Group Management Report

Deutsche Börse AG prepared its consolidated financial statements for the year ended 31 December 2005 in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the EU. As stipulated by section 315a of the HGB (Handelsgesetzbuch – German Commercial Code), they are supplemented by a group management report prepared in accordance with section 315 of the HGB. The group management report also takes into account the requirements of DRS 15 (Deutscher Rechnungslegungsstandard – German Accounting Standard).

Business and operating environment

Development of the financial markets

Worldwide, the financial markets developed very positively in 2005. In the United States, this development took place in an environment of sustained economic growth; as in the previous year, real GDP increased by some 4 percent. By contrast, the growth rate in the European Union and Germany in 2005 reached only around 1 percent. However, a rise in corporate profits and the brighter European economic outlook for 2006 contributed to the strong performance of the financial markets.

In this environment, Deutsche Börse Group's cash and derivatives markets, as well as its settlement and custody business, developed extremely positively. The volume of business conducted throughout the year under review was significantly greater than in the previous year.

The European equity markets gained in the course of the year, in some cases significantly. On 31 December 2005, most of the leading share indices closed substantially up on their opening levels for the year. For example, the blue-chip index DAX® rose by 27 percent to 5,408 points in the past year without experiencing any notable phases of weakness. Despite the continued low volatility, trading volumes on the major European stock exchanges increased significantly as against the previous year.

Trading activity by selected European cash market operators	Transactions (single counted) in 2005 millions	Change 2005 vs. 2004 %
Deutsche Börse	87.7	+20
Euronext	78.1	+15
London Stock Exchange	66.3	+24
OMX Exchanges	21.3	+25[1]

Source: Federation of European Securities Exchanges (FESE), own calculations
[1] The figures for 2004 were adjusted to reflect the integration of the Copenhagen Stock Exchange into OMX.

The trend in trading activity on the derivatives markets in 2005 was also extremely positive worldwide. This was driven by stronger demand for interest rate products as well as equity- and index-based products. Eurex's increase in trading volumes for interest rate products was primarily due to the development of long-term interest rate levels in Europe. The growth in trading volumes for equity- and index-based products can be attributed to the higher trading activity in the equity markets, as well as to the increasing use of equity and index derivatives in investment strategies.

Trading activity on selected derivatives exchanges	Traded contracts in 2005 millions	Change 2005 vs. 2004 %
Eurex	1,248.7	+17
CME	1,090.4	+35
CBOT	674.7	+12
Euronext.Liffe	605.9	+7[1]

Source: The exchanges listed
[1] Euronext.Liffe has adjusted its 2004 figures to reflect changes in contract specifications.

According to the Bank for International Settlements, the face value of fixed-income securities issued internationally by European issuers – a relevant figure for Deutsche Börse Group's custody business – increased by 16 percent to €6.8 trillion between December 2004 and September 2005. In the same period, the face value of securities issued nationally by European issuers rose by only 2 percent. The growth in the issuing volume of fixed-income securities is primarily due to low interest rates and the resulting attractive financing opportunities for issuers. The trend towards the issue of international securities continued in the year under review.

International fixed-income securities	Face value € trillions[1]	Growth %[2]
From issuers worldwide	11.9	+15
of which in Europe	6.8	+16
of which in Germany	1.4	+21

Source: Bank for International Settlements
[1] As at end of September 2005
[2] End of December 2004 to end of September 2005

Overview of Deutsche Börse Group

Legal Group structure

Deutsche Börse Group is composed of Deutsche Börse AG and its subsidiaries, associates and joint ventures. Deutsche Börse AG itself operates Deutsche Börse Group's cash markets and sells price information of its cash and derivatives markets. The derivatives markets and clearing services are business areas of Eurex Zürich AG and its subsidiaries, while Clearstream International S.A. and its subsidiaries are responsible for the settlement of securities transactions and securities custody. Deutsche Börse Systems AG and the Clearstream subgroup build and operate Deutsche Börse Group's technological infrastructure. Deutsche Börse AG's basis of consolidation is presented in full in note 2 of the Notes to the Consolidated Financial Statements.

Management and control

As a German stock corporation, the legal bodies of Deutsche Börse AG are the Annual General Meeting, the Supervisory Board and the Executive Board, each of which have their own areas of responsibility.

The Annual General Meeting resolves the appropriation of the unappropriated surplus, appoints the Supervisory Board and approves the act of the Executive Board and the Supervisory Board retrospectively. In addition, it resolves corporate actions and other matters governed by the Aktiengesetz (AktG – German Stock Corporation Act). The Supervisory Board appoints, supervises and advises the Executive Board and is directly involved in key decisions affecting the Company. Members of the Supervisory Board are appointed for a period of three years; however, when electing members to the Supervisory Board, the Annual General Meeting may determine a shorter term of office. The Supervisory Board of Deutsche Börse AG is composed of 21 members: 14 shareholder and seven employee representatives. The Executive Board is responsible for managing the Company. The Chief Executive Officer coordinates the activities of the Executive Board members. As at 31 December 2005, the Executive Board of Deutsche Börse AG was composed of six members.

Organizational structure

Deutsche Börse Group's organizational structure is function-based and reflects the three core functions of its business model: building of trading, clearing, settlement and custody systems (Technology/Systems), operating these systems (Operations) and loading them with transactions (Customers/Markets).

Reporting segments

For the purposes of financial reporting, Deutsche Börse Group's business activities are composed of the following segments: Xetra (cash market: electronic trading platform, floor trading and clearing services), Eurex (derivatives market: electronic trading platform and clearing services, over-the-counter trading platforms), Market Data & Analytics (sale of price information and information distribution), Clearstream (settlement of securities transactions, custody of securities, global securities financing services) and Information Technology (building and operation of technological infrastructure).

Overview of business development in the year under review

Thanks to the strong performance of the financial markets, business development in 2005 clearly exceeded the expectations of both the Company and the market. Fundamental macroeconomic factors, such as index levels and interest rates, developed positively from the Company's perspective. Thanks to its business model, which integrates all stages of the securities business value chain, Deutsche Börse Group derived above-average benefit from the positive trend on the financial markets. On the back of these developments, the Group recorded the best results in its history in 2005.

Sales revenue rose by 13 percent to €1,631.5 million (2004: €1,449.6 million). As total costs for the year under review increased only slightly, by 3 percent to €1,145.6 million (2004: €1,110.1 million), the growth in sales revenue had a direct impact on earnings: EBITA (earnings before interest, taxes and goodwill amortization and impairment) rose by 35 percent to reach a new record level of €710.9 million (2004: €527.6 million). This illustrates the advantages of Deutsche Börse Group's fixed cost-based business model, which allows higher transaction volumes to be processed while leaving costs essentially unchanged.

Deutsche Börse Group's key performance figures		2005	2004	Change %
Sales revenue	€m	1,631.5	1,449.6	+13
EBITA	€m	710.9	527.6	+35
Net income	€m	427.4	266.1	+61
Earnings per share	€	4.00	2.38	+68

Description of the Group's internal management control system

Deutsche Börse Group's internal management control system is primarily based on the management control indicators EBITA, costs, return on equity and net tangible equity.

Deutsche Börse Group manages EBITA, which is one of the most important performance indicators, via sales revenue and costs. The Company's sales revenue is largely dependent on three factors: the development of the financial markets (e.g. transaction volume growth on the cash market), structural changes affecting the financial markets (e.g. the increasing use of derivatives for investment strategies) and the launch of new products and services. While the Company cannot affect developments on the financial markets, it is able to exert an influence on the latter two factors, whether in part or in full.

With regard to the Company's costs, a distinction is made between other operating expenses, staff costs, depreciation and amortization expense (excluding goodwill amortization and impairment) and fee and commission expenses from banking business. With the exception of consulting costs, other operating expenses are largely fixed costs. Consulting costs primarily arise in conjunction with software development and can therefore be controlled by the Company. Staff costs are primarily fixed costs. However, they generally increase in line with inflation even when the number of employees remains unchanged; in addition, they may be subject to one-time factors. The amount of depreciation and amortization expense depends on the level of past investment. Fee and commission expenses from banking business are a strictly variable cost component whose amount depends on the development of the Group's settlement and custody business. They consist of commission payable by the Clearstream subgroup to settlement and custody services providers.

In November 2004, Deutsche Börse Group had published an EBITA target for 2005 of around €600 million. As the performance of the financial markets in the year under review was better than expected, this target could be clearly exceeded, with EBITA totalling €710.9 million.

The consolidated return on equity after taxes is another key figure underlying Deutsche Börse Group's strategy. In 2005, the Group generated a return on equity of 17.7 percent (2004: 10.9 percent). The increase is largely due to the significant rise in consolidated net income in the year under review.

As part of the capital management program, Deutsche Börse Group uses the net tangible equity as an additional key performance indicator. The aim of this program is to distribute funds not required for the Group's operating business to shareholders. The program is described in detail in the "Financial position" section of the Group management report (see page 96).

Research and development activities

In its core business, Deutsche Börse Group develops technological infrastructure for the capital markets and operates the IT systems needed to do this. Continuously developing its trading, clearing, settlement and custody systems and expanding its product portfolio are critical growth factors. Research and development spending is targeted primarily at developing new products, with research only taking a minor share. Product innovations partly demand modifications to existing IT systems, so product and software development are closely linked.

Deutsche Börse Group, before elimination of intra-Group profits, invested €86.9 million in product and systems development in 2005 (2004: €100.3 million). Under IFRSs, the share of costs directly attributable to internal development of new software is capitalized and amortized over the expected useful life. €27.8 million of development costs, after elimination of intra-Group profits, was capitalized in the year under review (2004: €44.8 million). Development costs are presented in detail in note 6 of the Notes to the Consolidated Financial Statements.

Product development involves various areas throughout the Group. In the case of critical or substantial new or further developments or enhancements, the individual measures are combined to form cross-segment projects under uniform management and supervision. Important decisions are also discussed in the Group-wide committees.

The systems in the Xetra and Eurex segments were enhanced again in 2005. Key events included the expansion of the central counterparty (CCP) for the cash market and the further development of Eurex software (Eurex Release 8.0). In the Clearstream segment, the focus was on further developments to optimize global securities financing services and to improve the market infrastructure.

Employees

In the year under review, the number of employees at Deutsche Börse Group fell by 10.5 percent to 2,921 (as at 31 December 2005); this was largely due to the sale of entory AG and its subsidiaries. Adjusted for the sale of the entory subgroup, the number of employees as at the balance sheet date decreased by 24 (as at 31 December 2004 without entory: 2,945). Deutsche Börse had an average of 3,179 salaried employees in 2005 (2004: 3,255). There was an average of 2,979 full-time equivalent (FTE) employees during the year (2004: 3,080).

In the course of financial year 2005, 166 employees left Deutsche Börse Group, resulting in a staff turnover rate of 5.7 percent, equivalent to the previous year's rate.

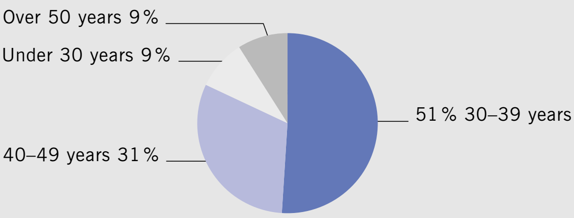
Sales revenue per employee amounted to €548 thousand (2004: €471 thousand), while staff costs per employee totalled €136 thousand (2004: €109 thousand).

As at 31 December 2005, Deutsche Börse Group had employees at 14 locations. The key locations and regions are:

Employees per region	31 Dec. 2005	%
Germany	1,564	54
Luxembourg	1,110	38
United Kingdom	71	2
Rest of Europe	88	3
North America	66	2
Asia	18	1
Middle East	4	0
Total	**2,921**	

The employees' age structure as at 31 December 2005 was as follows:

Deutsche Börse Group employees' age structure



An analysis of the length of service of the Group's employees as at 31 December 2005 showed the following result:

Employees' length of service	31 Dec. 2005	%
Less than 5 years	947	32
5 to 15 years	1,593	55
More than 15 years	381	13
Total	**2,921**	

As at 31 December 2005, the percentage of graduates among Deutsche Börse Group's employees was 50.3 percent. This figure is calculated on the basis of the number of employees holding a degree from a university, university of applied technology, or a professional academy, as well as employees who have completed studies abroad.

In total, the Company invested an average of 3.5 days per employee in staff training.

Environmental protection

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

The Frankfurt headquarters to which Deutsche Börse AG moved in 2000, as well as the buildings for the 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 utilities and disposal companies. In the year under review, for example, a second cold water circuit was installed at the Company's primary data center in Frankfurt to reduce energy consumption and noise pollution. In the case of waste, entertainment and cleaning management, Deutsche Börse Group chooses materials on the basis of their suitability for recycling, and reuse in appropriate recirculation systems is ensured. For example, the volume of waste in Luxembourg alone was cut by 35 percent in 2005.

Deutsche Börse shares

Deutsche Börse's share price rose by 95 percent in the course of 2005, closing the year at €86.56 (2004: €44.28). The high for the year was €89.67 and the low €43.76 (Xetra® closing prices).

In 2005, investors enjoyed an annual return of 97 percent (price gains plus dividend). In the same period, investments on the DAX, the German blue-chip index, generated a return of 27 percent.

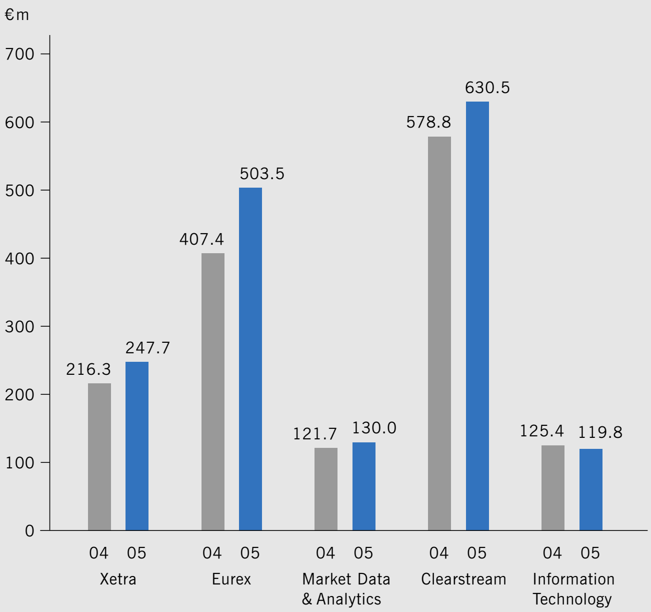
Following the publication of the proposed bid for the London Stock Exchange plc, which was later withdrawn, the shareholder structure became even more international. As at 31 December 2005, around 90 percent of the shareholders were domiciled abroad (2004: around 65 percent). The proportion of institutional investors also increased as a result of this development, accounting for around 97 percent of the Company's shares as at 31 December 2005 (2004: around 93 percent).

Results of operations, financial position and net assets

Results of operations

In 2005, Deutsche Börse Group's sales revenue increased by 13 percent to €1,631.5 million (2004: €1,449.6 million), due to the positive development of the financial markets. In absolute terms, this increase was driven in particular by the Eurex and Clearstream segments.

Sales revenue by segment



In addition to sales revenue, Deutsche Börse Group's total revenue includes net interest income from banking business, own expenses capitalized and other operating income. Net interest income is dependent on the one hand on the development of Clearstream's international settlement business and on the other hand on the development of short-term interest rates in the euro zone and the US. It increased by 46 percent to €112.7 million in the year under review (2004: €77.1 million). Own expenses capitalized fell by 38 percent to €27.8 million (2004: €44.8 million) due to the slightly lower level of development activity and the rather conservative approach to capitalization in 2005. Other operating income, which increased by 23 percent to €79.1 million in the year under review (2004: €64.2 million), resulted primarily from the operational management of the Eurex Zürich derivatives exchange for SWX Swiss Exchange AG.

Deutsche Börse Group's EBITA increased by 35 percent year-on-year to €710.9 million (2004: €527.6 million). The EBITA margin rose to 44 percent (2004: 36 percent). This development was due in particular to the Eurex and Clearstream segments.

EBITA and profitability by segment

	2005		2004	
	EBITA €m	EBITA margin %	EBITA €m	EBITA margin %
Xetra	112.6	45	86.2	40
Eurex	253.9	50	174.9	43
Market Data & Analytics	45.5	35	45.1	37
Clearstream	233.4	37	177.5	31
Information Technology	91.1	20[1]	89.8	19[1]
Corporate Services	–33.2	–	–44.3	–
Reconciliation	7.6	–	–1.6	–
Total	**710.9**	**44**	**527.6**	**36**

[1] EBITA / (internal + external sales revenue)

The improved earnings situation as against the previous year is primarily due to the growth in sales revenue. Costs increased only slightly in the year under review, rising by 3 percent to €1,145.6 million. However, the development of the individual cost components was varied: while fee and commission expenses from banking business and staff costs were higher year-on-year, in some cases substantially, there was a reduction in consumables used, depreciation and amortization expense (excluding goodwill amortization and impairment) and other operating expenses.

The sharp rise in staff costs is due partly to one-time factors, such as a special bonus payment to employees and payments for termination benefits, as well as to higher costs in connection with the stock option plan for Executive Board members and senior executives of Deutsche Börse AG and its subsidiaries. Higher provisions had to be recognized after the Company's share price significantly outperformed the benchmark index Dow Jones STOXX® 600 Technology (EUR) (Return). The stock option plan is presented in detail in note 48 of the Notes to the Consolidated Financial Statements.

The increase in staff costs was partially offset by the decline in other operating expenses. Expenses relating to software development in particular were reduced.

The decrease in consumables used is attributable to the sale of the entory subgroup and its subsidiaries to Softlab GmbH with effect from 1 October 2005 and hence the elimination of consumables used in Q4/2005.

Cost overview	**2005** €m	**2004** €m	**Change** %
Fee and commission expenses from banking business	136.5	118.5	+15
Consumables used	25.7	33.6	–24
Staff costs	406.1	335.7	+21
Depreciation and amortization expense (excluding goodwill amortization and impairment)	161.4	191.0	–15
Other operating expenses	415.9	431.3	–4
Total	**1,145.6**	**1,110.1**	**+3**

Xetra segment

The number of transactions and the trading volume increased significantly in financial year 2005 on the back of the positive development of the equity markets. In particular, the sharp rise of the DAX in the second half of 2005 led to increased trading activity on Deutsche Börse Group's cash markets.

The number of transactions on the Xetra electronic trading system grew by 17 percent to 81.3 million, while the number of transactions on the floor of the FWB® Frankfurter Wertpapierbörse (the Frankfurt Stock Exchange) rose by 20 percent to 79.8 million.

Transactions on Xetra® and the Frankfurt Stock Exchange floor (in thousands)

	Xetra		Floor trading	
	2005	2004	2005	2004
Q1	19,570	20,152	19,789	23,163
Q2	19,270	16,364	17,592	15,129
Q3	21,832	15,748	21,423	13,057
Q4	20,630	17,108	21,013	15,361
Total	**81,302**	**69,372**	**79,817**	**66,710**

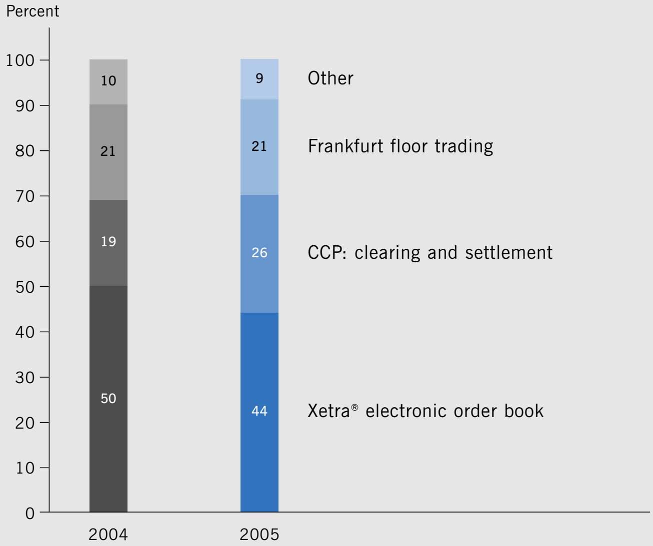
The trading volume (single counted) on the Xetra electronic trading system and on the floor of the Frankfurt Stock Exchange increased by 25 percent to €1,125.5 billion and by 4 percent to €115.9 billion respectively.

All in all, the Xetra segment increased its sales revenue by 15 percent to €247.7 million (2004: €216.3 million). Key factors in this development were income from Xetra and floor trading, as well as the equity central counterparty (CCP), listing fees and income from cooperation arrangements.

Following the change in the pricing models for the Xetra electronic trading system and the CCP with effect from 1 January 2005, the breakdown of sales revenue in the Xetra segment has shifted in favour of the CCP.

EBITA in the Xetra segment rose by 31 percent year-on-year to €112.6 million (2004: €86.2 million), producing an EBITA margin of 45 percent (2004: 40 percent). With costs remaining essentially unchanged compared with the previous year, the increase in the Xetra segment's profitability is due mainly to the growth in sales revenue.

Breakdown of sales revenue in the Xetra segment



Eurex segment

Trading volumes on the Eurex derivatives exchange, a joint venture of Deutsche Börse AG and SWX Swiss Exchange AG, remained at a high level throughout the year. The development of long-term interest rates in the euro zone resulted in high contract volumes in capital market product trading in the first half of 2005 in particular. In the second half of 2005, equity- and index-based products recorded high growth rates on the back of the pronounced upward trend on the equity markets.

Overall, trading activity increased by 17 percent year-on-year to a new record level of 1,249 million traded contracts (2004: 1,066 million).

Contract volumes in Eurex's product groups	**2005** millions of contracts	**2004** millions of contracts	**Change** %
Equity index products	334	279	+20
Equity products	256	212	+21
Capital market products:	659	575	+15
Euro-Bund Future	299	240	+25
Euro-Bobl Future	158	159	–1
Euro-Schatz Future	141	123	+15
Other products	61	53	+15
Total	1,249	1,066	+17

For many years, Eurex trading volumes have largely been based on orders from international market participants, whose share of the total trading volume remained unchanged year-on-year in 2005 at 81 percent.

Sales revenue rose by 24 percent year-on-year to €503.5 million (2004: €407.4 million). This was a result of increased trading activity and the revised split of Eurex's revenue and earnings between Deutsche Börse AG and SWX Swiss Exchange AG. Since the start of 2005, Deutsche Börse AG has received 85 percent of Eurex's revenue and earnings and SWS Swiss Exchange AG receives 15 percent. In previous years, the split was 80 percent for Deutsche Börse AG and 20 percent for SWX Swiss Exchange AG.

EBITA in the Eurex segment rose by 45 percent year-on-year to €253.9 million (2004: €174.9 million), producing an EBITA margin of 50 percent (2004: 43 percent). Costs increased slightly as against the previous year; this was due to higher staff costs and amortization relating to the Eurex US derivatives exchange in the USA.

Market Data & Analytics segment

In 2005, sales of information and services for financial market data in the Market Data & Analytics segment developed steadily across all areas (sales of price information, index business and reference data business).

The sales revenue generated by the segment rose by 7 percent year-on-year to reach €130.0 million (2004: €121.7 million). The distribution of real-time data from the cash and derivatives markets operated by Deutsche Börse Group accounted for around 79 percent of this figure (2004: 77 percent).

EBITA in the Market Data & Analytics segment increased slightly by 1 percent to €45.5 million (2004: €45.1 million), while the EBITA margin amounted to 35 percent (2004: 37 percent). Despite the growth in sales revenue, earnings did not improve significantly as against the previous year.

This was due to higher staff costs and increases in other operating expenses resulting from investments in products and services.

Clearstream segment

Business in the Clearstream segment was driven by the increase in the number of settlement transactions and the growing volume of securities under custody.

The overall value of securities deposited with Clearstream, which is the decisive factor for the level of deposit fees in the custody business, rose by 15 percent to €8,752 billion (2004: €7,593 billion). The value of the securities deposited with Clearstream Banking S. A. increased by 17 percent to €3,425 billion (2004: €2,937 billion). Among other things, this positive development was due to the higher issue volume of international fixed-income securities. The value of the securities deposited with Clearstream Banking AG rose by 14 percent to €5,326 billion (2004: €4,657 billion); this was mainly due to the higher valuation of the domestic equities deposited.

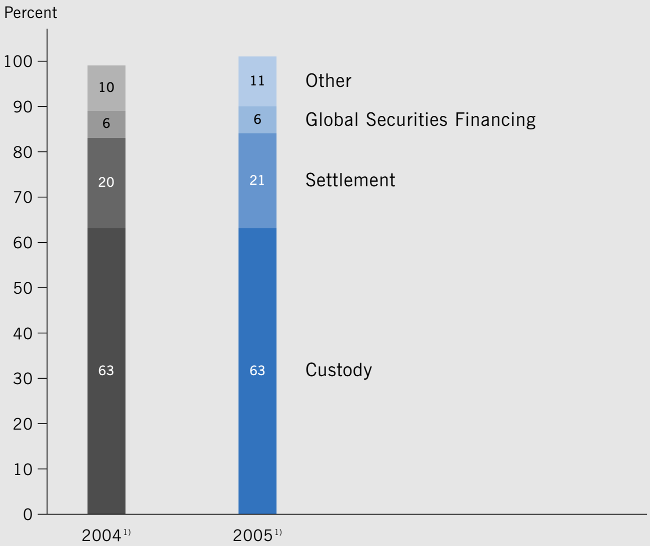
In Clearstream's settlement business, the number of international settlement transactions rose substantially by 19 percent to 20.4 million due to the increase in trading in international securities, particularly Eurobonds. By contrast, Clearstream Banking AG's domestic settlement activities grew only slightly, despite the significant rise in trading activity on the cash markets: the number of settlement transactions increased from 32.8 million in 2004 to 33.5 million in 2005. The main reason for this comparatively small increase was the expansion of the CCP to include transactions in foreign equities and exchange-traded index funds. The CCP acts as a counterparty between the trading parties and offsets buy and sell orders against each other (netting). This substantially reduces the number of settlement transactions required.

In the case of its Global Securities Financing services, which primarily comprise the tripartite repo, collateral management and securities lending products, Clearstream increased the average monthly outstanding volume by 55 percent to €210.9 billion in December 2005 (December 2004: €136.4 billion).

Clearstream segment: Key indicators	**2005**	**2004**	**Change**
Average cash reserves	€bn	€bn	%
Total	3.796	3.194	+19
Euro	1.650	1.395	+18
US dollar	1.181	1.109	+6
Other currencies	0.965	0.690	+40
Custody	€bn	€bn	%
Value of securities deposited as at 31 December	8,752	7,593	+15
Clearstream Banking S. A., international	3,425	2,936	+17
Clearstream Banking AG, international	510	339	+50
Clearstream Banking AG, domestic	4,816	4,318	+12
Settlement	m	m	%
Securities transactions	53.9	50.0	+8
Clearstream Banking S. A., international	14.5	12.6	+15
Clearstream Banking AG, international	5.9	4.6	+28
Clearstream Banking AG, domestic	33.5	32.8	+2
Global Securities Financing	€bn	€bn	%
Average outstanding volume in December			
Clearstream Banking S. A., international	210.9	136.4	+55

In 2005, the Clearstream segment increased its sales revenue by 9 percent to €630.5 million (2004: €578.8 million) and its net interest income from banking business by 46 percent to €112.7 million (2004: €77.1 million).

Breakdown of sales revenue in the Clearstream segment



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

Clearstream segment EBITA rose by 31 percent to €233.4 million (2004: €177.5 million). The EBITA margin improved substantially to 37 percent (2004: 31 percent) due to the fact that costs remained essentially unchanged year-on-year while sales revenue increased sharply.

Information Technology segment

The Information Technology segment reported a stabilization in demand for IT services. To increase the focus on the products and services business along the capital market infrastructure supply chain, the entory subgroup and its subsidiaries were sold to Softlab GmbH with effect from 1 October 2005. In financial year 2005, hence, segment sales revenue generated from external business partners decreased by 4 percent to €119.8 million (2004: €125.4 million). The internal sales revenue generated from business with other segments within Deutsche Börse Group, however, remained stable year-on-year to reach €340.6 million (2004: €340.0 million).

In 2005, EBITA in the Information Technology segment increased only slightly by 1 percent to €91.1 million (2004: €89.8 million). This reflected several effects that largely offset each other overall. The increase in staff costs due to the stock option plan and the special bonus paid to employees impacted EBITA, while positive effects resulted from the sale of the entory subgroup. The portion of the total proceeds from the sale in excess of the carrying amount of the entory subgroup was recognized as other operating income in the fourth quarter.

Development of profitability

Deutsche Börse Group's return on equity – the ratio of after-tax earnings to the average equity available to the Company in 2005 – rose to 17.7 percent (2004: 10.9 percent). This was largely due to the growth in earnings, but also affected by the fall in equity relating to the capital management program.

The weighted average cost of capital (WACC) after taxes amounted to 6.7 percent in the year under review (2004: 6.9 percent). WACC is generally used as the discount rate when valuing companies using the so-called discounted cash flow method.

Deutsche Börse's cost of capital	2005 %	2004 %
Risk-free interest rate[1]	3.4	3.7
Market risk premium	5.0	5.0
Beta[2]	1.0	0.9
Cost of equity[3] (before taxes)	7.9	8.2
Cost of debt[4] (before taxes)	3.7	3.5
Tax shield[5] 37%	1.4	1.3
Cost of debt (after taxes)	2.3	2.2
Equity ratio[6] (annual average)	77	79
Debt ratio[7] (annual average)	23	21
WACC (after taxes)	6.7	6.9
WACC (before taxes)	7.0	7.2

1) Average return on ten-year German Federal Government Bonds
2) 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 denotes greater volatility than the overall market and a beta below 1 less volatility.
3) (Risk-free interest rate + market premium) x beta
4) Interest rate on a €500 million corporate bond issued by Deutsche Börse Finance S.A.
5) 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.
6) 1 – debt ratio
7) (Total liabilities – financial instruments of Eurex Clearing AG – liabilities from banking business – cash deposits by market participants – total current and noncurrent provisions) / (total assets – financial instruments of Eurex Clearing AG – liabilities from banking business – cash deposits by market participants); basis: average balance sheet positions in financial year based on quarterly figures

Deutsche Börse Group's profitability is also demonstrated by its return on capital employed (ROCE). In 2005, the ROCE of 47.4 percent (2004: 30.7 percent) exceeded the weighted average cost of capital (WACC) after taxes.

Return on capital employed (ROCE)	2005 €m	2004 €m
EBITA	710.9	527.6
Intangible assets, property, plant and equipment[1]	1,595.1	1,743.4
+ Equity investments[1]	36.1	35.3
+ Cumulative goodwill amortization and impairment	184.8	236.5
+ Trade receivables and other non-interest-bearing current assets[1]	268.1	267.8
– Non-interest-bearing provisions[1]	356.5	363.1
– Non-interest bearing liabilities[1]	226.8	202.3
= Capital employed	1,500.4	1,717.6
ROCE: EBITA as % of capital employed	47.4%	30.7%

1) Average figures for the year

Financial position

Operating cash flow

Deutsche Börse Group generated strong cash flow from its operating activities of €667.7 million in 2005 (2004: €439.6 million). This increase is primarily attributable to the higher net income and an increase in current provisions.

The Group invested €64.5 million (2004: €82.9 million) in intangible assets and property, plant and equipment. Cash flows from investing activities increased to €465.5 million (2004: €–33.5 million) due to the policy of investing in short duration deposits as at 31 December 2005. The Group generated further negative cash flows of €791.3 million (2004: €64.8 million) from financing activities, mainly for the purchase of its own shares within the scope of its capital management program, which was launched in 2005.

Cash flow statement (condensed)	2005 €m	2004 €m
Cash flows from operating activities	667.6	439.6
Cash flows from investing activities	465.5	–33.5
Cash flows from financing activities	–791.3	–64.8
Cash and cash equivalents as at 31 December	1,045.3	703.4

Cash and cash equivalents amounted to €1,045.3 million at the end of 2005 (2004: €703.4 million). Strong cash flows from operating activities ensure Group liquidity. At €604.2 million (2004: €359.8 million), free cash flow, i.e. cash flows from operating activities less payments to acquire noncurrent assets, significantly exceeded the previous year's level.

Capital Management Program

Under this program, the Company is distributing funds not required for the Group's operating business to shareholders. These measures are subject to special investment needs and capitalization requirements. The program is the result of an intensive review of capital requirements, which considered the

Group's capital needs from legal, regulatory, credit rating and economic capital perspectives. In particular, to ensure the continued success of its Eurex central counterparty and Clearstream custody businesses, which account for more than half of the Group sales and operating cash flow, Deutsche Börse believes it is necessary that the Group maintains strong "AA" credit ratings. Customers in these business areas require a service provider with a strong credit rating. Net tangible equity was defined as the management performance indicator for capital requirements in 2005. An amount of around €1 billion was calculated as the minimum required to ensure the Group's strong credit rating. Deutsche Börse Group's net tangible equity amounted to €1,115.2 million as at 31 December 2005 (2004: €1,440.7 million).

In May 2005, the Company had announced its intention to distribute a total of around €1.5 billion to its shareholders in the period up to the end of May 2007. In 2005, the Company repurchased around 10.6 million shares worth €726.3 million, and paid a dividend of €74.1 million in May 2005. This means that some €800 million was distributed to shareholders in the year under review. The Company retired 5.9 million of the 10.6 million repurchased shares on 24 May 2005, and 0.1 million shares were acquired by employees on 30 June 2005 as part of the Group Share Plan. As at 31 December 2005, the remaining 4.6 million shares were held by the Company as treasury shares.

Deutsche Börse Group will continue to review its capital requirements as part of its regular planning process.

Dividend

Deutsche Börse Group aims to substantially increase its distribution ratio as part of its capital management program. In this context, a dividend of €2.10 per no-par value share will be proposed to the Annual General Meeting for fiscal year 2005 – a three-fold increase year-on-year (2004: €0.70). For 100,278,653 shares in issue carrying dividend rights for 2005, this produces a total distribution of €210.6 million (2004: €74.1 million).

Credit ratings

Deutsche Börse AG and Clearstream Banking S.A. have commissioned the rating agencies Fitch, Moody's and Standard & Poor's to rate their creditworthiness on a regular basis. Following the announcement of the program to optimize the Group's capital structure, Fitch and Standard & Poor's downgraded their long-term ratings slightly from AA+ to AA.

Ratings of Deutsche Börse AG	Long-term	Short-term
Moody's	Aa1	P-1
Standard & Poor's	AA	A-1+

Ratings of Clearstream Banking S.A.	Long-term	Short-term
Fitch	AA	F1+
Standard & Poor's	AA	A-1+

Other

As in the previous year, Deutsche Börse AG received no government grants or other assistance in 2005.

Net assets

Deutsche Börse Group's noncurrent assets amounted to €2,007.8 million as at 31 December 2005 (2004: €2,162.7 million). Goodwill of €1,071.5 million (2004: €1,104.5 million), mainly from the acquisition of Clearstream International S.A., represented the largest part of these noncurrent assets. The Group invests primarily in trading and settlement systems, which are capitalized as software and amortized over the expected useful life. As at 31 December 2005, the balance sheet showed software with a residual carrying amount of €188.8 million (2004: €254.9 million).

Clearstream International S.A. has also invested in office real estate in Luxembourg. These buildings are partly used by the Group itself and partly let.

They were carried in the balance sheet as land and buildings (2005: €122.1 million, 2004: €124.7 million) or as investment property (2005: €107.3 million, 2004: €114.7 million).

Securities from banking business amounted to €329.4 million (2004: €355.2 million) and represented the majority of the noncurrent financial assets. As interest rates are very low, cash funds from maturing securities were reinvested in short-term deposits.

Noncurrent assets were offset by equity amounting to €2,200.8 million (2004: €2,552.5 million) and debt, mainly from a corporate bond, of €501.6 million (2004: €502.3 million).

In the year under review, the Company converted its unfunded defined benefit obligations into partly or wholly funded defined benefit obligations under a contractual trust arrangement (CTA), and removed the unfunded obligations from the balance sheet accordingly. As a result, provisions for pensions and other employee benefits fell to €26.7 million (2004: €79.0 million). This position is presented in detail in note 25 of the Notes to the Consolidated Financial Statements.

Depreciation and amortization expense (other than goodwill amortization and impairment) amounted to €161.4 million (2004: €191.0 million), while investments were considerably lower. Overall, Deutsche Börse Group invested €64.5 million in the year under review, 20 percent less than in the previous year (2004: €82.9 million). The main focus of these investments were the segments Information Technology, Eurex and Clearstream.

Technical closing date balance sheet items
The balance sheet items “current receivables and securities from banking business” and “liabilities from banking business” are technical closing date items that are strongly correlated, having fluctuated between roughly €5 and €9 billion in the year under review. These amounts mainly represent customer balances within the international Clearstream settlement business.

The balance sheet item “Financial instruments of Eurex Clearing AG” relates to the function of Eurex Clearing AG: as it acts as the central counterparty for Deutsche Börse Group’s various markets, its financial instruments are carried in the balance sheet at their fair value. The financial instruments of Eurex Clearing AG are described in detail in notes 3 and 18 of the Notes to the Consolidated Financial Statements.

Market participants linked to Eurex Clearing provide collateral partly in the form of cash deposits, which are subject to daily adjustments. The cash deposits are generally invested securely overnight by Eurex Clearing AG and reported in the balance sheet under “restricted bank balances”. The total value of cash deposits varied in the year under review between roughly €0.9 and €1.6 billion.

Working capital/operating capital
As Deutsche Börse Group debits fees for most of its services directly after the end of the month, the trade receivables of €163.2 million as at 31 December 2005 (2004: €155.0 million) were relatively low when compared with the sales revenue. For this reason, the Group had negative working capital of €–188.2 million at the end of 2005 (2004: €–76.5 million), the rise being mainly due to an increase in tax provisions. Working capital is the sum of current assets less current liabilities, excluding receivables, securities and liabilities from banking business as well as bank balances.

Risk report

Risk management is an elementary component of the management and control of Deutsche Börse Group. Effective and efficient risk management is fundamental to safeguarding the Group's interests, both in terms of its corporate goals and its continued existence. The Group has therefore established a group-wide risk management concept for processes, roles and responsibilities applicable to all staff and organizational entities of Deutsche Börse Group. This concept is designed to ensure that emerging risks can be identified and dealt with at an early stage.

Risk management: Organization and methodology

The risk management framework of Deutsche Börse Group, as stated in the Group Risk Management Policy, aims at ensuring that all threats, causes of loss and potential disruptions are properly identified in good time, centrally recorded and assessed (quantified in financial terms to the greatest possible extent). It must ensure that the most appropriate treatment is applied and that a consolidated report is submitted in good time to the Executive Board of Deutsche Börse AG. The Executive Board of Deutsche Börse AG takes direct ownership of all risk management matters.

The information on all material risks – whether existing or potential – and the related risk control measures is routinely reported on a monthly basis and, when deemed necessary, on an ad hoc basis to the Executive Board, allowing them to direct appropriate actions.

While the Executive Board is ultimately responsible for the management of all risks, Deutsche Börse Group has adopted a two-tier approach. First, there is a decentralized risk management organization where primary responsibility for risk identification, notification and control within defined parameters is assigned to the relevant departments. Second, risk assessment and risk reporting is assigned to a central function unit with Group-wide responsibilities, the Group Risk Management department.

Deutsche Börse Group has developed its own Corporate Risk structure and distinguishes between operational, financial, project and business risks (see chart on page 101).

Internal Auditing ensures that the adequacy of the risk control and risk management functions is monitored through independent audits. The results of these audits are also fed into the risk management system.

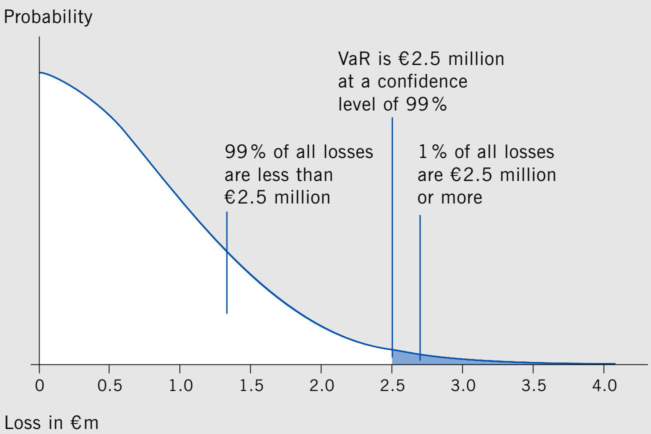
Group-wide risk management instruments

Deutsche Börse Group gives considerable attention to its risk mitigation process and ensures that appropriate measures are taken for the avoidance, reduction, transfer, or intentional acceptance of the risk.

Deutsche Börse Group has installed a standardized approach for measuring and reporting all gross and residual operational, financial and business risks across its organization: the widespread concept of "value at risk" (VaR). The purpose is to allow the overall risk appetite to be expressed in a comprehensive and easily understood way, and to facilitate the prioritization of risk actions.

The VaR quantifies existing and potential risks. It denotes the maximum cumulative loss Deutsche Börse Group could face resulting from independent loss events materializing over a specific time horizon for a given probability. Deutsche Börse Group's models are based on a one-year time horizon, 99 percent confidence level and assumption of uncorrelated events.

Example illustrating risk distribution and the confidence level set at 99 percent



This means that there is a 99 percent probability that the cumulative loss within the next year will be below €2.5 million and, conversely, that there is a 1 percent probability of one or more losses occurring within the next year which, in total, will be equal to or greater than the VaR calculated.

The calculation of the VaR is a three-step process:

1. Determination of the loss distributions for every single risk: This is achieved using historical data (such as market data, default, claim or outage history) or best expert opinion. The losses related to a risk could, for example, be distributed triangularly (used e.g. for macroeconomic risks) or on a yes-no basis (used e.g. for credit risk, where a counterparty either defaults or fulfills).

2. Simulation of losses using the Monte Carlo method: A Monte Carlo simulation is used to run multiple trials of all random loss distributions at the same time in order to achieve a stable VaR calculation. This produces a spread of possible total losses.

3. Calculation of VaR on the basis of the Monte Carlo simulations: To do this, the results of the Monte Carlo simulation are arranged in descending order by size. If there are e.g. 100 simulations and a 99 percent confidence level is required, the second biggest loss is the corresponding VaR estimation.

In order to determine whether Deutsche Börse Group can bear the risk of a possible loss, the VaR calculated is compared against the then current EBITA forecasts. As at 31 December 2005, the total VaR of the Group represented less than half of its 2005 EBITA. That situation further improves when the risk mitigation provided by Deutsche Börse Group's customized insurance program is also considered.

Risk structuring and assessment

The following sections describe the relevant individual risks in more detail.

Operational risk

Operational risk encompasses all existing and newly arising risks in the context of the ongoing and continuous provision of services by Deutsche Börse Group. In terms of content, operational risk is defined as the risk of loss resulting from inadequate or defective systems and internal processes, from human or technical failure, from inadequate or

Risk system of Deutsche Börse Group

Corporate risk

Operational risks	**Financial risks**	**Project risks**	**Business risks**
Availability	Credit risk	Impact on operations	Macroeconomic risk
Service deficiency	Market risk	Impact on financials	Revenues
Damage to physical assets	Liquidity risk	Impact on business	Costs
Legal risks	Regulatory requirements		Regulatory evolution

defective external processes, from damage to physical assets and from legal risks. For Deutsche Börse Group, the main risks in this risk category lie in the uninterrupted and smooth delivery of its core products. In particular, they include the Xetra and Eurex cash and derivatives market trading systems, as well as the CCP, CASCADE and Creation clearing and settlement systems.

Operational risks that Deutsche Börse Group does not wish to retain and that can be insured at a reasonable price are transferred by taking out insurance policies. All insurance policies are coordinated centrally, thereby ensuring that uniform risk/cost benefit insurance cover is in place for the entire Deutsche Börse Group. The most significant policies of the insurance program are individually reviewed and approved by the Executive Board of Deutsche Börse Group.

(a) Availability risk

Availability risk results from the fact that resources essential to Deutsche Börse Group's service offering could fail, thereby making it impossible to deliver services on time or at all. This risk is therefore one of the most critical for the Group. Possible triggers include hardware and software failures, operator and security errors, and physical damage to the data centers.

For instance, it cannot be excluded that in the unlikely case of a lengthy outage of Eurex trading systems while the market is very volatile, market participants try to make significant claims against Deutsche Börse Group if they can demonstrate that they wanted to, but were unable to close their positions during the outage time.

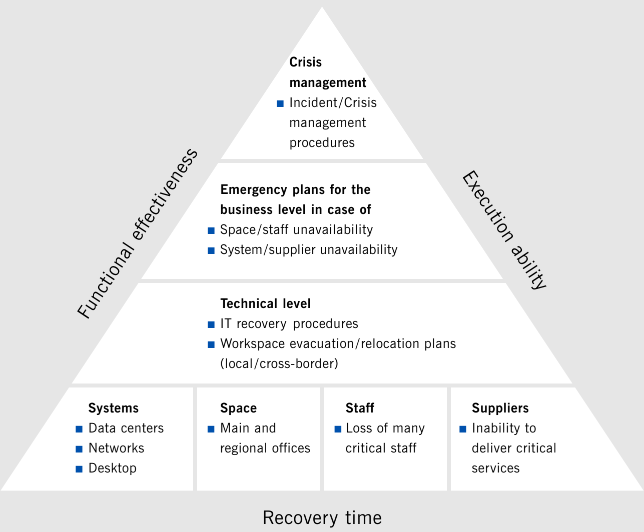
In particular, Deutsche Börse Group manages availability risk through intensive activities in the field of business continuity management (BCM). BCM encompasses all the processes that ensure business continues as normal, even if a crisis occurs, and therefore substantially reduces availability risk. It relates to arrangements for all the key resources (systems, space, staff, suppliers), including the redundant design of all critical IT systems and technical infrastructure, as well as back-up workspaces located in each of the main operational centers available for employees in critical functions.

Those BCM arrangements are regularly tested according to the three following dimensions:

- Functional effectiveness: validate that the arrangements are technically functioning
- Execution ability: ensure that staff are familiar with and knowledgeable in the execution of the plans and procedures
- Recovery time: confirm that the plans and procedures can be executed within the defined recovery time objective

This is illustrated in the diagram below.

Three dimensions of business continuity management



Service availability of Deutsche Börse Group's main products was again over 99.9 percent in 2005 and thus complied with the high standards specified for reliability.

(b) Risk of service deficiency

In contrast to availability risk, the occurrence of processing errors does not prevent Deutsche Börse Group from providing services to its customers. However, errors or omissions may occur that relate mainly to manual input. Despite all the automated systems and efforts aimed at delivering straight-through processing (STP), there is still a requirement for manual work. In addition, manual intervention in market and system management is necessary in special cases.

In 2005, sustained improvements were again made to reduce the potential risk of processing errors – either through a reduction in the amount of manual intervention necessary or through better protection. No significant losses occurred as a result of processing errors in 2005. Neither did last year provide any indication of events that could lead to significant losses in the future.

Nevertheless, it should be noted that risk management processes do not guarantee that incidents, claims and resulting loss will not occur, nor can it predict the specific occurrence of particular risk events. Despite all the risk mitigation measures deployed, Deutsche Börse Group remains exposed in certain business segments, i.e. in the custody area, to the risk of inadequate handling of customer instructions, which could, in extreme circumstances, result in significant losses.

(c) Damage to physical assets

This category includes the risks due to accidents and natural hazards, as well as terror and sabotage. No losses occurred as a result of damage to physical assets in 2005. Neither are there any indications of acute risks.

(d) Legal risks

Legal risks include losses that could arise as a result of non- or inappropriate compliance with new or existing laws, inadequate contractual frameworks, or court decisions in the context of corporate governance. Deutsche Börse Group has aligned its Group Compliance function that seeks to protect the Group from any prejudice that may result from the failure to comply with applicable laws, regulations and standards of good practice, with a particular focus on the following topics:

- prevention of money laundering and terrorist financing
- professional and banking secrecy
- prevention of insider dealing
- prevention of market manipulation
- prevention of fraud
- prevention of conflicts of interest and corruption
- data protection

No losses occurred as a result of legal risks in 2005. Neither are there any indications of acute risks.

Financial risk

Deutsche Börse Group is exposed to financial risks mainly in the form of credit risk within the Clearstream subgroup, Eurex Clearing AG and the treasury business. On a very small scale, there are also market risks from cash investments and liquidity risks. The exposure to the above risks is mitigated through the existence of effective control measures.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default and Deutsche Börse Group's claims on this counterparty cannot be met in full or at all.

The Clearstream subgroup extends loans to its customers in order to increase the efficiency of securities transaction settlement. However, these lending operations cannot be compared with those of other credit institutions, as the Clearstream subgroup's loans are solely short-term, largely collateralized and only extended for settlement purposes and to customers with very good credit ratings. Furthermore, they can be revoked at any time.

Eurex Clearing AG acts as a central counterparty and thus assumes trading parties' credit risk. This applies to transactions at Eurex Deutschland, Eurex Zürich, Eurex Bonds, Eurex Repo and to a segment of cash market trading on Xetra and on the floor of the Frankfurt Stock Exchange, as well as on the Irish Stock Exchange. Eurex Clearing AG also clears over-the-counter trading of futures and options, provided that these contracts have specifications that comply with those of the contracts approved for trading at the Eurex exchanges. Eurex Clearing AG has various lines of defence through which it protects itself, such as securities as collateral and clearing guarantees. Intraday risk controls and daily stress tests ensure the adequacy of the lines of defence. If necessary, requests are made for additional intraday collateral. SWX Swiss Exchange AG has guaranteed to compensate for claims that Eurex Clearing AG may incur in the context of transaction settlement. This guarantee is restricted to 15 percent of €700 million.

There are further credit risks associated with the Treasury department's cash investments. This risk is reduced through investment limits for each counterparty and through largely collateralized investments.

In 2005, counterparties did not default on any of the types of transaction described.

(b) Market risk

Market risks can arise in connection with cash investments as a result of fluctuations in interest rates and currencies. In 2005, market risks were hedged largely through swap transactions, whereby future cash flows that are uncertain due to market risks are exchanged for cash flows where the amount is guaranteed. Regular reviews ensure the effectiveness of these hedges.

(c) Liquidity risk

Deutsche Börse Group is exposed to liquidity risk in that it may lack sufficient liquidity to meet its daily payment obligations or incur increased refinancing costs in the event of liquidity bottlenecks. Daily and intraday liquidity is monitored by Treasury and managed with the help of a limit system. Extensive credit lines are available to provide cover in extreme situations. The credit lines are presented in detail in note 43 of the Notes to the Consolidated Financial Statements. In 2005, Deutsche Börse Group's excess liquidity was high, as a result of which no liquidity bottlenecks occurred.

(d) Regulatory requirements

The Clearstream subgroup, Clearstream International S.A., Clearstream Banking S.A. and Clearstream Banking AG as well as Eurex Clearing AG must meet the equity and liquidity requirements specified by the national supervisory authorities. They consistently achieved these ratios throughout 2005.

Project risk

Project risks can arise as a result of project implementation (launch of new products, processes or systems), which may have a significant impact on one of the three other risk categories of operational, financial or business risks. These risks are assessed as described in the above sections and are addressed in the early stages of major projects. All projects that were planned and implemented in 2005 carried no or only limited risk. They did not trigger a change in the overall risk profile of Deutsche Börse Group. Issues connected with the delivery of projects, such as budget risk, quality/scope risk and deadline risk are separately monitored by the Corporate Project Coordination unit and are reported on a monthly basis to the Executive Board.

Business risk

The business risk reflects the relative sensitivity of the Group to the macroeconomic developments and its vulnerability to event risk arising from external threats. It is translated in EBITA terms, reflecting both some volatility in topline earnings and a potential increase in the structural cost base.

(a) Macroeconomic risk

The earnings position of Deutsche Börse Group is directly or indirectly subject to the evolution of a number of macroeconomic factors (e.g. interest rates, GDP growth, index value, index volatility). The resulting overall downside potential is limited thanks to the effective diversification of Deutsche Börse Group's business model, which currently spans operating systems for 16 cash and derivatives markets and offers settlement and custody services both for nationally and internationally traded equities and bonds. A review of macroeconomic assumptions is performed on a quarterly basis.

(b) Revenue and cost risk and risk from regulatory evolution

Deutsche Börse Group's earnings position may also be adversely affected by external threats – either endogenous changes to the market structure and the business environment or exogenous changes, such as the evolution of the regulatory environment. For each of the three major segments of the Group (Eurex, Clearstream and Xetra), scenarios are established around the most significant risk events and quantitatively assessed. The respective departments of Deutsche Börse Group closely monitor the developments in order to take early mitigation actions.

One of the key aspects of the Group's core business is institutional liquidity, which generates the particular advantage of low transaction costs for the institutional trading of standardized investment instruments. 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 proposition from the market perspective, the business risk of losing substantial institutional liquidity is very low. Deutsche Börse Group guarantees neutrality, i.e. independence from individual intermediaries, and efficient, transparent price discovery in its trading systems.

A commonality in the industry is the 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. However, as the key accounts for the trading systems differ from those of Clearstream, the settlement and custody organization, this leads to diversification and thus partly offsets the dependencies on specific key accounts at Group level.

Regulatory environment

Deutsche Börse Group has been closely monitoring the evolution of the EU Capital Requirements Directives (Basel II) from the early stage until its finalization in October 2005. The Group is currently also actively following the development of the transposition of the international framework to the national regulatory level (which is not yet completed in all locations it operates) in order to fulfill the new local requirements in good time.

More specifically in Germany, a circular on "MaRisk" (minimum requirements for risk management) for credit institutions and financial service providers was published by the German Federal Financial Supervisory Authority (BaFin) on 20 December 2005. MaRisk acts as an integrated document based on section 25a of the Kreditwesengesetz (KWG – German Banking Act) and replaces the minimum requirements for trading activities (MaH), minimum requirements for credit activities (MaK) and minimum requirements for internal audit (MaIR) circulars. MaRisk constitutes the basis for the implementation of the second pillar of Basel II (Supervisory Review Process). Besides the requirements for risk management, the MaRisk circular also includes requirements for internal audit as well as for the lending and trading business.

Within Deutsche Börse Group, the Clearstream Banking AG and Eurex Clearing AG subsidiaries are required to comply with MaRisk. Most of the MaRisk requirements were already implemented as a standard at both subsidiaries. Additional requirements will be implemented by the responsible line departments. As of today, this will be completed in compliance within the deadline stipulated by the BaFin.

Summary

Based on the market environment and Deutsche Börse Group's business model, the Executive Board considers the risks for the Group to be limited and manageable. No significant changes in the risk profile are expected in financial year 2006.

Report on post-balance sheet date events

Under its share buy-back program, Deutsche Börse AG repurchased 1.0 million shares with a value of €94.5 million in the period from 1 January to 20 February 2006. The average repurchase price was €94.54. The share buy-back is part of the ongoing capital management program to optimize the Group's capital structure.

Report on expected developments

The report on expected developments describes the expected development of Deutsche Börse Group in financial years 2006 and 2007. It contains forward-looking statements and information, i.e. statements and information on events in the future, not in the past. These prognoses are based on the Company's expectations and presumptions at the time of publication of this forecast report. These expectations and presumptions are subject to known and unknown risks and uncertainties. Numerous factors influence the success, the business strategy and the financial results of the Company. A number of these factors are outside the Company's control. Should one of the risks or uncertainties take place or one of the presumptions made turn out to be incorrect, the actual development of the Company could differ, in both a positive or a negative way, from the forward-looking statements and information in this report.

Development of operating environment

Deutsche Börse Group expects the financial markets to continue to improve in 2006 and 2007, primarily under the assumption of sustained economic growth in Europe. Leading economic research institutes forecast real GDP growth in this region of around 2 percent in 2006. Deutsche Börse Group concurs with this estimate. Analysts at investment banks and research institutes expect Germany's DAX blue-chip index to hit around 5,750 points at the end of 2006. Should this expectation be confirmed, this would correspond to growth of roughly 6 percent in the course of 2006 and approximately to the level of growth forecast by the Group for the German equity market over a period of several years. If the blue-chip index DAX remains significantly below the level prognosed by analysts for a considerable length of time, this could have a negative effect on sales revenue in the Xetra segment in particular, but also on a part of the Eurex business. However, as the DAX is only one of the drivers in the diversified business model of Deutsche Börse Group, the Company is confident that it can compensate, wholly or partially, for deviations to expectations.

The Company is not expecting any significant changes in its business policy in the forecast period at present. On the basis of its successful business model that covers the entire process chain for securities transactions, Deutsche Börse Group will continue to observe industry trends in the financial markets worldwide, and leverage them for its products and services. The Group's key strategic goal is to provide all customers with outstanding services.

Development of results of operations

On the basis of an assumed positive development in the financial markets coupled with Deutsche Börse Group's successful business model, the Company is forecasting further growth in both sales revenue and EBITA for 2006 and 2007.

The expected increase in sales revenue depends heavily on an assumed improvement in the financial markets. Deutsche Börse Group furthermore believes that it can develop additional sources of revenue triggered by structural changes and by launching new products and services. All in all, the Company is expecting its sales revenue to grow faster than GDP. The development of sales revenue in the Xetra segment will continue to depend primarily on the equity markets. On the basis of economic growth forecasts, Deutsche Börse Group is predicting an annual single-digit value increase in these markets in the long term. The volatility of the equity markets, i.e. fluctuations in securities prices or indices above or below an average value, has been historically low for several years. If volatility increases, this could provide an additional boost to the Xetra segment's growth in the short term. In the Eurex derivatives market segment, growth in contract volumes of equity- and index-based products will also depend mainly on the development of the equity markets. In addition, the fact that derivatives market products are being increasingly used for a variety of investment strategies is a key structural growth factor here. In the case of interest rate products, Deutsche Börse Group predicts that changes in long-term interest rates in the euro zone will contribute to growth, in particular if they differ from market expectations. Stable long-term interest rates over a longer period of time could have a negative impact on growth in interest rate products. Such a development is, however, not envisaged for the forecast period. With regard to the Market Data & Analytics segment, the Company is forecasting a slight increase in sales revenue in line with macroeconomic development. Growth in the Clearstream segment will also partly depend on the development of the equity markets; however, a greater increase in revenue is expected from the settlement and custody of international fixed-income securities. The Company predicts that the volume of fixed-income securities issued internationally will continue to grow faster than that of securities issued nationally. However, a substantial hike in long-term interest rates could impact Clearstream's business overall, as issuing activity would be expected to fall. As Deutsche Börse Group faces significant competition in the areas of settlement and custody of international bonds, loss of market share and a consequent reduction in Clearstream's sales revenue could occur. The Company does not expect any significant loss of market share for the forecast period.

In addition to higher sales revenue, Deutsche Börse Group is forecasting an increase in net interest income from banking business. Although the Group anticipates a decline in customer deposits due to improved liquidity management, it regards an increase in the short-term euro and US dollar interest rates that are relevant to this business as probable within the end of the forecast period.

The Company does not expect any significant increase in total costs for financial years 2006 and 2007 thanks to its continuing active cost management, although a slight increase in staff costs, partly due to inflation, is expected and fee and commission expenses from banking business are likely to rise due to higher settlement and custody volumes.

On the basis of this cost discipline and the scalability of its business model, the Company expects its EBITA to grow faster than sales revenue in the forecast period. If, for example, sales revenue were to rise by 5 percent, Deutsche Börse Group would expect a corresponding EBITA increase of around 10 percent assuming an unchanged cost base. In the long term, the Company considers an annual increase in sales revenue some percentage points above GDP to be possible.

Development of financial position

The Company expects its ongoing business activities to continue to generate positive operating cash flow. As part of its cash flows from investing activities, Deutsche Börse Group plans to invest around €80 million per year in intangible assets and property, plant and equipment in the forecast period (2005: €64.5 million). These investments are meant to be used primarily to develop new and enhance existing Group products and services, focusing on the Eurex and Clearstream segments.

Under the capital management program, the Group will make funds surplus to business requirements available to the shareholders in the forecast period. In the year under review, the Company paid out some €800 million of the total volume of €1.5 billion announced in May 2005. It now plans to distribute a further €700 million via share buy-backs and dividend payments up to and including May 2007. Under its new dividend policy, Deutsche Börse Group aims to distribute 50 to 60 percent of its net income to shareholders for financial year 2006.

When it announced the capital management program, Deutsche Börse Group's objective was to achieve a return on equity after taxes of 20 percent in 2007. As a result of the expected growth in its operating profit and the ongoing capital management program, the Company now expects to achieve this goal in 2006.