DEUTSCHE BÖRSE GROUP

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Quarterly statement

Quarter 3/2017

Q3/2017: Deutsche Börse Group achieves solid results

Quarterly results at a glance

- Deutsche Börse Group's net revenue slightly grew to €576.3 million in the third quarter of 2017 (Q3/2016: €558.5 million). Deutsche Börse Group was particularly successful in increasing net revenue in structural growth areas such as Clearstream's investment funds business, the index business, and 360T. Meanwhile, cyclical effects continued to burden revenue on balance.
- Operating costs amounted to €263.3 million (Q3/2016: €272.5 million). Adjusted operating costs stood at €247.4 million (Q3/2016: €244.8 million). In Q3/2017, financial figures were adjusted for effects resulting from the integration of acquired companies, restructuring initiatives and litigation costs.
- Group earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to €317.2 million (Q3/2016: €289.2 million). Adjusted, the Group's EBITDA increased by 5 per cent, to €333.1 million (Q3/2016: €316.9 million).
- Net profit for the period attributable to Deutsche Börse AG shareholders rose to €204.3 million (Q3/2016: €170.0 million). Adjusted, net profit increased by 4 per cent to €198.1 million (Q3/2016: €190.7 million).
- Basic earnings per share amounted to €1.09 for an average of 186.9 million shares. Adjusted, they amounted to €1.06 (Q3/2016: €0.91 for 186.8 million shares; adjusted: €1.02).
- Given the weak cyclical performance during the third quarter, the company's view is now that achieving the lower end of the expected ranges communicated for 2017 – a net revenue increase of between 5 per cent and 10 per cent, together with profit growth of between 10 per cent and 15 per cent – is very unlikely. When presenting its half-yearly financial report, the company had already stated that achieving its full-year forecast would depend upon cyclical factors.
- Nonetheless, the company remains very well positioned indeed in order to benefit from structural and cyclical growth over the medium term. Deutsche Börse Group therefore affirms its forecast for annual profit growth of between 10 per cent and 15 per cent for 2018 and 2019.

Material events at a glance

- With regard to the investigation proceedings of the public prosecutor's office in Frankfurt/Main involving Deutsche Börse AG, the Executive Board and the Supervisory Board of Deutsche Börse AG decided to seek an agreement with the public prosecutor's office. On 23 October 2017, the local court of Frankfurt am Main refused to approve the closure of the investigation proceedings against the Chief Executive Officer of Deutsche Börse AG, Carsten Kengeter, as applied for by the public prosecutor. On 26 October 2017, Carsten Kengeter informed the Supervisory Board of Deutsche Börse AG that he would like to step down as the company's Chief Executive Officer with effect from 31 December 2017. The Supervisory Board accepted this request. Further information can be found in the "Risks and opportunitites" section.
- In September, the company announced that the implementation period of its share buyback programme with a volume of around €200 million could be extended until the end of the first half-year 2018. Further information can be found in the "Capital management" section.
- Eurex Clearing AG, a globally leading central counterparty (CCP) and part of Deutsche Börse Group, launched a partnership programme in early October to advance an alternative offer for interest rate swap clearing within the European Union. The programme, developed in close cooperation with market participants, aims to build a service where clients and Eurex Clearing share the economic benefits and the governance of the CCP, thus assuming joint responsibility for building a liquid market.

Q3/2017 earnings releases

Fundamental information about the Group

The fundamental information about the Group described on pages 18 to 31 of the 2016 financial report is still valid in principle. However, there have been changes to the basis of consolidation and in segment reporting.

Comparability of figures

Discontinued operations
The disposal of International Securities Exchange Holdings, Inc. (ISE) as at 30 June 2016 is disclosed as a discontinued operation in accordance with International Financial Reporting Standard (IFRS) 5. Following IFRS 5, this quarterly statement contains financial indicators of the previous year's period excluding figures from discontinued operations.

Changes to the basis of consolidation and in segment reporting
Within Deutsche Börse Group's organisation, the allocation of revenue and costs to individual segments was changed. Due to these changes, the following adjustments were made to segment reporting; previous year's figures were adjusted accordingly.

- Since Q1/2017, revenue and costs generated or incurred in connection with managed services (particularly IT services for Clearstream customers) have been disclosed within the ICSD business of the Clearstream segment (previously under Infrastructure Services in the Market Data + Services segment).
- Since Q1/2017, revenue and costs generated or incurred in connection with the development of a central platform for the pan-European intraday power market (XBID) have been disclosed under the "Other" item within the Eurex segment (previously under Infrastructure Services in the Market Data + Services segment). Since Q3/2017, they have been reported under the "Commodities" item within the Eurex segment.
- Since Q1/2017, the definitions of line items have been changed within the Xetra segment, due to the introductions of the new line item "partner markets", among others. Revenue and costs are allocated accordingly.
- Since Q3/2017, net revenue generated with the ICSD and CSD businesses of the Clearstream segment have been reported jointly. This change in the reporting is due to Clearstream's migration to T2S which technically connected the national market with international markets – within Clearstream. As a result, Clearstream's clients are now able to settle securities under custody at the ICSD via the T2S platform.

Furthermore, there were changes to the basis of consolidation in the second quarter of 2017: EEX US Holdings, Inc., the parent entity of Nodal Exchange Holdings, LLC, which Deutsche Börse acquired in the first quarter of 2017, has been fully consolidated since 3 May 2017, with revenue and costs reported in the Eurex segment.

To facilitate transparency in reporting costs and results and to increase comparability with competitors, Deutsche Börse Group has separately disclosed operating costs as well as depreciation and amortisation, and has introduced earnings before interest, tax, depreciation and amortisation (EBITDA) as an additional parameter since its half-yearly financial report 2017. The previous year's figures were adjusted accordingly.

Results of operations

Results of operations of the Group in the third quarter of 2017

Macroeconomic conditions remained largely unchanged during the third quarter of 2017. The European Central Bank (ECB) adhered to its policy of monetary easing, leaving the negative deposit rate of –0.4 per cent unchanged, and also maintaining its so-called quantitative easing (QE) measures. A final policy decision from the ECB on whether to extend its QE programme beyond December 2017, and whether to adjust the volume, is still pending, while in the US the interest rate turnaround was confirmed. Following two increases in March and June 2017, a third hike is expected to be announced before the end of the year. In addition, the US Federal Reserve Bank (Fed) will unwind the QE programme launched in 2008.

Economic conditions in the euro area stabilised; in particular the German economy and German companies have been posting excellent results. The benchmark indices DAX® and STOXX® reached record levels, with DAX breaking 13,000 points for the first time ever. Still, volatility (measured in terms of the VDAX® index) – which is one of the key drivers of trading activity on the cash and derivatives markets – remained at very low levels on average during the quarter. The German federal election held in September did not yield any impulse in this respect either.

No results have been reached so far in the UK-EU negotiations on the former's exit from the Union, unsettling investors and clients of Deutsche Börse Group as the time to make decisions ticks away.

In this market environment, Deutsche Börse Group's net revenue increased by 3 per cent compared to the third quarter of 2016. The main driver of this development was the Clearstream segment, with a growth rate of 7 per cent – stemming mainly from its collateral management and fund businesses, as well as net interest income from banking business –, the Xetra® cash markets segment and the index business of Market Data + Services.

Net interest income from banking business, generated by the Clearstream segment with client cash deposits, and by the Eurex segment from the operation of clearing houses, rose to €32.1 million (Q3/2016: €22.3 million) on the back of a rise in net interest income in the Clearstream segment, which in turn was driven, among other things, by rising interest rate levels in the US.

Key figures on results of operations of Deutsche Börse Group (reported)

		Quarter ended			Nine months ended		
		30 Sep 2017	30 Sep 2016	Change	30 Sep 2017	30 Sep 2016	Change
				%			%
Net revenue	€m	576.3	558.5	3	1,823.3	1,769.7	3
Operating costs	€m	263.3	272.5	–3	808.3	838.2	–4
EBITDA	€m	317.2	289.2	10	1,138.4	930.9	22
Depreciation and amortisation	€m	40.7	31.2	30	116.2	94.0	24
EBIT	€m	276.5	258.0	7	1,022.2	836.9	22
Net profit for the period attributable to Deutsche Börse AG shareholders	€m	204.3	170.0	20	660.7	552.1	20
Earnings per share (basic)	€	1.09	0.91	20	3.53	2.96	19

Operating costs declined by 3 per cent. Staff costs rose by 9 per cent, mainly as a result of higher staff numbers due to the internalisation of external staff at the end of 2016, and expenses for share-based remuneration, which were markedly higher than in the same quarter of the previous year, on account of the higher share price. In contrast, other operating expenses declined significantly, due to the lower number of external staff. Adjusted for costs for the integration of acquired companies (€6.9 million), litigation (€6.9 million) and restructuring (€2.5 million), operating costs were 1 per cent higher than in the same period of the previous year. During the same period of the previous year, adjustments of operating costs also included costs for the planned merger with London Stock Exchange Group (LSEG).

EBITDA rose by 10 per cent year-on-year in the third quarter of 2017; adjusted, the increase was 5 per cent. The figure includes a result from equity investments of €4.2 million (Q3/2016: €3.2 million). Over the past years, Deutsche Börse Group has undertaken extensive investments in its infrastructure as part of several growth initiatives. Accordingly, depreciation, amortisation and write-downs of €40.7 million exceeded the previous year's figure (Q3/2016: €31.2 million).

Deutsche Börse Group's financial result amounted to €–19.1 million in the third quarter of 2017 (Q3/2016: €–17.4 million); adjusted, it stood at €–15.6 million (Q3/2016: €–17.4 million).

The adjusted tax ratio stood at 27.0 per cent in the third quarter of 2017 (Q3/2016: 26.9 per cent). Adjustment of tax income including subsequent effects totalled €18.0 million and was primarily due to restructuring measures within the Group.

Key figures on results of operations of Deutsche Börse Group (adjusted)

		Quarter ended			Nine months ended		
		30 Sep 2017	30 Sep 2016	Change	30 Sep 2017	30 Sep 2016	Change
				%			%
Net revenue	€m	576.3	558.5	3	1,823.3	1,769.7	3
Operating costs	€m	247.4	244.8	1	737.9	739.2	0
EBITDA	€m	333.1	316.9	5	1,092.8	1,036.0	6
Depreciation and amortisation	€m	40.3	30.9	30	114.7	92.1	25
EBIT	€m	292.8	286.0	2	978.1	943.9	4
Net profit for the period attributable to Deutsche Börse AG shareholders	€m	198.1	190.7	4	663.1	630.5	5
Earnings per share (basic)	€	1.06	1.02	4	3.55	3.37	5

Results of operations by segment in the third quarter of 2017

Eurex segment

Eurex segment: key indicators

	Quarter ended			Nine months ended		
	30 Sep 2017	30 Sep 2016	Change	30 Sep 2017	30 Sep 2016	Change
FINANCIAL KEY FIGURES	€m	€m	%	€m	€m	%
Net revenue	220.9	228.4	–3	751.3	767.4	–2
Equity index derivatives	83.8	94.9	–12	296.6	337.5	–12
Interest rate derivatives	46.5	42.2	10	158.4	135.8	17
Equity derivatives	7.2	7.0	3	28.0	27.8	1
Commodities (EEX)	48.0	47.4	1	153.3	158.3	–3
Foreign exchange (360T)	16.6	15.5	7	49.4	47.6	4
Other (including repo business and net interest income from banking business)	18.8	21.4	–12	65.6	60.4	9
Operating costs	116.7	116.0	1	347.3	342.4	1
EBITDA	107.6	114.6	–6	523.8	422.4	24
EBITDA (adjusted)	116.4	122.9	–5	440.2	461.8	–5
Depreciation and amortisation	20.9	17.9	17	60.0	52.6	14
EBIT	86.7	96.7	–10	463.8	369.8	25
EBIT (adjusted)	95.9	105.3	–9	381.4	410.1	–7
PERFORMANCE INDICATORS						
Financial derivatives	m contracts	m contracts	%	m contracts	m contracts	%
Derivatives[1]	359.5	370.7	–3	1,284.4	1,303.9	–1
Equity index derivatives[2]	183.0	195.9	–7	627.5	699.4	–10
Interest rate derivatives	128.8	115.4[3]	12	443.2	375.3[3]	18
Equity derivatives[4]	47.6	59.4	–20	213.6	229.1	–7
Commodities[5]	TWh / m t CO_2	TWh / m t CO_2	%	TWh / m t CO_2	TWh / m t CO_2	%
Electricity	866.8[6]	949.0	–9	2,727.7[6]	3,197.7	–15
Gas	499.6	369.0	35	1,428.7	1,323.7	8
Emissions trading	379.3	204.1	86	1,028.3	672.7	53
FX business	€bn	€bn	%	€bn	€bn	%
Average daily outstanding volume on 360T	58.5	54.1	8	60.1	57.3	5

1) Due to rounding differences the total shown does not equal the sum of the individual figures.
2) Including index dividend and volatility derivatives, the amount for 2016 has been adjusted accordingly.
3) Traded volumes in interest rate derivatives were not reported in full in the past year, and are now restated.
4) Including equity dividend and ETF derivatives, the amount for 2016 has been adjusted accordingly.
5) Volume traded on EEX in terawatt hours (TWh) for power and gas trading and in million CO_2 tonnes for trading in emission rights
6) Including Nodal Exchange (142.4 TWh for the third quarter of 2017 and 273.8 TWh for the financial year ending 30 September 2017)

In the light of rising key interest rates in the US and discussions in Europe about a potential end to the ECB's quantitave easing programme, ten-year German government bond yields fluctuated in a range between 30 and 60 basis points. This has been a key driver for increased trading activity in interest rate derivatives during the third quarter of 2017. At the same time, trading in equity index derivatives – the most actively traded product group – continued to suffer from very low volatility. On a positive note, trading volumes in relatively new products of new asset classes, such as volatility derivatives, or derivatives on Italian, French and Spanish bonds, continued to grow when compared to the third quarter of 2016.

It was not only the above-mentioned continued low level of volatility that burdened the power business at EEX group, but also the debate on price zones and the split of the German-Austrian market, expected to take place on 1 October 2018. Due to this debate on price zones, in particular, trading volumes shifted temporarily from EEX to OTC trading. This was also reflected in a lower EEX market share. However, EEX group succeeded in increasing both trading volumes and market share again during the third quarter of 2017. Given the forthcoming separation of markets, liquidity in products which are relevant to the German and/or the Austrian market is rising again. Eastern European markets were strong, however at a low level, following their transfer to the EEX trading platform mid-June 2017, after which more traders gained access to these products. EEX group was also able to claim a double-digit market share in the trading of natural gas products on the PEGAS® platform thanks to its broad product range and high pricing quality, in particular in the derivatives market. In emissions trading, EEX has established itself as the Europe-wide auction platform for emission rights in 27 Member States of the European Union and also significantly increased its trading volumes in the secondary market.

In foreign exchange (FX) trading, Deutsche Börse was able to significantly increase volumes on its 360T® trading platform during the period under review. Fluctuations in the euro/US dollar exchange rate and expectations of further interest rate hikes in the US market served as important macroeconomic triggers that had a positive effect on trading volumes. Average daily FX trading volumes on 360T also benefited from the ongoing expansion of the client network in regional and international markets – one of the strategic pillars for 360T's business development.

Xetra segment

Xetra segment: key indicators

	Quarter ended			Nine months ended		
	30 Sep 2017	30 Sep 2016	Change	30 Sep 2017	30 Sep 2016	Change
FINANCIAL KEY FIGURES	€m	€m	%	€m	€m	%
Net revenue	43.0	39.5	9	129.4	124.0	4
Trading	26.7	23.9	12	81.3	78.5	4
Central counterparty for equities	8.6	7.3	18	26.1	23.9	9
Listing	3.9	4.7	–17	10.4	10.0	4
Partner markets (incl. Eurex Bonds®)	3.8	3.6	6	11.6	11.6	0
Operating costs	21.6	21.4	1	66.9	65.5	2
EBITDA	22.4	19.0	18	66.3	60.2	10
EBITDA (adjusted)	23.0	20.9	10	70.6	65.7	7
Depreciation and amortisation	2.0	1.3	54	5.6	3.9	44
EBIT	20.4	17.7	15	60.7	56.3	8
EBIT (adjusted)	21.0	19.6	7	65.0	61.8	5
PERFORMANCE INDICATORS	€bn	€bn	%	€bn	€bn	%
Trading volume (order book turnover, single-counted)						
Xetra®	322.2	277.3	16	981.7	953.8	3
Börse Frankfurt	10.6	10.1	5	34.4	32.5	6
Tradegate Exchange	20.1	15.9	26	63.5	51.3	24

As in the second quarter, the cash markets gained momentum on the previous year during the third quarter of 2017, despite subdued volatility. With Germany providing a stable economic and political environment, and high valuations for companies in benchmark indices, German companies are an attractive opportunity for both national and international investors to build exposure. One further reason for Deutsche Börse Group's strong quarterly results lies in the development of trading technology. In early July, Deutsche Börse launched the T7® trading architecture in the cash market, following its earlier and successful introduction in the derivatives market. The new system's speed and capacity offer particular advantage for traders sensitive to latency. The introduction allowed the Xetra segment not only to connect further clients, but also to expand business with existing ones.

Clearstream segment

Clearstream segment: key indicators

	Quarter ended 30 Sep 2017	30 Sep 2016	Change	Nine months ended 30 Sep 2017	30 Sep 2016	Change
FINANCIAL KEY FIGURES	€m	€m	%	€m	€m	%
Net revenue	213.9	199.5	7	650.6	586.8	11
ICSD (international business) and CSD (domestic business)	132.4	131.6	1	411.2	395.4	4
Investment Funds Services	35.3	32.0	10	102.5	91.7	12
Global Securities Financing	20.4	18.4	11	61.1	53.5	14
Net interest income from banking business	25.8	17.5	47	75.8	46.2	64
Operating costs	89.6	95.8	–6	286.0	298.0	–4
EBITDA	124.2	103.8	20	364.5	289.1	26
EBITDA (adjusted)	128.1	112.7	14	387.1	327.6	17
Depreciation and amortisation	14.1	9.3	52	40.1	29.7	35
EBIT	110.1	94.5	17	324.4	259.4	25
EBIT (adjusted)	114.0	103.7	10	347.2	298.8	16
PERFORMANCE INDICATORS						
International business (ICSD)	€ bn	€ bn	%	€ bn	€ bn	%
Value of securities deposited (average value)	6,625.4	6,758.6	–2	6,716.7	6,743.1	0
Domestic business (CSD)	€ bn	€ bn	%	€ bn	€ bn	%
Value of securities deposited (average value)	4,521.5	4,395.7	3	4,521.9	4,403.5	3
Investment Funds Services	€ bn	€ bn	%	€ bn	€ bn	%
Value of securities deposited (average value)	2,225.8	1,921.9	16	2,181.3	1,872.4	16
Global Securities Financing	€bn	€bn	%	€bn	€bn	%
Outstanding volume (average value)	451.2	518.6	–13	464.1	524.4	–12
Net interest income from banking business	€bn	€bn	%	€bn	€bn	%
Outstanding volume (daily average value) [1]	12.4	12.8	–3	13.8	13.1	5

1) Including approximately €1.4 billion (Q3/2016: €1.5 billion) currently restricted by relevant EU and US sanction programmes

Following migration onto ECB's T2S platform in February 2017, Clearstream no longer generated any net revenue from domestic settlement transactions. However, the declining revenue was compensated by (among other things) the increasing value of securities held in the domestic custody business, and the adjustments made to the fee and pricing model used in the CSD business. In the international ICSD business, settlement transactions increased by 25 per cent, but the value of securities under custody declined slightly, by 2 per cent.

In the funds business, Clearstream acquired new customers for its settlement and custody services offered to investment funds and hedge funds. Assets under management in the respective funds increased year-on-year, translating into accelerating custody revenue.

The development recognised in the previous quarters prevailed in the Global Securities Financing (GSF) business. Volumes have declined consistently since the ECB started to provide cheap liquidity on the market. This particularly affects the GC Pooling® product. At the same time, volumes in the GSF business shifted towards the higher-priced securities lending business, raising GSF net revenue overall.

Cash customer deposits declined slightly year-on-year. Given that around 56 per cent of cash deposits were denominated in US dollars, net interest income from banking business improved against the background of increasing interest rate levels in the US. Hence, the net interest result generated with the daily cash balances was clearly positive.

Market Data + Services segment

Market Data + Services segment: key indicators

	Quarter ended			Nine months ended		
	30 Sep 2017	30 Sep 2016	Change	30 Sep 2017	30 Sep 2016	Change
FINANCIAL KEY FIGURES	€m	€m	%	€m	€m	%
Net revenue	98.5	91.1	8	292.0	291.5	0
Data Services	37.3	37.2	0	115.4	121.2	–5
Index	32.1	26.0	23	92.1	85.1	8
Infrastructure Services	29.1	27.9	4	84.5	85.2	–1
Operating costs	35.4	39.3	–10	108.1	132.3	–18
EBITDA	63.0	51.8	22	183.8	159.2	15
EBITDA (adjusted)	65.6	60.4	9	194.9	180.9	8
Depreciation and amortisation	3.7	2.7	37	10.5	7.8	35
EBIT	59.3	49.1	21	173.3	151.4	14
EBIT (adjusted)	61.9	57.4	8	184.5	173.1	7

Net revenue generated in the index business improved considerably. This was mainly due to the increase in assets under management in index funds tracking the European capital markets, and in so-called "smart beta" products; furthermore, the segment further improved its offers regarding optimised indices and licence models for structured products. The segment was therefore able to over-compensate the declining revenue from lower trading volumes in equity index derivatives during the third quarter of 2017. The Data Services core business enjoyed a positive development overall. The fact that net revenue increased only marginally year-on-year was due to a non-recurring customer payment made in the previous quarter. Infrastructure Services improved net revenue slightly in the third quarter of 2017, driven by accelerating Connectivity revenue against the background of increasing customer demand for larger bandwidth.

Financial position

Capital management

In September 2017, Deutsche Börse AG announced that the implementation period of the adopted share buyback programme with a volume of around €200 million may be extended until the end of the first half of 2018. This enables the company to react more flexibly to current developments and market conditions. With the share buyback programme, the Executive Board pursues a balanced use of the proceeds from the sale of International Securities Exchange Holdings, Inc. in the amount of around €1 billion in 2016.

Report on post-balance sheet date events

For details on the investigation proceedings by the prosecutor's office against the Chief Executive Officer of Deutsche Börse AG see the "Risks and opportunities" section.

As part of its "Accelerate" strategy and ongoing review of capital allocation, Deutsche Börse has further streamlined its strategic investment portfolio. As a result, a positive impact on its net profit of around US$50 million is expected in the fourth quarter of 2017.

Risks and opportunities

Deutsche Börse Group provides detailed information on its operating environment, strategy, principles, organisation, processes, methods and concepts of its risk management in its 2016 financial report, on pages 73 to 95. For a detailed description of Deutsche Börse Group's opportunities and opportunities management, please refer to pages 95 to 100 of the 2016 financial report.

On 19 July 2017, Clearstream Banking S.A. (Clearstream) received a tax assessment requesting tax back payments for the year 2013. These payments included €32.5 million resulting from denial of deductibility of the payments made in 2013 to the U.S. Treasury Department's Office of Foreign Assets Control (OFAC). Given the looming deductibility denial from the Luxembourg tax authority in the course of the negotiations, Deutsche Börse Group recognised provisions as at 30 June 2017 for the tax back payments effected on 17 August 2017. However, Clearstream still considers the tax authority's view as unfounded, and will take all necessary and appropriate measures to defend itself against the tax demands.

On 1 February 2017, Deutsche Börse AG announced that the public prosecutor's office in Frankfurt/Main was investigating Deutsche Börse AG in respect of a share purchase by its Chief Executive Officer which was carried out on 14 December 2015, in implementation of the Executive Board's remuneration programme as approved by the Supervisory Board of Deutsche Börse AG. On 18 July 2017, the public prosecutor's office in Frankfurt/Main issued a notification of hearing to Deutsche Börse AG. According to this notification of hearing, the public prosecutor's office intends to formally involve the company in the ongoing investigation proceedings against the Chief Executive Officer of the company, Carsten Kengeter. In the notification of hearing, the public prosecutor, with regard to the company, held out the prospect that two fines totalling €10.5 million could be imposed on Deutsche Börse AG in accordance with section 30 of the Gesetz über Ordnungswidrigkeiten (OWiG, German Act on Regulatory Offences) due to an alleged violation of the insider trading prohibition in December 2015 and an alleged failure to disclose an ad-hoc announcement in January 2016. On 13 September 2017, Deutsche Börse AG's Executive Board and Supervisory Board decided to accept the fine which would potentially be imposed by the competent local court (Amtsgericht). Deutsche Börse AG recognised provisions in the amount of €10.5 million. On 23 October 2017, the local court of Frankfurt am Main refused to approve the closure of the investigation proceedings against the Chief Executive Officer of Deutsche Börse AG, Carsten Kengeter, subject to conditions in the form of payment of €500,000.00, as applied for by the public prosecutor. In light of the significance of the proceedings the court considers it appropriate to continue the investigation proceedings at this time. The further investigations could lead from a closure of the proceedings due to lack of adequate suspicion to an indictment. The court has returned the matter, both as relates to the investigation proceedings against the Chief Executive Officer as well as to potential actions against Deutsche Börse AG, to the public prosecutor which will now decide upon further procedural steps. Following expert consultation, Deutsche Börse AG continues to believe the allegations made are unfounded in all respects.

On 26 October 2017, Carsten Kengeter informed the Supervisory Board of Deutsche Börse AG that he would like to step down as the company's Chief Executive Officer with effect from 31 December 2017. The Supervisory Board accepted this request. The details of the transition will be announced in due course as decisions are made.

Despite the ongoing proceedings described before, the Executive Board is not aware of any material changes to the Group's risk situation.

Outlook

In the course of the 2017 financial year, the majority of macroeconomic factors developed in line with Deutsche Börse Group's expectations as expressed in the consolidated financial statements for 2016. However, equity market volatility in particular was lower during the first nine months of 2017 than the company had anticipated. This is reflected, among others, in the Group's net revenue development: year-to-date net revenue increased by 3 per cent, however, this lagged behind the 5 to 10 per cent growth that the Group had expected for the financial year 2017.

Breaking down net revenue increases and decreases by cyclical and structural factors, the Group generated net revenue growth of around 5 per cent that was attributable to structural factors. Key drivers of this growth were Clearstream's national and international custody, fund and collateral management businesses, the index business at Market Data + Services, as well as new products at Eurex. Whilst cyclical factors provided support in Clearstream's banking business and for trading activities in interest rate derivatives, overall they led to a decline in Deutsche Börse Group's net revenue, mainly due to a decline in traded index derivative contracts. Taking into account various consolidation effects, this translated into an overall 2 per cent decline in net revenue which is driven by cyclical factors.

For the full year, the company expects the structural growth observed during the first nine months to continue during the fourth quarter of the year. The Group expects equity market volatility to remain at a subdued level during the course of the year. Against this background, the company's view is now that achieving the lower end of the expected ranges communicated for 2017 – a net revenue increase of between 5 per cent and 10 per cent, together with profit growth of between 10 per cent and 15 per cent – is very unlikely.

Nonetheless, Deutsche Börse Group considers itself very well positioned indeed in order to benefit from structural and cyclical growth over the medium term. Specifically, the company anticipates further expansion of its structural business across several divisions, such as clearing over-the-counter derivatives – especially given uncertainty concerning the impact of Brexit. Moreover, the Group expects business at EEX to rebound significantly as soon as the issue of the price zone split between Germany and Austria – which had a temporary negative effect on business – has been concluded. Given a sustained improvement in the foreign exchange market environment (as already observed during the third quarter of 2017), in combination with new functionality and new products to be launched in 2018, 360T will be able to accelerate growth. Following the conclusion of migrating all T2S participants to the ECB platform, Clearstream's T2S-related services are expected to yield gains in market share, and hence, attract additional custody volumes as from 2018. At the same time, the investment fund business will benefit from a service enhancement and additional turnover with new customers. At Market Data + Services, continued flows into passive investment products such as ETFs will support further growth in the index business. Moreover, the company anticipates continued slight improvements to the cyclical environment for the Group's interest-related net revenue; it does not expect equity market volatility to decline even further, compared to 2017.

Against this background, the Group continues to project an increase in net revenue of between 5 and 10 per cent for 2018 and 2019, and an annual increase for the period in net profit and EBIT attributable to Deutsche Börse AG shareholders of around 10 per cent to 15 per cent (excluding non-recurring effects). The assumptions on which these forecasts are based, together with the reconciliation of net revenue and operating costs (including depreciation and amortisation), are set out on pages 100 to 107 of the 2016 financial report.

Consolidated income statement

for the period 1 January to 30 September 2017

	Quarter ended		Nine months ended	
	30 Sep 2017 €m	30 Sep 2016 €m	30 Sep 2017 €m	30 Sep 2016 €m
Sales revenue	628.1	599.9	1,957.9	1,903.1
Net interest income from banking business	32.1	22.3	95.5	62.0
Other operating income	6.4	8.0	21.7	18.4
Total revenue	**666.6**	**630.2**	**2,075.1**	**1,983.5**
Volume-related costs	–90.3	–71.7	–251.8	–213.8
Net revenue (total revenue less volume-related costs)	**576.3**	**558.5**	**1,823.3**	**1,769.7**
Staff costs	–151.8	–139.7	–463.1	–423.2
Other operating expenses	–111.5	–132.8	–345.2	–415.0
Operating costs[1)]	–263.3	–272.5	–808.3	–838.2
Result from equity investments	4.2	3.2	123.4	–0.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	317.2	289.2	1,138.4	930.9
Depreciation, amortisation and impairment losses	–40.7	–31.2	–116.2	–94.0
Earnings before interest and tax (EBIT)	276.5	258.0	1,022.2	836.9
Financial income	**0.6**	**0.4**	**3.5**	**1.6**
Financial expense	–19.7	–17.8	–59.0	–57.0
Earnings before tax (EBT)	257.4	240.6	966.7	781.5
Other tax	**–0.4**	**–0.4**	**–1.1**	**–1.1**
Income tax expense	**–48.4**	**–64.5**	**–290.3**	**–209.6**
Net profit for the period from continuing operations	**208.6**	**175.7**	**675.3**	**570.8**
Net profit for the period from discontinued operations	–	–19.4	–	551.0
Net profit for the period	208.6	156.3	675.3	1,121.8
Net profit for the period attributable to Deutsche Börse AG shareholders	204.3	150.6	660.7	1,103.1
Net profit for the period attributable to non-controlling interests	4.3	5.7	14.6	18.7
Earnings per share (basic) (€)	**1.09**	**0.81**	**3.53**	**5.91**
from continuing operations	1.09	0.91	3.53	2.96
from discontinued operations	–	–0.10	–	2.95
Earnings per share (diluted) (€)	**1.09**	**0.80**	**3.53**	**5.90**
from continuing operations	1.09	0.91	3.53	2.95
from discontinued operations	–	–0.11	–	2.95

1) Since the second quarter of 2017, operating costs have contained staff costs and other operating expenses; depreciation, amortisation and impairment losses are disclosed separately. Prior-year figures have been adjusted accordingly.

Consolidated balance sheet

as at 30 September 2017

Assets

	30 Sep 2017 €m	31 Dec 2016 €m	30 Sep 2016 €m
NON-CURRENT ASSETS			
Intangible assets			
Software	305.9	203.8	196.9
Goodwill	2,771.9	2,721.1	2,720.4
Payments on account and construction in progress	100.9	188.9	190.4
Other intangible assets	918.4	859.9	865.9
	4,097.1	**3,973.7**	**3,973.6**
Property, plant and equipment			
Fixtures and fittings	34.6	35.9	35.3
Computer hardware, operating and office equipment	74.2	75.4	64.4
Payments on account and construction in progress	2.3	2.2	2.8
	111.1	**113.5**	**102.5**
Financial assets			
Investments in associates and joint ventures	38.6	34.3	31.2
Other equity investments	168.1	255.4	306.2
Receivables and securities from banking business	1,561.6	1,604.8	1,521.8
Other financial instruments	29.5	26.0	26.4
Other loans	0.4	0.4	4.9
	1,798.2	**1,920.9**	**1,890.5**
Financial instruments of the central counterparties	6,143.8	5,856.6	9,104.3
Other non-current assets	9.7	13.2	11.6
Deferred tax assets	98.5	62.5	64.9
Total non-current assets	**12,258.4**	**11,940.4**	**15,147.4**
CURRENT ASSETS			
Receivables and other current assets			
Financial instruments of the central counterparties	97,800.1	107,909.6	130,280.4
Receivables and securities from banking business	15,468.4	13,465.5	13,985.8
Trade receivables	630.8	669.8	445.7
Receivables from related parties	1.6	2.0	1.7
Income tax receivables	112.5	107.6	111.9
Other current assets	146.0	514.2	560.8
	114,159.4	**122,668.7**	**145,386.3**
Restricted bank balances	27,381.1	27,777.6	27,883.8
Other cash and bank balances	1,447.5	1,458.1	1,118.6
Total current assets	**142,988.0**	**151,904.4**	**174,388.7**
Total assets	**155,246.4**	**163,844.8**	**189,536.1**

Equity and liabilities

	30 Sep 2017 €m	31 Dec 2016 €m	30 Sep 2016 €m
EQUITY			
Subscribed capital	193.0	193.0	193.0
Share premium	1,332.3	1,327.8	1,327.8
Treasury shares	–306.5	–311.4	–311.4
Revaluation surplus	60.8	41.5	26.2
Accumulated profit	3,434.6	3,231.4	3,059.6
Shareholders' equity	**4,714.2**	**4,482.3**	**4,295.2**
Non-controlling interests	124.8	142.2	135.1
Total equity	**4,839.0**	**4,624.5**	**4,430.3**
NON-CURRENT LIABILITIES			
Provisions for pensions and other employee benefits	148.0	167.9	220.1
Other non-current provisions	114.2	117.0	110.5
Deferred tax liabilities	248.6	235.7	240.2
Interest-bearing liabilities	1,688.1	2,284.7	2,283.9
Financial instruments of the central counterparties	6,143.8	5,856.6	9,104.3
Other non-current liabilities	7.5	7.9	1.5
Total non-current liabilities	**8,350.2**	**8,669.8**	**11,960.5**
CURRENT LIABILITIES			
Tax provisions	337.4	274.3	264.4
Other current provisions	161.0	178.3	107.7
Financial instruments of the central counterparties	97,079.5	107,479.4	129,138.9
Liabilities from banking business	16,020.4	13,840.3	14,866.8
Other bank loans and overdrafts	1.1	0.1	5.2
Trade payables	424.4	471.2	226.9
Liabilities to related parties	0.9	3.6	1.4
Cash deposits by market participants	27,204.4	27,777.6	27,883.7
Other current liabilities	828.1	525.7	650.3
Total current liabilities	**142,057.2**	**150,550.5**	**173,145.3**
Total liabilities	**150,407.4**	**159,220.3**	**185,105.8**
Total equity and liabilities	**155,246.4**	**163,844.8**	**189,536.1**

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