



DEUTSCHE BÖRSE
GROUP

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Financial report 2016

Excerpt: letter from the CEO



Letter from the CEO



Carsten Kengeter
Chief Executive Officer

Frankfurt/Main, 10 March 2017

Dear shareholders,
Ladies and Gentlemen,

We look back on 2016 as a very successful year for your company, Deutsche Börse AG. Net revenue rose by 8 per cent year-on-year. At the same time, we achieved efficiency enhancements – keeping our costs under control. As a result, net profit for the period attributable to Deutsche Börse AG shareholders was up 14 per cent, very clearly outperforming the increase in net revenue. We therefore once again fulfilled our forecasts for growth and results, which projected revenue growth of between 5 and 10 per cent, and earnings rising between 10 and 15 per cent. As shareholders of Deutsche Börse AG, we want you to participate in this excellent performance. It is our intention therefore, at the Annual General Meeting 2017, to propose raising the dividend from €2.25 to €2.35 per share. This is equivalent to a distribution ratio of 54 per cent of adjusted net profit for the period attributable to Deutsche Börse AG shareholders, approaching our target distribution ratio of approximately 50 per cent – with rising profit.

As good as these results are, given the difficult market conditions, we can get better still. Specifically, we want to diminish the dependency of the business upon cyclical fluctuations in our market environment. This is especially in your interests, as investors – likewise, it is in the interests of our clients, to whom we are offering a constantly broadening range of products and services, with increasing reliability. And finally, it is in the interests of the financial markets on which we are active – predominantly in Frankfurt, the location of our headquarters. This is why we aim to further strengthen Deutsche Börse Group's growth potential. We want to realise our vision of turning Deutsche Börse Group into the global market infrastructure provider of choice – being top-ranked in all our activities.

Our year 2016

In 2016, we have done a lot to achieve this goal. Within the framework of our “Accelerate” growth strategy, we have commenced a realignment of this company, heralding a culture change. We are going to turn Deutsche Börse Group from a client-oriented enterprise into a client-centric enterprise. For this purpose, we realigned the distribution of responsibilities within the Executive Board right at the beginning of the year under review, creating new Group functions.

Perhaps the most important objective of “Accelerate” is to facilitate growth through scalability. As I mentioned, we achieved very good results in 2016 – but we shall strive for further improvements to performance. We will have to continue demonstrating our ability, every single year, to boost net revenue without costs increasing in the same proportion. To achieve this goal, we are also improving our capital allocation: we will divest businesses where we do not see scope for reaching the number one or two position over a medium-term horizon. This is why during the year under review, we not only sold International Securities Exchange, but also the Infobolsa and Market News International information services providers.

At the same time, we will make acquisitions where we see potential for future growth. Our plan is for Frankfurt to become the leading European hub for fintechs – innovative enterprises in the financial services area. We are making our contribution to these endeavours. We have expanded our pre-IPO services under the heading “Pre-IPO & Growth Financing”: over a medium-term horizon, the harmonised initiatives in this area are set to lead to initial public offerings as well. One element in this context is the FinTech Hub, which supports start-ups right here at the Frankfurt financial centre. Deutsche Börse Venture Network® is designed for companies in their growth phase, which require more sizeable follow-up financing. This network brings enterprises together with international investors. Through DB1 Ventures, we invest in fintech enterprises – in order to further modernise Deutsche Börse, and keep Frankfurt at the forefront as a financial centre. Our overarching objective is to contribute towards the building of an ecosystem for growth in Germany and in Europe. This is about growth and job creation – about good ideas, which will evolve into good business.

We use the opportunities offered by state-of-the-art technical development in many of our growth projects. We are bundling the various measures and initiatives under the heading “Exchange 4.0”, with the objective of creating a client-centric exchange – an exchange that will provide its clients and partners with even more efficient market access, an exchange offering a uniform services platform, and an exchange that provides innovative services. Via our shareholding in Digital Asset Holdings LLC, for example, we are driving an innovative technology which – over the longer term – has the potential to trigger a real quantum leap for the exchange industry: blockchain. In cooperation with Deutsche Bundesbank, we showcased a prototype for securities settlement based on blockchain technology in November 2016. In a nutshell, blockchain comprises a decentralised electronic register of all transactions. This register is openly disclosed and constantly updates itself with transactions (“blocks”) that validate one another. We are working on two additional – and very promising – prototypes in the area of clearing and collateral management. We are thus focusing on those parts of our product range where we currently see good prospects for efficiency gains through the application of blockchain.

Committed to sustainability

We are committed to a Group-wide sustainability strategy. Sustainability should be an automatic consideration when allocating capital. At Deutsche Börse, we support sustainable growth – with the necessary sense of perspective. That is why we are a member of the United Nations Global Compact, promoting implementation of its principles in the areas of human rights, labour standards, environmental protection and anti-corruption. Our integrated reporting creates transparency on how we identify material opportunities and risks in these areas, and what specific measures we are taking in this respect.

Moreover, we are actively assuming responsibility for Frankfurt as a financial centre. To give you just one example: over each of the last few years, we have invested significant nine-digit euro amounts here in Frankfurt – creating well over one hundred new jobs last year in particular. We will persevere with these investments. Yet we will only be able to do so successfully if we take a leading position in future global competition.

In 2016, we have once again delivered on our promise of growth – under difficult conditions. Please refer to our combined management report for extensive information and comprehensive analyses. First and foremost, this is the achievement of Deutsche Börse Group staff, whose competence I appreciate enormously, and for whose commitment I am grateful. True to our motto of “Accelerate”, we shall continue on our path to strong growth, through making use of our own resources as well as through external measures. We have set ourselves ambitious targets for the current financial year 2017 as well. I would like to thank all those who are supporting us on this journey – especially you, our shareholders.



Carsten Kengeter
Chief Executive Officer

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www.deutsche-boerse.com

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Phone +49-(0) 69–2 11–1 15 10
Fax +49-(0) 69–2 11–1 15 11

Contact

Investor Relations

E-mail ir@deutsche-boerse.com
Phone +49-(0) 69–2 11–1 16 70
Fax +49-(0) 69–2 11–1 46 08
www.deutsche-boerse.com/ir_e

Group Sustainability

E-mail group-sustainability@deutsche-boerse.com
Phone +49-(0) 69–2 11–1 42 26
Fax +49-(0) 69–2 11–61 42 26
www.deutsche-boerse.com/sustainability

Group Marketing

E-mail corporate.report@deutsche-boerse.com
Phone +49-(0) 69–2 11–1 49 84
Fax +49-(0) 69–2 11–61 49 84

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