



DEUTSCHE BÖRSE
GROUP

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Financial report 2017

Excerpt: letter from the CEO



Letter from the CEO



Theodor Weimer
Chief Executive Officer

Frankfurt/Main, 9 March 2018

Dear shareholders and readers,

2017 was not an easy year for Deutsche Börse Group. The merger attempt with the London Stock Exchange Group was unsuccessful. Subsequently, my predecessor Carsten Kengeter resigned as CEO. In November 2017, the Supervisory Board appointed me as his successor with effect from 1 January 2018. Before we turn to the future I'd like to take stock of where we are now. And I'd like to start by thanking you for standing by us in turbulent times.

My thanks are also due to our employees, who have been unwavering in their efforts to drive forward our company's development. 2017 was also a year in which Deutsche Börse launched key projects. These activities benefit the European capital markets – and hence you, our shareholders, as well. One of the projects I am talking about is the migration of Clearstream's settlement business to the ECB's new pan-EU settlement system, TARGET2-Securities. This has brought the European capital markets closer together. Another example is the introduction of our new T7 system for the cash market. The new technology has put the European capital markets on a state-of-the-art footing and has laid the foundations for further growth in trading volumes. The third area that springs to mind is the increased sales revenue generated by our investment fund and index services. Our core goal is to enhance capital market efficiency and transparency.

Deutsche Börse Group's net revenue rose by 3 per cent to approximately €2.5 billion in the 2017 financial year. Our adjusted costs were around €1,040 million – down slightly year-on-year. This led to earnings before interest, tax, depreciation and amortisation (EBITDA) of roughly €1,431 million – a rise of more than 6 per cent. Adjusted net profit for the period attributable to shareholders of Deutsche Börse AG (consolidated net profit for the period) also increased by 6 per cent, to €857 million. Even more encouraging here is the major contribution made by structural growth elements, e.g. in our Clearstream business and with our new Eurex products. Regarding these structural drivers we hit our target of a 5 per cent rise in net revenue. This makes us optimistic for our future development.

By contrast, we faced cyclical headwinds last year, especially in the area of Eurex index derivatives. Since market volatility hit an all-time low in 2017, participants' hedging requirements were limited. As a result, we did not fully meet our growth targets of 5 to 10 per cent for net revenue and 10 to 15 per cent for earnings overall.

Taken as a whole, though, we produced a highly respectable result given the market situation. Thanks to our broad-based business model, we can offset losses in certain areas with profits in others. Although we remain relatively dependent on developments in our market environment, we are working to steadily build a presence in business areas that are seeing structural growth. What's more, we can successfully handle large, complex projects such as our contribution to TARGET2-Securities. By doing so, we are making our company and Frankfurt as a financial centre fit for the future.

As a result, we shall propose an increased shareholder dividend of €2.45 per share to the Annual General Meeting in May. This corresponds to 53 per cent of the adjusted consolidated net profit for the period. And it puts your share in our company's success in line with our guidelines, which provide for a distribution ratio of 40 to 60 per cent of consolidated net profit for the period.

We've also launched a share buy-back programme worth approximately €200 million. And we've announced another one in the same amount. These are set to run until the end of March and the end of 2018, respectively.

So where do we go from here? The appointment of a new CEO draws a line under a difficult 2017. I will do everything in my power to make 2018 the year for a fresh start. We can, we want to and we shall grow.

That having been said, growth isn't an end in itself. We shall use the chance to build consensus-based relationships with our political and regulatory environment. After all, regulation is the third key driver for our business alongside technology and global market structures. Exchanges act as intermediaries between regulators and market participants.

Our commitment to a Group-wide sustainability strategy is one aspect of this. Sustainability must become an automatic component of capital allocation. This is why we have signed up to the United Nations' Global Compact. We support implementation of its principles in the areas of human rights, labour standards, the environment and anti-corruption. Deutsche Börse Group clearly expanded its sustainable finance activities in 2017. In May, we launched the "Accelerating Sustainable Finance" initiative together with key participants from Frankfurt's financial centre. We also established the "Hub for Sustainable Finance Germany" together with the Rat für Nachhaltige Entwicklung (Council for Sustainable Development). This will allow the financial sector to coordinate and further expand its sustainability activities at a national level.

One of Deutsche Börse Group's strengths is its disciplined approach to implementing large projects. This is a critical success factor for the partnership that we've agreed with more or less all of the world's key banks regarding the future of euroclearing. The foundations for action going forward will be laid here in 2018. We currently have a unique chance to establish a credible alternative location to London. Firstly, market participants have to protect themselves against a "hard Brexit". And at the same time, they want to improve their risk diversification and no longer be dependent on a single provider.

I see a further growth opportunity in the data business. Those stock exchange organisations around the world that have caught up rapidly in recent years have grown, among other ways, by buying up data providers on a large scale.

Acquisition-fuelled growth is a fundamental feature of our sector today. The reason is simple: running exchanges is a scale business. However, we need to be able to act from a position of strength in any mergers and acquisitions.

Deutsche Börse enjoys very strong competitive advantages. In my opinion, we have a whole range of growth opportunities. We shall now focus on making better and faster use of them. And, on that note, I look forward to a long and mutually profitable relationship between you – our shareholders – and our company.

Yours sincerely,



Theodor Weimer
Chief Executive Officer

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