

# **CME Group 4Q and Full-Year 2008 Earnings Conference Call**

**February 3, 2009**

# Forward-Looking Statements

*Statements in these materials that are not historical facts are forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied in any forward-looking statements. Among the factors that might affect our performance are: our ability to realize the benefits and control the costs of our merger with NYMEX Holdings, Inc. and our ability to successfully integrate the businesses of CME Group and NYMEX Holdings, including the fact that such integration may be more difficult, time consuming or costly than expected and revenues following the merger may be lower than expected and expected cost savings from the merger may not be fully realized within the expected time frames or at all; increasing competition by foreign and domestic entities, including increased competition from new entrants into our markets and consolidation of existing entities; our ability to keep pace with rapid technological developments, including our ability to complete the development and implementation of the enhanced functionality required by our customers; our ability to continue introducing competitive new products and services on a timely, cost-effective basis, including through our electronic trading capabilities, and our ability to maintain the competitiveness of our existing products and services; our ability to adjust our fixed costs and expenses if our revenues decline; our ability to generate future revenues from processing services; our ability to maintain existing customers and attract new ones; our ability to expand and offer our products in foreign jurisdictions; changes in domestic and foreign regulations; changes in government policy, including policies relating to common or directed clearing, changes as a result of a combination of the Securities and Exchange Commission and the Commodity Futures Trading Commission, or changes relating to the recently enacted Emergency Economic Stabilization Act of 2008; the costs associated with protecting our intellectual property rights and our ability to operate our business without violating the intellectual property rights of others; our ability to generate revenue from our market data that may be reduced or eliminated by decreased demand or the growth of electronic trading or declines in subscriptions; changes in our rate per contract due to shifts in the mix of the products traded, the trading venue and the mix of customers (whether the customer receives member or non-member fees or participates in one of our various incentive programs) and the impact of our tiered pricing structure; the ability of our financial safeguards package to adequately protect us from the credit risks of clearing members; the ability of our compliance and risk management methods to effectively monitor and manage our risks; changes in price levels and volatility in the derivatives markets and in underlying fixed income, equity, foreign exchange and commodities markets; economic, political, geopolitical and market conditions, including the recent volatility of the capital and credit markets; natural disasters and other catastrophes, our ability to accommodate increases in trading volume and order transaction traffic without failure or degradation of performance of our systems; our ability to execute our growth strategy and maintain our growth effectively; our ability to manage the risks and control the costs associated with our acquisition, investment and alliance strategy; our ability to continue to generate funds and/or manage our indebtedness to allow us to continue to invest in our business; industry and customer consolidation; decreases in trading and clearing activity; the imposition of a transaction tax on futures and options on futures transactions; the unfavorable resolution of material legal proceedings; the seasonality of the futures business; and changes in the regulation of our industry with respect to speculative trading in commodity interests and derivatives contracts. More detailed information about factors that may affect our performance may be found in our filings with the Securities and Exchange Commission, including our most recent periodic reports filed on Form 10-K and Form 10-Q, which are available in the Investor Relations section of the CME Group Web site. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.*

## **Non-GAAP Financial Measures**

*In this presentation we refer to non-GAAP financial measures, including pro forma results that assume the merger with CBOT Holdings and acquisition of NYMEX Holdings were completed as of the beginning of the period presented. A reconciliation of these measures to our GAAP financial results is available in the company's latest financial statements in the Investor Relations section of the CME Group Web site.*

*NOTE: Unless otherwise noted, all references to CME Group volume, open interest and rate per contract information in the text of this document is based on pro forma results assuming the merger with CBOT Holdings and the acquisition of NYMEX Holdings were completed as of the beginning of the period presented. All data exclude CME Group's non-traditional TRAKRS<sup>SM</sup> products, for which CME Group receives significantly lower clearing fees of less than one cent per contract on average, as well as CME Group Auction Markets<sup>TM</sup> products and Swapstream<sup>®</sup> products. Unless otherwise noted, all year, quarter and month to date volume is through 12/31/08.*

# CME Group Full-Year 2008 Pro Forma Financial Results Versus 2007

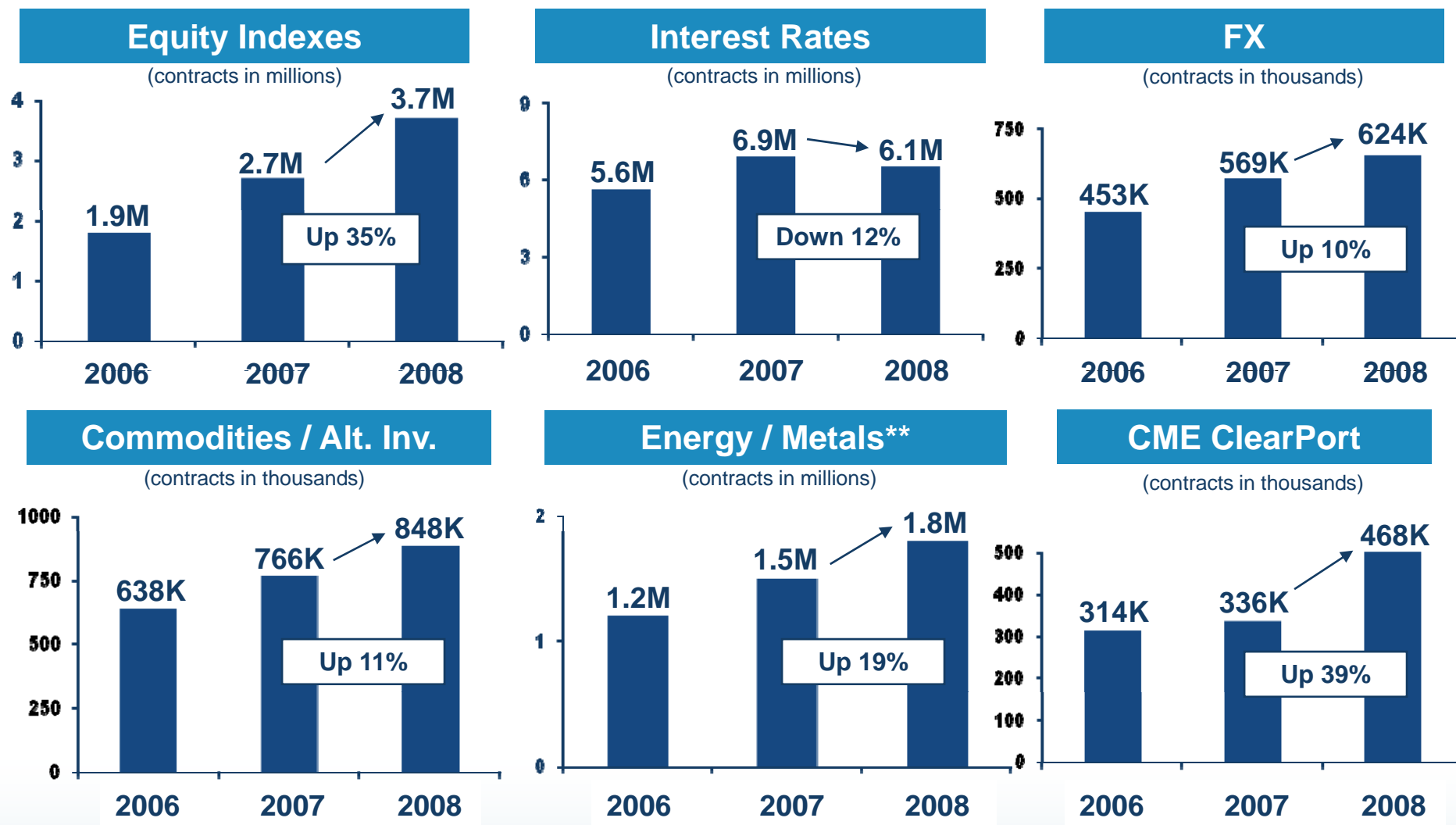
Against a challenging backdrop, CME Group delivered solid financial results

- Total revenues **up 11%** to \$3.1 billion
- Total operating expenses **down 2%** to \$1.1 billion
- Pre-tax operating margin: **65% versus 60%**
- Net income **up 16%** to \$1.1 billion
- Diluted earnings per share **up 16%** to \$16.17

#### *Non-GAAP Financial Measures*

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# 2008 Average Daily Volume 13.0M Contracts, +4%



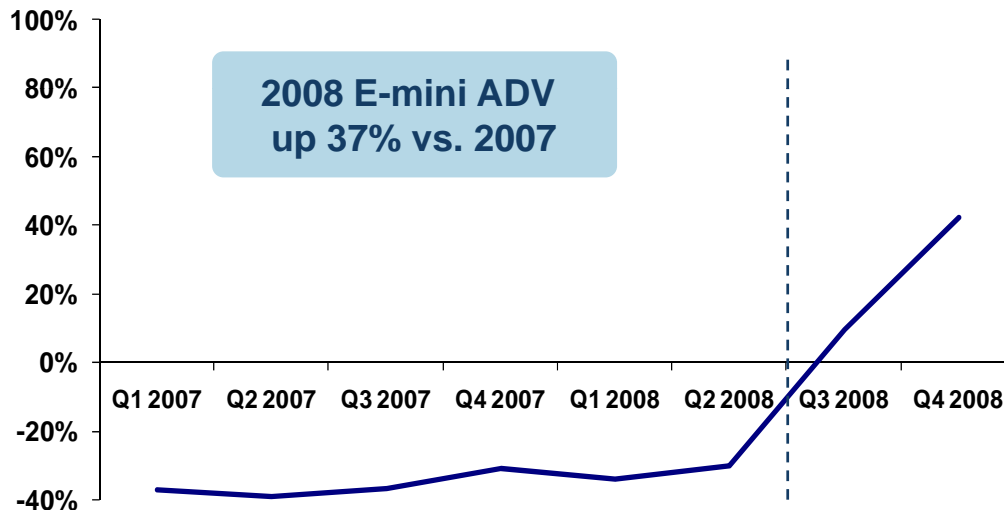
Note: CME Group 2008 ADV is pro forma, assuming the combined company of CME Group/NYMEX

\*\* ADV also includes CME ClearPort and other transactions, which include position transfers and exchanges, that have been historically included in the legacy NYMEX "Other" category.

# Equity Index Volume and Volume Cleared on CME ClearPort Were Strongest Performers

## Equity Indexes

### Mini Dow ADV as a % of E-mini Russell 2000 ADV



Jan 07 – Aug 08: Dow **33% smaller** than Russell  
 Oct 08 – Jan 08TD : Dow **45% larger** than Russell

## CME ClearPort

### CME ClearPort Quarterly ADV

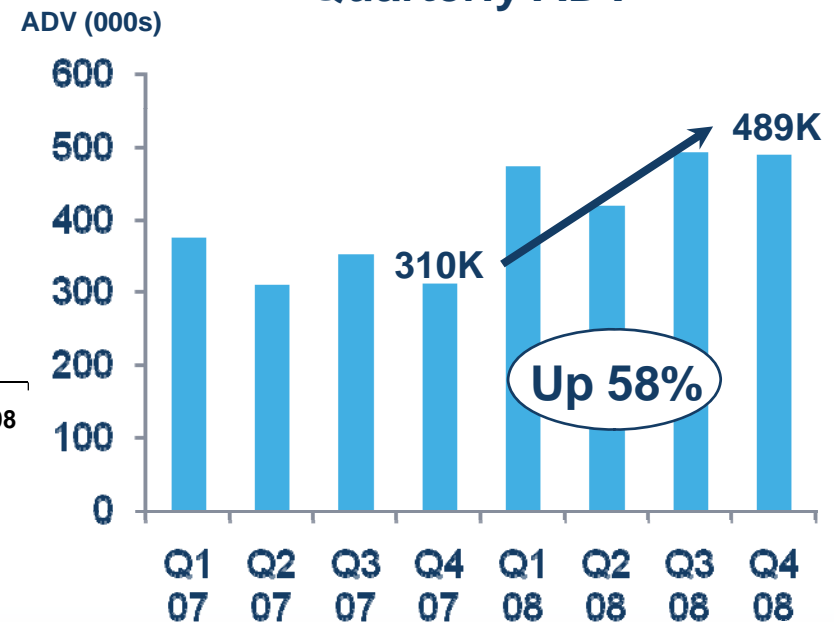
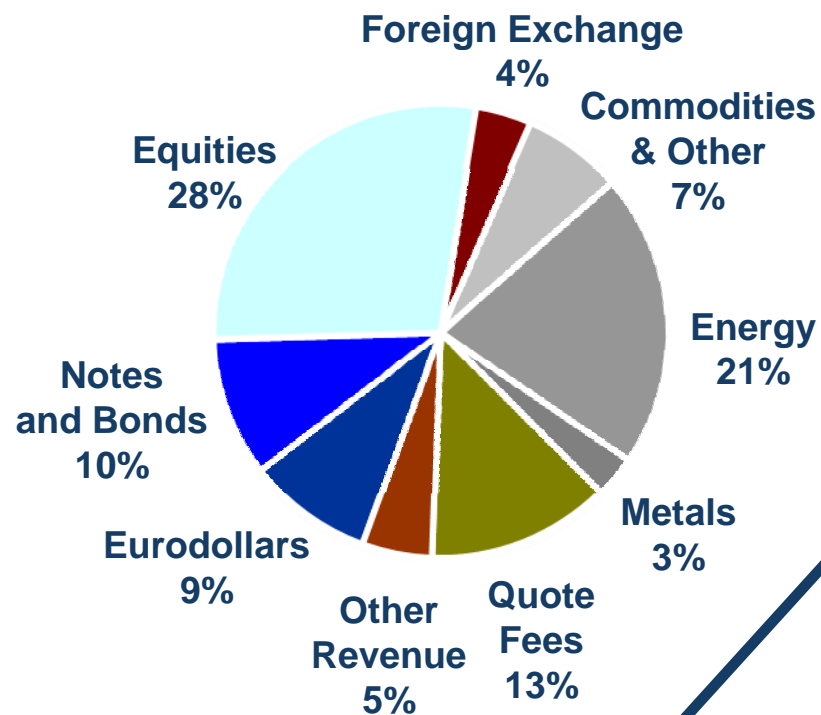


Chart volume data through December 31, 2008 / January 2008 volume to date through January 30, 2009  
 Russell products exclusively listed on ICE as of September 2008

# Diverse Product Portfolio and Customer Base

## Diverse Products

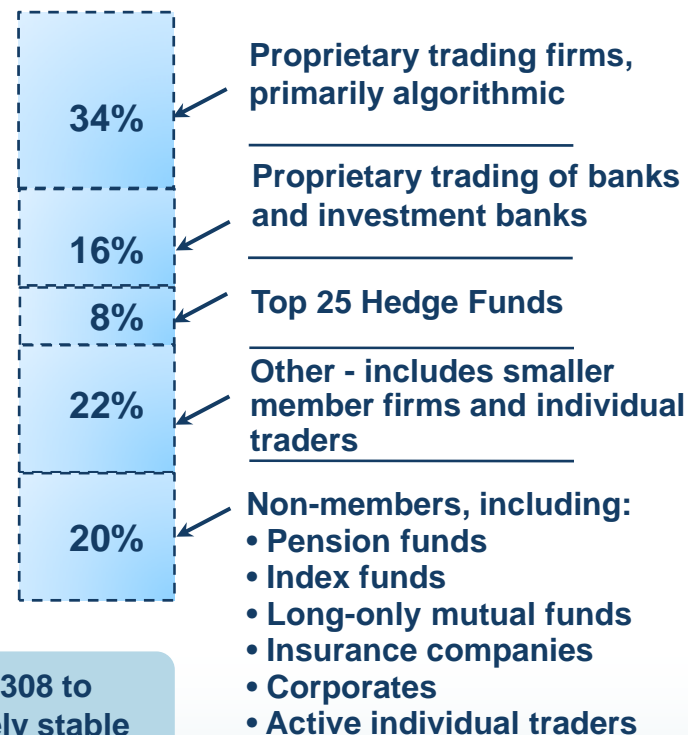
### Q4 2008 Pro Forma Revenue Mix



- All five segments had a reduction in trading activity from Q308 to Q408, but the proportion of the segments remained relatively stable
- Of the five segments, the non-member segment dropped the least and the hedge funds dropped the most from Q308 to Q408

## Diverse Customers Managing Risk

Customers, utilizing a wide range of trading goals and strategies for both hedging and speculating, include:



Note: Customer segmentation percentages are Q408 estimates and reflect legacy CME and CBOT products only

# NYMEX Acquisition - M&A Value Creation

- Approximately \$60M of expense synergies estimated and additional growth opportunities
- Expected to be accretive on a GAAP basis 12-18 months post close
- Experience through historical technology agreement with NYMEX is advantageous for integration

## Integration Timeline

- Staffing decisions communicated – vast majority of headcount reductions expected to occur in 2009
- Integrating membership systems ————— Q1 2009
- Integrating fee systems ————— Q2 2009
- Migrating NYMEX and COMEX floors into one — Q2 2009
- Combining clearing systems ————— Q3 2009
- Integrating price-reporting systems ————— Q3 2009

CME Group continues to launch innovative new products and plans to capitalize on cross-selling opportunities across CME/CBOT/NYMEX product suites, customer bases and covered geographies



# Expanding Global Distribution



Percentage of total volume traded outside of US hours has increased from 4% in 2003 to 17% in 2008

- Seven telecommunications hubs in Amsterdam, Dublin, London, Milan, Paris, Singapore and Sao Paulo
- New hubs planned in Seoul and Shanghai

- Significant emphasis on building out sales, business and product development functions
- Emphasis on global emerging market products
- Pursuing strategic partnerships with BRICK (Brazil, Russia, India, China, Korea) players



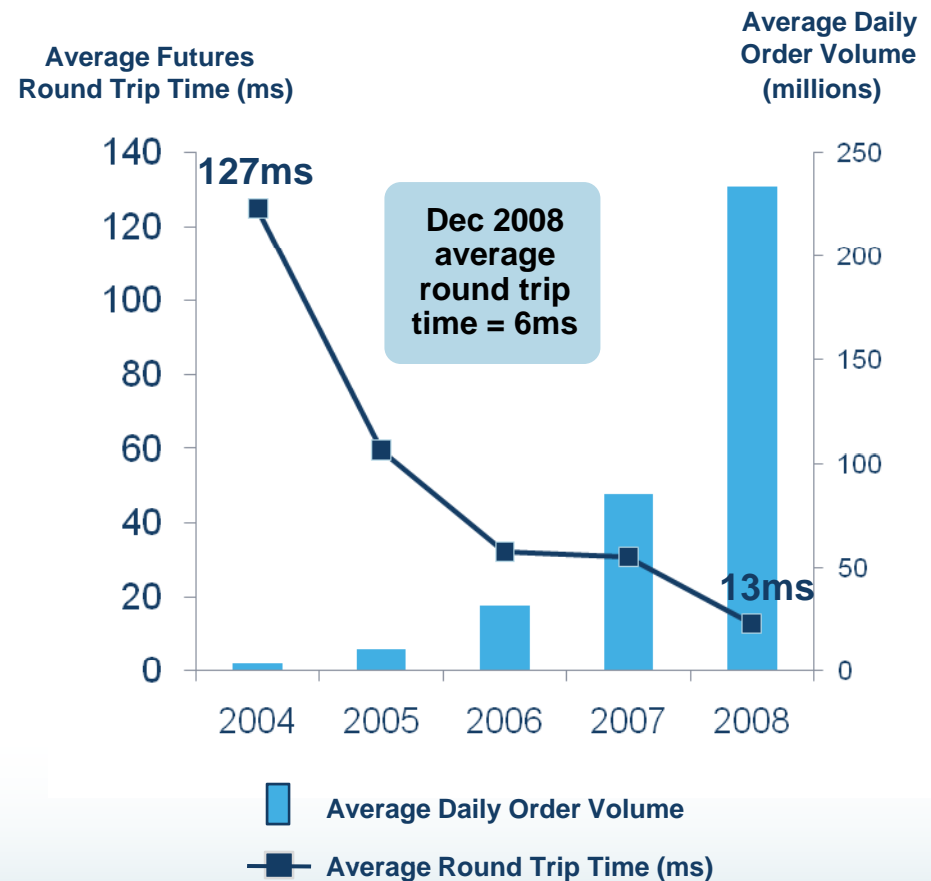


# CME Globex Provides Competitive Advantages

## Robust & Scalable Technology

- Comparing Q408 with Q407:
  - Average daily order volume up **139%**
  - Average futures response times **reduced by 71%**
- Beyond performance, CME Globex provides:
  - Reliability
  - Enhanced functionality
  - Broad global distribution
  - Large scale
  - Flexible architecture

## Annual Speed Improvements



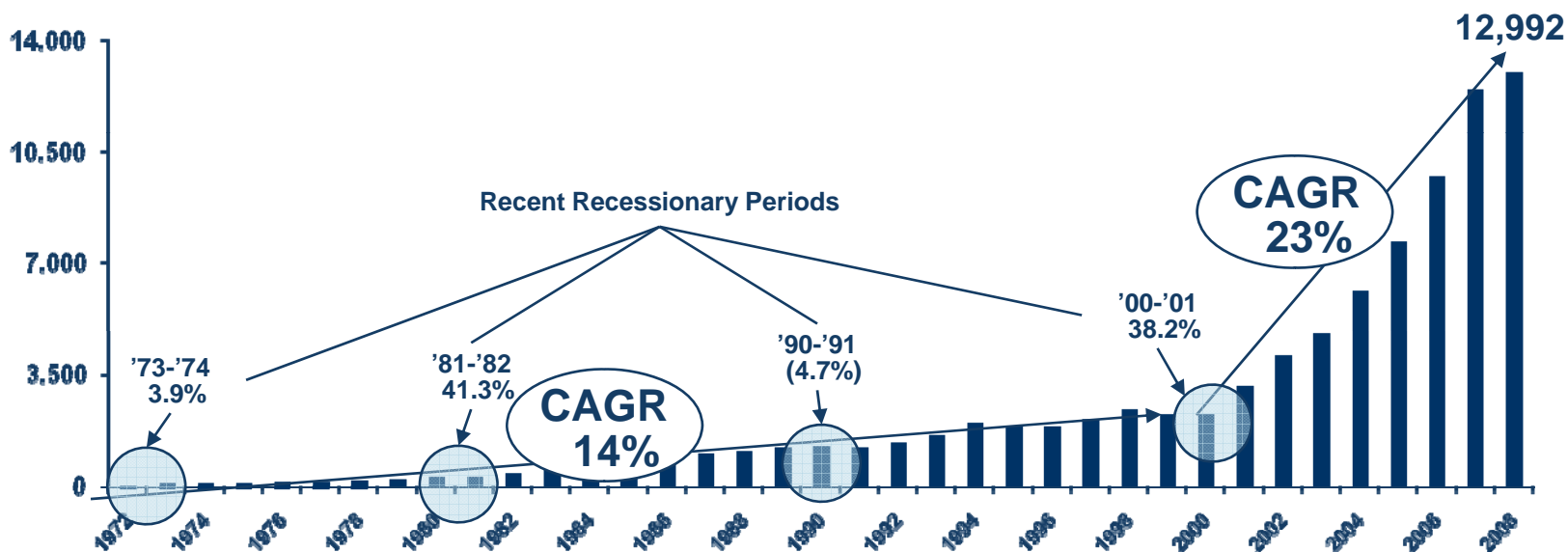
# CME ClearPort – Flexible Solution Addressing Customers' Counterparty Risk Concerns

- Generated over \$230mm in revenue from CME ClearPort in 2008
- Launched 141 new products on CME ClearPort in 2008, 97 of which followed the acquisition
  - Legacy CBOT ethanol swaps made available on CME ClearPort last week – the first of dozens of non-NYMEX products expected to be offered on CME ClearPort in 2009
- Over 400% growth in European- and Asian-specific petroleum products on CME ClearPort in Q408
- Other significant OTC efforts include:
  - CMDX (credit default swaps)
  - Interest rate swaps
  - Ag swaps

# CME Group – Durable Long-Term Franchise

## CME Group Historical Pro Forma ADV

(round turns in thousands)



Represents pro forma ADV - see CME Group Financial Statements for pro forma treatment  
Note: NYMEX historical data included as of 1982

# Uncertain Macroeconomic Environment in 2009

## Challenges

- Extreme volatility across all product lines
- Ongoing credit crisis
  - Customer dislocations
  - LIBOR/OIS disconnect
  - Zero interest rate policy (ZIRP)
  - Slowdown in corporate issuance/mortgage origination
- Risk aversion
  - Users stockpiling cash
  - Less hedging

## Opportunities

- High, but moderating volatility levels
- Customer recognition of the value of CME Group services
- Stabilization in credit, mortgage and corporate debt markets
- Significant treasury debt issuance
- Redeployment of capital

ADV for the second half of January 2009 was 10.1mm, up 14% from ADV of 8.9mm during the first half of January 2009, and up 23% from December 2008 levels

# CME Group Pro Forma Financial Results

## GAAP

(\$ in millions, except per share)

|                           | <u>Q4 FY08</u> | <u>Q4 FY07</u> | <u>Y/Y</u> | <u>FY08</u> | <u>FY07</u> | <u>Y/Y</u> |
|---------------------------|----------------|----------------|------------|-------------|-------------|------------|
| <b>Revenues</b>           | \$ 692         | \$ 530         | 31%        | \$2,561     | \$1,756     | 46%        |
| <b>Expenses</b>           | \$ 274         | \$ 216         | 27%        | \$ 979      | \$ 704      | 39%        |
| <b>Operating Income</b>   | \$ 418         | \$ 313         | 33%        | \$1,582     | \$1,052     | 50%        |
| <b>Operating Margin %</b> | 60.4%          | 59.2%          |            | 61.8%       | 59.9%       |            |
| <b>Net Income</b>         | \$ 62          | \$ 201         | -69%       | \$ 715      | \$ 659      | 9%         |
| <b>Diluted EPS</b>        | \$0.93         | \$3.75         | -75%       | \$12.13     | \$14.93     | -19%       |

## Pro Forma Non-GAAP

(\$ in millions, except per share)

|                           | <u>Q4 FY08</u> | <u>Q4 FY07</u> | <u>Y/Y</u> | <u>FY08</u> | <u>FY07</u> | <u>Y/Y</u> |
|---------------------------|----------------|----------------|------------|-------------|-------------|------------|
| <b>Revenues</b>           | \$ 692         | \$ 687         | 1%         | \$3,051     | \$2,740     | 11%        |
| <b>Expenses</b>           | \$ 258         | \$ 268         | -3%        | \$1,081     | \$1,102     | -2%        |
| <b>Operating Income</b>   | \$ 433         | \$ 419         | 3%         | \$1,970     | \$1,638     | 20%        |
| <b>Operating Margin %</b> | 62.6%          | 61.0%          |            | 64.6%       | 59.8%       |            |
| <b>Net Income</b>         | \$ 239         | \$ 236         | 1%         | \$1,084     | \$ 935      | 16%        |
| <b>Diluted EPS</b>        | \$3.58         | \$3.58         | 0%         | \$16.17     | \$13.93     | 16%        |

**NOTE:** See the CME Group Inc. Reconciliation of GAAP to Pro Forma Non-GAAP Measures for detail related to the adjustments made to reach the pro forma results.

# CME Group Average Rate Per Contract

## CME Group Pro Forma Average RPC (Legacy CME, CBOT and NYMEX combined)

|              | <u>4Q 2007</u> | <u>1Q 2008</u> | <u>2Q 2008</u> | <u>3Q 2008</u> | <u>4Q 2008</u> |
|--------------|----------------|----------------|----------------|----------------|----------------|
| <b>Total</b> | \$ 0.753       | \$ 0.743       | \$ 0.775       | \$ 0.785       | \$ 0.858       |

## CME Group RPC (Legacy CME and CBOT combined for entire periods reported)

| <b>Product Line</b>                   | <u>4Q 2007</u> | <u>1Q 2008</u> | <u>2Q 2008</u> | <u>3Q 2008</u> | <u>4Q 2008</u> |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Interest rates                        | \$ 0.530       | \$ 0.505       | \$ 0.522       | \$ 0.521       | \$ 0.569       |
| Equity E-mini                         | 0.687          | 0.684          | 0.668          | 0.677          | 0.706          |
| Equity standard-size                  | 1.427          | 1.506          | 1.453          | 1.486          | 1.582          |
| Foreign exchange                      | 0.985          | 0.927          | 0.907          | 0.936          | 0.894          |
| Commodities & alternative investments | 1.074          | 1.119          | 1.134          | 1.154          | 1.154          |
| Average RPC (excluding TRAKRS)        | \$ 0.648       | \$ 0.630       | \$ 0.648       | \$ 0.659       | \$ 0.713       |

### Venue

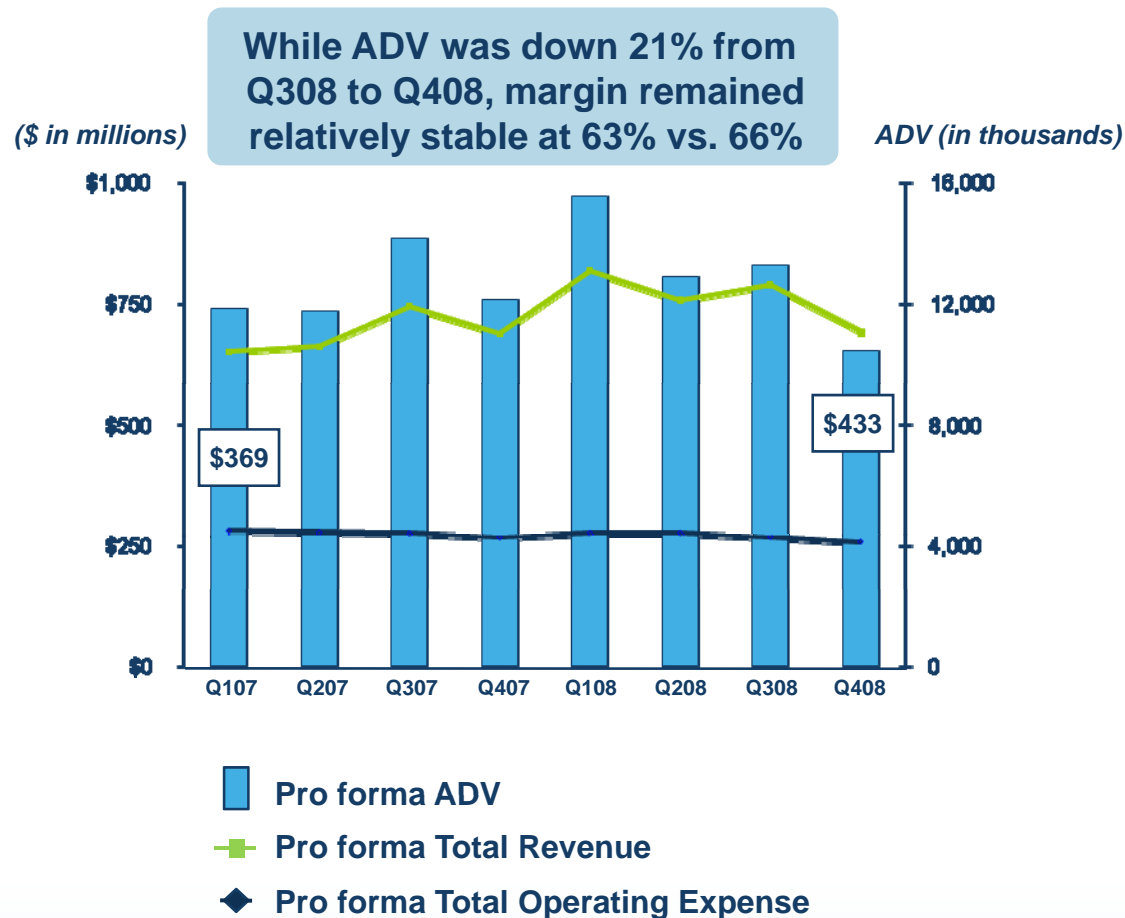
|                               |          |          |          |          |          |
|-------------------------------|----------|----------|----------|----------|----------|
| Open outcry                   | \$ 0.517 | \$ 0.553 | \$ 0.572 | \$ 0.607 | \$ 0.663 |
| Electronic (excluding TRAKRS) | 0.629    | 0.609    | 0.629    | 0.637    | 0.691    |
| Privately negotiated          | 3.057    | 2.345    | 2.427    | 2.526    | 2.558    |

## NYMEX/COMEX RPC

|                                    | <u>4Q 2007</u> | <u>1Q 2008</u> | <u>2Q 2008</u> | <u>3Q 2008</u> | <u>4Q 2008</u> |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| NYMEX floor                        | \$ 1.470       | \$ 1.594       | \$ 1.607       | \$ 1.386       | \$ 1.600       |
| NYMEX electronic                   | 1.204          | 1.324          | 1.304          | 1.315          | 1.308          |
| COMEX floor                        | 1.466          | 1.641          | 1.712          | 1.626          | 1.801          |
| COMEX electronic                   | 1.549          | 1.630          | 1.706          | 1.719          | 1.781          |
| NYMEX ClearPort                    | 1.925          | 1.875          | 1.905          | 1.933          | 2.099          |
| Other                              | 1.809          | 1.923          | 1.854          | 1.928          | 2.038          |
| Total Pro Forma Average Gross Rate | \$ 1.471       | \$ 1.570       | \$ 1.556       | \$ 1.567       | \$ 1.671       |
| Total Pro Forma Average Net Rate   | \$ 1.388       | \$ 1.472       | \$ 1.479       | \$ 1.488       | \$ 1.569       |



# Strong Emphasis on Expense Discipline



- Focus on discretionary costs
  - Hiring, travel, marketing, professional fees
- Delivering CBOT/NYMEX synergies
- Prioritizing opportunities in 2009
- Variable expenses, such as license fees and employee bonus, move with volume

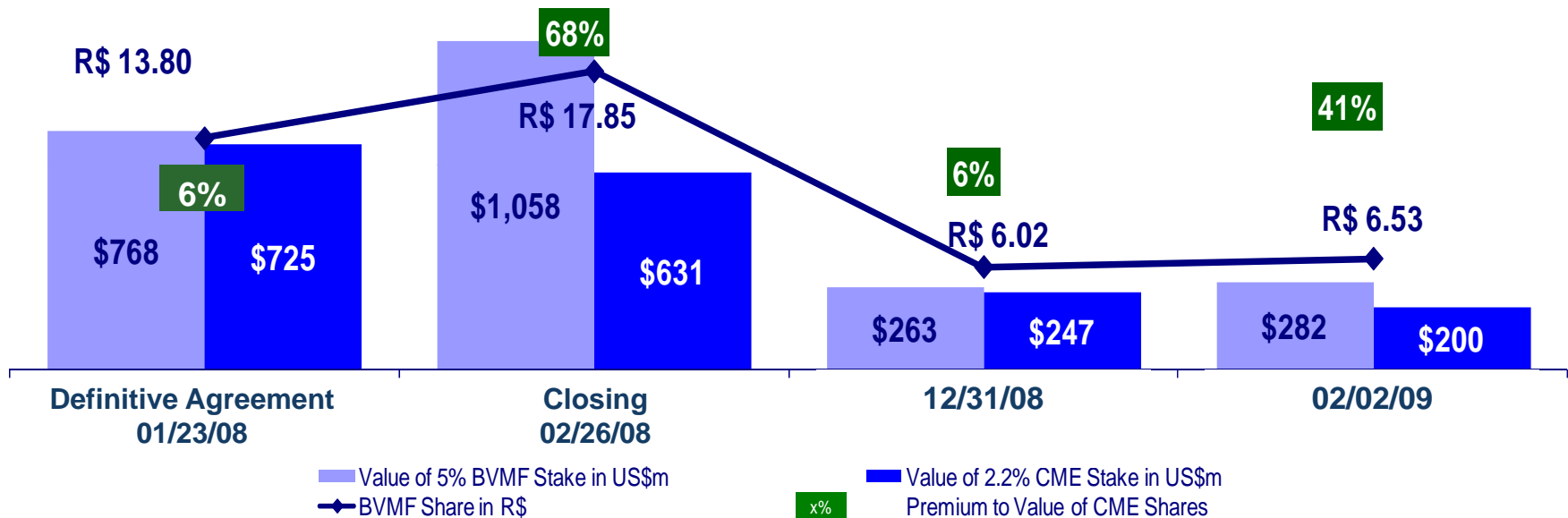
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# BM&F Bovespa Impairment Details

BM&F Bovespa continues to present attractive long-term financial and strategic opportunities for CME Group

## CME Group / BM&F Bovespa Equity Swap Values



- Under GAAP standards, management has taken a pre-tax, non-cash impairment charge of \$275 million on the income statement
- In addition, \$94 million of the loss attributable to currency moves is recorded through the balance sheet while the loss related to the value of the shares runs through the non-operating income section of CME Group's income statement

# Capital Management Update

## Balance Sheet as of December 31, 2008:

- \$600mm of cash and marketable securities
- \$3.2bn of total debt
  - \$1.7bn of term debt
  - Approximately \$1.5bn commercial paper outstanding, backstopped by a \$945mm 3-year revolver and a temporary \$1.3bn bridge facility
    - Quarterly continuation fees associated with the bridge facility (expensed \$2mm fee in Q408 / next fee scheduled to be \$6mm on February 18, 2009)
    - If the bridge is replaced prior to February 18, the continuation fee would be eliminated, but we would have an acceleration of the upfront fees related to the origination of the bridge financing to Q109 of \$5mm

- 
- Net debt position of approximately \$2.6bn

**Focus on reducing Debt/EBITDA ratio to below 1X**

**Share buyback authorization remains in place, however, the company has stopped purchasing shares for now to devote its excess free cash flow to debt reduction**

- Since beginning of share buyback program in late Q308, the company has spent \$250mm and repurchased shares at an average price of \$272

# Additional Notes and Guidance

- **Full-year 2009 total pro forma operating expenses:**
  - If ADV in 2009 is similar to 2008 (13mm contracts), expect expenses to increase 2% compared with expenses of \$1.08bn in 2008
  - If ADV in 2009 is closer to the current consensus volume (11.2mm contracts), expect operating expenses to be approximately 1% to 2% lower than total operating expenses in 2008
- **2009 effective tax rate: approximately 41%**
- **2009 capital expenditures: Between \$200mm and \$225mm**
- **2009 employee bonus based on internal cash earnings target: \$47mm**
  - Cash earnings >20% above the target, bonus would be \$69mm
  - Cash earnings 20% below the target, bonus would be minimal
- **Q109 compensation expense: \$90mm-\$95mm**
  - Larger than normal sequential increase from Q408 to Q109
- **2009 net securities lending: minimal net securities lending income in 2009 as the company winds down the NYMEX portfolio**
- **Quotation data fees: no market data price increase as in prior years**