**
- **Earnings per share up to €2.20**
- **Dividend increase of 25 percent proposed**
- **Deutsche Börse AG continues to receive excellent ratings from agencies**
- **Price of Deutsche Börse shares up from €38.16 as at 30 December 2002 to €43.35 as at 30 December 2003**
- **Shares hit high for the year of €49.00 on 14 July 2003 and low for the year of €32.08 on 12 March 2003 (Xetra closing prices)**

Deutsche Börse AG shares – Key data

	2003	2002
Earnings per share (€)	2.20	2.18
Dividend per share (€)	0.55[1]	0.44
High/Low price (€)	49.00/32.08	51.50/32.40
Cashflow per share (€)	4.75	4.33
Number of shares as at 31 December	111,802,880	111,802,880
Market capitalization as at 31 December (€ billions)	4.9	4.3

[1] Proposal for 2003

The performance of Deutsche Börse shares in 2003 is outlined on the inside front cover of this report.

Deutsche Börse AG opens up the international capital markets for its customers. This strategic focus puts the company in competition with marketplace operators in London, Paris, Chicago and New York. Since its stock exchange listing, Deutsche Börse has entered another competitive environment: the competition of issuers for investors' funds on the capital markets.

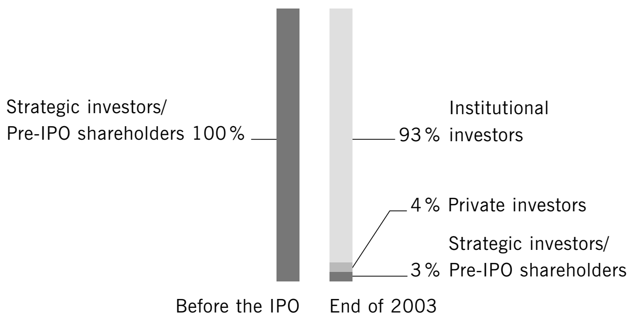
On 5 February 2001, Deutsche Börse AG itself went public – the first major international marketplace operator to do so. In the meantime, two European exchanges, Euronext and London Stock Exchange (LSE), along with the Chicago Mercantile Exchange (CME) in the USA, were also listed. In the three years since its initial listing, Deutsche Börse AG's shares have become established on the international capital markets. Less than two years after Deutsche Börse's IPO, in December 2002, the shares were included in the DAX®, the top German index. Membership of this blue-chip index has enhanced Deutsche Börse AG's profile on the international capital markets and reinforced its competitive position.

The company's shareholder structure became even more international in the year after it was included in the DAX; its main shareholders are now major global pension and investment funds. The holdings of the pre-IPO shareholders (banks and brokers), who were customers of FWB® Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange) or had a strategic interest in the company (i.e. who were not principally interested in value growth), have declined to less than 3 percent. After the sale of the last large "strategic" block of shares, all of Deutsche Börse's shares are now in free float. Admission to the DAX and the highly diversified shareholder structure have had a positive effect on the liquidity of Deutsche Börse's shares: average daily Xetra® turnover rose year-on-year in 2003 from around 240,000 shares to over 670,000 shares.

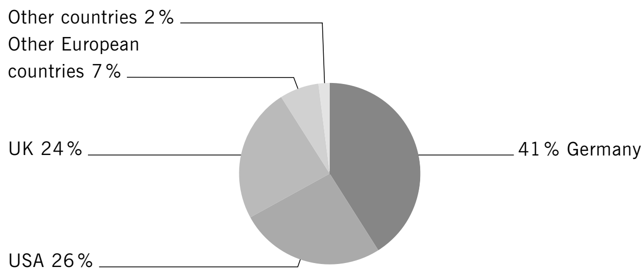
Focused Investor Relations Foster Investor Interest

Deutsche Börse AG's investor relations activities have consistently been aimed at institutional investors with a medium- to long-term investment horizon. Transparency plus a rapid and continual flow of information have ensured the company's success in building a solid trust-based relationship with its investors. This success is also documented by the prize awarded to the company by Thompson Financials for the best investor relations work in the "Specialty and Other Finance" category of its renowned "Extel Survey". Additional proof of the success of the company's investor relations activities is the fact that the number of analysts covering the company, an important measure for the capital market, has increased further. In the past year, 32 analysts (previous year: 28), including representatives of nearly all major brokerage firms, regularly tracked Deutsche Börse AG's share performance and issued commentaries and reports.

Majority of Deutsche Börse shares held by institutional investors



International investors strongly represented

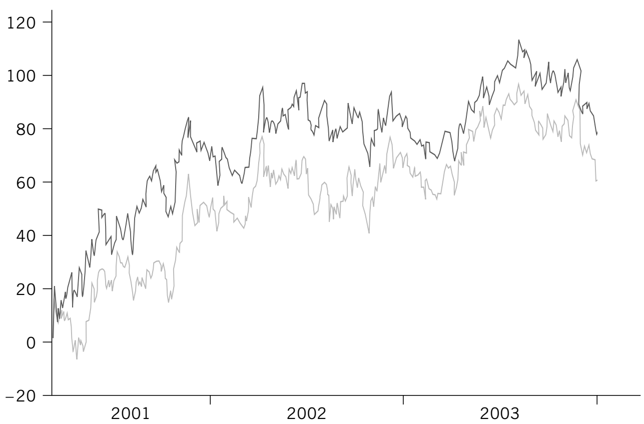


The capital market values Deutsche Börse AG's business model. At its highest point, the company's market capitalization rose to €5.5 billion in 2003 (when the share price reached €49.00, its highest price for the year) – a figure significantly higher than that of the company's listed competitors. Deutsche Börse AG is among the 20 largest companies in the DAX in terms of market capitalization. The interest of shareholders in their company was also confirmed by the Annual General Meeting on 14 May 2003: approximately 529 shareholders (representing 44.63 percent of the share capital) attended. International institutional investors in particular exercised their voting rights.

Analyst coverage (December 2003)

- Bankgesellschaft Berlin
- Bankhaus Metzler
- Bayerische Landesbank
- Bear Stearns
- Berenberg Bank
- BNP Paribas
- CAI Cheuvreux
- Commerzbank Securities
- Deutsche Bank
- Dresdner Bank
- DZ Bank
- Goldman Sachs
- Helaba Trust
- HSBC Trinkaus
- Independent Research
- ING BHF-Bank
- JPMorgan
- Landesbank Baden-Württemberg
- Landesbank Rheinland-Pfalz
- Lehman Brothers
- Merck Finck & Co
- Merrill Lynch
- MM Warburg
- Morgan Stanley
- Norddeutsche Landesbank
- Sal. Oppenheim
- Smith Barney
- Société Générale
- UBS Warburg
- Vereins- und Westbank
- WestLB Panmure
- WGZ-Bank

Deutsche Börse shares outperform reference indices



— Deutsche Börse shares vs. Dow Jones STOXX 600 Technology index (EUR) (Return): +88 %
— Deutsche Börse shares vs. DAX: +70 %

Investing in Deutsche Börse shares pays off
Development of a model portfolio, investment amount €10.000

Investment horizon	3 years[1]	1 year
Portfolio value (€)[2]	14,902	14,337
Average annual return Deutsche Börse shares (%)	14	43
Average annual DAX return (%)	–15	76

[1] Purchase of the shares at the offering price of €33,50
[2] As at 5 February 2004, supposing all dividends were reinvested in shares

Corporate Bond Oversubscribed Threefold

In 2003, the company's high profile and broad investor confidence offered excellent access to the capital market, and hence attractive financing options. In May, Deutsche Börse AG issued its first corporate bond, which was oversubscribed threefold. The volume of the five-year bond is €500 million. The issue was placed with around 200 institutional investors. Around 60 percent of the volume went to investors in the UK, Switzerland, France and Italy, while the remaining 40 percent went to German investors. Fund managers and insurance companies subscribed for around 50 percent of the issue. The majority of the funds accruing to Deutsche Börse were used to replace the short-term financing for the acquisition of Clearstream International, which was based on commercial paper, at the end of 2003.

First-Class Ratings Confirmed

The major international rating firms also acknowledged Deutsche Börse AG's business model in the year under review: the Group's long-term ratings from Moody's and Standard & Poor's were confirmed at Aa1 and AA+ respectively. Both agencies consider Deutsche Börse Group to be in an excellent position to further increase its profits on the expanding European capital market in the future.

January February March April May June

2003 – The Year That Was

January

New equity market segmentation
Two new admission segments are providing the equity market with a new structure – the Prime Standard, which has particularly high transparency requirements, and the General Standard. The restructuring of the equity market is based on the new stock exchange rules and regulations of FWB® Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange). In contrast to the Neuer Markt and SMAX segments, which had been organized under private law, the Prime Standard and General Standard are governed by public law.

Annual Reception 2003
Around 800 guests from the worlds of business, politics and the financial community – including the main speaker, Sir David Tweedie, Chairman of the International Accounting Standards Board – accept Deutsche Börse's invitation to attend the Annual Reception.

Move to "entory home" in Ettlingen completed
Just two years after the start of construction, entory AG and its employees move into the new location in Ettlingen. The 7,500 square meter building offers enough space for 350 employees. The architecture of the building exudes transparency, openness and flexibility: Deutsche Börse Group's guiding principles.

March

New index concept
A new index environment reflects share price development on the German equity market. Below the DAX®, Deutsche Börse distinguishes between traditional and technology sectors. The TecDAX® is a new member of the DAX family that comprises the 30 top technology companies.

Central counterparty for equity market successfully implemented
The central counterparty acts as an automatic counterparty for buyers and sellers trading shares via Xetra® and on the floor of the Frankfurt Stock Exchange. This new feature offers market participants a substantial boost in efficiency.

ExchangeReportingSystem (ERS) launched
This new system supports issuers in fulfilling and monitoring their reporting obligations and replaces the previous Corporate Data Online system. Documents such as quarterly reports can be transmitted directly to Deutsche Börse via ERS®.

April

Three years of XTF
Deutsche Börse takes positive stock of the XTF® segment for exchange-traded funds (ETFs) three years after its launch. The segment has developed into the most important trading platform for ETFs in Europe and has contributed substantially to the success of these products across Europe.

May

Annual General Meeting 2003
Shareholders resolve a dividend of €0.44 per share for financial year 2002 – up 22 percent on the previous year. The Annual General Meeting elects new shareholder representatives to the Supervisory Board in line with its regular schedule.

Benchmark bond issued
Deutsche Börse issues a benchmark bond for the first time. The €500 million medium-term corporate bond replaces the short-term financing for the Clearstream acquisition. The issue is oversubscribed threefold and is placed with around 200 institutional investors.

Xpider® Internet search engine delivered to Bundesamt der Finanzen
The product, which was jointly developed by entory and Deutsche Börse Systems, wins out over products by international suppliers in a Europe-wide tender. The Bundesamt der Finanzen (Germany's Federal Finance Office) uses the search engine to monitor Internet-based entrepreneurs for tax purposes.

Eurex: Contract extended another ten years
Deutsche Börse and SWX Swiss Exchange agree to continue operating Eurex, their joint futures and options market, until 2014. The distribution ratio for Eurex's profits is redefined at 85 percent for Deutsche Börse (formerly 80 percent) and 15 percent for SWX (formerly 20 percent). The formal ownership interests held continue to be 50 percent each.

June

New BAMBL lending program
A new Clearstream program lends market participants German federal government securities free of charge from the late afternoon until the early morning. The BAMBL program (Bond Advanced Management for Borrowing and Lending) improves the settlement of cross-border transactions.

Group equity compensation plan set up
50 percent of Deutsche Börse Group's employees participate in the new employee equity compensation plan and subscribe for a total of 146,819 shares.

July

DAX celebrates 15th birthday
The best-known German equity index turns 15 years old. The DAX was calculated and published for the first time on 1 July 1988. The baseline for calculating the index is 30 December 1987, which was assigned a value of 1,000 points. Historical index data has been calculated as far back as 1959.

New standards for trading certificates and warrants
All lead brokers undertake to implement a limit control system and to only settle orders at prices that do not fall below issuer quotes. A mistrade rule stipulates that transactions which are settled at prices not in line with the market must be canceled.

July August September October November December

entory becomes official SWIFT partner
As an “Accredited Solution Provider”, entory is one of only a few German SWIFT partners who are advising financial services providers on the introduction of solutions for straight-through processing.

New Deutsche Börse website
Deutsche Börse’s new website goes online with an updated design, improved navigation and expanded content. The most important improvement is that www.deutsche-boerse.com is now structured by target groups.

August

First Xetra participants from Hungary
Six Hungarian market participants start trading via Xetra for the first time. The Budapest Stock Exchange provides its trading participants with the required technical infrastructure and network.

September

Private investors benefit from Smart Trading
Private investors can now trade in certificates and warrants from 14 issuers on the Frankfurt Stock Exchange via Deutsche Börse Smart Trading. Particularly high standards and minimum quotation volumes guarantee immediate transparent and neutral order execution.

Stock prices to go
Infobolsa transmits financial information directly to BMW vehicles. Drivers of 7-Series BMWs can access current price information for German equities, as well as charts and the current status of international equity indices, in their cars via BMW’s mobile Internet service.

Eurex names start date for US exchange
As of 8 February 2004, the new, fully electronic US exchange is scheduled to offer worldwide access to 21 hours a day of trading and clearing of US dollar- and euro-denominated futures and options on futures.

Official opening of The Square in Luxembourg
The Grand Duke of Luxembourg cuts the ribbon to officially open Clearstream’s new location at a festive ceremony. The building complex brings together colleagues who had previously worked in 13 offices scattered across the entire city. The architectural theme here, as in Neue Börse and entory home, is openness, transparency and flexibility.

October

Eurex gains The Clearing Corporation as a strategic partner
Eurex acquires a 14.3 percent interest in The Clearing Corporation. The US-based clearing organization will handle clearing services for all Eurex US transactions. This partnership is a key step towards launching the new US exchange.

November

Xetra and Eurex trading ends at 5.30 p.m.
Responding to the wishes of many market participants, Deutsche Börse shortens Xetra and Eurex® trading hours: trading via the electronic systems will end at 5.30 p.m. Floor trading in Frankfurt will continue until 8.00 p.m. as before. The equity indices are calculated using Xetra prices until 5.30 p.m.; so-called “late indices” reflect the price development during evening trading after 5.30 p.m.

Segment for Dutch equities expanded
The Xetra Dutch Stars are increased from eight to 25 and now comprise all of the stocks represented in the Dutch AEX equity index – the first complete non-German index to be traded on an ongoing basis via Xetra.

Record participation in 15th German Equity Forum
Around 2,300 entrepreneurs, financial services providers, analysts and investors take part in the fall 2003 German Equity Forum in Frankfurt/Main. For the first time, listed companies use the event to hold analyst conferences on their results for Q3/2003.

Nighttime link launched
Clearstream launches a new securities settlement process in conjunction with Deutsche Bundesbank. The process eliminates the risk of a settled transaction being reversed overnight and therefore increases the reliability of the transaction process.

December

Record transaction volume on Eurex
Eurex breaks the one-billion contract mark for the first time. The largest and most successful derivatives exchange in the world reports a volume of 1.015 billion contracts for 2003 – around 27 percent more than in the record year of 2002.

Lead or Leave: Deutsche Börse in International Competition

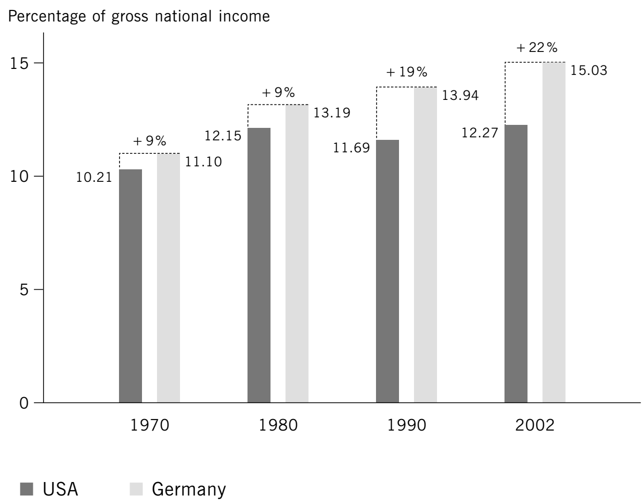
There are few companies that can afford the luxury of focusing purely on their traditional markets, of growing with them and using them to increase their productivity. And, as far as the capital markets are concerned, entire economies must now pin their hopes on international competition. For Europe, this means completing the integration of the capital markets to prevent the gap versus the USA from widening still further. Exchanges, clearing houses and settlement organizations can no longer operate with a purely national focus in capital markets that are becoming rapidly global. For Deutsche Börse, this means rigorously facing up to global competition; it means growing with its customers across all national borders, and globalizing its products and services. The strategic imperative is: "lead or leave".

Global Competition – Europe Must Catch Up

Europe has to struggle with substantial handicaps in the labor, product and capital markets compared with the most developed national economy, the USA. Only one of these deficits can be overcome in the foreseeable future: the efficiency of the European capital market as a whole and the capital productivity of the European economies in particular could be improved relatively swiftly. The lag in capital productivity is striking: the German economy, for example, consumes 22 percent more capital per euro of economic output than the US economy. This inefficiency has been growing for decades (see chart on the right). Today, shareholders earn far less for each euro they invest. If the German economy treated capital as prudently as the US and generated as much value for each euro employed, per capita German net national income would be €740 higher – an increase of some €60 billion overall.

The excessive capital employment is accompanied by massive misallocation in many European countries. Direct and indirect public sector interference lowers the cost of capital artificially and causes a lot of money to flow into old industries; at the same time the return to investors in private business is relatively low. A single European capital market would go a long way towards eliminating this sorry state of affairs. If companies were assigning capital more sparingly, they would lower their cost for investment, depreciation and amortization; at the same time investors would achieve a higher return on the capital they invest. That must be the goal, and to reach it, Europe must integrate the national capital markets rationally and prudently.

Capital consumption in Germany consistently higher than in the USA



Europe and Germany have been working (too) long to achieve this; European summits announce with almost monotonous regularity that the single market for capital, originally promised for 1992, is now really coming. In a nutshell, the European institutions want to concentrate trading on a handful of systems, consolidate clearing and settlement horizontally, possibly even convert the infrastructure operators into utilities, and stipulate price caps for cross-border trading.

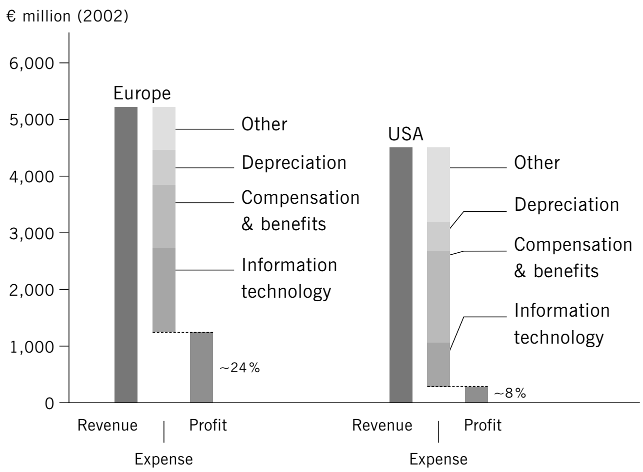
The European capital market: More integrated than you might think

"The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth […] and adventure his wealth in […] new enterprises of any quarter of the world, and share in their prospective fruits and advantages." These were the words used by John Maynard Keynes in 1920, reminiscing nostalgically about the wave of globalization before the First World War. Today's debate on consolidation in Europe seems to conjure up a similar idyll by massively overemphasizing the needs of retail investors yearning for "stock-picking across Europe". The debate misses the point entirely when it focuses on exchanges and settlement organizations, their business models, ownership structures, governance and transaction costs, rather than on the total cost to the investor, market growth and closing the gap to the USA.

But this perspective is almost as obsolete as Keynes' wistfulness. In economic terms, it is not the private investors, but rather the large institutional investors, who set the tone today. It is they who drive the massive flows of capital that balance out currency parities, interest rates and capital costs. And they have long been able to diversify globally, and trade and settle easily across borders. They exploit the fact that the European capital market is already much more integrated than the political debate would suggest. Let us have a look at efficiencies achieved so far: for a typical €50,000 trade, intermediaries pay a mere €3.71 for the infrastructure. What they get for this price is a trading platform with an open order book, clearing and netting, plus delivery versus payment. Compare this with the €40 to €125 that private customers have to pay for the same trade to even the cheapest providers, such as direct banks and savings banks, excluding any external expenses. Comparing the real value added of these intermediaries with that of the exchanges and settlement organizations makes the infrastructure costs of the latter pale into insignificance.

By global standards, the European exchanges and settlement organizations already offer cheaper prices than their celebrated American counterpart, whose market organization favors the large intermediaries to the detriment of investors. An equity market transaction at Deutsche Börse typically costs 10.2 basis points (bp). The same transaction costs 10.8 bp at Euronext and 13.7 bp at the London Stock Exchange, but 15.5 bp at the New York Stock Exchange; the decisive factors in NYSE's lag, though, are not the trading and settlement costs, but rather the liquidity costs. The cash market shows that, thanks to their fully electronic market model, European exchanges have a competitive advantage over the Americans, and they will probably extend this lead still further. That is because the Europeans invest twice as much in IT than their American colleagues but only have to cover half as much personnel costs (see chart on the following page). This is probably also due to the different governance models: the US utilities are nowhere near as efficient as the European service providers with their strong business motivation. The gap will widen further if the volumes grow: the European providers are highly automated and can do this at far lower marginal costs than the Americans.

European exchanges invest twice as much in IT



Above and beyond boosting efficiency, exchanges and settlement organizations have further integrated the capital markets through product innovation, netting and consolidation. The wide variety of products traded on the European equity markets has been systematically harmonized through the use of derivatives that do not rely on settlement after the close of trading: the volume of equity trading on the German exchanges was around €740 billion in 2003, but with its DAX options, DAX futures and DAX single equity options, turnover on Eurex was more than four times as much. And at around €4,500 billion, the trading volume of international Dow Jones EURO STOXX 50℠ options, futures and single equity options was more than double the volume of all the domestic cash markets in Europe. The turnover volume of exchange-traded funds (ETFs), warrants and index certificates is also now equal to 5 percent of the equity market volumes.

All of these instruments offer index tracking, diversification, liquidity and low transaction costs. If you buy the EURO STOXX 50 underlyings for €500,000, the buy/sell spread will be around 20 bp. But buying the most liquid corresponding ETF on Xetra instead would cut the spread to 7 bp. So it is no wonder that, with a market share of around 60 percent, Deutsche Börse is the European leader in ETFs. And if, in turn, you trade the corresponding Eurex products, the spread will drop to 3.6 bp. This means that substitution by derivative products cuts the costs to around one fifth of cash market trading in the relevant home countries.

Exchanges and settlement organizations have also, incidentally, made the market more efficient with the new netting service. Deutsche Börse's clearing house for equity markets eliminates counterparty risk; with a netting efficiency of over 95 percent, it has cannibalized its own securities settlement system at Clearstream in the process. What is more important for the market than this cost-cutting is that netting reduces the spread between supply and demand by 27 percent, cutting the cost to market participants by a further €240 million each year. Moreover, 80 percent of all European volumes are already concentrated on four providers following just a handful of acquisitions. Again, this is something that rarely figures in the public debate. This consolidation will continue if a "corporate control" market for exchanges and settlement organizations emerges that is not hindered by outdated national interests. To sum up, the European capital market is already much more efficient, more consolidated and more professionalized than many people claim or admit.

The required approach: Market economy

You can consolidate entire industries with a heavy political rod. The British auto industry used to be the most successful in Europe. Every car lover can passionately recall the roadsters and limousines that were manufactured in Britain into the sixties. Morris and Austin-Healey, Rover, Jaguar and Vanden Plas – a total of 18 proud marques and famous manufacturers. But government pressure forced them all into British Leyland. What a breakthrough – just think of the cost savings in development, the consolidation of the dealer network, simpler procurement of components and spare parts, and the advantages of joint export drives. “Nothing can stop us now” was the boast in bombastic adverts. But this new empire did not rise, it fell. The innovation rate fell to zero, quality deteriorated to the point of desperation, and ultimately almost the entire industry withered away.

If the political institutions in Europe want to avoid making mistakes in the integration of the European capital market, they are going to have to proceed along market economy lines. However, some ideas indicate a command economy approach: they appear to want to unify the capital market infrastructure; they foresee concentrating trading, clearing and settlement each in a single institution, with consequences for ownership structures and governance. As is already the case with cross-border payments, they are toying with the idea of stipulating price caps. But this would reduce efficiency, increase costs, paralyze processes and reduce willingness to invest; subject to such constraints, managers would reject responsibility. Substantial parts of today’s services offering would be internalized by the large intermediaries – with dire consequences for the market structure, because smaller and mid-sized intermediaries would be almost unable to survive: they would be forced to channel their orders through the large intermediaries. This dirigiste “temptation” is a real one, because exchanges and settlement organizations are still “political institutions” that can be instrumentalized for power politics due to their relatively small size.

The alternative, though, is to opt for a sense of perspective and for “Ordnungspolitik”, an economic governance approach. As far as the perspective is concerned: above and beyond European harmonization, it should not be forgotten that Europe is just one part of the global capital market. Secondly, we should not just think about regulated markets, we must also include the OTC market in the overall analysis. And thirdly, we should not just focus on exchanges and settlement organizations but integrate issuers, investors and intermediaries in the solution, too. Building on this, the basis of any economic governance approach should be the harmonization of the capital market macro-environment. Cross-border securities transactions in Europe cause additional costs of around €5 billion each year. 80 percent of these costs are due to the fact that capital market law and tax systems differ substantially in the member states, that there is no European legal form for public limited companies, that the rules for corporate actions vary widely, and that two of the most important European capital markets – the UK and Switzerland – are not yet in the euro zone. Differing capital market cultures in the various countries of the EU drive these costs to the same extent as the language differences. Given the history, tradition and sheer preferences of investors, issuers and intermediaries, the sort of fully integrated capital market that exists in North America is not within reach. Perhaps it does not even make much sense if opportunity costs are factored in. And the question that always arises is whether the rules adopted should be "best of breed" or whether yet another European compromise should be reached. Decent minimum standards for what will continue to be nationally oriented retail markets could themselves achieve a lot. Ultimately, only painstaking, lengthy work can drive forward the harmonization of the overall framework here.

Finally, there is a need for clear rules for fair competition between differing business and governance models: barriers to entry and exit must be lowered for market infrastructure providers, which would also attract competition from outside Europe. In a business that is driven by liquidity, high, and even maximum, market shares must certainly also be accepted. European competition law is suitable for ensuring consumer-friendly competition in this industry, too. Markets learn better than institutions, and the hope remains that European capital market policy will respect both entrepreneurial freedom and competition as a process of discovery.

But even convinced proponents of economic governance should be allowed to stir the flames a bit: just a handful of paradigmatic decisions could force the entire industry of capital market infrastructure providers onto a consistent course of integration. Firstly, only market models should be tolerated that minimize the spreads between supply and demand and that eliminate all time and information privileges for the trading partners. Secondly, securities trade throughput should be harmonized and speeded up significantly in all process stages: overall market efficiency would grow with the speed of turnover. All providers would be forced to fundamentally modify their processes, which in turn would standardize the technology and improve interoperability. Redundant developments would be reduced for cost reasons. Thirdly, strict limits on value at risk should be stipulated for providers of capital market infrastructures to ensure their responsibility and reliability. These – or similar – targets, aimed at achieving a desirable level of output from the capital market structure, would integrate the European capital market more rationally than any dirigiste approach based on input.

There are industries in which Europe has a technology and innovation lead over the USA. That is the case with securities trading. This side of the Atlantic was the first to introduce fully electronic trading and remote membership, the first to bring together derivatives, equities and bonds on a single platform; on the other side of the pond, price discovery is still the province of wildly gesticulating traders in brightly colored jackets. If it were the other way round, you could easily imagine the jokes that would have the Americans doubled up in laughter about our securities markets. Improvements in the integration of the European capital market are certainly important, but they should not be forced through at the cost of destroying innovative strength and business flexibility, profit orientation and creativity.

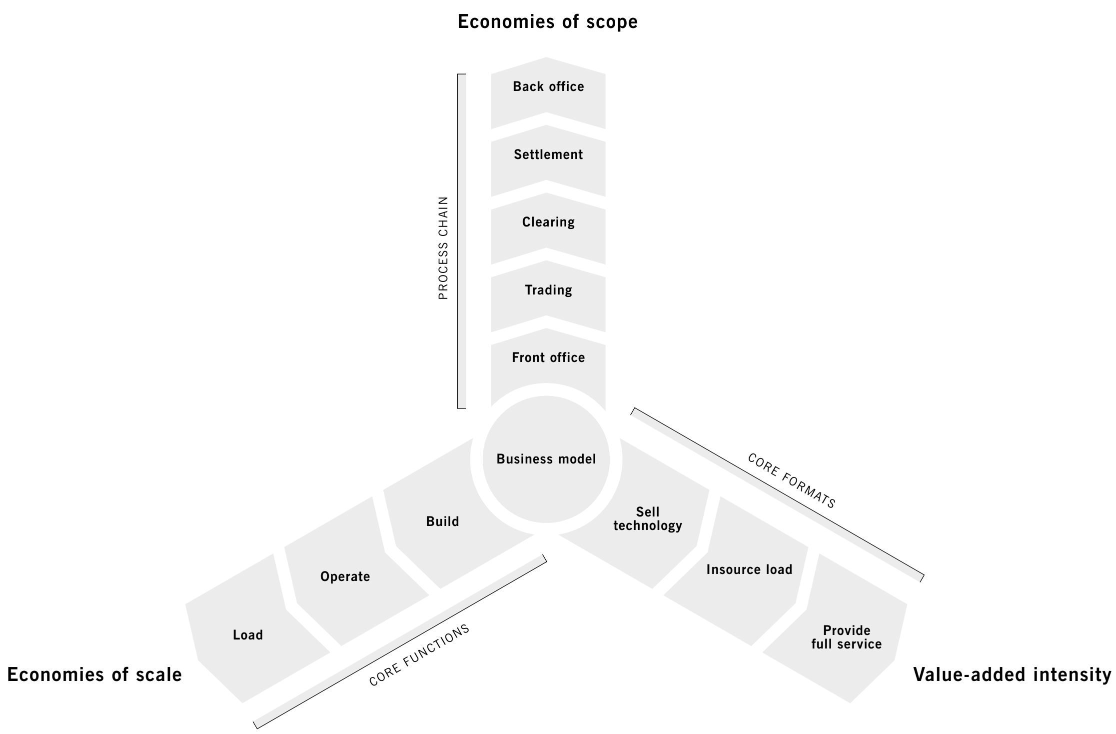
Deutsche Börse – the Superior Business Model

Only a handful of exchanges and settlement organizations are driving change in their industry, with corresponding business success; others have failed to change and have run into difficulties. The business model that Deutsche Börse has developed (see chart below) gives it competitive strengths that are difficult to replicate. The company can and will continue to grow these competitive advantages rapidly and systematically.

Economies of scale

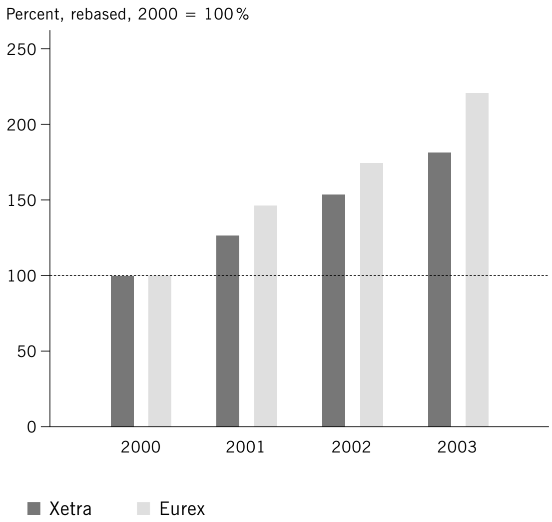
The number of transactions has been growing for years, and this has continuously improved Deutsche Börse Group's cost ratio. Transactions more or less doubled on Xetra® and Eurex® between 2000 and 2003, and this is the primary reason why the ratio of costs – excluding goodwill amortization – to total revenues fell by around twelve points from 80 to 68 percent over the same period (see chart on the right). Going forward, the Group will keep striving to improve economies of scale, to the benefit of both customers and shareholders.

Deutsche Börse Group's business model combines economies of scale with economies of scope at a varying value-added intensity

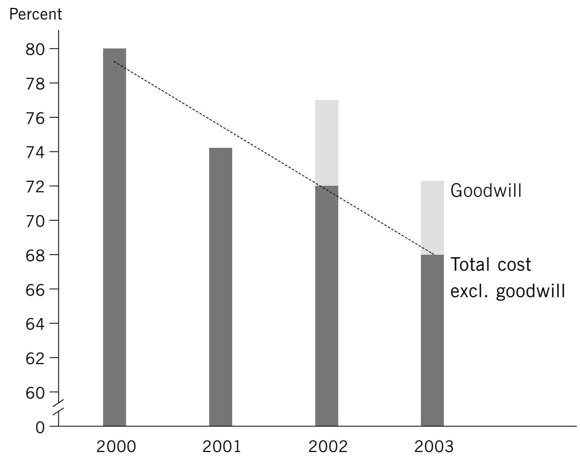


Deutsche Börse leverages scale benefits in existing markets

Number of charged transactions



Cost/income ratio [1]



[1] Cost in percent of total revenues (total revenues = external sales + net interest income + own expenses capitalized + other operating income)

Economies of scope

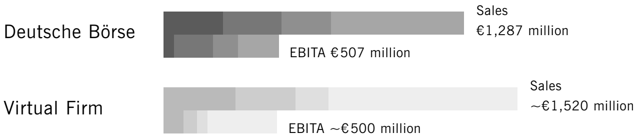
Unlike those of its competitors, Deutsche Börse's business model covers the entire process chain and offers substantial economies of scope. These economies of scope are reflected in greater efficiency and the ability to grow organically. The business model integrates the separate value chains in trading, clearing, settlement and custody, which are all closely interrelated. And our customers gain the benefits: Deutsche Börse Group deploys its resources more efficiently than its strongest, less diversified competitors. This can be illustrated by combining the four competitors of Clearstream, Eurex, Eurex Clearing and the cash market to form a virtual "benchmark competitor", in other words by amalgamating Euroclear, Euronext.Liffe, London Clearing House (LCH) and London Stock Exchange (LSE) to create a yardstick against which Deutsche Börse's vertically integrated business model can be measured.

At around €1.5 billion, the sales revenue generated by this "virtual competitor" in 2003 was slightly higher than Deutsche Börse Group's, which came in at some €1.3 billion (after eliminating external IT sales revenue); but its earnings before interest, taxes

Straight comparison with benchmark competitor highlights Deutsche Börse's advantages[1]

Business lines	Cash trading	Derivatives trading	Clearing house	Custody and settlement
Deutsche Börse	Xetra	Eurex	Eurex Clearing	Clearstream
Virtual Firm	London Stock Exchange (LSE)	Euronext. Liffe	London Clearing House (LCH)	Euroclear

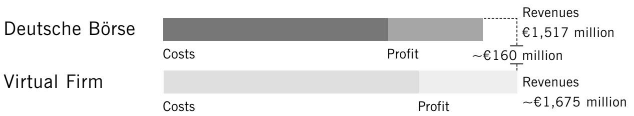
Same profit (external sales and EBITA[2] by business line)



Fewer staff (full-time equivalents)

Higher productivity (external sales per head)

Lower costs (revenues[3], costs & profit)



[1] All Deutsche Börse figures exclude external IT business, Deutsche Börse business lines are adapted to competitors'; calculations for derivatives trading, clearing house and Custody & Settlement are based on fee income, excluding net interest income; Euroclear fee income is gross for comparison with Deutsche Börse figures
[2] EBIT excluding goodwill amortization
[3] Total revenues (external sales excluding IT + net interest income + own expenses capitalized + other operating income)

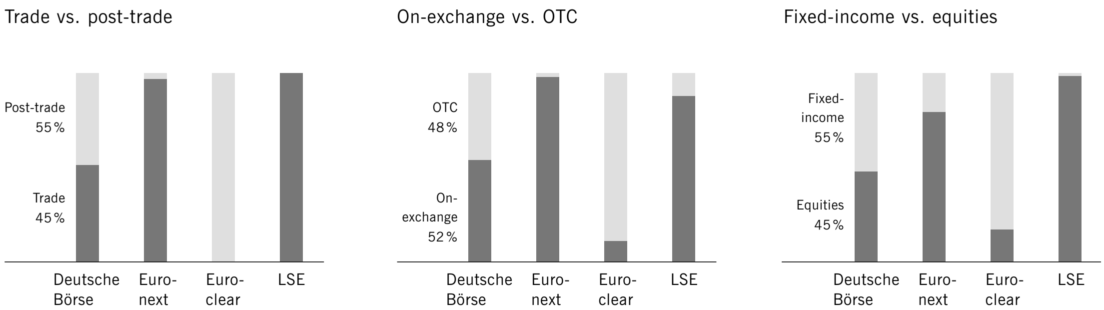
Source: Company reports, analyst reports, broker reports

and goodwill amortization (EBITA) are no higher (see chart on the left, also for reference to the following sentences). With a productivity lead of around one quarter, at €0.5 million sales revenue per employee, Deutsche Börse is considerably more profitable. While the competitors collectively deploy 3,880 staff, Deutsche Börse Group needs only 2,710 employees for the same work. Its cost advantage offers Deutsche Börse Group considerable scope to the tune of around €160 million. This is the amount by which Deutsche Börse is able to offer its services more cheaply than its virtual competitor.

But for Deutsche Börse, economies of scope are reflected in more than just a clear efficiency leadership. At the same time, it has leveraged its process chain to develop a business – and thus a revenue – structure that offers outstanding organic growth and cross-selling opportunities. Deutsche Börse's sales revenue is more or less evenly distributed between trading and post-trading activities, but the very nature of their business means that the largest European competitors – Euronext, Euroclear and the London Stock Exchange – can each only service one side of the equation. In the same way, the split between Deutsche Börse's revenue from fixed-income and equity-based business is as balanced as its on-exchange/OTC mix, while its competitors again have a very one-sided orientation (see chart on the opposite page).

Deutsche Börse's key strategic initiatives in 2003 and the strategic focus in 2004 can only be understood and vindicated if they are seen as part of the company's efforts to round off and perfect its business model, and to strive for additional economies of scale on the one hand and economies of scope on the other.

Uniquely balanced business profile
Breakdown of sales



Source: Company reports 2002

This allows an analytical response to the question of efficiency in the debate about whether horizontal or vertical integration should be the role model for further consolidation of the European exchanges and settlement organizations: it should come as no surprise that the vertical model is superior to the horizontal one.

Capital market fitness as a growth driver

Historically, the exchanges' most important customers were also their owners. Today, though, the most important exchange organizations belong to international institutional investors. Deutsche Börse recognized at an early stage that it could only exploit its growth potential by turning itself into a profit-oriented enterprise that is fit for the capital market and broadening the scope of its ownership structure. It pushed ahead most vigorously with its plans to go public. In contrast to other exchange organizations, which followed Deutsche Börse by going public, Deutsche Börse used its IPO to raise new capital for investment in innovation and growth.

In July 2002, the company used the proceeds from the IPO and a secondary offering to acquire all shares in the settlement company Clearstream, in which it had previously held a 50 percent stake. The corporate bond issued in May 2003 – three times oversubscribed – and the consistently first-class rating demonstrate Deutsche Börse's outstanding ability to access the capital markets, as well as the consistent growth in its enterprise value – after all, it was admitted to the DAX only two years after its IPO. None of its competitors is in a position to finance its growth through the capital markets at comparably attractive terms. This strong position gives Deutsche Börse a wide range of opportunities for continued organic and acquisition-driven growth, and for creating value.

The capital markets appreciate this business model and the resulting growth: Deutsche Börse's share price rose by 14 percent in 2003 to €43.35 and further improved in the first few weeks of 2004. Since their initial listing in February 2001, Deutsche Börse shares outperformed the DAX by 70 percent up to the end of 2003 (see chart on page 9). Deutsche Börse's market capitalization was around €4.9 billion at the end of 2003 – giving it by far the highest valuation of all exchange organizations listed worldwide.

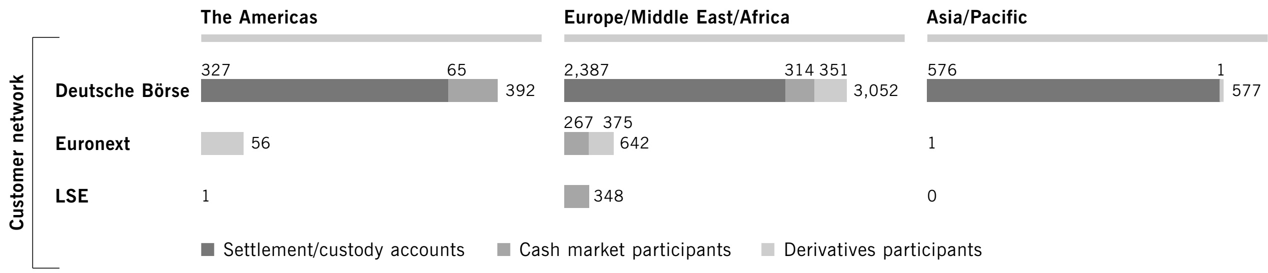
Globalizing the Business Model

This situation explains why Deutsche Börse has been committed to globalization for many years: it believes it never had any real alternative. The economies of scale and scope in Deutsche Börse's business model generate a highly profitable ratio of revenue to fixed costs. What is really unique in this model is the multiple leveraging of fixed costs: Deutsche Börse sees itself as a "transaction engine". It operates beyond all political and geographical boundaries and can use its existing resources to trade and settle anything that can be traded and settled at low variable costs. Deutsche Börse passed and continues to pass on to its shareholders and customers the efficiency gains such as the ones it generated last year from the central counterparty in the cash market and improved interoperability in settlement.

This growth is rooted in the increasingly global structure of its customers in Europe, the USA, the Middle East and Asia/Pacific, in its broad-based product and services portfolio, and in its ability to continue developing new markets (see chart on the right). The Eurex US derivatives exchange launched in February 2004 documents both the expertise and the determination of Deutsche Börse Group to generate growth in non-European markets. Eurex is an excellent example of why Deutsche Börse Group believes there is no conflict between owner and customer interests. On the contrary: Eurex operates the most liquid market and is the exchange with the lowest transaction costs worldwide, coupled with the highest profitability.

Its name may suggest otherwise, but Deutsche Börse Group is represented in many competitive areas the world over today. It offers global access to its trading, clearing and settlement platforms. Only the physical boundary represented by the speed of light restricts the distribution of information; sophisticated mechanisms ensure fair access from anywhere in the world. This means that Deutsche Börse has already satisfied a major precondition for its globalization: its superior technical platforms can be, but do not actually have to be, installed in each country. They can be accessed from any location; the existing capacity is sufficient to take us beyond the foreseeable future.

Deutsche Börse with unrivaled customer reach on a global scale



Office locations

	The Americas	Europe/Middle East/Africa		Asia/Pacific
Deutsche Börse	Chicago New York	London Frankfurt Berlin	Paris Zurich Luxembourg	Dubai Hong Kong
Euronext	Chicago New York	London Frankfurt Paris	Amsterdam Brussels Lisbon	
LSE		London Stockholm		

With its network and software portfolio developed over many years, Deutsche Börse has an asset that is reflected in its balance sheet only to a very small extent, thanks to rapid amortization cycles. Deutsche Börse moved into the international competitive arena earlier than any of its competitors. It does not just compete using physical infrastructures but also with its products and services. It has entered OTC markets that are not just substantially larger and faster-growing than the exchange markets, neither do they recognize any national borders. Deutsche Börse Group is one of the prime reasons why the European bond market is organized on a perfectly cross-border basis and operates highly efficiently.

Finally, Clearstream helps Deutsche Börse Group compete at a truly global level; the same applies to trading benchmark interest rate futures.

Despite this global dimension, Deutsche Börse does not ignore its home market, because this gives it much of its competitive strength: the Group is working on concentrating the retail business on its Xetra equity market platform. The Group has just extremely successfully introduced the new German settlement model that was quickly selected by the European Central Bank as the European standard – and a new, globalizable service has emerged.

And finally, Deutsche Börse Group has just taken over part of the systems services for dwpbank, the securities settlement organization for German cooperative and savings banks, further demonstrating its competitive strength as an application service provider.

Example 1: Eurex US has begun operating

While regulators, market participants, exchange and settlement organizations are still trying to synchronize the capital market structures in Europe, Deutsche Börse Group has already launched transatlantic integration. Eurex US, a subsidiary of Eurex and 17 American investment banks and clearers, launched electronic trading of futures and options on two-, five- and ten-year Treasury notes and 30-year Treasury bonds on 8 February 2004. Bridging the gap via systems technology, an absolute innovation in the international capital market environment, has come within reach: Eurex US will offer its customers euro- and dollar-denominated products on a single platform – and, further down the line, it will be directly linked to Eurex in Europe via common clearing access. For the first time, this will give market participants access to the most liquid interest rate futures in the world via a single network. They will be able to significantly increase their efficiency through improved utilization of the capital employed for margining, position netting and infrastructure savings.

The strategic decision had already been taken at the end of the 1990s: despite the fact that the potential of the European market had not been fully exhausted, Eurex had plans to expand its business to the American market, as market studies had identified a high revenue potential. Entry initially took the form of an alliance. Together with the Chicago Board of Trade (CBOT), Eurex wanted to offer new products to US customers and successively extend this offering to other international markets. The partners were a good fit: CBOT contributed its leading position in the US market for capital market derivatives and Eurex a level of technical expertise unknown in the USA to the “a/c/e” (Alliance/CBOT/Eurex) project implemented in August 2000. The electronic trading platform grew its market share for fixed-income products to more than 80 percent within just two years, rapidly excelling the local floor trading system still in use in Chicago. However, when it emerged that CBOT wanted to restrict the partnership to cooperation on mere systems services from Eurex, without jeopardizing the status of its own open outcry market, Eurex negotiated early termination of the joint venture agreements. A pure-play IT systems contract would have been insufficiently lucrative compared with the revenue potential of the dollar market.

This gave Eurex an opportunity to start building its own derivatives exchange in the USA, although this would not happen without active partnerships, of course. Eurex was able to retain the complete a/c/e trading infrastructure, but it also had to find a solution for clearing access. And the regulatory requirements for licensing an exchange in the USA had to be met. Engineers from Deutsche Börse Systems modified the a/c/e platform already in use at US participants; in addition, an agreement with Trading Technologies, the leading trading software provider in the USA, improved the connection of customers. The acquisition of the BrokerTec Futures L.L.C.

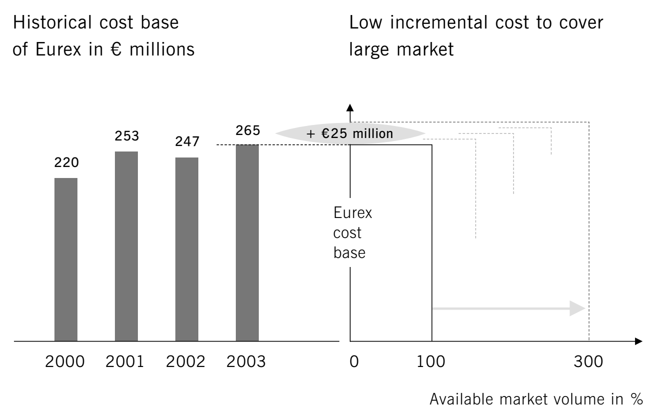
trading platform brought Eurex the support of 17 leading financial institutions. Another breakthrough was achieved on the clearing side: Eurex was able to win The Clearing Corporation (CCorp, formerly Board of Trade Clearing Corporation), which had previously functioned as the CBOT clearing house, as a partner for Eurex US. Eurex US also engaged the National Futures Association (NFA), a prominent US organization, to provide trading surveillance.

The regulatory hurdles were more difficult to overcome. Eurex US filed its application for approval as a US exchange trading futures and options in September 2003. The review by the Commodity Futures Trading Commission (CFTC) was accompanied by massive public opposition from the American competitors. But Eurex's move to introduce competition to the market also found support in the USA, for example from Fed chairman Alan Greenspan or associations of US market participants, such as the Futures Industry Association (FIA), which publicly supported Eurex US's application. Eurex also positioned itself successfully in a public hearing before Congress. The regulator finally approved the application in early February 2004.

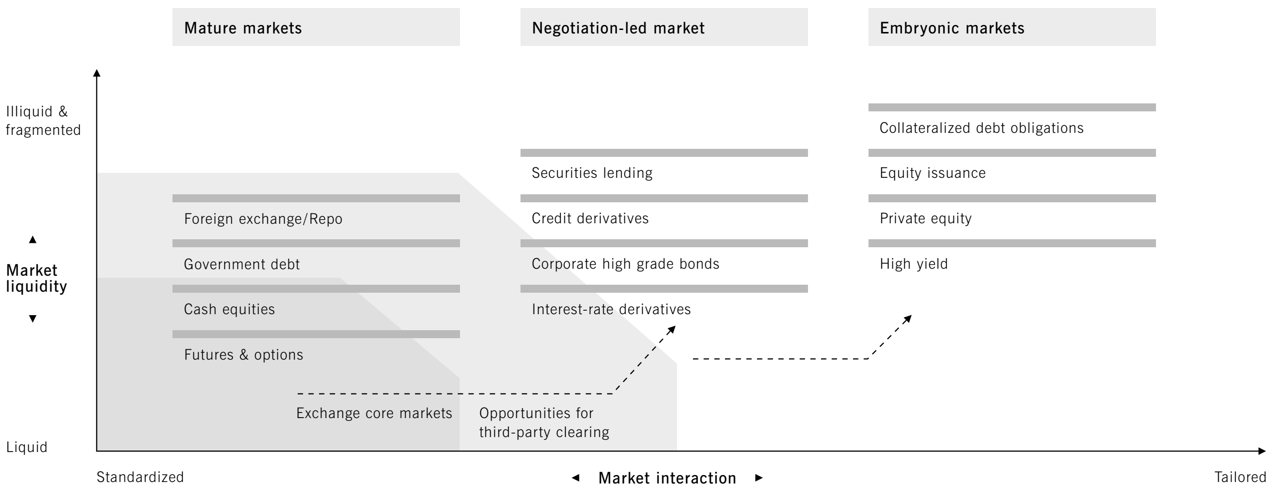
So how will Eurex US support the development of Deutsche Börse Group? The new company allows the Group to grow in a previously untouched region, on the world's most important capital market. The new exchange – with an American management team and mostly American directors – offers customers in the USA the best terms available on the market today: a fair market model, equal access for all participants, plus trading and clearing at the lowest costs. And all of this in one of the most stable and powerful system infrastructures available worldwide. Eurex US has already generated benefits for the entire US financial community, as its competitors CBOT and the Chicago Mercantile Exchange have now slashed their own transaction prices. For Deutsche Börse Group, Eurex US above all represents the consistent expansion of its product portfolio – and another milestone on the road to becoming a global player.

Deutsche Börse Group's annual operating costs for its move into the US derivatives markets amount to €25 million, only a fraction of the amount anyone would have to spend to develop a completely new "greenfield" site (see chart below). In return for these additional costs of around 10 percent, Eurex can substantially expand its market potential and develop a global liquidity network. And the Information Services segment also stands to gain, because it now offers Eurex US data directly from Chicago.

€25 million annual operational expenses are tripling the available market volume



Deutsche Börse is seeking to leverage existing assets into third-party clearing of adjacent markets



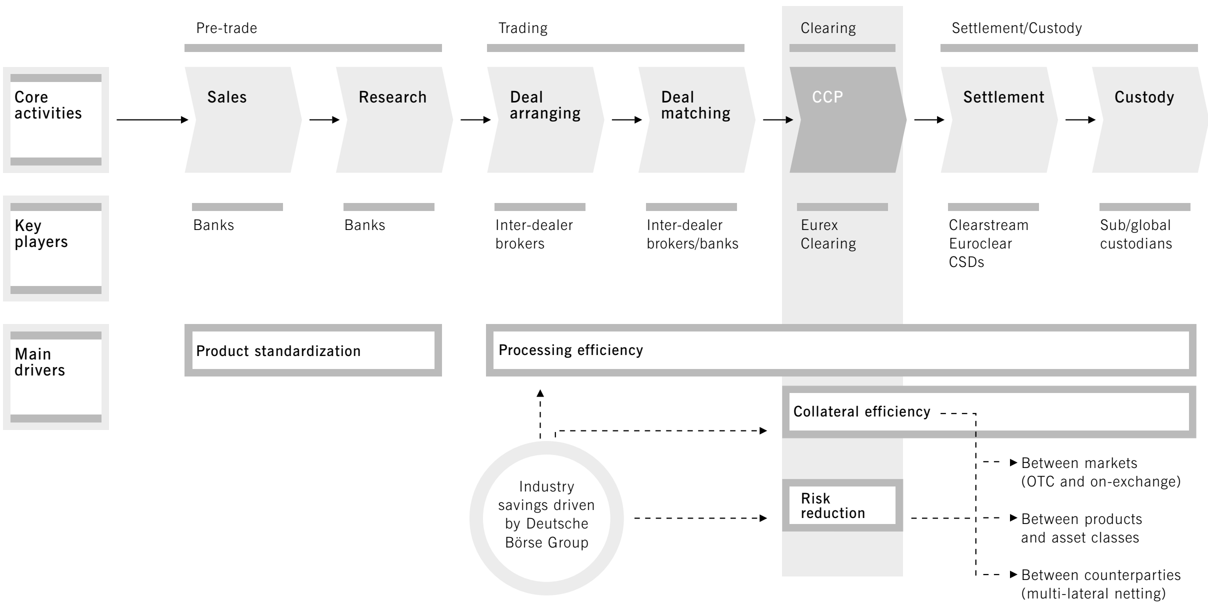
Example 2: Services for OTC fixed-income trading

Deutsche Börse Group also intends bringing its strengths to bear in clearing for third parties in neighboring markets. It wishes to extend its range from the mature, highly liquid markets with standardized interaction, for example exchange-traded cash equities, through negotiation-led markets, for example for credit derivatives, down to emerging markets, for example for equity issuance (see chart above), making a start by moving into the OTC fixed-income business.

The volume of this business is frequently underestimated, and the potential that such a move offers Deutsche Börse Group is huge because the OTC market for fixed-income securities and repos is concentrated on a small number of participants, products and marketplaces. More than three quarters of the trading volume comes from less than a dozen global main player banks; more than two thirds of the products are standardized plain vanillas; and 60 percent of the business is already handled by just a few brokers, the “inter-dealer brokers”. The three largest inter-dealer brokers alone account for a total market share of 35 percent. Despite this, so far only one tenth of the entire business is settled through a central counterparty. Netting and risk management by a central counterparty are important for the banks, particularly with growing capital adequacy requirements, for example under Basel II, the New Basel Capital Accord that will be implemented into national law the world over.

State-of-the-art clearing solution directly addresses OTC market needs

Fixed-income securities trade cycle



The fixed-income securities trading cycle starts with sales and research, and the actual deals are generally arranged and matched with the involvement of inter-dealer brokers, either on the phone or electronically (see chart above). Following these stages, Deutsche Börse Group can then introduce clearing, enhancing processing efficiency, reducing risk and improving the efficiency of the deposited collateral. How? By using Eurex Clearing to build on its central counterparty for the cash and derivatives markets, which it will refine and supplement with OTC trade data. It will do so by using proven end-to-end processes, offering participants the anonymity they often want for large transactions.

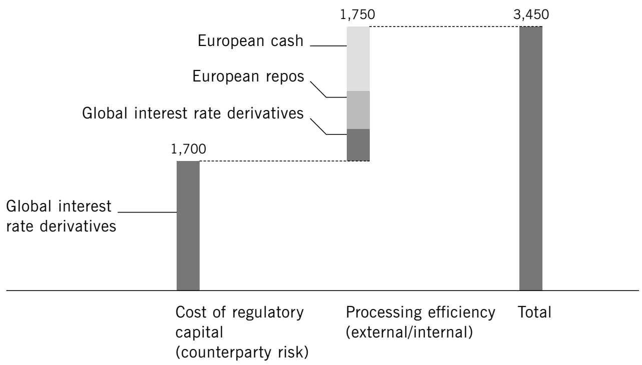
Deutsche Börse Group's OTC strategy will extend its role as a risk mitigator and efficiency facilitator. As an integrated service provider, it can build on Eurex's and Clearstream's considerable customer relationships. Eurex already concentrates a large part of the exchange-traded business in liquid securities on its platform. The world's largest derivatives market is now the risk management center for the European fixed-income market: in 2003, it generated a volume of more than half a billion contracts involving benchmark futures and options, such as the Bund Future, offering hedges for the cash, repo and swap markets – in fact, some 30 percent of all trades entered into there are directly linked to a future. Starting in 2004, Eurex US will also offer risk management products for the US market. On top, it will offer a seamless link between trading (406 participants) and clearing (89 participants) in 18 countries.

For the less liquid securities, Deutsche Börse Group relies on Clearstream's links to the global custodians. Clearstream offers the OTC market a productive model for collateral management. The new German settlement model allows unused collateral to be leveraged via central bank accounts. The volume of managed collateral is now €120 billion, including €50 billion in tripartite repos. Last year, Clearstream settled a volume worth more than €8 trillion (gross), mostly in German government bonds and eurobonds, and the value of fixed-income securities held in custody amounted to around €5 billion.

To place its new offering on the market, Deutsche Börse Group is concentrating initially on the few global players in this market: the leading investment banks and inter-dealer brokers. The Group wants to win inter-dealer brokers as partners who will assume responsibility for deal arranging and deal matching – where they lead the market – in a clear division of roles; Deutsche Börse itself will offer clearing via its central counterparty, as well as settlement and custody. This will give several non-proprietary trading platforms access to clearing, while Clearstream in turn will compete with other organizations for settlement and custody. Deutsche Börse Group will be able to exploit its position between the exchange and the OTC markets: because many OTC transactions are carried out back to back with exchange-based transactions, it can offset the risk positions, needing less collateral. The theoretical potential savings for the industry as a whole are around €3.5 billion, with half coming from each of lower costs of capital and higher process efficiency (see chart below).

European OTC CCP can result in benefits of €3.5 billion to the industry, evenly split between capital and processing efficiencies

Breakdown of NPV potential for industry savings in € millions

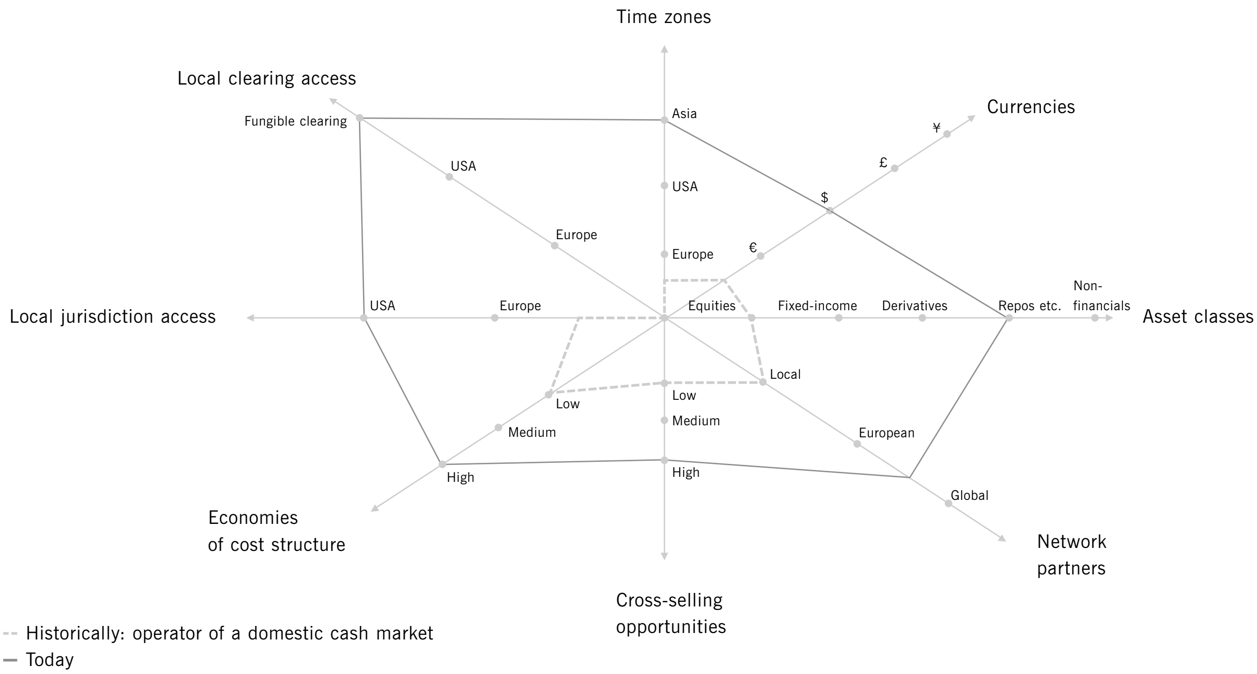


Source: Mercer Oliver Wyman, ISDA, BIS, industry benchmarks

Common denominator: Leveraging existing assets

Deutsche Börse Group can and will leverage its existing assets in several dimensions – in trading and post-trading functions, in exchange and OTC business, and in equities and fixed-income business (see chart below). Eurex's move into the US dollar market will make Deutsche Börse a company with an even broader base. This sees Eurex spearheading the Group's globalization at multiple levels. Previously, the Group had only country-specific partner networks; in future, these will be global. The partial acquisition of The Clearing Corporation (CCorp) will help it enter into alliances with its co-owners, who include the most important international market participants. It also financed the acquisition of BrokerTec by disposing of shares in Eurex US to 17 major companies; and it has gained further, well networked partners in the shape of the National Futures Association and Trading Technologies. The companies that are simultaneously shareholders of Eurex US and CCorp, market makers for Eurex US and Eurex market participants in Europe, are some of the main players on the international financial markets who together account for the bulk of all derivatives trading volumes (see chart on the following page).

Leveraging existing competitive advantages for globalization on various levels



Major Eurex US partners represent a significant share of the US and European markets

Partners	Major shareholders Eurex US	Shareholders CCorp	Market makers Eurex US	Trading partners Europe
Goldman Sachs	✓	✓	✓	✓
Morgan Stanley	✓	✓	✓	✓
Lehman Brothers	✓	✓	✓	✓
Citigroup	✓	✓	✓	✓
Man Financial	✓	✓	✓	✓
Refco	✓	✓	✓	✓
ABN Amro	✓	✓	✓	✓
Merrill Lynch	✓	✓	✓	✓
Deutsche Bank	✓	✓	✓	✓
JPMorgan	✓	✓	✓	✓

High cross-selling potential

Products	Deutsche Börse customers: European	Deutsche Börse customers: US
European	1 billion traded contracts in 2003 99%+market share in fixed-income 70% market share in equity 98% market share in pan-European indices	66 US members on Eurex >10% of total volume from US 25% + of volume in key benchmark products
US	Low-cost access to US benchmark products	Over 110 members on day 1 More than 1,800 traders Partnerships in clearing and trading
Link	Access to US dollar denominated products via local clearing Cross-margining with US dollar products Leverage of existing infrastructure Trading strategies with euro and US dollar yield curve on one platform	Access to euro products via local clearing Arbitrage opportunities STOXX vs. US indices/additional Eurex members Cross-margining with euro-denominated products

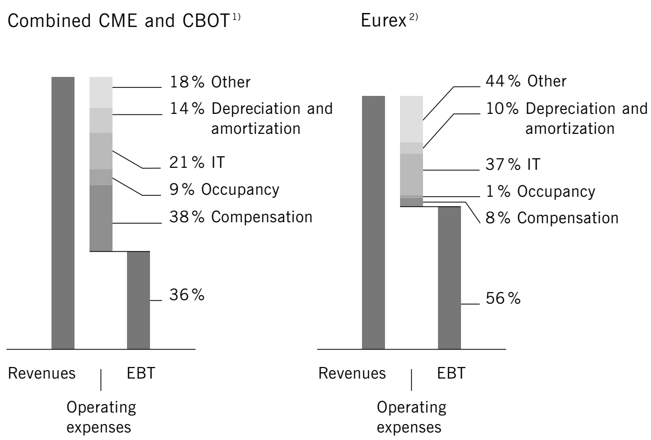
Deutsche Börse's cross-selling potential between European and US customers and products is growing (see chart above right). Based on its very strong position in Europe and already good launch pad in the US, it can give European customers access to dollar products with local clearing and to cross-margining with dollar products, offer them multiple usage of the existing infrastructure, and enable them to execute combined euro/dollar yield curve trading strategies on a single platform. In turn, US customers get, for example, the opportunity to exploit arbitrage opportunities between US and European equity indices. In view of the growing transatlantic investment activity, as reflected in the massive increase in the volume of transactions to around US$18 trillion and the growing correlation of the European and US key indices, Eurex now has an opportunity to present itself as the platform for global risk management.

In the past, Eurex only met the statutory requirements for local providers in Europe, but it now satisfies them in the US as well, where it can offer products and services under the local jurisdiction. The European Eurex products will only start becoming really attractive for many US participants when they can be traded under US rules, because US regulation brings tax advantages, and they can use the local infrastructure for trading and clearing. This applies in particular to institutional investors, proprietary traders, arbitrage firms and hedge funds. If all this does is to increase trading in European products by a mere one percent, it would still mean additional revenue of €3 million.

Previously, Eurex offered access to its high-performance clearing house only in Europe, but it now has a clearing partner in the US as well, and starting in September, it will even be able to offer its customers freely exchangeable clearing between the two regions through a transatlantic clearing link – subject to approval by the CFTC and the European regulators. In addition, it will extend its trading hours from the European to the US time zone, and the total of 21 hours' trading will also extend its reach to the Asian time zones. This will also allow it to attract OTC order flows from other time zones to its trading platform without the need for any further investment. Finally, it now trades products in both key currencies, the euro and the dollar, with the latter offering an extraordinarily lucrative potential on the back of its over 50 percent share of the global derivatives market.

Not every project will be successful, and not everything will run as smoothly as originally planned; we may have to opt for a different route. This means that flexibility is a critical success factor. But flexibility is always driven by a company's cost structure: the cost structure directly determines price competitiveness and indirectly influences the speed at which a company can respond to changing customer wishes and assaults by its competitors. One final comparison with the competition – with the cost structures of our main US competitors CBOT and CME – illustrates the lead that Deutsche Börse enjoys also in this respect in the US derivatives market (see chart on the right). This should make our shareholders and customers confident that Deutsche Börse will evolve into the first truly global player in its industry.

Eurex economics against compounded US peers

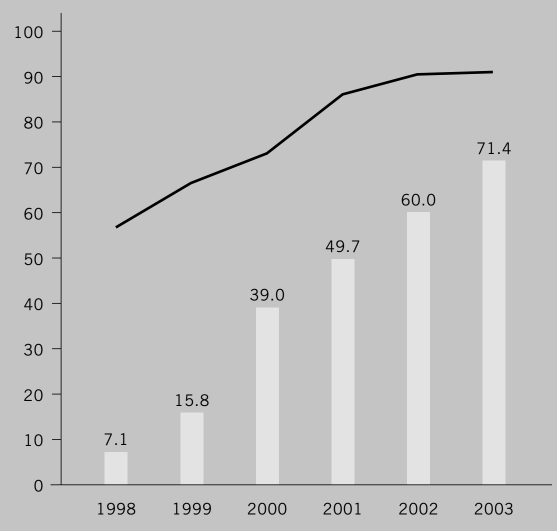


[1] September 2003 annualized
[2] Full year 2003

Xetra Segment

- **Central counterparty launched successfully: Xetra liquidity improved by 27 percent**
- **New equity market segments assure more transparency and legal certainty**
- **Xetra top international platform for trading equities and ETFs**
- **Number of Xetra transactions up 19 percent over the previous year**
- **Sales revenue remains stable at €212.3 million**
- **EBIT at €57.6 million up 231 percent over 2002**

Xetra trading volume continues to grow



— Xetra market share of total German equity sales (order book volume), in percent
Number of transactions in millions

Deutsche Börse's Xetra segment organizes and operates the market for securities. The excellent competitive position of this cash market is due to its compliance with international standards combined with a high level of market and process efficiency.

In financial year 2003, Deutsche Börse triggered further actions for investor protection and continued to drive forward the modernization of the law governing stock exchange transactions: the company resegmented the equity market as at 1 January 2003, with the improved admission standards playing a crucial role in enhancing Deutsche Börse's competitive position; Germany now has one of the most transparent equity markets in the world. Xetra's products and services foster this transparency, which benefits all market players: issuers, institutional investors and trading participants, as well as private investors.

Issuers: Favorable Conditions for Raising Capital on a Stock Market That Upholds International Standards

Issuers of securities can choose between two clearly delineated segments on FWB® Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange) – the General Standard and the Prime Standard. Both segments are organized according to public law and therefore offer the greatest possible legal certainty. They differ in terms of the transparency they require from issuers and with regard to the target groups addressed by issuers with their stock exchange listings. The General Standard meets the needs of issuers who opt for a cost-effective listing and primarily plan to offer their shares to German investors. The Prime Standard was tailored by Deutsche Börse to the needs of issuers who want to focus on international investors and are therefore prepared to inform the capital market about their company in detail.

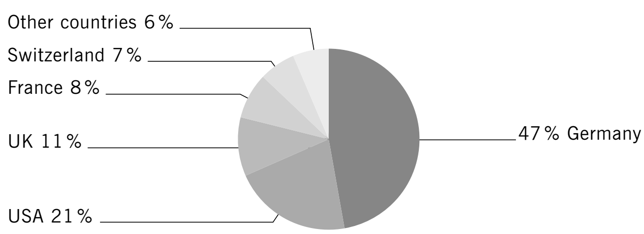
More than 380 issuers have already chosen to be listed on the Prime Standard segment, i.e. they issue quarterly reports, prepare their accounts in accordance with international standards (IFRS/IAS or US GAAP), hold at least one analyst conference per year, and publish their ad hoc announcements and all other corporate information in English, as well as in German, which is optional.

Parallel to the restructuring of the equity market, Deutsche Börse revised its index system. Indices bundle shares of companies of a similar size (measured by stock exchange turnover and market capitalization) or active in a similar industry, thus focusing investor attention on these companies, and their products and services. The DAX®, MDAX® and SDAX® continue to exist as Deutsche Börse selection indices. The TecDAX® is a new index that has been added to reflect companies in the technology sector. The experience gained in 2003 has indicated that Deutsche Börse took the correct approach by only admitting issuers to the selection indices who are prepared to meet the quality requirements of the Prime Standard.

The newly introduced standards have enabled Deutsche Börse to set an international benchmark with the transparency and legal certainty on the German equity market. In many areas Deutsche Börse now sets higher quality requirements than marketplace operators in the USA.

How have market participants reacted to the restructuring of the equity market? Investors have reacted positively: the Frankfurt marketplace is becoming increasingly international, with every second investor coming from abroad and every fifth from the USA. The new equity market segmentation offers issuers and investors optimal financing and investment opportunities: issuers can take advantage of a listing platform that enables them to raise equity at favorable capital cost, while investors benefit from the high quality of the listed companies guaranteed by international transparency standards.

The Frankfurt Stock Exchange's international investor base
Share of trading volume



Institutional Investors and Trading Participants: An Efficient Infrastructure for Securities Trading

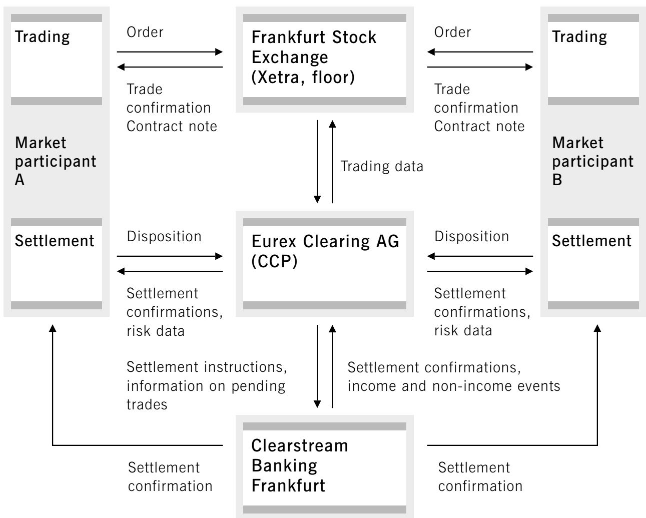
Institutional investors and trading participants are among the key customers of Deutsche Börse Group. These customers include asset managers, who invest large sums in the stock exchange and then manage these investments as individual positions or funds. Another customer group comprises brokers, who primarily execute customer orders, and floor traders, who buy and sell securities for their own accounts. Regardless of how different the details of their strategies are, their core demands on the stock exchange are the same: they require a broad range of products, as well as speed, reliability, liquidity and cost efficiency. Deutsche Börse's products and services meet all of those requirements, thereby securing the Frankfurt Stock Exchange an excellent competitive position internationally.

Central counterparty increases security and process efficiency

The central counterparty (CCP) for Xetra equity trading and floor trading on the Frankfurt Stock Exchange was launched by Deutsche Börse in conjunction with trading participants on 27 March 2003. The new clearing service improves security and increases trading efficiency.

This is how the CCP works: when a securities transaction is concluded, Eurex Clearing AG acts as a central counterparty for both the buyer and the seller, who thus conclude the transaction with the CCP, rather than each other. Eurex Clearing AG offers trading participants three main advantages. Firstly, each transaction remains completely anonymous, even during settlement. Secondly, the CCP assumes the risk of a possible counterparty default. Thirdly, buy and sell orders are netted against each other, and only the resulting balance needs to be settled.

CCP model: Anonymous trading at low risk

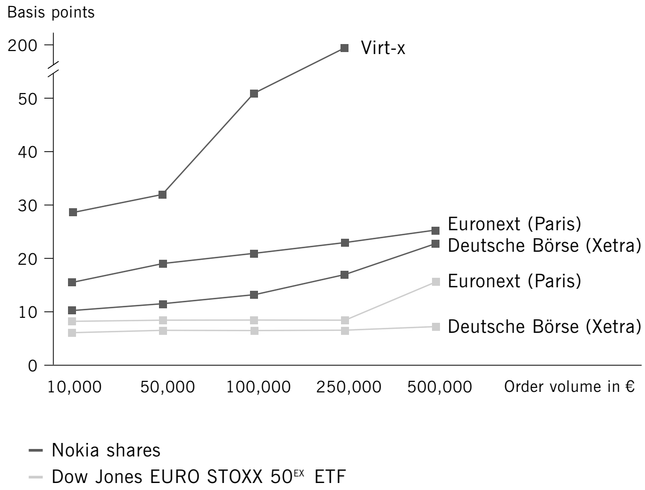


The CCP has proven to be extremely effective in its first nine months of use. The high level of acceptance among trading participants has led to a situation in which most positions are netted and less than 5 percent of all transactions actually have to be settled; the so-called netting efficiency is therefore over 95 percent. Moreover, since the introduction of the central counterparty, liquidity on Xetra® (measured using the Xetra liquidity measure XLM, see following paragraph) has increased by around 27 percent across the entire market. Better price ranges and a higher level of market quality result in lower implicit trading costs for investors – to the tune of around €20 million per month. Deutsche Börse passed on the direct efficiency gains to its customers on 1 January 2004 by lowering the combined transaction fee for clearing and settlement in Xetra and floor trading on the Frankfurt Stock Exchange by up to 8 percent per transaction. Compared with its European competitors, the CCP is cost-effective and reinforces the goals of Deutsche Börse Group: efficiency increases and price leadership.

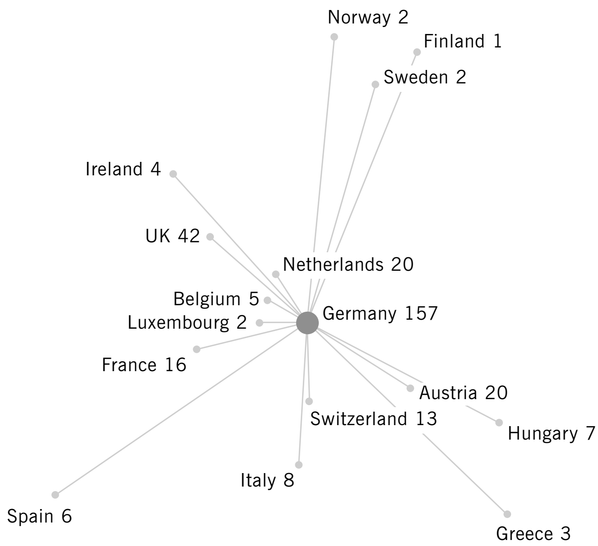
Significantly improved liquidity on Xetra increases market quality and boosts competitive position

Liquidity is the core criterion for assessing market quality in securities trading and is therefore a key factor in the competition among marketplaces. The Xetra liquidity measure (XLM) measures liquidity in electronic securities trading based on implicit transaction costs. It is calculated for the simultaneous purchase and sale of a position (round-trip) in the electronic order book for all equities and exchange-traded funds in continuous trading.

Implicit transaction costs of securities on various exchanges



Xetra platform: International network with 308 participants in 16 countries



In addition to explicit costs such as commission, fees or brokerage fees, each transaction also involves implicit costs, which are not disclosed. In contrast to the purchase of regular goods in the supermarket, equities on the stock exchange cannot be acquired in an unlimited quantity at a fixed price, let alone at a discount. On the contrary: the purchase price rises as the number of the shares demanded grows, including implicit transaction costs. The amount of these costs depends on the order book situation at the time the order is executed and is calculated by taking the difference between the actual purchase/selling price and the market price of a share at the time the order is submitted. The more liquid the market, the lower the implicit transaction costs, as is demonstrated by the development during 2003: based on the XLM, the implicit transaction costs of the DAX for a €25,000 order declined from 16.5 basis points (1bp = 0.01 percent) in January to 8.1 bp in December. Spreads, which represent the average difference between the best bid and ask rates, decreased from 13.8 bp to 7 bp for the DAX on Xetra. Investors benefit from the improved liquidity in the form of lower trading costs and improved portfolio performance, while issuers see their costs for raising capital decline.

What is particularly interesting is a liquidity comparison of securities that either have no home market or are traded on several stock exchanges in Europe: the implicit transaction costs for Nokia shares or ETFs on the Dow Jones EURO STOXX 50SM on Xetra, for example, are significantly lower than on the electronic platforms of other exchanges.

This is one key reason why Deutsche Börse has a market share in Europe of 62 percent for trading in ETFs on the Dow Jones EURO STOXX 50.

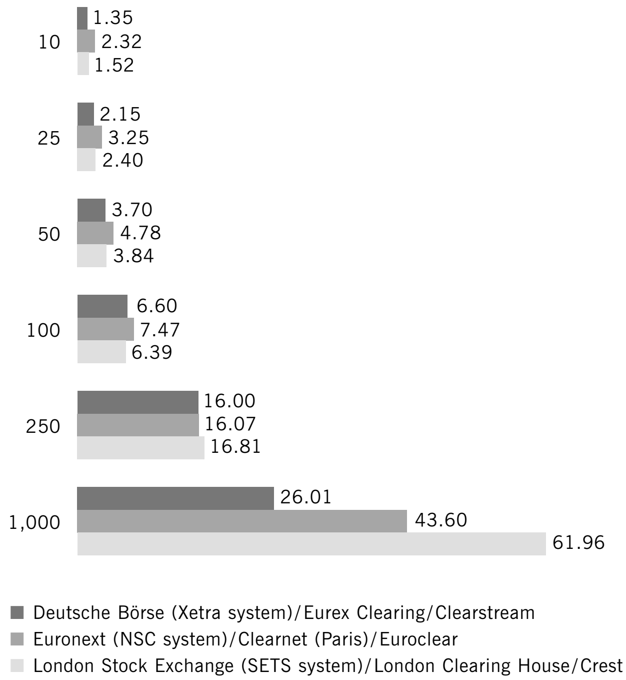
Xetra: Top trading infrastructure for the cash market

Deutsche Börse's Xetra system is one of the world's most reliable trading systems: traders can rapidly and securely access Xetra to implement complex strategies. German and international investors in 16 countries have access to all 5,730 shares that are listed on the Xetra platform via more than 300 direct Xetra participants, including all major banks and securities trading firms. Buy and sell orders are netted in a central electronic order book and executed in real-time; there are no geographical restrictions.

At peak times, the system processes up to 380,000 orders per day. With an average availability of 99.996 percent, Xetra also set an international standard for security and reliability in 2003. Automation also enables Xetra to improve transaction efficiency. When all of the components of a transaction (trading, clearing and settlement) are added together, Deutsche Börse is the price leader in Europe.

Deutsche Börse does well in a price comparison against other European exchanges

Order volume in € thousands/
Fees for trading, clearing and settlement in €

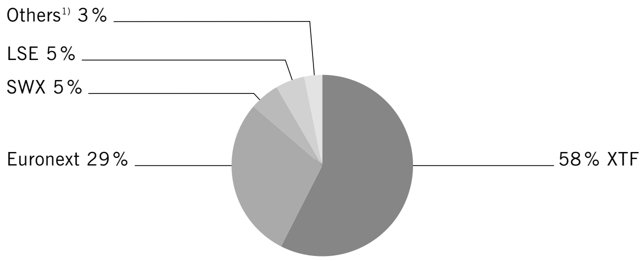


Assumptions:
- Customer size: 250,000 trades per month
- Order entry/order execution ratio: 2
- Partial execution ratios: 1.2 for an executed order worth €10,000, 5 (LSE), and 10 (Deutsche Börse, Euronext) for an executed order worth €1 million
- Netting efficiency: 90 %
- Share of LSE aggressor trades: 60 %
- Exchange rate: €1.00 = £0.70

The Xetra market model bundles all orders and concentrates liquidity on a single platform. Designated Sponsors ensure additional liquidity for less liquid securities. This enables Xetra to offer investors and trading participants maximum price quality. In the year under review, Xetra accounted for around 92 percent of sales of all German equities and nearly 97 percent of sales of German blue chips. This makes the Xetra platform by far the most liquid market for trading in shares represented in the selection indices DAX, MDAX, SDAX and TecDAX.

Deutsche Börse – Europe's leading platform for ETFs

Market share of ETF platforms in Europe in 2003



[1] Borsa Italia, HEX, virt-X, Nasdaq Europe

XTF segment profits from Xetra market model

Deutsche Börse's XTF Exchange Traded Funds® segment was the most liquid market for exchange-traded index funds (ETFs) in all of Europe in 2003. Measured in terms of trading volume, this was the strongest segment of the Frankfurt Stock Exchange after the DAX. The Xetra market model is the key to the success of the XTF segment. Its superiority over competing trading platforms is particularly evident in the case of European products such as ETFs, because these are not tied to a home market, unlike equities. Xetra is the trading platform with the highest process and cost efficiency in Europe; it offers participants extremely attractive trading conditions and is therefore able to capture the largest share of this market. 99 percent of the sales in the XTF segment are generated via Xetra, which means that all of the key parameters for equity trading also apply to XTF. These include the international participant network, continuous trading, auctions, round lot one, along with the guarantee of liquidity by Designated Sponsors – both for shares and fund units.

ETFs have been among the most innovative cash market products in recent years, because they combine the flexibility of a single share with the risk distribution of a fund. They are attractive for several reasons to institutional investors who manage large portfolios: they can be used to easily track entire markets or sectors – domestic as well as international; they are traded via exchanges just as transparently and with the same liquidity as equities; and investors do not incur any front-end or back-end load fees on acquisition but only the usual transaction costs for buying and selling securities.

Market participants – among them professional investors, market makers, issuers and index providers – appreciate Deutsche Börse's service offering in the ETF market. In the survey of market participants conducted by the industry magazine "International Fund Investment" ("European ETF Award"), Deutsche Börse came out first in three categories, classifying the company as the most innovative exchange.

The fund volume in the XTF segment rose by 92 percent year-on-year to €9.8 billion. 64 percent of the fund assets managed by European ETFs were traded on the Frankfurt Stock Exchange. The trading volume of the XTF segment rose by 17 percent to €37.2 billion in 2003. The XTF segment accounted for 58 percent of European sales, up from 45 percent in the previous year. In 2003, the funds generating the greatest sales revenue were once again the DAX^{EX} at €18.8 billion and the Dow Jones EURO STOXX 50^{EX} at €9.7 billion.

In addition to the XTF segment, Deutsche Börse also offers a segment for trading actively managed funds – Xetra Active Funds. The segment is based on XTF's successful market model and, with an annual sales revenue of €1.2 billion, represents the leading German stock exchange segment for trading in actively managed funds.

At the end of January 2004, 55 index funds were listed on Deutsche Börse's XTF segment and 24 actively managed funds were featured in Xetra Active Funds.

Private Investors: Clearly Structured Markets with the Highest Possible Security Standards for Trading and Pricing

Private investors benefit from the liquidity of the markets and from the entire range of technical functions tailored to the needs of institutional investors and trading participants. However, private investors are even more dependent than professional traders on business conditions they can rely on, such as a clear market structure, and fair trading and pricing.

Evening trading with consistently high-quality execution

Floor trading on the Frankfurt Stock Exchange accounted for around 70 percent of total German floor trading in Frankfurt and the seven regional stock exchanges in 2003. The Frankfurt Stock Exchange is therefore not only the market leader in fully electronic trading but also occupies the undisputed leadership position in broker-based floor trading. For private investors, the Frankfurt Stock Exchange is the reference market for German DAX, MDAX, SDAX and TecDAX blue chips, even after the end of fully electronic Xetra trading at 5.30 p.m. (since 3 November 2003).

In order to ensure a consistently high price quality for private investors who often issue unlimited orders, the Frankfurt Stock Exchange and the lead brokers on its floor have made evening trading even more attractive: the lead brokers undertake to maintain a maximum bid/ask spread of 0.5 percent after 5.30 p.m. – this rule applies up to a transaction value of €10,000 per price fixed. In actual fact, the guaranteed spreads are significantly lower, and orders are executed at these conditions even if their value exceeds €10,000. The higher liquidity of floor trading offers private investors an additional advantage: their orders are executed against other orders without any delay.

Deutsche Börse Smart Trading for certificates and warrants

A clear market structure and fairness in trading and pricing are the most important advantages of the new "Deutsche Börse Smart Trading" that was launched on 26 September 2003. This standard represents an improved offering for private investors at the Frankfurt Stock Exchange; it initially applies to trading in structured products. Deutsche Börse Smart Trading distinguishes clearly between investment products (investment certificates and reverse convertibles) and leveraged products (warrants and so-called knock-outs), so that private investors can better assess the approximately 20,000 structured products that are traded on the Frankfurt Stock Exchange. This means that investors can structure even relatively small portfolios in line with risk/return considerations and benefit equally from rising and falling prices, as well as sideways market movements.

In addition to a clear market structure, price transparency and reliable execution also play a key role in Frankfurt. Issuers quote continuous buy and sell prices for their products as part of Deutsche Börse Smart Trading. Deutsche Börse stipulates uniform minimum quotation volumes of €10,000 for investment products and €3,000 for leveraged products.

This makes these securities tradable at any time, and the orders are executed significantly faster. Independent exchange brokers determine the prices. The competition among them for issuers' products as well as the Frankfurt Stock Exchange's regulations ensure that prices are in line with the market. All Smart Trading activities are also monitored by Market Supervision at the Frankfurt Stock Exchange.

Market organization and participation in trading are strictly separated at the Frankfurt Stock Exchange. The neutral position of Deutsche Börse AG as a pure market organizer eliminates possible conflicts of interest, and investors benefit long-term from better prices.

Deutsche Börse will further expand its offering for private investors in 2004 and make securities trading even more attractive. Private investors will continue to be able to rely on a high level of liquidity, fair prices and rapid order execution at the Frankfurt Stock Exchange in the future as at present.

Trading of Dutch shares on Xetra

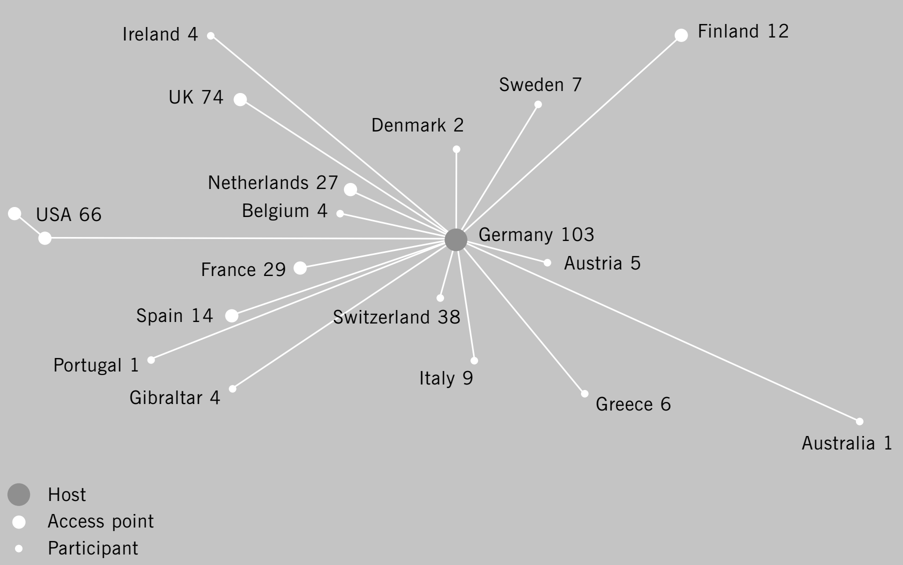
The Dutch Market Initiative is Deutsche Börse's effort to expand its Xetra European Stars concept and strengthen competition in trading of European equities. This initiative allows Deutsche Börse to create additional efficiency gains for market participants, because in Frankfurt the transaction and settlement costs for Dutch equities are lower than in their home market.

All Dow Jones EURO STOXX 50 Dutch and French securities, together with the one Belgian and one Finnish Dow Jones EURO STOXX 50 securities, are tradable on Xetra as before. In addition, market participants have been able to participate in continuous trading of an entire foreign blue-chip index – the Dutch AEX index – via Xetra since 17 November 2003. In this way, Deutsche Börse offers market participants interested in Dutch securities a highly efficient alternative trading platform, while other Xetra participants benefit from an even greater variety of products.

Eurex Segment

- **Annual transaction volume exceeds 1 billion contracts for the first time**
- **Eurex US futures and options exchange launched**
- **Eurex acquires a 14.3 percent interest in Chicago-based The Clearing Corporation**
- **Cooperation agreed with Trading Technologies**
- **Eurex Bonds and Eurex Repo marketplaces see high growth rates**
- **The segment's sales revenue amounts to €409.6 million, up 24 percent year-on-year (2002: €331.6 million)**
- **Eurex most successful segment again in 2003 with EBIT at €228.0 million (2002: €158.3 million)**

Global distribution network: 406 Eurex participants with more than 10,000 screens in 18 countries



Eurex organizes and operates international derivatives markets. Deutsche Börse Group's futures and options market offers a trading and clearing infrastructure with standardized products, while also providing equal access to all market participants.

Eurex, a joint venture between Deutsche Börse and SWX Swiss Exchange, is the world's leading marketplace for trading and clearing derivatives market products. In 2003, Eurex again experienced strong growth – for the first time, its trading volume broke the billion-mark, with exactly 1.015 billion contracts traded. This represents an increase of around 27 percent on the previous year's volume of 801.2 million contracts. This success is the capital market's response to the efficiency of the Eurex market model.

Eurex customers benefit from a broadly diversified range of the most liquid financial derivatives in the world:

- Capital market products, e.g. Euro Bund, Euro Bobl and Euro Schatz
- Equity products, e.g. options on international equities
- Equity index products, e.g. futures and options on the DAX®, Dow Jones EURO STOXX℠, Dow Jones STOXX℠ sector indices, and exchange-traded funds (ETFs)
- Money market products, e.g. Euribor Futures and Euribor Futures options

In cooperation with international, primarily institutional market participants, Eurex operates two OTC trading platforms – Eurex Bonds® and Eurex Repo® – for government bonds and repos respectively. In addition, with the new Eurex US derivatives exchange, Eurex is transferring its successful market model to US dollar products and extends trading time by nine hours, from twelve to 21 hours.

What is a contract?

A "contract" is another term for an agreement. A derivatives market contract is a binding agreement between two parties to buy or sell

- an instrument of a precisely defined quality (called the underlying, e.g. equities, equity indices, interest rate products, but also commodities, currency, etc.)
- in a particular amount
- at a fixed time in the future and
- at a concrete price determined at the time the contract is concluded.

A distinction is made between

- futures contracts, in which both parties to the contract enter into an obligation
- options contracts, in which only one party to the contract enters into an obligation while the other acquires a particular option that can be exercised

The underlying instruments traded (financial instruments,commodities, etc.) are listed on the derivatives markets in standardized form. This makes the contracts transferable and tradable. In the case of futures contracts, the obligation and the consideration paid for it are not exchanged at the same time (as is the case in the cash market) but are agreed in advance for a date in the future.

Eurex and Eurex US: Next Step in Worldwide Expansion of the Sales Structure

The development of Eurex into the leading international derivatives exchange is proof that the market congregates around the trading center that works most efficiently. On 8 February 2004, Eurex joined the competition among marketplace operators in the USA.

In the 1990s, this competition took place on the European level. At that time, the exchanges in London and Paris dominated derivatives trading in Europe. A key market segment – trading futures on German government bonds with Bund Futures as the core product – was controlled by the London Financial Futures and Options Exchange (Liffe). As in all of the major derivatives exchanges, the business in London and Paris was conducted via floor trading. However, the predecessor organization to Eurex, Deutsche Terminbörse (DTB), relied on fully electronic trading from the very beginning. Aggressive marketing and the opportunity created by the legislature to integrate international market participants as of 1995 were the basis for DTB's success. From that point on, it set up trading screens in Europe and, as of 1996, in the US as well. At the beginning of 1998, DTB became the leader in Bund Futures for the first time. At the end of that same year, 100 percent of the trading in this product was conducted via Eurex, which had been formed just a few months before. Eurex was able to increase its transaction volume for capital market products eightfold by 2003.

On 8 February 2004, the new U.S. Futures Exchange L.L.C. (Eurex US) was launched as a subsidiary of Eurex. This move has enabled Eurex to complete its transformation from a provider of services to the US market to a full-service marketplace operator. In mid-2002, Eurex shortened the terms of its contracts with former cooperation partner Chicago Board of Trade (CBOT) from October 2004 to January 2004, eliminated the competitive clauses that had originally been valid until 2008, and initiated the process of establishing its own exchange and clearing services. The Eurex market model has excellent potential in the US, because it builds upon an infrastructure that has been tried and tested there. It has already proven to be a growth driver for the European derivatives market.

Eurex US is headquartered in Chicago, and its technical systems are also operated from there. As early as November 2003, the National Futures Association (NFA) was charged by Eurex with the market and trading surveillance for Eurex US. The NFA is an independent organization and the leading provider of trading surveillance services in the US.

By integrating BrokerTec Futures Exchange into Eurex US, 17 leading US market participants hold an interest of 20 percent in Eurex US, among them independent clearing services providers. The US financial market is also heavily represented in the governance of the new exchange: half of all of its board members are representatives of US financial institutions.

Fully electronic trading

The Eurex US trading system is based on the system infrastructure of the a/c/e platform. The introduction of this system in 2000 already did away with the closed-market effects of floor trading, which at that time was the dominant form of trading. The market became more transparent, the participant base grew, and both the number and the volume of transactions rose. At the end of 2003, more than 80 percent of derivatives based on US capital market products were traded via the a/c/e platform.

Customers of a/c/e can continue to use their existing infrastructure to trade via Eurex US with minimal effort and cost. At the same time, Eurex was able to improve distribution and linking of customers to the Eurex US system thanks to an agreement with Trading Technologies, a supplier of front-ends for trading systems. This also allows the establishment of links to other liquidity pools. The new trading platform offers additional functionality that enables customers to use new trading strategies and allows integration of OTC markets into the system. This provides new growth opportunities for all market participants.

Liquid products

Eurex US is a fully electronic exchange for 21-hour trading in derivatives. The product range includes futures and options on two-, five- and ten-year Treasury notes, as well as 30-year Treasury bonds. Eurex US also gives American customers access to the global Eurex network, thus allowing them in the near future to trade directly in the most liquid European products at an exchange under US regulation. More tradable products also mean that customers have more business opportunities.

Integrated clearing

One of the success factors involved in establishing a derivatives market is access to a clearing infrastructure that is interlinked with a broad range of customers. In the US, Eurex has acquired The Clearing Corporation (CCorp; formerly Board of Trade Clearing Corporation) as a strategic partner. In an initial stage, CCorp will handle clearing of all transactions conducted via Eurex US. Further stages involve establishing a trans-Atlantic clearing link between Eurex Clearing AG and The Clearing Corporation in close coordination with the supervisory authorities; this is expected to result in total margin reductions of US$2.5 billion for trading participants in the US and Europe. These savings will stem from cross-margining and uniform standards. In order to underline the long-term nature of the business model, Eurex acquired a 14.3 percent interest in CCorp after approval was given by existing CCorp shareholders. The remaining shares are held by a broad section of US market participants.

Low fees

Eurex US will not charge membership fees and customers will not have to acquire memberships, called “seats”. They can trade on the new exchange without having to take a financial stake in the exchange, which enables Eurex US to lower the entry barriers for customers. At the same time, the trading fees are considerably lower than the level common for US products to date.

Eurex US brings a substantial improvement in technology and efficiency to the US market. For the first time, Eurex US is establishing a level playing field in the American futures industry: all customers have low-cost, equal and direct access to one of the most reliable and scalable trading systems in the world.

US Financial Community Welcomes the Launch of Eurex US

"Competition, including that provided by foreign-owned firms, has enhanced efficiency and fostered innovation in our markets. […] We are best served by permitting such firms to enter our markets but requiring that their US activities be subject to the same regulations as domestic entities."
Alan Greenspan, Chairman of the Federal Reserve Board

"When Congress amended the Commodity Exchange Act through the Commodity Futures Modernization Act of 2000, an underlying purpose […] was 'to promote responsible innovation and fair competition among boards of trade, other markets and market participants.' The application of the U.S. Futures Exchange […] marks an important step in realizing the vigorous competition among markets that Congress anticipated in the CFMA."
John Damgard, President of the Futures Industry Association (FIA)

"This is the first time an exchange provides ISV software for its customers, and we take it as a great compliment that Eurex has selected Trading Technologies. We believe that the X-Trader platform is the most powerful and effective derivatives software available today, and we look forward to extending our customer base as Eurex offers its services in the US."
Harris Brumfield, CEO of Trading Technologies

"Eurex is going in the right direction as far as the fees are concerned. That's music to my ears."
Russell Wasendorf, Chairman of the Peregrine Financial Group

Growth through Efficiency: Eurex Leads Derivatives Market Competition

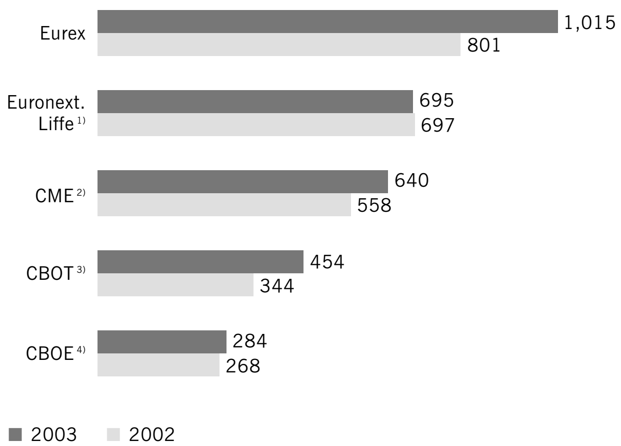
The increasingly international participant network has also contributed to Eurex's current leadership position (see chart on page 48). Over 70 percent of the transaction volume in 2003 originated with trading orders from market participants outside Eurex's founding countries of Germany and Switzerland.

The high level of liquidity on the Eurex® platform produces maximum cost efficiency and reduces transaction costs for market participants. Eurex is not only the derivatives exchange with the highest trading volume in the world today but also the exchange with the lowest transaction costs worldwide. At the same time, Eurex generated significantly higher profits than other European or US derivatives markets thanks to its efficiency.

The Nokia contract demonstrates how an efficient market organization can mobilize unemployed revenue potential. At the end of 1999, Eurex entered into a partnership with Helsinki Exchanges (HEX) and added Nokia stock options to the Eurex platform. The initial average volume of 13,600 contracts traded per day increased to an average of nearly 50,000 by 2003. Narrow bid/ask spreads, a high level of liquidity and customer-oriented functions brought large volumes of business formerly traded off-exchange out to the Eurex platform. Within three years, the volume of Nokia stock options traded more than tripled.

Eurex: The market leader among international derivatives exchanges

Trade contracts in millions

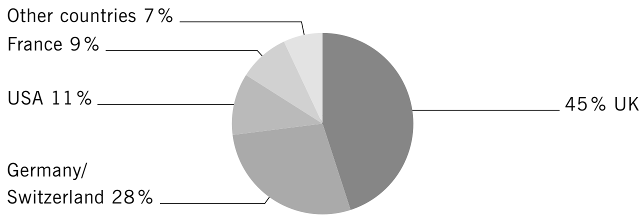


1) Joint venture of the derivatives exchanges in Paris, London, Brussels, Amsterdam and Lisbon
2) Chicago Mercantile Exchange
3) Chicago Board of Trade
4) Chicago Board Options Exchange

In 2003, Eurex's success in offering Dutch and French stock options showed that an efficient market organization is bound to attract trading volume: with a total of 6.9 million (2002: 2.7 million) Dutch and 1.5 million (2002: 0.2 million) French contracts traded, Eurex substantially exceeded the volumes traded in the previous year (plus 153 percent and plus 503 percent respectively). Eurex's market share in Dutch stock options rose from 8 percent in Q1/2003 to 12 percent in Q4. Its market share for French contracts increased to 9 percent (Q1/2003: 5 percent).

Business with international customers predominates

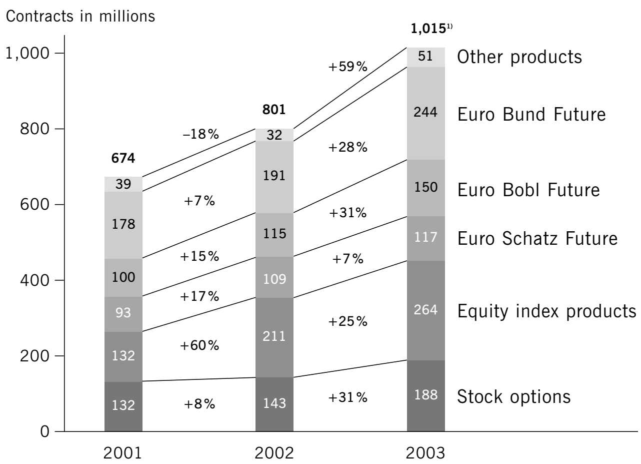
Shares of trading volume



Eurex also made available innovative contracts for trading in European equity index derivatives and developed this promising market to its own advantage. Eurex is now the European market leader thanks to its Dow Jones EURO STOXX and Dow Jones STOXX contracts.

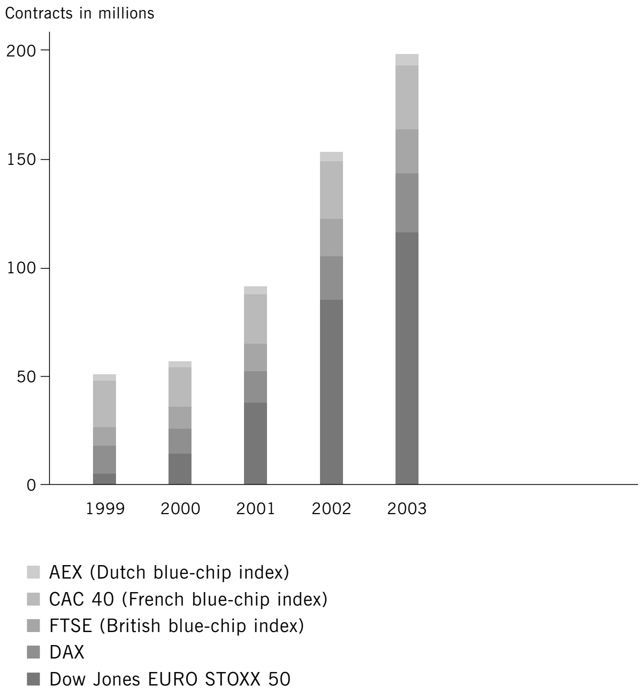
On the whole, Eurex's contract volumes in all key business areas grew again in 2003. The capital market products business area saw its trading volume reach 562.2 million contracts for a market share in Europe of 97 percent and a global market share of around 60 percent. The Euro Bund Future was the product generating the highest volume at 244.4 million contracts (plus 28 percent over 2002). Trading in the Euro Bobl Future amounted to 150.1 million contracts in the past year, corresponding to a 31 percent increase; Euro Schatz Future contracts rose by 8 percent to 117.4 million.

Rising trading volumes in the various business areas



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

Index futures: Products based on DJ EURO STOXX 50 and DAX with the highest volume growth



Even stronger trading volume growth was recorded for equity and index-based derivatives. In financial year 2003, Eurex posted a trading volume of around 452.5 million contracts for these products – 28 percent more than in the previous year. The largest share (264.2 million contracts) related to the index derivatives segment. Here, Eurex generated trading volume growth of 25 percent on average. The stock options segment recorded 31 percent more contracts in 2003, for a total of 188.2 million.

Positive Development in OTC Business: Eurex Bonds and Eurex Repo

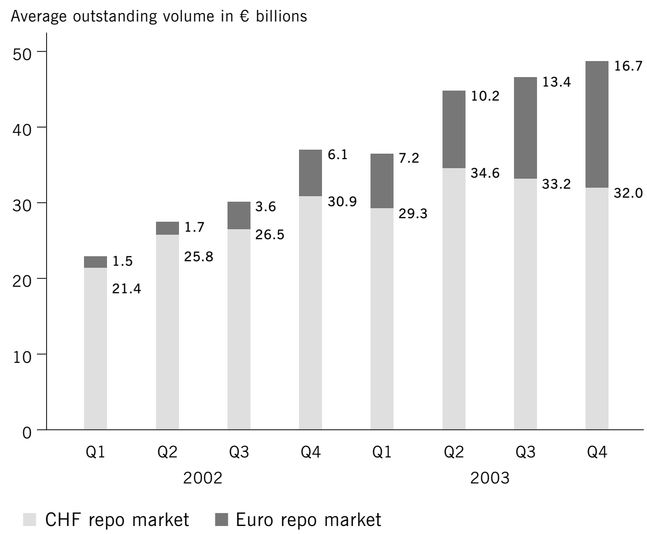
Eurex Bonds, the international OTC trading platform operated by Eurex and top bond trading firms (see box on opposite page), offers trading and clearing of German government bonds with terms of six months to 30 years and of issues by KfW Bank Group, the European Investment Bank and individual German states, as well as Jumbo Pfandbriefe (Jumbo bonds – mortgage bonds with an issuing volume of at least €500 million).

The underlying instruments traded on Eurex Bonds and Eurex's futures contracts complement each other optimally. 27 participants, among them Bundesrepublik Deutschland Finanzagentur GmbH and Deutsche Bundesbank, made trades worth €181,566 billion on Eurex Bonds in 2003 (single counted); this corresponds to an increase of 34 percent over the previous year (2002: €135,722 billion). The average daily transaction volume was €718 million in the past financial year.

Eurex Bonds shareholders

- Eurex Frankfurt AG
- ABN Amro Bank N.V.
- Banco Bilbao Vizcaya Argentaria S.A.
- Barclays Bank PLC
- Bayerische Hypo- und Vereinsbank
- BNP Paribas
- Commerzbank AG
- Credit Suisse First Boston Europe Ltd.
- Deutsche Bank AG
- Dresdner Bank AG
- Morgan Stanley Dean Witter
- WestLB AG

Eurex Repo: Euro repo market featuring strong growth



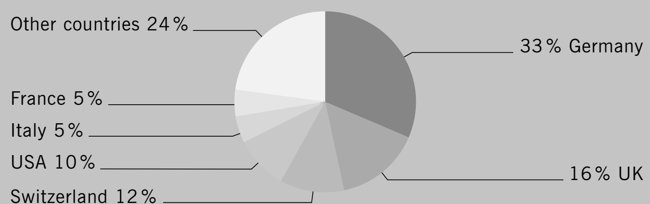
Market participants trade sale and repurchase agreements (repos) for German government bonds and Jumbo Pfandbriefe on Eurex Repo; repos certificate the sale of securities and the simultaneous future repurchase of the same type of securities. Thanks to both platforms and their standardized product portfolios, trading in these financial instruments has become significantly more efficient.

Eurex Repo increased the average outstanding volume of its repo markets by over 50 percent to €44.2 billion in 2003. The euro repo market saw particularly rapid growth rates, with the market quadrupling its outstanding volume in 2003 compared to 2002 to an average of €11.9 billion and reaching €22.6 billion at its peak. The Swiss franc repo market, launched in June 1999, also reported substantial growth: an average annual outstanding volume of €32.3 billion in 2003 corresponds to an increase of around 24 percent over 2002. In the meantime, 148 banks have been admitted to trading on Eurex Repo, and international market participants continue to show uninterrupted interest in this market.

Information Services Segment

- **Positive market feedback on new TecDAX technology index**
- **eb.rexx indices in demand as basis for highly liquid ETFs**
- **Infobolsa establishes presence on the German market**
- **Information Services sales revenue stable at €121.9 million (2002: €121.5 million)**
- **EBIT up 32 percent to €45.2 million thanks to strict cost management**

Information Services products in international demand
Breakdown of sales revenue



Prices and transaction volumes, indices, statistics, and the indicators derived from these all make trading activities transparent. The Information Services segment collects, enhances and markets this data. Information Services occupies a strong and profitable position in the competition among information suppliers. At the same time, the segment and its products strengthen the position of Deutsche Börse Group – and that of its customers – in international competition.

Information Services (IS) obtains market data primarily from Deutsche Börse Group's electronic trading and settlement platforms such as Xetra® and Eurex®, as well as from cooperation partners like STOXX Ltd. and iBoxx Ltd. IS standardizes the format of the data and enhances it to create premium products.

IS customers include banks, traders and asset managers, as well as international information providers, the media and private investors. They value the authenticity of the data, its constant availability, rapid information dissemination and an offering tailored to their individual requirements. Not least because these are precisely the product features that provide them with a decisive edge over the competition. And IS in turn benefits from this. Ultimately, it is satisfied customers who ensure the segment's excellent competitive position on the information supply market.

By providing a variety of markets with a variety of information, liquidity and transaction volume are produced in the trading and settlement systems of Deutsche Börse Group: IS index products (e.g. the DAX®) form the basis not only for trading decisions but also for derivative products from Group companies (e.g. the DAX futures offered by Eurex) and for products by customers of IS (e.g. the DAX^EX, a DAX-based ETF from Indexchange Investment AG). These derivatives are traded on FWB® Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange) and contribute to further cementing Deutsche Börse Group's excellent position in relation to its international competitors.

IS Information Products: Reliable Data for Well-Founded Decisions

Information is the starting and ending point for any capital market transaction: without company-specific reference data, prices and index levels, no one would invest in securities.

IS data packages reflect a dynamic market

The “Kassamarkt Deutschland” (German Cash Market) and “Regionalbörsen Deutschland” (German Regional Exchanges) data packages produced by IS document trading on the German cash market, providing customers with a foundation for all buy and sell decisions. These data packages contain price information on all equities, German and international bonds, warrants and exchange-traded funds that are listed in Germany. They are distributed and utilized globally via the major information systems.

The data packages are available either with a less granular level of information, as a basic product, or with information as detailed as that available to traders (with “market depth”). The data packages with market depth were increasingly in demand in 2003. This applies both to cash market data and to data on the Eurex futures and options exchange. The number of customers for the consolidated iBoxx prices and STOXX data is also growing steadily, leading to a significant increase in sales revenue for IS. The use of these products by customers abroad has risen particularly fast.

Equity indices for domestic and international markets

Deutsche Börse is among the most prominent index providers in the world. Strict and transparent rules, professional research and a high-availability calculation system ensure consistently high-quality indices.

„Reuters has been providing information from German markets to our customers around the world for many years. For the launch of Eurex US, Deutsche Börse Information Services set up a local CEF data feed in the US which supplies Reuters with US futures data directly from Chicago. Coupled with the feed from Frankfurt, the new Chicago feed has enabled us to distribute all Deutsche Börse data fast and reliably. We’ve worked on this project with Information Services, and have found them knowledgeable and responsive.“
Thomas H. Glocer, CEO, Reuters Limited

IS calculates all of Deutsche Börse’s approximately 180 share indices as performance and price indices. Investors use these indices to gain an overview of trading activities on Deutsche Börse Group’s markets.

IS has been calculating the best known German share index under the DAX brand name for the past 15 years. This index is considered globally to be an indicator for the German economy. In March 2003, IS introduced a new index system at a level below the DAX, which is tailored precisely to the changing needs of investors. This system classifies companies by industry, i.e. either by classic industries (MDAX®, SDAX®) or by technology sectors (TecDAX®). The indices are also open to the shares of foreign companies if they are primarily traded in Xetra.

Responding to the wishes of many market participants, Deutsche Börse shortened Xetra trading by two and a half hours on 3 November 2003. IS continues to calculate the DAX index based on Xetra prices, with its closing quotation being based on the Xetra's closing auction, which now begins at 5.30 p.m. After the close of Xetra trading (during evening trading), IS calculates the late indices L-DAX, L-MDAX, L-SDAX and L-TecDAX. Investors utilize these indices as an indicator of market development between the Xetra closing price and the close of trading on the floor of the Frankfurt Stock Exchange at 8.00 p.m. IS identified the need for international indices early on and therefore initiated and cofounded STOXX Ltd. in 1998. STOXX has advanced to become the European market leader, above all thanks to the transparent concept behind the Dow Jones STOXX℠ indices and the high level of liquidity of the derivatives based on these indices. In nearly all European countries, issuers and fund companies utilize the STOXX indices for their investment products, resulting in a steady increase in the volume of STOXX-based investment.

iBoxx and eb.rexx bond indices set standards

The German bond market has one of the highest trading volumes in Europe. The indices in the eb.rexx® family for fixed-income German government bonds were the first bond indices in the world to be based on tradable prices. The most liquid products on the Eurex Bonds trading platform are used as the basis for the minute-by-minute calculation of the ten eb.rexx indices.

Whereas the eb.rexx indices reflect the German market, the iBoxx family mirrors the international bond market. iBoxx is the first independent and transparent real-time fixed-income index family denominated in euros, pounds sterling and (starting in Q2/2004) also in US dollars. IS calculates the indices minute-by-minute based on real-time prices that are obtained directly from the trading desks of partner banks with a leading position in bond trading. Well over 70 companies already utilize the approximately 1,400 iBoxx indices to measure performance and as underlyings for derivatives and structured products.

Index Derivatives: Enhancing Product and Investment Portfolios

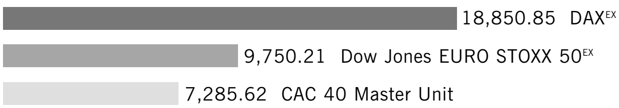
The transparent concept behind the indices published by IS makes the DAX and STOXX in-demand brands in the area of derivative products such as futures and options, index funds, warrants and certificates. The new TecDAX index has also been well-received by the market. Issuers have discovered new, attractive underlyings for derivative products, e.g. ETFs, in the form of the bond indices. IS offers a special service for issuers of exchange-traded funds: under the iNAV® brand, the segment calculates indicative net asset values, i.e. indicators for the performance of the fund assets in trading.

DAX and Dow Jones EURO STOXX: In demand as underlying instruments

The DAX futures on the Eurex market are among the most traded futures contracts in the world, although they are based on a national index. In 2003, around 27.2 million DAX futures contracts were traded (up 36 percent year-on-year); the number of index options traded on Eurex amounted to around 41.5 million (2002: 44.0 million).

ETF on the DAX is the index fund with the highest turnover in Europe

Turnover of European ETFs in € millions



The DAX is the most attractive European underlying

Number of structured products per index in 2003

The most successful European index derivatives were futures contracts on the Dow Jones EURO STOXX 50, with 116 million contracts traded in 2003 (plus 34 percent). The number of index options amounted to 61.8 million (up 56 percent).

The Xetra-traded index fund (ETF) based on the DAX is the largest ETF in Europe with a volume of €18.9 billion. In contrast, all four Xetra-listed ETFs based on the DJ EURO STOXX 50^{SM} had a combined volume of around €14.9 billion. Both indices were able to reinforce their leadership positions on the European market.

The particular attractiveness of the DAX can be seen from the fact that currently over 6,000 warrants and certificates based on this index family are listed on the Frankfurt Stock Exchange. The DJ EURO STOXX family accounts for around 1,800 structured products. In the previous year, there had been 2,987 structured products on the DAX and approximately 1,600 on the DJ EURO STOXX family.

TecDAX: Successful debut as underlying

Market participants have reacted positively to Deutsche Börse's reorganized index system and have created innovative products based on these indices. The new TecDAX technology index, which bundles technology companies underneath the DAX, fulfilled the expectations of market participants extremely fast: in the first year of its existence, a total of 14 issuers launched over 700 products based on the TecDAX. The interest in the streamlined MDAX index for midcaps and the SDAX index for small caps is also growing.

Bond index derivatives: New products based on eb.rexx and iBoxx

The first European ETFs that are based on bond indices alone use the iBoxx and eb.rexx indices. In the course of 2003, Indexchange Investment AG launched a total of four funds based on the eb.rexx indices that are exclusively exchange-traded; meanwhile, they have become some of the most liquid instruments on the XTF trading platform. The iBoxx indices have been used by the financial services provider Barclays Global Investors (BGI) – the market leader in ETFs based on fixed-income securities in the USA – since March 2003 as the foundation for its entry into the European market. In addition, the iBoxx indices were selected by a group of internationally prominent market makers as the underlying for financial instruments in the credit market denominated in euros and US dollars. These companies have succeeded in taking the lead in a high-growth market segment using iBoxx products.

iNAV: Reliable evaluation of funds' assets

Information Services offers its customers the calculation and distribution of net asset value information under the iNAV® (Indicative Net Asset Value) brand name. iNAV makes the assets of actively and passively managed investment portfolios transparent. IS currently offers iNAVs for 50 exchange-traded funds, and the product is being used more and more: trading participants do not just use iNAVs on Deutsche Börse's ETF trading platform, where calculating iNAVs is obligatory for all listed funds. They also use them off-exchange for price fixing due to their high quality, transparency and neutral calculation method.

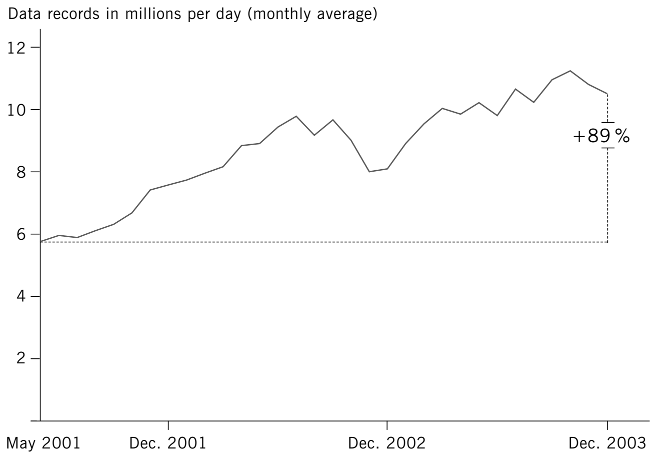
Information Systems and Services: Efficient Data Interchange between Participants and the Market

IS enhances and distributes the trading information it has collected via its CEF system. IS also provides market participants with access to additional Deutsche Börse information products via the WSS Wertpapier-Service-System (securities service system), a back-office service. TRICE® helps market participants meet their reporting requirements for securities transactions.

Rapid and reliable data distribution via CEF

The IS Consolidated Exchange Feed (CEF) has been on the market since May 2001. A single system is all that is required to collect, format and enhance all trading data, and then to distribute it to information service providers, the media, banks, traders and investors. The demand by banks for direct connections is growing. These institutions utilize the high speed and security standards that CEF offers in relation to information provision to directly supply their various applications with data – before, during and after trading. CEF has set new standards in the area of data delivery: its availability since its launch has been 100 percent, and in 2003 the volume of processed data daily amounted to up to 13 million messages.

CEF data volume: Positive trend since launch



In November 2003, Release 2.0 created the software conditions necessary to transmit market data from the new Eurex US futures market to participants at the start of trading. The new CEF Chicago mirrors the original system, CEF Frankfurt, exactly. This makes Deutsche Börse the first exchange in the world to have implemented a distribution system that is operated in two locations in two different time zones. Trading participants benefit from the minimal transfer times and local customer service.

Current data via WSS

WSS and WSS Online make the current day's information from the Wertpapier-Service-System (WSS) accessible via the exchange's network or via the Internet: this includes data from all German stock exchanges, WM Datenservice, Reuters and the International Securities Market Association (ISMA) on over 250,000 securities listed in Germany and abroad. Last year in particular, customers used WSS intensively, as an especially high number of warrants and certificates were issued.

Efficient reporting with TRICE

TRICE offers market participants a user-friendly option for electronically fulfilling their reporting requirements to the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – the German Federal Financial Supervisory Authority) under section 9 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act). TRICE handles around 72 percent of all reporting. IS transfers all available information from the trading systems into TRICE, which means that only a small amount of data must be entered additionally by market participants. Access to this data pool is particularly useful for Xetra and Eurex participants abroad because of the tremendous amount of research work it saves them. In 2003, IS successfully integrated the new BaFin requirements with regard to parties placing orders into the system. To do so, IS worked closely with BaFin and the international participant organizations in order to produce a practical solution for the complex requirements involved.

Infobolsa Establishes Presence on the German Market

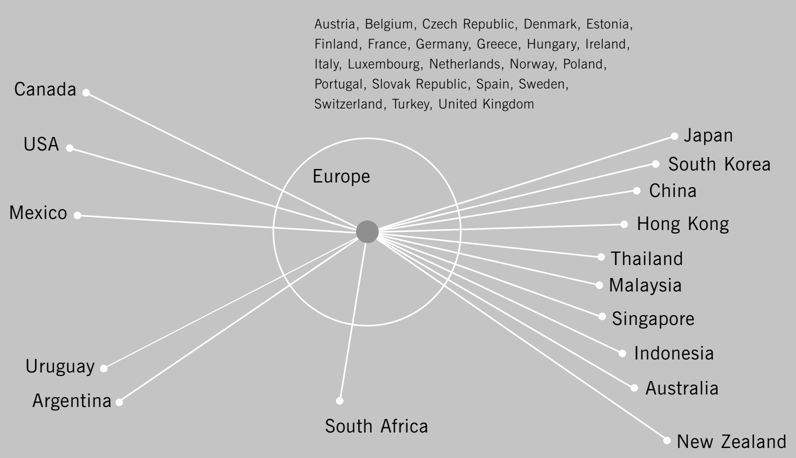
Deutsche Börse AG has held a 50 percent interest in the Spanish information supplier Infobolsa S.A. since November 2002. Its subsidiary, Infobolsa Deutschland, supplies real-time financial information from over 80 different sources directly to users via the Infobolsa NetStation terminal application or as a data feed for other applications. The information supplied includes price data from over 40 European and North/South American exchanges; from domestic and international cash, derivatives, bond, money and commodities markets; interest rates and foreign exchange rates; corporate information and current news stories in German and English. The terminal application spans the complete range of required functions such as chart analysis, customized page and price list creation, data export into other applications and a portfolio tool. This offer already attracted more than 30 customers in 2003, who utilize Infobolsa as their main source of information.

Infobolsa outperformed the competition in particular in asset management and European proprietary trading. In its home market of Spain, Infobolsa was able to maintain its leading position.

Clearstream Segment

- **New German settlement model increases efficiency and reduces costs for market participants**
- **Tripartite repo business grows**
- **Volume of deposits up 7 percent to €7.3 trillion**
- **Number of securities transactions settled drops to 61.8 million due to improved integration of trading and settlement by central counterparty**
- **Sales revenue reaches €543.7 million**
- **EBIT down 11 percent to €111.2 million**

39 markets worldwide linked to Clearstream



The European capital markets are functioning very efficiently across national and currency borders. This is particularly true for the Clearstream segment's business, which is downstream from trading activities. Clearstream's excellent competitive position in the post-trade business has allowed transaction costs to be lowered and settlement cycles to be accelerated.

Clearstream, which has been a wholly owned subsidiary of Deutsche Börse Group since July 2002, is among the leading suppliers of post-trade securities services. Clearstream provides custody services for German and international securities. It settles transactions involving securities that are traded within Germany and internationally via a total of 17 platforms, including Xetra®, floor trading at FWB® Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange), regional German stock exchanges, as well as the US BrokerTec and the international platform MTS Group. In addition, Clearstream has a strong competitive position in the settlement of OTC transactions in fixed-interest securities such as German and international bonds. Clearstream offers additional services in this segment that increase market efficiency, e.g. securities lending and the settlement of repo transactions and tax refunds.

Business Performance Underscores Excellent Competitive Position

Although 2003 was another difficult year for international capital market participants, Clearstream's business developed successfully during the year.

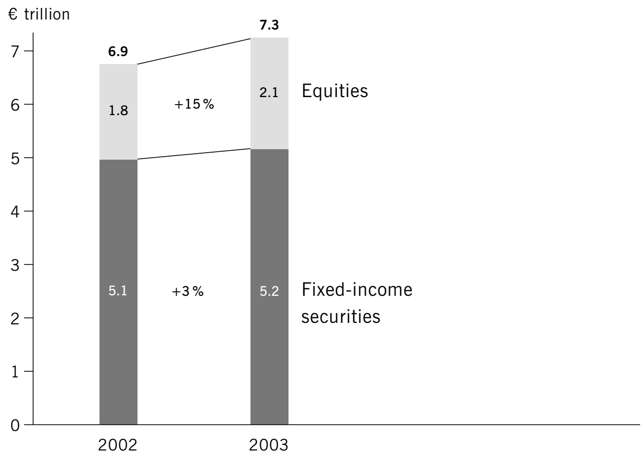
Securities deposits up

The value of the securities held in custody by Clearstream totaled €7.3 trillion (€7,335 billion) as at 31 December 2003 (up from €6.9 trillion in 2002), the value of equities deposited rising by 15 percent and that of fixed-income securities by 3 percent. Domestic German business also experienced an increase in securities deposits from €4.1 trillion in 2002 to around €4.4 trillion in 2003; the value of equities deposited rose somewhat more sharply.
At the international level, the Far East and Eastern Europe both saw above-average growth: Asian customers increased their overall deposit volume by 17 percent in 2003, while the value of securities deposited by Eastern European customers rose by 10 percent.

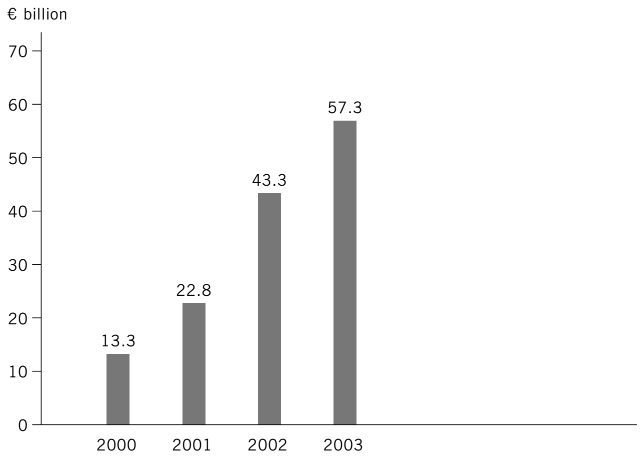
CCP reduces number of transactions settled

The number of transactions decreased from 82.1 million to 61.8 million in 2003 (excluding so called Reg-Über transactions). This reduction is due to the substantial improvement in the integration of trading and settlement produced by the equity central counterparty (see pages 38/39).

Value of securities held on deposit
Custody volume as at 31 December



Repo volume more than quadrupled since 2000



The number of Xetra and Frankfurt Stock Exchange floor trading transactions of CCP eligible securities fell by 90 percent because the central counterparty (CCP) offsets multiple buy and sell orders against each other, leaving only the remaining net amount to be settled. Based on the total number of transactions settled on the stock exchange, this corresponds to a decrease of 44 percent.

The higher market quality means lower implicit trading costs for investors, worth approximately €20 million every month. In contrast, the number of international transactions settled off the stock exchange (also known as over-the-counter or OTC transactions) rose slightly despite the general market weakness. This was mainly due to the integration of additional trading platforms and the growing importance of repo transactions to the capital markets.

Tripartite repo business sees further growth

The development of the tripartite repo business was particularly positive in 2003. Clearstream is one of the leading suppliers of this highly sought-after service in which one counterparty transfers ownership of securities to another for a limited period under fixed terms and conditions. Clearstream handles all of the administrative and operational tasks associated with the transaction for both parties. At the end of the financial year, the average outstanding amount totaled €57.3 billion – over 30 percent more than at the same point in the previous year. Thus the positive trend seen in recent years continued in 2003. The enormous growth in this sector is also reflected in the number of active buyers and sellers: in 2003, an average of 28 percent more buyers and 30 percent more sellers participated in the tripartite repo service than in 2002.

Clearstream lowers prices

In October 2003, Clearstream passed on a considerable portion of its efficiency improvements to market participants. The company introduced a new pricing model for international securities settlement and custody and, at the same time, adapted its invoicing processes to Deutsche Börse Group's standards. The total price reduction in securities settlement and custody amounted to 7 percent.

Prized Clearstream services

Clearstream's growth trend is also reflected in the positive evaluations received by the company from its customers. In February 2004, the industry publication "Global Custodian" classified Deutsche Börse Group's settlement and custody company as "Top Rated Provider" for the third consecutive year. This classification is based on the annual "Tri-Party Securities Financing Survey" on the quality of service providers, conducted by the publication among market participants. The survey is considered by the industry as a benchmark for evaluating the tripartite repo and collateral administration markets. A second survey by the Global Custodian ("Agent Bank Survey") confirmed the high quality of the services offered by Clearstream.

A study conducted in 2003 by SWIFT (Society for Worldwide Interbank Financial Telecommunication) reported that Clearstream's securities settlement operations had an STP rate (STP = straight-through processing, i.e. automated processing of securities orders) of 98.5 percent. The consistent integration of all systems involved in the trading and settlement processes allows nearly all data to be processed fully electronically and automatically. Market participants enjoy the greatest possible efficiency improvements thanks to this high STP rate.

Competition – a Driver of Efficiency and Innovation in Settlement and Custody

For Deutsche Börse Group, competition is the driver that forces markets to be more efficient. Fully electronic systems play the decisive role in this regard. In trading, the systems automate processes and concentrate liquidity, whereas in settlement and custody Clearstream's objective is to deploy systems to reduce risk and optimize processes.

New German settlement model sets trend in Europe

Clearstream launched a new securities settlement process in conjunction with Deutsche Bundesbank on 14 November 2003. This model improves process security, brings settlement on the German market in line with international standards and, at the same time, reduces costs for market participants.

How does this new settlement model work and what are its advantages? A newly created link between Clearstream and Deutsche Bundesbank enables securities buyers to back their transactions with liquidity that was previously held unused overnight as a minimum reserve in Bundesbank accounts. This "nighttime link" eliminates a major systemic risk, i.e. the risk of a transaction being reversed overnight. The new settlement model is therefore contributing greatly to the stability of the financial markets. For market participants, this represents progress toward a level competitive playing field. The approach to overnight processing prevalent to date gave certain customers an advantage, because German banks delivered securities on the evening preceding the transaction, although payment for them was not due until the following day. The liquidity and interest rate advantages that this created distorted competition.

"The new settlement model is a major step forward for Germany as a financial center. It reduces settlement risk, increases liquidity in the settlement of securities transactions and increases settlement efficiency – key factors for making the settlement system even more attractive."

Gerald Noltsch, Chairman of the Management Board, BNP Paribas Securities Services

"As a result of introducing the new settlement model, the German market has improved its compliance with international standards (IOSCO, ISMA, BIS model 1) and has taken a decisive step forward. Since the model not only ensures early availabilities of securities but also of cash liquidity in central bank money, it has now created a level playing field in the settlement of securities transactions in Germany."

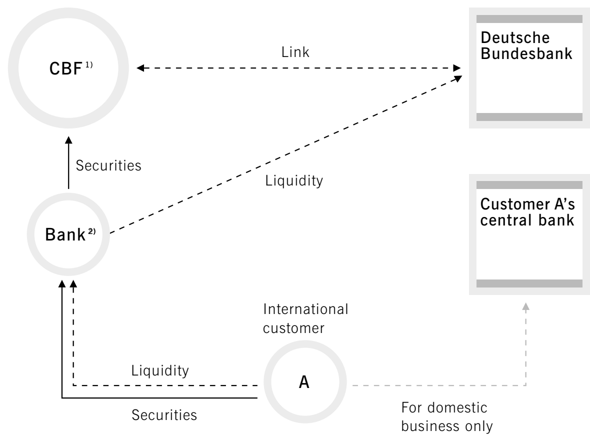
Cornelia Raif, Director, Securities Country Manager, Citigroup

The new process also increases settlement efficiency: liquidity made available by market participants in the evening creates an incentive for having sales processed at night; at the same time, liquidity requirements decline due to the netting effect. Trading participants also benefit from lower collateral costs thanks to the central bank guarantee in connection with additional netting effects. Turnover accelerates because securities or the proceeds from securities transactions are available to the counterparty sooner, and liquidity gained in this way can be utilized for additional transactions.

Market participants abroad enjoy a special advantage thanks to this process: they are no longer required to parcel up their central bank liquidity to settle transactions as was previously the case – they can now deposit their collateral with the central bank in their country, which forwards a cross-border guarantee to Deutsche Bundesbank. The guarantee concept represents another contribution to the effort to level the playing field by granting domestic and foreign participants the same access to central bank funds in cross-border transactions. In conjunction with the central banks, Clearstream has developed a process that not only increases market efficiency and substantially reduces costs for customers but also sets the standard for the entire European capital market. The Dutch and Austrian central banks have participated in the new model since the beginning, and other European central banks have also signaled an interest in this process.

New settlement model facilitates processes

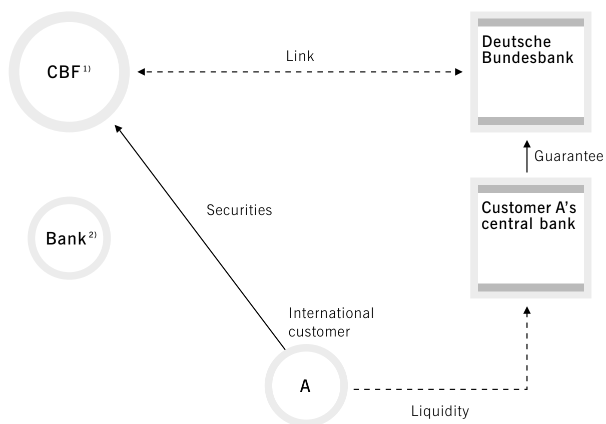
Former model



[1)] Clearstream Banking AG, Frankfurt
[2)] Correspondent bank in Germany

In this model, the foreign bank (Customer A) needs the support of an authorized bank in Germany to settle its securities transactions.

New German settlement model



[1)] Clearstream Banking AG, Frankfurt
[2)] Correspondent bank in Germany

Thanks to the central bank guarantee, the foreign bank (Customer A) can now settle its transactions via its domestic central bank.

Clearstream Driving Integration of the European Capital Market

One focus of Deutsche Börse Group’s activities in 2003 was on improving interoperability. Various initiatives by the Group aimed to improve integration of the technical systems operated by the European International Central Securities Depositories, thus lowering the costs involved in the cross-border settlement of securities transactions. Market participants agree that this is one of the prerequisites for a smoothly functioning European capital market with fair conditions for competition.

Clearstream is among the leaders of this innovation process. For example, the company was a key participant in the development of the standard SWIFT ISO 15022 and began to bring its systems into line with the standard early on. Since 2003, all of its systems and system interfaces have been compliant. SWIFT ISO 15022 is the generally accepted industry standard that standardizes technical formats, thus safeguarding system performance and interoperability.

Clearstream introduces automated daytime settlement

In July 2003, Clearstream and its competitor Euroclear signed an agreement to establish a “daytime bridge”. For the first time, same-day settlement between Clearstream Banking and Euroclear counterparties will become possible. This additional interface will supplement and improve the existing bridge for nighttime processing.

The new functionality is being introduced in two phases. Phase one in June 2004 will improve daytime settlement in general. The higher turnover rate will enable market participants to settle a greater number of securities transactions during the same day (same-day settlement). Moreover, financing costs will fall, because transactions that were not settled the previous night will be included in daytime processing. This will reduce risks overall and allow them to be controlled more effectively. Same-day settlement of trading transactions via the bridge is planned for phase two in November 2004. This will simplify repo and securities lending transactions in particular. The launch of the daytime bridge met with positive feedback from market participants; it is an important step towards increased interoperability and hence towards sustained improvements in efficiency on the European capital market.

Cross-border settlement of Pfandbriefe simplified

In November 2003, Clearstream – working in conjunction with SWX Swiss Exchange and the settlement organization SIS SegaInterSettle – simplified cross-border settlement of German mortgage bonds (Pfandbriefe). This service is based on the existing link between Clearstream and SIS SegaInterSettle. The settlement processes are fully automated so that the parties involved are not required to issue any special instructions. The new solution increases the STP rate and reduces the cost to participants of settling German mortgage bonds by up to 90 percent.

Creation platform functionality improved

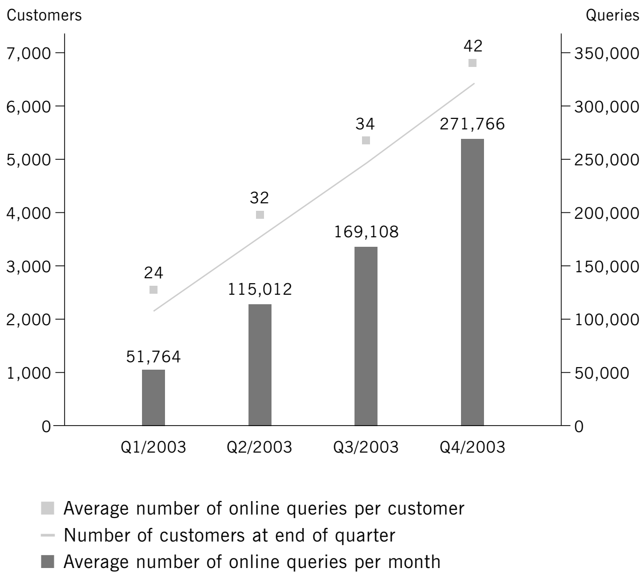
CreationConnect enables Clearstream customers to access a broad range of settlement and securities custody functions. The new products offer direct access to the Creation platform. Depending on their specific requirements, customers can choose among three types of links: an interactive browser interface (CreationOnline), fully automated data transfer (CreationDirect) or access via the SWIFT network (Creation via SWIFT).

The functionality of the CreationConnect products was expanded further and the formats brought into line with SWIFT ISO 15022, underscoring Clearstream's efforts to standardize trading and settlement processes. All settlement reports are also available in XML and PDF format to make the systems more flexible and to tailor them to specific customer requirements.

"With CreationOnline, we have enhanced our monitoring capability, and the management of transaction settlement has improved. The real-time online query facility to Clearstream's Creation settlement platform allows us to manage our cash and collateral positions with greater efficiency, which ultimately provides improved risk control within our Operations department."

Fraser Mackenzie, Head of European Fixed Income & Equity Operations, Barclays Capital

Growing demand for CreationOnline



The Creation platform has been doubly compatible since November 2003. On the one hand, the CreationDirect via LIMA (Link Manager) interface ensures that customers can now use their existing infrastructure for the German market to settle international securities transactions as well. CreationDirect via SWIFTNet, on the other hand, enables data interchange with Clearstream based on the newly introduced international SWIFTNet File Act service.

Since the introduction of CreationOnline – the only technology of this type on the international securities market – in September 2002, the number of customers has risen continually. Currently, around 7,000 users in several hundred financial institutions are utilizing this user-friendly connection option. In the second half of 2003, the number of instructions entered by customers for securities transactions tripled, while use of the online query function doubled in the same period.

Clearstream Supports Customer Liquidity Management with Innovative Products

On 4 August 2003, Clearstream introduced its Umbrella Credit & Collateral Services. These new services allow customers to utilize global credit lines issued by Clearstream more efficiently and to optimally organize their existing collateral. In addition, credit lines and collateral can be managed much more flexibly with this new functionality.

In July 2003, Clearstream launched a new securities lending program. Clearstream lends market participants German federal government securities free of lending charges from the late afternoon until the early morning via BAMBL (Bond Advanced Management for Borrowing and Lending), as long as the transactions are closed out no later than the end of the first daytime processing session of the following day. BAMBL has enabled Clearstream to optimize settlement of cross-border German transactions.

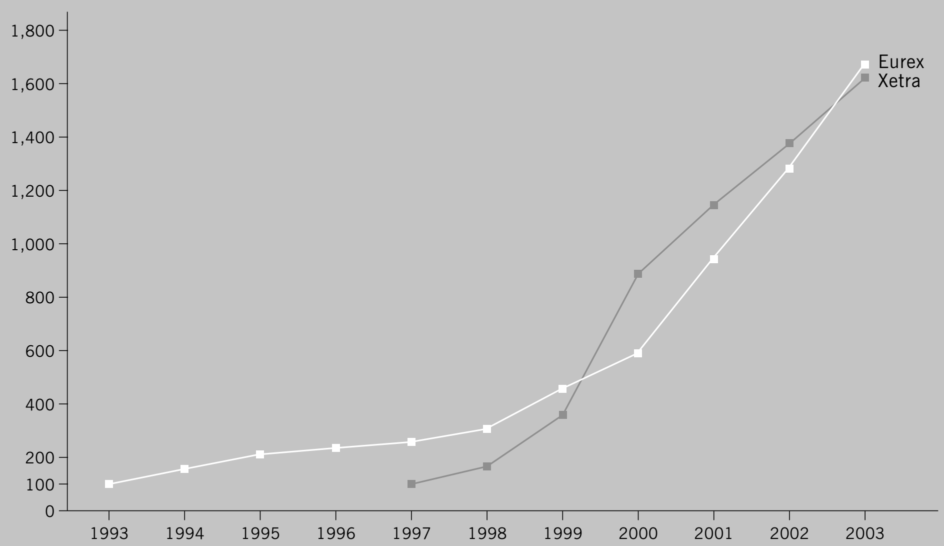
Clearstream also expanded its offering in the custody segment in 2003. For example, the company provides capital and tax refund services, which enable customers to benefit from more accurate information and more efficient use of their liquidity.

In the area of securities financing, without which today's capital markets would almost be unthinkable, Clearstream launched its Tripartite Securities Lending Service in the past year. In 1992, it was the first supplier on the market to introduce the tripartite repo service for various currencies. Both services pursue the same goal: to optimize market liquidity and settlement efficiency while simultaneously reducing risk. The high growth rate in this business area underscores the high quality of the services offered by Clearstream.

Information Technology Segment

- **Central counterparty for equity trading successfully implemented**
- **Eurex software adapted to requirements of US market**
- **CreationOnline expanded to include new customer-friendly functionality**
- **Business with third parties grows**
- **Sales revenue (internal and external) drops by 21 percent to €306.7 million, thereof €131.9 million or 43 percent from services for external customers**
- **EBIT up by 37 percent to €72.6 million thanks to efficient cost management (2002: €53.0 million)**

Growing trading volumes on Xetra and Eurex



Number of daily contracts on Eurex, index-linked to 1993 (=100)
Number of daily trades on Xetra, index-linked to 1997 (=100)

The Information Technology segment reinforces the competitiveness of Deutsche Börse Group's individual segments. Via the IT service provider entory, Information Technology offers additional services to customers in the financial sector.

Information Technology designs, builds and operates trading and settlement systems, primarily for Deutsche Börse Group. Around 1,350 IT employees implement the segments' strategies in the form of technological applications, thereby ensuring the competitiveness of the entire Group. In addition, they supply IT services to companies in the financial sector outside the Group. Deutsche Börse Group set its sights on fully electronic trading and settlement processes earlier than other stock market organizations. Today, these systems are the building blocks for the company's core business and the basis for its excellent competitive position internationally.

Systems That Take Deutsche Börse Group into the Future

Only a few exchange organizations have the in-house expertise to actually implement their technical requirements regarding trading and settlement systems. This is one of the strengths of Deutsche Börse Group: it can continue to rely on its own technology service provider, whose competencies are bundled in the Information Technology segment, to support its core business.

Eurex and Xetra – efficient trading systems for participants worldwide

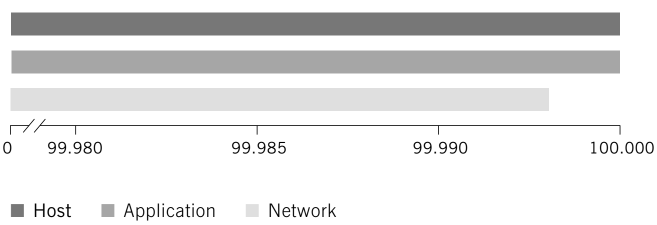
Since the launch of its derivatives exchange in 1990, Deutsche Börse Group has occupied a technological leadership position among international marketplace operators. The centerpiece of Eurex is the fully electronic trading and settlement system of the same name. The automation of trading and clearing provided a key competitive edge that enabled Eurex to become the world's leading derivatives market in less than ten years following its launch.

The Eurex success story continued in the cash market with the introduction of Xetra®. The fact that around 95 percent of trading in German blue chips (included in the DAX®) is fully electronic today underscores the success of this system. Apart from FWB® Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange), the exchanges in Dublin and Vienna, as well as the European Energy Exchange (EEX) utilize Xetra technology. The resulting economies of scale further enhance Deutsche Börse Group's competitiveness. At the same time, they offer attractive outsourcing options for other exchanges.

With modern system architectures, maximum availability and low transaction costs, Eurex® and Xetra set the international benchmark for trading and clearing systems. In the past year, 406 participants from 18 countries executed up to 8.2 million contracts per day at peak times via the Eurex network. On its first day of operation on 28 November 1997, 221 participants from seven countries commenced trading on Xetra, concluding 4,934 trades. Today, 308 participants in 16 countries are connected to the Xetra network; at peak times, they execute up to 380,000 trades per day.

Xetra: Maximum availability of all system components

Availability in percent



In 2003, participants enjoyed the normal high levels of service availability; Xetra's availability, for example, averaged 99.996 percent for the year. In concrete terms, that means that Xetra participants were unable to access the system's trading functionality for only 7.8 minutes out of a total trading time of 197,220 minutes.

CCP – central counterparty for equities trading

The central counterparty (CCP) for equities trading in Xetra and on the floor of the Frankfurt Stock Exchange was one of the core projects occupying Information Technology in the past two financial years. In order to meet the needs of participants in the shortest possible time, Information Technology based the CCP on Deutsche Börse components: the Xetra architecture, existing Clearstream software for corporate actions and the Eurex risk management system were supplemented with new software – but only 40 percent of the software was newly programed. Seven sub-projects were implemented in parallel. The completed software modules were subsequently combined into a CCP system under the leadership of Information Technology. The result was a robust, highly available, fault-tolerant system that enables the company to realize impressive synergy effects in operations and in software maintenance (see page 39) – and that represents a major improvement in the efficiency of securities trading and settlement.

Creation – securities settlement and custody

2001 saw the launch of Creation, a securities settlement and custody platform. The system covers all steps in the process from the entry of the transaction and instruction to the settlement of liabilities. Creation offers customers a choice of three different links: access via a web browser (CreationOnline), file transfer (CreationDirect), or the third alternative, Creation via SWIFT, which provides access via the SWIFT network and supports the latest SWIFT standards. Creation has markedly improved the quality of business processes downstream from trading and reduced operational risk, while maintaining maximum availability. Today, the platform processes an average of over 200,000 instructions per day in 39 markets and is poised for further growth. Creation provides the technological basis for offering new functionalities in the settlement business. In the past year, these included services for the flexible utilization of credit lines and collateral (umbrella credit – see page 76).

Information Technology operates one of the largest financial services networks in the world for the Group, but the segment is searching for synergies here as well: if the link for each participant and each market required a separate cable and the physical length of all of the cables were added together, the total would equal the distance from the earth to the moon – around 385,000 km. Ongoing consolidation of the network infrastructure has reduced the length of the cables by 37 percent to 242,460 km – but this is still enough to circle the earth six times.

2003 Projects: Realizing Complex IT Solutions and Improving Efficiency

When working on the technical design required to turn an idea into a service, the Information Technology segment bundles its competencies to develop complex IT solutions. These solutions reflect the entire process chain of the electronic securities business – from routing and matching orders through the clearing and settlement of transactions to custody and management of securities, while at the same time enabling market information to be distributed. Information Technology's internal projects in the past year focused on the idea of managing requirements and controlling costs.

Eurex software tailored for US market with additional functionality

The Eurex US derivatives market, which was launched in February 2004, is another system realized by Information Technology. It is based on the proven Eurex software, whose model, performance and stability have set the standard for trading and settlement systems in recent years. The expanded Eurex software offers new functionality and improves the conditions for intelligent trading strategies, particularly on the US market. For the first time, all US market participants can trade futures and options under the exact same conditions.

Best-of-class rating for Information Technology

The services that Information Technology provides to its internal and external customers meet the most stringent requirements. This was confirmed by a best-of-class rating issued in 2003 by Gartner Inc., the international IT research and consulting institute. The company assessed the operation of the international network, the data centers in Frankfurt, Luxembourg and Chicago, and the technical help desk for trading and settlement participants. The above-average training level of employees, the economies of scale generated as a result of the large volumes involved and the efficiency achieved thanks to site specialization were identified as particular strengths. This result was underscored by another award that Information Technology received in 2003 from the European Software Institute (ESI) for first-rate process quality.

During the twelve-month project, up to 100 specialists from Information Technology designed, developed and tested the new software, built the necessary infrastructure, and linked more than 100 trading participants to the new system. At this time, the interface to The Clearing Corporation (CCorp), which provides netting and settlement of transactions for participants in the USA, was implemented. A link was also established to the largest independent trading surveillance institution in the USA, the National Futures Association (NFA, see also page 50).

CreationOnline expanded

CreationOnline is the new browser-based link which Clearstream customers can use to access the functionality of the Creation platform. CreationOnline Release 3 allows customers to control and manage reports supplied via CreationConnect channels (CreationDirect, Creation via SWIFT and SWIFTNet). Information Technology extended or updated several clearing and settlement functions in close cooperation with market participants; these functions will be further expanded in 2004. The market has welcomed CreationOnline: over 6,000 users at domestic and international financial services providers are now utilizing this new link option.

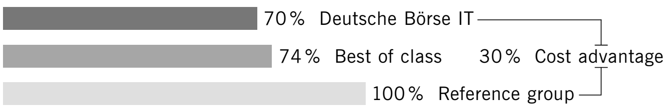
Customer interface optimized

In 2003, Information Technology further improved its comprehensive customer service for Deutsche Börse Group's trading and settlement systems. A help desk and two additional Internet information channels were made available to participants: current information is now automatically published on news boards, while interactive tools enable participants to verify system availability, the status of their connections, the configuration of their infrastructures, and the status of the system. Because these interactive tools are being used more and more, the number of phone queries fell by 20 percent in 2003 compared to 2002. As a result, the help desk employees are now free to clarify what are generally the more complex questions about the technical infrastructure.

IT governance improves efficiency and strengthens the competitive position of the Group

IT companies are constantly faced with the challenge of cutting production costs and simplifying their existing systems. This is true both for customer projects and for internal system services. Deutsche Börse Group therefore pursues an active portfolio management policy for the services that its segments provide to other segments: value analyses are performed on an ongoing basis to focus internal IT projects on components that add value. This process, called IT governance, has a direct effect on the competitive position of the entire Group due to the higher level of IT efficiency achieved. It produced excellent results in 2003: linking even more closely the requirements and the scope of services provided enabled the company to lower investment and ongoing costs for intra-Group services in all areas of IT – from production to operations. In 2004, Information Technology will be able to utilize existing resources even more efficiently.

Information Technology: Operating costs significantly lower than in comparable IT companies



Source: Gartner Consulting

Mainframes consolidated

Information Technology generated synergies by consolidating mainframe operations (IBM Mainframe) as part of the integration of Clearstream International. The transfer of all custody applications from Luxembourg to Frankfurt increased the efficiency of Deutsche Börse Group's IT infrastructure and led to considerable cost savings. The project was implemented in a very short period – from February to July 2003.

Information Technology's Third-Party Business Successful

The new data center services business generated in 2003 demonstrates that Information Technology can also hold its own in direct competition with other IT suppliers.

In addition to operating a total of 17 exchanges worldwide, the segment develops customer-specific solutions for insurance companies, banks, investment firms, industrial enterprises and public-sector authorities. Its approach can be summed up as "modeling, not programing": business processes are designed to be more efficient and flexible in existing environments, so that companies can react more quickly and precisely to customer requirements and realize cost-cutting potential in a more pragmatic manner. Information Technology's range of services comprises four modules:

- Analysis: Information Technology consults with companies about implementing corporate strategy.
- Design: Information Technology develops concepts that are tailored to clients' needs.
- Implementation: Information Technology realizes custom IT solutions and integrates these solutions into the structures of the company.
- Operation/further development: IT operates the customer applications and upgrades them as necessary.

Thanks to its industry knowledge, technological competence and efficient structures, Information Technology is successfully positioned as a supplier of services to other financial services providers and has raised its profile with customer projects such as those described on the next two pages.

Information Technology operates 17 exchanges worldwide

Exchange	Type of market	Launch	Participants[1]	Countries[1]
Eurex	Derivatives market	1/90	406	18
Xontro[2]	Spot market	6/92	500	4
FWB (Xetra)	Spot market	11/97	308	16
Helsinki Exchanges	Derivatives market	9/99	406	18
Wiener Börse	Spot market	11/99	55	4
Irish Stock Exchange	Spot market	5/00	17	2
a/c/e[3]	Derivatives market	8/00	131	7
Eurex Bonds	Spot market	10/00	26	4
EEX	Spot and derivatives market	8/00+3/01	60	11
Eurex US (since 8 Feb. 2004)	Spot market	2/04	110[4]	4

[1] At 31 December 2003
[2] Electronic, broker-supported trading system for floor trading at the Berlin, Bremen, Dusseldorf, Frankfurt/Main, Hamburg, Hanover, Munich and Stuttgart stock exchanges
[3] Succeeded by Eurex US
[4] Number of participants at launch date

Deutsche Börse operates Swapstream trading platform

Information Technology has been supplying network and technology services to Swapstream, the provider of a trading platform for swaps and OTC derivatives, since February 2003. The platform, which went live on 1 September 2003, includes functionality such as electronic price fixing and distribution, order and transaction management, a limit control system, the display of tradable best-price curves, and automatic linking of orders with realtime futures prices. The agreement between Swapstream and Information Technology makes trading more cost-effective and user-friendly, while preserving the original structures and practices of the market. No other trading platform for OTC derivatives offers both market neutrality and advanced functionality simultaneously. The Swapstream platform is run from the Frankfurt data center of Deutsche Börse Group.

Information Technology as the outsourcing partner of Deutsche WertpapierService Bank

Information Technology has operated one of the central settlement systems of Deutsche Wertpapier-Service Bank AG (dwpbank) since December 2003. The service package includes operation of all of the mainframe applications and server systems, as well as the network infrastructure, in Deutsche Börse Group's data center. Information Technology beat major international outsourcing providers to win this tender. dwpbank and Information Technology are continuing a successful partnership that began back in 1999 with the operation by Deutsche Börse Systems AG of the systems of bws bank AG (which merged with WPS Bank AG to form dwpbank AG).

"Deutsche Börse Information Technology responds to our requirements in a very flexible way, and implementation is pragmatic and swift. We are convinced to have won Deutsche Börse Information Technology over as a reliable and competent partner."

Dr. Sören Christensen, CEO, dwpbank

EEX energy trading continues on Deutsche Börse Group infrastructure

The Leipzig-based European Energy Exchange AG (EEX) extended its contracts with Deutsche Börse Group for seven years on 9 February 2004. Information Technology provides the infrastructure for EEX's entire energy trading system. The main reason that EEX chose Deutsche Börse was cost: on the one hand, EEX benefits from the low unit costs offered by Information Technology, even for small volumes, while on the other the scalability of the systems means that there are no technical limitations on future growth.

Automation of order settlement for an investment company

In conjunction with Forbatec GmbH, a subsidiary of SunGard Data Systems Inc., entory has developed a central communication platform for investment companies, depositary banks, global custodians and brokers, aiming at automating trade confirmations. The platform can be used to settle all business processes in the future via generally accepted communication standards such as SWIFT. During the course of this project, entory analyzed the order process for Activest and adapted it to meet the requirements for automated processing of trade confirmations in the middle and back office.

"Thanks to the excellent know-how of entory we were able to process the first SWFT messages soon after the project had started."
Dr. Markus Walch, Managing Director, Activest

Integration of processes and information in a financial institution's Extranet

A leading financial institution used entory's services to create a personalized online platform in the form of an Extranet. The platform can be used by branches, group subsidiaries and partner institutions to access the institution's information and applications. The starting point was a concept study in which entory analyzed the services of the platform for various user groups. Stand-alone solutions in the subsidiaries were replaced and costs reduced.

"The new, standardized presentation of information supports our sales activities, enhances transparency, and boosts identification with the companies of our financial group."
Dietrich Voigtländer, Member of the Executive Board, DZ BANK

Internet search engine for the German Federal Finance Office

Information Technology implemented a web-based search solution for the Bundesamt für Finanzen (German Federal Finance Office) that identifies tax-related irregularities in connection with Internet-based transactions. Sales platforms on the Internet are checked for suspicious activity using the Xpider® software developed in-house. Xpider compares information about German companies that are obliged to pay VAT with a database maintained by the Bundesfinanzministerium (German Federal Ministry of Finance). The aim is to identify commercial enterprises that are not paying the proper taxes on their business. The German Federal Finance Office then investigates the facts of the case and forwards the results.

Group Staff

- **Group structures and cultures harmonized**
- **Motivated, international team**
- **Excellent training opportunities, attractive remuneration and first-rate social benefits**
- **Performance-oriented equity compensation plan for employees**

Deutsche Börse Group employees
as at 31 December

Segment	No. of employees 2003	No. of employees 2002
Deutsche Börse Group	3,233	3,318
Xetra	166	179
Eurex	180	142
Information Services	161	161
Clearstream	946	939
Information Technology	1,358	1,448
thereof: Deutsche Börse Systems[1]	553	533
Clearstream TEC	513	571
entory	292	336
Corporate Services	422	449
Average age	36.9	35.9
Nationalities	57	n.a.

[1] Incl. Deutsche Börse AG and Xlaunch

Deutsche Börse Group ranks among the top employers competing for the best and brightest employees. Deutsche Börse's status as a listed company represented in the DAX is only one reason for this. Additional competitive advantages enjoyed by Deutsche Börse are its consistently good corporate results and its motivating working environment.

Apart from its markets, products, and trading and settlement systems, the value of Deutsche Börse Group is based on its employees: highly qualified and motivated people with pronounced strengths. They think in an analytical and strategic manner, and possess the intellectual and social skills needed to develop solutions in teams and implement them together. Deutsche Börse values this profile and offers its employees tailor-made prospects in a challenging international environment.

An Extraordinary Success Story Attracts Extraordinary People

As an employer, Deutsche Börse Group competes with banks and financial services providers, as well as IT and consulting firms. Its stock exchange listing and rapid inclusion in the DAX® have raised awareness of the company among both talented new recruits and experienced specialists even further. Deutsche Börse is attractive not only due to excellent results but also because of its innovative strength and international reach. Despite its large market capitalization, which is comparable to that of some major corporations, Deutsche Börse Group has remained as flexible as a medium-sized enterprise: a consistent three-tiered structure comprising top management, middle management and employees ensures flat hierarchies.

In terms of the structure of its workforce, Deutsche Börse Group has completed the transition from a pure stock exchange to a high-tech transaction service provider. While the number of financial professionals employed has remained nearly constant in past years, a significantly greater number of computer scientists, mathematicians and IT specialists have joined the company, and the number of sales and marketing employees has also increased.

The members of the Deutsche Börse team are not only especially well qualified for their duties within the company, but the team is also very international: employees from 57 countries now work in the Group, reflecting the international nature of the company's markets and customers.

Fairness and loyalty are the dominating characteristics of working relationships within Deutsche Börse Group. Employee commitment and motivation are underscored by extremely low sickness and turnover rates (2.5 percent and 6.5 percent respectively in 2003).

Corporate Culture Dominated by Integration

After the acquisition of IT solution provider entory (2001) and the settlement firm Clearstream (2002), the structures, processes and cultures within the Group have largely been harmonized. Inevitably, integration has led to redundancies, particularly in the Information Technology and Corporate Services segments. Regardless, synergies from the integration were implemented in a socially responsible manner. In contrast to many companies in the finance sector, Deutsche Börse Group even created new jobs, so that the number of employees decreased only slightly by 2.6 percent. The attractiveness of Deutsche Börse as an employer is reflected in the labor market: the company, which has a workforce of around 3,200 employees, received more than 7,600 applications in 2003.

Employee Development and Satisfaction as a Competitive Factor

Synchronizing the company's growth with the personal careers of employees is one of the most important responsibilities of human resources management. Deutsche Börse Group's development, qualification and remuneration concepts offer a variety of incentives for long-term employee commitment; junior managers are in most cases recruited from within the company's own ranks.

Multiple career models

At Deutsche Börse Group, employees can pursue their personal career goal by choosing among three career paths:

- The classic management path is for developing employees who demonstrate the ability and willingness to lead and motivate others, as well as the desire to assume human resources and budget responsibility.
- Employees who demonstrate above-average organizational talent in addition to their professional skills can pursue the project career track.
- The expert track requires extensive professional knowledge and can lead to the position of Senior Expert.

Attractive compensation and tailor-made training

Deutsche Börse Group offers a highly attractive compensation package and above-average benefits. In addition, Deutsche Börse develops its employees with training options that are tailored precisely to the needs and responsibilities of each individual. Core training topics are foreign languages, IT, business-related seminars, and soft-skills training aimed at enhancing the communicative and organizational abilities that are particularly important in marketing new products and services, for example. E-learning via the Internet/Intranet provides employees with access to around 80 additional topics such as training in Excel, Powerpoint, Oracle and Java.

In the past year, Deutsche Börse invested an average of four business days per employee in training or seminars. Particularly qualified employees participate in an MBA program that Deutsche Börse operates in conjunction with Duke University Frankfurt and the Luxembourg School of Finance.

Performance-oriented equity compensation plan

In 2003, Deutsche Börse launched a group share plan to provide profit participation for employees and reinforce their long-term loyalty to the company. Each eligible employee was entitled to subscribe for a maximum of 200 no-par value registered shares of Deutsche Börse AG. Depending on the employee's performance and length of employment with the company, the discount on the market-based issuing price was up to 40 percent. For each share acquired, employees received an additional stock option that they can exercise at 120 percent of the issuing price after a minimum of two years. In addition to their fixed and variable remuneration, managers also receive a performance-based number of virtual stock options.

The Square: Deutsche Börse Group's calling card in Luxembourg

Within just a few months of opening in September 2003, The Square has now developed into the new face of Clearstream in Luxembourg. The new building offers not only a common workspace for the employees formerly divided among various sites but also direct proximity to Clearstream customers, many of whom have offices in the immediate vicinity. The entire project, like the exterior of the building, reflects the principles of Deutsche Börse Group: transparency, efficiency, reliability and speed.

The pace of construction was almost record-breaking, too: only two years passed between the groundbreaking ceremony in September 2001 and the official opening in September 2003. As in the new building in Ettlingen occupied by entory AG in January 2003 (entory home), this building offers a light, open and functional environment. One of the reasons for the new construction was to increase efficiency. Centralization in a single location promotes cooperation and communication among employees – something that Deutsche Börse's employees in Frankfurt already experienced after moving into the Neue Börse building in Frankfurt-Hausen in 2000.

The Square also contributes to the integration of Clearstream into the Group. The design, which is consistent from the furniture to the technical infrastructure, strengthens the feeling of community and simplifies workflows. The open architecture also promotes work on cross-team projects and the cross-departmental exchange of ideas.

The Art Collection Deutsche Börse helps draw together the various Deutsche Börse Group sites as well: contemporary photographs create an inspiring work environment in The Square, Neue Börse and entory home alike.

Managing Directors

Werner G. Seifert, born 1949
Chief Executive Officer Deutsche Börse AG
Responsible for Group Coordination and Corporate Center
Frankfurt/Main

André Roelants, born 1943
Deputy Chief Executive Officer
Deutsche Börse AG
Responsible for Customers/Markets
(Banking and Custody Services)
Lintgen, Luxembourg

Yves Baguet, born 1960
Responsible for Delivery
(Operations, Infrastructure and Implementation)
Waltzing (Arlon), Belgium

Rudolf Ferscha, born 1961
Member of the Executive Board Deutsche Börse AG
Responsible for Customers/Markets
(Trading and Clearing Services)
Frankfurt/Main

Matthias Ganz, born 1963
Member of the Executive Board Deutsche Börse AG
Responsible for Operations
Glashütten/Schlossborn

Frank Gerstenschläger, born 1960
Responsible for Technology Services
Darmstadt

Mathias Hlubek, born 1963
Member of the Executive Board Deutsche Börse AG
Responsible for Finance/Group Corporate Center
Kronberg

Ulrich Kastner, born 1954
Responsible for Application Development
Trading and Consulting
Eschborn

Michael Kuhn, born 1954
Member of the Executive Board Deutsche Börse AG
Responsible for Technology/Systems
Frankfurt/Main

Christoph Lammersdorf, born 1950
Responsible for Information Services
Mainz

Gerhard Leßmann, born 1958
Responsible for Application Development
Clearing and Settlement, Custody
Kronberg

Axel Nawrath, born 1954
Responsible for Policy, Communication and Legal
Königstein

Volker Potthoff, born 1954
Responsible for Banking and Custody Services
Luxembourg

Martin Reck, born 1961
Responsible for Group Functionality
Rockenberg

Jürgen Karl Röthig, born 1962
Responsible for Trading/Clearing/Info Operations
Oberursel

Supervisory Board

Dr. Rolf-E. Breuer
Chairman
Chairman of the Supervisory Board
Deutsche Bank AG
President
Bundesverband deutscher Banken e.V.

Manfred Zaß
Deputy Chairman
Former Chief Executive Officer
DekaBank Deutsche Girozentrale

David Andrews (since 14 May 2003)
Chief Executive Officer
Xchanging Ltd.

Ralf Arnemann (until 14 May 2003)
Staff member in the IP Applications Section
Deutsche Börse Systems AG

Herbert Bayer
Trade Union Secretary
ver.di, Department 1 Financial Services,
Area Frankfurt/Main and Region

Udo Behrenwaldt (since 14 May 2003)
Consultant

Birgit Bokel (since 14 May 2003)
Staff member in the Facility Management Section
Deutsche Börse AG

Dr. Peter Coym (until 14 May 2003)
Member of the Executive Board
Lehman Brothers Bankhaus AG

Mehmet Dalman (since 14 May 2003)
Member of the Executive Board
Commerzbank AG

Leonhard H. Fischer (until 14 May 2003)
Chief Executive Officer
Winterthur Group

Uwe E. Flach
Deputy Chairman of the Executive Board
DZ Bank AG, Deutsche Zentral-Genossenschaftsbank
(until 31 December 2003)

Hans-Peter Gabe
Staff member in the Personnel Services Section
Deutsche Börse AG

Dr. Manfred Gentz (since 14 May 2003)
Member of the Executive Board
DaimlerChrysler AG

Harold Hörauf
Personally liable partner
HSBC Trinkaus & Burkhardt KGaA

Prof. Dr. Dr. Dr. h.c. mult. Klaus J. Hopt
(since 14 May 2003)
Director
Max-Planck-Institut für ausländisches und
internationales Privatrecht

Sandra S. Jaffee
Executive Vice President
Citibank N.A. (until 30 January 2004)
President and CEO
Global Securities Services

Dr. Stefan Jentzsch
Member of the Executive Board
HVB Group

Hessel Lindenbergh
Member of the Executive Board
ING Group (until 30 June 2003)
Chairman of the Board of Directors
Netherlands Bankers' Association (until 30 June 2003)

Friedrich von Metzler
Personally liable partner
B. Metzler seel. Sohn & Co. KGaA

Fritz Nols (until 14 May 2003)
Chairman of the Supervisory Board
Fritz Nols Global Equity Services AG (until 20 May 2003)
Spokesman for the Executive Board
Bundesverband der Wertpapierhandelsfirmen e.V.

Klaus M. Patig (until 14 May 2003)
Member of the Executive Board
Commerzbank AG

Roland Prantl (until 14 May 2003)
Staff member in the Configuration Management Section
Deutsche Börse Systems AG

Sadegh Rismanchi
Staff member in the Configuration Management Section
Deutsche Börse Systems AG

Gerhard B. Roggemann (until 14 May 2003)
Member of the Executive Board
WestLB AG

Rainer Roubal (until 14 May 2003)
Chairman of the Executive Board
ICF Kursmakler AG

Dr. Herbert Walter (since 14 May 2003)
Chairman of the Executive Board
Dresdner Bank AG

Otto Wierczimok (since 14 May 2003)
Staff member in the Vaults Section
Clearstream Banking AG

Johannes Witt
Staff member in the Financial Accounting and
Controls Section
Deutsche Börse AG

Silke Zilles
Staff member in the Product Design and
Customer Relations Section
Deutsche Börse AG

Committee Members

The General Meeting held the regular elections for the shareholder representatives to the Supervisory Board on 14 May 2003. Six of the representatives retired and were replaced by new members. This means that the committees were composed in some cases of different members before and after the General Meeting. In addition, the composition of the employee representatives changed in 2003.

Audit Committee

Until 14 May 2003	Since 14 May 2003
Leonhard H. Fischer (Chairman)	Dr. Stefan Jentzsch (Chairman)
Fritz Nols	Dr. Manfred Gentz
Friedrich von Metzler	Harold Hörauf
Johannes Witt	Johannes Witt

Staff Committee

Until 14 May 2003	Since 14 May 2003
Dr. Rolf-E. Breuer (Chairman)	Dr. Rolf-E. Breuer (Chairman)
Hans-Peter Gabe	Udo Behrenwaldt
Friedrich von Metzler	Hans-Peter Gabe
Klaus M. Patig	Friedrich von Metzler

Strategy Committee

Until 14 May 2003	Since 14 May 2003
Dr. Rolf-E. Breuer (Chairman)	Dr. Rolf-E. Breuer (Chairman)
Ralf Arnemann	Herbert Bayer
Herbert Bayer	Mehmet Dalman
Uwe E. Flach	Hessel Lindenbergh
Rainer Roubal	Manfred Zaß
Manfred Zaß	Silke Zilles

Technology Committee

Until 14 May 2003	Since 14 May 2003
Dr. Peter Coym (Chairman)	David Andrews (Chairman)
Dr. Stefan Jentzsch	Dr. Stefan Jentzsch
Sadegh Rismanchi	Sadegh Rismanchi
Gerhard B. Roggemann	Dr. Herbert Walter

Clearing and Settlement Committee
Since 14 May 2003
Sandra S. Jaffee (Chairman)
Uwe E. Flach
Prof. Dr. Dr. Dr. h.c. mult. Klaus J. Hopt
Otto Wierczimok

Report of the Supervisory Board

In the year under review, the Supervisory Board again performed its duties in accordance with the law and the Articles of Association. We monitored the Executive Board's work and regularly advised it on the management of the Company. We were directly involved in all key decisions affecting the Company.

The Executive Board provided detailed, timely and comprehensive information in line with legal regulations on the course of business and the position of the Company, as well as its strategy and planning in a total of six meetings. Individual issues were also addressed in discussions between these meetings and reported on by the Executive Board in writing. In addition, the Chairman of the Executive Board maintained regular contact with the Chairman of the Supervisory Board and informed him of current developments in the Company's business, key transactions and upcoming decisions. The Supervisory Board thoroughly examined, discussed and voted on all proposals made by the Executive Board requiring the approval of the Supervisory Board as stipulated by law or the Articles of Association. All members of the Supervisory Board attended more than half of the Supervisory Board meetings held during their term of office in 2003.

Focus of Discussions by the Supervisory Board

Our discussions focused mainly on Deutsche Börse Group's strategic orientation and further internationalization. In particular, the legal, financial and strategic aspects of the integration of Clearstream International S.A. were dealt with in depth. We gave our approval to the formation of the US-based derivatives exchange U.S. Futures Exchange L.L.C. (Eurex US) and the acquisition of BrokerTec Futures Exchange L.L.C., USA, which was completed in early 2004. We resolved to commission an evaluation of the efficiency of Supervisory Board activities as part of the implementation of the recommendations of the German Corporate Governance Code. A constituent meeting of the Supervisory Board was held after the 2003 General Meeting on 14 May 2003, in which we provided extensive information to all members, particularly those newly elected in the period under review, about corporate governance at the Company.

Work of the Committees

We formed a total of five committees in the year under review. Their task is to prepare the issues to be dealt with in the plenary meetings and our resolutions. In addition – to the extent that this is legally permissible – we have delegated individual decision-making powers to individual committees in order to increase our efficiency. For example, the Staff Committee is responsible for completing, amending and terminating contracts of service with Executive Board members, defining annual bonuses, making allocations under the stock option program and making occupational pension commitments in place of the Supervisory Board. A list of the members of the individual committees can be found on page 99 of this Annual Report.

The Chairman of the Supervisory Board also chairs the Staff Committee and the Strategy Committee.

- The Supervisory Board's Staff Committee met once in the past year. This Committee's work focused mainly on the remuneration of the Executive Board members. In addition, the Staff Committee made a final decision on the reorganization of the Executive Board's and senior executives' pension plans.

- The Supervisory Board's Strategy Committee advises the Executive Board on issues relating to fundamental business policy and corporate orientation, as well as on key projects for Deutsche Börse Group. The issues discussed at the two meetings of the Committee in the period under review included the further development of Deutsche Börse Group's central counterparty. In addition, the Executive Board presented Deutsche Börse Group's strategic planning for the coming years.

- The Audit Committee convened four times in the period under review in addition to holding three conference calls. This Committee closely examined the Group's financial and economic situation and discussed the annual and the consolidated financial statements, and the proposal for the appropriation of the unappropriated surplus, in particular. The members made recommendations for the Supervisory Board plenary meeting dealing with budget planning for the new financial year and gained an overview of Deutsche Börse Group's value-at-risk management, internal auditing and project control.

- The Supervisory Board's Technology Committee held one meeting in which it focused primarily on the development of its software platform strategy with regard to LINUX, the development portfolio for 2004, and the efficiency-enhancing measures introduced in Deutsche Börse Group's IT segment.

- In its constituent meeting on 14 May 2003, the Supervisory Board resolved the formation of a Clearing and Settlement Committee in order to address the increased importance of these business areas for Deutsche Börse Group, particularly following the acquisition of Clearstream International S.A. In the period under review, one Committee meeting was held in which the members conferred about issues including the functions and responsibilities of the new committee and the current discussion within the European Union on the topic of clearing and settlement.

Reports on the work of the Supervisory Board committees were regularly presented in the subsequent Supervisory Board plenary meetings.

Corporate Governance and Declaration of Conformity

The Supervisory Board considers the German Corporate Governance Code published by a German government commission in February 2002 as a key step in the further development in practice of corporate governance and control. On 9 December 2002, the Executive Board and the Supervisory Board of Deutsche Börse AG submitted the declaration of conformity in accordance with section 161 of the AktG (German Stock Corporation Act) for the first time and declared its intent to comply fully with all of the recommendations and proposals of the Code. After publication of the amended Code on 21 May 2003, the Supervisory Board, together with the Executive Board, submitted Deutsche Börse AG's 2003 declaration of conformity in accordance with section 161 of the AktG on 22 September 2003. This declaration has also been published on the Company's website.

Additional details concerning the Company's corporate governance practices, including the text of the declaration of conformity, are included in a separate section on pages 104 to 107 of this Annual Report.

Adoption of the Annual Financial Statements

The 2003 General Meeting appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt/Main, to audit the financial statements. KPMG audited Deutsche Börse AG's bookkeeping, its annual financial statements and management report, as well as the consolidated financial statements and Group management report. The auditor issued each of the preceding an unqualified audit opinion.

The above-mentioned financial statement documents and reports by KPMG were presented to us for examination in a timely manner. The auditor also participated in the relevant meetings of the Audit Committee and the meeting of the entire Supervisory Board convened to adopt the accounts. The auditor reported on the key results of the audit and elaborated in particular on the net assets, financial position and results of operations of the Company and Group, as well as being available to provide supplementary information.

Based on our own examination of the annual financial statements, the consolidated financial statements, the management report and the Group's management report, we agreed with the results of the audit performed by the auditor. No objections were raised. The Supervisory Board approved the annual and consolidated financial statements; the annual financial statements of Deutsche Börse AG are thereby adopted. We also approve the proposal for the appropriation of the unappropriated surplus.

Changes in the Executive Board and the Supervisory Board

No changes were made to the composition of the Executive Board of the Company in the period under review.

However, there were changes in the Supervisory Board, whose term of office ended at the end of the 2003 General Meeting on 14 May 2003. Dr. Peter Coym, Leonhard H. Fischer, Fritz Nols, Klaus M. Patig, Gerhard B. Roggemann and Rainer Roubal stepped down as shareholder representatives. Sandra S. Jaffee, Dr. Rolf-E. Breuer, Uwe E. Flach, Harold Hörauf, Dr. Stefan Jentzsch, Hessel Lindenbergh, Friedrich von Metzler and Manfred Zaß were re-elected by the General Meeting. David Andrews, Udo Behrenwaldt, Mehmet Dalman, Dr. Manfred Gentz, Prof. Dr. Dr. Dr. h.c. mult. Klaus J. Hopt and Dr. Herbert Walter were newly elected to the Supervisory Board of the Company at the 2003 General Meeting. Ralf Arnemann and Roland Prantl stepped down as employee representatives, and Silke Zilles, Herbert Bayer, Hans-Peter Gabe, Sadegh Rismanchi and Johannes Witt were confirmed as Supervisory Board members. Birgit Bokel and Otto Wierczimok were elected as new members of the Supervisory Board. Dr. Rolf-E. Breuer and Manfred Zaß were re-elected Supervisory Board Chairman and Deputy Chairman respectively in the constituent meeting of the Supervisory Board on 14 May 2003.

I would like to personally thank all of the former members of the Supervisory Board for their commitment and constructive support of the Company and the Executive Board over the years. I am confident that the newly constituted Supervisory Board will seamlessly continue the Board's successful work. In addition, the entire Supervisory Board would like to thank the Executive Board, all employees and the employee representatives for their efforts in the year under review.

Frankfurt/Main, 29 March 2004
On behalf of the Supervisory Board:

Dr. Rolf-E. Breuer
Chairman

Corporate Governance

Corporate governance refers to responsible corporate management and control aimed at adding long-term enterprise value. It covers the entire system of managing and supervising a company, including the company's organization, the principles and guidelines governing its business policy, and internal and external control and supervision mechanisms. This includes in particular efficient cooperation between the executive and supervisory boards, transparent corporate events and the safeguarding of shareholders' interests. Good corporate governance promotes the confidence of domestic and foreign investors, the financial markets, business partners and employees, and the general public in the management and supervision of Deutsche Börse AG. Deutsche Börse AG has always held these principles in high regard. The company therefore complies with the current recommendations of the German Corporate Governance Code with only one exception and will implement the Code in full in the course of the year.

In February 2002, a government commission appointed by the German Ministry of Justice presented the first version of the German Corporate Governance Code. Since this time, the Code has been revised and amended, most recently in May 2003. Deutsche Börse AG was a member of this government commission from the outset and actively campaigned for higher transparency standards and disclosure requirements. The Executive Board and Supervisory Board of Deutsche Börse AG have therefore accepted the Code in most points in order to create the conditions necessary for strong, internationally comparable corporate governance within the company. Deutsche Börse has always implemented the initiatives suggested by the Commission within a very short period of time and will continue to do so in the future.

In concrete terms, this includes the following:

- With the relaunch of its website in summer 2003, Deutsche Börse provided more details about the company's corporate governance activities, combining all of the relevant information in a single section. Investors and the interested public can find the current Articles of Association and details concerning the auditors, in addition to extensive information about the Executive Board and Supervisory Board, at www.deutsche-boerse.com/ir > Corporate Governance. Links direct the users to related topics, such as disclosures in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), ad hoc disclosures, the financial calendar, and current quarterly and annual reports of Deutsche Börse AG.

- Deutsche Börse is one of the few DAX companies to date that publishes the remuneration of the Executive and Supervisory Boards members – broken down for each individual and into its various components – in its Annual Report and on the

Internet. The Executive Board members receive annual remuneration with fixed, variable and performance-related components. Deutsche Börse AG had already published the remuneration of the Executive Board in an individualized list before the Code was amended in May 2003 and the corresponding suggestion became a recommendation. The basic principles behind the remuneration system and the specifics of the variable pay component for the Executive Board are explained in detail and broken down for each individual in the Notes to the Consolidated Financial Statements (see page 211). The Corporate Governance section of the website also contains quarterly updates on the fair value of the options issued to Executive Board members.

- The remuneration of the Supervisory Board has also been broken down for the individual members and into its various components, and published in this Annual Report as well as on the Internet. The remuneration comprises a fixed and a performance-related component. The chair and members of the Supervisory Board committees have been receiving separate compensation for their activities since the Articles of Association were amended in that vein by the General Meeting 2003.

- An upper age limit was included in the Articles of Association for members of the Executive Board (60 years) and the Supervisory Board (70 years) following a corresponding resolution by the General Meeting.

- In December 2002, the Supervisory Board established an Audit Committee, which replaced the existing Finance Committee. It addresses the following issues in particular: accounting and risk management, the independence of the auditors, the engagement of the auditors, determination of the focus of the audit and agreement on the auditors' fee (see page 99 for the composition of the committees).

- The Supervisory Board will have the efficiency of its activities revised on a regular basis.

- As in previous years, Deutsche Börse AG supports shareholders wishing to exercise their rights in the General Meeting. Shareholders' voting rights may be exercised in person, by a proxy of the shareholder's own choosing, or by a proxy appointed by the company and acting on the instructions of the shareholder concerned.

- The General Meeting of the company on 19 May 2004 will again be transmitted live via the Internet.

The members of the Executive and Supervisory Boards of Deutsche Börse AG are obliged to disclose the purchase or sale of shares of Deutsche Börse or derivatives based on these shares in accordance with section 15a of the WpHG. During the financial year under review, Deutsche Börse AG did not receive any reports of such directors' dealings. The shareholdings of members of these two bodies are listed in this Annual Report (see page 210) and the quarterly reports.

The Executive and Supervisory Boards annually issue a declaration of conformity with the German Corporate Governance Code and publish this declaration in the Annual Report and on the Internet. The most recent declaration of conformity is dated 22 September 2003 and relates to the latest version of the German Corporate Governance Code dated 21 May 2003. It is published in full below.

Declaration of Conformity Pursuant to Section 161 German Stock Corporation Act (AktG) Dated 22 September 2003

"Since publication of the last Declaration of Conformity on the Internet and in Deutsche Börse Group's 2002 Annual Report, the Annual General Meeting of Deutsche Börse AG on 14 May 2003 has approved the incorporation of provisions governing

- the performance-related compensation of Supervisory Board members,
- the compensation of the chair and members of the Supervisory Board committees and
- the introduction of an upper age limit for members of the Executive and Supervisory Boards

into the Articles of Association of Deutsche Börse AG. Having entered these resolutions into the Commercial Register as amendments to the Articles of Association on 28 May 2003, Deutsche Börse AG has complied with all the recommendations set out in the German Corporate Governance Code as of 7 November 2002.

On 21 May 2003, the German Corporate Governance Code was amended and published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 4 July 2003.

The revised version of the German Corporate Governance Code now recommends that the Executive Board compensation structure, upon suggestion of the competent committee, be discussed and regularly examined at the Supervisory Board plenary meeting (no. 4.2.2, subsection 1, revised version) and that the Chairman of the Supervisory Board outline the basic components of the compensation system as well as any amendments thereto to the General Meeting (no. 4.2.3, subsection 4, revised version). In order to give the Supervisory Board plenary meeting the opportunity to perform such regular examinations, the Executive Board compensation structure was presented to the meeting of the Supervisory Board on 22 September 2003. Furthermore, the Executive Board compensation structure will, in future, be discussed in the plenary meeting of the Supervisory Board upon suggestion of the Staff Committee. The Chairman of the Supervisory Board will also outline the basic components of the Executive Board compensation system and any amendments thereto at the next Ordinary General Meeting so that the recommendations of the Code pursuant to no. 4.2.2, subsection 1, revised version and no. 4.2.3, subsection 4, revised version are fully complied with.

The revised version of the German Corporate Governance Code also recommends that

- the Supervisory Board, as regards Executive Board compensation, should agree a cap for variable compensation components with long-term incentive effect and risk elements in the event of extraordinary, unforeseen developments (no. 4.2.3, subsection 4, revised version) and that
- the basic components of the Executive Board compensation system and details on the concrete form of stock option plans or comparable instruments as well as information on the value of stock options should be published both on the company's website and in the Annual Report (no. 4.2.3, subsection 3, revised version).

Both recommendations will be implemented by Deutsche Börse AG as soon as possible[1]. In all other

[1] At the time the Annual Report went to print, a provision limiting the variable compensation in the case of extraordinary, unforeseen developments (cap) was being drawn up. The recommendation on providing detailed information on the compensation system for Executive Board members has already been implemented (see page 211).

respects, the Executive and Supervisory Boards of Deutsche Börse AG hereby declare pursuant to section 161 Stock Corporation Act that they have complied and will comply with the recommendations and suggestions of the Commission of the German Corporate Governance Code (version as of 21 May 2003) which were published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 4 July 2003."

Compliance

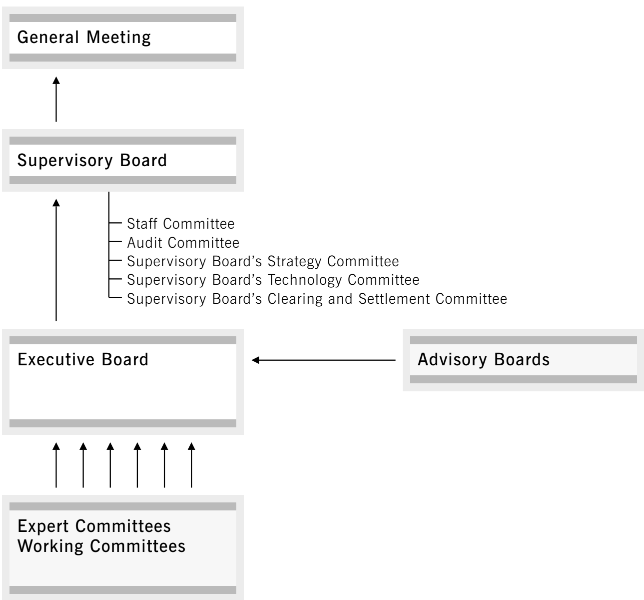
Responsible corporate governance also includes informing all employees that access to sensitive and confidential information is associated with certain obligations. For example, in Germany insider trading is a punishable crime. The Wertpapierhandelsgesetz (WphG – German Securities Trading Act) has established additional rules of conduct stipulating for all companies involved in trading securities and their employees that they act "in the best interests of customers and the integrity of the market" to "avoid conflicts of interest". In many areas of their activities, employees of Deutsche Börse Group have access to information that results in them being deemed "insiders" and that they are therefore not permitted to utilize in their securities dealings. Acting in line with the applicable law is called "compliance".

Deutsche Börse AG introduced compliance rules for all employees back in 1996. Deutsche Börse has thus voluntarily implemented the security standard designed to provide protection against insider trading and conflicts of interest that is now binding for trading participants based in Germany – in other words credit institutions and financial services institutions – following its announcement by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, the German Federal Supervisory Authority).

As at 1 January 2004, Deutsche Börse standardized its compliance rules, which are applicable to Deutsche Börse AG and all companies in the Group with registered offices in Germany. These rules enable Deutsche Börse to guarantee that employees act properly when dealing with confidential information. The guidelines outline the legal framework within which employees can conduct their investment transactions without utilizing insider information.

Compliance is an integral part of Deutsche Börse Group's corporate culture and is a symbol of its focus on the interests of issuers, trading participants and investors.

Deutsche Börse AG decision-making process



Customer Governance: Customer Participation in Working Committees, Supervisory and Advisory Bodies

Companies that want to survive the competition must understand their customers. To create demand for one's products entails having to tailor one's offering to the customers' needs. Deutsche Börse Group pursues a strong "customer governance" policy, designed to harmonize customer requirements and corporate goals. It has built up a closely woven network of relationships with its customers, comprising supervisory and advisory committees in particular. Among these are, on the one hand, supervisory boards prescribed by the Aktiengesetz (AktG – German Stock Corporation Act) and the public law exchange councils. Customers and market experts are represented in these bodies, even though the participation of external members is not obligatory. On the other hand, customer governance is also demonstrated in the various advisory bodies and working committees that Deutsche Börse Group has set up itself.

Some of the committees are formed to fulfil functions for a limited period of time, others meet regularly on a permanent basis to work together on products and services. One thing they all have in common is that their members reflect the increasingly international customer base of Deutsche Börse Group, and that more and more nationalities are represented.

The fact that important decisions in particular are preceded by in-depth consultations with customers is demonstrated by the launch of the central counterparty for the equity market in 2003. During the planning phase of this project, Deutsche Börse Group discussed the topic in several committees and at various levels with its customers.

The list of committees on the following pages reflects Deutsche Börse Group's conviction that customers are the number one priority in the company's thoughts and actions. Many committees are composed of external members and representatives of Deutsche Börse Group. The list contains only the external representatives. Deutsche Börse Group would like to thank all the companies which have sent delegates and all the members of the committees for their commitment.

Working Committees, Supervisory and Advisory Bodies

as at 31 December 2003

Supervisory Board of Deutsche Börse AG

The Supervisory Board is the supervisory body of Deutsche Börse AG stipulated by the Aktiengesetz. It is composed of 21 members – 14 shareholder and 7 employee representatives. The key duties of the Supervisory Board include monitoring the company's management, appointing the Executive Board and approving important corporate plans and decisions (see pages 100/101 for an extensive Report of the Supervisory Board). The following is a list of the shareholder representatives.

Dr. Rolf-E. Breuer (Chairman),
Chairman of the Supervisory Board of Deutsche Bank
Manfred Zaß (Deputy Chairman), formerly DGZ DekaBank
David Andrews, Xchanging Ltd.
Udo Behrenwaldt, Consultant
Mehmet Dalman, Commerzbank
Uwe E. Flach, DZ Bank
Dr. Manfred Gentz, DaimlerChrysler
Harold Hörauf, HSBC Trinkaus & Burkhardt
Prof. Dr. Dr. Dr. h.c. mult. Klaus J. Hopt, Max-Planck-Institut für ausländisches und internationales Privatrecht
Sandra S. Jaffee, Citigroup
Dr. Stefan Jentzsch, HVB Group
Hessel Lindenbergh, formerly ING Group
Friedrich von Metzler, B. Metzler seel. Sohn & Co.
Dr. Herbert Walter, Dresdner Bank

Exchange Council of the Frankfurt Stock Exchange

The Exchange Council is the supreme control and supervisory body of the stock exchange under public law. The management of FWB® Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange) requires the approval of the Exchange Council for all issues of fundamental importance. The Exchange Council is responsible for appointing, dismissing and monitoring the general managers, among other duties. It also resolves the Stock Exchange Regulations, the Fee Regulations and the Conditions for Transactions on the Exchange. The Exchange Council of the Frankfurt Stock Exchange is composed of 24 members who are elected for a three-year term of office.

Dr. Lutz Raettig (Chairman), Morgan Stanley
Heinz-Joachim Neubürger (Deputy Chairman), Siemens
Ulrike Diehl, DVFA Deutsche Vereinigung für Finanzanalyse und Anlageberatung
Uwe E. Flach, DZ Bank
Henning von der Forst, Nürnberger Beteiligungs-AG
Dr. Hans-Jörg Frantzmann,
Frankfurt-Trust Investment-Gesellschaft
Dr. Manfred Gentz, DaimlerChrysler
Prof. Dr. Wolfgang Gerke, University of Erlangen-Nuremberg – Chair for Banking and Stock Exchange Studies
Dr. Heiner Hasford, Munich Re
Harold Hörauf, HSBC Trinkaus & Burkhardt
Dr. Stefan Jentzsch, HVB Group
Karl Ralf Jung, Dresdner Bank
Dr. Karl-Ludwig Kley, Deutsche Lufthansa
Hermann-Josef Lamberti, Deutsche Bank
Wolf-Dietrich Martin, Wolfgang Steubing AG
Friedrich von Metzler, B. Metzler seel. Sohn & Co.
Jörg D. Reuter, Jörg D. Reuter Wertpapierhandelsgesellschaft
Ralph Ristau, Resource Trading Group RTG
Gerhard B. Roggemann, WestLB
Rainer Roubal, ICF Kursmakler AG
Dirk Schaper, Concord Effekten
Peer M. Schatz, QIAGEN
Axel Weber, DekaBank Deutsche Girozentrale
Stefan Winter, UBS Warburg

Primary Markets Advisory Committee (PMAC)

The PMAC participates in structuring the primary market, particularly where changes to the Rules and Regulations are made, and was therefore involved in implementing the resegmentation of the equity market and indices in 2003. The PMAC is actively involved in capital market initiatives such as the semi-annual German Equity Forum.

Aixtron
Apax Partners
BASF
Credit Suisse First Boston
Deutsche Bank
Deutsche Lufthansa
Deutsche Schutzvereinigung für Wertpapierbesitz
DIRK German Investor Relations Association
DIT
Dresdner Bank
DWS
DZ Bank
equinet

Ernst & Young Wirtschaftsprüfungsgesellschaft
Goldman Sachs
HypoVereinsbank
Invesco
Jenoptik
Loewe
Merrill Lynch
QIAGEN
SAP
Shearman & Sterling
T-Online International
UBS Warburg
Union Asset Management Holding
WestLB Asset Management

Secondary Markets Advisory Committee (SMAC)

The SMAC deals with the functionality and service levels of the Xetra® platform; market models and planned developments are presented and discussed critically in the committee. In 2003, the SMAC was involved in Deutsche Börse initiatives such as Smart Trading, Xetra Dutch Stars and pre-emptive rights trading on the Xetra platform.

Archelon
BNP Paribas
Commerzbank
Credit Suisse First Boston
Deutsche Bank
DGZ Deka Bank
Dresdner Bank
DZ Bank
Goldman Sachs
Hesse Ministry of Economics,
Transport and Regional Development
HypoVereinsbank
ICF Kursmakler
Merrill Lynch
Morgan Stanley
N.M. Fleischhacker
Salomon Smith Barney
Seydler
Société Générale
UBS Warburg
WestLB

Working Committee for Practices and Rules for Price Determination in Floor Trading

This working committee composed of exchange traders and exchange brokers concretizes and adds to the rules for price determination in floor trading on FWB®, the Frankfurt Stock Exchange. In 2003, the General Terms and Conditions of the Frankfurt Stock Exchange and the rules for price determination were updated.

Baader Wertpapierhandelsbank
Braintrade
Commerzbank
Deutsche Bank
Deutsche Bundesbank
Dresdner Bank
Hesse Ministry of Economics,
Transport and Regional Development
ICF Kursmakler
N.M. Fleischhacker
Seydler
WST Broker

Lead Brokers Committee

The responsibility of the Lead Brokers Committee derives from section 27 b (4) of the BörsO (Stock Exchange Regulations); the Committee was consulted on all questions and decisions relating to order book management in the year under review.

Concord Effekten
Deutsche Bank
ICF Kursmakler
N.M. Fleischhacker
WST Broker

Designated Sponsors Workshop

The Workshop is responsible for the further development of the Designated Sponsor model, discussion of new models and clarification of current issues at an operational level. In 2003, the minimum requirements for Designated Sponsors were changed and an adjustment of their ratings recommended.

Archelon Deutschland
Commerzbank
Concord Effekten
Deutsche Bank
Dresdner Bank
DZ Bank
equinet Securities
HypoVereinsbank
N.M. Fleischhacker
Seydler
Timber Hill Europe
UBS Warburg
WestLB

Investors Advisory Committee

The Committee is responsible for the further development of Deutsche Börse Group's product and service portfolio for institutional investors. The core issue in 2003 was developments in the field of asset management – discussions included current market trends, transaction costs, the use of derivatives and the role of Deutsche Börse Group. In addition, the Committee also discussed the use of derivatives in special funds and fund distribution.

Allianz Dresdner Asset Management
BVI Bundesverband Investment und Asset Management[1)]
Cleary, Gottlieb, Steen & Hamilton[1)]
Credit Suisse First Boston
Deka Investment
Deutsche Bank
DWS
FEFSI, Fédération Européenne des Fonds et Sociétés d'Investissement[1)]
FERI Trust
Fidelity Investments International
Freshfields Bruckhaus Deringer[1)]
Gartmore Investment Management
Gassner Stockmann & Kollegen[1)]
Goldman Sachs
Hengeler Mueller Weitzel Wirtz[1)]
Linklaters O&R Oppenhoff & Rädler[1)]
Morley Fund Management
Schroders Investment Management
T. Rowe Price International
UBS Global Asset Management
Union Investment Luxembourg

[1)] Guest

Administrative Board of Eurex Zürich AG
Supervisory Board of Eurex Frankfurt AG
Supervisory Board of Eurex Clearing AG

The Administrative Board of Eurex Zürich AG and the identically staffed Supervisory Boards of Eurex Frankfurt AG and Eurex Clearing AG are the supervisory bodies for Eurex and its subsidiaries in accordance with the Stock Corporation Act.

Dr. Markus Granziol (Chairman)
Dr. Hugo Bänziger, Deutsche Bank
Walter Berchtold, Credit Suisse First Boston
Jacques de Saussure, Pictet & Cie.

Exchange Council of Eurex Deutschland

As with the Exchange Council of FWB®, the Frankfurt Stock Exchange, the Exchange Council of Eurex Deutschland is the supreme control and supervisory body of the stock exchange under public law. For example, the change in trading hours for certain stock options and stock index options in November 2003 could not have been implemented without the approval of the Exchange Council.

Dr. Peter Coym (Chairman), Lehman Brothers Bankhaus
Hermann-Josef Lamberti (Deputy Chairman), Deutsche Bank
Rolf Birkert, Birkert & Fleckenstein Wertpapierhandelshaus
Ulrike Diehl, DVFA German Society for Investment Analysis and Asset Management
Norbert Dülks, Delta Wertpapierhandel
Uwe E. Flach, DZ Bank
Gustav Gass, Gass Capital Markets
Hans Joachim Goehtz, Garban Intercapital Securities Deutschland
Paul Hagen, HSBC Trinkaus & Burkhardt
Dietrich Heidtmann, Morgan Stanley Wertpapiere
Matthias Hofinger, MH Trading Wertpapierhandels GmbH
Dr. Stefan Jentzsch, Bayerische Hypo- und Vereinsbank
Karl Ralf Jung, Dresdner Bank
Christoph Lampert, Salomon Brothers
Horst Marschall, Baden-Württembergische Bank
Eric Martin, BNP Paribas Frankfurt
Friedrich v. Metzler, B. Metzler seel. Sohn & Co.

Klaus M. Patig, Commerzbank
Gerhard Roggemann, WestLB
Christian Schaffer, First Futures GmbH
Prof. Dr. Christian Schlag, Johann Wolfgang Goethe-Universität Frankfurt, Chair of Derivatives and Financial Engineering
Axel Weber, DGZ DekaBank

Working Committee for Equity and Index Products (Eurex)

The Working Committee is composed of the most important Eurex market participants. It advises Eurex on operational and strategic issues concerning equity and index derivatives. The Working Committee conveys its recommendations to Eurex's management.

Archelon Deutschland
Aurel Leven
Bear Stearns International
BNP Paribas
Commerzbank
Credit Suisse First Boston
Deutsche Bank
Dresdner Bank
DTS Derivative Trading System
EXANE
Goldman Sachs
HEX Group
HSBC Trinkaus & Burkhardt
HypoVereinsbank
IMC
JPMorgan Securities
Liquid Capital
Mako Global Derivatives Trading
Merrill Lynch
Morgan Stanley
Société Générale
Timber Hill
UBS
WestLB

Working Committee for Interest Rate Products (Eurex)

The Working Committee is composed of Eurex market participants and advises the derivatives exchange on the parameters for interest rate products traded on the Eurex platform. This Working Committee is also asked for advice on the development and introduction of functionality for entering OTC orders, an area in which Eurex offers settlement, as well as trading, of interest rate products. In the course of the launch of Eurex US, the Working Committee participated in specifying the tradable contracts, as well as organizing market making in order to ensure basic liquidity.

ABN Amro
Barclays
Cargill Investors Services
Commerzbank
Credit Suisse First Boston
Deutsche Bank
Dresdner Bank
DZ Bank
Fimat International Banque
Fortis
Goldenberg, Heymeyer & Co.
Goldman Sachs
HypoVereinsbank
JPMorgan
Lehman Brothers
Mako Global
Marquette Proprietary
Morgan Stanley
Tradition Securities
UBS Warburg
WestLB

Working Committee for Clearing (Eurex)

The objective of the Working Committee for Clearing is the development and optimization of Eurex's clearing infrastructure in the interests of all market participants involved in the clearing process. Against this backdrop, the Working Committee issues recommendations and prepares decisions, which in 2003 related to the introduction of margin groups for sectors, the dynamization of the clearing fund, or the payment of interest on collateral.

ABN Amro
Bank Vontobel
Barclays
BNP Paribas
Citigroup
Commerzbank
Credit Suisse First Boston
Deutsche Bank
Dresdner Bank
DZ Bank
Fimat International Banque
Fortis
HypoVereinsbank
Morgan Stanley
UBS Warburg
WestLB

Working Committee for Equity Clearing (Eurex)

The Working Committee for Equity Clearing helps design cash market clearing for equity products at a functional level. The Committee provides a platform for discussing all issues brought up by the clearing house Eurex Clearing or members of the Working Committee. The Working Committee provided valuable feedback during the simulation and launch of the central counterparty (CCP). Adequately the content of future releases is developed in conjunction with the Committee in order to meet customer requirements.

BNP Paribas
Citibank
Commerzbank
Credit Suisse First Boston
Deutsche Bank
Dresdner Bank
DZ Bank
Fimatex
Fortis
HSBC Trinkaus & Burkhardt
HypoVereinsbank
Instinet
Lehman Brothers
Morgan Stanley
TXB LB Transaktionsservice
WestLB

Working Committee for Equity Indices

The Working Committee issues recommendations for the composition of Deutsche Börse AG's selection indices based on fixed index rules. In addition, the Committee advises Deutsche Börse AG on issues related to index structuring and updates to the rules. In 2003, the Working Committee was extensively involved in restructuring the indices as part of the resegmentation of the equity market.

BNP Paribas
Commerzbank
Deutsche Bank
Dresdner Bank
DZ Bank
HypoVereinsbank
ING BHF-Bank
MEAG Munich Ergo Kapitalanlagegesellschaft
Sal. Oppenheim
UBS Warburg
WestLB

Clearstream International Board of Directors

The Clearstream International Board of Directors is a “single board” in line with the US/UK model that is composed of five Managing Directors of Deutsche Börse Group along with 15 external directors. The external directors are:

Robert B. Douglass (Chairman), Milbank, Tweed, Hadley & McCloy
Andrew Bruce, Barclays
Ernst-Wilhelm Contzen, Deutsche Bank
Dominique Hoenn, BNP Paribas

Marc Hoffmann, Dexia BIL
Eric Hollanders, ING Group
Josef Landolt, UBS
Charles S. McVeigh, Schroder Salomon Smith Barney
Jean Meyer, Banque Générale du Luxembourg
Roberto Vicario Montoya, BBVA
Dr. Lutz Raettig, Morgan Stanley
Gordon Sangster, Bank of America
Renato Tarantola, Cassa di Compensazione e Garanzia
David Van Pelt, formerly of Cedel
Laurent Viellevigne, CDC IXIS

User Advisory Board – Clearstream Banking Luxembourg

The User Advisory Board is the discussion forum for top Clearstream customers. The Board advises Clearstream's management with regard to business development, new projects and strategic initiatives. For example, the User Advisory Board was a key partner in the development and launch of the functions for automated daytime settlement.

ABN Amro Mellon
Banca Intesa BCI
Banque de Luxembourg
Barclays
BNP Paribas
CDC IXIS
Citigroup
Commerzbank
Credit Suisse Financial Services
Dexia BIL
Dresdner Bank
Financial Markets Service Bank
Fortis Group
ING Group
Kredietbank Luxembourgoise
UBS

Credit Advisory Group – Clearstream Banking Luxembourg

The Credit Advisory Group deals with market development and credit risks. It rates the creditworthiness of banks and financial institutions, as well as risks associated with lending to sovereign states.

Banca Intesa Spa
Barclays
BNP Paribas
Citibank
Dresdner Bank

Advisory Board – Clearstream Banking Frankfurt

This Advisory Board, which is composed of representatives from all key customer groups, advises the Executive Board of Clearstream Banking AG, Frankfurt, and the Group executive management of Clearstream International in all questions relating to the German settlement business. In 2003, it was involved in the development of automated daytime settlement, the new German settlement model and additional strategic projects.

BNP Paribas
Citibank
Commerzbank
Dresdner Bank
dwpbank – Deutsche WertpapierService Bank
etb european transaction bank
Financial Markets Service Bank
ING BHF-Bank
Morgan Stanley
TXB LB Transaktionsservice

Straight-Through Processing Committee

The Committee addresses questions of vertical integration and seeks to optimize straight-through processing for customers of Deutsche Börse Group. Customers from all links in the securities trading process chain participate in the Committee's meetings (product generation, trading, clearing, settlement and custody). The key responsibility of the Committee in 2003 was the reference data project, which aimed to standardize master data and increase data quality.

Archelon
BNP Paribas
bws bank
Citibank
Deutsche Bank
Dresdner Bank
DWS
Fimat International Banque
Fortis
HypoVereinsbank
ING BHF-Bank
JPMorgan
Morgan Stanley
Seydler
SWIFT Germany
TXB LB Transaktionsservice
UBS

Technical Advisory Committee

The core responsibility of the Technical Advisory Committee is the further development of the IT infrastructure. The Committee is composed of IT managers from key Deutsche Börse Group customers and represents their interests in the case of short- and medium-term IT requirements. In 2003, the main point of discussion was the development of the software platform strategy in relation to LINUX.

BNP Paribas
BNP Paribas Arbitrage
Citibank
Commerzbank
Credit Suisse First Boston
Deutsche Bank
DGZ DekaBank
Dresdner Bank
DWP Bank
DZ Bank
EEX European Energy Exchange
Fimat International Banque
Goldman Sachs
HSBC Trinkaus & Burkhardt
HypoVereinsbank Systems
ING BHF-Bank
JPMorgan
Merrill Lynch
Morgan Stanley
Österreichische Kontrollbank
SWX Swiss Exchange
UBS
UBS Warburg Dillon Read
WestLB Systems
Wiener Börse
WPS Bank

Technology Advisory Board

The Technology Advisory Board advises the Executive Board of Deutsche Börse AG on all issues relating to the development of the Group's IT and data processing organization. The Board primarily consists of managers of IT and IT-related units from companies active in the financial markets.

Stephen David Bowen, Xchanging Ltd.
Gerd Gresens, Commerzbank
Manfred Hartmann, HSBC Trinkaus & Burkhardt
Stefan Kraus, Dresdner Bank
Dr. Stefan Krauß, HVB Group
Christa Menke-Südbeck, Deutsche Bank
Dr. Thomas Noth, FinanzIT
Burkhard Oppenberg, DZ Bank
Dr. Michael Ruhrländer, TXB LB Transaktionsbank
Wolfgang Schmidt, WestLB
Karin Weiser-Ruhl, ING BHF-Bank

Executive Board Members and their Appointments to Supervisory Committees

as at 31 December 2003

Werner G. Seifert
Chief Executive Officer Deutsche Börse AG
Responsible for Group Coordination and Corporate Center

APPOINTMENTS WITHIN THE GROUP

Appointments to Supervisory Boards
a/c/e Alliance CBOT/Eurex LLC.
(until 31 Dec. 2003)
Deutsche Börse Systems AG (Chairman)
entory AG (Chairman)
Eurex Clearing AG (Deputy Chairman)
Eurex Frankfurt AG (Deputy Chairman)
Xlaunch AG (Chairman)

Appointments to Administrative Boards
Eurex Zürich AG (Vice Chairman)

Other Appointments
Clearstream International S.A.
(Vice Chairman of the Board of Directors)

EXTERNAL APPOINTMENTS

Other Appointments
Blue Orchard Finance (Member of the Board of Directors)
SWIFT (since 11 Jun. 2003/Member of the Board of Directors)

André Roelants
Deputy Chief Executive Officer Deutsche Börse AG
Responsible for Customers/Markets
(Banking and Custody Services)
Chairman of the Executive Committee
Clearstream Banking S.A.
President and Chairman of the Group Executive
Management Clearstream International S.A.

APPOINTMENTS WITHIN THE GROUP

Appointments to Supervisory Boards
Clearstream Banking AG (Chairman)

Other Appointments
Clearstream Banking S.A.
(Chairman of the Board of Directors)
Clearstream International S.A.
(Member of the Board of Directors)

Rudolf Ferscha
Member of the Executive Board Deutsche Börse AG
Responsible for Customers/Markets
(Trading and Clearing Services)
Chief Executive Officer Eurex Clearing AG
Chief Executive Officer Eurex Frankfurt AG
Chief Executive Officer Eurex Zürich AG
General Manager Eurex Bonds GmbH
Member of the Executive Management Eurex Deutschland
General Manager FWB Frankfurter Wertpapierbörse

APPOINTMENTS WITHIN THE GROUP

Appointments to Supervisory Boards
a/c/e Alliance CBOT/Eurex LLC.
(until 31 Dec. 2003)
Clearstream Banking AG
(since 25 Mar. 2003)
Deutsche Börse Systems AG
Xlaunch AG

EXTERNAL APPOINTMENTS

Other Appointments
The Clearing Corporation
(since 23 Oct. 2003)

Matthias Ganz
Member of the Executive Board Deutsche Börse AG
Responsible for Operations
Chairman of the Executive Board Clearstream Banking AG
Member of the Executive Committee
Clearstream Banking S.A.
Member of the Group Executive Management
Clearstream International S.A.
General Manager FWB Frankfurter Wertpapierbörse
(since 5 Mar. 2003)

APPOINTMENTS WITHIN THE GROUP

Appointments to Supervisory Boards
entory AG

Other Appointments
Clearstream Banking S.A.
(since 12 May 2003/Member of the Board of Directors)
Clearstream International S.A.
(Member of the Board of Directors)

Mathias Hlubek
Member of the Executive Board Deutsche Börse AG
Responsible for Finance/Group Corporate Center
Member of the Executive Board Deutsche Börse Systems AG
General Manager Deutsche Börse IT Holding GmbH
Member of the Executive Committee
Clearstream Banking S.A.
Member of the Group Executive Management
Clearstream International S.A.
Member of the Executive Committee
Clearstream Services S.A.

APPOINTMENTS WITHIN THE GROUP

Appointments to Supervisory Boards
entory AG
Eurex Clearing AG
(since 25 Mar. 2003)
Eurex Frankfurt AG
(since 25 Mar. 2003)

Appointments to Administrative Boards
Eurex Zürich AG
(since 25 Mar. 2003)

Other Appointments
Clearstream Banking S.A.
(since 12 May 2003/Member of the Board of Directors)
Clearstream International S.A.
(Member of the Board of Directors)
Clearstream Services S.A.
(Chairman of the Board of Directors)
Deutsche Börse Finance S.A.
(since 1 Aug. 2003/Chairman of the Board of Directors)

Michael Kuhn
Member of the Executive Board Deutsche Börse AG
Responsible for Technology/Systems
Chairman of the Executive Board Deutsche Börse Systems AG
Member of the Executive Committee
Clearstream Services S.A.
General Manager Deutsche Börse IT Holding GmbH
(since 17 Jan. 2003)

APPOINTMENTS WITHIN THE GROUP

Appointments to Supervisory Boards
entory AG
Eurex Clearing AG
Eurex Frankfurt AG

Appointments to Administrative Boards
Eurex Zürich AG

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

Supervisory Board Members and their Appointments to Supervisory Committees

as at 31 December 2003

"Appointments to Supervisory Boards" include memberships in other statutory Supervisory Boards. "Other Appointments" refer to memberships in comparable German and foreign control bodies of business enterprises.

Dr. Rolf-E. Breuer
Chairman of the Supervisory Board
President Bundesverband deutscher Banken e.V., Berlin

Appointments to Supervisory Boards
Bertelsmann AG
Deutsche Bank AG (Chairman)
Deutsche Lufthansa AG (until 18 Jun. 2003)
E.ON AG
Siemens AG (until 23 Jan. 2003/Deputy Chairman)

Other Appointments
Compagnie de Saint-Gobain S.A.
KfW Bankengruppe
Landwirtschaftliche Rentenbank

Manfred Zaß
Deputy Chairman of the Supervisory Board
Former Chief Executive Officer
DekaBank, Deutsche Girozentrale, Frankfurt/Main

Appointments to Supervisory Boards
Deutsche EuroShop AG (Chairman)

David Andrews (since 14 May 2003)
Chief Executive Officer
Xchanging Ltd., London

Other Appointments
Ins-Sure Services Ltd.
Together HR Services Ltd.
Xchanging Ltd.
Xchanging Procurement Service Ltd.

Ralf Arnemann (until 14 May 2003)
Staff member in the IP Applications Section
Deutsche Börse Systems AG, Frankfurt/Main

Herbert Bayer
Trade Union Secretary
ver.di, Department 1 Financial Services,
Area Frankfurt/Main and Region, Frankfurt/Main

Appointments to Supervisory Boards
dwpbank/Deutsche WertpapierService Bank AG
(since 19 Nov. 2003)
Eurohypo AG

Udo Behrenwaldt (since 14 May 2003)
Consultant
Frankfurt/Main

Appointments to Supervisory Boards
DB Trust Vermögensverwaltung AG
(Chairman/since 1 Jul. 2003)
Deutsche Asset Management Investmentgesellschaft mbH
(Deputy Chairman/since 26 Mar. 2003)
Deutsche Bank Privat- und Geschäftskunden AG
Deutsche Vermögensbildungsgesellschaft mbH
(Chairman)

Other Appointments
Deutsche Asset Management GmbH
Deutsche Asset Management France S.A.
Deutsche Asset Management S.A.
DWS (Austria) Investmentgesellschaft mbH
DWS Investment S.A.
DWS Polska TFI S.A.

Birgit Bokel (since 14 May 2003)
Staff member in the Facility Management Section
Deutsche Börse AG, Frankfurt/Main

Dr. Peter Coym (until 14 May 2003)
Member of the Executive Board
Lehman Brothers Bankhaus AG, Frankfurt/Main

Mehmet Dalman (since 14 May 2003)
Member of the Executive Board
Commerzbank AG, Frankfurt/Main

Other Appointments
Commerz Securities (Japan) Company Ltd.
(Chairman of the Board of Directors)
Commerzbank Capital Markets Corporation
(Chairman of the Board of Directors)
Commerzbank Capital Markets (Eastern Europe) S.A.

Leonhard H. Fischer (until 14 May 2003)
Chief Executive Officer
Winterthur Group, Winterthur

Appointments to Supervisory Boards
Axel Springer Verlag AG
Eurex Clearing AG (until 25 Mar. 2003)
Eurex Frankfurt AG (until 25 Mar. 2003)
Fördergesellschaft für Börsen und Finanzmärkte
in Mittel- und Osteuropa mbH
K+S Aktiengesellschaft (until 7 May 2003)

Other Appointments
Dresdner Kleinwort Benson North America Inc.
(until 21 Feb. 2003/Chairman of the Board of Directors)
Dresdner Kleinwort Wasserstein Group Inc.
(until 21 Feb. 2003)
Eurex Zürich AG (until 25 Mar. 2003)

Uwe E. Flach
Deputy Chairman of the Executive Board
DZ BANK AG, Deutsche Zentral-Genossenschaftsbank
Frankfurt/Main (until 31 Dec. 2003)

Appointments to Supervisory Boards
AGAB Aktiengesellschaft für Anlagen und Beteiligungen
(until 26 Dec. 2003/Chairman)
Andreae-Noris Zahn AG (Deputy Chairman)
DVB Bank AG (until 17 Dec. 2003/Chairman)
Stada Arzneimittel AG
Union Asset Management Holding (until 18 Dec. 2003)

Hans-Peter Gabe
Staff member in the Personnel Services Section
Deutsche Börse AG, Frankfurt/Main

Dr. Manfred Gentz (since 14 May 2003)
Member of the Executive Board
DaimlerChrysler AG, Stuttgart

Appointments to Supervisory Boards
DaimlerChrysler Bank AG (Deputy Chairman)
DaimlerChrysler Services AG
DWS Investment GmbH
Hannoversche Lebensversicherungs-AG
(Deputy Chairman until 7 Jul. 2003)
Zürich Beteiligungs-AG (Germany)

Other Appointments
DaimlerChrysler Corporation
DaimlerChrysler Espana Holding S.A.
DaimlerChrysler France Holding S.A.
DaimlerChrysler Japan Holding Ltd.
DaimlerChrysler Mexico Holding, S.A. de C.V.
DaimlerChrysler North America Holding Corporation
DaimlerChrysler United Kingdom Holding plc.
EHG Elektroholding GmbH
Freightliner LLC.

Harold Hörauf
Personally liable partner
HSBC Trinkaus & Burkhardt KGaA, Dusseldorf

Appointments to Supervisory Boards
Börse Düsseldorf AG (Chairman)
INKA Internationale Kapitalanlagegesellschaft mbH
(Chairman)

Other Appointments
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.
(Deputy Chairman of the Administrative Board)
HSBC Trinkaus Capital Management GmbH
(Chairman of the Supervisory Board)

Prof. Dr. Dr. Dr. h.c. mult. Klaus J. Hopt
(since 14 May 2003)
Max-Planck-Institut für ausländisches und
internationales Privatrecht, Hamburg

Sandra S. Jaffee
Executive Vice President
Citibank N.A., New York (until 30 Jan. 2004)
President and CEO
Global Securities Services, New York

Dr. Stefan Jentzsch
Member of the Excecutive Board
HVB Group, Munich

Appointments to Supervisory Boards
DAB bank AG (Deputy Chairman)
HVB Informations-Verarbeitungs-GmbH
(Deputy Chairman)
HVB Systems AG
INDEXCHANGE Investment AG
(until 31 May 2003/Chairman)
Infineon Technologies AG
Vereins- und Westbank AG (Deputy Chairman)

Other Appointments
Bank Austria Creditanstalt AG
Bank von Ernst & Cie. AG
(until 1 Dec. 2003/Deputy Chairman)
HVB Alternative Financial Products AG, Vienna
(since 14 Aug. 2003/Chairman of the Administrative Board)
HVB Alternative Investment AG, Vienna
(since 14 Aug. 2003/Chairman of the Administrative Board)
HVB Wealth Management Holding GmbH

Hessel Lindenbergh
Member of the Executive Board
ING Group (until 30 Jun 2003), Amsterdam
Chairman of the Board of Directors
Netherlands Bankers' Association (until 30 Jun. 2003)

Appointments to Supervisory Boards
Banque Bruxelles Lambert S.A.
(until 20 Jun. 2003/Vice Chairman)

Other Appointments
DHV Holding (since 25 Mar. 2003)
Gamma Holding NV (since 6 May 2003)
Koninklijke Numico NV (since 23 Sep. 2003)
Ortec International NV (since 27 Nov. 2003)
Petroplus International NV (since 27 May 2003)

Friedrich von Metzler
Personally liable partner
B. Metzler seel. Sohn & Co. KGaA, Frankfurt/Main

Appointments to Supervisory Boards
DWS Investment GmbH
Philipp Holzmann AG (until 16 Nov. 2003)

Other Appointments
Metzler-Payden LLC.

Fritz Nols (until 14 May 2003)

Appointments to Supervisory Boards
Fritz Nols Global Equity Services AG (Chairman)

Other Appointments
da Vinci Asset Management AG (Chairman)

Klaus M. Patig (until 14 May 2003)
Member of the Executive Board
Commerzbank AG, Frankfurt/Main

Appointments to Supervisory Boards
BVV Versicherungsverein des Bankgewerbes a.G.
BVV Versorgungskasse des Bankgewerbes e.V.
COMINVEST Asset Management GmbH (Chairman)
Degussa AG (until 12 Feb. 2003)
efiport AG
Ferrostaal AG
Fördergesellschaft für Börsen und Finanzmärkte
in Mittel- und Osteuropa mbH
G. Kromschröder AG (Deputy Chairman)
Pensor Pensionsfonds AG (Deputy Chairman)
VINCI Deutschland GmbH

Other Appointments
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

Commerzbank Capital Markets Corporation
Jupiter International Group plc.
(Chairman of the Board of Directors)
Korea Exchange Bank
(since 28 Mar. 2003/Non-Standing Director)
Montgomery Asset Management LLC.

Roland Prantl (until 14 May 2003)
Staff member in the Configuration Management Section
Deutsche Börse Systems AG, Frankfurt/Main

Sadegh Rismanchi
Staff member in the Configuration Management Section
Deutsche Börse Systems AG, Frankfurt/Main

Appointments to Supervisory Boards
Deutsche Börse Systems AG

Gerhard B. Roggemann (until 14 May 2003)
Member of the Executive Board
WestLB AG, Dusseldorf/Munster

Appointments to Supervisory Boards
AXA Lebensversicherung AG
Börse Düsseldorf AG (Deputy Chairman)
Fresenius AG
Hapag-Lloyd AG
Solvay Deutschland GmbH
VHV Autoversicherungs-AG
West Pensionsfonds AG, (Deputy Chairman)
West Pensionskasse AG (Deputy Chairman)
WPS WertpapierService Bank AG (until 14 Feb. 2003)

Other Appointments
AXA Investment Managers Deutschland GmbH
Banque d'Orsay S.A.
(Chairman of the Board of Directors)
International University of Bremen GmbH
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 May 2003)
Chairman of the Executive Board
ICF Kursmakler AG, Frankfurt/Main

Dr. Herbert Walter (since 14 May 2003)
Chairman of the Executive Board
Dresdner Bank AG, Frankfurt/Main

Appointments to Supervisory Boards
TSV München von 1860 GmbH & Co. KGaA
(since 24 Nov. 2003)

Other Appointments
Dresdner Bank Luxemburg S.A.
(Chairman of the Administrative Board since 1 Dec. 2003)

Otto Wierczimok (since 14 May 2003)
Staff member in the Vaults Section
Clearstream Banking AG, Frankfurt/Main

Appointments to Supervisory Boards
Clearstream Banking AG

Johannes Witt
Staff member in the Financial Accounting and Controls Section
Deutsche Börse AG, Frankfurt/Main

Appointments to Supervisory Boards
Fritz Nols Global Equity Services AG (since 20 May 2003)

Silke Zilles
Staff member in the Product Design and Customer Relations Section
Deutsche Börse AG, Frankfurt/Main

Group Management Report

Deutsche Börse Group: Five-year review

		1999	2000	2001	2002	2003
Consolidated income statement ratios						
Sales revenue	€m	599.0	648.9	760.3	1,106.5	1,419.4
Earnings before interest and taxes (EBIT)	€m	106.2	216.5	278.1	351.2	452.6
Net profit	€m	70.0	142.9	203.7	235.1	246.3
EBIT margin (excl. income from equity investments)	%	19	24	31	29	32
Cash flow 1 – return on investment	%	32	35	20	20	21
Cash flow 2 – return on investment	%	32	35	21	19	21
Earnings per share	€	0.95	1.95	2.04	2.18	2.20
Return on equity	%	29	40	16	13	11
Consolidated balance sheet ratios						
Trade creditors days 1	days	37.2	33.0	28.1	32.7	23.6
Trade creditors days 2	days	42.0	39.4	33.2	37.8	25.7
Trade creditors ratio	%	24	27	29	47	15
Equity ratio 1	%	23	41	203	42	67
Equity ratio 2	%	64	56	220	61	84
Debt/equity ratio	%	36	30	14	22	12
Liabilities structure	%	62	59	71	75	37
Cash ratio	%	46	27	372	37	59
Current ratio	%	121	86	430	72	88
Debt coverage	%	55	70	101	67	64
Equity/net tangible assets		6.6	8.5	37.1	7.9	18.8

EBIT margin EBIT / external sales revenue; to ensure comparability with prior periods, income from equity investments and write-downs of noncurrent financial assets have been eliminated from EBIT

Cash flow 1 – return on investment (Pre-tax earnings + depreciation and amortization expense) / total assets less technical closing date liabilities

Cash flow 2 – return on investment (Pre-tax earnings + depreciation and amortization expense + additions to pension provisions) / total assets less technical closing date liabilities

Return on equity Net profit / average equity for the financial year, based on the quarter-end equity balances

Trade creditors days 1 Trade payables *360 / (sales revenue + net interest income from banking business + own expenses capitalized + other operating income)

Trade creditors days 2 Trade payables *360 / (sales revenue + net interest income from banking business)

Trade creditors ratio (Current bank liabilities, liabilities from the issuance of commercial paper, trade payables and other current liabilities) / sales revenue

Equity ratio 1 (Equity – intangible assets) / (total assets – intangible assets – land and buildings – leasehold improvements – technical closing date liabilities – cash funds and unrestricted bank balances)

Equity ratio 2 (Equity – intangible assets + noncurrent provisions) / (total assets – intangible assets – land and buildings – leasehold improvements – technical closing date liabilities – cash funds and unrestricted bank balances)

Debt/equity ratio (Current provisions and liabilities – technical closing date liabilities) / (total assets – technical closing date liabilities)

Liabilities structure (Current provisions and liabilities – technical closing date liabilities) / (provisions and liabilities – technical closing date liabilities)

Cash ratio Cash funds and unrestricted bank balances / (current provisions and liabilities – technical closing date liabilities + noncurrent interest-bearing liabilities)

Current ratio (Trade receivables from subsidiaries, associates and other investors + other current assets) / (current provisions and liabilities – technical closing date liabilities + noncurrent interest-bearing liabilities)

Debt coverage (Pre-tax earnings + depreciation and amortization expense) / (provisions and liabilities – technical closing date liabilities)

Equity/net tangible assets Equity / (plant and equipment excluding leasehold improvements)

Deutsche Börse AG's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and the International Accounting Standards (IASs) and supplemented by a group management report in accordance with section 315 of the HGB (Handelsgesetzbuch – German Commercial Code). These are exempting consolidated financial statements as defined by section 292a of the HGB. This management report contains additional disclosures on the course of business of Deutsche Börse Group.

The financial markets felt the effects of the weak state of the economy in 2003. Even when the Iraqi war was over, 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 euro zone, macroeconomic activity remained flat, showing no significant signs of growth over the course of the year. By contrast, the USA and Japan saw demand picking up, and the situation on the US labor market improved towards the end of the year. However, the continued decline in employment in most economies indicates that there was no reversal in 2003 in the three-year downturn in the global economy.

The German equity market recorded a contrary trend: the first signs of growth, coupled with a general improvement in sentiment at the end of the Iraqi war, fueled an appreciable recovery in the DAX® starting in the second quarter. The DAX 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. Nevertheless, the order book turnover on key European equity markets lagged significantly behind the previous year's figures.

Trading volume on the major European cash markets	Total turnover 2003 vs. 2002 %
Deutsche Börse	–10
Euronext	–20
London Stock Exchange	–25
Stockholmsbörsen (OM Group)	–9

Source: Federation of European Stock Exchanges (FESE)

Trading activity on the global derivatives markets recorded mixed growth in 2003: some derivatives exchanges, such as Eurex, continued the growth trend of recent years to reach new record highs. Very high turnover figures were recorded around mid-year, driven in particular by a sharp increase in derivatives trading on fixed-income products. In contrast, other derivatives exchanges experienced flat business or even a decline: trading activity on Euronext. Liffe, for example, was down 6 percent year-on-year.

Trading activity on major derivatives exchanges	Increase in contract volumes 2003 vs. 2002 %
Eurex	27
Euronext.Liffe	–6
CME	5
CBOT	22

Source: The exchanges listed

Positive Course of Business

Despite a macroeconomic environment marked by continued stagnation and uncertainty about the future, Deutsche Börse Group again succeeded in 2003 in repeating its track record of growth: sales revenue rose by 28 percent in 2003 to €1,419.4 million (2002: €1,106.5 million). The sustained strong demand for derivatives more than offset the weak development in the Information Technology segment, where Deutsche Börse was unable to escape recessionary trends. Deutsche Börse Group's sales revenue in the Clearstream segment rose to €543.7 million (2002: €277.0 million), reflecting the first-time full-year consolidation of settlement and custody revenues in 2003.

Deutsche Börse's key performance figures	2003	2002	Change %
Sales revenue (€m)	1,419.4	1,106.5	28
EBIT (€m)	452.6	351.2	29
Net profit (€m)	246.3	235.1	5
Earnings per share (€)	2.20	2.18	1
Employees as at 31 December	3,233	3,318	–3

Deutsche Börse Group's business activities are composed of the Xetra (cash market: electronic order book and floor trading), Eurex (derivatives market), Information Services (sales of price information and information distribution), Information Technology (systems and service provider), and Clearstream (settlement of transactions and custody of securities) segments.

The Xetra (cash) and Eurex (derivatives) markets operated by Deutsche Börse are closely interlinked. In the cash market, equities are traded and indices are calculated that then form the basis for trading on the derivatives market. The levels of activity on the two markets tend to diverge, for example because high volatility on the cash market on the one hand unsettles investors, leading to lower order flows from certain investor groups. On the other hand, however, this results in higher order volumes on the derivatives market.

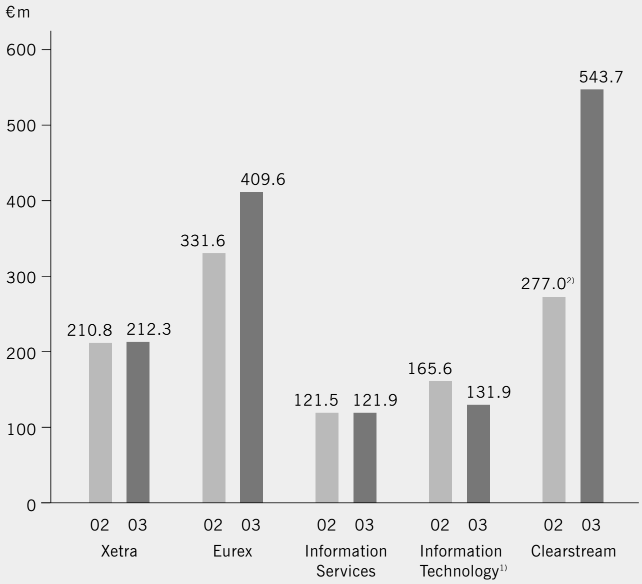
These historical trends continued in the cash and derivatives markets in 2003. For example, the value of all equities traded on the cash market fell further year-on-year, while the number of trades in the electronic trading system recorded another sharp increase. Trading activity on the Eurex derivatives market segment also continued to rise.

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 programs 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.

The Information Technology segment was hit by the cyclical weakness and the difficult situation on the equity markets: the earnings position of most German financial services providers remained weak, with far-reaching cost-cutting measures curbing demand for IT services. As a result, order books fell sharply at entory, the subsidiary that specializes in providing services to the German finance industry; the average margin generated from IT consulting also declined appreciably. In addition, consolidation effects from the Clearstream acquisition meant that previously external sales revenue at Information Technology was recorded as internal revenue for the full year 2003, whereas it represented external revenue in the first half of the year 2002, prior to the full consolidation of Clearstream's results.

Business in the Clearstream segment was hit by the partial sensitivity to short-term dollar and euro interest rates. By contrast, the custody business remained stable, as in the previous years.

Sales revenue by segment



[1)] Deutsche Börse Systems, entory, Clearstream TEC and Xlaunch (excluding internal sales)
[2)] Clearstream only fully consolidated in H2/2002

Business Development in the Segments

Business development in the segments was heterogeneous. While risk management considerations continued to boost business in the Eurex segment, the weak state of the economy depressed business in the Information Technology segment. Development in the Xetra, Information Services and Clearstream segments was stable.

Xetra segment

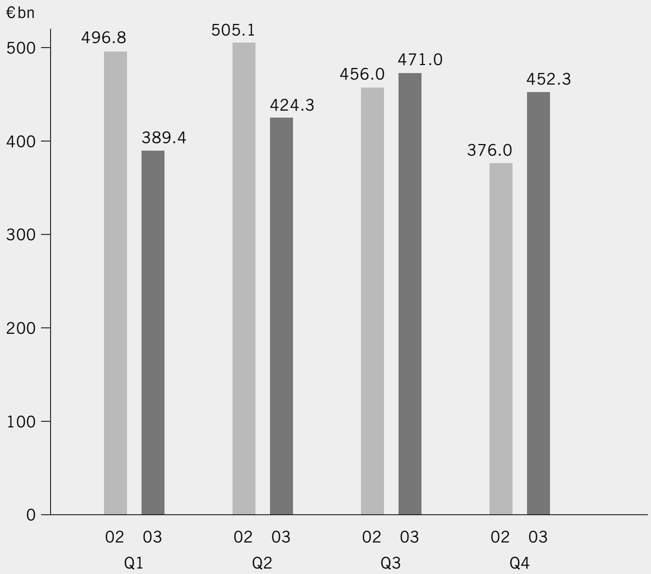
Gloomy economic forecasts and an increasingly pessimistic underlying sentiment led to high volatility on all major international equity markets at the beginning of the year. Uncertainty about future developments and a correspondingly low level of interest from private investors cast a shadow over the German equity market in particular. Share prices rose steadily from the second quarter onwards on account of the unexpectedly rapid end to the war in Iraq, coupled with anticipation of a speedy economic recovery.

Revenue in the Xetra cash market segment improved slightly by 1 percent to €212.3 million (2002: €210.8 million). 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. In addition to the breakdown of larger orders into several suborders on the back of specific trading strategies, the fact that private investors increasingly moved their transactions (with much smaller order sizes) from floor trading to the Xetra electronic order book also contributed to this development. Following a weak first six months, the value of the transactions traded – a further basis for the calculation of fees in electronic trading – rose during the year to a higher level, so that the total in 2003 was only 5 percent under the prior-year level. However, floor trading on the Frankfurt Stock Exchange, which is mainly preferred by private investors, demonstrated an upward trend for the first time in the second half of the year after several years of decline, thus contributing to revenue growth in the Xetra segment.

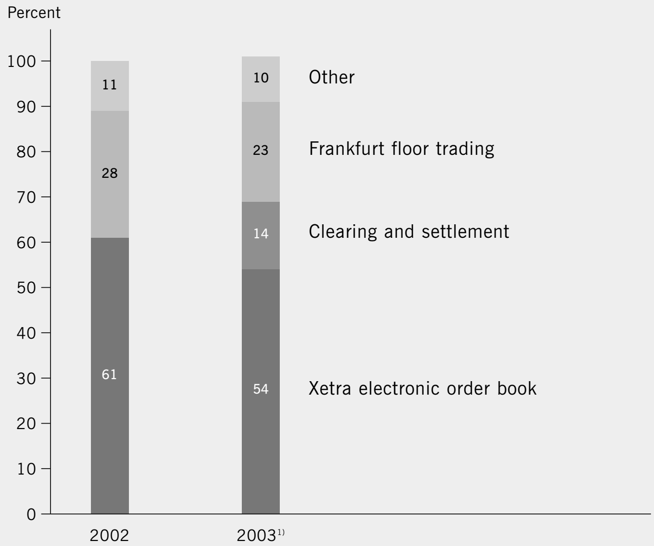
Transactions on Xetra and the Frankfurt Stock Exchange floor

	Xetra		Floor Trading	
	2003	2002	2003	2002
Q1	17,431,226	13,032,846	15,393,674	25,018,733
Q2	18,193,744	13,483,868	16,668,241	21,783,634
Q3	18,485,274	17,211,676	19,980,824	21,224,000
Q4	17,258,260	16,272,874	18,100,966	18,626,877
Total	**71,368,504**	**60,001,264**	**70,143,705**	**86,653,244**

Order book turnover on Xetra



Breakdown of sales revenue in the Xetra segment
Revenue share of Xetra business areas



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

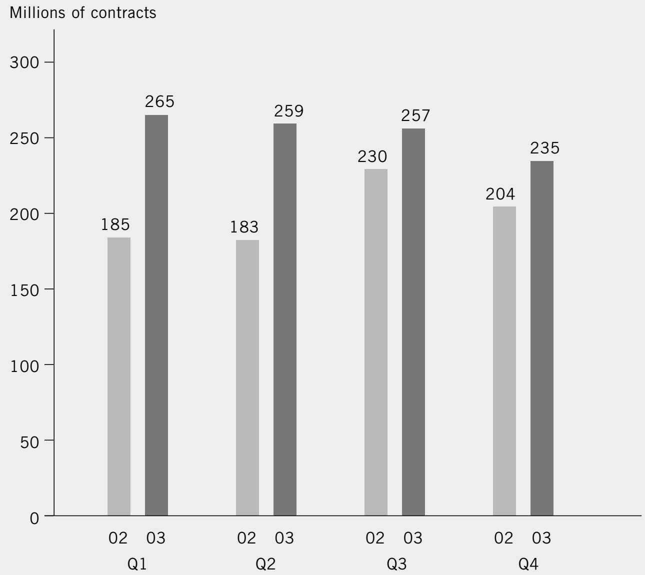
In addition, at the end of March the central counterparty (CCP) for equity trading was launched. Eurex Clearing AG, the clearing house, acts as central counterparty after a transaction has been concluded to fulfill obligation of delivery for buyer and seller. The CCP assumes the risk of a possible counterparty default and enables high efficiency in clearing on-exchange transactions. The new service is priced with a combined clearing and settlement fee, which has been introduced with the launch of the CCP. The previous all-in fee for trading and clearing has been replaced by this clearing and settlement fee plus a trading fee for electronic trading on Xetra.

Eurex segment

Trading activity on Eurex grew by 27 percent, passing the billion mark for the first time with 1,015 million traded contracts (2002: 801 million). This growth was primarily attributable to international orders, whose share of the total trading volume rose to 80 percent (2002: 75 percent). Overall, the Eurex derivatives exchange increased its sales revenue by 24 percent to €409.6 million (2002: €331.6 million).

The Iraqi war, SARS and general economic developments created considerable uncertainty among market participants, particularly in the first six months of 2003. Derivatives have now become established as a risk management instrument, enabling Eurex to benefit greatly from the increased need for hedging by investors. Equity options demonstrated higher-than-average growth rates in 2003, driven by the uncertainty surrounding interest rate developments, as well as the general market instability. In absolute terms, Eurex recorded the strongest growth in capital market products.

Eurex trading volume



The growth in trading activity on Eurex is due to a variety of factors, some of which overlap. First, volumes on the Eurex derivatives exchange, where derivatives contracts on euro-denominated underlyings are traded, have been rising steadily for years. Second, the overall market for trading "European" derivatives contracts, which includes bilateral or over-the-counter (OTC) trading in addition to exchange trading on Eurex and other European derivatives exchanges, is also recording strong growth. The primary reason for this is the fact that the European capital market is "catching up", as derivatives products were used far less in Europe in the past than, for example, in the North American market. Third, Eurex is gaining significant market share from the OTC market because, in addition to high transparency, trading on an exchange platform also offers the advantage that all trades are automatically settled via Eurex Clearing AG as the central counterparty. Compared with OTC trading, the CCP also reduces the risk that a counterparty will default.

Contract volumes in individual Eurex segments and products	2003 millions	2002 millions	Change %
Index products	264	211	25
Equity options	188	143	31
Capital market products	562	447	26
Euro Bund Future	244	191	28
Euro Bobl Future	150	115	30
Euro Schatz Future	117	109	7
Other	51	32	59
Total	**1,015**	**801**	**27**

A broad-based product range and high liquidity in a number of benchmark products have enabled Eurex to extend its leading position in derivatives trading.

Information Services segment

Since the beginning of 2003, the Information Products segment has been known as Information Services. Its services offering has remained unchanged: information and services for financial market data. At €121.9 million, the Information Services segment's sales revenue remained stable in 2003 compared with the previous year (2002: €121.5 million). The distribution of real-time data accounted for around 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. While the sale of derivative market data generated higher revenue, it was unable to fully compensate for the revenue shortfall from the sale of cash market data in the second half of 2003.

Clearstream segment

The Clearstream segment generated sales revenue of €543.7 million in 2003 (2002: €277.0 million). Until 30 June 2002, Deutsche Börse AG held a 50 percent stake in Clearstream International S.A.; sales revenue in 2002 therefore relates exclusively to consolidated external sales revenue in the second half of 2002. Until 30 June 2002, Clearstream was carried at equity in the Group's income from equity investments, and only the corresponding portion of Clearstream's after-tax earnings were reported.

Clearstream's settlement business was marked by two diverging trends. The volume of settlement transactions by Clearstream Banking S.A., Luxembourg, increased by 12 percent due to more active cross-border trading in Eurobonds and other fixed-income products. In contrast, the domestic settlement activities of Clearstream Banking AG, Frankfurt, declined sharply: the number of settlement transactions fell from 16.6 million in the first quarter of 2003 to 9.2 million in the fourth quarter. This substantial decline was due to the introduction by Deutsche Börse AG of the central counterparty (CCP) for the cash market. As a result, Eurex Clearing AG became the counterparty for all market transactions. The CCP enables market participants to net long and short positions at the end of each trading day with the help of the clearing house, so only the net position in a share is settled. This process reduced the number of CCP eligible domestic settlement transactions from exchange trading using the CCP by more than 90 percent.

The value of securities deposited, which is the main factor for deposit fees in the custody business, rose by 7 percent to €7,335 billion at 31 December 2003 (31 December 2002: €6,856 billion). The value of the predominantly fixed-income securities deposited at Clearstream Banking S.A. grew by 8 percent to €2,693 billion (31 December 2002: €2,501 billion), and the value of the securities deposited at Clearstream Banking AG grew by the same percentage, driven by the increasing value of German equities, and amounted to €4,376 billion at 31 December 2003 (31 December 2002: €4,118 billion).

Clearstream segment: Key indicators	2003	2002
	€bn	€bn
Average cash reserves	2,933	3,217
Value of securities deposited	7,335	6,856
Clearstream Banking S.A., international	2,693	2,501
Clearstream Banking AG, international	266	237
Clearstream Banking AG, domestic	4,376	4,118
Transactions	millions	millions
Clearstream Banking S.A., international	12.5	11.2
Clearstream Banking AG, international	4.0	4.0
Clearstream Banking AG, domestic	45.3	67.0

Information Technology segment

The IT segment comprises the Deutsche Börse Systems and Xlaunch subgroup, the entory subgroup, and the information technology services of the Clearstream subgroup in the form of Clearstream TEC. In 2003, sales revenue generated from external third parties in the segment fell by 20 percent to €131.9 million (2002: €165.6 million). The internal sales revenue generated from business with other segments within Deutsche Börse Group also declined by 22 percent to €174.8 million (2002: €222.7 million).

One of the reasons for the drop in external sales revenue is that the IT services that Deutsche Börse Systems provides to Clearstream were not reported as external sales revenue in 2003. Since the acquisition of all interests in Clearstream in mid-2002 and the full consolidation of Clearstream's earnings, these services have been recognized as other operating income.

Business development at entory, the customers of which include a number of major German banks, was also hit by the economic situation in the financial services industry. High cost pressures, falling margins and a much greater reluctance to invest depressed earnings. After the industry had invested heavily in its IT in the preceding years, its commitment to launch new projects fell sharply in 2003. This also resulted in an appreciable decline in sales revenue at entory. In this troubled market environment, entory generated its new business primarily from projects to cut IT costs.

Due to charging lower intra-Group fees for development and operating services, internal sales revenue decreased.

Sustained Earnings Growth

Deutsche Börse AG's earnings before interest and taxes (EBIT) rose by 29 percent year-on-year to €452.6 million (2002: €351.2 million). The EBIT margin excluding income from equity investments increased to 32 percent (2002: 29 percent).

Deutsche Börse: EBIT and profitability	2003 EBIT €m	2003 EBIT margin %	2002 EBIT €m	2002 EBIT margin %
Xetra	57.6	27	17.4	8
Eurex	228.0	56	158.3	48
Information Services	45.2	37	34.3	28
Clearstream[1]	111.2	20	125.4[2]	31[3]
Information Technology	72.6	24[4]	53.0	144[4]
Deutsche Börse Group[5]	**452.6**	**32**	**351.2**	**29[3]**

[1] Figures contain the Settlement segment until Q2/2002; this was renamed "Clearstream" in Q3/2002.
[2] Deutsche Börse AG's share in the after-tax earnings of Clearstream International S.A.
[3] Includes H2 only, when Clearstream International S.A.'s earnings were fully consolidated
[4] EBIT / (internal + external sales revenue)
[5] Due to consolidation adjustments the total does not equal the sum of the individual figures shown.

Xetra segment

Xetra segment EBIT rose by 231 percent to €57.6 million. The strong increase in profitability is attributable to a number of factors. The establishment of the central counterparty (CCP) for equities led to substantially higher expenses in the preceding two fiscal years. These costs were no longer incurred after the launch of the CCP in April 2003. The introduction of netting also contributed to this segment's profitability: netting allows market participants to settle long and short positions against the clearing house so only the remaining net position is settled. In the Xetra segment, the fees charged cover both trading and settlement of market transactions. Clearstream performs the settlement and charges the Xetra segment for each transaction settled. The decline in the number of settlement transactions on account of netting thus substantially reduced Xetra's settlement costs year-on-year, further increasing the segment's profitability.

Eurex segment

Eurex segment EBIT rose by 44 percent to €228.0 million (2002: €158.3 million). The high EBIT margin of 56 percent demonstrates the economies of scale that can be achieved as trading activity increases. Despite the strong revenue growth, segment costs increased only slightly from investments in the expansion of the Eurex US derivatives market in the USA. The appreciably higher derivatives trading volume this generated led to a corresponding increase in fee revenue. This was invested in the existing system infrastructure without significant variable costs being incurred or additional extensive capital expenditure.

Information Services segment

The Information Services segment recorded a significant increase in its EBIT margin to 37 percent due to cost savings, while EBIT itself rose by 32 percent to €45.2 million. This reflected the low operating and development costs in 2003 following intensified investment in systems in the years before. The volume of data on the CEF distribution system also increased further in the past year – the high, stable revenue generated strong profit growth due to the economies of scale inherent in this segment as well.

Clearstream segment

The cost-cutting program launched in 2001 was systematically and successfully continued in 2003. The Clearstream segment generated an EBIT contribution of €111.2 million (2002: €125.4 million) and an EBIT margin of 20 percent. Goodwill amortization of €60.8 million from the acquisition of Clearstream impacted earnings and the EBIT margin. Excluding goodwill amortization, the segment generated earnings of €172.0 million and an EBIT margin of 31 percent in a restrained market environment.

Information Technology segment

Information Technology segment EBIT rose to €72.6 million in 2003 (2002: €53.0 million). This increase was due to systematic cost management from the beginning of the year. The average hourly rates paid to service providers, for example, were reduced further. Because of the difficult software development market environment, in particular in the financial services sector, as well as the correspondingly low sales revenue, profitability fell well short of expectations. The prospects for an improvement in entory's market situation continued to be extremely uncertain during the fiscal year, and it was therefore assumed that the bleak order situation would continue. As a result, the goodwill resulting from the entory acquisition was written down for impairment, reducing earnings in the Information Technology segment by €10.0 million in 2003. In 2002, earnings had been depressed with an impairment loss on the goodwill amounting to €33.0 million.

Development of Profitability

Deutsche Börse's return on equity, the ratio of after-tax earnings to the average equity available to the Company in 2003, fell to 10.9 percent (2002: 12.7 percent).

Deutsche Börse's cost of capital	**2003** %	**2002** %
Risk-free rate	4.1	5
Risk premium	5	5
Beta[1]	0.9[2]	0.9[2]
Cost of equity (before taxes)	8.6	9.5
Cost of debt (before taxes)	3.5	3.3
Tax shield[3] (37 %)	1.3	1.2
Cost of debt (after taxes)	2.2	2.1
Equity ratio[4] (annual average)	79	88
Debt/equity ratio (annual average)	21	12
WACC (after taxes)	7.3	8.6
WACC (before taxes)	7.5	8.8

[1] A 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 is moving strictly parallel to the reference market. A beta above 1.0 denotes greater volatility than the overall market, while a beta below 1.0 is less volatile.
[2] Estimate; the actual value is calculated from data collected over a period of 50 months. Because Deutsche Börse has only been listed on the Frankfurt Stock Exchange for around three years, the necessary data is not yet available.
[3] 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.
[4] Equity ratio (Total provisions and liabillities – liabillities from banking business – cash deposits from market participants – total current and noncurrent provisions) / (Total shareholders' equity – liabillities from banking business – cash deposits from market participants); basis: average balance sheet positions in business year based on figures reported in quarterly reports.

Deutsche Börse Group's profitability is also evident from its return on capital employed (ROCE). In 2003, the ROCE of 29.3 percent exceeded the weighted average cost of capital (WACC) after taxes of 7.3 percent several times over. WACC represents the minimum return on equity and debt contributed to the Company by investors. The decline from the previous year (ROCE of 38.5 percent) is due to the first-time full-year consolidation of Clearstream, as well as to the higher cash reserves of around €1 billion that were available up to mid-2002. This amount originated from the proceeds of the capital increase for the IPO in 2001 and was used to finance the acquisition of Clearstream in the third quarter of 2002.

Return on Capital Employed (ROCE)	2003 €m	2002 €m
EBIT	452.6	351.2
+ Goodwill amortization/write-downs	75.2	68.7
= EBITA	**527.8**	**419.9**
Intangible assets, property, plant and equipment[1]	1,941.9	1,008.7
+ Equity investments[1]	29.9	245.6
+ Cumulative goodwill amortization/write-downs[1]	167.6	24.8
+ Trade receivables and other non-interest-bearing current assets[1]	266.6	204.1
– Non-interest-bearing provisions[1]	379.8	207.5
– Non-interest bearing liabilities[1]	223.6	184.5
= Capital employed	**1,802.7**	**1,091.3**
ROCE: EBITA as % of capital employed	**29.3%**	**38.5%**

[1] Average values for the year

Dividend

The dividend is distributed from the unappropriated surplus of Deutsche Börse AG, which rose by 94 percent year-on-year to €267.5 million in 2003 (2002: €138.2 million). A proposal will be put to the Annual General Meeting to pay a dividend of €0.55 (2002: €0.44) per no-par value share for 2003, a 25 percent increase as against the previous year. For 111,802,880 shares in issue carrying dividend rights for 2003, this produces a total distribution of €61.5 million.

Strong Operating Cash Flow

Deutsche Börse AG generated cash flows from operating activities of €530.6 million in 2003 (2002: €466.2 million). In addition to the 5 percent increase in consolidated net profit, the Clearstream segment, which was fully consolidated for the full year for the first time, made a particular contribution to this increase.

In addition to cash flows from operating activities of €530.6 million, the Group generated cash flows from investing activities of €412.4 million. Additional cash receipts of €139.1 million from the placement of a corporate bond increased cash flows from investing activities.

Cash flow statement (condensed)	2003 €m	2002 €m
Cash flows from operating activities	530.6	466.2
Cash flows from investing activities	–412.4	–1,734.1
Cash flows from financing activities	139.1	555.6
Cash and cash equivalents as at 31 Dec.	362.1	104.8

Cash and cash equivalents amounted to €362.1 million at the end of 2003 (31 December 2002: €104.8 million). Strong cash flows from operating activities therefore assure Group liquidity.

Deutsche Börse AG's noncurrent assets amounted to €2,350.2 million as at 31 December 2003 (31 December 2002: €2,656.4 million). Shareholders' equity at the same date amounted to €2,341.0 million (2002: €2,152.2 million), plus debt from a corporate bond of €503.2 million (2002: debt from a commercial paper program of €288.1 million).

The following ratios illustrate Deutsche Börse AG's healthy financial position:

Financial indicators	2003 %	2002 %
Equity/net tangible assets	19	8
Equity ratio 1	67	42
Equity ratio 2	84	61
Debt/equity ratio	12	22
Cash ratio	59	37
Current ratio	88	72
Debt coverage	64	67

Since 2001, Deutsche Börse AG has commissioned the rating agencies Standard & Poor's and Moody's to rate its creditworthiness. The exceptionally good long- and short-term ratings underscore the high financial strength of Deutsche Börse AG.

Ratings of Deutsche Börse AG	Long-term	Short-term
Moody's	AA1	P-1
Standard & Poor's	AA+	A-1+

As in the previous year, Deutsche Börse AG received no government grants or other assistance in 2003.

Deutsche Börse Shares

In 2003, the Company's high profile and broad investor confidence offered excellent access to the capital market, and hence attractive financing opportunities. In May, Deutsche Börse AG issued its first corporate bond. The volume of the five-year bond was €500 million. The issue was placed with around 200 institutional investors. Around 60 percent of the volume went to investors in the UK, Switzerland, France and Italy, while the remaining 40 percent went to German investors. Fund managers and insurance companies subscribed for around 50 percent of the issue. The majority of the proceeds accruing to Deutsche Börse were used to repay the short-term financing for the acquisition of Clearstream International using commercial paper at the end of 2003.

Deutsche Börse AG's shareholder structure has changed successively: originally, it was mostly strategic, especially German, investors who invested in the shares, but interest from international, often institutional, investors has grown steadily since the IPO. Institutional investors now hold over 90 percent of the shares in the Company, while the proportion of all strategic investors has fallen to under 5 percent. Almost 60 percent of shareholders are foreign investors.

Deutsche Börse's share price rose by 14 percent during 2003, closing the year at €43.35 (2002: €38.16). The high for the year was recorded at €49.00 and the low at €32.08 (Xetra closing prices). Since Deutsche Börse's initial listing in February 2001, its shares have outperformed the DAX by 70 percent and their reference index, the Dow Jones STOXX℠ 600 Technology (EUR) (Return), by 88 percent.

Broad-Based Product and Systems Development

In its core business, Deutsche Börse AG develops infrastructure services for the capital markets and operates the technical systems needed to do this. Expanding its product portfolio and continuously developing its trading and settlement systems are critical success factors. Research and development spending is targeted primarily at developing new products, with research only taking a minor share. Product innovations mainly demand modifications to existing IT systems or the development of new ones, so product development and investment in software are closely linked.

Deutsche Börse invested €108.0 million in 2003 (2002: €151.0 million) in product and systems development. Under IFRSs/IASs, the share of costs directly attributable to internal development of new software is capitalized and normally amortized over five years. €55.3 million of development costs was capitalized in the year under review.

	Development costs 2003 €m	2002 €m	of which own expenses capitalized 2003 €m	2002 €m
Xetra				
Central counterparty[1]	12.0	40.4	1.7	24.4
Xetra software	0.9	17.4	0.6	12.1
	12.9	**57.8**	**2.3**	**36.5**
Eurex				
Eurex software	14.5	28.2	12.2	22.5
Eurex US software	13.8	0	10.8	0
Equity options software	4.2	0	4.2	0
Integrated Clearer[1]	0.1	10.3	0.1	3.3
	32.6	**38.5**	**27.3**	**25.8**
Information Services				
Consolidated Exchange Feed	5.3	6.2	2.1	5.8
Infobolsa	0.9	0	0.9	0
Index Engine releases	0.4	1.1	0	0.9
StatistiX	0	3.0	0	0
Xebos/Fixed Income Benchmark	0	1.6	0	1.5
Consolidation Engine	0	0.4	0	0
	6.6	**12.3**	**3.0**	**8.2**
Information Technology				
Xentric	1.8	3.9	0.4	1.1
Components business	0	0.3	0	0.3
	1.8	**4.2**	**0.4**	**1.4**
Clearstream				
Connectivity	17.7	13.1	10.6	13.1
NCB Link	13.4	2.2	11.2	2.2
Daytime Bridge	8.4	0.5	5.3	0.5
Umbrella Credit	6.3	0	4.5	0
Custody	3.8	4.7	1.8	4.7
Clearing & Settlement	2.4	0	1.8	0
Customer Focus	0	8.1	0	8.1
Creation 24	0	7.3	0	7.3
Other	2.1	2.3	0.7	2.3
	54.1	**38.2**	**35.9**	**38.2**
Total	**108.0**	**151.0**	**68.9**	**110.1**

[1] The central counterparty and Integrated Clearer systems were managed as part of a joint project; the development costs were allocated to the Xetra and Eurex segments on the basis of the resources used.

The reconciliation of the gross €68.9 million own expenses capitalized by segment with the Group own expenses capitalized of €55.3 million shows a consolidation effect of €13.6 million, representing intra-Group profit margins as well as administrative and other general overhead expenses which are not capitalized on the Group level.

Product development is not centralized but is implemented throughout the Company. In the case of critical or substantial new or further developments, the individual measures are combined to form cross-segment projects under uniform management and supervision.

The trading systems were again developed further in the Xetra and Eurex segments in 2003. The completion and roll-out of the central counterparty for the cash market, which resulted in development costs of €12.0 million, was particularly important. In the Eurex segment, investments related principally to the establishment of the new US derivatives trading platform, Eurex US.

Overall, Deutsche Börse Group invested €177.6 million in 2003 (2002: €199.7 million), 11 percent less than in the previous year.

Investments by segment	**2003** €m	**2002** €m
Xetra	2.7	38.5
Eurex	27.3	26.0
Information Services	4.0	8.4
Clearstream	36.6	39.6
Information Technology	27.1	21.3
Corporate Services	79.9	66.0
Total	**177.6**	**199.8**

The total of all investments by segments amounted to €177.6 million. However, the notes show a total of €164.0 million for the Group, due to consolidation effects of €13.6 million.

Employees

The number of employees in Deutsche Börse Group fell slightly by 3 percent to 3,233 in 2003. The integration of the IT solutions provider entory (2001) and the settlement and custody company Clearstream (2002) inevitably led to redundancies, primarily in the Information Technology and Corporate Services segments. Nevertheless, the synergies from the integration were implemented in a socially responsible manner. In contrast to many companies in the financial sector, Deutsche Börse Group has actually created new jobs, for instance through the establishment of the new derivatives exchange Eurex US. In the Eurex segment, the number of employees increased by 27 percent to 180. The fluctuation rate fell in 2003 to 6.5 percent.

Employees by segment	**2003**	**2002**	**Change** %
Xetra	166	179	–7
Eurex	180	142	27
Information Services	161	161	0
Clearstream	946	939	1
Information Technology	1,358	1,448	–6
thereof: Deutsche Börse Systems	553	533	3
Clearstream TEC	513	571	–10
entory	292	336	–13
Corporate Services	422	449	–6
Total	**3,233**	**3,318**	**–3**

Skilled employees are strategically important for Deutsche Börse AG, because its critical innovative strength as a capital market services provider depends on the employees and the level of their qualification. This is why Deutsche Börse has a highly qualified team. Most of the graduate employees have degrees in business studies, law, IT, or physics.

Promoting management development is another key concern of Deutsche Börse Group. 80 percent of management positions are recruited internally. Promising young managers are selectively trained in a fast-track "High Potentials" program, among others.

In 2004, Deutsche Börse Group will again use targeted recruitment measures to attract qualified employees, in particular for customer relationship development.

End-to-End Environmental Protection

Caring for the environment and its natural resources has always been a core component of Deutsche Börse Group's activities. Its business operations – developing, building, and operating electronic systems and networks – do not entail any direct environmental risk. All environmental protection measures therefore relate to the infrastructure of its office buildings in Frankfurt, Ettlingen, and Luxembourg, and to the selection and monitoring of suppliers.

The new Frankfurt headquarters to which Deutsche Börse AG moved in 2000, as well as the new buildings of entory AG in Ettlingen and of Luxembourg subsidiary Clearstream International S.A. that opened in 2003, were all designed to take advantage of state-of-the-art energy-saving concepts. Environmental protection also plays a role in day-to-day operations, in particular through consistent waste separation and the specific selection and monitoring of supply and disposal companies. Deutsche Börse Group chooses office materials on the basis of their suitability for recycling and re-use in return systems.

Diverse Social and Cultural Commitment

Deutsche Börse Group is aware of its responsibility to its employees and its locations. It communicates its corporate values and culture to the outside world through its involvement in the areas of arts and culture, as well as education and training.

The occasion of the move into the new "Neue Börse" head office in Frankfurt-Hausen in 2000 was used to start building up a collection of contemporary photography. The over 400 mostly large-scale works are accessible to all employees and visitors as a permanent exhibition. For the new buildings in Ettlingen (entory AG) and Luxembourg (Clearstream International S.A.), Deutsche Börse Group extended its art collection in 2003 as part of this concept. The Company also promotes cultural activities at its primary locations by supporting individual exhibitions and concerts. The employees benefit from these alliances in the form of special guided tours free of charge, free tickets and other special offers as part of the projects supported.

Deutsche Börse Group supports top-ranking academic institutions such as the Center for Financial Studies and the Institute for Law and Finance in Frankfurt, the Centre for European Policy Studies in Brussels, and the European Business School in Oestrich-Winkel. The main focus of its charitable donations is on youth education.

Deutsche Börse Group takes its responsibility as an expert partner, adviser and opinion leader very seriously. It promotes national and international frameworks that ensure investor protection and competition through maximum transparency and fairness. A key concern to the Group is active support for political measures that contribute to completing the EU single market for financial services, which is why experts from the Group are involved as advisers in the development of standards, laws, and directives for stock exchanges and capital markets. Examples of this are the participation in the German Government Commission on Corporate Governance, the support for the Commission of Stock Exchange Experts, and at EU level the involvement in the Commission's FSAP Stocktaking working group, whose stated goal is the further development of the EU single market for financial services in the context of the Financial Services Action Plan.

Risk Report

Deutsche Börse 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 organization

The integration of Clearstream International S.A. into Deutsche Börse Group's risk management system was completed in 2003. Since then, all risk management processes have been organized on a standard, Group-wide basis and adapted to the specific requirements of the legal entities where necessary. The principal focus is on an early-warning system so that risks can be identified, assessed, monitored and reported at an early stage.

Based on business developments, internal and external experts report to the management at regular meetings on the development of core competition risk indicators. 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 kept informed on a weekly basis and in meetings of the steering committees about the risks resulting from Deutsche Börse Group's strategic projects.

In addition, the central Group Risk Management department measures and analyzes operating risk and reports quarterly 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.

Clearstream's treasury activities are supervised and managed by the Assets and Liabilities Committee (ALCO). Management of the credit facilities extended by Clearstream is supervised centrally by the Internal Credit Group (ICG). Both committees meet once a month.

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 analyzes 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 Group 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, Eurex and Clearstream segments, sales revenues are directly linked to activity on the capital markets operated, while the sales revenues of the Information Services and Information Technology segments 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 Group's business, financial or earnings position. Any legal or tax changes may affect the behavior of participants and thus its financial position and results of operations. This no more than indirect impact prevents Deutsche Börse Group from quantifying the effects of individual scenarios.

(b) Loss of institutional liquidity

Deutsche Börse Group'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, 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 transparent for investors: 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. This uniqueness includes neutrality, i.e. independence from individual intermediaries, and efficient, transparent price discovery in Deutsche Börse Group's trading systems.

(c) 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. The key accounts for the trading systems differ from those of Clearstream, the settlement and custody organization, which leads to diversification and thus to reduction in dependencies on specific key accounts. However, Deutsche Börse Group would expect to suffer revenue shortfalls if the Group lost the business of these key accounts.

(d) Product innovation

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 Group's core products, such as the Xetra and Eurex® electronic trading systems for the cash and derivatives markets; the systems for the Chicago Board of Trade (CBOT), the Vienna Stock Exchange, the Helsinki Exchanges, the Irish Stock Exchange, etc. operated by Deutsche Börse Systems AG until the end of 2003; the Eurex Bonds® and Eurex Repo® electronic communication networks (ECNs); as well as the clearing and settlement systems operated by Clearstream Banking AG, Frankfurt, and Clearstream Banking S.A., Luxembourg, 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 intervention is necessary in specific processes, such as custody. In addition, manual intervention in market and system management is necessary in special cases. These cases entail the risk of errors or omissions. For this reason, operating risk requires the analysis in particular of availability risk and integrity risk.

A direct consequence of the materialization of these risks could be obligations to pay compensation and revenue shortfalls, indirect consequences could be 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 center facilities.

The overall systems availability of Deutsche Börse Group'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) for the cash market 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 Group minimizes the risk that unauthorized persons may penetrate its systems environment through effective IT security measures, such as a special network, firewall and authentication architecture. Deutsche Börse Group invests permanently and heavily to ring-fence its network and systems. For instance, the systems are examined regularly for weak points by specialist external experts.

(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 24/7 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 introduction of the CCP due to processing errors in the settlement processes. These errors were identified rapidly and eliminated.

Financial risk

(a) Investment and credit risk

As part of its investing and lending activities, Deutsche Börse Group 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.

Most of the funds invested arise from the cash deposits paid to Eurex Clearing AG by clearing members for the risks inherent in transactions they have entered into. As an ICSD (International Central Securities Depository), Clearstream provides short-term credit facilities to its customers to maximize settlement efficiency. Most lending activities are secured by collateral and are legally based in Luxembourg, where the legal framework is favorable to secured lenders. Clearstream has never experienced any credit losses since its establishment.

Deutsche Börse Group'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 Standard & Poor's or A3 from Moody's), and in euro-denominated bonds with a rating of at least AA– (Standard & Poor's) 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 Group 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 Group'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 liquidity crises, term deposit investments may be liquidated against payment of early repayment interest penalties.

(b) Borrowing risk

As part of its borrowing activities, Deutsche Börse Group 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 Group's payment obligations. Clearstream Banking S.A. and Eurex Clearing AG bear the most important liquidity risks in Deutsche Börse Group.

Deutsche Börse Group has excellent credit ratings. Standard & Poor's rated Deutsche Börse AG AA+ (2002: AA+) and Moody's Aa1 (2002: Aa1) at the balance sheet date; Clearstream Banking S.A. was rated AA+ by Standard & Poor's (2002: AA+) and AA+ by Fitch (2002: AA+).

Clearstream Banking S.A.'s average monthly liquidity ratio (current assets/current liabilities) in 2003 was 102 percent (2002: more than 70 percent), significantly higher than the 30 percent required by the regulator. Under Luxembourg and German law, Clearstream Banking S.A. and Clearstream Banking AG are required to ensure they have sufficient 'eligible' capital, as defined by applicable regulation, to cover the credit and the market risks arising from their activities. The capital adequacy of the Clearstream subgroup was 743 percent in the year under review, a figure that is well above the 100 percent required by the regulatory authorities.

Deutsche Börse Group has two commercial paper programs (the issuer of the first program is Deutsche Börse AG, while the issuer of the second program is Clearstream Banking S.A.) and a medium term note program (issued by Deutsche Börse AG and Deutsche Börse Finance S.A.) to raise short- and long-term debt in the amount of several billion euros.

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

Clearstream Banking S.A. and Deutsche Börse AG have syndicated revolving credit facilities of US$1 billion (Clearstream Banking S.A.) and €400 million (Deutsche Börse AG) that have not yet been used. Clearstream Banking S.A. also benefits from uncommitted short-term interbank lines from numerous banks that amount to US$17 billion and are regularly used to ensure their availability.

To hedge the liquidity risk from account management, a wide range of credit facility providers are available to Eurex Clearing AG to enable it to settle the activities of Eurex Frankfurt AG, Eurex Bonds GmbH and Eurex Repo GmbH. Eurex Clearing AG has intraday credit facilities at several banks amounting to €900 million and overnight lines of credit amounting to €970 million (including €600 million of uncommitted lines) in the aggregate.

(c) Risk from the operation of a central counterparty by Eurex Clearing AG

Eurex Clearing AG acts as central counterparty between the parties to derivatives transactions on Eurex AG and between the parties of Eurex Bonds GmbH and Eurex Repo GmbH, and thus eliminates the trading parties' risk that their counterparty will default. It equally acts as central counterparty for equities for a segment of cash market trading on Xetra and on FWB® Frankfurt Stock Exchange floor trading. Eurex Clearing AG in turn covers itself through claims on the liable capital of the clearing participants, through clearing guarantees, and deposits provided to it by the clearing participants for their open positions. The intraday margin call monitors the participants every 15 minutes, and additional intraday margins are called if required. Additional security mechanisms include the defaulting participants' shares in the clearing fund, Eurex Clearing AG's own funds, all other participants' shares in the clearing fund, and the comfort letter issued by the Swiss Exchange (SWX) and Deutsche Börse AG. Eurex Clearing AG's residual risk if clearing participants default and these security mechanisms do not cover the entire market risk of these clearing participants is regularly examined using stress test scenarios. It was again established during the year under review that adequate cover is provided for the risks.

Other risks

(a) Litigation risks

Due to the nature of its business, Deutsche Börse Group is involved in litigation and arbitration proceedings in Germany arising in the ordinary course of business. While it is not feasible to predict or define the ultimate outcome of all pending or threatened legal proceedings, the Group does not believe that the outcome of these proceedings will have a material adverse affect on its 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

Launch of Eurex US

The Eurex US derivatives exchange started operating on 8 February 2004. This new trading platform extends Eurex's product offering: futures and options on two-, five- and ten-year US Treasury notes and 30-year Treasury bonds can be traded on the new exchange. This new electronic trading system was approved as a regulated market by the US Commodity Futures Trading Commission (CFTC) in February 2004 and is aimed primarily at US intermediaries. By offering an efficient, transparent derivatives market with the particular advantage of the same low cost for all market participants, Eurex hopes to gain market share in US futures trading in the medium term. Trades are cleared through The Clearing Corporation, a clearing house based in Chicago. More than 100 market participants with a total of more than 1,800 traders were connected to the system when trading started.

Employees

The number of employees in the Group is likely to increase slightly in 2004.

Investment and financing

The main focus of capital spending in 2004 will be on completing the Eurex US derivatives market, building a clearing link between Eurex Clearing AG and The Clearing Corporation in Chicago, and 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, for testing the technical systems, and marketing the new offering. The volume of investments attributable to the development of internal-use software required to be recognized and amortized under IASs will therefore be lower than in the previous year. A higher proportion of capital spending will be recognized as expenses during the development phase of the services described above.

The Group'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

Business at the Xetra and Eurex trading segments recorded an extremely vigorous start to 2004, and trading on the cash market is showing signs of further recovery: the number of electronic trades in January rose by 13 percent year-on-year to 6.7 million (January 2003: 5.9 million), while the value of all equities traded – which also determines the fees charged – rose by an impressive 33 percent to €183,902 million (January 2003: €138,678 million). The number of contracts traded on the Eurex derivatives exchange rose by 7 percent over the very strong prior-year month to 91.4 million (January 2003: 85.0 million).

The environment for these business areas and for Clearstream's settlement and custody business is still feeling the impact of uncertainty about economic developments and diverging assumptions about prospects for the European capital markets. If the recovery that emerged in 2003 continues, and activity on the primary market for equity issues picks up, there is likely to be further growth in exchange volumes on the secondary market (securities trading), coupled with stronger demand from intermediaries for information and IT services; these factors would then lead to a more buoyant business development at Deutsche Börse AG.

Continued earnings growth

Deutsche Börse AG expects further growth in earnings before interest and taxes (EBIT) in 2004. The very high earnings growth recorded in the previous years will probably slow down on the back of the two extensive capital projects mentioned above – the move into the USA by the Eurex derivatives exchange and the expansion of clearing services for OTC trading.

Deutsche Börse AG Consolidated Financial Statements

Consolidated Income Statement

for the period 1 January to 31 December 2003

	Note	2003 €m	2002 €m
Sales revenue	6	1,419.4	1,106.5
Net interest income from banking business	7	94.4	64.4
Own expenses capitalized	8	55.3	110.1
Other operating income	9	80.6	70.6
		1,649.7	1,351.6
Fee and commission expenses from banking business		–117.0	–66.3
Consumables used		–35.4	–38.9
Staff costs	10	–317.7	–245.3
Depreciation and amortization expense	11	–198.0	–154.9
Goodwill amortization	17	–75.2	–68.7
Other operating expenses	12	–453.3	–461.1
Income from equity investments	13	1.8	41.0
Impairment losses on noncurrent financial assets	14	–2.3	–6.2
Earnings before interest and taxes (EBIT)		**452.6**	**351.2**
Net financial result	15	–4.5	23.2
Profit before tax from ordinary activities (EBT)		**448.1**	**374.4**
Income tax expense	16	–202.5	–141.2
Minority interests		0.7	1.9
Net profit for the period	42	**246.3**	**235.1**
Earnings per share (€)	42	**2.20**	**2.18**

Consolidated Balance Sheet

as at 31 December 2003

Assets	Note	2003 €m	2002 €m
NONCURRENT ASSETS			
Intangible assets			
Software		351.6	337.4
Goodwill		1,173.4	1,248.6
Payments on account		11.1	110.4
		1,536.1	**1,696.4**
Property, plant and equipment			
Land and buildings		132.5	27.7
Leasehold improvements		71.5	20.4
Computer hardware, operating and office equipment		69.9	80.2
Payments on account and construction in progress		54.7	192.6
		328.6	**320.9**
Financial assets and investment property			
Investments in associates		10.6	10.3
Other equity investments		26.1	12.8
Noncurrent receivables and securities from banking business		384.5	335.8
Other noncurrent financial instruments		9.5	8.1
Other noncurrent loans		0.8	261.4
Investment property		54.0	10.7
		485.5	**639.1**
Total noncurrent assets excl. miscellaneous and deferred tax assets	17	**2,350.2**	**2,656.4**
Miscellaneous and deferred tax assets			
Deferred tax assets	18	16.3	13.2
Other noncurrent assets		15.3	8.8
		31.6	**22.0**
Total noncurrent assets		**2,381.8**	**2,678.4**
CURRENT ASSETS			
Receivables and other assets			
Current receivables and securities from banking business	19	4,047.3	3,085.0
Trade receivables	20	148.7	139.3
Associate receivables		2.3	2.3
Receivables from other investors		4.7	4.3
Other current assets	21	107.6	83.1
		4,310.6	**3,314.0**
Restricted bank balances	22	1,048.4	303.7
Other cash and bank balances		548.1	248.1
Total current assets		**5,907.1**	**3,865.8**
Total assets		**8,288.9**	**6,544.2**

Shareholders' Equity and Liabilities	Note	2003 €m	2002 €m
SHAREHOLDERS' EQUITY	23		
Subscribed capital		111.8	111.8
Share premium		1,330.2	1,330.2
Legal reserve and other retained earnings		760.2	631.2
Revaluation surplus		3.8	9.0
Unappropriated surplus		135.0	70.0
		2,341.0	**2,152.2**
Minority interests	25	**12.3**	**23.1**
PROVISIONS AND LIABILITIES			
Noncurrent provisions	26		
Provisions for pensions and other employee benefits	27	68.4	64.5
Deferred tax liabilities	28	92.3	99.3
Other noncurrent provisions	29	40.4	37.9
		201.1	**201.7**
Current provisions	26		
Tax provisions	30	162.2	124.1
Other current provisions	31	36.2	28.6
		198.4	**152.7**
Noncurrent liabilities	32		
Interest-bearing liabilities		503.2	9.2
Other noncurrent liabilities		7.1	8.3
		510.3	**17.5**
Current liabilities	32		
Liabilities from banking business	33	3,899.9	3,257.9
Other bank loans and overdrafts		5.0	0
Other commercial paper		0	288.1
Trade payables		108.2	122.9
Payables to other investors		5.4	6.2
Cash deposits by market participants	34	901.1	217.2
Other current liabilities	35	106.2	104.7
		5,025.8	**3,997.0**
Total provisions and liabilities		**5,935.6**	**4,368.9**
Total shareholders' equity and liabilities		**8,288.9**	**6,544.2**

Consolidated Cash Flow Statement

for the period 1 January to 31 December 2003

	Note	2003 € m	2002 € m
Net profit for the period excluding minority interests		245.6	233.2
Depreciation and amortization expense		275.5	229.8
Increase/(decrease) in noncurrent provisions		6.4	–3.1
Deferred tax (income)/expense		–6.4	16.4
Other non-cash expense/(income)		1.4	–8.6
Changes in working capital, net of non-cash items:			
(Increase)/decrease in receivables and other assets		–22.0	74.1
Increase/(decrease) in current provisions		45.7	–2.3
Decrease in noncurrent liabilities		–0.6	–16.5
Decrease in current liabilities		–15.4	–54.7
Net loss/(profit) on disposal of property, plant and equipment		0.4	–2.1
Cash flows from operating activities	38	**530.6**	**466.2**
Payments to acquire noncurrent assets		–176.9	–189.2
Net payments to acquire subsidiaries[1]		0	–1,569.0
Payments to acquire noncurrent financial instruments		–63.9	–8.0
Net increase in available-for-sale current receivables, securities and liabilities from banking business with an original term greater than three months		–431.7	0
Proceeds from disposal of noncurrent assets		0	24.5
Proceeds from net disposals of available-for-sale financial instruments		260.1	7.6
Cash flows from investing activities	39	**–412.4**	**–1,734.1**
Net proceeds from capital increases		0	390.8
Net cash paid to minority shareholders		–9.7	0
Net cash received from other shareholders		0	8.1
Net (repayment of)/proceeds from short-term financing		–293.1	286.7
Repayment of long-term borrowings		–6.4	–93.0
Proceeds from long-term financing		497.5	0
Dividends paid		–49.2	–37.0
Cash flows from financing activities	40	**139.1**	**555.6**
Net change in cash and cash equivalents		257.3	–712.3
Cash and cash equivalents as at beginning of period[2]		104.8	1,062.0
First-time consolidation of current receivables and liabilities from banking business		0	–244.9
Cash and cash equivalents as at end of period[2]	41	**362.1**	**104.8**
Operating cash flow per share (€)		4.75	4.33
Interest and income received from noncurrent financial assets		12.5	32.9
Interest paid		–20.0	–14.3
Income tax paid		–170.8	–134.2

[1] Purchase prices of first-time consolidated subsidiaries net of cash and cash equivalents acquired
[2] Excluding cash deposits by market participants

Consolidated Statement of Changes in Shareholders' Equity

for the period 1 January to 31 December 2003

	2003 €m	2002 €m
Subscribed capital		
Balance as at 1 January	111.8	102.8
Issue of new shares	0	9.0
Balance as at 31 December	**111.8**	**111.8**
Share premium		
Balance as at 1 January	1,330.2	945.5
Issue of new shares	0	388.8
Cost of capital increase	0	–7.0
Deferred taxes on cost of capital increase	0	2.9
Balance as at 31 December	**1,330.2**	**1,330.2**
Retained earnings		
Balance as at 1 January	631.2	446.3
Appropriations from unappropriated surplus incl. any IAS adjustments	132.1	188.1
Adjustments from deferred taxes	0	0.8
Measurement of interest rate swaps	0	3.8
Increase in carrying amount of equity-accounted investments taken directly to equity	–2.5	–2.4
Change due to purchase of and purchase rights for shares of employees of Clearstream Banking S.A.	0	–4.0
Partial spin-off of Integriertes Aktienbuch (Integrated Share Register)	0	–1.4
Exchange rate differences	–0.6	0
Balance as at 31 December	**760.2**	**631.2**
Revaluation surplus		
Balance as at 1 January	9.0	5.7
Remeasurement of financial instruments	–8.9	6.5
Deferred taxes on remeasurement of financial instruments	3.7	–3.2
Balance as at 31 December	**3.8**	**9.0**
Unappropriated surplus		
Balance as at 1 January	70.0	60.0
Dividends paid	–49.2	–37.0
Net profit for the period	246.3	235.1
Appropriation to retained earnings incl. any IAS adjustments	–132.1	–188.1
Balance as at 31 December	**135.0**	**70.0**
Shareholders' equity as at 31 December	**2,341.0**	**2,152.2**

Net profit for the period, including gains or losses recognized directly in equity, amounted to €238.0 million (2002: €236.5 million).

Notes to the Consolidated Financial Statements

Basis of Preparation

1. General principles

Deutsche Börse AG is incorporated as a German public limited company ("Aktiengesellschaft") and is domiciled in Germany. The Company's registered office is Neue Börsenstraße 1, 60487 Frankfurt/Main.

The consolidated financial statements for the year ended 31 December 2003 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) issued by the International Accounting Standards Board (IASB) as well as their interpretation by the International Financial Reporting Committee (IFRIC – originated from the former Standing Interpretation Committee, SIC) and comply with the significant accounting policies of the Company as presented in these Notes which had to be applied at the time of reporting. These financial statements reflect neither the "Improvements to International Accounting Standards" nor the revised IAS 32 and IAS 39, issued by the IASB in December 2003.

The consolidated financial statements for the year ended 31 December 2003 include the following differences in accounting policies and presentation compared with those applied in the previous year:

Structure of the income statement

Consumables used, which had been shown under other operating expenses in prior years, are presented as a separate line item in the income statement in 2003. The comparative figures for 2002 have been restated accordingly.

Segment reporting

To reflect the requirements of IAS 14, the presentation of own expenses capitalized, depreciation and net assets has been amended to show gross values, i.e. including intragroup profit margins within segment reporting. This gross-up has been subsequently netted out within the "consolidation adjustments", and therefore does not affect the consolidated income statement. The segment results for 2002 have not been restated as the effect is not considered material.

2. Basis of consolidation

Deutsche Börse AG's interests in subsidiaries, associates and joint ventures as at 31 December 2003 are presented in the following tables. Unless otherwise stated, the financial information is presented in accordance with generally accepted accounting principles in the companies' countries of domicile. Fully consolidated subsidiaries as at 31 December 2003:

Company	Domicile	Equity interest as at 31 Dec. 2003 direct (indirect) %
Cedel International S.A.	Luxembourg	100.00
Clearstream International S.A.	Luxembourg	(100.00)
Clearstream Banking S.A.	Luxembourg	(100.00)
Clearstream Banking AG	Germany	(100.00)
Clearstream Services S.A.	Luxembourg	(99.93)
Clearstream Services (UK) Ltd.[1]	UK	(99.93)
Clearstream Properties S.A.	Luxembourg	(100.00)
Filinks S.A.S.	France	(100.00)
Immobilière Espace Kirchberg A S.A.	Luxembourg	(100.00)
Immobilière Espace Kirchberg C S.A.	Luxembourg	(100.00)
Immobilière Espace Kirchberg D S.A.	Luxembourg	(100.00)
Deutsche Börse Finance S.A.	Luxembourg	100.00
Deutsche Börse Systems AG	Germany	100.00
Deutsche Börse Systems Inc.	USA	(100.00)
Deutsche Börse IT Holding GmbH	Germany	100.00
entory AG	Germany	(100.00)
Finnovation GmbH	Germany	(100.00)
Silverstroke AG	Germany	(100.00)
Xlaunch AG	Germany	(100.00)
Xlaunch Erste Verwaltungsgesellschaft mbH	Germany	(100.00)
Xlaunch Zweite Verwaltungsgesellschaft mbH	Germany	(100.00)
Eurex Zürich AG	Switzerland	49.97[3]
Eurex Frankfurt AG	Germany	(49.97)[3]
Eurex Clearing AG	Germany	(49.97)[3]
Eurex Repo GmbH	Germany	(49.97)[3]
Eurex Bonds GmbH	Germany	(38.45)[4]
U.S. Exchange Holdings Inc.	USA	(49.97)[3]
U.S. Futures Exchange L.L.C.	USA	(49.97)[3]
Deutsche Gesellschaft für Wertpapierabwicklung mbH	Germany	100.00
DeuBö Vermögensverwaltungs AG[2]	Germany	100.00
Fördergesellschaft für Börsen und Finanzmärkte in Mittel- und Osteuropa mbH[2]	Germany	100.00
Infobolsa S.A.	Spain	50.00
Infobolsa Internet S.A.U	Spain	(50.00)
Difubolsa, Serviços de Difusão e Informaçao de Bolsa, S.A.	Portugal	(50.00)
Infobolsa Deutschland GmbH	Germany	(50.00)

[1] Financial information prepared in accordance with IFRSs/IASs
[2] Deubö Vermögensverwaltungs AG and Fördergesellschaft für Börsen und Finanzmärkte in Mittel- und Osteuropa mbH will merge retroactively in 2004, effective 30 November 2003
[3] Beneficial interest of 79.99 percent
[4] Beneficial interest of 61.55 percent
[5] Thousands
[6] Before profit transfer or loss absorption

Ordinary share capital € thousands	Equity € thousands	Total assets € thousands	Sales revenue 2003 € thousands	Net profit/loss 2003 € thousands	First consolidated
88,507	2,039,303	2,042,450	0	53,316	1 July 2002
150,000	671,359	890,709	298	139,944	1 July 2002
56,056	388,918	4,759,751	381,943	63,738	1 July 2002
25,000	88,538	617,098	197,720	30,362	1 July 2002
30,000	49,319	311,720	3,425	6,039	1 July 2002
GBP[5] 0	6,682	9,342	476	194	1 July 2002
1,700	37,802	131,352	0	929	1 July 2002
4,449	1,359	4,705	319	2,448	31 Dec. 2002
73	503	48,298	0	595	1 July 2002
54	962	33,808	0	1,034	1 July 2002
52	–83	43,441	0	–10	1 July 2002
125	185	510,564	0	60	4 Apr. 2003
2,000	2,415	66,304	271,844	82,073[6]	1993
USD[5] 400	1,370	2,313	0	467	2000
1,000	53,546	53,546	0	–10,007	30 Nov. 2002
8,000	5,063	14,896	61,113	–6,091	2001
25	25	25	10	8[6]	2001
300	391	1,880	1,858	–397	2001
500	4,000	4,097	1,261	22[6]	2000
25	24	24	0	0	31 Dec. 2002
25	24	24	0	0	31 Dec. 2002
CHF[5] 10,000	50,898	70,445	43,250	371	1998
6,000	28,929	51,809	1,156	–3,297	1998
5,113	8,913	915,276	70,974	1,042[6]	1998
100	550	2,373	1,354	–3,484[6]	2001
3,600	4,584	5,060	4,351	–1,316	2001
USD[5] 1,000	17,200	17,210	0	0	30 Sep. 2003
USD[5] 1,000	–596	812	0	–2,796	30 Sep. 2003
540	450	561	0	–106	31 Dec. 2002
50	42	42	0	0	31 Dec. 2002
256	2,649	3,285	0	2,393	31 Dec. 2002
331	10,521	11,810	9,533	555	1 Nov. 2002
60	113	255	885	39	1 Nov. 2002
50	101	423	588	58	1 Nov. 2002
25	1,750	2,392	73	–800	1 Mar. 2003

Associates and joint ventures carried at equity as at 31 December 2003 in accordance with IAS 28 or IAS 31:

Company	Equity interest as at 31 Dec. 2003 direct (indirect) %	Ordinary share capital € thous.	Equity € thous.	Total assets € thous.	Sales revenue 2003 € thous.	Net profit/loss 2003 € thous.
FDS Finanz-Daten-Systeme GmbH & Co. KG	50.00	19,451	3,264	3,938	1,540	830
FDS Finanz-Daten-Systeme Verwaltungs GmbH	(50.00)	26	36	46	0	1
NEWEX Kapitalmarktberatungsgesellschaft m.b.H.	50.00	70	916	6,027	63	62
STOXX Ltd.	33.33	612	10,377	20,086	21,775	8,065
European Energy Exchange AG	(11.60)	40,050	28,471	66,720	15,248	–1,725
iBoxx Ltd.	19.997	7,000	2,270	2,903	1,297	–1,340

Other associates carried at cost due to their insignificance for the presentation of a true and fair view of the Group's net assets, financial position and results of operations:

Company	Equity interest as at 31 Dec. 2003 direct (indirect) %	Ordinary share capital € thous.	Equity € thous.	Total assets € thous.	Sales revenue 2003 € thous.	Net profit/loss 2003 € thous.
IX International Exchanges Ltd.[1]	50.00	19	63	63	0	0
Deutsches Börsenfernsehen GmbH	35.10	51	30	31	0	0
Deutsche Gesellschaft für Ad hoc-Publizität mbH[2]	33.33	330	892	2,354	3,678	556

[1] Amounts from the annual financial statements as at 31 December 2002
[2] Preliminary figures

Changes in the basis of consolidation (number of companies consolidated) are presented in the following table:

Fully consolidated subsidiaries	Germany	Foreign	Total
As at 1 January 2003	20	17	37
Additions	1	3	4
Disposals	–4	–2	–6
As at 31 December 2003	**17**	**18**	**35**

The following subsidiaries which were consolidated as at 31 December 2002 are in the process of liquidation and are therefore no longer consolidated as at 31 December 2003: atec GmbH i.L., Germany, entory ventures GmbH i.L., Germany, projects IT-Projektbörse GmbH i.L., Germany, entory UK Ltd., United Kingdom. The effect of deconsolidation is not material.

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 until 31 December 2004. Capital consolidation is based on this figure. From 1 January 2005 Deutsche Börse AG's beneficial interest increases to 85 percent. After allowance for voting trust and pooling arrangements, the share of voting rights is 50 percent.

As at 31 December 2003 Eurex's US activities comprised a 100 percent stake in U.S. Exchange Holdings Inc. and U.S. Futures Exchange L.L.C., both of which are fully consolidated. A 14.29 percent stake in The Clearing Corporation Inc. ("CCorp"), the clearer for US derivatives products traded on Eurex US, was acquired on 23 October 2003. CCorp is carried at equity in the consolidated financial statements. These investments are held by the Group's 49.97 percent indirect interest in Eurex Frankfurt AG, thus reducing the overall indirect stake in these companies accordingly.

The reporting date of the single-entity financial statements of the companies consolidated is the same as the reporting date of the consolidated financial statements.

3. Consolidation methods

Capital consolidation

Capital consolidation uses the purchase method of accounting by eliminating acquisition costs against the acquiree's equity attributable to the parent company at the acquisition date. The acquiree's balance sheet items are recognized at fair value, and a corresponding item for minority interests is recognized if appropriate. Any remaining excess of acquisition costs over net assets acquired is recognized in intangible assets as goodwill and amortized against income over its expected useful life. Negative goodwill from first-time consolidation is allocated to reserves. In the event of permanent impairment, any goodwill carried as an intangible asset is immediately written down to income.

Other consolidation adjustments

Intragroup assets and liabilities are eliminated. Income arising from intragroup transactions is eliminated against the corresponding expenses. Profits or losses arising from deliveries of intragroup goods and services are eliminated. Dividends distributed within the Group are eliminated. Deferred tax assets or liabilities are recognized for consolidation adjustments where these are expected to reverse in subsequent years.

Investments in subsidiaries in non-EMU countries, as well as investee equity items, are translated at historical exchange rates. Currency translation differences arising from capital consolidation are taken directly to retained earnings.

In accordance with IAS 21, income statement items have been translated using average exchange rates at the transaction date in 2003. Closing rates were used in prior years.

Remaining balance sheet items are translated at the closing rates. The following euro exchange rates have been used:

	Closing date 31 Dec. 2003	Closing date 31 Dec. 2002
Swiss francs (CHF)	1.5544	1.4552
US dollar (USD)	1.2566	1.0471
Pounds sterling (GBP)	0.7048	0.6525

Interests in equity attributable to minority shareholders are carried under "Minority interests".

4. Accounting policies

The annual financial statements of subsidiaries have been prepared on the basis of national accounting policies; these have been adjusted during consolidation where material. The single-entity financial statements of associates were not adjusted to comply with uniform Group accounting policies.

Revenue recognition

Trading and settlement fees on cash and derivatives markets are recognized immediately at the trade date and billed on a monthly basis. Custodian and settlement fees, and fees from the sale of information services and system operation services, are generally billed and recognized ratably on a monthly basis. Revenue of the entory subgroup relating to fixed-price software development contracts is recognized using the percentage of completion method. In accordance with IAS 11.30, revenue is recognized in the proportion of the contract costs incurred for work performed to the estimated total contract costs. Interest income is accrued when it arises.

Intangible assets

Purchased intangible assets are carried at cost and reduced by systematic amortization. Amortization is charged using the straight-line method over the expected useful life or until the proprietary right in question has expired. Assumed useful lives are presented in the following table. The custom software developed since 2000 is amortized uniformly over five years, with the exception of training programs.

Assets	Amortization method	Amortization period	Recognition
Purchased goodwill	Straight-line	7 or 20 years	Ratable
Standard software	Straight-line	3 years	Ratable
Custom software	Straight-line	3 to 6 years	Ratable

Purchased goodwill, including goodwill from the first-time consolidation of subsidiaries, is capitalized and reduced by straight-line amortization. The current value of purchased goodwill is regularly estimated in accordance with IAS 36, and impairment losses are charged where required. During 2003, the useful life of the goodwill arising from the acquisition of entory AG was reduced from 20 years to 7 years, resulting in an increase in the annual charge for goodwill amortization of €4.4 million to €6.9 million in 2004.

Research costs are expensed in the period in which they are incurred. Development costs are capitalized at production cost, provided that they satisfy the recognition criteria set out in IAS 38. These development costs include direct labour (internal staff and external consultants) and workstation costs, including proportionate overheads such as software development environment costs. Borrowing costs are not included in production costs.

Capitalized development costs are reduced by straight-line amortization over the expected useful life amounting to three to five years, starting on the date of first use. Software that is no longer used, or whose future useful life is shorter than originally assumed, is written down.

Property, plant and equipment

Property, plant and equipment is carried at cost and reduced by depreciation for wear and tear. Depreciation of property, plant and equipment is based largely on the following useful lives:

Assets	Amortization method	Amortization period	Recognition
Computer hardware	Straight-line	Based on useful life (3 to 4 years)	Simplification option or ratable
Office equipment	Straight-line/ declining balance	Based on useful life (5 to 25 years)	Simplification option or ratable
Improvements to leaseholds and own property	Straight-line	Based on lease term or 10 years for owned property	Ratable
Buildings	Straight-line	40 years	Ratable
Land	Not depreciated	n.a.	n.a.

Under the simplification option, investments made in the first six months of a year are charged a full year’s depreciation charge, investments in the second six months are charged a depreciation charge for six months.

Low-value assets are written off immediately. Repair and maintenance costs are expensed as incurred. The cost of refurbishment and significant improvements is capitalized.

Leased plant and equipment is recognized in accordance with IAS 17. Unless the criteria for classification as operating leases are satisfied, leases are considered as finance leases. In this case, leased assets are capitalized and depreciated and a finance lease liability is recognized.

Recognition of financial assets and liabilities

With the exception of receivables and liabilities from banking business all financial assets and liabilities are recognized on the trade date.

Noncurrent financial assets and investment property

There are five categories of noncurrent financial assets: investments in associates; other equity investments; receivables and liabilities from banking business; other noncurrent financial instruments; and other noncurrent loans. All financial instruments are initially measured at cost, including transaction costs. Subsequent to initial recognition, the measurement of financial instruments depends on the type of instrument as described below.

Investments in associates consist of investments in joint ventures and in other associates, and the method of inclusion depends on the equity interests held. Joint ventures and other associates are generally carried at equity in accordance with IAS 31.32 or IAS 28.8. Where joint ventures or other associates are not measured at equity, they should be carried at their fair values in accordance with IAS 39.69. Other associates are carried at cost because of their insignificance and because it is not possible to measure their fair value reliably.

Other equity investments are equity interests of less than 20 percent that are designed to establish a permanent relationship with the company concerned. In accordance with IAS 39.69, such financial assets are measured at their fair values, based on current market prices. Where such a current market price is unavailable and alternative valuation methods are inappropriate, such investments are carried at cost subject to an impairment review.

Receivables and securities from banking business are described in further detail below.

Other noncurrent financial instruments are classified as available-for-sale financial assets and carried at their fair values in accordance with IAS 39. Discounted cash flow methods are applied, where a current market price is not available.

Other noncurrent loans related primarily to reverse repurchase agreements with remaining maturities of between one and five years; these formed part of a structured product that contained a cross-currency swap and two matching forward currency swap transactions.

In accordance with IAS 40, the Group has chosen the cost model to measure its investment property. Consequently, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. As at 31 December 2003, investment property related to unused land and to a building leased to third parties. Investment property is depreciated in line with the guidelines applied to property, plant and equipment.

Receivables, securities, and liabilities from banking business

The financial instruments contained in the receivables and securities from banking business and in the liabilities from banking business are accounted for in accordance with IAS 39. Available-for-sale assets (financial assets not held for trading) and originated loans (loans created by providing funds to a debtor, excluding loans originated with the intent of generating a profit immediately or in the short term) in particular are recognized at the settlement date. Financial assets held for trading (instruments held for the purpose of generating a profit immediately or in the short term, or derivatives not classified as hedging instruments under IAS 39) are recognized at the trade date. Reverse repurchase agreements (securities purchase agreements under which essentially identical securities will be resold at a certain date in the future at an agreed price) are treated as secured fixed-term deposits. The amounts paid are reported as loans to other banks or to customers. The difference between the purchase price and the repurchase price is accrued over the period of the transaction and is contained in interest and similar income.

Subsequent to initial recognition, all financial instruments held for trading and available-for-sale financial assets are remeasured at their fair values. Exceptions to this rule relate to assets whose fair value cannot be reliably determined. Such assets must be recognized at cost, less any write-downs for impairment. All financial liabilities not held for trading, originated loans and receivables, and held-to-maturity investments are carried at amortized cost, less any write-downs for impairment. Amortized cost is determined using the effective interest method. Premiums and discounts are contained in the carrying amount of the instrument concerned, and are amortized using the effective interest method.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and the intent to settle on a net basis.

Impairment testing

Based on the expected future cash flows, noncurrent assets are examined to establish whether their estimated recoverable amount is lower than their carrying amount. If this is the case, the assets are written down to their estimated recoverable amount in accordance with IAS 36.

Recognition of measurement adjustments

Changes in the measurement of investments in associates, other equity investments and financial assets held for trading within receivables and securities from banking business are included within net income for the period. Changes in the measurement of other non-current financial instruments, other noncurrent loans and available-for-sale financial assets held within receivables and securities from banking business are taken directly to shareholders' equity until realized, or until an impairment loss is recognized, at which time the cumulative gain or loss previously taken to equity is included in the net income for the period.

Other current assets

Receivables, other assets, and cash and cash equivalents are carried at their principal amount. Adequate valuation allowances take account of identifiable risks.

Loans and receivables are classified as financial assets originated by the enterprise.

Restricted bank balances include cash deposits by market participants which are invested overnight in the form of reverse repurchase agreements with banks. Such agreements are treated as secured fixed-term deposits.

Provisions

Provisions for pension obligations are measured using the projected unit credit method on the basis of actuarial reports, in accordance with IAS 19. The obligations are measured at the balance sheet date each year using actuarial methods that conservatively estimate the relevant parameters. The pension benefits expected on the basis of projected salary growth are spread over the remaining length of service of the employees. The calculations were based on generally accepted industry mortality tables.

The following assumptions were applied to the calculation of the actuarial obligations for the pension plans:

	31 Dec. 2003 %	31 Dec. 2002 %
Discount rate	5.50	5.75
Expected return on plan assets	5.50	5.75
Salary growth	3.5	3.5
Pension growth	2.0	2.0
Staff turnover rate	2.0[1)]	–

1) No turnover assumed for employees over the age of fifty years

Retirement provision for Group employees is ensured by a variety of retirement benefit plans, the use of which varies from country to country.

To standardize retirement provision for employees of Deutsche Börse Group in Germany (excluding entory subgroup employees), a deferred compensation plan was introduced effective 1 July 1999. Since this date, new commitments are only entered into on the basis of this deferred compensation plan; the existing pension plans were closed as at 30 June 1999. Employees with pension commitments on the basis of the old retirement benefit arrangements were given an option to participate in the deferred compensation plan by converting their existing pension rights.

entory AG established a defined benefit occupational pension plan for its employees and members of its executive board in 1986. The provision for pension obligations was measured on the basis of an actuarial report using the projected unit credit method. The employees of the Clearstream subgroup in Luxembourg participate in a defined benefit pension plan. The provision for pension obligations was calculated on the basis of an actuarial report.

Deutsche Börse Group recognizes a portion of its actuarial gains and losses as income or expense if the net cumulative unrecognized actuarial gains or losses of each company at the end of the previous reporting period has exceeded the greater of 10 percent of the present value of the defined benefit obligation before deduction of plan assets; and 10 percent of the fair value of plan assets. The portion of actuarial gains and losses recognized is the excess determined above, divided by the expected average remaining working lives of the employees participating in the retirement benefit plans.

Except in the case of the Clearstream subgroup, Deutsche Börse Group does not use an external fund to cover its pension obligations. Rather, on a yearly basis, it establishes a provision in the amount of the annual net pension expense for which the Group companies are liable on the basis of their pension obligations. The pension obligations of Deutsche Börse Group are secured in part by reinsurance policies. The capitalized surrender value of these reinsurance policies is carried under other noncurrent assets.

The defined benefit pension plan in favour of Luxembourg employees of the Clearstream subgroup is wholly or partly funded by means of cash contributions to an “Association d’épargne pension” (ASSEP) organized in accordance with Luxembourg law. Contributions may or may not cover the entire provisions calculated as per IAS 19, but they must cover pension provisions as determined under Luxembourg law.

There are defined contribution pension plans for employees working in Germany, Switzerland, the UK or the USA. The employer pays contributions to these employees' private pension funds.

In accordance with IAS 37, the other provisions take account of all identifiable risks and uncertain obligations and are measured in the amount of the probable obligation.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are computed using the balance sheet approach in accordance with IAS 12. The deferred tax calculation is based on temporary differences between the carrying amounts in the tax accounts and the carrying amounts in the IFRS/IAS financial statements that lead to a future tax liability or benefit when assets are used or sold or liabilities are settled. The deferred tax assets or liabilities are measured using the tax rates expected to apply when the temporary differences reverse.

Financial liabilities

Financial liabilities, which are not held for trading purposes, are carried at their amortized cost. Such liabilities include commercial paper and bonds issued by the Group.

Derivatives, which with one exception are used solely to hedge recognized underlying instruments, are carried at their fair values. This exception relates to the hedge of a loan that was repaid in full in January 2002, and for which interest rate swap agreements with a notional volume of €70.0 million and a maturity of no later than 11 January 2010 still existed as at 31 December 2003. To offset the interest rate risk from these agreements, Deutsche Börse entered into matching interest rate swap agreements in January 2002. These additional interest rate swap agreements eliminate the interest rate risk from the original agreements. Receivables and liabilities under all these interest rate swap agreements are carried in other noncurrent assets or other noncurrent liabilities at their fair value of €6.0 million (2002: €6.5 million) at the reporting date.

Currency translation

In accordance with IAS 21, foreign currency transactions are translated at the middle rate prevailing at the transaction date. At the balance sheet date, monetary balance sheet items are measured at the exchange rate at the balance sheet date, while non-monetary balance sheet items are measured at historical cost. Currency translation differences are recorded as income or expense in the period in which they arose unless the underlying transactions were hedged. Such items of income or expense are contained in other operating income or expenses, as appropriate.

Consolidation of the Eurex derivatives exchange

The Eurex derivatives exchange is operated jointly by Eurex Frankfurt AG, Eurex Zürich AG and Eurex Clearing AG; Eurex Clearing AG is responsible for clearing.

All Eurex transaction fees are collected by Eurex Clearing AG, which remits 80 percent of them to Deutsche Börse AG and 20 percent to SWX Swiss Exchange in accordance with the contractual arrangements. In 2003, Deutsche Börse AG received transaction fees generated from derivatives market trades amounting to €384.2 million (2002: €313.1 million). These fees are recorded under sales revenue. The transaction fees of €96.0 million (2002: €78.3 million) attributable to SWX are not included in these consolidated financial statements.

20 percent of the net expenses incurred by the Eurex companies to operate the Eurex European based derivatives exchange and the Eurex Bonds and Eurex Repo OTC platforms, and 15 percent of the net expenses incurred to set up and operate the Eurex exchange in the United States – totalling €142.2 million in 2003 (2002: €134.4 million) – are borne by SWX (2003: €27.3 million; 2002: €26.9 million), and are contained in other operating income.

Eurex Zürich AG is fully consolidated as a subsidiary in Deutsche Börse AG's consolidated financial statements. SWX also holds an equity interest in Eurex Zürich AG, which is recognized as a minority interest item. This item is adjusted to reflect proportionate changes in capital and annual results. As at 31 December 2003, SWX's interest was valued at €5.1 million (2002: €4.0 million).

5. Significant differences in the financial reporting of Deutsche Börse Group between the IFRSs/IASs and the German Commercial Code (HGB)

Because Deutsche Börse Group does not prepare consolidated financial statements in accordance with the HGB, it is not possible to estimate the amount of any differences between net profit and total assets in these financial statements and comparable HGB financial statements.

Intangible assets

In contrast to the HGB, IAS 38 requires internally generated intangible assets to be capitalized if certain criteria are satisfied. The software development expenses of Deutsche Börse Group are capitalized at cost.

Financial instruments

The HGB prohibits financial investments from being remeasured at an amount higher than the original acquisition cost. IAS 39.69 generally requires financial assets to be measured at their fair values, even if this means carrying financial investments at an amount higher than their original acquisition cost. In particular, changes in the estimated fair value of financial assets available-for-sale are taken directly to equity.

Under the HGB, anticipated losses on financial instruments must be recognized as an expense. In accordance with IAS 39, changes in value of financial instruments used as hedging instruments must be recognized directly in equity.

Pension provisions

HGB measurement of pension provisions normally uses the 6 percent discount rate prescribed by the German Income Tax Act. The IFRSs/IASs require the application of the current capital market rate as the discount rate, and also require pension provisions to reflect future salary and pension increases as well as staff turnover rates.

Deferred taxes

Under the HGB, deferred taxes are computed using the income statement method. Companies have an option to carry deferred taxes as assets in their single-entity financial statements. The IFRSs/IASs require deferred taxes to be computed using the balance sheet approach, and also require the recognition of deferred tax assets.

Revenue recognition

Under the HGB, revenue from construction contracts is recognized when the contract is completed. Under the IFRSs/IASs, these revenues are recognized using the percentage of completion method.

Costs of equity increases and bond issues

The HGB requires the cost of raising equity or debt to be expensed. In accordance with the IFRSs/IASs, external costs directly attributable to an equity transaction should be accounted for as a deduction from equity, net of any related income tax benefit. Costs of bond issues are deducted from the proceeds and then amortized over the life of the bonds issued.

Amortization of purchased goodwill

Under the HGB, there is an option to capitalize goodwill from first-time consolidation, or to deduct it from reserves on the face of the balance sheet. If goodwill is capitalized, it is amortized either over four years or over the expected useful life. Under the IFRSs/IASs, purchased goodwill must be amortized over its useful life. The amortization period should reflect the best estimate of the period during which future economic benefits are expected to flow to the enterprise. There is a rebuttable presumption that the useful life of goodwill will not exceed 20 years from the date of initial recognition.

Consolidated Income Statement Disclosures

6. Sales revenue

A breakdown of external sales revenue by segment is presented below:

	2003 €m	2002 €m
Xetra		
Xetra trading fees	114.0	127.5
Floor trading fees	47.8	59.4
Clearing and settlement fees	30.4	–
Listing fees	10.1	11.8
Income from cooperation agreements	5.5	6.3
Other sales revenue	4.5	5.8
	212.3	**210.8**
Eurex		
Trading and clearing fees	384.2	313.1
Other sales revenue	25.4	18.5
	409.6	**331.6**
Information Services		
Sales of price information	94.5	99.4
Other sales revenue	27.4	22.1
	121.9	**121.5**
Clearstream[1]		
Custody fees	349.6	174.1
Transaction fees	106.9	51.9
Global Securities Financing	39.3	27.9
Other sales revenue	47.9	23.1
	543.7	**277.0**
Information Technology		
Systems development	54.9	77.2
Systems operation	77.0	88.4
	131.9	**165.6**
Total sales revenue	**1,419.4**	**1,106.5**
thereof: Clearstream subgroup	543.7	277.0
Infobolsa subgroup	9.7	1.9
Other Deutsche Börse Group	866.0	827.6

[1] Second half of 2002 only

Xetra and Eurex sales revenue is composed principally of trading and clearing fees charged per transaction or per contract.

The tariff structure applied for trading on the Xetra electronic market was changed in April 2003 with the implementation of the central counterparty for equities. The new fee structure applies a separate value-based trading fee per transaction, plus a flat fee per partial settlement for clearing and settlement. The flat fees amounted to €30.4 million in 2003 (2002: nil). The other sales revenue in the Xetra and Eurex segments includes revenue from training and events. The rise in Eurex sales revenue is principally a result of the sharp increase in turnover on the derivatives exchange. In 2003, the number of traded contracts increased by 26.7 percent to 1,014.9 million.

Information Services generates most of its sales revenue from the sale of price information that is sold per terminal. Other Information Services revenue is generated by index license income and the transmission of securities information.

The sales revenue reported for Clearstream in 2002 relates to the second half of the year. Full-year sales revenue of the Clearstream subgroup fell by 3.9 percent to €543.7 million (2002: €565.7 million on a full-year basis excluding settlement fees charged to the Xetra segment).

The Information Technology segment develops and operates systems for internal and external customers. Overall external revenue decreased by 20.4 percent to €131.9 million due to reduced sales at entory, the recognition of Clearstream revenue as internal revenue from July 2002, lower floor trading volume as well as a reduced development work for BrainTrade. In accordance with IAS 11.30, revenue earned for work performed is recognized in the proportion of the contract costs incurred to the estimated total contract costs. External fixed price development contract revenues amounted to €25.0 million in 2003 (2002: €28.5 million).

7. Net interest income from banking business

Net interest income from banking business is composed of the following items:

	2003 €m	2002 €m
Gross interest income	160.7	117.1
Interest expense	–66.3	–52.7
Net interest income from banking business	**94.4**	**64.4**

The net interest income from banking business reported here was generated exclusively in the Clearstream segment and in 2002 relates only to the second half of the year. The full-year net interest income from banking business in the Clearstream subgroup fell by 29.6 percent to €94.4 million (full year 2002: €134.1 million), primarily because of the lower level of short-term interest rates.

8. Development costs and own expenses capitalized

Own expenses capitalized relate solely to development costs of internally developed software, involving the following systems and projects in the individual segments:

	Development costs		of which own expenses capitalized	
	2003 €m	2002 €m	2003 €m	2002 €m
Xetra				
Central Counterparty[1]	12.0	40.4	1.7	24.4
Xetra software	0.9	17.4	0.6	12.1
	12.9	**57.8**	**2.3**	**36.5**
Eurex				
Eurex software	14.5	28.2	12.2	22.5
Eurex US software	13.8	0	10.8	0
Equity options software	4.2	0	4.2	0
Integrated Clearer[1]	0.1	10.3	0.1	3.3
	32.6	**38.5**	**27.3**	**25.8**
Information Services				
Consolidated Exchange Feed	5.3	6.2	2.1	5.8
Infobolsa	0.9	0	0.9	0
Index Engine releases	0.4	1.1	0	0.9
StatistiX	0	3.0	0	0
Xebos/Fixed Income Benchmark	0	1.6	0	1.5
Consolidation Engine	0	0.4	0	0
	6.6	**12.3**	**3.0**	**8.2**
Information Technology				
Xentric	1.8	3.9	0.4	1.1
Components business	0	0.3	0	0.3
	1.8	**4.2**	**0.4**	**1.4**
Clearstream				
CreationConnect	17.7	13.1	10.6	13.1
NCB Link	13.4	2.2	11.2	2.2
Daytime Bridge	8.4	0.5	5.3	0.5
Umbrella Credit	6.3	0	4.5	0
Custody	3.8	4.7	1.8	4.7
Clearing & Settlement	2.4	0	1.8	0
Customer Focus	0	8.1	0	8.1
Creation 24	0	7.3	0	7.3
Other	2.1	2.3	0.7	2.3
	54.1	**38.2**	**35.9**	**38.2**
Total of all segments	**108.0**	**151.0**	**68.9**	**110.1**

[1] The central counterparty and Integrated Clearer systems are managed as part of a joint project; the development costs were allocated to the Xetra and Eurex segments on the basis of the resources used.

Consolidation adjustments, charged in the income statement, amounted to €13.6 million. Following the elimination of the intragroup profits, own expenses capitalized amounted to €55.3 million.

The development costs and own expenses capitalized that are reported for the Clearstream segment for 2002 are the amounts for the second half of the year. Clearstream's full-year own expenses capitalized for 2003 fell by 43.4 percent to €35.9 million (full year 2002: €63.4 million).

Research costs not capitalized in the Information Technology segment in 2003 totalled €2.8 million (2002: €6.2 million).

9. Other operating income

Other operating income is composed of the following items:

	2003 €m	2002 €m
Income from agency agreements	32.0	40.0
Income from the release of other provisions and liabilities	13.6	11.3
Rental income	11.7	4.7
Recoveries under insurance policies	6.2	0.9
Foreign currency income	7.1	0.9
Reimbursements from external suppliers	2.0	1.6
Capital consolidation of Deutsche Börse Computershare GmbH	–	3.1
Miscellaneous	8.0	8.1
Total other operating income	**80.6**	**70.6**

The income from agency agreements results mainly from the operational management of the Eurex Zürich derivatives market for SWX Swiss Exchange.

Miscellaneous other operating income relates primarily to income from cooperation agreements and from training.

10. Staff costs

Staff costs are composed of the following items:

	2003 €m	2002 €m
Wages and salaries	268.8	209.0
Social security contributions, retirement and other benefit costs	48.9	36.3
Total staff costs	**317.7**	**245.3**
thereof: Clearstream subgroup	156.3	91.5
Infobolsa subgroup	1.7	0.6
Other Deutsche Börse Group	159.7	153.2

Without the effects of acquisitions, staff costs would have risen by 4.2 percent, reflecting Group Share Plan related expenses and the 1.5 percent increase in the average number of employees. Clearstream's full-year staff costs for 2003 fell by 9.0 percent to €156.3 million (full year 2002: €171.7 million).

11. Depreciation and amortization expense

The depreciation and amortization expense is broken down as follows:

	2003 €m	2002 €m
Intangible assets: software	145.2	113.6
Property, plant and equipment	51.0	41.3
Investment property	1.8	0
Total depreciation and amortization expense	**198.0**	**154.9**
thereof: Clearstream subgroup	103.6	43.3
Infobolsa subgroup	0.5	0.1
Other Deutsche Börse Group	93.9	111.5

The amortization expense for intangible assets includes write-downs of €5.8 million (2002: €17.6 million). These result from a €3.1 million write-down of Xetra XXL and Xetra BEST software in the Xetra segment (2002: nil), and a €2.7 million write-down of equity options software in the Eurex segment (2002: €11.6 million).

Clearstream's full-year depreciation and amortization expense for 2003 rose by 21.7 percent to €103.6 million (full year 2002: €85.1 million), mainly due to additional amortization arising from the new CreationConnect (€16.1 million) and Custody (€2.4 million) systems.

12. Other operating expenses

Other operating expenses are composed of the following items:

	2003 €m	2002 €m
Legal and consulting costs	109.5	144.6
Premises expenses	83.3	49.7
IT costs	61.1	51.2
Non-recoverable input tax	29.6	26.9
Communication costs (incl. network costs)	26.7	27.3
Purchase of price information	18.2	22.5
Xontro system operation	16.5	18.7
Insurance premiums, contributions and fees	15.1	13.7
Advertising and marketing costs	14.6	18.1
Travel, entertainment and corporate hospitality expenses	12.6	9.8
Fees payable to Helsinki Exchanges (HEX)	9.4	13.2
Non-wage labour costs and voluntary social benefits	9.1	6.9
Cost of agency agreements	8.5	8.2
Rent and leases (excl. IT)	6.5	1.8
External labour	5.1	5.8
Postage and transport costs	2.5	3.0
Office supplies	2.1	2.3
Maintenance (excl. IT)	1.7	1.0
Specific and general bad debt allowances	1.2	3.0
Xetra settlement fees[1)]	0	10.7
Miscellaneous	20.0	22.7
Total other operating expenses	**453.3**	**461.1**
thereof: Clearstream subgroup	164.2	94.3
Infobolsa subgroup	4.5	1.0
Other Deutsche Börse Group	284.6	365.8

1) Amounts in 2002 for the first half of the year only; thereafter reported as intercompany services

Legal and consulting costs relate mainly to expenses in conjunction with software development. An analysis of development costs is presented in note 8. Legal and consulting costs also contain costs of user support and software operation, as well as strategic and legal consulting services.

The legal and consulting costs in 2003 contain €29.1 million for the Clearstream subgroup. Excluding the fully consolidated costs of the Clearstream subgroup for the second half of 2002 and for the full year 2003, the legal and consulting costs would have fallen by 34.3 percent from €122.4 million to €80.4 million, primarily as a result of tighter cost management.

Premises expenses relate primarily to the costs of buildings in Germany and Luxembourg leased by Deutsche Börse Group. €38.1 million was attributable to premises expenses of the Clearstream subgroup. Provisions for anticipated losses from rental expenses have been established for rented buildings no longer used by Deutsche Börse Group. €20.8 million was added to such provisions in 2003 (2002: €4.7 million) and €2.2 million (2002: €3.1 million) were utilized.

Excluding the fully consolidated costs of the Clearstream subgroup for the second half of 2002 and for the full year 2003, the premises expenses would have risen by 15.0 percent from €39.3 million to €45.2 million, primarily as a result of additional provisions for anticipated losses from rental expenses.

IT costs contain the costs for rental, leasing and maintenance of hardware and software. IT costs for 2003 contain €18.6 million for the Clearstream subgroup. Excluding the fully consolidated costs of the Clearstream subgroup for the second half of 2002 and for the full year 2003, IT costs would have risen by 2.9 percent from €41.3 million to €42.5 million.

Non-recoverable input tax results from the VAT-free income from Eurex trading and clearing fees, and from interest income and payment services income.

Communication costs, which also include the costs of the participant network, fell by 2.2 percent in 2003 to around €26.7 million due to further technical consolidation of the network infrastructure and corresponding price negotiations with external network providers. They contain €7.7 million for the Clearstream segment in 2003. Excluding the fully consolidated costs for the Clearstream segment for the second half of 2002 and for the full year 2003, the communication costs would have fallen by 18.8 percent from €23.4 million to €19.0 million.

Costs for the purchase of price information are incurred by the Information Services segment for data and information from other stock exchanges. These costs fell by 19.1 percent to €18.2 million. These variable costs are correlated with this segment’s sales of price information, which fell by 4.9 percent to €94.5 million in 2003.

The cost of agency agreements relates to the costs of SWX Swiss Exchange, which renders services for the Eurex subgroup.

Miscellaneous other operating expenses are composed of smaller items, including leasing costs, license fees and donations.

13. Income from equity investments

The income from equity investments is attributable to the following items:

	2003 €m	2002 €m
Associates and joint ventures		
STOXX Ltd. (carried at equity)	0.8	0.8
STOXX Ltd. (dividend)	1.9	0.6
Deutsche Gesellschaft für Ad hoc-Publizität mbH (dividend)	0	0.3
FDS Finanz-Daten-Systeme GmbH & Co. KG (carried at equity)	0.2	0
Clearstream International S.A. (carried at equity in 2002)	–	15.6
Clearstream International S.A. (dividend in 2002)	–	23.2
Other equity investments		
BrainTrade GmbH (dividend)	1.1	0
Borsa Italiana S.p.A. (dividend)	0.2	–
European Energy Exchange AG (carried at equity)	0.1	0
Cedel International S.A. (dividend in 2002)	–	0.2
Subsidiaries		
Deutsche Gesellschaft für Wertpapierabwicklung mbH (dividend)	0	0.3
Restatement of Clearstream revaluation surplus	–2.5	0
Total income from equity investments	**1.8**	**41.0**

14. Impairment losses on noncurrent financial assets

Impairment losses on noncurrent financial assets are broken down as follows:

	2003 €m	2002 €m
Deconsolidation losses[1)]	1.9	0
Proportionate net losses of associates carried at equity	0.4	2.7
Write-downs of interests in Monte Titoli S.p.A.	0	2.0
Write-downs of the investment in European Energy Exchange AG	0	1.2
Miscellaneous	0	0.3
Total impairment losses on noncurrent financial assets	**2.3**	**6.2**

1) Resulting from the sale of Deutsche Börse Computershare GmbH and the deconsolidation of immaterial subsidiaries

15. Net financial result

Net financial result is composed of the following items:

	2003 €m	2002 €m
Income from noncurrent financial instruments and noncurrent loans	0.2	10.0
Other interest and similar income	31.4	29.3
Interest and similar expenses	–36.1	–16.1
Total net financial result	**–4.5**	**23.2**

Other interest and similar income is composed of the following items:

	2003 €m	2002 €m
Interest on foreign bank balances	17.6	21.1
Income similar to interest income	12.1	0
Income from interest rate swaps	0.7	5.7
Interest on nostro accounts	0.6	0.3
Interest income from taxes under section 233a of the AO (German Tax Code)	0.1	1.7
Interest on term deposits	0.1	0.1
Other interest income	0.2	0.4
Total interest and similar income	**31.4**	**29.3**

Interest and similar expenses is composed of the following items:

	2003 €m	2002 €m
Interest paid on Eurex participants' cash deposits	14.7	0
Interest on noncurrent loans	10.7	2.9
Interest on current liabilities	6.9	6.7
Interest expense from taxes under section 233a of the AO (German Tax Code)	2.6	0
Expenses from interest rate swaps	1.1	5.6
Other interest expenses	0.1	0.9
Total interest and similar expenses	**36.1**	**16.1**

The cash acquisition of Cedel International S.A. resulted in a reduction in interest income from July 2002. Commercial paper and medium-term notes were issued in connection with this acquisition, which increased interest expenses from 2002. Net interest income was further reduced by the fall in short-term interest rates and the decision to pay interest on the cash security deposits of Eurex participants from March 2003.

16. Income tax expense

The following table presents a breakdown of the income tax expense:

	2003 € m	2002 € m
Current income taxes		
of the year under review	215.1	132.4
from previous years	–8.8	–4.4
Deferred tax expense	–3.8	13.2
Total income tax expense	**202.5**	**141.2**

The income tax expense relates solely to the profit before tax from ordinary activities. A tax rate of 41 percent was used to calculate deferred taxes for the German companies (2002: 41 percent). As in the previous year, this reflects trade income tax at an assessment rate of 490 percent on the tax base value of 5 percent, corporation tax of 25 percent and the 5.5 percent solidarity surcharge on the corporation tax. Also as in the previous year, a tax rate of 30 percent was used for the Luxembourg companies, reflecting trade income tax at the rate of 7.5 percent and corporation tax of 23 percent.

The deferred tax expense relates to the following items:

	2003 € m	2002 € m
Interest rate swap	3.5	0
Property, plant and equipment	0.3	–2.2
Intangible assets	–1.1	14.2
Provisions for anticipated losses from rental expenses	–2.3	0.6
Noncurrent financial instruments	–5.1	–1.2
Taxes on cost of capital increases	0	2.9
Pension provisions, provisions for pension obligations to IHK[1)]and provisions for early retirement benefits	–0.3	–1.0
Equity investments	0	–1.1
Other provisions	1.2	1.0
Deferred tax expense	**–3.8**	**13.2**

1) Chamber of commerce

The following table presents the deferred tax assets and liabilities recognized in the balance sheet, as well as the deferred taxes for the year. Changes taken directly to equity relate to deferred taxes on changes in the measurement of noncurrent financial assets carried at fair value, and to deferred taxes on the costs of the capital increase in June 2002.

	2003 €m	2002 €m
Balance as at 1 January		
Deferred tax assets	13.2	11.2
Deferred tax liabilities	–99.3	–47.6
	–86.1	**–36.4**
Changes in deferred taxes taken directly to equity	6.3	0.5
Deferred tax income/(expense) for the year	3.8	–13.2
First-time consolidation	0	–37.0
Balance as at 31 December		
Deferred tax assets	16.3	13.2
Deferred tax liabilities	–92.3	–99.3
	–76.0	**–86.1**

The following table presents a reconciliation between the expected and the actual tax expense. To determine the expected tax expense, the profit before tax has been multiplied by the composite tax rate of 42 percent assumed for 2003 (2002: 41 percent).

	2003 €m	2002 €m
Expected income taxes derived from net profit before taxes	188.2	153.5
Tax increases due to non-tax deductible goodwill amortization	31.5	16.8
Tax reduction due to dividends and income from foreign equity investments carried at equity	–4.6	–16.3
Effect of tax rate changes[1]	–9.2	–22.9
Tax increases due to other non-tax deductible expenses	2.5	3.1
Risk provision	0	4.5
Non-tax deductible losses carried forward	3.7	3.6
Miscellaneous	–0.8	3.3
Tax expense arising from current year	**211.3**	**145.6**

[1] The Luxembourg tax rates were applied to the proportionate net profit of the Luxembourg companies.

During the year, unused tax losses amounting to €11.3 million (2002: €8.9 million) were incurred for which no deferred tax asset was established. In 2003, tax losses incurred in prior years for which no deferred tax asset had been established were utilized in the amount of €2.4 million (2002: nil).

Consolidated Balance Sheet Disclosures

17. Statement of changes in noncurrent assets

	Historical costs						
	Balance as at 1 Jan. 2003 €m	Additions €m	Revaluations €m	Reclassifications €m	Disposals €m	Deconsolidation €m	Balance as at 31 Dec. 2003 €m
Intangible assets							
Software	681.2	52.1	0	107.9	27.9	–0.1	813.2
Goodwill	1,341.0	0	0	0	0	0	1,341.0
Payments on account	110.4	9.1	0	–107.9	0.5	0	11.1
	2,132.6	61.2	0	0	28.4	–0.1	2,165.3
Property, plant and equipment							
Land and buildings	27.7	23.8	0	82.2	0	0	133.7
Leasehold improvements	27.8	24.1	0	34.7	0	0	86.6
Computer hardware, operating and office equipment	214.8	31.3	0	2.0	22.4	–0.1	225.6
Payments on account and construction in progress	192.6	23.6	0	–161.5	0	0	54.7
	462.9	102.8	0	–42.6	22.4	–0.1	500.6
Financial assets							
Investments in associates:							
carried at equity	33.1	0	1.1	0	0	0	34.2
carried at cost	0.7	0	0	0	0.6	0	0.1
Other equity investments	14.9	13.3	0	0	0	0	28.2
Noncurrent receivables and securities from banking business	335.8	63.7	0	0	5.0	0	394.5
Other noncurrent financial instruments	11.1	0	0	0	0	0	11.1
Other noncurrent loans	262.6	0.2	0	0	262.0	0	0.8
Investment property	10.7	2.5	0	42.6	0	0	55.8
	668.9	79.7	1.1	42.6	267.6	0	524.7
Total	3,264.4	243.7	1.1	0	318.4	–0.2	3,190.6

[1] Appreciation not recognized in the income statement

Cumulative depreciation and amortization						Carrying amount	
Balance as at 1 Jan. 2003 €m	Additions €m	Impairment losses €m	Disposals €m	Decon-solidation €m	Balance as at 31 Dec. 2003 €m	as at 31 Dec. 2003 €m	as at 31 Dec. 2002 €m
343.8	139.4	5.8	27.3	–0.1	461.6	351.6	337.4
92.4	65.2	10.0	0	0	167.6	1,173.4	1,248.6
0	0	0	0	0	0	11.1	110.4
436.2	**204.6**	**15.8**	**27.3**	**–0.1**	**629.2**	**1,536.1**	**1,696.4**
0	1.2	0	0	0	1.2	132.5	27.7
7.4	7.7	0	0	0	15.1	71.5	20.4
134.6	42.1	0	20.9	–0.1	155.7	69.9	80.2
0	0	0	0	0	0	54.7	192.6
142.0	**51.0**	**0**	**20.9**	**–0.1**	**172.0**	**328.6**	**320.9**
23.5	0.2	0	0	0	23.7	10.5	9.6
0	0.1	0	0.1	0	0	0.1	0.7
2.1	0	0	0	0	2.1	26.1	12.8
0	10.0	0	0	0	10.0	384.5	335.8
3.0	0	0	1.4[1)]	0	1.6	9.5	8.1
1.2	0	0	1.2	0	0	0.8	261.4
0	1.8	0	0	0	1.8	54.0	10.7
29.8	**12.1**	**0**	**2.7**	**0**	**39.2**	**485.5**	**639.1**
608.0	**267.7**	**15.8**	**50.9**	**–0.2**	**840.4**	**2,350.2**	**2,656.4**

The following table reconciles the additions to cumulative depreciation and amortization with the depreciation and amortization expense, and impairment losses, shown in the consolidated income statement:

	2003 €m	2002 €m
Additions to cumulative depreciation and amortization expense as disclosed in the statement of changes in noncurrent assets	267.7	182.2
Impairment losses	15.8	50.6
Changes in fair value of noncurrent receivables and securities from banking business taken directly to equity	–10.0	–3.0
Deconsolidation losses	1.9	0
Miscellaneous	0.1	0
Depreciation expense, goodwill amortization, and impairment losses on noncurrent financial assets as shown in the income statement	**275.5**	**229.8**

Intangible assets: software

Additions and reclassifications of software relate principally to the expansion of the Eurex and Xetra electronic trading systems and to the development of software products for the Information Services and Clearstream segments. Payments on account relate primarily to advance payments on software.

Capitalized development costs include the costs of in-progress development as at 31 December 2003 amounting to €18.7 million (2002: €34.0 million).

As at 31 December 2003, major individual software assets show the following carrying amounts and remaining depreciation periods:

	Carrying amount as at 31 Dec. 2003 €m	Remaining depreciation period as at 31 Dec. 2003 years[1]
CreationConnect (Clearstream)	96.3	5
Creation 24 (Clearstream)	29.1	4
Creation (Clearstream)	25.9	1
Equity central counterparty (Xetra)	21.5	5
Eurex release 5.0 (Eurex)	17.1	4
Consolidated exchange feed (IS)	16.6	3
Nighttime central bank link (Clearstream)	15.7	5
Eurex release 6.0 (Eurex)	15.6	4
Custody (Clearstream)	14.5	4
Eurex release 6.1 (Eurex)	7.4	5
Xetra release 7.0 (Xetra)	6.2	4
Other software assets[2]	85.7	
Total software assets	**351.6**	

[1] Rounded up to full years
[2] Each with a carrying amount of less than €6.0 million

Intangible assets: goodwill

During the course of 2003, entory AG's revenues and profitability fell further behind expectations on account of the difficult market environment for software development, in particular in the financial services sector. Of the total amount recognized as goodwill from the acquisition of entory AG, €13.6 million was written down in 2003 (2002: €36.4 million), including €10.0 million (2002: €33.0 million) recognized as an impairment loss. The net present value of entory was based on its estimated future cash flows using a pre-tax discount rate of 15.8 percent.

Changes in goodwill	Balance as at 1 Jan. 2003 €m	Goodwill amortization in 2003 €m	Balance as at 31 Dec. 2003 €m
entory AG	48.1	–13.6	34.5
Cedel International S.A.	1,185.4	–60.8	1,124.6
Infobolsa S.A.	15.1	–0.8	14.3
Total goodwill	**1,248.6**	**–75.2**	**1,173.4**

Property, plant and equipment

Additions to computer hardware, operating and office equipment rose by 46.9 percent to €31.3 million in 2003, mainly due to Clearstream's move to its new offices in Luxembourg. The changes in payments on account for construction in progress relate largely to the new buildings in Luxembourg. As each building is completed, it is transferred to either "land and buildings" or to "investment property", depending on the future use of the building.

Noncurrent financial assets

Realized gains and losses as well as unrealized losses on noncurrent financial instruments resulted in a decrease of the revaluation surplus by €1.6 million in 2003 (2002: increase of €6.5 million).

As at 31 December 2003 and 2002, noncurrent receivables and securities from banking business comprised available-for-sale debt securities that are measured at fair value.

Other equity investments include available-for sale equities that are recognized at acquisition cost less accumulated impairment losses. As at 31 December 2003, cumulative impairment losses amounted to €2.1 million (2002: €2.1 million).

Investment property was recognized in the balance sheet at its cost, less accumulated depreciation, of €54.0 million (2002: €10.7 million). The estimated fair value as at 31 December 2003 was €69.2 million (31 December 2002: €16.6 million). The fair value of the unused piece of land was based on a valuation made by a real estate broker. The fair value of the building rented to third parties was calculated based on calculated rental income for the building and a discount rate of 6.5 percent. Rental income from investment property for 2003 was €3.3 million (2002: nil).

18. Deferred tax assets

Deferred tax assets resulting from differences between the carrying amounts in the consolidated financial statements and in the tax accounts are composed of the following items:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Provisions for anticipated losses from rental expenses	7.3	5.0
Pension provisions, provisions for pension obligations to IHK[1)] and provisions for early retirement benefits	7.1	6.8
Noncurrent financial instruments	0.5	0.2
Property, plant and equipment	0.2	0.5
Other	1.2	0.7
Total deferred tax assets	**16.3**	**13.2**

1) Chamber of commerce

19. Current receivables and securities from banking business

In addition to noncurrent receivables from banking business (see note 17, Noncurrent financial assets), the following receivables and securities from the banking business, attributable solely to the Clearstream subgroup, were classified as current assets as at 31 December 2003:

	Carrying amount as at 31 Dec. 2003 €m	Carrying amount as at 31 Dec. 2002 €m	Average carrying amount in 2003[1)] €m
Loans to other banks and customers			
Money market lendings	1,775.3	1,011.3	2,795.0
Securities repurchase agreements	913.4	1,087.0	902.5
Overdrafts from settlement business	390.6	473.5	597.4
Balances on own accounts at other banks	124.4	334.8	338.9
	3,203.7	**2,906.6**	**4,633.8**
Interest receivable	53.1	121.5	36.0
Available-for-sale fixed-income securities – money market instruments	746.5	0	285.4
Available-for-sale fixed-income securities – other than money market instruments	31.1	31.2	31.3
Available-for-sale equities	12.9	11.1	11.3
Derivatives	0	14.6	11.5
Total	**4,047.3**	**3,085.0**	**5,009.3**

1) The average amounts are calculated from the arithmetic mean of the month-end amounts.

The largest amount placed in the money market with one counterparty as at 31 December 2003 was €240.0 million (2002: €228.0 million).

The largest amount placed on deposit with one counterparty under a securities repurchase agreement as at 31 December 2003 was €162.9 million (2002: €514.0 million).

Overdrafts from settlement business represent short-term loans of up to two days' duration that are usually secured by collateral. The largest amount outstanding to an individual customer as at 31 December 2003 was €183.0 million (2002: €110.3 million).

The largest balance on account with a single bank, excluding amounts with central banks as at 31 December 2003 was €34.1 million (2002: €107.8 million).

Potential concentrations of credit risk are monitored against counterparty credit limits. The largest total amount receivable from a single counterparty of the banking business as at 31 December 2003 was €508.5 million (2002: €229.0 million).

The fixed-income and non-fixed-income securities held as at 31 December 2003 are all listed. All of the fixed-income securities held at this date were issued by sovereign, semi-sovereign or sovereign-guaranteed issuers.

The fixed-income and equity securities held as at 31 December 2003 are all listed. All of the fixed-income securities held at this date were issued by sovereign, semi-sovereign and sovereign-guaranteed issuers.

In 2003, changes in unrealized gains on financial instruments resulted in a reduction of the revaluation surplus in the amount of €7.3 million.

The remaining maturity of fixed-income securities – money market instruments can be categorized as follows:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Less than three months	499.0	0
Three months to one year	247.5	0
Total available-for-sale fixed-income securities – money market instruments	**746.5**	**0**

The remaining maturity of loans to other banks and customers can be categorized as follows:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Less than three months	3,123.7	2,906.6
Three months to one year	80.0	0
Total loans to other banks and customers	**3,203.7**	**2,906.6**

In general, there were no early call rights on the loans extended.

Derivatives

Fair value hedges

Interest rate swaps under which a fixed interest rate is paid and a variable rate is received have been used to hedge the value of some fixed-rate available-for-sale financial instruments (fair value hedges).

The following table gives an overview of the notional amount of the positions covered by fair value hedges at 31 December 2003, and the corresponding weighted average interest rates:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Notional amount of pay-fixed interest rate swaps (€m)	81.8	81.8
Fair value of pay-fixed interest rate swaps (€m)	–1.1	–1.6
Average pay rate (%)	3.84	3.84
Average receive rate (%)	2.50	3.34

Cash flow hedges

Interest rate swaps under which a variable rate of interest is paid and a fixed rate is received were used in 2003 to hedge available-for-sale variable rate financial instruments (cash flow hedges).

Clearstream entered into interest rate swaps in 2001 and 2002 to hedge approximately 50 percent of the total expected cash flows from the reinvestment of customer deposits. The swaps had terms from January 2002 to January 2003, and from January 2003 to January 2004, respectively. No interest rate swaps have been entered into in respect of expected 2004 cash flows. As at the end of the year, the positions were as follows:

	31 Dec. 2003	31 Dec. 2002
Notional amount of pay-variable interest rate swaps (€m)	1,177.5	3,050.5
Fair value of pay-variable interest rate swaps (€m)	0	11.0
Average pay rate (%)	2.03	2.85
Average receive rate (%)	3.04	4.20 and 3.04

Foreign exchange swaps as at 31 December 2003, expiring in January 2004, amounted to €323.1 million.

Forward currency transactions were designated as cash flow hedges of 2003 net commission income expressed in US dollars. The notional amount entered into was €72.0 million (€6.0 million per month). There were no hedges open as at 31 December 2003 (2002: €72.0 million). The fair value as at 31 December 2003 of these forward currency transactions was zero (31 December 2002: €3.6 million). Following the change of the billing currency from October 2003 onwards, the remaining positions ceased to qualify as cash flow hedges. Offsetting forward foreign exchange transactions were entered into to close the position. Net realized gains of €1.7 million have been recognized under “Other operating income”.

The following gains or losses on derivative financial assets designated as cash flow hedges were recognized directly in equity:

	2003 €m	2002 €m
Value of cash flow hedges recognized directly in equity at 1 January	14.3	0
Amount recognized in equity during the year	0	14.3
Amount removed from equity and reported in net income	–14.3	0
Value of cash flow hedges recognized directly in equity at 31 December	**0**	**14.3**

20. Trade receivables

Valuation allowances and bad debt losses of €1.2 million (2002: €3.0 million) were charged on receivables in 2003: €0.4 million (2002: €1.4 million) related to debtor-specific valuation allowances and €0.7 million (2002: €1.6 million) related to bad debt losses.

As at 31 December 2003, there were no trade receivables with more than one year to maturity (2002: nil).

21. Other current assets

Other current assets are composed of the following items:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Recoverable taxes	71.2	48.9
Prepaid expenses	19.4	12.3
Interest receivable from interest rate swaps	6.4	7.2
Collection business of Deutsche Börse Systems AG	2.2	2.1
Creditors with debits	0.1	1.1
Miscellaneous	8.3	11.5
Total other current assets	**107.6**	**83.1**

Included in miscellaneous other current assets are receivables from undelivered or partially delivered trades to the Equity Central Counterparty.

22. Restricted bank balances

Amounts reported separately as at 31 December 2003 under liabilities as cash deposits by market participants amounting to €901.1 million (2002: €217.2 million) are restricted. Such amounts are mainly invested overnight in interest-bearing accounts at banks and in reverse repurchase agreements. These agreements are collateralized by government, government-guaranteed, debenture and bank bonds with a Standard & Poor's credit rating not below AA– for direct agreements, and not below BBB for tripartite reverse repurchase agreements. Cash funds amounting to €147.3 million (2002: €86.5 million) attributable to the Clearstream subgroup are also restricted due to minimum reserve requirements at central banks.

23. Shareholders' equity

Changes in shareholders' equity are presented in the statement of changes in shareholders' equity. As at 31 December 2003, Deutsche Börse AG had 111,802,880 no-par value shares in issue (2002: 111,802,880).

Subject to the agreement of the Supervisory Board, the Executive Board is authorized to increase the subscribed share capital by the following amounts:

	Amount in €	Date of authorization by the shareholders	Expiry date	Existing shareholders' subscription rights may be suspended for fractional amounts and/or may be suspended if the share issue is:
Authorized share capital I	41,104,000	3 May 2001	31 Dec. 2005	■ Against non-cash contributions for the purpose of acquiring companies, parts of companies or stakes in companies.
Authorized share capital II	14,797,440	14 May 2003	13 May 2008	■ For cash at an issue price not significantly lower than the stock exchange price up to a maximum amount of 10 percent of the nominal capital. ■ To issue new shares to employees or subsidiaries' employees under a group share plan up to a maximum of 3,000,000 shares. ■ Against non-cash contributions for the purpose of acquiring companies, parts of companies or stakes in companies.

In addition to the authorized share capitals I and II, the Executive Board is allowed, subject to the agreement of the Supervisory Board, to issue new shares for certain specific purposes ("bedingtes Kapital"), namely up to 30,000,000 shares in connection with the issue and satisfaction of convertible bonds, and up to 3,000,000 shares in connection with the fulfilment of subscription rights to employees under the Group Share Plan.

Under its Group Share Plan, Deutsche Börse issued employee stock options during 2003 with a strike price of €54.79, of which 145,409 remained outstanding on 31 December 2003.

There were no further subscription rights for shares as at 31 December 2003 or 31 December 2002.

The revaluation surplus of €3.8 million as at 31 December 2003 (2002: €9.0 million) results from the remeasurement of financial instruments at their fair values, less deferred taxes on these remeasurements.

24. Shareholders' equity and appropriation of net profit of Deutsche Börse AG

The annual financial statements of the parent company Deutsche Börse AG, prepared as at 31 December 2003 in accordance with the provisions of the HGB, and for which an unqualified audit opinion has been granted, report net profit for the year of €267.5 million (2002: €138.2 million) and shareholders' equity of €1,989.1 million (2002: €1,770.8 million).

	31 Dec. 2003 €m	31 Dec. 2002 €m
Share capital	111.8	111.8
Share premium	1,367.5	1,367.5
Other retained earnings	374.8	221.5
Unappropriated surplus	135.0	70.0
Shareholders' equity	**1,989.1**	**1,770.8**

The Executive Board proposes that the unappropriated surplus amounting to €135.0 million (2002: €70.0 million) reported in the annual financial statements of Deutsche Börse AG be appropriated as follows:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Net profit	267.5	138.2
Appropriation to retained earnings in the annual financial statements	–132.5	–68.2
Unappropriated surplus	**135.0**	**70.0**
Proposal by the Executive Board:		
Distribution of a dividend to the shareholders on 20 May 2004 of €0.55 per no-par value share for 111,802,880 no-par value shares (in 2003 from net profit for 2002: €0.44)	61.5	49.2
Appropriation to retained earnings	73.5	20.8

The proposed dividend for 2003 corresponds to a dividend rate of 25.0 percent of the consolidated net profit (2002: 20.9 percent). €267.5 million or 108.6 percent of the consolidated net profit was generated in the HGB annual financial statements of the parent company Deutsche Börse AG (2002: €138.2 million or 58.8 percent).

25. Minority interests

Minority interests include the equity interest and proportionate interest in consolidated net profit of the following subgroups and companies:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Infobolsa S.A.	5.6	4.8
Eurex Zürich AG	5.6	4.0
Eurex Bonds GmbH	1.1	1.4
Clearstream Banking S.A.	0	10.0
Deutsche Börse Computershare GmbH	0	2.9
Total minority interests	**12.3**	**23.1**

26. Provisions

The composition and development of provisions are presented in the following statement of changes in provisions:

	1 Jan. 2003 €m	Adjustment €m	Utilized €m	Released €m	Additions €m	31 Dec. 2003 €m
Noncurrent provisions						
Provisions for pensions and other employee benefits	64.5	0.3	–4.9	0	8.5	68.4
Deferred tax liabilities	99.3	0	0	–12.2	5.2	92.3
Other noncurrent provisions	37.9	–2.2	–3.9	0	8.6	40.4
	201.7	**–1.9**	**–8.8**	**–12.2**	**22.3**	**201.1**
Current provisions						
Tax provisions	124.1	0	–30.4	–6.2	74.7	162.2
Other current provisions	28.6	1.9	–10.7	–8.2	24.6	36.2
	152.7	**1.9**	**–41.1**	**–14.4**	**99.3**	**198.4**
Total provisions	**354.4**	**0**	**–49.9**	**–26.6**	**121.6**	**399.5**

The estimated maturity structure of the noncurrent provisions is shown below:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Maturities between one and five years	81.3	89.8
Maturities in excess of five years	119.8	111.9
Total noncurrent provisions	**201.1**	**201.7**

27. Provisions for pensions and other employee benefits

Changes in provisions for pensions and other employee benefits were as follows:

	2003 €m	2002 €m
Balance as at 1 January	64.5	31.2
Increase due to pension-related expenses recognized in the income statement:		
Current service cost	5.3	4.6
Past service cost	0.8	1.3
Interest cost	4.2	3.9
Expected return on plan assets	–0.7	–0.1
Net actuarial gain recognized	–0.2	–0.4
First-time consolidation	0	40.8
Transferred assets	0	–1.4
Current benefit payments	–5.5	–15.4
Total provisions for pensions and other employee benefits as at 31 December	**68.4**	**64.5**

The actuarial present value of the pension obligations may be reconciled with the provisions shown in the balance sheet as follows:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Actuarial present value of the unfunded pension obligations	73.2	66.0
Actuarial present value of the wholly or partly funded pension obligations	13.2	12.1
Actuarial present value of the pension obligations	**86.4**	**78.1**
Fair value of plan assets	–15.0	–12.2
Net unrecognized actuarial losses	–3.0	–1.4
Total provisions for pensions and other employee benefits recognized in balance sheet	**68.4**	**64.5**

Plan assets do not include any Group financial instruments. Neither do they include any property occupied or other assets used by the Group.

Change of the fair value of the plan assets were as follows:

	2003 €m	2002 €m
Balance as at 1 January	12.2	0
Expected return on plan assets	0.7	0.1
Actual employer contributions	1.8	12.4
Actual distributions	–0.4	0
Actuarial gain/(loss) on plan assets	0.7	–0.3
Total fair value of plan assets as at 31 December	**15.0**	**12.2**

28. Deferred tax liabilities

Deferred tax liabilities are composed of the following items:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Intangible assets	55.5	56.6
Risk provisions	25.7	25.7
Current financial instruments	5.1	10.9
Interest rate swaps	3.5	0
Noncurrent assets excl. financial instruments	1.5	1.6
Noncurrent financial instruments	0.1	4.9
Miscellaneous	0.9	–0.4
Total deferred tax liabilities	**92.3**	**99.3**

The deferred tax liabilities recognized from the measurement of noncurrent financial instruments and available-for-sale current financial instruments were taken directly to equity.

Deferred tax liabilities have not been recognized in respect of the tax on future dividends which may be paid from retained earnings by subsidiaries and associated companies. In accordance with § 8b (5) KStG (German Corporation Tax Act), 5 percent of dividend income received by German companies will be treated as non-deductible expenses for tax purposes from 2004 onwards.

29. Other noncurrent provisions

Other noncurrent provisions with more than one year to maturity comprise the following items:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Anticipated losses from rental expenses	17.6	12.1
Other provisions:		
Early retirement benefits	10.7	10.0
Pension obligations to IHK	8.2	9.8
Phantom stock options	3.9	5.9
Miscellaneous other noncurrent provisions	0	0.1
Total other noncurrent provisions	**40.4**	**37.9**

The provisions for anticipated losses from rental expenses that are not expected to be settled until 2005 and thereafter are discounted at the rate of 5.5 percent (2002: 5.5 percent). They were estimated on the basis of existing rental agreements and take account of expected rental income if the properties can be sublet. The increase in these provisions of €5.5 million in 2003 was based on additions amounting to €1.5 million, €2.1 million and €1.9 million in the second, third and fourth quarters of 2003, respectively.

Provisions for early retirement benefits are estimated on the basis of the active and former employees involved. Provisions for pension obligations to the IHK (chamber of commerce) are recognized on the basis of the number of eligible employees.

30. Tax provisions

The tax provisions contain the following items:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Income tax expense: previous years	85.7	63.4
Income tax expense: current year	75.7	58.5
Wealth tax	0.8	2.2
Total tax provisions	**162.2**	**124.1**

31. Other current provisions

The other current provisions are composed of the following items:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Anticipated losses from rental expenses	16.2	3.2
Litigation and interest rate risks	4.3	8.0
Rent and incidental rental costs	2.7	7.1
Jubilee benefits	2.6	2.7
Phantom stock options	1.9	–
Restructuring costs	1.8	4.3
Miscellaneous	6.7	3.3
Total other current provisions	**36.2**	**28.6**

The provisions for anticipated losses from rental expenses amounting to €16.2 million (2002: €3.2 million) refer to ongoing rental contracts for unused office space in Luxembourg, which results from relocating the Group's Luxemburg offices. The increase of these provisions of €13.0 million in 2003 were based on additions amounting to €2.0 million, €5.0 million, €1.0 million and €5.0 million in the first, second, third and fourth quarters of 2003, respectively.

The provisions for restructuring costs amounting to €1.8 million (2002: €4.3 million) were established for the integration of the Clearstream subgroup. The miscellaneous other current provisions include provisions for payroll tax obligations.

32. Liabilities

There were noncurrent liabilities of €6.0 million with a maturity of more than five years as at 31 December 2003 (2002: nil).

The noncurrent interest-bearing liabilities contain a subsidized loan by the state-owned Luxembourg investment agency "Société Nationale de Crédit et d'Investissement" to Clearstream Services S.A. amounting to €1.5 million (2002: €5.3 million); this loan is due on 30 June 2004.

The noncurrent liabilities also contain finance lease obligations amounting to €4.0 million (2002: €1.6 million).

There were no liabilities as at 31 December 2003 that were secured by liens or similar rights.

33. Liabilities from banking business

The liabilities from banking business, attributable solely to the Clearstram subgroup, are composed of the following items:

	31 Dec. 2003 €m	31 Dec. 2002 €m	Average in 2003[1)] €m
Customer deposits from settlement business	3,321.0	2,476.8	4,392.5
Overdrafts on own accounts at other banks	76.8	476.4	68.8
Issued commercial paper	458.8	238.7	285.8
Interest liabilities	8.9	36.7	6.3
Money market borrowings	34.4	29.3	148.9
Total liabilities from banking business	**3,899.9**	**3,257.9**	**4,902.3**

1) The average amounts are calculated from the arithmetic mean of the month-end amounts.

Remaining maturity of liabilities from banking business:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Not more than three months	3,726.1	3,257.9
More than three months but not more than one year	173.8	0
Total liabilities from banking business	**3,899.9**	**3,257.9**

34. Cash deposits by market participants

Liabilities from cash deposits by market participants contain the following items:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Liabilities from margin payments by clearing members of the Eurex derivatives exchange	882.6	217.2
Liabilities from cash deposits by participants in equity trading	18.5	0
Total cash deposits by market participants	**901.1**	**217.2**

35. Other current liabilities

The other current liabilities are composed of the following items:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Special payments and bonuses	25.5	23.5
Tax liabilities	25.0	8.7
Loan interest payable	16.2	7.2
Vacation entitlements, flexitime and overtime credits	9.6	9.0
Payables to Eurex participants	7.2	0
Debtors with credits	2.9	3.4
Reimbursements	1.2	7.5
Deferred income	0.9	1.3
Liabilities relating to the Employee Share Option Plan of the Clearstream subgroup	0	25.6
Miscellaneous	17.7	18.5
Total other current liabilities	**106.2**	**104.7**

The miscellaneous other current liabilities are composed principally of accruals for products or services that had been delivered or rendered, but for which no invoice had been received. This item also contains liabilities resulting from undelivered trades with the central counterparty for Eurex Bonds and Eurex Repo, where the counter-value had already been received by Eurex Clearing AG.

36. Asset and liability maturity analysis

The following table indicates the effective interest rates at the reporting date and the period in which financial assets and liabilities reprice:

	Effective interest rate %	Sight €m
Assets		
Intangible assets, property, plant and equipment	–	–
Noncurrent receivables and securities from banking business	5.24	–
Other noncurrent financial assets, miscellaneous and deferred tax assets	–	–
Current receivables and securities from banking business	2.00	3,123.7
Other current receivables, other current assets	–	–
Current financial instruments and bank balances	1.89	1,100.2
Total assets		**4,223.9**
Provisions and liabilities		
Provisions	–	–
Noncurrent interest-bearing liabilities	3.52	–
Other noncurrent liabilities	–	–
Current liabilities from banking business	1.34	–3,717.2
Other bank loans and overdrafts	3.63	–5.0
Cash deposits by market participants	1.96	–901.1
Trade payables, payables to other investors, and other current liabilities	–	–
Total provisions and liabilities		**–4,623.3**
Asset/liability gap		**–399.4**
Derivatives affecting interest rate sensitivity		
Pay-fixed interest rate swaps:		
Average pay rate	4.64	–
Average receive rate	2.61	–
Receive-fixed interest rate swaps:		
Average pay rate	2.07	–
Average receive rate	3.18	–
Total derivatives		**–**
Net interest sensitivity gap		**–399.4**

Fixed-rate instruments					
Not more than 3 months	More than 3 but not more than 12 months	More than 1 year but not more than 5 years	Over 5 years	Not interest bearing	Total
€m	€m	€m	€m	€m	€m
–	–	–	–	1,864.7	1,864.7
–	75.9	135.0	173.6	–	384.5
–	–	–	–	132.6	132.6
499.0	337.6	21.0	–	66.0	4,047.3
–	–	–	–	263.3	263.3
496.3	–	–	–	–	1,596.5
995.3	**413.5**	**156.0**	**173.6**	**2,326.6**	**8,288.9**
–	–	–	–	–399.5	–399.5
–1.3	–2.1	–499.8	–	–	–503.2
–	–	–1.1	–6.0	–	–7.1
–	–173.8	–	–	–8.9	–3,899.9
–	–	–	–	–	–5.0
–	–	–	–	–	–901.1
–	–	–	–	–219.8	–219.8
–1.3	**–175.9**	**–500.9**	**–6.0**	**–628.2**	**–5,935.6**
994.0	**237.6**	**–344.9**	**167.6**	**1,698.4**	**2,353.3**
–10.0	–74.1	–7.7	–60.0	–	–151.8
74.1	77.7	–	–	–	151.8
–1,177.5	–70.0	–	–	–	–1,247.5
1,187.5	–	–	60.0	–	1,247.5
74.1	**–66.4**	**–7.7**	**–**	**–**	**–**
1,068.1	**171.2**	**–352.6**	**167.6**	**1,698.4**	**2,353.3**

Consolidated Cash Flow Statement Disclosures

37. Consolidated cash flow statement

The cash flow statement presents the balance of and changes in Deutsche Börse Group's cash and cash equivalents. In compliance with IAS 7, cash flows are classified by operating, investing and financing activities. Cash and cash equivalents comprise cash, bank balances and current receivables from banking business, net of current liabilities from banking business, with an original term of less than three months, and cash deposits by market participants. Reflecting their consolidation, the cash flows of Cedel International S.A. and the Clearstream subgroup have been included since 1 July 2002, and the cash flows of the Infobolsa subgroup have been included since 1 November 2002.

38. Cash flows from operating activities

After adjustments to net profit for the period for non-cash items, cash flows from operating activities amounted to €530.6 million (2002: €466.2 million), and operating cash flow per share was €4.75 (2002: €4.33). The entire cash provided by net financial result (net interest and investment income) is allocated to operating activities.

"Depreciation and amortization expense" contains the following items:

	2003 €m	2002 €m
Depreciation and amortization expense	198.0	154.9
Goodwill amortization	75.2	68.7
Impairment losses on noncurrent financial assets	2.3	6.2
Total depreciation and amortization expense	**275.5**	**229.8**

The increase in noncurrent provisions can be explained as follows:

	Balance as at 31 Dec. 2002 €m	Increase in cash flow €m	Deconsolidation and other adjustments €m	Balance as at 31 Dec. 2003 €m
Provisions for pensions and other employee benefits	64.5	3.9	0	68.4
Other noncurrent provisions	37.9	2.5	0	40.4
Increase in noncurrent provisions		**6.4**		

Other non-cash income/(expense) results from the following items:

	2003 €m	2002 €m
Restatement of Clearstream revaluation surplus	–2.5	15.6
Measurement at equity:		
Clearstream International S.A.	–	15.6
STOXX Ltd.	0.8	0.8
Specific and general valuation allowances on receivables	0	–3.0
Net expenses for interest rate swaps	0	–2.5
Miscellaneous	0.3	–2.3
Total other non-cash (expense)/income	**–1.4**	**8.6**

The increase in receivables and other current assets is composed of the following items:

	Balance as at 31 Dec. 2002 €m	Decrease in cash flow €m	Deconsolidation and other adjustments €m	Balance as at 31 Dec. 2003 €m
Trade receivables	139.3	10.5	–1.1	148.7
Associate receivables	2.3	0	0	2.3
Receivables from other investors	4.3	0.4	0	4.7
Other current assets	83.1	11.1	13.4	107.6
Receivables from banking business: derivatives	14.6	0	–14.6	0
Increase in receivables and other current assets		**22.0**		

The increase in current provisions is composed of the following items:

	Balance as at 31 Dec. 2002 €m	Increase in cash flow €m	Deconsolidation and other adjustments €m	Balance as at 31 Dec. 2003 €m
Current provisions	152.7	45.7	0	198.4
Increase in current provisions		**45.7**		

The decrease in noncurrent liabilities is composed of the following items:

	Balance as at 31 Dec. 2002 €m	Decrease in cash flow €m	Deconsolidation and other adjustments €m	Balance as at 31 Dec. 2003 €m
Other noncurrent liabilities	8.3	–0.6	–0.6	7.1
Decrease in noncurrent liabilities		**–0.6**		

The decrease in current liabilities is composed of the following items:

	Balance as at 31 Dec. 2002 €m	(Decrease)/ increase in cash flow €m	Deconsolidation and other adjustments €m	Balance as at 31 Dec. 2003 €m
Trade payables	122.9	–14.7	0	108.2
Payables to other investors	6.2	–0.8	0	5.4
Other current liabilities	104.7	0.1	1.4	106.2
Decrease in current liabilities		**–15.4**		

39. Cash flows from investing activities

The payments to acquire noncurrent assets are composed of the following items:

	2003 €m	2002 €m
Payments to acquire intangible assets	58.3	105.6
Payments to acquire property, plant and equipment	102.8	82.6
Payments to acquire noncurrent financial assets – other equity investments:		
The Clearing Corporation Inc. (CCorp)	13.3	0
Miscellaneous	0	0.7
Other payments to acquire noncurrent financial assets	2.5	0.3
Total payments to acquire noncurrent assets	**176.9**	**189.2**

Further costs to acquire noncurrent assets amounting to €2.9 million (2002: €11.6 million) related to non-cash items.

The payments to acquire subsidiaries related to the following companies:

	2003 €m	2002 €m
Cedel International S.A.	0	1,758.6
entory AG	0	43.6
Infobolsa S.A.	0	20.0
Filinks S.A.S.	0	1.0
less: cash and cash equivalents acquired	0	–254.2
Total payments to acquire subsidiaries	**0**	**1,569.0**

The payments to acquire noncurrent financial instruments amounted to €63.9 million (2002: €8.0 million).

The net increase in current receivables, securities and liabilities from banking business with an original term greater than three months comprises the following items:

	2003 €m	2002 €m
Net increase in current receivables and securities	–606.3	0
Net increase in current liabilities	174.6	0
Total net increase in current receivables, securities and liabilities from banking business with an original term greater than three months	**–431.7**	**0**

The net cash proceeds from the sale of available-for-sale noncurrent financial instruments amounted to €260.1 million (2002: €7.6 million). The proceeds related largely to a reverse repurchase agreement.

40. Cash flows from financing activities

In 2003, a dividend of €49.2 million was distributed for 2002 (in 2002 for 2001: €37.0 million). On 23 May 2003, a nominal €500.0 million bond was issued by Deutsche Börse Finance S.A., resulting in a net cash inflow of €497.5 million. The bond pays a coupon of 3.375 percent p.a. and matures on 23 May 2008.

41. Reconciliation to cash and cash equivalents

The reconciliation to cash and cash equivalents is shown in the following table:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Cash and bank balances	1,596.5	551.8
Other bank loans and overdrafts	–5.0	0
Reconciliation to cash and cash equivalents		
Current receivables from banking business	4,047.3	3,085.0
less: loans to other banks and customers with an original maturity of more than three months	–159.6	0
less: available-for-sale fixed income securities – money market instruments with an original maturity of more than three months	–446.7	0
less: available-for-sale fixed-income securities – other than money market instruments	–31.1	–31.2
less: available-for-sale equities	–12.9	–11.1
less: derivatives	0	–14.6
Current liabilities from banking business	–3,899.9	–3,257.9
less: issued commercial paper with an original maturity of more than three months	174.6	0
Current liabilities from cash deposits by market participants	–901.1	–217.2
	–1,229.4	–447.0
Cash and cash equivalents	362.1	104.8

To prevent receivables and liabilities from banking business from distorting the operating cash flow, such items with an original maturity of more than three months have been reported within cash flows from investing activities. Items with an original maturity of less than three months are included within cash and bank balances.

Cash and bank balances included bank balances of €147.3 million as at 31 December 2003 (2002: €86.5 million) restricted due to minimum reserve requirements held at central banks by the Clearstream subgroup.

Other Disclosures

42. Earnings per share

Under IAS 33, earnings per share are calculated by dividing the net profit for the period by the weighted average number of shares outstanding.

As the share price has not yet reached the employee stock option strike price of €54.79, these options are not considered dilutive under IAS 33. There were no further rights to subscribe for shares that could have potentially diluted earnings per share as at either 31 December 2003 or 31 December 2002.

Earnings per share were calculated as follows:

	2003	2002
Number of shares outstanding as at beginning of period	111,802,880	102,760,000
Number of shares outstanding as at end of period	111,802,880	111,802,880
Weighted average number of shares outstanding	111,802,880	107,615,903
Net profit for the period (€m)	246.3	235.1
Earnings per share (€)	2.20	2.18

43. Segment reporting

Segment reporting is governed by the internal organizational and reporting structure, which is broken down by markets and services into the Xetra, Eurex, Information Services, Clearstream, Information Technology and Corporate Services segments.

Segment	Activity
Xetra	Cash market: electronic order book and floor trading
Eurex	Derivatives exchange, OTC trading platforms, and clearing services
Information Services	Sales of price information and information distribution
Clearstream	Settlement of transactions and custody of securities
Information Technology	Development, implementation and operation of technical infrastructure and provision of IT solutions
Corporate Services	Group strategy, provision of centralized functions for the other segments, and for the integration of the Clearstream subgroup

Until 30 June 2002, the Clearstream segment included the 50 percent interest in the net profit of Clearstream International S.A. This was reported under “Income from equity investments” (H1/2002: €39.0 million). Since 1 July 2002, the results of the Clearstream subgroup have been fully consolidated and are allocated to the Clearstream, Information Technology and Corporate Services segments.

Sales revenue is presented separately by external sales revenue and internal (inter-segment) revenue. Inter-segment services are charged on the basis of measured quantities. Services measured at a market price are charged on an arm’s length or a cost-plus basis; these include services of the Information Technology segment, such as application development hours or data center services. With the integration of Clearstream, adjustments to the method selected led to price reductions regarding these services in the segments Xetra, Information Services, and Corporate Services, and to a cost increase in the Clearstream segment.

Further services are billed on the basis of fixed prices between the segments, e.g. the provision of data by Eurex to Information Services or are billed to users on the basis of fully absorbed costs using an allocation key, for example the billing of building usage at fully absorbed costs, using square meters as the basis. The system used did not change between 2002 and 2003 except for the allocation of rental expense provisions, which were fully allocated to the Corporate Services segment in 2003, while previously they had been allocated to the business segments. This change improves the presentation of the business segments by removing the exceptional effects of changes in rental expense provisions.

The adjustment of the underlying quantities corresponds to the relevant usage; price changes are driven by changes in costs. There were no material changes in the aggregate required to be reported under IAS 14.75.

Deutsche Börse Group uses earnings before interest and taxes (EBIT) as a key internal earnings indicator that also serves as a measure of a segment’s long-term earnings power.

Segment reporting for the year ended 31 December

	Xetra		Eurex		Information Services		Clearstream	
	2003 €m	2002 €m	2003 €m	2002 €m	2003 €m	2002 €m	2003 €m	2002 €m
External sales revenue	212.3	210.8	409.6	331.6	121.9	121.5	543.7	277.0
Internal sales revenue	0.1	0.1	0	0	6.3	5.2	15.4	13.7
Total sales revenue	**212.4**	**210.9**	**409.6**	**331.6**	**128.2**	**126.7**	**559.1**	**290.7**
Net interest income from banking business	0	0	0	0	0	0	94.4	64.4
Own expenses capitalized	2.3	36.5	27.3	25.8	3.0	8.2	35.9	38.2
Other operating income	16.8	19.5	56.8	50.3	0.7	0.3	4.4	1.6
Fee and commission expenses from banking business	0	0	0	0	0	0	–117.0	–66.3
Consumables used	0	0	0	0	0	0	0	0
Staff costs	–16.2	–17.5	–20.5	–16.8	–12.2	–9.5	–83.3	–38.6
Depreciation and amortization expense (excl. goodwill amortization)	–36.2	–35.6	–26.8	–27.3	–11.4	–14.7	–67.4	–28.9
Goodwill amortization	0	0	0	0	–0.8	–1.9	–60.8	–30.4
Other operating expenses	–120.8	–195.6	–218.4	–202.9	–65.0	–75.8	–251.7	–144.3
Total expenses	**–173.2**	**–248.7**	**–265.7**	**–247.0**	**–89.4**	**–101.9**	**–580.2**	**–308.5**
Income from equity investments	1.1	0.3	0.1	0	3.0	1.4	–2.4	39.0
Write-downs of equity investments	–1.8	–1.1	–0.1	–2.4	–0.3	–0.4	0	0
Earnings before interest and taxes (EBIT)	**57.6**	**17.4**	**228.0**	**158.3**	**45.2**	**34.3**	**111.2**	**125.4**
Net financial result	3.2	0.3	3.6	5.0	0.2	0.1	–3.4	2.5
Profit before tax from ordinary activities (EBT)	**60.8**	**17.7**	**231.6**	**163.3**	**45.4**	**34.4**	**107.8**	**127.9**
Assets								
Intangible assets	60.8	90.4	76.0	66.3	44.9	48.6	1,334.1	1,432.2
Property, plant and equipment	0.2	0.3	0.6	0.9	0.9	1.0	0	7.0
Investments in associates	0.4	0.5	4.4	4.8	5.8	5.0	0	0
Other assets	84.7	29.0	1,115.1	286.2	54.4	26.3	4,868.8	3,791.5
Total assets	**146.1**	**120.2**	**1,196.1**	**358.2**	**106.0**	**80.9**	**6,202.9**	**5,230.7**
Provisions and liabilities	44.0	22.0	930.0	251.1	17.7	12.8	4,051.1	3,436.1
Net assets	102.1	98.2	266.1	107.1	88.3	68.1	2,151.8	1,794.6
Investments in intangible assets, property, plant and equipment	2.7	38.5	27.3	26.0	4.0	8.4	36.6	39.6
Employees (as at 31 December)	166	179	180	142	161	161	946	939
EBIT margin (%)[1]	**27.1**	**8.3**	**55.7**	**47.7**	**37.1**	**28.2**	**20.5**	**31.2[2]**

The Reconciliation column shows:

- Elimination of intercompany sales revenue and expenses
- Elimination of inter-segmental gains and losses
- Assets not attributable to the segments (noncurrent financial assets less equity-accounted investments, deferred tax assets) and certain liabilities (minority interests, tax provisions, deferred tax liabilities)

[1] Including income from participations unless stated otherwise [2] EBIT margin excluding measurement at equity [3] EBIT margin based on external and internal sales revenue

	Information Technology		Corporate Services		Total for all segments		Reconciliation		Group	
	2003 €m	2002 €m	2003 €m	2002 €m	2003 €m	2002 €m	2003 €m	2002 €m	2003 €m	2002 €m
	131.9	165.6	0	0	1,419.4	1,106.5	0	0	1,419.4	1,106.5
	174.8	222.7	0	0	196.6	241.7	–196.6	–241.7	0	0
	306.7	**388.3**	**0**	**0**	**1,616.0**	**1,348.2**	**–196.6**	**–241.7**	**1,419.4**	**1,106.5**
	0	0	0	0	94.4	64.4	0	0	94.4	64.4
	0.4	1.4	0	0	68.9	110.1	–13.6	0	55.3	110.1
	201.1	102.0	222.2	186.5	502.0	360.2	–421.4	–289.6	80.6	70.6
	0	0	0	0	–117.0	–66.3	0	0	–117.0	–66.3
	–35.4	–38.9	0	0	–35.4	–38.9	0	0	–35.4	–38.9
	–129.5	–110.7	–56.0	–52.2	–317.7	–245.3	0	0	–317.7	–245.3
	–43.0	–38.4	–21.0	–10.0	–205.8	–154.9	7.8	0	–198.0	–154.9
	–13.6	–36.4	0	0	–75.2	–68.7	0	0	–75.2	–68.7
	–214.0	–214.3	–201.4	–159.5	–1,071.3	–992.4	618.0	531.3	–453.3	–461.1
	–435.5	**–438.7**	**–278.4**	**–221.7**	**–1,822.4**	**–1,566.5**	**625.8**	**531.3**	**–1,196.6**	**–1,035.2**
	0	0	0	0.3	1.8	41.0	0	0	1.8	41.0
	–0.1	0	0	–2.3	–2.3	–6.2	0	0	–2.3	–6.2
	72.6	**53.0**	**–56.2**	**–37.2**	**458.4**	**351.2**	**–5.8**	**0**	**452.6**	**351.2**
	–1.8	0.8	–6.3	14.5	–4.5	23.2	0	0	–4.5	23.2
	70.8	**53.8**	**–62.5**	**–22.7**	**453.9**	**374.4**	**–5.8**	**0**	**448.1**	**374.4**
	42.3	56.0	3.2	2.9	1,561.3	1,696.4	–25.2	0	1,536.1	1,696.4
	46.9	60.8	280.0	250.9	328.6	320.9	0	0	328.6	320.9
	0	0	0	0	10.6	10.3	0	0	10.6	10.3
	85.9	41.4	178.4	36.0	6,387.3	4,210.4	26.3	306.2	6,413.6	4,516.6
	175.1	**158.2**	**461.6**	**289.8**	**8,287.8**	**6,238.0**	**1.1**	**306.2**	**8,288.9**	**6,544.2**
	68.5	74.0	569.9	349.4	5,681.2	4,145.4	266.7	246.6	5,947.9	4,392.0
	106.6	84.2	–108.3	–59.6	2,606.6	2,092.6	–265.6	59.6	2,341.0	2,152.2
	27.1	21.3	79.9	66.0	177.6	199.8	–13.6	0	164.0	199.8
	1,358	1,448	422	449	3,233	3,318	0	0	3,233	3,318
	23.7[3]	**13.6**[3]	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**31.9**	**31.7**

Impairment losses were charged in the following segments:

	2003 €m	2002 €m
Xetra	3.1	0
Eurex	2.7	11.6
Information Technology	10.0	33.9
Information Services	0	5.1
Total impairment losses	**15.8**	**50.6**

Impairment losses of €10.0 million (2002: €33.0 million) in the IT segment related to goodwill write-downs for entory. Other impairment loss items related in all cases to software that is either no longer in use or which has an estimated net present value below amortized cost.

Non-cash specific valuation allowances resulted from the following segments:

	2003 €m	2002 €m
Xetra	0.6	1.3
Eurex	0.3	0.5
Information Technology	0.2	0.4
Information Services	0.1	0.5
Corporate Services	0	0.3
Total specific valuation allowances	**1.2**	**3.0**

Assets and liabilities are allocated to the individual segments on the basis of objective criteria. Assets that cannot be allocated to the segments, as well as minority interests, are disclosed in the reconciliation column.

The primary segments were not classified further into secondary segments (geographical segments), because Deutsche Börse Group's business model, and in particular that of its Xetra, Eurex, Information Services and Clearstream segments, is focused on an internationally operating participant base. From a price, margin and risk perspective, this means that it is unimportant whether revenues are generated from German or non-German participants.

44. Credit lines

The Group companies had the following credit lines as at 31 December 2003, none of which had been drawn down:

Company	Purpose of credit line		Currency	Amount in millions
Deutsche Börse AG	Working capital	– interday	€	435.0
Eurex Clearing AG	Working capital	– interday	€	970.0
	Eurex settlement	– intraday	€	900.0
	Eurex settlement [1] (uncommitted)	– interday	USD	2,100.0
Clearstream Banking S.A.	Working capital	– interday	USD	1,000.0
	Inter ICSD [2] settlement	– interday	USD	6,850.0
	Clearstream settlement in Germany (uncommitted)	– interday	€	3,600.0
Clearstream Banking AG	Working capital	– interday	CHF	50.0

[1] Amounts above USD 100.0 million can only be drawn if supported by a pledge of proprietary collateral.
[2] International Central Securities Depository

A commercial paper program offers Deutsche Börse Group an opportunity for flexible, short-term financing, involving a total facility of €2.5 billion in various currencies.

Clearstream Banking S.A., Luxembourg, also has a commercial paper program, with a program limit of €1.0 billion, which is used to provide additional short-term liquidity.

A Debt Issuance Program was established in May 2003. This program, under which Deutsche Börse AG and Deutsche Börse Finance S.A. can issue up to €2.0 billion in debt, provides an opportunity for long-term financing. For tranches issued by Deutsche Börse Finance S.A., Deutsche Börse AG acts as guarantor. On 23 May 2003, the first five year tranche of nominal €500.0 million was issued by Deutsche Börse Finance S.A. under this program.

Moody's Investors Service and Standard & Poor's have confirmed Deutsche Börse AG's long-term credit ratings of Aa1 and AA+ respectively (31 December 2002: Aa1/AA+). Deutsche Börse AG's commercial paper program was awarded the best possible short-term rating by both Moody's Investors Service (P-1) and Standard & Poor's (A-1+) (31 December 2002: P-1/A-1+).

Fitch and Standard & Poor's confirmed their long-term credit ratings of AA+ for Clearstream Banking S.A. (31 December 2002: AA+/AA+). Fitch awarded an F1+ rating to Clearstream Banking S.A.'s commercial paper program, and Standard & Poor's awarded an A-1+ rating (31 December 2002: F1+/A-1+).

45. Off-balance-sheet contingencies and commitments

Eurex Clearing AG

According to the "Clearing Conditions for Trading at Eurex Deutschland and Eurex Zürich", transactions on the Eurex exchanges must be executed between Eurex Clearing AG and a clearing member. Deutsche Börse AG has issued a comfort letter with an unlimited term in favour of Eurex Clearing AG, under which Deutsche Börse AG 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.

To safeguard against possible losses from any default by its contracting parties, the clearing conditions, as most recently amended on 1 November 2003, provide for certain conditions of membership. Among other things, each individual clearing member must provide cash or securities collateral to secure its entire contractual obligations each exchange day in the amount stipulated by Eurex Clearing AG. The institutions must also provide clearing guarantees as the basis for the clearing business.

In the event of the default of a clearing member, the member's outstanding positions would be closed out and any resulting shortfall would be covered, in the first instance, by the collateral and security margin of that clearing member. Any remaining shortfall would be covered by the capital reserve of Eurex Clearing and then the clearing fund contributions of all clearing members. Finally, Deutsche Börse AG has issued an unlimited guarantee for 80 percent of any deficit arising out of the default of a clearing member in the Eurex derivatives or Eurex Bonds markets.

The total risk inherent in the executed trades in the event of default by a contracting party was valued at €12,094 million (2002: €10,540 million) at the balance sheet date.

The risk is offset by total collateral in the amount of €17,016 million (2002: €15,851 million), composed as follows:

	Carrying amount as at 31 Dec. 2003 €m	Carrying amount as at 31 Dec. 2002 €m	Fair value as at 31 Dec. 2003 €m	Fair value as at 31 Dec. 2002 €m
Cash collateral (cash deposits)	882.6	217.2	882.6	217.2
Securities and book-entry securities collateral	16,133.7	15,634.1	19,275.9	19,630.8
Total collateral	**17,016.3**	**15,851.3**	**20,158.5**	**19,848.0**

There were also third-party bank guarantees for clearing members of Eurex Clearing AG amounting to €235 million as at the year-end (2002: €268 million).

Clearstream Banking AG

Deutsche Börse AG, Cedel International S.A. and Clearstream International S.A. have each issued an unlimited letter of comfort in favour of Clearstream Banking AG in accordance with section 5 (10) of the statutes of the Einlagensicherungsfonds (deposit insurance fund) existing within the Bundesverband deutscher Banken e.V. (German Banking Association), by which Deutsche Börse, Cedel International and Clearstream International have each undertaken to indemnify Bundesverband deutscher Banken e.V. against all losses that may result from actions in accordance with section 2 (2) of the aforementioned statutes.

Settlement facilities

“Technical Overdraft Facilities” are made available to the customers of the Clearstream subgroup in order to maximize settlement efficiency during processing. These settlement facilities are subject to internal credit review procedures. These facilities are revocable at the option of the Clearstream subgroup and are largely collateralized by cash and securities. They amounted to €51.7 billion as at 31 December 2003 (2002: €56.3 billion). Actual outstandings at the end of each business day generally represent a small percentage of such facilities and as at 31 December 2003 amounted to €390.6 million (2002: €473.5 million).

Furthermore, following the modified security settlement processing via the Bundesbank (the German central bank), Clearstream Banking AG provided intraday credit facilities amounting to a maximum of €106.0 million to customers without their own Lombard facilities at the Bundesbank against collateral security.

Guarantees given

Until end November 2002, the Automated Securities Fails Financing (“ASF”) program offered by Clearstream to its clients was fully guaranteed by an external syndicate of banks. Since then, Clearstream has initiated a process by which it will bear the risk itself. This only applies when the risk is collateralized. In the absence of collateral, the risk remains covered by third parties. At 31 December 2003, the guarantees issued under this program amounted to €504.3 million (2002: €42.2 million).

Pledged securities

Insurance recoverables in the amount of €1.6 million (2002: €1.5 million) have been pledged to the chamber of commerce Frankfurt/Main.

46. Financial risk management

Deutsche Börse Group seeks to reduce any currency and interest rate risks arising from its business to an acceptable level in comparison with the Group’s pre-tax earnings. Currency risks arise largely from Clearstream’s custody fees based on the value of customers’ US dollar assets, from interest earned on US dollar balances, and, from February 2004, from the revenues of the Eurex US derivatives exchange. Approximately 10 percent of Clearstream’s revenue is related to the US dollar. These exposures are partially offset by operating costs that are incurred in US dollars. Any remaining expected net exposure is hedged through forward currency transactions to the extent that it is significant.

Interest rate risks arise largely in the Clearstream segment. As forecasts of future cash balances are inherently uncertain, interest rate swaps may be used to lock in fixed rates on approximately half of the expected cash balances. Interest rate swaps are primarily used when, on balance, interest rates are expected to fall over the period under consideration.

Liquidity risks are managed by matching the duration of assets and liabilities, restricting investments in potentially illiquid or volatile asset classes, and maintaining sufficient credit facilities to overcome unexpected demands for liquidity.

Deutsche Börse Group's cash reserves are mostly invested in unsecuritized and securitized money market instruments with very high credit quality. The instruments used principally comprise term money deposits with banks, some of which are protected by deposit insurance funds, and securities repurchase agreements. The systematic use of market information systems also enables the Group to take countermeasures at an early stage if risks change.

Compulsory compliance with the Luxembourg capital adequacy rules ensures that the default risk is managed in the Clearstream subgroup.

The eligible own funds calculated to determine capital adequacy for the Clearstream subgroup amounted to €747.2 million (2002: €688.3 million). The minimum capital requirements under Luxembourg GAAP are €100.6 million (2002: €97.1 million), giving Clearstream a capital adequacy of 743 percent (2002: 709 percent).

The following table discloses the risk weighting of the loans extended by the Clearstream subgroup as at 31 December 2003:

Risk weighting	Balance sheet item	Loan principal		Risk-weighted assets	
		2003 €m	2002 €m	2003 €m	2002 €m
0 %	Sovereign debtors and central banks	2,015.3	1,352.9	–	–
20 %	Multilateral banks	162.5	131.3	32.5	26.3
	Banks in OECD countries	2,278.5	2,032.6	455.7	406.6
	Banks in non-OECD countries and maturities ≤ 1 year	24.3	53.1	4.9	10.6
	Regional and local authorities	–	5.0	–	1.0
	Financial institutions	11.2	6.1	2.2	1.2
50 %	Transit accounts	113.0	195.0	56.5	97.5
100 %	Non-banks	10.6	5.8	10.6	5.8
100 %	Other assets	641.2	590.7	641.2	590.7
Total items recognized on balance sheet		**5,256.6**	**4,372.5**	**1,203.6**	**1,139.7**
Total off-balance-sheet items				2.5	10.0
Total risk-weighted elements				**1,206.1**	**1,149.7**

47. Other financial obligations

Group expenses in connection with long-term contracts in the coming years relating to rental agreements, leases and maintenance contracts, and to other contracts, amount to €417.6 million (2002: €470.9 million). Future obligations in subsequent years are shown in the table below:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Up to 1 year	89.8	110.9
1 to 5 years	187.9	181.7
More than 5 years	139.9	178.3
Total future financial obligations	**417.6**	**470.9**

Insurance policies result in obligations in 2004 amounting to €3.0 million (2003: €4.8 million).

Clearstream is developing a property in Luxembourg as commercial office space, which is partially intended for letting. The final stage of this development, which has been contractually agreed, is due for completion in 2004 and is expected to cost approximately a further €8.6 million.

Part of the Group's offices rented are sublet to third parties. Rental income expected from these sublease contracts is as follows:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Up to 1 year	3.6	2.7
1 to 5 years	5.4	8.2
More than 5 years	0	0.8
Total	**9.0**	**11.7**

Office buildings held as investment property are leased to third parties. Future minimum lease receipts under non-cancellable operating leases are as follows:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Up to 1 year	3.4	0
1 to 5 years	13.6	0
More than 5 years	11.6	0
Total	**28.6**	**0**

Receipts from operating leases amounting to €3.3 million (2002: nil) have been credited to the consolidated income statement in 2003.

Signed lease agreements on investment property mature between 2007 and 2011. They generally include renewal clauses.

48. Finance leases

Finance leases relate to IT hardware components that are used operationally in Deutsche Börse Group and are not subleased. The minimum lease payments are shown in the following table:

	31 Dec. 2003 €m	31 Dec. 2002 €m
Up to 1 year	2.0	2.2
1 to 5 years	2.0	1.7
Total minimum lease payments	**4.0**	**3.9**
Discount	–0.4	–0.3
Present value of minimum lease payments	**3.6**	**3.6**

No contingent rent is provided for under the terms of the leases. The corresponding agreements do not contain any escalation clauses. Deutsche Börse Group is entitled to purchase the hardware components at the end of the lease term for €0.8 million. The cost of this option has been included under minimum lease payments. The net carrying value of the leased assets amounts to €4.8 million as at 31 December 2003 (2002: €4.0 million). These lease agreements do not restrict the activities of Deutsche Börse Group above and beyond the obligations set out above.

49. Group Share Plan

Following approval by the Annual General Meeting on 14 May 2003, the Company has established a new Group Share Plan (GSP) for employees other than Executive Board members and senior executives, who are already covered by the phantom stock option program described in note 53. Under the GSP Tranche 2003, non-executive employees were able to buy up to 200 shares of the Company (dependant on basic salary) at a discount of between 20 and 40 percent, depending on the individual employee's performance assessment and length of service.

Shares must be held for at least two years. Employees received one stock purchase option for each share bought. The issue price of this option consists of the exercise price, which corresponds to the average volume-weighted price of the Company's share in the closing auctions in the Xetra trading system on the ten trading days prior to the date of grant of the stock options, but at a minimum to the closing auction price on the date of grant of the stock options (i.e. 30 June 2003), plus a premium amounting to 20 percent of the exercise price. Options cannot be exercised in the first two years and expire without compensation if not exercised within six years.

In total, some 50 percent of eligible employees subscribed for a total of 147,569 shares under the GSP. These shares were purchased in the market during the first two weeks of July 2003. The difference between the average purchase price and the average subscription price paid by employees, amounting to some €2.7 million, was charged to staff costs.

As at 31 December 2003, 145,409 stock options with a strike price of €54.79 remained outstanding. As at the grant date of 30 June 2003, the options were measured at fair value in accordance with the guidance issued by the IASB in Exposure Draft 2, "Share-based Payment". In particular, measurement assumes an average expected option life of four years. The total cost of the options, amounting to approximately €1.0 million, is amortized to staff costs over the vesting period, i.e. over eight quarters starting in Q3/2003.

50. Executive bodies

The members of the Company's executive bodies are listed in the "Managing Directors" and "Supervisory Board" sections of this annual report.

51. Shareholdings of members of the Executive and Supervisory Boards

The Company was notified of the following holdings of Deutsche Börse AG shares as at 31 December 2003:

	Shareholding as at 31 Dec. 2003	Shareholding as at 31 Dec. 2002
Executive Board		
Werner G. Seifert	0	0
André Roelants	0	0
Rudolf Ferscha	18,290	18,290
Matthias Ganz[1)]	0	–
Mathias Hlubek	5,000	5,000
Michael Kuhn	0	0
Supervisory Board		
Dr. Rolf-E. Breuer	0	0
Manfred Zaß	0	0
David Andrews[1)]	0	–
Ralf Arnemann[2)]	0	0
Herbert Bayer	0	0
Udo Behrenwald[1)]	0	–
Birgit Bokel[1)]	0	–
Dr. Peter Coym[2)]	0	0
Mehmet Dalman[1)]	0	–
Leonhard H. Fischer[2)]	0	0
Uwe E. Flach	0	0
Hans-Peter Gabe	510	410
Dr. Manfred Gentz[1)]	0	–
Harold Hörauf	0	0
Prof. Dr. Dr. Dr. h.c. mult. Klaus J. Hopt[1)]	0	–
Sandra S. Jaffee	0	0
Dr. Stefan Jentzsch	0	0
Hessel Lindenbergh	0	0
Friedrich von Metzler	0	0
Fritz Nols[2)]	0	0
Klaus M. Patig[2)]	0	0
Roland Prantl[2)]	0	0
Sadegh Rismanchi	100	0
Gerhard B. Roggemann[2)]	0	0
Rainer Roubal[2)]	0	0
Dr. Herbert Walter[1)]	0	–
Otto Wierzcimok[1)]	300	–
Johannes Witt	200	100
Silke Zilles	0	0

1) Joined the Executive Board or Supervisory Board only in 2003; so no data is given for 2002
2) Left the Supervisory Board during the course of 2003; the shareholdings of former Supervisory Board members in 2003 relate to the date on which they left the Supervisory Board (see also note 53 "Related party disclosures")

52. Corporate governance

On 22 September 2003, the Executive and Supervisory Boards issued the latest version of the declaration of conformity in accordance with section 161 of the AktG (German Stock Corporation Act) and made it available to shareholders on the Company's website. The declaration of conformity is also reproduced in the "Corporate Governance" chapter of this annual report.

53. Related party disclosures

Related parties as defined by IAS 24 are the members of the executive bodies of Deutsche Börse AG and those companies classified as its associates. Transactions with individuals classified as related parties are presented below.

Remuneration of the Executive Board

Members of the Executive Board are paid annual compensation with a fixed and a variable component, including phantom stock options.

	2003 Fixed compensation[1] € thous.	2003 Performance-related compensation € thous.	2003 Long-term incentive components € thous.	2003 Total € thous.	2002 Total € thous.
Werner G. Seifert	726.1	1,429.8	170.4	2,326.3	1,631.6
André Roelants[2]	641.2	1,650.0	–	2,291.2	222.3
Rudolf Ferscha	404.0	586.4	–	990.4	540.9
Matthias Ganz[3]	415.9	535.0	443.0	1,393.9	–
Mathias Hlubek	452.0	545.6	–	997.6	689.2
Michael Kuhn	419.3	453.5	76.7	949.5	798.8
Frank Gerstenschläger[4]	–	–	–	–	713.7
Christoph Lammersdorf[4]	–	–	–	–	510.5
Volker Potthoff[4]	–	–	–	–	652.9
Total Executive Board remuneration				**8,952.9**	**5,759.9**

1) Fixed compensation includes fixed salary and other taxable salary components, such as health and long-term care insurance premiums and company car arrangements.
2) Appointed to the Executive Board on 9 September 2002; the remuneration given in 2002 corresponds to the amounts received between this date and the end of the fiscal year
3) Appointed to the Executive Board on 1 January 2003
4) Resigned from the Executive Board on 31 December 2002

Since the IPO on 5 February 2001, Deutsche Börse AG has established a phantom stock option program for Executive Board members and senior executives of Deutsche Börse AG and its subsidiaries. The program was extended to members of the Supervisory Board effective from 28 May 2003. These phantom stock options have a maximum term of five years and a lock-up period of three years. The options can be exercised in each quarter of the subsequent two years in 14-day exercise windows. The amount of the cash payout depends on the relative performance of Deutsche Börse AG shares versus the Dow Jones STOXX 600 Technology index as the benchmark index (€1 per 1 percentage point outperformance).

The following overview shows changes in the allocated stock options:

Number of stock options allocated	Balance as at 31 Dec. 2002	Additions	Disposals	Balance as at 31 Dec. 2003
to the Executive Board	47,211	43,184	0	90,395
to other senior executives	70,233	151,655	3,370	218,518
Total stock options allocated	**117,444**	**194,839**	**3,370**	**308,913**

There were no phantom stock options allocated to members of the Supervisory Board as at 31 December 2003.

Provisions totalling €5.8 million (2002: €5.9 million) were recognized in the amount of the intrinsic value of the allocated phantom stock options as at the closing date 31 December 2003 in respect of 2001, 2002 and 2003. Of this amount, a total of €1,636 thousand was provided in respect of options granted to members of the Executive Board in 2001, 2002 and 2003 (2002: €2,380 thousand). As at 31 December 2003, the options allocated to members of the Supervisory Board in respect of 2003 were out of the money and, accordingly, no provision was established.

Remuneration of the Supervisory Board in 2003

For their services in 2003, Supervisory Board members received a ratable fixed remuneration. In addition, for membership since 28 May 2003, phantom stock options were granted.

The fixed remuneration for membership until 27 May 2003 was €40 thousand per annum for the Chairman, €30 thousand per annum for the Deputy Chairman, and €20 thousand per annum for any other member. For membership since 28 May 2003, the fixed remuneration is €80 thousand per annum for the Chairman, €60 thousand per annum for the Deputy Chairman, and €40 thousand per annum for any other member. In addition, for membership of the Supervisory Board's Strategy, Human Resources, Clearing and Settlement, Technology, and Audit Committees, the additional remuneration is €30 thousand per annum for the Chairman of each Committee (€80 thousand per annum for the Chairman of the Finance and Audit Committee) and €20 thousand per annum for each other member of each Committee.

An overview of the total fixed remuneration in 2003 by Supervisory Board member is given below:

	2003 membership period	Total 2003 fixed remuneration € thousands
Dr. Rolf-E. Breuer	1 Jan. – 31 Dec.	99.7
Manfred Zaß	1 Jan. – 31 Dec.	59.9
David Andrews	14 May – 31 Dec.	42.5
Ralf Arnemann	1 Jan. – 14 May	7.3
Herbert Bayer	1 Jan. – 31 Dec.	43.9
Udo Behrenwald	14 May – 31 Dec.	36.6
Birgit Bokel	14 May – 31 Dec.	24.7
Dr. Peter Coym	1 Jan. – 14 May	7.3
Mehmet Dalman	14 May – 31 Dec.	36.6
Leonhard H. Fischer	1 Jan. – 14 May	7.3
Uwe E. Flach	1 Jan. – 31 Dec.	43.9
Hans-Peter Gabe	1 Jan. – 31 Dec.	43.9
Dr. Manfred Gentz	14 May – 31 Dec.	36.6
Harold Hörauf	1 Jan. – 31 Dec.	43.9
Prof. Dr. Dr. Dr. h.c. mult. Klaus J. Hopt	14 May – 31 Dec.	36.6
Sandra S. Jaffee	1 Jan. – 31 Dec.	49.9
Dr. Stefan Jentzsch	1 Jan. – 31 Dec.	91.7
Hessel Lindenbergh	1 Jan. – 31 Dec.	43.9
Friedrich von Metzler	1 Jan. – 31 Dec.	43.9
Fritz Nols	1 Jan. – 14 May	7.3
Klaus M. Patig	1 Jan. – 14 May	7.3
Roland Prantl	1 Jan. – 14 May	7.3
Sadegh Rismanchi	1 Jan. – 31 Dec.	43.9
Gerhard B. Roggemann	1 Jan. – 14 May	7.3
Rainer Roubal	1 Jan. – 14 May	7.3
Dr. Herbert Walter	14 May – 31 Dec.	36.6
Otto Wierzcimok	14 May – 31 Dec.	36.6
Johannes Witt	1 Jan. – 31 Dec.	43.9
Silke Zilles	1 Jan. – 31 Dec.	43.9

The members of the Supervisory Board received total remuneration of €1,042 thousand for their activities in 2003 (2002: €442 thousand).

Other transactions with individuals classified as related parties are shown in the following table:

	2003 € thous.	2002 € thous.
Remuneration of Advisory Board	94	90
Pension obligations to members of the Executive Board	5,079	5,558
Pension obligations to former members of the Executive Board or their surviving dependents	7,595	5,886
Pensions paid to former members of the Executive Board or their surviving dependents	263	266

Material transactions with companies classified as related parties are presented below. All transactions were effected on an arm's length basis.

	2003 €m	2002 €m
Operation of the floor trading system by Braintrade GmbH for Deutsche Börse AG	16.6	19.6
Operation of the Xetra trading system by Deutsche Börse AG for European Energy Exchange AG	2.0	2.6
Services provided by Deutsche Börse Systems AG:		
Operation and development of Xontro for BrainTrade GmbH	23.2	31.5
Development of Eurex software to Swiss Exchange (SWX)	8.6	8.8
Operation of Eurex software for European Energy Exchange AG	1.0	0.6
Specific service agreements for the provision of office and administrative services:		
by Eurex Zürich AG to Swiss Exchange (SWX)	27.3	26.9
by Deutsche Börse AG to Clearstream Banking AG	–	7.1[1]
by Swiss Exchange (SWX) to Eurex Zürich AG	5.2	3.6
by Eurex Frankfurt AG to European Energy Exchange AG	3.9	5.1
Systems operating services provided by Deutsche Börse Systems AG to Clearstream Banking AG	–	8.4[1]
Xetra settlement fees paid to Clearstream Banking AG by Deutsche Börse AG	–	10.7[1]

[1] Amounts are shown for the first half of 2002 only

54. Employees

	2003	2002
Average number of employees during the year	3,243	2,428
Employed as at the balance sheet date	3,233	3,318

There was an average of 3,049 full-time equivalent (FTE) employees during the year (2002: 2,302). Please refer also to the “Employees” section in the group management report.

55. Contingent liabilities

On 31 March 2003, Clearstream Banking AG, Frankfurt, received a “Statement of Objections” from the DG Competition of the European Commission. The Commission’s objections, which relate to past periods, concern Euroclear’s access to Clearstream’s settlement system for registered shares in Germany, and alleged pricing discrimination between Central Securities Depositories and International Central Securities Depositories for cross-border transactions prior to January 2002. The Commission has stated that its objections do not prejudge the outcome of the enquiry.

Clearstream has responded to the Commission’s objections in writing and has met with the Commission. Clearstream continues to believe that the Commission’s objections are unwarranted and intends to defend its position. No amount has been provided in these consolidated financial statements for this potential liability.

56. Events after the balance sheet date

BrokerTec

On 30 January 2004, U.S. Futures Exchange L.L.C. ("Eurex US") acquired 100 percent of the shares of BrokerTec Futures Exchange, L.L.C. ("BrokerTec") in a share-for-share exchange. The former BrokerTec shareholders thereby acquired 20 percent of Eurex US. For accounting purposes, BrokerTec will be consolidated from 30 January 2004. As at the date of first consolidation, BrokerTec had zero net assets. Following the acquisition, Eurex Frankfurt AG invested USD 25.0 million into Eurex US in the form of additional shareholders' equity.

Eurex US futures exchange license

On 4 February 2004, the Commodities and Futures Exchange Commission granted Eurex US a license to operate a derivatives exchange in the United States. Trading on Eurex US commenced on 8 February 2004.

Frankfurt/Main, 25 February 2004
Deutsche Börse AG

Werner G. Seifert   André Roelants   Rudolf Ferscha

Matthias Ganz   Mathias Hlubek   Michael Kuhn

Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by Deutsche Börse AG, Frankfurt/Main, for the business year from 1 January to 31 December 2003. The preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined 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 consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with International Financial Reporting Standards.

Our audit, which also extends to the group management report prepared by the Company's management for the business year from 1 January to 31 December 2003, has not led to any reservations. In our opinion, on the whole, the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from 1 January to 31 December 2003 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Frankfurt/Main, 25 February 2004

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Wohlmannstetter (German Public Auditor) Mock (German Public Auditor)

Single-Entity Financial Statements in Accordance with the HGB

A summary of Deutsche Börse AG's single-entity financial statements prepared in accordance with the provisions of the HGB (German Commercial Code) is presented below. Note that the information is not presented in the legally required form of publication in accordance with section 328 (2) of the HGB. A copy of the complete financial statements can be obtained from Deutsche Börse AG, Investor Relations, 60485 Frankfurt/Main, Germany.

Income statement for the period 1 January to 31 December	2003 €m	2002 €m
Sales revenue	731.0	658.9
Other operating income	118.8	110.5
Total expenses	–538.6	–621.2
Income from equity investments	53.1	24.7
Income from profit pooling agreements	82.1	96.6
Cost of loss absorption	0	–4.2
Write-downs of noncurrent financial assets and current financial instruments	–10.0	–48.9
Net financial result	–9.5	9.0
Profit before tax from ordinary activities	**426.9**	**225.4**
Taxes	–159.4	–87.2
Net profit for the period	**267.5**	**138.2**

Balance sheet as at 31 December	2003 €m	2002 €m
Assets		
Noncurrent assets		
Intangible assets	37.5	62.7
Property, plant and equipment	22.7	24.8
Noncurrent financial assets	2,173.5	2,006.8
	2,233.7	**2,094.3**
Current assets		
Receivables and other current assets	147.5	85.8
Cash and bank balances	341.9	21.5
Prepaid expenses	1.3	1.0
	490.7	**108.3**
Total assets	**2,724.4**	**2,202.6**
Shareholders' equity and liabilities		
Shareholders' equity		
Subscribed capital	111.8	111.8
Share premium	1,367.5	1,367.5
Other retained earnings	374.8	221.5
Unappropriated surplus	135.0	70.0
	1,989.1	**1,770.8**
Provisions	150.8	95.6
Liabilities	584.4	336.2
Deferred income	0.1	0
	735.3	**431.8**
Total shareholders' equity and liabilities	**2,724.4**	**2,202.6**

Proposal on the Appropriation of the Unappropriated Surplus

The Executive Board proposes that the unappropriated surplus amounting to €135.0 million (2002: €70.0 million) reported in the annual financial statements of Deutsche Börse AG be appropriated as follows:

	2003 €m	2002 €m
Distribution of a dividend to the shareholders on 20 May 2004 of €0.55 per no-par value share for 111,802,880 no-par value shares (in 2003 from net profit for 2002: €0.44 for 111,802,880 no-par value shares)	61.5	49.2
Appropriation to retained earnings	73.5	20.8
Unappropriated surplus	**135.0**	**70.0**

Investor Relations

Deutsche Börse continued to seek a dialog with market participants in the past year. The aim was primarily to reach opinion leaders and institutional investors. The company informed the public in a timely manner about its strategic measures and prospects in 20 roadshows in Europe and the USA, 255 analyst meetings (one-on-ones), four conference calls for financial analysts, and one analysts' conference.

For shareholders, the gateway to all information about Deutsche Börse Group is www.deutsche-boerse.com/ir. In addition to current data and facts about the company and its shares, this portal provides direct access to

- current trading statistics
- annual reports and interim reports (1997 to 2003)
- a complete financial calendar
- presentations by the Executive Board
- corporate governance information.

In addition to the information and pdf downloads available on the Internet, some documents are also available in printed form, such as financial reports and presentations for analysts. Most publications are available in German and English.

Investor relations information at a glance

Type of information	html	pdf	Print	In person
General documents and statistics for investors				
Prospectus		✓		
Proposals for resolutions by the General Meeting with explanations		✓		
Results of voting by the General Meeting		✓		
Monthly statistics for the cash and futures markets		✓		
Fact book (annual statistics)		✓		
Financial reports				
Annual reports, 1997 to 2003		✓	✓	
Quarterly reports		✓	✓	
Financial calendar	✓			
Investor presentations				
Analyst presentations	✓	✓	✓	
Streaming video of analyst conferences	✓			
Recordings of analyst conference calls	✓			
Analyst Q&A transcripts		✓		
Streaming videos of important speeches by the CEO and CFO	✓			
One-on-ones with investors/analysts				✓
Presentation at investor conferences				✓

Financial Calendar/Contact

Financial Calendar of Deutsche Börse Group in 2004

31 March
Annual Press Briefing for the financial year 2003

7 May
Q1/2004 results

19 May
Annual General Meeting

20 May
Distribution of dividend for fiscal 2003

10 August
Q2/2004 results

9 November
Q3/2004 results

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Further copies of this annual report and interim reports from Q1/2003 onwards can be ordered from our Publications Service.

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Registration court:
Frankfurt/Main HRB 32 23 2

Glossary

CCP – Central Counterparty For cash market trading: a central counterparty for exchange and off-exchange transactions that acts as a legal intermediary between trading parties, thus ensuring anonymity and minimizing the default risk. For derivatives transactions clearing: a similar function that allows Eurex market participants to settle the entire process chain of a trade over a single system.

Commercial paper A short- or medium-term debt instrument of a company (mostly between 30 and 270 days) that is generally issued on a discount basis and repaid at the principal amount. For issuers, commercial paper is a flexible financial instrument that can be tailored individually; for buyers, it has the advantage of offering attractive conditions for short-term investments.

Cross-Margining Procedure for determining the margin requirement for an integrated portfolio. Risk positions in a portfolio are offset to yield a single value that is used as the basis for determining the margin requirement. The offsetting procedure serves to reduce the margin requirement.

DAX® Selection index depicting the performance of the 30 German companies with the greatest trading volume and market capitalization (blue chips) in the → Prime Standard segment of FWB®, the Frankfurt Stock Exchange. Trading in these shares accounts for around three-quarters of the total exchange volume of German equities trading. The index is calculated every 15 seconds during Xetra® trading.

Derivatives Highly liquid, standardized financial instruments whose value depends on the performance of an underlying security (underlying instrument). The most important types of derivatives are options and futures.

Designated Sponsors Banks or financial services providers that furnish binding bid and ask quotes for a particular security in the order book, either upon request or at their own initiative. Designated Sponsors enhance the liquidity of the securities they support.

ETF – Exchange Traded Funds Mutual funds with an unlimited term whose shares can be bought or sold in continuous trading on the stock exchange and that track the performance of the index on which they are based. → XTF

Evening trading Floor trading on FWB®, the Frankfurt Stock Exchange, between 5.30 p.m. and 8.00 p.m. after the close of fully electronic Xetra® trading → Late indices.

General Standard An admission standard on FWB®, the Frankfurt Stock Exchange. Unlike the → Prime Standard, issuers need only meet the minimum statutory requirements (such as an annual report and ad hoc disclosures) to be admitted to and remain in the General Standard.

iNAV® Service offered by Deutsche Börse that makes the assets of actively and passively managed funds transparent during trading. “iNAV” stands for Indicative Net Asset Value. Deutsche Börse calculates the assets of the funds at least once every minute during trading and provides its customers with the resulting iNAV values. Current fund assets are calculated as the price of the individual positions in the fund portfolio plus the cash balance of the fund. The fund assets thus calculated, divided by the number of fund units outstanding, gives the respective iNAV.

Late indices Indicators of share price development between 5.30 p.m. and 8.00 p.m. in floor trading on FWB®, the Frankfurt Stock Exchange. Since 3 November 2003, Deutsche Börse has calculated late indices every minute during evening trading, providing investors with an indicator of the performance of the German benchmark indices even after the close of Xetra® trading. The composition of the late indices is exactly the same as that of the “original” indices – DAX®, MDAX®, SDAX®, and TecDAX® – but they are based on the market prices in FWB floor trading. They serve merely as an indicator and not as an underlying for derivatives such as certificates, warrants, funds, or similar products.

Lead brokers Credit institutions or financial services institutions approved by the management of a stock exchange to manage the order books allocated to them in floor trading and determine prices in all market segments (the Official Market, the Regulated Market and the Regulated Unofficial Market).

Market maker Banks or security trading houses that assume the function of quoting binding buy and sell prices for the securities for which they make a market at any given time. In a more general sense, market makers are companies that develop new markets and provide liquidity in these markets.

MDAX® Selection index in the → Prime Standard segment of FWB®, the Frankfurt Stock Exchange, comprising the 50 equities in traditional sectors that rank behind the 30 DAX® equities in terms of market capitalization and trading volume.

Netting Offsetting of buy and sell positions over a given period of time so that market participants only have to settle the balance; one of the functions and advantages of the → CCP – Central Counterparty.

Prime Standard An admission standard on FWB®, the Frankfurt Stock Exchange. Issuers must meet transparency requirements in excess of the → General Standard (e.g. quarterly reports, international accounting). A listing in the Prime Standard is a precondition for admission to a Deutsche Börse selection index, such as DAX®, MDAX®, SDAX®, or TecDAX®.

Repo Short for “repurchase agreement”. The sale of securities with a simultaneous agreement to buy back securities of the same kind at a later date.

SDAX® A selection index in the → Prime Standard of FWB®, the Frankfurt Stock Exchange, comprising the 50 largest equities in traditional sectors that rank directly behind the MDAX® equities.

TecDAX® Selection index in the → Prime Standard for the 30 largest technology equities ranking behind the German blue chip index → DAX®.

Xetra Funds Segment of FWB®, the Frankfurt Stock Exchange, for trading in investment fund shares. Divides into the sections → XTF for exchange-traded index funds and Xetra Active Funds for trading in actively managed funds.

XTF Exchange Traded Funds® Segment on FWB®, the Frankfurt Stock Exchange, for continuous trading in investment fund shares (index funds → ETF).

Deutsche Börse Group: Five-Year Review

		1999[1]	2000	2001	2002[1]	2003[1]
Consolidated income statement						
Sales revenue[2]	€m	599.0	648.9	760.3	1,106.5	1,419.4
Net interest income from banking business	€m	0	0	0	64.4	94.4
Other operating income	€m	45.9	95.7	77.3	70.6	80.6
Fee and commission expenses from banking business	€m	0	0	0	–66.3	–117.0
Total expenses less own expenses capitalized[2]	€m	–533.0	–591.6	–604.3	–858.8	–1,024.3
Income from equity investments (net)	€m	–5.7	63.5	44.8	34.8	–0.5
Earnings before interest and taxes (EBIT)	€m	106.2	216.5	278.1	351.2	452.6
Net financial result	€m	25.3	2.4	41.1	23.2	–4.5
Profit before tax from ordinary activities (EBT)	€m	131.5	218.9	319.2	374.4	448.1
Net profit for the period[3]	€m	70.0	145.9	203.7	235.1	246.3
Dividend[4]	€m	58.7	30.8	37.0	49.2	61.5
Consolidated cash flow statement						
Cash flows from operating activities	€m	168.4	101.5	248.8	466.2	530.6
Cash flows from investing activities	€m	–137.9	–252.3	–152.8	–1,734.1	–412,4
Consolidated balance sheet						
Noncurrent assets (excl. miscellaneous and deferred tax assets)	€m	260.0	620.3	737.2	2,656.4	2,350.2
Receivables over 1 year including deferred tax assets	€m	20.7	12.5	17.5	22.0	31.6
Current receivables and securities from banking business	€m	2,907.1	0	6.9	3,085.0	4,047.3
Restricted bank balances	€m	450.1	71.1	164.7	303.7	1,048.4
Other cash and bank balances	€m	102.1	69.5	1,055.1	248.1	548.1
Other current assets	€m	165.9	149.3	153.7	229.0	263.3
Shareholders' equity[3]	€m	257.9	419.8	1,560.3	2,152.2	2,341.0
Minority interests	€m	3.8	4.3	10.6	23.1	12.3
Noncurrent interest-bearing liabilities	€m	0	90.0	0	9.2	503.2
Other noncurrent provisions and liabilities	€m	137.4	84.3	116.2	210.0	208.2
Technical closing date liabilities[5]	€m	3,284.6	71.1	164.7	3,475.1	4,801.0
Other current provisions and liabilities	€m	222.2	253.2	283.3	674.6	423.2
Total assets[3]	€m	3,905.9	922.7	2,135.1	6,544.2	8,288.9
Balance sheet performance indicators						
Trade creditors days 1[6]	days	37	33	28	33	24
Trade creditors days 2[7]	days	42	39	33	38	26
Trade creditors ratio[8]	%	24	27	29	47	15
Equity ratio 1[9]	%	23	41	203	42	67
Equity ratio 2[10]	%	64	56	220	61	84
Debt/equity ratio[11]	%	36	30	14	22	12
Liabilities structure[12]	%	62	59	71	75	37
Cash ratio[13]	%	46	27	372	37	59
Current ratio[14]	%	121	86	430	72	88
Debt coverage[15]	%	55	70	101	67	64
Equity/net noncurrent tangible assets[16]		6.6	8.5	37.1	7.9	18.8

Deutsche Börse Group: Five-Year Review

		1999[1]	2000	2001	2002[1]	2003[1]
Performance indicators						
EBIT (excluding share of results of associates)/ sales revenue	%	19	24	31	29	32
Cash flow 1 return on investment (CF1 ROI)[17]	%	32	35	20	20	21
Cash flow 2 return on investment (CF2 ROI)[18]	%	32	35	21	19	21
Earnings per share[19]	€	0.95	1.95	2.04	2.18	2.20
Dividend per share[19]	€	0.80	0.30	0.36	0.44	0.55
Operating cash flow per share[19]	€	2.29	1.38	2.49	4.33	4.75
Return on equity[20]	%	29	40	16	13	11
Staff costs/total revenue	%	17	14	12	18	19
Employees (annual average FTEs)		1,143	894	1,030	2,302	3,049
Sales revenue per employee[2]	€ thousands	524	726	738	481	466
Market indicators						
Xetra						
Number of transactions	thousands	15,785	39,009	49,719	60,001	71,368
Order book turnover	€m	514,959	980,552	958,407	876,179	833,074
Participants (at 31 December)		404	431	413	359	308
Floor						
Number of transactions	thousands	73,364	163,914	124,342	86,653	70,143
Order book turnover	€m	400,479	438,712	235,780	157,760	131,632
Eurex						
Number of traded contracts	m	379.1	454.1	674.2	801.2	1,014.9
Participants (at 31 December)		414	429	427	424	406

[1] Deutsche Börse Clearing AG was fully consolidated until 1999. The 50 percent interest in Clearstream International S.A. was carried at equity following the merger of Deutsche Börse Clearing AG with the operations of Cedel International S.A. to form Clearstream International S.A. Following the acquisition of Cedel International S.A., Clearstream International S.A. has been fully consolidated since 1 July 2002.
[2] Excluding net licence fees, which were recognized until 2000
[3] Restated to reflect changes in accounting policies and excluding extraordinary items
[4] Distribution of dividend in the following year; 2003: proposal to Annual General Meeting 2004
[5] Technical closing data liabilities include liabilities from banking business of Deutsche Börse Clearing AG (until 1999) and Clearstream International S.A. (since 2002) as well as the Eurex Clearing members' cash deposits.
[6] Trade payables * 360 / (sales revenue + net interest income from banking business + own expenses capitalized + other operating income)
[7] Trade payables * 360 / (sales revenue + net interest income from banking business)
[8] (Current bank liabilities, liabilities from the issuance of commercial paper, trade payables and other current liabilities) / sales revenue
[9] (Equity – intangible assets) / (total assets – intangible assets – land and buildings – leasehold improvements – technical closing date liabilities – cash funds and unrestricted bank balances)
[10] (Equity – intangible assets + noncurrent provisions) / (total assets – intangible assets – land and buildings – leasehold improvements – technical closing date liabilities – cash funds and unrestricted bank balances)
[11] (Current provisions and liabilities – technical closing date liabilities) / (total assets – technical closing date liabilities)
[12] (Current provisions and liabilities – technical closing date liabilities) / (provisions and liabilities – technical closing date liabilities)
[13] Cash funds and unrestricted bank balances / (current provisions and liabilities – technical closing date liabilities + noncurrent interest-bearing liabilities)
[14] (Trade receivables from subsidiaries, associates and other investors + other current assets) / (current provisions and liabilities – technical closing date liabilities + noncurrent interest-bearing liabilities)
[15] (Pre-tax earnings + depreciation and amortization expense) / (provisions and liabilities – technical closing date liabilities)
[16] Equity / (plant and equipment excluding leasehold improvements)
[17] (Pre-tax earnings + depreciation and amortization expense) / total assets less technical closing date liabilities
[18] (Pre-tax earnings + depreciation and amortization expense + additions to pension provisions) / total assets less technical closing date liabilities
[19] Adjusted for the 10-for-1 stock split implemented on 1 June 2001
[20] Net profit / average equity for the financial year, based on the quarter-end equity balances