

Chicago Mercantile Exchange Holdings Inc. Reports Record Revenues, Earnings For 2002

A 35 Percent Increase in Average Daily Trading Volume, Led by a 141 Percent Increase in Electronic Trading Volume, Contributed to Record Revenues

CHICAGO, Jan. 30 /PRNewswire-FirstCall/ -- Chicago Mercantile Exchange Holdings Inc. (NYSE: CME) today reported record revenues and earnings for 2002, primarily due to increased trading volume. Net revenues increased 17 percent to a record \$453.2 million for 2002, compared with \$387.2 million for 2001. Net income was \$94.1 million for 2002, an increase of 25 percent from \$75.1 million for the previous year. Diluted earnings per share were \$3.13 for 2002 versus \$2.57 for 2001.

Average daily volume in 2002 increased 35 percent to a record 2.2 million contracts from the exchange's previous annual record of 1.6 million contracts per day set in 2001. Electronically traded E-mini™ equity contract volume was particularly strong, climbing 137 percent to an average of about 680,000 contracts a day in 2002. Trading on CME's GLOBEX® electronic trading platform grew by 141 percent in 2002 and represented 35 percent of total volume, compared with 20 percent in 2001.

"During 2002, our volume grew faster than any other major futures exchange based on trading volume of futures and options on futures," said Chairman Terry Duffy. "We remain the No. 1 futures exchange in the United States in terms of trading volume, and we are the industry's global leader in open interest -- 19 million open positions at year-end -- and notional value of volume traded during the year, at \$329 trillion for the year. In addition, in 2002 we were proud to become the first publicly traded U.S. financial exchange."

"In a volatile geopolitical and economic environment, institutions and individuals are more actively using risk management products," said President and Chief Executive Officer Jim McNulty. "We capitalized on that trend by introducing innovative new products, enhancing the relevance and use of existing CME products, expanding our distribution and customer base, and making major improvements to our technology platforms and infrastructure."

Fourth Quarter Highlights

Fourth quarter 2002 net revenues were the second-highest in CME's history, increasing 14 percent to \$119.4 million from \$105.0 million for the same period of 2001. Fourth quarter 2002 net income was \$31.5 million or \$1.02 per diluted share, compared with \$19.3 million or 66 cents per diluted share for the year-earlier period. Excluding non-cash stock-based compensation and a favorable settlement related to patent litigation(A), operating income in the fourth quarter of 2002 would have risen 27 percent to \$43.6 million versus the same period a year ago. The operating margin would have been 36.5 percent for the fourth quarter of 2002, compared with 32.8 percent for the same period of 2001. Fourth quarter net income would have been \$27.2 million or 88 cents per diluted share, versus \$20.4 million or 69 cents per diluted share for the fourth quarter of 2001.

Revenues from clearing and transaction fees represented 80 percent of net revenues and increased 18 percent to \$95.0 million for the fourth quarter of 2002 from \$80.6 million for the same period of 2001. Quotation data fees were \$12.2 million for the 2002 period, versus \$12.4 million for the 2001 quarter. Excluding stock-based compensation and the favorable settlement related to patent litigation, operating expenses were \$75.8 million for the quarter, an increase of 7 percent from \$70.6 million for the fourth quarter of 2001. The company's fourth quarter 2002 tax rate was 37.5 percent due to the favorable resolution of an income tax item with the Internal Revenue Service, compared with 40.7 percent for the fourth quarter of 2001.

For the fourth quarter of 2002, average daily volume increased 24 percent to 2.3 million contracts from 1.8 million for the same period last year. Fourth quarter average daily volume declined 6 percent from the third quarter of 2002, although CME recorded its busiest-ever December and fourth quarter in 2002. The decline in volume from the third to fourth quarter of 2002 was due primarily to a reduction in interest rate volume; contributing factors included low expectations of potential year-end Fed interest rate changes, a relatively flat yield curve and a holiday season slowdown.

E-mini equity contract volume in the fourth quarter increased 138 percent to 848,000 contracts per day compared to the prior year, and rose 4 percent compared with the third quarter of 2002. Electronic trading volume during the quarter was approximately 46 percent of total volume.

Also during the fourth quarter, Chicago Mercantile Exchange Holdings Inc. completed its initial public offering and its stock began trading on the New York Stock Exchange under the ticker symbol CME. On Dec. 6, 2002, the holding company and its exchange subsidiary became the first U.S. financial exchange to be publicly traded.

Full Year 2002 Highlights

Contributing to CME's record 2002 revenues was a 22 percent increase in clearing and transaction fees, to \$356.4 million, which represented 79 percent of net revenues. Quotation data fees increased slightly to \$48.7 million in 2002, versus \$48.3 million in 2001. Operating expenses for 2002 were \$298.9 million, up 14 percent from \$261.4 million in 2001, due primarily to increased technology-related costs. Operating income was \$154.2 million for 2002, an increase of 23 percent from \$125.8 million for 2001. The operating margin was 34.0 percent, compared with 32.5 percent for 2001. The company's 2002 tax rate was 39.0 percent, compared with 40.3 percent for the prior year.

In 2002, CME introduced a number of innovative new products, including a series of electronically traded non-traditional futures contracts called TRAKRS(SM) that were developed with Merrill Lynch & Co. and became the first futures contracts that can be sold by a securities broker. With the New York Mercantile Exchange (NYMEX), CME also launched e-miNY(SM) versions of NYMEX crude oil and natural gas futures. CME's OneChicago joint venture began trading single stock futures in November 2002. In early 2002, CME established a telecommunications hub in London to bring down the cost of trading and improve speed and access for its growing number of European customers. Also during the year, CME developed an entirely new GLOBEX network at its new Remote Data Center, making significant capital investments in database and order routing servers to accommodate increased GLOBEX usage.

CME's working capital was \$325.6 million at Dec. 31, 2002, compared to \$144.3 million at year-end 2001. CME raised approximately \$117.5 million from its initial public offering in December 2002. Capital expenditures and capitalized software development costs were \$56.9 million in 2002, compared with \$36.5 million in 2001. The Board will meet on Feb. 5 to determine the first quarter 2003 dividend and record date.

Guidance Policy

CME does not intend to provide specific per share guidance on an ongoing basis, primarily due to the difficulty of predicting trading volume with precision. CME announces trading volume on a daily basis on its Web site, which gives interested parties the ability to track performance during the quarter.

"The Board and management team are committed to creating long-term shareholder value, and we will continue to make decisions with that as our guiding principle," said Chief Financial Officer David Gomach. "While we will not provide specific earnings guidance, we will provide information regarding expected changes in revenue or expense items that we believe will have a material impact on upcoming quarters."

There are 61 trading days in the first quarter of 2003, compared with 64 trading days in the fourth quarter of 2002. On the revenue side, the company will change the fees for users of its quote data effective April 1, 2003. The current pricing schedule is \$60 per month for the first screen at each location and \$12 per month for each additional screen. The new pricing reduces the first screen at each location to \$50 per month, but increases the charge for each additional screen to \$20 per month. As of Dec. 31, 2002, CME had approximately 33,000 first locations and 126,000 additional screens. Additionally, the company announced it will modify its tiered pricing schedule for interest rate products effective March 1, 2003. At the same time, CME announced an incentive plan to promote liquidity in the back months of its Eurodollar complex by offering incentives for high volume traders and will cap the incentive at \$4 million in total over two five-month periods beginning in March. Based on current volumes, the tiered pricing increase is likely to more than offset the cost of the incentive plan. Both items will be reflected in revenue from clearing and transaction fees.

On the expense side, the company's current marketing and advertising campaign, including a branding initiative, began on Jan. 13, 2003. The expense related to the branding campaign is expected to be \$5.5 million in the first quarter, which is incremental to the company's typical public relations and promotion expense.

The company expects its tax rate to be approximately 40 percent in 2003. In terms of diluted share count, the company expects between 33.8 million and 33.9 million shares for the first quarter of 2003.

About Chicago Mercantile Exchange Holdings Inc.

Chicago Mercantile Exchange Holdings Inc. is the parent company of Chicago Mercantile Exchange Inc. (www.cme.com), the largest futures exchange in the United States based on notional value, trading volume and open interest. On Dec. 6, 2002, CME Holdings and its subsidiary became the first publicly traded U.S. financial exchange. As an international marketplace, CME brings together buyers and sellers on its trading floors and GLOBEX around-the-clock electronic trading platform. CME offers futures contracts and options on futures primarily in four product areas: interest rates, stock indexes, foreign exchange and commodities. The exchange moves about \$1.8 billion per day in settlement payments and manages \$27.4 billion in collateral deposits.

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. 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 and the Company's Registration Statement on Form S-1, which can be obtained at its Web site at www.sec.gov. 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 and TRAKRS are trademarks or service marks of CME. Further information about Chicago Mercantile Exchange Holdings Inc. and Chicago Mercantile Exchange Inc. is available on the CME Web site at www.cme.com.

(A) CME has adopted the fair value method of accounting applied retroactively to all its stock options and grants, and restated its results through Sept. 30, 2002. The change was made to decrease the fluctuations from quarter to quarter in its stock-based compensation expense and provide greater comparability between quarters. Previously, non-cash stock-based compensation expense varied based on changes in the company's Class A shares and the value of the trading rights associated with the company's Class B shares. In 2002, CME recorded approximately \$13.7 million of expense related to the Wagner patent litigation settlement with eSpeed and recovered approximately \$7.5 million from Euronext related to this dispute.

Chicago Mercantile Exchange Holdings Inc. and Subsidiaries
Consolidated Balance Sheets (dollars in thousands)

	Dec. 31, 2002	Dec. 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	\$339,260	\$69,101
Investment of securities		
lending proceeds	985,500	882,555
Marketable securities	---	91,570
Accounts receivable	50,865	40,986
Other current assets	11,515	6,671
Cash performance bonds and		
security deposits	1,827,991	855,227
Total current assets	3,215,131	1,946,110
Property, net of accumulated		
depreciation and amortization	109,563	100,991
Other assets	30,322	19,777
TOTAL ASSETS	\$3,355,016	\$2,066,878
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$27,607	\$23,834
Payable under securities		
lending agreements	985,500	882,555
Other current liabilities	48,396	40,229
Cash performance bonds		
and security deposits	1,827,991	855,227
Total current liabilities	2,889,494	1,801,845
Long-term debt	2,328	6,650
Other liabilities	17,055	10,017
Total liabilities	2,908,877	1,818,512
Shareholders' equity	446,139	248,366
TOTAL LIABILITIES AND		
 SHAREHOLDERS' EQUITY	\$3,355,016	\$2,066,878

Balance Sheet Items Excluding

Cash Performance Bonds and Security Deposits and Securities Lending		
	Dec. 31, 2002	Dec. 31, 2001
Current assets	\$401,640	\$208,328
Total assets	541,525	329,096
Current liabilities	76,003	64,063
Total liabilities	95,386	80,730

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

	Quarter Ended Dec. 31,		Year Ended Dec. 31,	
	2002	2001	2002	2001
REVENUES				
Clearing & transaction fees	\$94,982	\$80,565	\$356,396	\$292,459
Quotation data fees	12,210	12,440	48,717	48,250
GLOBEX access fees	3,175	3,079	12,945	11,987
Communication fees	2,369	2,425	9,733	9,330
Investment income	1,642	2,160	7,740	8,956
Securities lending interest income	3,467	3,254	18,169	10,744
Other operating revenue	4,436	3,410	15,379	14,904
TOTAL REVENUES	122,281	107,333	469,079	396,630
Securities lending interest expense	(2,893)	(2,377)	(15,902)	(9,477)
NET REVENUES	119,388	104,956	453,177	387,153
EXPENSES				
Salaries & benefits	29,677	26,889	114,899	105,227
Stock-based compensation	600	1,783	3,811	6,238
Occupancy	5,430	5,275	22,400	20,420
Professional fees, outside services & licenses	7,802	8,917	32,549	27,289
Communications & computer & software maintenance	12,753	12,233	46,569	43,598
Depreciation & amortization	13,005	10,360	48,509	37,639
Patent litigation settlement	(7,455)	---	6,240	---
Public relations & promotion	2,116	2,902	6,514	6,326
Other	5,016	3,994	17,457	14,650
TOTAL EXPENSES	68,944	72,353	298,948	261,387
Income before income taxes	50,444	32,603	154,229	125,766
Income tax provision	(18,925)	(13,282)	(60,162)	(50,658)
NET INCOME	\$31,519	\$19,321	\$94,067	\$75,108
EARNINGS PER SHARE				
Basic(B)	\$1.06	\$0.67	\$3.24	\$2.61
Diluted(B)	\$1.02	\$0.66	\$3.13	\$2.57
Weighted average number of common shares:				
Basic	29,870,065	28,774,700	29,066,242	28,774,700
Diluted	31,051,857	29,474,495	30,060,537	29,240,432

(B) CME became a for-profit corporation and issued shares on Nov. 13, 2000. On Dec. 3, 2001, CME became a wholly owned subsidiary of CME Holdings through a merger of a subsidiary of CME Holdings into CME. In the merger, shares of CME were exchanged for shares of CME Holdings. Earnings per share are presented as if the merger occurred at the beginning of the periods shown. In December 2002, CME Holdings issued approximately 3.7 million shares in its initial public offering.

Average Daily Volume (Round Turns, in Thousands)

	1Q	2Q	3Q	4Q	Full Year	Full Year
	2002	2002	2002	2002	2002	2001
Interest rates	1,295	1,295	1,290	1,030	1,226	1,092
Equity E-mini	450	598	812	848	680	287
Equity						
standard-size	136	140	161	138	144	138
Foreign exchange	96	103	93	93	96	89
Commodities	32	32	28	29	30	34
Subtotal	2,009	2,167	2,385	2,138	2,177	1,640
TRAKRS	--	--	31	122	39	--
Total	2,009	2,167	2,415	2,260	2,216	1,640
Open outcry	1,468	1,468	1,472	1,192	1,399	1,282
Electronic						
(including						
TRAKRS)	508	667	915	1,036	786	326
Privately						
negotiated	33	33	29	32	32	32
Total	2,009	2,167	2,415	2,260	2,216	1,640

	Transaction Fees (in Thousands)					
	1Q	2Q *	3Q	4Q	Full Year	Full Year
	2002	2002	2002	2002	2002	2001
Interest rates	\$35,536	\$35,809	\$38,318	\$33,506	\$143,169	\$137,987
Equity E-mini	20,704	25,945	37,018	37,639	121,306	63,369
Equity						
standard-size	8,762	9,149	11,945	10,691	40,546	37,933
Foreign exchange	11,139	11,606	10,320	11,322	44,387	45,461
Commodities	1,744	1,764	1,650	1,766	6,924	7,709
Subtotal	77,885	84,274	99,250	94,924	356,333	292,459
TRAKRS	--	--	5	58	63	--
Total	\$77,885	\$84,274	\$99,255	\$94,982	\$356,396	\$292,459
Open outcry	\$44,690	\$43,968	\$49,032	\$43,568	\$181,258	\$180,356
Electronic						
(including						
TRAKRS)	25,408	32,760	43,489	43,322	144,979	78,886
Privately						
negotiated	7,787	7,546	6,734	8,092	30,160	33,217
Total	\$77,885	\$84,274	\$99,255	\$94,982	\$356,396	\$292,459

	Average Rate Per Trade					
	1Q	2Q *	3Q	4Q	Full Year	Full Year
	2002	2002	2002	2002	2002	2001
Interest rates	\$0.46	\$0.43	\$ 0.46	\$0.51	\$0.46	\$0.50
Equity E-mini	0.77	0.68	0.71	0.69	0.71	0.88
Equity						
standard-size	1.07	1.02	1.16	1.21	1.12	1.09
Foreign exchange	1.93	1.77	1.73	1.90	1.83	2.03
Commodities	0.91	0.87	0.92	0.95	0.91	0.90
Average						
excluding						
TRAKRS	0.65	0.61	0.65	0.69	0.65	0.71
TRAKRS	--	--	0.003	0.007	0.006	--
Overall rate						
per trade	0.65	0.61	0.64	0.66	0.64	0.71
Open outcry	\$0.51	\$0.47	\$0.52	\$0.57	\$0.51	\$0.56
Electronic						
(including						

TRAKRS)	0.83	0.77	0.74	0.65	0.73	0.96
Privately						
negotiated	3.91	3.62	3.65	3.90	3.77	4.14
Overall rate						
per trade	0.65	0.61	0.64	0.66	0.64	0.71

Note: The second quarter 2002 transaction fees and rate per trade figures were impacted by a \$5 million transaction fee settlement with clearing firms related to a one-time adjustment of the time allowed to submit claim adjustment requests.

SOURCE Chicago Mercantile Exchange Holdings Inc.

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