

Chicago Mercantile Exchange Holdings Inc. Reports Record Revenues, Earnings For the Second Quarter of 2003, Spurred by Strength in Major Product Groups

CHICAGO, July 22 /PRNewswire-FirstCall/ -- Chicago Mercantile Exchange Holdings Inc. (NYSE: CME) today reported record revenues and earnings for the second quarter of 2003, spurred by strong trading volume in its three largest product categories: interest rates, equities and foreign exchange.

Net revenues increased 32 percent to a record \$142.4 million for the second quarter of 2003, compared with \$107.5 million for the year-earlier period. Net income rose 67 percent to a record \$35.0 million, versus \$21.0 million for the same period in 2002. Earnings per diluted share improved 45 percent to a record \$1.03 from 71 cents per diluted share for the second quarter last year. This growth occurred on a base of shares that has increased by 3.7 million with the company's initial public offering in December 2002.

Average daily volume increased 23 percent to nearly 2.7 million contracts for the second quarter of 2003 versus the same period of 2002. Each of CME's trading venues set quarterly volume records. More than 1.5 million contracts a day were traded via open outcry, up 5 percent from the second quarter last year. Nearly 1.1 million contracts a day changed hands on CME's GLOBEX[®] electronic trading platform, a 63 percent increase from a year ago, and 41,000 contracts a day were privately negotiated, up 25 percent. During the second quarter of 2003, 41 percent of CME's volume traded on GLOBEX, compared with 31 percent during the same period a year ago. June 2003 was the second busiest month in CME's history for E-mini[™] equity futures, which averaged more than 1.0 million contracts a day during the month.

"Our strong second quarter performance was driven by our diverse product line with substantial trading volume in our three largest product groups -- particularly interest rates -- where volume grew each month to culminate in a new record in June," said Chairman Terry Duffy. "We believe that one contributor to this growth has been a continuing shift in the global derivatives landscape as users are increasingly focused on credit quality and cognizant of the appeal of transparent, exchange-traded instruments with central counterparty clearing. Our interest rate volume also benefited from continued mortgage refinancing activity, which increasingly is hedged with our Eurodollar futures and options contracts -- as well as the quarter-point interest rate adjustment by the U.S. Federal Reserve Board.

"This quarter, we will continue to aggressively prepare for the launch of the CME/CBOT[®] Common Clearing Link based on the definitive agreement we reached in April," said Duffy. "We are on track to begin clearing Chicago Board of Trade[®] commodity, equity and certain interest rate products on Nov. 24, 2003, with the remainder scheduled to begin on Jan. 2, 2004."

"We've focused significant resources on expanding our distribution, making it easier than ever before to trade on CME, no matter where you are in the world," said President and Chief Executive Officer Jim McNulty. "In the past three years, we opened up access to GLOBEX, dramatically increased the speed of trading, established a telecommunications hub in Europe and increased the number of independent software vendors and data centers that offer GLOBEX interfaces. Since the beginning of this year, we've added 16 network connections to our European hub, for a total of 36; streamlined our foreign exchange delivery process to offer cost savings to market participants; and announced two new programs to expand telecommunications alternatives and reduce costs for users of GLOBEX, our CLEARING 21[®] system and our market data. We believe that broadening access and distribution has expanded both our customer base and trading volume."

For the second quarter of 2003, revenue from clearing and transaction fees increased 37 percent to \$115.8 million from \$84.3 million for the same period of 2002. Quotation data fees rose 14 percent to \$13.6 million for the second quarter of 2003, versus \$11.9 million for the same period a year ago, driven by a pricing change that took effect in April 2003.

Total operating expenses for the second quarter of 2003 were \$83.0 million, compared with \$73.0 million for the second quarter of 2002. During the 2003 quarter, the company recorded stock-based compensation expense of \$0.8 million. Based on a stock option and restricted stock grant in June, CME expects the stock-based compensation portion of compensation and benefits to increase to approximately \$1.4 million per quarter in the third and fourth quarters of 2003.

Income before income taxes was \$59.4 million for the second quarter of 2003, an increase of 72 percent from \$34.5 million for the same period a year ago. The company's operating margin, defined as income before income taxes expressed as a percentage of net revenues, was 41.7 percent for the second quarter of 2003, compared with 32.1 percent for the year-earlier quarter.

CME's working capital was \$381.6 million at June 30, 2003, compared with \$325.6 million at Dec. 31, 2002, primarily due to the

operating results during the first six months of 2003.

Capital expenditures and capitalized software development costs were \$13.9 million for the second quarter. The company paid a quarterly dividend of 14 cents per common share, which totaled \$4.6 million in June 2003.

Six-Month Results

For the first six months of 2003, net revenues increased 29 percent to a record \$268.4 million from \$208.6 million for the first half of 2002. Clearing and transaction fees improved 35 percent to \$218.2 million from \$162.2 million a year ago, benefiting from higher trading volume. Total operating expenses were \$165.3 million for the first half of 2003, versus nearly \$143.0 million for the comparable period of 2002. Income before income taxes was \$103.1 million for the first half of 2003, up 57 percent from \$65.7 million for the same period a year ago. The operating margin was 38.4 percent for the first six months of 2003, compared with 31.5 percent for the year-earlier period.

The company reported record net income of \$61.1 million, or \$1.81 per diluted share, for the first six months of this year, compared with \$39.7 million, or \$1.33 per diluted share, for the first half of 2002.

Capital expenditures and capitalized software development costs were \$25.0 million for the first six months of 2003.

During the second quarter of 2003, certain shareholders sold 1,220,635 shares of Class A common stock at a price of \$69.60 per share in an underwritten offering. The company did not sell any shares or receive any proceeds from the sale of stock by its shareholders in the offering.

Chicago Mercantile Exchange Holdings Inc. became the first publicly traded U.S. financial exchange on Dec. 6, 2002. The company was added to the Russell 1000[®] Index on July 1, 2003. It is the parent company of Chicago Mercantile Exchange Inc. (www.cme.com), the largest futures exchange in the United States. As an international marketplace, CME brings together buyers and sellers on its trading floors and its GLOBEX electronic trading platform. CME offers futures contracts and options on futures contracts primarily in four areas: interest rates, stock indexes, foreign exchange and commodities. The exchange moved about \$1.5 billion per day in settlement payments in the first half of 2003 and managed \$29.1 billion in collateral deposits at June 30, 2003.

CME will hold a conference call to discuss second quarter results at 8:30 a.m. Eastern time today. A live audio Webcast of the conference call will be available on the Investor Relations section of CME's Web site; those wishing to listen to the live conference via telephone should dial (800) 500-0177 if calling from within the United States or (719) 457-2679 if calling from outside the United States at least 10 minutes before the call begins. Following the conference call, an archived recording and PowerPoint slides will be available at the same site.

Statements in this news release 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: increasing competition by foreign and domestic competitors, including new entrants into our markets; our ability to keep pace with rapid technological developments; our ability to continue introducing competitive new products and services on a timely, cost-effective basis, including through our electronic trading capabilities; our ability to maintain the competitiveness of our existing products and services; our ability to efficiently and simultaneously operate both open outcry trading and electronic trade execution facilities; our ability to adjust our fixed costs and expenses if our revenues decline; changes in domestic and foreign regulations; changes in government policy, including interest rate policy; the costs associated with protecting our intellectual property rights and our ability to operate our business without violating the intellectual property rights of others; the ability of our joint venture, OneChicago, to obtain market acceptance of its products and achieve sufficient trading volume to operate profitably; and the continued availability of financial resources in the amounts and on the terms required to support our future business. In addition, our performance could be affected by our ability to realize the benefits or efficiencies we expect from our for-profit initiatives, such as fee increases, volume and member discounts and new access rules to our markets; our ability to recover market data fees that may be reduced or eliminated by the growth of electronic trading; changes in the level of trading activity, price levels and volatility in the derivatives markets and in underlying fixed income, equity, foreign exchange and commodities markets; economic, political and market conditions; our ability to accommodate increases in trading volume without failure or degradation of performance of our trading systems; our ability to manage the risks associated with our acquisition, investment and alliance strategy; industry and customer consolidation; decreases in member trading and clearing activity and seasonality of the futures business. 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 Annual Report on Form 10-K, which is available in the Investor Information section of the CME Web site. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

GLOBEX is a registered trademark of Chicago Mercantile Exchange Inc. E-mini is a trademark of CME. CLEARING 21 is a registered trademark of CME and New York Mercantile Exchange, Inc. Russell 1000 and other trade names, service marks,

trademarks and registered trademarks that are not proprietary to Chicago Mercantile Exchange Inc. are the property of their respective owners, and are used herein under license. Further information about Chicago Mercantile Exchange Holdings Inc. and Chicago Mercantile Exchange Inc. is available on the CME Web site at www.cme.com.

Chicago Mercantile Exchange Holdings Inc. and Subsidiaries

Consolidated Balance Sheets

(dollars in thousands)

June 30, 2003 Dec. 31, 2002

ASSETS

Current Assets:

Cash and cash equivalents	\$392,835	\$339,260
Proceeds from securities		
lending activities	1,057,976	985,500
Accounts receivable	69,316	50,865
Other current assets	8,350	11,515
Cash performance bonds		
and security deposits	1,968,317	1,827,991
Total Current Assets	3,496,794	3,215,131
Property, net of accumulated		
depreciation and amortization	107,096	109,563
Other assets	36,360	30,322
TOTAL ASSETS	\$3,640,250	\$3,355,016

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts payable	\$29,173	\$27,607
Payable under securities		
lending agreements	1,057,976	985,500
Other current liabilities	59,692	48,396
Cash performance bonds		
and security deposits	1,968,317	1,827,991
Total Current Liabilities	3,115,158	2,889,494
Long-term debt	648	2,328
Other liabilities	19,411	17,055
Total Liabilities	3,135,217	2,908,877
Shareholders' Equity	505,033	446,139
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$3,640,250	\$3,355,016

Balance Sheet Items Excluding

Cash Performance Bonds and Security Deposits and Securities Lending(A)

June 30, 2003 Dec. 31, 2002

Current assets	\$470,501	\$401,640
Total assets	613,957	541,525
Current liabilities	88,865	76,003
Total liabilities	108,924	95,386

- (A) Securities lending and cash performance bonds and securities deposits are excluded from this presentation, as there are current assets for these balances that have equal and offsetting current liabilities. This presentation results in a more meaningful indication to investors of the assets owned and related obligations of the company. Clearing firms are subject to performance bond requirements pursuant to the rules of the exchange. The clearing firm can elect to satisfy these requirements in cash, which is reflected in the consolidated balance sheets, or by depositing securities, which are not reflected in the consolidated balance sheets. The balance of cash performance bonds and security deposits that are deposited by clearing firms may change daily as a result of changes in the clearing firms' open positions and how clearing firms elect to satisfy their performance bond requirements. Securities lending transactions utilize a portion of the securities that clearing firms have deposited to satisfy their proprietary

performance bond requirements.

Chicago Mercantile Exchange Holdings Inc. and Subsidiaries
Consolidated Statements of Income
(dollars in thousands, except share and per share amounts)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
REVENUES				
Clearing & transaction fees	\$115,808	\$84,274	\$218,207	\$162,159
Quotation data fees	13,570	11,925	25,369	24,390
GLOBEX access fees	3,883	3,278	7,605	6,408
Communication fees	2,412	2,506	4,828	4,911
Investment income	2,164	1,304	3,310	2,921
Securities lending interest income	2,029	6,275	4,886	9,789
Other operating revenue	4,429	3,518	8,690	6,571
TOTAL REVENUES	144,295	113,080	272,895	217,149
Securities lending interest expense	(1,904)	(5,548)	(4,488)	(8,525)
NET REVENUES	142,391	107,532	268,407	208,624
EXPENSES				
Compensation & benefits	37,970	29,335	71,214	60,108
Occupancy	6,294	5,308	12,575	11,089
Professional fees, outside services & licenses	7,561	8,377	14,939	15,638
Communications & computer & software maintenance	11,182	11,325	23,299	21,633
Depreciation & amortization	13,321	12,337	26,532	23,151
Marketing, advertising & public relations	1,534	1,354	7,136	2,917
Other operating expense	5,159	5,007	9,588	8,436
TOTAL EXPENSES	83,021	73,043	165,283	142,972
Income before income taxes	59,370	34,489	103,124	65,652
Income tax provision	(24,357)	(13,498)	(41,990)	(26,002)
NET INCOME	\$35,013	\$20,991	\$61,134	\$39,650
EARNINGS PER SHARE				
Basic	\$1.07	\$0.73	\$1.88	\$1.38
Diluted	\$1.03	\$0.71	\$1.81	\$1.33
Weighted average number of common shares:				
Basic(B)	32,624,015	28,800,423	32,579,249	28,787,562
Diluted(B)	33,867,000	29,656,429	33,865,295	29,706,321

(B) In December 2002, CME Holdings issued approximately 3.7 million shares in its initial public offering.

Average Daily Volume (Round Turns, in Thousands)					
	2Q	3Q	4Q	1Q	2Q
	2002	2002	2002	2003	2003
Interest rates	1,295	1,290	1,030	1,121	1,389
Equity E-mini	598	812	848	958	936
Equity					
standard-size	140	161	138	142	134
Foreign exchange	102	93	93	127	137
Commodities	32	28	29	35	34
Subtotal	2,167	2,384	2,138	2,383	2,630
TRAKRS	--	31	122	18	46
Total	2,167	2,415	2,260	2,401	2,676
Open outcry	1,467	1,471	1,192	1,299	1,548
Electronic					
(including TRAKRS)	667	915	1,036	1,063	1,087
Privately					
negotiated	33	29	32	39	41
Total	2,167	2,415	2,260	2,401	2,676

Transaction Fees (in Thousands)					
	2Q(C)	3Q	4Q	1Q	2Q(D)
	2002	2002	2002	2003	2003
Interest rates	\$35,809	\$38,314	\$33,506	\$33,763	\$47,174
Equity E-mini	25,946	37,018	37,639	41,607	39,692
Equity					
standard-size	9,149	11,948	10,691	10,594	10,641
Foreign exchange	11,606	10,320	11,322	14,502	16,235
Commodities	1,764	1,650	1,766	1,920	2,034
Subtotal	84,274	99,250	94,924	102,386	115,776
TRAKRS	--	5	58	13	32
Total	\$84,274	\$99,255	\$94,982	\$102,399	\$115,808
Open outcry	\$43,968	\$49,032	\$43,568	\$43,986	\$56,308
Electronic					
(including					
TRAKRS)	32,760	43,489	43,322	48,936	49,245
Privately					
negotiated	7,546	6,734	8,092	9,477	10,255
Total	\$84,274	\$99,255	\$94,982	\$102,399	\$115,808

Average Rate Per Trade					
	2Q(C)	3Q	4Q	1Q	2Q(D)
	2002	2002	2002	2003	2003
Interest rates	\$0.43	\$0.46	\$0.51	\$0.49	\$0.54
Equity E-mini	0.68	0.71	0.69	0.71	0.67
Equity					
standard-size	1.02	1.16	1.21	1.22	1.26
Foreign exchange	1.77	1.73	1.90	1.88	1.89
Commodities	0.87	0.92	0.95	0.91	0.95
Average					
excluding					
TRAKRS	0.61	0.65	0.69	0.70	0.70
TRAKRS	--	0.003	0.007	0.012	0.011
Overall rate					
per trade	\$0.61	\$0.64	\$0.66	\$0.70	\$0.69
Open outcry	\$0.47	\$0.52	\$0.57	\$0.56	\$0.58
Electronic					
(including					
TRAKRS)	0.77	0.74	0.65	0.75	0.72
Privately					
negotiated	3.62	3.64	3.90	3.96	4.00

Overall rate					
per trade	\$0.61	\$0.64	\$0.66	\$0.70	\$0.69

- (C) Second quarter 2002 transaction fees reflect a \$5 million reduction for a fund established for clearing firms related to a one-time adjustment. This reduced the overall rate per trade by 3.6 cents from 64.4 cents to 60.8 cents, impacting all product groups.
- (D) Second quarter 2003 transaction fees include a \$2.5 million assessment to a clearing firm which primarily affected the rate per trade for interest rate contracts. Without this assessment, the interest rate contract rate per trade would have been 51.2 cents, the assessment increased it 2.7 cents to 53.9 cents. The overall rate per trade, excluding TRAKRS, would have been 68.4 cents, and was increased by 1.5 cents to 69.9 cents. Transaction fee assessments occur in the regular course of business.

SOURCE Chicago Mercantile Exchange Holdings Inc.

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