

Deutsche Börse Group  
Annual Press Briefing

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Frankfurt, Alte Börse

**Under embargo: 10:00 a.m. CET**

**Speech Executive Board Members**

Carsten Kengeter, CEO Deutsche Börse AG

Gregor Pottmeyer, CFO Deutsche Börse AG

**[Slide 1: Highlights FY/2015 preliminary results]**

**1. Opening, review, and development strategy (Carsten Kengeter)**

Ladies and Gentlemen,

It is my pleasure to welcome you to Deutsche Börse AG's press conference to present the financial statements for the 2015 financial year.

We are looking back on a very good year, with double-digit revenue and profit growth. Deutsche Börse is in good shape. Before discussing results, I would like to make some introductory comments.

As most of you know, when I came on board as CEO in May [2015], I took over the management of an enterprise with a broadly diversified portfolio of businesses – a group which had fared well throughout the financial crisis. Certainly, the task of the management crew over the past few years has been to steer the Company safely through the financial crisis, in the interests of its clients and shareholders, to safeguard its integrity, to maintain the functionality of the markets we operate throughout each phase – and of course, to operate profitably. Now is the time to re-focus on the Company's growth.

The strategy we have conceived for this purpose is called "Accelerate": it is designed to sharpen focus on our clients' interests, and to enhance our market orientation. Against this background, we realigned the responsibilities of Executive Board members, effective since the start of the new financial year. At the same time, we have bundled and reorganised the structure of our sales force at Group level. We have centralised our product development organisation. We increasingly explore new market segments, as well as new, innovative ideas and technologies. And of course, we also developed the Group through acquisitions.

Personally, I have had the opportunity to familiarise myself internally with Deutsche Börse AG in detail, since the beginning of April 2015, and before then as an external observer – by way of discussions on all management levels, with all business divisions, and with the regulatory authorities. I spoke to product developers, IT experts, with colleagues who are in direct contact with our clients every day – and most importantly, with the clients themselves. I was in Frankfurt as well as at Deutsche Börse Group's other major locations: including Luxembourg and London, and also outside Europe: New York, Chicago, Hong Kong and Singapore. I also talked to our shareholders, with investors, and with stakeholders in our political environment.

The findings and results from these discussions were incorporated into our growth strategy. As solid as Deutsche Börse Group may be, it nevertheless moves in a very dynamic market. This is clear to all colleagues I had discussions with. The financial crisis since 2007 has in fact provided an opportunity for Deutsche Börse to demonstrate its capability of offering reliable market infrastructure. Now, however, an era of intense global competition has begun, associated with rising cost pressure for our clients. New technological developments – just think of 'fintech' – have further intensified this competition; at the same time, however, they offer new growth opportunities.

From a macroeconomic perspective, last year was an unstable one. Our offer of providing reliable infrastructure for orderly trading met with great response in the wake of market fluctuations. Even though the crisis affecting Greece has calmed down – at least temporarily – thanks to political intervention, slower growth momentum in China and tumbling oil prices have created new turbulence. Likewise, strong exchange rate fluctuations are a burden on corporate planning: just consider the abrupt appreciation of the Swiss franc. In the US, where the economy has been performing quite well overall, an interest rate turnaround has been evident since December 2015, even though the actual scope of hikes has been distinctly limited to date.

We generated a very good set of results in this challenging environment – not least thanks to the changes we embarked upon within the Company.

At Deutsche Börse, we have a high degree of expertise in terms of products and technology. But what we have to prove to the markets is that our integrated business model generates added value that is also reflected in our market capitalisation. We want to deliver that evidence – and this will also entail exploiting opportunities for organic as well as other types of growth, with entrepreneurial courage and the diligence of prudent business people. This is precisely what the Accelerate growth strategy is all about.

**[Slide 2: “Accelerate” – key objectives of growth programme]**

We have defined five objectives for Accelerate:

Our number one objective is client focus. Crucially, we will make three aspects – that were already important in the past – our top priority: clients, innovation, and service.

Secondly: everyone who acts in line with this objective, and does so successfully, should be rewarded accordingly. This implies a higher level of responsibility for each individual employee.

Thirdly, we are pursuing an ambitious medium-term growth target, whereby we leverage the scalability of our business model – in other words, the ability to generate profits which rise at a faster rate than revenues.

For this purpose – and this is objective no. 4 – we will rely on organic growth as well as on mergers and acquisitions.

And as for the fifth (and last) item: as in the past, we will invest sufficient capital into growth projects, whilst distributing an appropriate share of profits to our shareholders. This requires the diligence of a prudent businessman as well as entrepreneurial courage.

**[Slide 3: “Accelerate” – substantial implementation progress]**

We have already achieved notable successes on all items. These are summarised on slide no. 3. Let me highlight the most important ones.

As part of our initiatives to enhance client focus, we already established a cross-divisional Group Management Committee, on the 1st of July last year, which has been providing decisive impulses for the Group’s further development. Overall, we have boosted agility in our decision-making processes. Moreover, we have reorganised our internal reporting lines, with effect from the beginning of this year, and also reorganised Executive Board portfolios as part of this exercise.

On top of this, we created new growth potential through the acquisition of the foreign exchange trading platform 360T, and of the remaining stake in index vendor STOXX. We therefore explored a new asset class whilst boosting our position in the high-growth exchange index market.

At the end of October 2015, in cooperation with the Shanghai Stock Exchange and the China Financial Futures Exchange, we founded the China Europe International Exchange, a trading venue for offshore renminbi products.

Simultaneously, we agreed upon a strategic cooperation with the China Foreign Exchange Trade System to develop the Chinese interbank market. With these steps, we made further progress in implementing our strategy for Asia.

Accelerating processes throughout our Group also means terminating unsuccessful projects and streamlining the large ones – provided that this does not compromise the reliability of our offer. As I mentioned, shareholders are also set to benefit from our new strategic direction. That is why we will propose an increased dividend of €2.25 per share, up 7 per cent.

And now I would like to hand over to Gregor Pottmeyer.

## **2. Detailed presentation of business results and progress made in the “Accelerate” programme (Gregor Pottmeyer)**

### **[Slide 4: FY/2015 – Group financials]**

Ladies and Gentlemen, I would now like to outline our business development in detail.

As Carsten Kengeter mentioned before, we saw double-digit growth in our key performance indicators: net revenue was up 16 per cent, to €2.4 billion, earnings before interest and taxes (EBIT) and earnings per share (EPS) rose by 14 per cent each, to €1.1 billion and €4.14, respectively.

*Check against delivery (courtesy translation)*

Perhaps the most important growth driver was the trust which market participants have placed into Deutsche Börse's regulated trading platforms, in an environment of elevated market volatility.

**[Slide 5: FY/2015 – segmental financials]**

Derivatives trading and clearing in the Eurex segment posted the strongest revenue and profit growth, of 27 per cent. At the same time, Eurex generated more than 40 per cent of consolidated revenue and profits. Equity index derivatives contributed particularly strongly to this increase, demonstrating that these instruments are particularly well-suited for hedging against market fluctuations.

The Xetra segment, Deutsche Börse's cash market business, also posted double-digit growth: segment revenue was up 14 per cent, and profits by 24 per cent – a blueprint for successful scalability. Growth was driven by persistently low interest rates, government bond purchases by the European Central Bank, as well as market participants' hedging needs in the wake of temporary turbulence.

Net revenue at Clearstream, Deutsche Börse's post-trading service and infrastructure provider, grew by 7 per cent – in spite of virtually no movement in interest rates, and at record lows. More than half of revenue was accounted for by the custody business, which benefited from the high aggregate volume of securities held in custody.

Revenue growth in the market data business and associated IT systems and services was 8 per cent. The segment's core business is the dissemination of information and the distribution of technology and services to the capital markets. One area with particularly high growth momentum has been licensing indices – to issuers of exchange-traded funds, for example.

You may want to note that the structure of our financial reporting will continue to reflect these business segments, notwithstanding the reorganisation Carsten Kengeter mentioned. What this reorganisation will bring about, however, is that we will coordinate our activities as a Group even more strongly going forward, thus exploiting cross-selling opportunities even better.

**[Slide 6: FY/2015 – growth areas have developed favourably]**

We saw a marked increase in the share of fast-growing business areas during 2015, through organic growth as well as acquisitions, as part of the implementation of our Accelerate strategy.

We posted high double-digit growth rates in various product groups, including commodities (such as electricity and natural gas), foreign exchange, funds, as well as indices serving as underlying instruments for exchange-traded funds (ETFs). Thanks to this growth, these products now account for as much as one-fifth of the Group's net revenue.

These are just a few examples of how we accelerate growth in our businesses. As part of our Accelerate strategy, we strive to further explore growth areas of this kind.



**[Slide 7: Executive Board of Deutsche Börse AG proposed increase of 2015 dividend to €2.25]**

We will also ensure our shareholders participate in this good result. Our target range for dividend distributions is between 40 per cent and 60 per cent of consolidated net income. Having moved towards the upper end of this range in years when profits were lower, given the anticipated earnings growth, we are likely to move towards the centre of the range. We will propose a 7 per cent increase in the dividend for 2015, to €2.25 per share, equivalent to a 55 per cent payout ratio. Our Supervisory Board will need to approve this proposal before we can put it to our shareholders' vote at the Annual General Meeting in May.

**[Slide 8: "Accelerate" – principles to manage costs ]**

As announced in July of last year, we have established three principles for managing our costs:

Firstly, we set out clearly-defined rules to ensure that our business model remains scalable – meaning that when the business is growing, revenue grows more strongly than costs. Since then, for example, operating costs must not rise if net revenue grows at a single-digit rate. Where revenue grows at a double-digit rate, the maximum permitted increase in operating costs is around five per cent.

Secondly, we continuously enhance operating efficiency – for instance, by aligning what we do even more closely to our clients' needs.

Thirdly, we plan to create scope for further investment, as an additional growth-boosting effect – by removing levels of hierarchy, for example, making faster decisions, and implementing purchasing and procurement improvements.

**[Slide 9: “Accelerate” – structural measures and continuous process improvements on track to achieve the targeted cost savings]**

This slide provides a detailed breakdown of efficiency enhancements we plan for this year and next. Please do not hesitate to ask, during the Q&A session which will follow our presentation, if you have any questions in this respect. Overall, we will channel a total of €100 million into additional investments and other measures by the end of 2018.

What I would like to emphasise in this context is that “Accelerate” is about cost discipline – but not about cost-cutting. Our intention is to create scope for accelerated growth, with minimal cost increases. The point is to prove the scalability of our business model.

**[Slide 10: “Accelerate” – mid-term guidance comprises scalability of business model]**

As we also announced in July 2015, we raised our medium-term growth targets. Based on our planning assumptions, we anticipate net revenue growth between 5 per cent and 10 per cent per year. We are targeting 10 per cent to 15 per cent increases in earnings before interest and taxes (EBIT) and consolidated net income. These are also the levels we have planned for the current financial year – where exactly we will end up within the ranges will largely depend upon cyclical factors. The beginning of the year went very well for us. In addition, we are confident that the contribution of structural issues we are pursuing will continue during the course of this year.

And with this positive outlook, let me hand you back to Carsten Kengeter.

### 3. Outlook (Carsten Kengeter):

#### [Slide 11: “Accelerate” – vision]

Thank you very much, Gregor Pottmeyer.

One of the all-time favourite quotes of German speakers is Chancellor Helmut Schmidt’s verdict on visions: “Anyone with visions should go and see a doctor.” Apparently this was aimed at his fellow party comrade, Willy Brandt. Much later, in another interview Schmidt put his statement into perspective, saying that it was “a grumpy reply to a silly question.”

Ladies and Gentlemen, I’m a manager, not a politician. I prefer clear, forward-looking answers. And as a manager, I believe a company strategy does need a vision – even though by its very nature, it cannot be worded with the same precision as a management report.

The vision on which the Accelerate strategy is founded has *a single goal*:

We are determined to be ranked number one or two globally, in all businesses where we have operating activities. Our goal is to lead Deutsche Börse Group where it belongs – being a global leader. This is not an end in itself – we are acting in our clients’ interests. Our clients are the middle of intense, international competition. This competition also concerns Frankfurt/Rhine-Main as a financial centre, as well as Europe as an economic and financial hub. We will only be able to shape this competition by creating local nodes in the network of global financial flows. Right now, this network is being re-configured from scratch: by US banks and exchanges which have gained new strengths through mergers and acquisitions; by new, small, fast-moving competitors; and by young, fast-growing financial hubs outside the Western world.

Ladies and Gentlemen, the globalisation of financial flows is not a zero-sum game, where one party's loss is another party's gain. For an enterprise such as Deutsche Börse Group, for a financial centre such as Frankfurt, for an economic and financial hub such as Europe, new partners with global activities are always a gain. Anyone who believes in disconnecting will lose out – voluntarily.

Our strategy is to contribute to strengthening the competitiveness of this financial centre by fostering a new culture of innovation. This is also the reason why we are expediting the Deutsche Börse Venture Network, why we are taking an active interest in fintechs, and why we have instituted direct Executive Board responsibility for our cash market business.

Our strategy is to combine the best of both worlds: the discipline and reliability of a provider of highly regulated financial market infrastructure with the flexibility and innovative strength of the fledgling fintech sector.

Our strategy is to sharpen Deutsche Börse's profile as the link between capital markets participants and regulators. Besides the various categories of investors, our attention is also focused on the real economy.

Our strategy is to further strengthen our offer, here in Frankfurt – to the benefit of our most important clients, in Germany, in Europe and around the world. Our support for EU Capital Markets Union will contribute to that benefit – as will the further expansion of our relationships with Asia and the Americas.

And now I look forward to your questions, which I and my colleagues on the Executive Board will be very happy to answer.