



DEUTSCHE BÖRSE
GROUP

Annual report 2018

Excerpt: letter from the CEO

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Letter from the CEO



Theodor Weimer
Chief Executive Officer

Frankfurt/Main, 8 March 2019

Dear shareholders,
Ladies and Gentlemen,

The past year 2018 marks Deutsche Börse's return to a path of strong growth and its good reputation. With the presentation of our "Roadmap 2020" to the capital markets on 30 May 2018, we have given our company a new sense of direction – both internally and externally. In formulating this strategy, our aim was to demonstrate that we can achieve a significant level of organic growth while maintaining our position in a challenging, globally competitive environment.

We have indeed achieved this on all fronts. In the 2018 financial year, we exceeded our own high expectations, generating strong growth – often double-digit growth – in nearly all of our key divisions. We got investments in our future off the ground and achieved our goals in the area of euro clearing with a more than ten-fold increase in volumes while still maintaining our cost-disciplined approach. Contrary to the trend (Deutsche Börse +8 per cent, DAX –18 per cent), our share price soared. There is no clearer way to be rewarded by the market.

I would like to express my sincere thanks to all of our employees at our locations in Europe, the United States and Asia. Together we have consolidated our position amongst the top four exchange organisations worldwide and strengthened our position as the number one in Europe.

In 2018, our net revenue rose by 13 per cent to a record high of €2.8 billion – thereof, 6 per cent was attributable to structural growth, 6 per cent to cyclical growth and the remaining 1 per cent to consolidation effects. Adjusted operating costs increased by 5 per cent, fully in line with our plan. As a result, adjusted earnings rose by 17 per cent, peaking at a record €1 billion. These figures speak for themselves.

This report gives a detailed breakdown of these figures by business segment. In the 2018 financial year, for the first time, we divided our businesses into nine segments instead of four in an effort to further enhance the transparency for you, our shareholders.

Our performance figures represent important milestones within the scope of our "Roadmap 2020" – however, they are not the only ones. Our Roadmap is comprised of three components: growth in our existing business, growth through acquisitions, and growth through investments in new technologies.

With respect to the growth in our existing business, our figures show that we have been true to our word with nearly all segments showing significant increases during the 2018 financial year. I am especially pleased that we were able to exceed our structural growth target of 5 per cent. This is a growth area where we, as the management team, can have an influence.

We also completed a few smaller acquisitions in 2018, specifically in the areas of foreign-exchange trading and investment fund services, and still see further value-creating growth opportunities ahead. The areas where we intend to grow through acquisition are outlined in our “Roadmap 2020”.

We also made progress with respect to new technologies – the third area of our Roadmap. We are one of today’s leading technology companies in the financial services sector, striving to shape the disruptive transformation currently affecting our industry in a manner that benefits our clients. To achieve this, we have launched a number of blockchain projects. Through our investment in the Luxembourg-based provider HQLAx, we are using blockchain technology to help improve the collateral management of high-quality and liquid securities. Such securities are increasingly in demand following the introduction of new regulatory requirements. This innovative offer will be met with strong interest.

In addition, our projects in major technology areas such as cloud computing, big data, artificial intelligence and robotics are already bearing fruit. We have assumed a pioneering role in the German financial services sector when it comes to the use of cloud technology. Currently, we are in intense discussions with the competent regulatory authorities and leading global cloud service providers.

We also surely owe this success to the fact that we have assembled a management team that is actively driving our strategy forward. We have an Executive Board that is younger and has been made stronger by the inflow of new expertise.

In order to preserve the necessary latitude for growth, better processes and new technologies, we began to enhance our efficiency in good times with the introduction of our structural performance improvement programme (SPIP). Although this was accompanied by painful reductions in long-term personnel, we also welcomed new employees: 250 in Germany and 800 worldwide. This brought our performance profile in line with competitive requirements, making us even more effective.

In the current economic environment – which has turned somewhat tougher given Europe’s uncertain future and the danger of global trade wars – we are pleased to have achieved such solid results. It is important for us that you, our shareholders, also share in this good performance, which is why we are proposing the distribution of a dividend of €2.70 per share, which is 10 per cent higher than last year. We are thus remaining true to our principle of ensuring that you, our shareholders, participate appropriately in our company’s success. In concrete terms, “appropriately” means distributing 49 per cent of our net income as a dividend. The remainder will be invested in the company’s further development, which will also benefit you in the longer term. The final decision on the dividend will be made by you at our ordinary Annual General Meeting in May.

What does the future hold for us? After our successful business development in 2018, we are confident and optimistic about our prospects for the current year. Nevertheless, we do not see any reason to be complacent. The political environment bears too much uncertainty, and the signs for a general economic downturn are becoming evident. Although we will continue to strive to our fullest for you and our company throughout the 2019 financial year, we will not be able to repeat the unexpectedly high earnings growth recorded in 2018 – which had far exceeded our own expectations.

We do however expect to maintain the same forecast for organic growth in the current year. Thus, identical to our forecast for 2018, we expect net revenue from structural growth opportunities in 2019 to increase by at least 5 per cent. The financial derivatives, commodities, foreign-exchange trading and investment fund services areas are expected to be the drivers of this growth.

Hand-in-hand with efficient cost management, we expect the adjusted net profit attributable to you as Deutsche Börse AG shareholders in 2019 to rise by around 10 per cent. Depending on the degree of volatility, this growth may also be slightly higher or lower. We expressly confirm our mid-term growth expectations for an increase in adjusted net income of 10 to 15 per cent per annum on average within the scope of our “Roadmap 2020” strategy.

All in all, I am pleased to say that the path we embarked on in 2018, with our “Roadmap 2020” as our guide, has turned out to be the right one for Deutsche Börse Group. We will continue to follow this path – though our expectations for 2019 are more modest following our strong performance in 2018.

Following this path also means affirming our commitment to a Group-wide sustainability strategy. In our view, sustainability should be a natural part of capital allocation, which is why we are a member of the United Nations Global Compact, promoting the implementation of its principles in the areas of human rights, labour, the environment and anti-corruption.

In 2018, Deutsche Börse Group continued to institutionalise its commitment in the area of sustainable finance. We founded the “Green and Sustainable Finance Cluster Germany” together with the Hesse Ministry of Economics. The Cluster is comprised of leading financial institutions, which – in close dialogue with the real economy, policymakers, civil society and academia – have committed themselves to designing and implementing a strategic concept to establish a sustainable financial sector in Germany.

Dear shareholders, the trust you have placed in us during the past year not only motivated us but also compelled us to consistently strive to achieve the best we can. We have made every effort possible to ensure you are rewarded accordingly. The market has honoured your loyalty, as well as our efforts, with an increase in our share price, contrary to the overall trend. And while it is certainly a tall order to surpass the level of growth achieved last year, we hope that you will continue to place your confidence in us. As shareholders, you will be investing in the future of your company, in the future of your fortune, and in the stability of our economy.

Yours sincerely,



Theodor Weimer

Chief Executive Officer

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