



# Elevate

CME GROUP 2007 ANNUAL REPORT

# Elevating the Role of Derivatives in the Global Economy

Higher performance. Larger presence. Greater value. These milestones marked our achievements in 2007. Formed by the historic merger of the Chicago Mercantile Exchange and the Chicago Board of Trade, CME Group is the world's largest and most diverse exchange, offering customers globally the widest array of benchmark derivatives products across all major asset classes. This report shows how our continued innovation, technological advances and strategic partnerships elevate our leadership position in the financial marketplace – enabling us to improve risk management opportunities for customers in developed and emerging economies alike.

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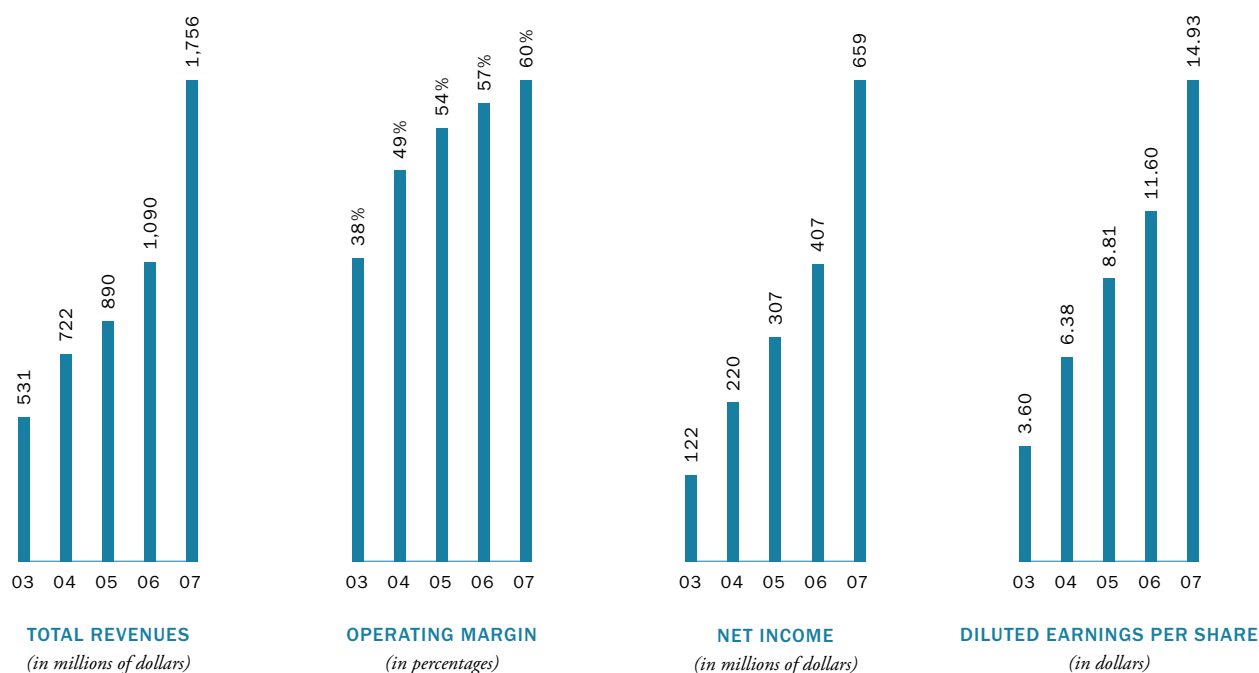
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## FINANCIAL HIGHLIGHTS

	YEAR ENDED OR AT DECEMBER 31		
<i>(in millions, except per share data and notional value)</i>	2007	2006	Change
<b>INCOME STATEMENT DATA</b>			
Total revenues	\$ 1,756	\$ 1,090	61%
Operating income	1,050	621	69
Income before income taxes	1,096	672	63
Net income	659	407	62
Earnings per share:			
Basic	\$ 15.05	\$ 11.74	28
Diluted	14.93	11.60	29
<b>BALANCE SHEET DATA</b>			
Current assets <sup>1</sup>	\$ 1,292	\$ 1,398	
Total assets <sup>1</sup>	16,611	1,655	
Current liabilities <sup>1</sup>	381	104	
Total liabilities <sup>1</sup>	4,305	136	
Shareholders' equity	12,306	1,519	
<b>OTHER DATA</b>			
Total trading volume (round turn trades)	2,250	1,341	68%
Total electronic trading volume (round turn trades)	1,739	956	82
Open interest at year end (contracts)	54	35	54
Notional value of trading volume (in trillions)	\$ 1,134	\$ 824	38

<sup>1</sup> Amounts exclude cash performance bonds and security deposits, as well as securities lending transactions.

All references to volume, notional value and rate per contract information in the text of this document exclude our non-traditional TRAKRS, Swapstream and auction-traded products. All references to options in the text of this document refer to options on futures contracts. All CME Group data in this report reflects the combined information of CME Holdings and CBOT Holdings beginning on July 13, 2007.



We completed our historic merger in 2007 to create the world's largest and most diverse exchange. CME Group delivered breakthrough performance across the board by serving the risk management needs of a broader range of customers around the globe.

**DEAR SHAREHOLDERS:** The year 2007 was one of unprecedented success for our company and our industry. The historic merger of the Chicago Mercantile Exchange and the Chicago Board of Trade in July created CME Group Inc. – elevating the significant role risk management plays in the broader financial services arena and strengthening the ability of the United States to remain competitive in the global financial marketplace. Customers everywhere now can access the most liquid markets of innovative benchmark derivatives products across all major asset classes – from a single electronic platform and, soon, a single trading floor.

As a combined company, CME Group has been able to create compelling efficiencies and trading opportunities for our customers as well as deliver new value to our shareholders. During 2007, we marked the seventh consecutive year in which we achieved record-setting financial results driven by significant volume growth. Our total revenues of \$1.8 billion were up 61 percent from 2006 and net income was up 62 percent to \$659 million. CME Group trading volume soared to an all-time high of 2.2 billion contracts, and open interest set a year-end record at 54 million contracts. Further, we achieved double-digit volume growth in each of our major product lines.

Fueling this impressive growth was a significant increase in electronic trading over 2006. The number of contracts traded electronically in 2007 exceeded 1.7 billion – representing more than 75 percent of our total volume as more traders around the globe are able to access our markets via the CME Globex platform. Because technology is core to our business, we continue to invest significant resources toward improving the speed, functionality and reliability of CME Globex. In 2007, this included upgrades that enabled customers to obtain market data more efficiently.

During 2007, we broadened our global reach by laying the groundwork to partner with exchanges in emerging markets, such as Asia, Latin America and the Middle East. In the coming year, we expect to continue seeking innovative opportunities to bring the benefits of our products and trading technologies to these important markets.

Our performance throughout the year was truly extraordinary. We are especially pleased to have successfully managed the integration of the largest merger in the history of the derivatives industry and, at the same time, expanded our business effectively as demonstrated by our record volume and revenue growth.

Just as our company has grown, so too has our competition. The pressure to deliver innovative new products to meet ever-changing customer needs, create faster and even more efficient technology solutions and expand into new markets is increasing. New participants continue to enter the exchange-traded derivatives space. And we continue to compete with similar product offerings available in the much larger over-the-counter marketplace.

As we move forward, it is critical that we continue to drive innovation while maintaining our focus on operational excellence and entrepreneurial zeal. To do that, we will continue to rely on the leadership and support of our board of directors, as well as the knowledge, ability and commitment of our management team and employees, to execute our growth strategy successfully. As shown by our outstanding 2007 performance, we have the best team in the industry, the right strategy, and a proven business model. Looking ahead, our priority must be to continue to leverage those strengths as well as our leading position in the industry to further benefit our customers and shareholders worldwide.



**TERRENCE A. DUFFY**  
Executive Chairman

*February 27, 2008*



**TERRENCE DUFFY**  
Executive Chairman  
*in Chicago*



**CRAIG DONOHUE**  
Chief Executive Officer  
*in São Paulo*

CME Group achieved record volume growth in 2007, handled 2.2 billion contracts and delivered record revenues and earnings. Expanding globally to serve customers in emerging as well as developed markets, the company established landmark partnerships in Brazil and China.

**TO OUR SHAREHOLDERS:** In all respects, 2007 was a year of historic achievement for our company. We completed the merger of CME and CBOT in July and began delivering new trading opportunities and increased value for our combined customer base. We continued to surpass previously established records, with total revenues growing 61 percent to \$1.8 billion, net income rising 62 percent to \$659 million and diluted earnings per share increasing 29 percent to \$14.93.

We expanded our core business organically, created innovative new products to meet the diverse needs of our customers, focused on the over-the-counter market, enhanced our technology, provided transaction processing services, broadened our global reach and explored new business opportunities. In short, we made significant progress toward achieving our long-term strategic goals.

For the seventh consecutive year, CME Group achieved record volume growth, handling nearly 2.2 billion contracts, a 68 percent increase over the prior year. Furthermore, total electronic trading grew 82 percent – from 1.0 billion to 1.7 billion contracts – as customers around the globe expanded their use of CME Group products. This impressive growth demonstrates the burgeoning need for the risk management and hedging tools we offer.

Today, CME Group offers the widest array of benchmark products across all major asset classes – from a single electronic platform. Further, we continue to provide a choice of trading venues for our customers. In 2008, we will combine our trading floors in Chicago at our landmark 141 W. Jackson building.

As evidenced by our results in 2007, our products and services are increasingly important for portfolio managers, commercial and investment banks, chief financial officers and corporate treasurers who are seeking tools for managing risk. In addition, our markets provide innumerable opportunities for customers willing to assume price risk for possible gain – all with the safety, soundness and capital efficiencies provided by CME Clearing. Given the current unrest in credit and capital markets, CME Clearing continues to benefit our customers by virtually eliminating counterparty risk.

**FOSTERING GROWTH IN OUR CORE BUSINESS** For the third year in a row, all CME Group product lines achieved more than 20 percent year-over-year growth:

- **Interest rate** products volume averaged 7.1 million contracts per day.
- **Equity index** products volume averaged 2.7 million contracts per day.
- **Foreign exchange** products volume averaged 569,000 contracts per day, representing a notional value of \$71 billion.
- **Commodity and alternative investment products** volume averaged 728,000 contracts per day.

In addition, CME Group electronic options averaged 287,000 contracts per day. While we still have a long way to go in growing this component of our business, we are very proud of the progress we have made to date and look forward to realizing the full potential of this business in the coming years.

**MEETING CUSTOMER NEEDS WITH INNOVATIVE NEW PRODUCTS ACROSS ALL MAJOR ASSET CLASSES** In 2007, we introduced innovative products with global appeal in every major asset class:

- CME Lehman U.S. Aggregate Index futures, based on the pre-eminent benchmark debt index for U.S. investment grade fixed income investments, were launched as the first exchange-traded contracts on a broad-based, fixed income index.
- E-mini S&P SmallCap 600 Index futures, S&P SmallCap 600 Index futures, and options on the E-mini S&P MidCap 400 Index futures were added to our already-established suite of equity products.
- E-mini futures on the MSCI Emerging Markets Index – one of the most recognized benchmarks for emerging markets in the world – were introduced in an agreement with MSCI Barra.

- E-mini futures on the FTSE/Xinhua China 25 index debuted in 2007, making CME Group the first U.S. exchange to list futures on the Chinese equity market.
- Dry whey and wood pulp futures were introduced, as well as options on ethanol futures, giving customers new tools for managing risk in the energy industry.
- New real estate products – such as the Dow Jones U.S. Real Estate Index – were launched, along with weather-based products such as futures and options on hurricanes.
- Plans to offer new trading opportunities in 2008, such as volatility-quoted options, were announced.

**TARGETING THE OTC MARKET** Ramping up our efforts to serve the over-the-counter (OTC) market, we launched ethanol swaps and continued our focus on FXMarketSpace – our centrally cleared OTC foreign exchange joint venture serving the \$3 trillion per day OTC FX market. We also introduced new dealer-to-client and enhanced dealer-to-dealer platforms through Swapstream, a subsidiary of CME Group that provides a global trading platform in the interest rate swaps trading community. In addition, CME Swaps on Swapstream launched in 2007, becoming the first centrally cleared interest rate swap available to all OTC market participants, with the full benefits of central counterparty clearing.

**ENHANCING OUR TECHNOLOGY** Our CME Globex electronic platform handled record volume in 2007. This was achieved during a period that included months of integration planning to bring e-CBOT products onto CME Globex. In January 2008, we fully integrated e-CBOT products on CME Globex – producing greater efficiencies for our customers around the world.

In addition, we launched the FIX/FAST market data format, enabling customers to receive market data more efficiently. We also introduced a number of speed and reliability upgrades in 2007 that reduced the processing time of our match engine for options products to less than five milliseconds. In 2008, we plan to reduce the match engine processing time for our futures products by 50 percent.

**DELIVERING TRANSACTION PROCESSING SERVICES** As a key element of our growth strategy, providing third-party transaction processing services continues to contribute greatly to our success. The second year of our relationship with the New York Mercantile Exchange (NYMEX) resulted in \$56.4 million in revenues. NYMEX energy and metals volume on CME Globex increased more than 200 percent from 2006, averaging 757,000 contracts per day.

CME Group was granted status as a recognized overseas clearing house by the United Kingdom's Financial Services Authority in 2007. This will enable us to provide global clearing

services to market participants in the United Kingdom and serve a wider range of U.K. customers' risk management needs.

We believe that our integrated clearing model continues to create efficiencies and confidence in our markets that have produced tremendous long-term growth. Customer benefits include improved market efficiencies through reduced capital requirements, margining and financial costs.

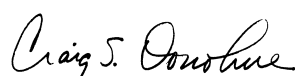
**BROADENING OUR GLOBAL REACH** As we extend our business, we seek opportunities to develop globally relevant products and serve new customers in emerging markets. For example, in February 2008 we acquired a 10 percent stake in the Brazilian Mercantile & Futures Exchange S.A. (BM&F), the world's fourth largest futures exchange and the largest derivatives exchange in Latin America. In return, BM&F has taken a 2.2 percent stake in CME Group. This partnership, which will enable worldwide distribution of BM&F products through CME Globex, will provide our customers greater access to BM&F products as well as easier access to CME Group's product suite for traders located in Brazil. Longer term, we are positioned to pursue joint product development, off-shore collateral management services and clearing access arrangements.

Our proposed relationship with the Korean Exchange (KRX), a premier capital marketplace for Northeast Asia, marks the first time KRX has embarked on a third-party agreement for its popular KOSPI 200 product. We also are working to accelerate the distribution of our products in China, in collaboration with the China Foreign Exchange Trading System and the People's Bank of China.

Further, we were granted status as a recognized body by the Dubai Financial Services Authority, enabling us to expand our global reach to serve the fast growing Middle Eastern marketplace.

As part of these significant initiatives, we plan to establish regional telecommunication hubs in São Paulo, Seoul, Shanghai and Dubai to provide customers in these regions with more efficient and cost-effective access to our markets. This will bring our total number of telecommunication hubs to nine.

**EXPLORING NEW BUSINESS OPPORTUNITIES** Unquestionably, 2007 was a watershed year. Our historic accomplishments were based on the collective strength and action of our employees, management team and board of directors. As we elevate our position in the global financial marketplace, however, we will face increasing competition. So we must continue to build relationships and seize opportunities that result in broader customer offerings, enhanced efficiencies and increased shareholder value. As we move forward, our mission and strategy remain intact – to improve the way markets work for the benefit of all of our constituents.



**CRAIG S. DONOHUE**  
Chief Executive Officer



**PHUPINDER S. GILL**  
President

February 27, 2008



PHUPINDER GILL  
President  
*in New York*

From greater innovation to better execution to stronger growth, we have consistently elevated the importance of derivatives.

The formation of CME Group in 2007 created a new and larger enterprise to benefit customers and shareholders. We continued to execute our long-term growth strategy – expanding our core business, entering new markets and broadening our global reach to serve the evolving needs of customers worldwide. The following pages illustrate the success of these initiatives by showcasing examples from Asia, Europe, Latin America and the United States.



## World Trade

### ONE-STOP AGRICULTURAL RISK MANAGEMENT

CME Group boasts a wide array of commodity derivatives based on products such as corn, wheat, soybeans, livestock and dairy. Adding to the diversity of the agricultural complex, CME Group extended global trading hours for electronic mini-sized corn, soybean and wheat futures and launched futures on dry whey and wood pulp in 2007. Our benchmark commodity products are now available on the CME Globex electronic trading platform, and accessible for trading around the clock. This enables organizations such as ZEN-NOH, Japan's federation of agricultural co-operatives, to use CME Group markets to accommodate their portfolio management strategies, whether in Asia, Europe, Latin America or the United States. *Photo in Tokyo, Japan.*

**ROBERT RAY**  
Managing Director, International Sales  
and Commodity/Equity Products  
CME Group

**YOSHIHIRO SUGIYAMA**  
Deputy General Manager, Livestock Production Department  
ZEN-NOH

**C. F. WONG**  
Managing Director, Asia  
CME Group



## Energy Source

### NEW OPPORTUNITY IN OVER-THE-COUNTER MARKETS

Given the growing importance of ethanol, made from corn and other products, in 2007 CME Group launched Ethanol Basis Swaps, transactions that take place over the counter in private negotiations between counterparties, with completed transactions submitted to CME Clearing for processing. Companies such as FCStone, a recognized innovator in commodity risk intelligence, appreciate how CME Clearing protects the financial integrity of markets by serving as the counterparty to every transaction and virtually eliminating credit risk. CME Group has been authorized to provide global clearing services in the U.K. and extend the benefits of central counterparty clearing to OTC market participants. The company also introduced new dealer-to-dealer and dealer-to-client platforms through its Swapstream subsidiary, to provide greater operational and cost efficiencies in trading OTC products. *Photo at Hawkeye Renewables ethanol plant in Iowa Falls, Iowa.*

**ERIC BOWLES**  
Senior Vice President  
FCStone Trading LLC

**DALE MICHAELS**  
Managing Director, Credit and Market Risk Management  
CME Group



## Foreign Exchange

FAST, LIQUID, ANONYMOUS TRADING IN CRITICAL FX MARKETS

CME Group offers the world's largest regulated FX trading complex, providing users with transparent pricing in a centralized marketplace while delivering equal access to 41 futures contracts and 31 options contracts based on 19 currencies. These products offer risk management as well as investment opportunities to a broad array of sophisticated market participants such as Citigroup, a leading corporate and investment bank. To better serve its global customer base, CME Group has strengthened its presence in London – the heart of the global FX market – as well as in Singapore, resulting in increased trading opportunities during European and Asian trading hours. In 2007, 144 million contracts changed hands, of which more than 92 percent traded electronically, representing a notional value of \$18 trillion. *Photo in Greenwich, England.*

**ANDREW DURRANT**  
Director, Head of Europe, Middle East  
and Africa FX Sales  
CME Group

**GAVIN WELLS**  
Global Head of FX G-10 E-Commerce  
Citigroup



## Integration Edge

BENEFITS FROM A SINGLE ELECTRONIC PLATFORM  
AND TRADING FLOOR

In January 2008, CME Group successfully completed a key integration milestone, bringing e-CBOT products onto the CME Globex electronic trading platform. Having access to the broadest array of benchmark products produces greater efficiencies for customers such as Allston Trading, a premier market maker on financial exchanges worldwide. Allston trades hundreds of stocks, bonds, currencies, futures, commodities, options and other financial instruments. CME Group also is on target to consolidate its open-outcry operations onto a single trading floor at the historic CBOT building in Chicago in second-quarter 2008. *Photo in Chicago, Illinois.*

**BRYAN DURKIN**  
Chief Operating Officer  
CME Group

**JULIE HOLZRICHTER**  
Managing Director, Operations  
CME Group

**ROBERT JORDAN**  
President  
Allston Trading



## New Markets

### STRATEGY TO SERVE LATIN AMERICAN CUSTOMERS

To better serve customers in the expanding Latin American market, CME Group acquired a 10 percent stake in the Brazilian Mercantile & Futures Exchange (BM&F), the fourth largest futures exchange in the world. In return, BM&F has a 2.2 percent stake in CME Group, approved by BM&F shareholders February 26, 2008. The partnership will provide world-wide distribution of BM&F products through the CME Globex electronic trading platform and enable BM&F customers to access CME Group products. In addition, CME Group customers will gain access to BM&F products. Through its open outcry, electronic and internet trading systems, BM&F – headquartered in São Paulo, Brazil – trades derivatives based on interest rates, foreign exchange, equity indexes and agricultural commodities, as well as environmental products. *Photo in São Paulo, Brazil.*

**CÍCERO AUGUSTO VIEIRA NETO**  
Chief Clearinghouse Officer  
BM&F

**NEAL BRADY**  
Managing Director, Business Development  
CME Group

**MARCO AURÉLIO TEIXEIRA**  
Chief Financial Officer  
BM&F

# Capital Gains

WORLDWIDE ACCESS TO MAJOR EQUITY INDEXES

CME Group equity products provide hedging and investment tools that are globally accessible and relevant to customers around the world. These products cover the spectrum of small-, medium- and large-cap equity indexes that provide a proxy for the entire U.S. and global equity markets. By listing futures and options based on benchmark indexes from S&P, Dow Jones, NASDAQ, Nikkei, MSCI and FTSE, CME Group enables customers such as the Texas Permanent School Fund – which manages \$26 billion in assets – to synthetically replicate exposure to the world's most important benchmarks on a cost-effective basis for their beneficiaries. *Photo in Austin, Texas.*

**KARIM HIRANI**  
Director of Equities  
Texas Permanent School Fund

**HOLLAND TIMMINS, CFA**  
Chief Investment Officer  
Texas Permanent School Fund

**CARLOS CASTRO**  
Portfolio Manager  
Texas Permanent School Fund

**SCOT WARREN**  
Managing Director, Equity Products  
CME Group



## Yield Curve

### TOOLS TO MANAGE INTEREST RATE CHANGE

CME Group interest rate products span the entire U.S. dollar-denominated yield curve. Investment firms such as T. Rowe Price can use CME Group products to manage short-, medium- and long-term interest rate risk with products based on Fed Funds, LIBOR, interest rate swaps, fixed income indices, credit default swaps and U.S. Treasuries. CME Globex facilitates greater efficiencies and new trading opportunities, and our U.S. Treasury futures and options contracts provide clients with the most transparent, liquid and efficient means for managing long-term U.S. interest rate risk. In 2007, these contracts averaged 2.7 million traded per day. *Photo at T. Rowe Price headquarters in Baltimore, Maryland.*

**DAN SHACKELFORD**  
Vice President  
T. Rowe Price Group

**JONATHAN KRONSTEIN**  
Associate Director, Treasuries and Index Products  
CME Group



**THIERRY DE RYCKE**  
Head—International Funds  
Barep Asset Management

**RENAUD HUCK**  
Associate Director, Sales and Marketing,  
Europe, Middle East, Africa  
CME Group

## Global Services

### CUSTOMIZED SOLUTIONS FOR RISK-MANAGEMENT NEEDS

CME Group's deep, liquid markets and state-of-the-art electronic trading platform are increasingly attractive to global hedge funds such as Barep Asset Management, which specializes in alternative asset management. Since 2006, CME Group has fielded a team focused on the needs of hedge funds and broker services providers around the globe, bringing large investment pools together with CME Group's liquid markets. CME Group continues to offer innovative opportunities for funds, such as equity clearing memberships, family of funds memberships, corporate memberships and other pricing benefits and incentives. By expanding services to hedge funds globally, CME Group enables them to manage their risk-and-return objectives successfully. *Photo in Paris, France.*



JAMES E. PARISI  
Chief Financial Officer  
*in Chicago*

With a net cash position of nearly \$900 million, our goal is to remain flexible in order to pursue attractive opportunities in our dynamic marketplace. Cash earnings – the company’s primary metric for measuring free cash flow – grew 60 percent in 2007 to \$644 million.

#### INTERVIEW WITH CFO JAMIE PARISI

##### WITH THE THREAT OF A POTENTIAL RECESSION IN 2008, HOW WOULD YOU DESCRIBE CME GROUP’S POSITION TO INVESTORS?

Our position is strong relative to other financial services companies. Since last August, our business has been running above the normal volume growth trend line. Many of the positive trends we have highlighted in the past continue, including increasingly sophisticated investment strategies, greater activity from high-velocity traders, growth in the number of global participants, and deeper appreciation of the exchange-traded markets’ benefits versus over-the-counter derivatives markets.

We have seen greater uncertainty and volatility in the marketplace, which has stressed many financial services companies. CME Group, on the other hand, thrives in this type of environment, as demonstrated by upward trends in both our volume and open interest levels. Our products allow market participants to manage risk across a broad array of asset classes, so when economic and geopolitical risks escalate, our volumes tend to elevate.

All of this growth requires investment – investment in people, infrastructure and innovative ideas. We are undertaking this investment in a very disciplined fashion. At the same time, one of the benefits of our merger will be significant expense savings, which we expect to exceed \$150 million annually by the end of 2008.

##### HOW WOULD YOU DESCRIBE YOUR BALANCE SHEET, AND WHAT KIND OF CAPACITY DO YOU HAVE TO TAKE ON DEBT?

I would describe our balance sheet with two words: *rock solid*. Currently, our net cash position is approximately \$880 million, defined as cash plus marketable securities less short-term debt. We generate a significant amount of free cash flow in our business, giving us the ability to invest in future organic growth and strategic assets while continuing to pay out dividends tied to our growing cash earnings. Following the CBOT merger, we spent approximately \$1 billion to repurchase our own shares. In the short term, our goal is to remain flexible, so that we can pursue attractive opportunities that arise in our dynamic market.

In the medium to long run, CME Group has the ability to adjust its capital structure and take on a prudent amount of debt.

This can enhance shareholder value so long as it is well managed, with an eye to maintaining a high degree of creditworthiness and the financial strength of our company and our clearing house.

##### WHICH FINANCIAL METRIC IS MOST IMPORTANT FOR CME GROUP?

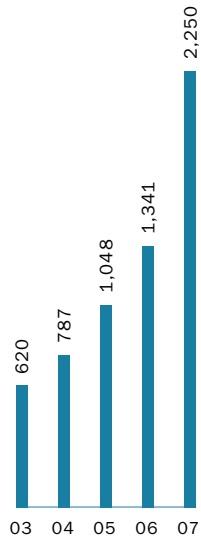
We continue to be focused on generating free cash flow. In 2007, we generated \$644 million in cash earnings, which is the primary metric we use to measure cash flow. This represented a 60 percent increase from 2006. We calculate cash earnings as net income (\$659 million) plus depreciation (\$104 million) plus after-tax amortization of purchased intangibles (\$20 million) plus after-tax stock-based compensation (\$14 million) minus capital expenditures (\$153 million).

By measuring cash earnings, we help align employee and shareholder interests. Under our current dividend policy, for instance, we pay a dividend of approximately 30 percent of prior year’s cash earnings, while our employee incentive bonuses are based on achieving progressively higher annual cash earnings targets, which means our team is focused on growth and expense discipline.

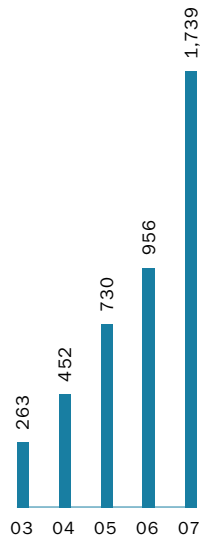
##### YOU MENTIONED INVESTMENT IN PEOPLE. CAN YOU EXPOUND ON THAT?

As CME Group has evolved over time, we have been able to attract the best and the brightest talent. This is true across the entire exchange, and our finance team is a great example. Our team has several important characteristics in common, including integrity, financial discipline, exchange and domain knowledge, and an incredible work ethic. Our accounting group has done a great job of integrating the financial controls following the merger. They also have helped to foster the transparency that you find in our financial statements. The corporate finance team works in a disciplined, collaborative way with all other divisions as we analyze the growth opportunities which are available, whether organic, by partnership or through M&A. The strategic sourcing group has been instrumental in negotiating with major technology vendors as they strive for expense discipline throughout the company. Finally, our investor relations group provides world-class communications in a timely and insightful way.

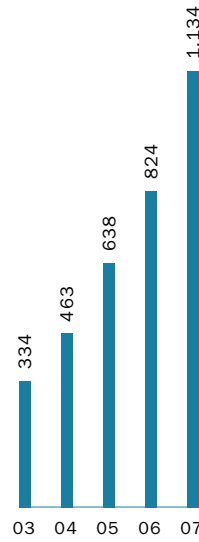
## BREAKTHROUGH PERFORMANCE IN 2007



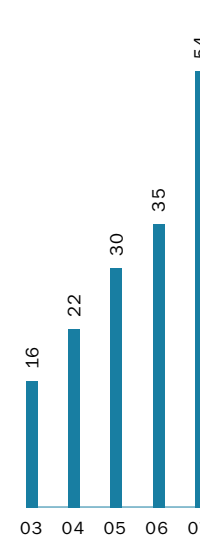
**TOTAL TRADING VOLUME**  
(in millions of round turn trades)



**TOTAL ELECTRONIC TRADING VOLUME**  
(in millions of round turn trades)

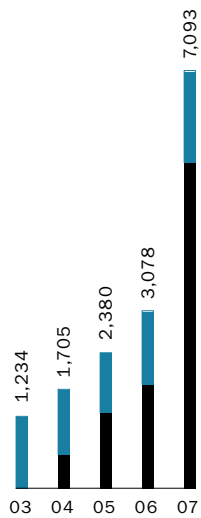


**NOTIONAL VALUE**  
(in trillions of dollars)



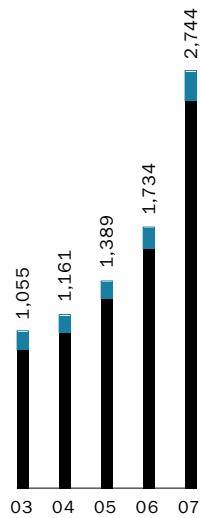
**YEAR-END OPEN INTEREST**  
(in millions of contracts)

**INTEREST RATE PRODUCTS**  
(average daily volume in thousands)



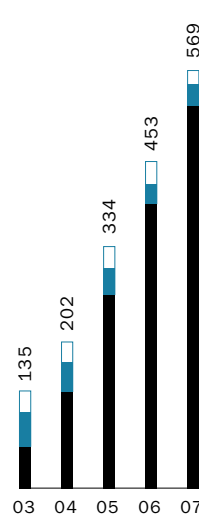
- ELECTRONIC
- OPEN OUTCRY
- PRIVATELY NEGOTIATED

**EQUITY PRODUCTS**  
(average daily volume in thousands)



- ELECTRONIC
- OPEN OUTCRY
- PRIVATELY NEGOTIATED

**FOREIGN EXCHANGE PRODUCTS**  
(average daily volume in thousands)



- ELECTRONIC
- OPEN OUTCRY
- PRIVATELY NEGOTIATED

**COMMODITY AND ALTERNATIVE INVESTMENT PRODUCTS**  
(average daily volume in thousands)



- ELECTRONIC
- OPEN OUTCRY
- PRIVATELY NEGOTIATED

Average daily volumes reflect the combined information of CME Holdings and CBOT Holdings beginning on July 13, 2007

## BREAKTHROUGH PERFORMANCE IN 2007

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### Record Financial Results

Total revenues of \$1.8 billion, up 61 percent	Net income of \$659 million, up 62 percent
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### Record Volume

Total volume of 2.2 billion contracts	Interest rate products average daily volume of 7.1 million contracts	Foreign exchange products average daily volume of 569,000 contracts	Commodity and alternative investment products average daily volume of 728,000 contracts
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### Record Electronic Growth

Electronic trading volume of 1.7 billion contracts, up 82 percent	Electronically traded Eurodollar futures contracts average daily volume of 2.2 million, representing 92 percent of Eurodollar futures volume	E-mini equity products average daily volume of 2.6 million contracts, up 62 percent	Electronically traded FX products average daily volume of 524,000 contracts, up 32 percent
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### Other Records

Notional value traded \$1.1 quadrillion, up 38 percent	Open interest of 75 million in futures and options contracts in August
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## Selected Financial Data

Effective July 12, 2007, CBOT Holdings, Inc. (CBOT Holdings) merged with Chicago Mercantile Exchange Holdings Inc. (CME Holdings) to become CME Group Inc. (CME Group). The following table includes the consolidated results of CME Holdings and its subsidiaries for 2003, 2004, 2005, 2006 and January 1, 2007 through July 12, 2007. The financial results of CME Holdings and CBOT Holdings are combined in the consolidated financial results of CME Group for 2007 beginning on July 13, 2007. The following selected income statement and balance sheet data should be read in conjunction with the audited financial statements, related notes and other financial information included elsewhere herein.

	YEAR ENDED OR AT DECEMBER 31				
<i>(in millions, except per share data)</i>	2007	2006	2005	2004	2003
<b>Income Statement Data:</b>					
Total revenues	\$ 1,756.1	\$ 1,089.9	\$ 889.8	\$ 721.6	\$ 531.0
Operating income	1,050.5	621.1	477.9	355.8	201.7
Non-operating income and expense	45.3	50.6	30.5	11.8	4.4
Income before income tax	1,095.8	671.7	508.4	367.7	206.1
Net income	658.5	407.3	306.9	219.6	122.1
Earnings per common share:					
Basic	\$ 15.05	\$ 11.74	\$ 8.94	\$ 6.55	\$ 3.74
Diluted	14.93	11.60	8.81	6.38	3.60
Cash dividends per share	3.44	2.52	1.84	1.04	0.63
<b>Balance Sheet Data:</b>					
Total assets	\$ 20,306.2	\$ 4,306.5	\$ 3,969.4	\$ 2,857.5	\$ 4,872.6
Shareholders' equity	12,305.6	1,519.1	1,118.7	812.6	563.0

The following table presents key statistical information on the volume of contracts traded, expressed in round turn trades, and notional value of contracts traded. The 2007 volume data includes average daily volume for CBOT products for the period July 13, 2007 through December 31, 2007. All amounts exclude our TRAKRS, Swapstream and auction-traded products.

	YEAR ENDED OR AT DECEMBER 31				
<i>(in thousands, except notional value)</i>	2007	2006	2005	2004	2003
<b>Average Daily Volume:</b>					
Product Lines:					
Interest rates	7,093	3,078	2,380	1,705	1,234
Equities	2,744	1,734	1,389	1,161	1,055
Foreign exchange	569	453	334	202	135
Commodity and alternative investment	728	78	55	43	37
<b>Total Average Daily Volume</b>	<b>11,134</b>	5,343	4,158	3,111	2,461
Method of Trade:					
Open outcry	2,276	1,483	1,214	1,281	1,382
Electronic	8,661	3,808	2,895	1,786	1,041
Privately negotiated	197	52	49	44	38
<b>Total Average Daily Volume</b>	<b>11,134</b>	5,343	4,158	3,111	2,461
<b>Other Data:</b>					
Total Notional Value (in trillions)	\$ 1,134	\$ 824	\$ 638	\$ 463	\$ 334
Total Trading Volume (round turn trades)	2,249,632	1,341,111	1,047,909	787,186	620,289
Open Interest at Year End (contracts)	53,981	35,107	30,083	22,478	16,301

# Management's Discussion and Analysis of Financial Condition and Results of Operations

## Introduction

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is organized as follows:

**Overview:** Includes a discussion of our business structure; current economic and industry-wide trends relevant to our business; our current strategy to address opportunities, challenges and risks; and our primary sources of operating and non-operating revenues and expenditures.

**Critical Accounting Policies:** Provides an explanation of accounting policies, estimates and assumptions material to our financial results.

**Recent Accounting Pronouncements:** Includes an evaluation of recent accounting pronouncements and the potential impact of their future adoption on our financial results.

**Results of Operations for 2007 Compared with 2006.**

**Results of Operations for 2006 Compared with 2005.**

**Liquidity and Capital Resources:** Includes a discussion of our future cash requirements, capital resources and expenditures, and financing arrangements.

Effective July 12, 2007, CBOT Holdings, Inc. (CBOT Holdings) merged with Chicago Mercantile Exchange Holdings Inc. (CME Holdings) to become CME Group Inc. (CME Group). The following discussion and analysis includes only the consolidated results of CME Holdings and its subsidiaries for 2005, 2006 and for January 1, 2007 through July 12, 2007. The financial results of CME Holdings and CBOT Holdings are included in the consolidated financial results of CME Group beginning on July 13, 2007.

References in this discussion and analysis to "we" and "our" are to CME Group and its consolidated subsidiaries, collectively. References to our "exchange" are to Chicago Mercantile Exchange Inc. (CME), Board of Trade of the City of Chicago, Inc. (CBOT) and their subsidiaries, collectively.

## Overview

### BUSINESS STRUCTURE

CME Group, a Delaware stock corporation, is the holding company for CME, CBOT and their subsidiaries. The holding company structure is designed to provide strategic and operational flexibility. CME Group's Class A common stock is listed on the New York Stock Exchange and The Nasdaq Global Select Market under the ticker symbol "CME."

CME and CBOT are designated contract markets for the trading of futures and options on futures contracts. Futures contracts and options on futures contracts provide investors with vehicles for protecting against, and potentially profiting from, price changes in financial instruments and physical commodities. Futures contracts are legally binding standardized agreements to buy or sell a financial instrument or commodity, specifying quantity and quality at a set price on a future date. Certain futures contracts, such as commodities and foreign exchange products, may result in physical delivery of the product traded. Other futures contracts, including those for equity index and interest rate products, are cash settled and do not involve physical delivery. To provide additional flexibility to the investment community, we also offer trading in options on futures contracts. These contracts offer the customer the right, but not the obligation, to buy or sell an underlying futures contract at a particular price by a particular time.

We are a global exchange with customer access available all over the world. Our customers consist of professional traders, financial institutions, individual and institutional investors, major corporations, manufacturers, producers and governments. Customers include both members of the exchange and non-members.

We offer our customers the opportunity to trade futures contracts and options on futures contracts on a range of products including those based on interest rates, equities, foreign exchange, commodities and alternative investments. Our products provide a means for hedging, speculating and allocating assets. We identify new products by monitoring economic trends and their impact on the risk management and speculative needs of our existing and prospective customers.

Our major product lines are traded through our electronic trading platforms and our open outcry trading floors. These execution facilities offer our customers immediate trade execution and price transparency. As of January 2008, all products, with the exception of CBOT metals products, are traded on the CME Globex platform. CBOT metals products continue to be traded on the e-CBOT platform. We plan to consolidate our trading floors in the second quarter of 2008.

In addition, trades can be executed through privately negotiated transactions that are cleared and settled through our clearing house. We also offer trading in medium- and long-term interest rate swaps denominated in euros, Swiss francs, pounds sterling and U.S. dollars, which are traded on the Swapstream platform.

Our clearing house clears, settles and guarantees every futures and options contract traded through our exchange. Ownership and control of our own clearing house enables us to capture the revenue associated with both the trading and clearing of our products. Ownership also enables us to more quickly and efficiently bring new products to market through coordination of our clearing functions with our product development, technology, market regulation and risk management activities.

Our clearing house performance guarantee is an important function of our business. Because of this guarantee, our customers do not need to evaluate the credit of each potential counterparty or limit themselves to a selected set of counterparties. This flexibility increases the potential liquidity available for each trade. Additionally, the substitution of our clearing house as the counterparty to every transaction allows our customers to establish a position with one party and then to offset the position with another party. This contract offsetting process provides our customers with flexibility in establishing and adjusting positions and provides for performance bond efficiencies.

To ensure performance of counterparties, we establish and monitor financial requirements for our clearing firms and mark-to-market their positions at least twice a day. We also set minimum performance bond requirements for our traded products. In the unlikely event of a payment default by a clearing firm, we would first apply assets of that clearing firm to cover its payment obligation. These assets include security deposits, performance bonds and any other available assets, such as the proceeds from the sale of pledged Class A and Class B common stock and associated trading rights of the clearing firm at our exchange that are owned by or assigned to the clearing firm. In addition, we would make a demand for payment pursuant to any applicable guarantee provided to the exchange by the parent company of a clearing firm. Thereafter, if the payment default remains unsatisfied, we would use, in order, CME's surplus funds, security deposits of other clearing firms and funds collected through an assessment against all other solvent clearing firms to satisfy the deficit.

## INDUSTRY TRENDS

Derivatives exchanges that provide markets for futures and options have become a global growth industry, with a compound annual growth rate of 36% from 2002 through June 2007, based on notional value. By comparison, the over-the-counter derivatives market has grown at a compound annual growth rate of 35% during the same period. There are a number of trends that we believe will continue to drive growth and innovation in our industry. They include:

- A greater need for risk management and hedging tools in an increasingly uncertain geopolitical and economic climate;
- Growing investor sophistication regarding derivatives and risk transfer markets;
- A shift in asset management strategies away from passive buy-and-hold equity investment strategies toward more active strategies including those involving alternative investments and asset classes; and
- Growth in hedge funds and managed funds as alternative investment vehicles designed to generate more trading-based returns than other investment strategies. These types of alternative investment vehicles often utilize exchange-traded derivatives contracts.

Changing market dynamics also have led to increasing competition in all aspects of our business from both domestic and international sources. We face competition from other futures, securities and securities option exchanges; over-the-counter markets and clearing organizations; consortia formed by our members and large market participants; alternative trade execution facilities; and technology firms, including market data distributors and electronic trading system developers.

We expect competition to continue to intensify, particularly as a result of technological advances and reductions in the regulatory requirements for the development of products and markets that are competitive with our own. Additional factors that may intensify competition in the future include:

- The growth of recently-formed for-profit exchanges;
- The consolidation of exchanges, customers or intermediaries;
- An increased demand for electronic trading and electronic order routing services; and
- The increased ability of other exchanges to leverage their technology investment and electronic distribution to enter new markets and list products that compete with our own.

## STRATEGY

Our current strategy specifically focuses on leveraging our benchmark products, scalable infrastructure and clearing and trade matching technologies to benefit customers. This strategy will enable us to continue to evolve into a more broadly diversified financial exchange that offers trading and clearing solutions across additional products and asset classes. Our strategy includes coordinated efforts to:

- Grow organically by broadening our product range by extending our current product lines and introducing innovative new products in both the exchange and over-the counter markets;
- Provide third-party transaction processing, clearing and other trading related services;
- Leverage our technology by expanding customer access to our markets and services, enhancing and offering additional trade execution choices, and improving our market data products;
- Explore new business opportunities such as joint ventures, alliances and selective business combinations; and
- Expand and diversify our customer base worldwide.

## PRIMARY SOURCES OF OPERATING REVENUE

**CLEARING AND TRANSACTION FEES** A majority of our revenue is derived from clearing and transaction fees, which include electronic trading fees, surcharges for privately-negotiated transactions and other volume-related charges for contracts executed through our trading venues. Because clearing and transaction fees are assessed on a per-contract basis, revenues and profitability fluctuate with volume changes. In addition to the trends noted earlier, our revenues and trading volume tend to increase during periods of economic and geopolitical uncertainty. This is because our customers seek to manage their exposure to, or speculate on, the market volatility resulting from uncertainty. In addition, our volume can be seasonal, and historically, we have experienced higher sequential volume during the first and second quarters followed by decreases in the third and fourth quarters of the calendar year. However, these patterns may be altered by the impact of economic and political events, the launch of new products, mergers and acquisitions as well as other factors.

While volume has the most significant impact on our clearing and transaction fees revenue, there are four other factors that also influence this source of revenue:

- Rate structure;
- Mix of products traded;
- Trading venue; and
- The percentage of trades executed by customers who are members compared with non-member customers.

**Rate structure** Customers benefit from volume discounts and limits on fees as part of our effort to increase liquidity in certain products. We may periodically change fees, volume discounts, limits on fees and member discounts, perhaps significantly, based on our review of operations and the business environment.

As a result of their rate structure, Total Return Asset Contracts (TRAKRS), Swapstream products and auction-traded products are excluded from disclosures of trading volume and average rate per contract in this discussion and analysis. Clearing and transaction fees on these products are immaterial relative to our other products. TRAKRS are exchange-traded non-traditional futures contracts that trade electronically on the CME Globex electronic platform. Swapstream offers interest rate swap products through its inter-dealer electronic trading platform. Auction-traded products, which included CME economic derivatives, were previously traded on the CME Auction Markets platform through July 2007.

**Product mix** We offer trading of futures and options on futures contracts on a wide-ranging set of products based on interest rates, equities, foreign exchange, commodities and alternative investments. Rates are varied by product in order to optimize revenue on existing products and support introduction of new products to encourage trading volume.

**Trading venue** Our exchange is an international marketplace that brings together buyers and sellers mainly through our electronic trading platforms as well as through open outcry trading on our trading floors and privately negotiated transactions. Any customer guaranteed by a clearing firm is able to obtain direct access to our electronic platforms. Open outcry trading is conducted exclusively by our members, who may execute trades on behalf of customers or for themselves.

Typically, customers executing trades through our electronic platforms are charged fees for using the platform in addition to the fees assessed on all transactions executed on our exchange. Customers entering into privately negotiated transactions also incur additional charges beyond the fees assessed on all transactions.

**Member/non-member mix** Generally, member customers are charged lower fees than our non-member customers. Holding all other factors constant, revenue decreases if the percentage of trades executed by members increases, and increases if the percentage of non-member trades increases.

**QUOTATION DATA FEES** We receive quotation data fees from the dissemination of our market data to subscribers. Our market data services are provided primarily through third-party distributors.

Subscribers can obtain access to real-time, delayed and end-of-day quotation, trade and summary market data for our products. Users of our basic service receive real-time quotes and pay a flat monthly fee for each screen, or device, displaying our market data. Alternatively, customers can subscribe to market data provided on a limited group of products. The fee for this service is also a flat rate per month.

Pricing for our market data services is based on the value of the service provided, our cost structure for the service and the price of comparable services offered by our competitors. Increases or decreases in our quotation data fees revenue is influenced by changes in our price structure for existing market data offerings, introduction of new market data services and changes in the number of devices in use. General economic factors that affect the financial services industry, which constitutes our primary customer base, also influence revenue from our market data fees.

**PROCESSING SERVICES** To further diversify the range of services we offer, we have entered into clearing and transaction processing agreements with other exchanges. This revenue will fluctuate as the trading volume of these exchanges fluctuates.

This revenue includes fees for listing energy and metal futures products on the CME Globex platform for the New York Mercantile Exchange (NYMEX). Although trading under a prior agreement with NYMEX ended in November 2005, trading under a new 10-year agreement began in June 2006. Additionally, in 2007, we began providing clearing and risk management services for trades executed at FXMarketSpace Limited (FXMS), our joint venture with Reuters Group PLC (Reuters), which offers centrally-cleared over-the-counter trading of foreign exchange spot contracts. We also collect fees for processing trades for certain CME clearing firms that execute trades at OneChicago, LLC (OneChicago), our joint venture in single stock futures and futures on narrow-based stock indexes.

Our agreement with CBOT to provide clearing and related services for CBOT products was terminated upon consummation of the merger. Processing services revenue includes fees from this agreement in 2005, 2006 and for the period January 1 through July 12, 2007.

**OTHER SOURCES** Other sources of revenue include access and communication fees and revenue from various services related to our operations.

Access and communication fees are the connectivity charges to customers of the CME Globex and e-CBOT platforms, to our market data vendors and to direct market data customers as well as charges to members and clearing firms that utilize our various telecommunications networks and communications services. Access fee revenue varies depending on the type of connection provided to customers. Revenue from communication fees is largely dependent on open outcry trading, as a significant portion relates to telecommunications on our trading floors.

Other revenues include rent charged to third party tenants as well as ancillary charges for utilities, parking and miscellaneous services provided to tenants. As part of our merger with CBOT Holdings, we acquired three buildings with over 1.5 million square feet of commercial space in Chicago's central business district. The retail and office space is rented primarily to third party tenants, including company shareholders and exchange customers. All tenants pay market rates for rent. The majority of tenant leases have terms of three to five years, with larger tenants having leases for up to nineteen years. These revenues are generally affected by market rental rates, lease renewals and business conditions in the financial services industry in which most of our tenants operate.

Other revenues also includes fees for administering our Interest Earning Facility (IEF) program, trade order routing, and various services to members and clearing firms. We offer clearing firms the opportunity to invest cash performance bonds in our various IEF offerings. These clearing firms receive interest income, and we receive a fee based on total funds on deposit. In addition, other revenues includes trading gains and losses generated by GFX Corporation (GFX), our wholly-owned subsidiary that trades primarily in foreign exchange futures contracts to enhance liquidity in our electronic markets for these products.

#### **PRIMARY OPERATING EXPENSES**

With the exception of license fees paid for the trading of our equity index contracts and a component of our trading facility rent that is related to open outcry trading volume, most of our expenses do not vary directly with changes in our trading volume.

**COMPENSATION AND BENEFITS** Compensation and benefits expense is our most significant expense and includes employee wages, bonuses, stock-based compensation, benefits and employer taxes. Changes in this expense are driven by fluctuations in the number of employees, increases in wages as a result of inflation or labor market conditions, rates for employer taxes and other cost increases affecting benefit plans. In addition, this expense is affected by the composition of our work force, which includes a growing percentage of technology-related employees. The expense associated with our bonus and stock-based compensation plans can also have a significant impact on this expense category and may vary from year to year.

The bonus component of our compensation and benefits expense is based on our financial performance. Under the performance criteria of our annual incentive plan, the bonus funded under the plan would be the “target” level if we achieve the cash earnings target established by the Compensation Committee of our Board of Directors. Cash earnings are defined as net income excluding tax-effected amortization of purchased intangibles, depreciation and amortization expense, and tax-effected stock-based compensation expense less capital expenditures. Under the plan, if our actual cash earnings equal 80% of the established target for a given year, the bonus will be reduced by approximately 50% of the target bonus amount. There will be no bonus if our cash earnings are less than 80% of the cash earnings target, other than for non-exempt employees who may receive a bonus under our discretionary bonus program. If our actual cash earnings equal 120% of the target or higher, the bonus would be increased by approximately 50% from the targeted bonus amount, which is the maximum amount established by the Compensation Committee. If our performance is between the threshold performance level of 80% of the cash earnings target and the maximum performance level of 120% of the cash earnings target, the bonus will be calculated based on the level of performance achieved. The Compensation Committee may adjust the cash earnings calculation and the target level of performance for material, unplanned revenue, expense or capital expenditures to meet intermediate to long-term growth opportunities. Beginning in 2007, the cash earnings calculation for bonus purposes excludes investment income and interest expense as well as expense resulting from the guarantee of the Chicago Board Options Exchange, Inc. (CBOE) exercise right privileges. Targeted cash levels have been adjusted accordingly for these changes in the cash earnings calculation.

Stock-based compensation is a non-cash expense related to stock options and restricted stock grants. Effective January 1, 2006, we adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), “Share-Based Payment.” SFAS No. 123(R) requires the use of the fair value method of accounting for share-based payments, which we previously adopted in 2002 under SFAS No. 123, “Accounting for Stock-Based Compensation.” SFAS No. 123(R) also requires that we estimate expected forfeitures of stock grants instead of the previous practice of accounting for forfeitures as they occurred. Stock-based compensation varies depending on the quantity and fair value of options granted. Fair value is derived using the Black-Scholes model with assumptions about our dividend yield, the expected volatility of our stock price based on an analysis of implied and historical volatility, the risk-free interest rate and the expected life of the options granted.

**DEPRECIATION AND AMORTIZATION** Depreciation and amortization expense results from the depreciation of long-lived assets purchased, as well as the amortization of purchased and internally developed software. This expense has increased consistently from year to year due to significant technology investments in equipment and software. Depreciable useful lives have remained relatively consistent since January 1, 2004. As a result of our merger with CBOT Holdings, we acquired three commercial buildings. We utilize space in these buildings as offices and a trading floor. Depreciation and amortization on the building and building improvements as well as other furniture, fixtures and equipment acquired in the merger has been recorded since the merger closed on July 12, 2007.

**OTHER EXPENSES** We incur additional ongoing expenses for communications, technology support services and various other activities necessary to support our operations.

- Communications expense consists primarily of costs for network connections to our electronic trading platforms and some market data customers; telecommunications costs of our exchange; and fees paid for access to external market data. This expense is affected primarily by the growth of electronic trading, our capacity requirements and by changes in the number of telecommunications hubs and connections which allow customers outside the United States access to our electronic trading platforms directly.

- Technology support services consist of costs related to maintenance of the hardware and software required to support our technology. Our technology support services costs are driven by system capacity, functionality and redundancy requirements.
- Professional fees and outside services expense includes costs of consulting services provided for major strategic and technology initiatives as well as legal and accounting fees. This expense fluctuates primarily as a result of changes in services required to complete initiatives.
- Amortization of purchased intangibles includes amortization of intangibles obtained in our merger with CBOT Holdings as well as other asset and business acquisitions. These intangible assets consist mainly of customer relationships, the Dow Jones & Company, Inc. (Dow Jones) licensing agreement, and lease-related intangible assets.
- Occupancy and building operations expense consists of costs related to leased and owned property including rent, maintenance, real estate taxes, utilities and other related costs. Our office space is located primarily in Chicago with smaller offices located in Washington, D.C., London, Hong Kong, Sydney and Tokyo. Additionally, we have trading facilities in Chicago as well as data centers in various U.S. locations. Occupancy costs are relatively stable, although our CME trading floor rent fluctuates to a limited extent based on open outcry trading volume.
- Licensing and other fee arrangements expense consists primarily of license fees paid as a result of trading volume in equity index products. This expense fluctuates with changes in equity index product trading volume and fee structure changes in the licensing agreements. Subsequent to the merger with CBOT Holdings, this expense includes licensing fees for trading volume in Dow Jones products. During 2005 and 2006, under a prior agreement with Singapore Exchange Limited (SGX), revenue sharing expense fluctuated based on our percentage of electronically traded CME Eurodollar contracts up to a maximum expense of \$0.3 million per month. We recently renewed this agreement, and effective February 2007, the revenue sharing provisions of the agreement terminated and the expense was eliminated.
- Other expense includes marketing-related as well as general administrative costs. Marketing, advertising and public relations expense consists primarily of media, print and other advertising expenses, expenses incurred as part of various brand campaigns as well as the promotion of new and existing products and services.

#### **NON-OPERATING INCOME AND EXPENSE**

Non-operating income and expense includes investment income, securities lending interest income and expense, interest expense, expense related to the guarantee of exercise right privileges and equity in losses of unconsolidated subsidiaries.

- Investment income represents income generated by the short-term investment of our excess cash balances and clearing firms' cash performance bonds and security deposits; interest income and net realized gains and losses from our marketable securities and long-term equity method investments as well as gains and losses on trading securities in our non-qualified deferred compensation plans. The investment results of our non-qualified deferred compensation plans do not affect our net income as there is an equal and offsetting impact in our compensation and benefits expense. Investment income is influenced by the availability of funds generated by operations, market interest rates and changes in the levels of cash performance bonds deposited by clearing firms.
- Securities lending transactions utilize a portion of the securities that clearing firms deposit to satisfy their proprietary performance bond requirements. Substantial interest expense is also incurred as part of this securities lending activity. Net interest income from securities lending is impacted by changes in short-term interest rates and the level of demand for the securities available for loan.
- Interest expense is due primarily to a commercial paper program with various financial institutions initiated in September 2007 in conjunction with a tender offer to repurchase Class A common stock. Under the program, we may sell unsecured short-term promissory notes.
- Expense related to our guarantee of exercise right privileges (ERPs) is a result of our merger with CBOT Holdings. Under the terms of the merger agreement, eligible holders of CBOE ERPs could elect to sell us their ERP for \$250,000 per privilege. Eligible holders that did not elect to sell their ERPs are entitled to a maximum guaranteed payment of \$250,000 from us upon resolution of the lawsuit between CBOT and CBOE. This expense represents the estimated fair value of our guarantee as of the end of the period, which is based in part on the expected outcome of the litigation. Periodic expense is impacted by changes in the fair value of the ERP.
- Equity in losses of unconsolidated subsidiaries includes losses from our investments in FXMS and OneChicago.

## Critical Accounting Policies

The notes to our consolidated financial statements include disclosure of our significant accounting policies. In establishing these policies within the framework of accounting principles generally accepted in the United States, management must make certain assessments, estimates and choices that will result in the application of these principles in a manner that appropriately reflects our financial condition and results of operations. Critical accounting policies are those policies that we believe present the most complex or subjective measurements and have the most potential to affect our financial position and operating results. While all decisions regarding accounting policies are important, there are certain accounting policies that we consider to be critical. These critical policies, which are presented in detail in the notes to our consolidated financial statements, relate to goodwill and intangible assets, revenue recognition, income taxes, internal use software costs and stock-based compensation.

**GOODWILL AND INTANGIBLE ASSETS** In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," we review goodwill and intangible assets with indefinite lives for impairment on an annual basis and whenever events or circumstances indicate the carrying value may not be recoverable. The provisions of SFAS No. 142 require that a two-step impairment test be performed on goodwill. In the first step, the fair value of each reporting unit is compared to its carrying amount. If the fair value of the reporting unit exceeds the carrying amount, no impairment exists and we are not required to perform further testing. If the carrying amount exceeds its fair value, the second step must be performed to determine the implied fair value of the reporting unit's goodwill. If the carrying value of the reporting unit's goodwill exceeds its implied fair value, then an impairment loss is recorded in an amount equal to that excess. Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. Indefinite-lived intangible assets are assessed for impairment by comparing their fair values to their carrying values. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized equal to the difference.

Intangible assets subject to amortization are also evaluated for impairment, when indicated by a change in circumstances, pursuant to SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The impairment testing requires management to estimate the fair value of the assets and record an impairment loss for the excess of the carrying value over the fair value. The estimate of the fair value of all intangible assets is generally determined on the basis of discounted future cash flows. In estimating the fair value, management must make assumptions and projections regarding such items as future cash flows, future revenues, future earnings and other factors. Such assumptions are subject to change as a result of changing economic and competitive conditions.

**REVENUE RECOGNITION** Our revenue recognition policies comply with Staff Accounting Bulletin No. 101 on revenue recognition. Our revenue is derived primarily from the clearing and transaction fees we assess on each contract executed through our trading venues and cleared through our clearing house. Clearing and transaction fees are recognized as revenue when a buy and sell order are matched and when the trade is cleared. On occasion, the customer's exchange trading privileges may not be properly entered by the clearing firm and incorrect fees are charged for the transactions in the affected accounts. When this information is corrected within the time period allowed by the exchange, a fee adjustment is provided to the clearing firm. An accrual is established for estimated fee adjustments to reflect corrections to customer exchange trading privileges. The accrual is based on the historical pattern of adjustments processed as well as specific adjustment requests. Occasionally, market data customers will pay for services in a lump sum payment. When these circumstances occur, revenue is recognized as services are provided.

**INCOME TAXES** Calculation of the income tax provision includes an estimate of the income taxes that will be paid for the current year as well as an estimate of income tax liabilities or benefits deferred into future years, as determined in accordance with SFAS No. 109, "Accounting for Income Taxes" and Financial Interpretation (FIN) No. 48, "Accounting for Uncertain Tax Positions." As required, our deferred tax assets are reviewed to determine if all assets will be realized in future periods. To the extent it is determined that some deferred tax assets may not be fully realized, the assets must be reduced by a valuation allowance. The calculation of our tax provision involves dealing with uncertainties in the application of complex tax regulations. We recognize potential liabilities for anticipated tax audit issues in the United States and other applicable tax jurisdictions using a more-likely-than-not recognition threshold based on the technical merits of the tax position taken or expected to be taken. If payment of these amounts varies from our estimate, our income tax provision would be reduced or increased at the time that determination is made. This determination may not be known for several years. Past tax audits have not resulted in tax adjustments that would result in a material change to the income tax provision in the year the audit was completed. The effective tax rate, defined as the income tax provision as a percentage of income before income taxes, will vary from year to year based on changes to tax rates and regulations. In addition, the effective tax rate will vary with changes to income that are not subject to income tax, such as municipal interest income, and changes in expenses or losses that are not deductible, such as the utilization of foreign net operating losses.

**INTERNAL USE SOFTWARE COSTS** Certain costs for employees and consultants that are incurred in connection with work on development or implementation of software for our internal use are capitalized in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Costs capitalized are for application development or implementation, as required by SOP 98-1, for software projects that will result in significant new functionality and that are generally expected to cost in excess of \$0.5 million. The amount capitalized is determined based on the time spent by the individuals completing the eligible software-related activity and the compensation and benefits or consulting fees incurred for these activities. Projects are monitored during the development cycle to assure that they continue to meet the capitalization criteria of SOP 98-1 and that the project will be completed and placed in service as intended. Any previously capitalized costs are expensed at the time a decision is made to abandon a software project. Completed internal use software projects, as well as work-in-progress projects, are included as part of property in the consolidated balance sheets. Once completed, the accumulated costs for a particular software project are amortized over the anticipated life of the software, generally three years. Costs capitalized for internal use software will vary from year to year based on our technology-related business requirements.

**STOCK-BASED COMPENSATION** We expense stock options using the fair value method under the provisions of SFAS No. 123(R), "Share-Based Payment." We have elected the accelerated method for recognizing the expense related to stock grants. Due to this election and the vesting provisions of our stock grants, a greater percentage of the total expense is recognized in the first and second years of the vesting period than would be recorded if we used the straight-line method. Upon adoption of SFAS No. 123(R) on January 1, 2006, we began to include an estimate of expected forfeitures of stock grants in our expense recognition calculations instead of the previous practice of accounting for forfeitures as they occurred.

## Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, "Fair Value Measurements," which provides guidance for using fair value to measure assets and liabilities by defining fair value, establishing a framework for measuring fair value, and expanding disclosures about fair value measurements. The provisions of this statement are effective for fiscal years beginning after November 15, 2007. Adoption of this standard will not have a material impact on our consolidated financial statements, but will require additional disclosures beginning in the first quarter of 2008.

The FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115," in February 2007. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The provisions of this statement are effective for fiscal years beginning after November 15, 2007. The impact of the adoption will be dependent on the extent to which we elect to measure eligible items at fair value. We did not elect to measure any items at fair value upon our initial adoption of the standard.

SFAS No. 141(R), "Business Combinations," was issued in December 2007 to replace SFAS No. 141, "Business Combinations." SFAS No. 141(R) requires that an acquirer recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. This new statement also changes the requirements for recognizing assets acquired and liabilities assumed arising from contingencies, restructuring liabilities and acquisition costs. The provisions of this statement are applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We are currently assessing the impact of this standard's future adoption on our financial statements.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements," which establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 clarifies that a non-controlling interest in a subsidiary be reported as equity in the consolidated financial statements. The provisions require consolidated net income to be reported at the total amount attributable to both the parent and non-controlling interest, with disclosure of the amount attributable to the parent and non-controlling interest on the face of the statement of income. The statement also requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. This statement is effective for fiscal years beginning on or after December 15, 2008 and is applied prospectively as of the beginning of the fiscal year in which the statement is initially applied. We are currently assessing the impact of this standard's future adoption on our financial statements.

## Results of Operations for 2007 Compared with 2006

### 2007 FINANCIAL HIGHLIGHTS

The comparability of our operating results for 2007 compared with 2006 is significantly impacted by our merger with CBOT Holdings. In our discussion and analysis of comparative periods, we have quantified the contribution of additional revenue or expense resulting from the merger wherever such amounts were material and identifiable. While identified amounts may provide indications of general trends, the analysis cannot completely address the effects attributable to integration efforts.

- Total operating revenues grew by 61% in 2007 with the most significant increase in clearing and transaction fees revenue and quotation data fees.
- Total operating expenses increased by 50% due primarily to higher compensation and benefits costs, amortization of purchased intangibles and additional technology expenses incurred to maintain the e-CBOT electronic trading platform. Legal proceedings resulting from our merger with CBOT Holdings, including settlement costs paid in relation to a claim filed by the Louisiana Municipal Police Employees' Retirement System (LAMPERS), and other merger-related costs also contributed to increased expenses in 2007. During the third quarter of 2007, we began the process of restructuring our staffing, technology and facilities as a result of the merger. At that time, we began incurring restructuring charges and will continue to incur additional expense in 2008.
- Operating margin, which we define as operating income expressed as a percentage of total revenues, increased to 60% in 2007 compared with 57% in 2006 as the growth in operating revenues outpaced increases in operating expenses.

- The increase in non-operating expense was due primarily to the guarantee we provided to eligible holders of the CBOE's ERPs. The increase in non-operating expense was partially offset by an increase in investment income due primarily to an increase in average operating funds available for investment.
- Cash earnings increased by \$241.0 million to \$643.8 million for 2007 compared with 2006 due primarily to an increase in net income. We have included a reconciliation of cash earnings, a non-GAAP measure, in Liquidity and Capital Resources.

## OPERATING REVENUES

<i>(dollars in millions)</i>	2007	2006	Change
Clearing and transaction fees	\$ 1,427.3	\$ 866.1	65%
Quotation data fees	145.1	80.8	79
Processing services	106.4	90.2	18
Access and communication fees	35.8	28.7	25
Other	41.5	24.1	72
<b>Total Revenues</b>	<b>\$ 1,756.1</b>	<b>\$ 1,089.9</b>	<b>61</b>

**CLEARING AND TRANSACTION FEES** Revenue increased primarily due to growth in trading volume partially offset by a decrease in average rate per contract.

**Volume** The addition of the CBOT product line contributed significantly to an increase in overall trading volume during 2007. We also believe that a significant increase in volatility, generated in part from uncertainty surrounding the sub-prime debt market during 2007, added to an increase in volume across all product lines.

The following table summarizes average daily trading volume. For comparative purposes, CME and CBOT products have been presented separately and average daily volume for CBOT products has been calculated for the period from July 13, 2007 through December 31, 2007. All amounts exclude TRAKRS, Swapstream and auction-traded products.

<i>(in thousands)</i>	2007	2006	Change
<b>Product Line Average Daily Volume:</b>			
Interest rate:			
CME	3,701	3,078	20%
CBOT	3,392	—	n.m.
Equity:			
CME	2,549	1,734	47%
CBOT	195	—	n.m.
Foreign exchange:			
CME	569	453	26%
Commodity and alternative investment:			
CME	81	78	5%
CBOT	647	—	n.m.
<b>Average Daily Volume of Total Products:</b>			
CME	6,900	5,343	29%
CBOT	4,234	—	n.m.
<b>Electronic Volume:</b>			
CME	5,288	3,808	39%
CBOT	3,373	—	n.m.
<b>Electronic Volume as a Percentage of Total Average Daily Volume</b>	<b>78%</b>	<b>71%</b>	

*n.m. not meaningful*

### Interest Rate Products

The increase in interest rate trading volume is due primarily to the addition of CBOT interest rate products subsequent to the merger. CBOT interest rate products volume is attributable primarily to 10-year and 5-year U.S. Treasury note futures and options, which had average daily volume of 1.7 million and 0.8 million contracts, respectively, from July 13, 2007 through the end of the year. Average daily volume for 10-year and 5-year U.S. Treasury note futures and options was 1.3 million and 0.5 million contracts, respectively, for the last six months of 2006. CBOT product volume for 2006 is provided for comparative purposes only and does not relate to revenues recognized by CME Group. Overall trading volume growth in interest rate products also resulted from uncertainty surrounding inflation and market interest rates as well as concerns about the sub-prime debt market, which generated additional market volatility. CME Eurodollar futures traded electronically increased to an average of 2.2 million contracts per day in 2007, an increase of 30% when compared with 2006. Additionally, volume for CME Eurodollar options traded via open outcry increased 14% to an average of 1.1 million contracts per day in 2007.

### Equity Products

Trading volume for equity products increased for the year due primarily to a sharp rise in volatility in the equity markets resulting from sub-prime debt market and inflationary concerns, especially during the second half of 2007. Average volatility, as measured by the CBOE Volatility Index, increased by 77% in the last six months of 2007 compared with the same period in 2006.

Average daily volume of our E-mini equity products increased by 50% to 2.4 million contracts in 2007 compared with 2006. This included an increase in average daily volume for E-mini S&P 500 futures and options contracts of 60% to 1.7 million contracts in 2007.

As announced in June 2007, our license to list Russell-based contracts will terminate in September 2008 when the last contracts currently traded expire. Average daily volume for the Russell-based contracts was 252,000 for 2007. On June 19, 2007, we launched new E-mini S&P small cap futures and options contracts, based on the S&P 600 Index, to offer a comparable alternative to the Russell-based contracts.

In August 2007, we renewed our licensing agreement with Dow Jones. The agreement enables us to continue to exclusively offer futures and options on futures products based on the Dow Jones Industrial Average (DJIA) and other Dow Jones indexes. The new agreement is effective January 1, 2008 through December 31, 2014 and also includes a provision for a five-year renewal term and successive annual renewal terms thereafter.

### Foreign Exchange Products

The increase in trading of foreign exchange products was fueled in part by the decline of the U.S. dollar relative to other major currencies. We believe that market reactions to events in the fixed income market also contributed to volume growth during the year. In 2007, 92% of our foreign exchange volume traded electronically compared with 88% during 2006.

### Commodity and Alternative Investment Products

Trading volume growth during 2007 resulted primarily from the additional volume generated from CBOT commodities subsequent to the merger. CBOT commodities consist primarily of corn and soybean futures and options.

**Average Rate Per Contract** The increase in average daily volume in 2007 was partially offset by a decrease in the average rate, or revenue, per contract. All amounts in the following table exclude TRAKRS, Swapstream and auction-traded products.

	2007	2006	Change
Total Volume (in millions)	2,249.6	1,341.1	68%
Clearing and Transaction Fees (in millions)	\$ 1,426.2	\$ 864.4	65
Average Rate per Contract	\$ 0.634	\$ 0.645	(2)

The average rate per contract decreased in 2007 due primarily to growth in member trading when compared with 2006. Member trading volume increased faster than non-member trading in 2007. We believe that higher volumes by automated trading systems, which typically receive member rates, contributed to this increase in member trading. In addition, the average rate per contract of the E-mini S&P 500 futures and options contracts decreased due to incremental volume reaching the CME Globex surcharge cap, resulting in a decrease in the overall average rate per contract.

The decrease in average rate per contract was partially offset by the addition of CBOT products to our existing product lines. The average rate per contract for CBOT products was \$0.657 for the period July 13 through December 31, 2007. The increase in average rate per contract is attributable primarily to an increase in commodities volume, which has a higher average rate per contract, during the fourth quarter of 2007. Additionally, the percentage of total volume by product line shifted during the year from CME interest rate products to E-mini equity products, which have a higher rate per contract. As a percentage of total volume, E-mini equity volume increased by 5% in 2007 when compared with 2006 while interest rate product volume decreased by 4%.

**Concentration of Revenue** We bill a substantial portion of our clearing and transaction fees to our clearing firms. The majority of clearing and transaction fees received from clearing firms represent charges for trades executed on behalf of their customers. We currently have approximately 120 clearing firms. The increase in the number of clearing firms compared with the prior year is due to the addition of CBOT-only clearing firms as a result of our merger. One firm represented approximately 11% of our clearing and transaction fee revenue for 2007. Should a clearing firm discontinue operations, we believe the customer portion of that firm's trading activity would likely transfer to another clearing firm of the exchange. Therefore, we do not believe this concentration exposes us to significant risk from the loss of revenue earned from the particular firm.

**QUOTATION DATA FEES** Quotation data fees revenue increased mostly due to additional revenue of approximately \$44.1 million contributed by market data services provided to existing CBOT customers subsequent to the merger.

In addition, a fee increase in CME market data fees on January 1, 2007 also contributed to growth in revenue. Users of CME's basic service paid \$50 per month in 2007 for each market data screen, or device, compared with \$40 per month in 2006. The higher rate combined with increases in other quotation data services contributed to additional revenue of \$19.2 million in 2007 compared with 2006.

Effective January 1, 2008, all users of our basic services will pay \$55 per month for each market data screen, or device.

The two largest resellers of our market data generated approximately 67% of our quotation data fees revenue in 2007. However, we consider exposure to significant risk of revenue loss to be minimal despite this concentration. In the event one of these vendors no longer subscribes to our market data, we believe the majority of that vendor's customers would likely subscribe to our market data through another reseller.

**PROCESSING SERVICES** The increase in revenues is attributable primarily to an increase in NYMEX volume. Revenues generated from trade matching services provided to NYMEX, which began at the end of the second quarter of 2006, increased by \$42.1 million in 2007 when compared with 2006. The total volume of NYMEX products available on the CME Globex platform increased to 191.5 million contracts in 2007 from 35.6 million contracts in 2006.

This increase was partially offset by a decrease in revenue resulting from the elimination of fees generated by the clearing agreement with CBOT, which terminated as a result of our merger with CBOT Holdings. The decrease in processing services revenue resulting from this termination was \$27.6 million in 2007 when compared with 2006.

**ACCESS AND COMMUNICATION FEES** The telecommunications services provided to CBOT customers as well as connectivity charges for the e-CBOT trading platform contributed incremental revenue of approximately \$4.8 million in 2007. In addition, revenue growth in 2007 was also attributable to customers upgrading to higher bandwidth connections and expansion of our server co-location program. The co-location program allows customers to connect their trading applications directly to the CME Globex electronic platform by housing certain customer systems in a CME-specified data facility.

**OTHER REVENUES** Rental income and associated revenues from building operations acquired as a result of the merger with CBOT Holdings totaled \$11.2 million in 2007. Other incremental revenues from CBOT totaled \$2.3 million. Additionally, the increase in other revenues is also attributable to a \$2.6 million increase in GFX trading gains in 2007 when compared with 2006.

## OPERATING EXPENSES

<i>(dollars in millions)</i>	2007	2006	Change
Compensation and benefits	\$ 263.3	\$ 203.0	30%
Communications	43.5	31.6	38
Technology support services	50.5	31.2	62
Professional fees and outside services	53.1	33.2	60
Amortization of purchased intangibles	33.9	1.3	n.m.
Depreciation and amortization	105.7	72.8	45
Occupancy and building operations	48.2	29.6	63
Licensing and other fee agreements	35.6	25.7	39
Restructuring	8.9	—	n.m.
Other	62.9	40.5	55
<b>Total Expenses</b>	<b>\$ 705.6</b>	<b>\$ 468.9</b>	<b>50</b>

*n.m. not meaningful*

**COMPENSATION AND BENEFITS** The increase in compensation and benefits expense during 2007 compared with 2006 consisted primarily of the following:

<i>(in millions)</i>	Increases
Average headcount	\$ 37.2
Bonus	11.9
Stock-based compensation	6.5
Change in average salaries, benefits and employer taxes	3.8

- Average headcount increased by 23%, or about 320 employees, in 2007. This increase resulted primarily from the addition of approximately 690 employees as a result of our merger with CBOT Holdings and was offset by a workforce reduction of about 180 employees during the third and fourth quarters of 2007. As of December 31, 2007 and 2006, we had approximately 1,970 and 1,430 employees, respectively.
- Bonus expense accrued under the provisions of our annual incentive plan increased in 2007 mostly as a result of a larger target pool due to growth in headcount; improved performance of our company when compared with the cash earnings target, and increased salary levels.
- Stock-based compensation increased primarily due to the full impact in 2007 of the expense related to the options granted in June 2006 and additional expense related to the June 2007 grant. In addition, we recognized additional expense for the unvested stock options previously granted to CBOT Holdings' employees.

Subsequent to our merger, we approved and initiated a plan to close duplicate facilities and reduce our workforce in order to improve operating efficiencies. In addition to the positions we have eliminated through December 2007, we expect to eliminate approximately 200 positions by June 2008. We expect these reductions to contribute to a decrease in compensation and benefits expense relative to the current period.

**COMMUNICATIONS** This expense increased primarily as a result of our merger with CBOT Holdings. Costs incurred to support e-CBOT operations and customer connectivity resulted in incremental expense in 2007. Continued growth in existing customer and data center connections and bandwidth upgrades also contributed to the increase in expense in 2007.

**TECHNOLOGY SUPPORT SERVICES** There was an increase of approximately \$15.1 million due primarily to the integration and support of the e-CBOT electronic trading platform in 2007. Additional investments in technology, including an upgrade to our network and mainframe system in 2006, led to increased ongoing maintenance costs as part of a planned system expansion to increase capacity for peak volumes of transactions processed electronically.

**PROFESSIONAL FEES AND OUTSIDE SERVICES** Technology-related and other professional fees, net of amounts capitalized for internally developed software, increased by \$11.2 million in 2007 compared with 2006. The increase was due primarily to consulting services used to supplement our merger integration efforts as well as non-capitalizable software development costs and expenses incurred to support our strategic initiatives.

Additionally, legal fees increased \$6.3 million in 2007 due to litigation costs related to the LAMPERS and CBOE proceedings resulting from our merger with CBOT Holdings, as well as the ongoing antitrust suit filed by Eurex U.S.

In total, this expense category includes \$8.9 million in merger-related costs in 2007.

**AMORTIZATION OF PURCHASED INTANGIBLES** The increase in expense during 2007 is attributable to intangible assets obtained in our merger with CBOT Holdings. Intangible assets subject to amortization consist primarily of clearing firm relationships, market data customer relationships, the Dow Jones licensing agreement and lease-related intangibles. Amortization of purchased intangibles in 2006 relates to intangible assets obtained as a result of our business acquisition of Swapstream and our acquisition of assets from Liquidity Direct Technology, LLC.

**DEPRECIATION AND AMORTIZATION** The increase in expense is related primarily to additional assets obtained in our recent merger with CBOT Holdings. Depreciation and amortization expense attributable to the addition of these assets was estimated as \$18.6 million in 2007. This amount includes the impact of purchase accounting valuation adjustments. In addition, we have shortened the useful lives of various technology-related and trading floor assets due to our plans to consolidate some electronic trading systems and trading floor operations. This resulted in incremental expense of \$7.9 million in 2007. We expect this acceleration of depreciation to result in \$8.0 million of expense in 2008. In addition, depreciation and amortization of 2007 and 2006 property additions exceeded the depreciation and amortization of assets that have become fully depreciated or retired since January 1, 2006, contributing to the increase in depreciation and amortization expense for 2007.

Property additions, excluding merger-related additions, for 2007 and 2006 are summarized below. Technology-related assets include purchases of computers and related equipment, software, the cost of developing internal use software and the build-out of our data centers. While total property additions increased in 2007, technology-related spending decreased as a percentage of total additions due to an increase in spending for the development of our newly-leased Chicago office space.

<i>(dollars in millions)</i>	2007	2006	Change
Total property additions, including landlord-funded leasehold improvements	\$ 163.7	\$ 88.2	86%
Technology-related assets as a percentage of total additions	77%	90%	

**OCCUPANCY AND BUILDING OPERATIONS** The addition of three commercial real estate properties as a result of our recent merger resulted in incremental expense of \$8.4 million in 2007 relating primarily to utilities, maintenance and real estate tax expense. In addition, we entered into two leases for additional office space in Chicago and London during the third quarter of 2006. These new leases contributed to an increase of \$10.2 million in rent, utilities and real estate tax expense in 2007.

In August 2007, we renegotiated the leases for office space and trading floor facilities at our headquarters. Under the terms of our new lease, which extends our occupancy through 2022, we will be reducing our rented space after November 2008.

**LICENSING AND OTHER FEE AGREEMENTS** Higher trading volume for licensed products, particularly E-mini S&P products, resulted in \$8.8 million of additional expense in 2007. Also contributing to an increase in this expense were licensing and market maker fees of approximately

\$4.1 million resulting from our recent merger with CBOT Holdings. These increases were partially offset by a \$2.7 million reduction in costs incurred under a fee sharing arrangement with SGX, which ceased in February 2007 under the terms of our renewed agreement.

We renewed our exclusive product licensing agreement with Dow Jones in September 2007. The new agreement is effective from January 2008 through December 2014 and includes an upfront payment as well as minimum annual payments. The upfront payment, which was negotiated in exchange for a reduced rate per contract, will be recognized in equal amounts each month over the term of the agreement.

**RESTRUCTURING** This expense consists primarily of severance to transitional CBOT employees, severance to CME employees, retention bonuses and associated payroll taxes as well as outplacement costs and post-employment healthcare subsidies. Approximately \$3.5 million of additional restructuring expense will be incurred in 2008.

**OTHER EXPENSE** The increase in expense for 2007 is attributable primarily to \$8.0 million of marketing, advertising and public relations costs incurred as part of our global brand campaign and efforts to redesign and expand our customer education programs. Included in the \$8.0 million increase for 2007 was \$3.9 million of merger-related re-branding and print advertising costs. Also contributing to the increase in other expense for the year was \$6.3 million of settlement costs related to the LAMPERS class action lawsuit. Finally, a higher level of operating expenses associated with the combined company resulted in an increase in this expense for the year.

#### NON-OPERATING INCOME AND EXPENSE

<i>(dollars in millions)</i>	2007	2006	Change
Investment income	\$ 73.1	\$ 55.8	31%
Securities lending interest income	121.5	94.0	29
Securities lending interest expense	(114.5)	(92.1)	24
Interest expense	(3.6)	(0.2)	n.m.
Guarantee of exercise right privileges	(17.2)	—	n.m.
Equity in losses of unconsolidated subsidiaries	(14.0)	(6.9)	n.m.
<b>Total Non-Operating</b>	<b>\$ 45.3</b>	<b>\$ 50.6</b>	<b>(10)</b>

*n.m. not meaningful*

**INVESTMENT INCOME** The increase in investment income in 2007 when compared with 2006 is attributable primarily to the investment of additional cash generated from operations during the year as well as rising short-term interest rates. In late 2007, cash was utilized for a share repurchase and interest rates began to decline resulting in a decline in the investment income growth rate we had experienced earlier in the year. Funds from maturing investments have been reinvested in liquid, short-term investments due to the uncertainty surrounding long-term interest rates and to provide flexibility in pursuing strategic opportunities.

Annualized average rates of return and average investment balances indicated in the table below include short-term investments classified as cash and cash equivalents, marketable securities and a portion of clearing firms' cash performance bonds and security deposits, but exclude the impact of our non-qualified deferred compensation plan and insurance contracts. We exclude the impact of our non-qualified deferred compensation plan from this analysis because earnings from the plan are offset by an equal amount of expense in compensation and benefits expense.

<i>(dollars in millions)</i>	2007	2006	Change
Annualized average rate of return	4.46%	4.16%	0.30%
Average investment balance	\$ 1,563.9	\$ 1,294.1	\$ 269.8
Increase in income due to balance			\$ 11.3
Increase in income due to rate			4.7

**SECURITIES LENDING** During 2007, we expanded lending relationships to include additional banks, which led to an increase in the number of eligible securities available for lending. Beginning in late August 2007, we temporarily suspended our securities lending program due to high volatility in the credit markets and extreme market demand for U.S. Treasury securities, resulting in a decline of the revenue and expense growth rate we had experienced earlier in the year. We resumed the program in mid-September once market volatility subsided. Despite the temporary suspension of the program in 2007, the expansion of lending relationships resulted in an increase in the average daily balance of funds invested when compared with 2006. The spread between the average rate earned and the average rate paid increased during 2007 due to the combined effect of changes in the federal discount rate, which correlates closely with the interest expense, and an increase in market demand for the securities we had available to lend through this program.

<i>(dollars in billions)</i>	2007	2006	Change
Average daily balance of funds invested	\$ 2.3	\$ 1.9	\$ 0.4
Annualized average rate earned	5.27%	5.01%	0.26%
Annualized average rate paid	4.96	4.91	0.05
Net earned from securities lending	0.31	0.10	0.21

**INTEREST EXPENSE** In September 2007, we initiated a commercial paper program with various institutions under which we may issue and sell unsecured short-term promissory notes. During 2007, we issued \$1.2 billion in par value of commercial paper notes. At December 31, 2007, \$164.4 million of debt remained outstanding. The weighted average balance of notes outstanding for the full year was \$64.2 million. Interest rates on notes issued ranged from 4.50% to 5.38%.

**GUARANTEE OF EXERCISE RIGHT PRIVILEGES** Under the terms of the merger with CBOT Holdings, eligible holders of CBOE ERPs had until August 24, 2007 to elect to sell us their ERPs for \$250,000 per privilege. Upon resolution of the lawsuit between CBOT and CBOE, qualified holders that did not elect to sell are entitled to a maximum guaranteed payment of \$250,000 per privilege. If the value received by the ERP holder upon resolution of the lawsuit is less than \$250,000, we will pay the difference.

We recorded expense equal to the estimated fair value of the guarantee on 1,331 ERPs outstanding at the close of the merger. In August 2007, 159 ERPs were tendered for sale to us. We have reflected changes in the estimated fair value of the guarantee on the ERPs that remain outstanding and adjusted our expense accordingly. We will continue to recognize changes in the fair value of the outstanding guarantee as income or expense on a quarterly basis until the lawsuit is resolved.

Subsequent to the tendering of these rights, the maximum potential aggregate payment to the remaining holders under the guarantee is \$293.0 million.

**EQUITY IN LOSSES OF UNCONSOLIDATED SUBSIDIARIES** The increase resulted primarily from incremental losses of \$7.1 million from our investment in FXMS for 2007. FXMS, our joint venture with Reuters, was established in the second half of 2006 and began operations in February 2007.

#### **INCOME TAX PROVISION**

The effective tax rate increased to 39.9% in 2007 from 39.4% in 2006. The increase was due primarily to the inability to recognize the benefit of the net operating losses generated by our Swapstream operations, which we acquired in August 2006. The valuation allowance recorded against Swapstream's accumulated net operating losses will not be derecognized until there is a pattern of operating income from these operations. The increase in the effective tax rate was partially offset by an increase in tax-advantaged securities.

## Results of Operations for 2006 Compared with 2005

### 2006 FINANCIAL HIGHLIGHTS

- Total operating revenues grew by 22% in 2006 primarily as a result of increased clearing and transaction fees revenue, and to a lesser extent, processing services and quotation data fees.
- Total operating expenses increased by 14% in 2006 when compared with 2005. The increase was due primarily to higher compensation and benefits costs as well as increased technology spending resulting from capacity expansion and processing speed enhancements. Higher rates on licensed S&P and NASDAQ products and increased professional and outside services fees also contributed to the increase in expenses.
- Operating margin, which we define as operating income expressed as a percentage of total revenues, increased to 57% in 2006 from 54% in 2005 as the growth of operating revenues outpaced increases in operating expenses.
- The increase in non-operating income was due primarily to an increase in investment income, which resulted from a rise in average operating funds available for investment and increases in market interest rates.
- Cash earnings increased by approximately \$111.0 million to \$402.8 million for 2006 compared with 2005. We have included a reconciliation of cash earnings, a non-GAAP measure, in Liquidity and Capital Resources.

### OPERATING REVENUES

<i>(dollars in millions)</i>	2006	2005	Change
Clearing and transaction fees	\$ 866.1	\$ 696.2	24%
Quotation data fees	80.8	71.8	13
Processing services	90.2	68.7	31
Access and communication fees	28.7	27.8	3
Other	24.1	25.3	(4)
<b>Total Revenues</b>	<b>\$ 1,089.9</b>	<b>\$ 889.8</b>	<b>22</b>

**CLEARING AND TRANSACTION FEES** The increase was due to trading volume growth partially offset by a decrease in the average rate per contract.

**Volume** In 2006, our volume surpassed one billion contracts traded for the second consecutive year driven by growth of 25% or more in all product lines. Technology enhancements, including the migration of our CME Globex trading platform to new Hewlett Packard Integrity NonStop servers that incorporate Intel Itanium processors, significantly increased trade-matching speed which reduced our average response time on transactions and resulted in increased usage by automated trading systems. Growth in hedge funds, interest rate uncertainty and occasional daily volatility in equity markets also contributed to trading volume growth.

The following table summarizes average daily trading volume. All amounts exclude TRAKRS, Swapstream and auction-traded products.

<i>(in thousands)</i>	2006	2005	Change
<b>Product Line Average Daily Volume:</b>			
Interest rate	3,078	2,380	29%
Equity	1,734	1,389	25
Foreign exchange	453	334	35
Commodity and alternative investment	78	55	41
Average Daily Volume of Total Products	5,343	4,158	28
<b>Electronic Volume</b>	<b>3,808</b>	<b>2,895</b>	<b>31</b>
Electronic Volume as a Percentage of Total Average Daily Volume	71%	70%	

#### *Interest Rate Products*

Interest rate product volume increased in 2006 due primarily to uncertain market expectations surrounding interest rates, including those created by changes in Federal Reserve monetary policy, expansion in the use of our electronic trading platform as a result of technological enhancement and increased use of automated trading systems. The volume of interest rate products traded electronically increased by 34% to 1.8 million contracts per day in 2006. Trends favoring the trading of derivative products also contributed to the increase in volume.

The average daily volume of CME Eurodollar options, which are traded predominantly through open outcry, increased by 44% to 1.1 million contracts in 2006. In conjunction with the increase in Eurodollar options volume, the average daily volume of CME Eurodollar options traded electronically also increased to 77,000 contracts in 2006 from 28,000 contracts in 2005. In April 2006, we launched a new incentive program to increase electronic trading of CME Eurodollar options. The program, which was initially effective through December 2006, was extended through June 2007. The program provided a reduced fee schedule for customers meeting percentage thresholds for electronic trading of CME Eurodollar options.

#### *Equity Products*

The increase in equity product volume for the year was due primarily to technological enhancements, increased usage of equity option products, occasional significant daily fluctuations in stock market volatility, as measured by the CBOE Volatility Index, and efforts to attract new customers.

Average daily volume of our E-mini equity products increased by 25% to 1.6 million contracts in 2006 compared with 2005. In particular, E-mini S&P 500 volume increased 27% to 1.1 million contracts. Volume for our electronically traded E-mini equity options increased to 45,000 contracts per day in 2006 from 18,000 contracts per day in 2005.

#### *Foreign Exchange Products*

In December 2006, foreign exchange volume set a monthly volume record with 621,000 contracts traded per day. The increase in trading of foreign exchange products resulted from the previously mentioned technological enhancements which facilitated faster execution of trades, additional liquidity and fee incentive programs, including those specifically targeted to attract commodity trading advisors and large hedge funds. In 2006, 88% of our foreign exchange volume traded through the CME Globex platform compared with 81% during 2005.

#### *Commodity and Alternative Investment Products*

Trading in commodity and alternative investment products increased as a result of the growing appeal of commodities as an asset class, which has attracted additional trading activity in live cattle and lean hog products.

**Average Rate Per Contract** The impact of the 28% increase in average daily trading volume during 2006 was partially offset by a decrease in the average rate, or revenue, per contract. All amounts in the following table exclude TRAKRS, Swapstream and auction-traded products.

	2006	2005	Change
Total Volume (in millions)	1,341.1	1,047.9	28%
Clearing and Transaction Fees (in millions)	\$ 864.4	\$ 695.7	24
Average Rate per Contract	\$ 0.645	\$ 0.664	(3)

In 2006, the average rate per contract decreased when compared with 2005 due primarily to the following factors:

- Incentives and discounts increased as a result of volume growth, reducing the average rate per contract by \$0.021;
- The number of inactive clearing firms and trading volume from automated trading systems that receive lower-priced member rates increased resulting in a slight rise in the percentage of trades executed by member customers to 80% of total volume from 79% in 2005;
- Higher-priced privately negotiated trades, as a percentage of total volume, decreased to 1.0% during 2006 compared with 1.2% in 2005; and
- The average daily volume of CME Eurodollar options traded through open outcry, one of our lowest priced products, increased by 38%. This represented 19% of total volume in 2006 compared with 17% in 2005. Clearing and transaction fees from CME Eurodollar options traded through open outcry averaged \$0.33 per contract in 2006 and 2005.

These decreases were partially offset by broad-based pricing increases implemented in August 2005, which contributed incremental revenue of approximately \$13.0 million when compared with 2005. Additionally, the rate per contract was favorably impacted by a higher percentage of trades executed through the CME Globex platform for which additional fees are assessed.

**QUOTATION DATA FEES** The growth in revenue resulted primarily from a fee increase that was implemented on January 1, 2006. Users of our basic service paid \$40 per month for each market data screen, or device, in 2006. The monthly charge in effect during 2005 was \$35. This higher rate contributed to a \$10.4 million increase in subscriber fees for 2006 compared with 2005 and was partially offset by a \$1.5 million decrease in assessments, which result from our periodic audits of usage data previously provided by our customers.

**PROCESSING SERVICES** Revenue increased primarily as a result of increased trading volume at CBOT and higher volume executed on the CME Globex platform under our agreement with NYMEX. CBOT's average daily trading volume was 3.2 million contracts for 2006, an increase of 20% over the 2.7 million contracts traded in 2005. This increased volume at CBOT generated incremental revenue of \$11.6 million in 2006. Revenue from services provided to NYMEX increased by \$9.8 million in 2006 when compared with 2005. Our prior agreement with NYMEX ended in November 2005. Trading under our new 10-year agreement began in June 2006. The new agreement added metals futures products and expanded the number of energy futures products, including the addition of physically delivered WTI futures products, which we now list for NYMEX on the CME Globex platform. As a result, the average daily volume of NYMEX electronic trading increased significantly on our platform during 2006.

**ACCESS FEES** Growth in revenue resulted from the expiration, in July 2006, of an incentive program to encourage our customers to switch to a higher bandwidth connection.

#### OPERATING EXPENSES

<i>(dollars in millions)</i>	2006	2005	Change
Compensation and benefits	\$ 203.0	\$ 179.6	13%
Communications	31.6	31.1	2
Technology support services	31.2	26.9	16
Professional fees and outside services	33.2	26.1	27
Amortization of purchased intangibles	1.3	0.7	73
Depreciation and amortization	72.8	64.9	12
Occupancy and building operations	29.6	28.5	4
Licensing and other fee agreements	25.7	18.0	43
Other	40.5	36.0	13
<b>Total Expenses</b>	<b>\$ 468.9</b>	<b>\$ 411.8</b>	<b>14</b>

**COMPENSATION AND BENEFITS** The increase in compensation and benefits expense during 2006 relative to 2005 consisted primarily of the following:

<i>(in millions)</i>	Increases
Average headcount	\$ 9.8
Change in average salaries, benefits and employer taxes	7.4
Bonus	4.3
Stock-based compensation	3.8
Capitalization for software development and reimbursable costs	(3.6)

- Average headcount increased by 7%, or approximately 90 employees, in 2006 compared with 2005 primarily as a result of increased hiring to support technology initiatives. Our acquisition of Swapstream, which was completed in August 2006, also contributed to the increase in average headcount for the year. At December 31, 2006 and 2005, we had approximately 1,430 and 1,320 employees, respectively.
- Bonus expense accrued under the provisions of our annual incentive plan increased due primarily to growth in our employee headcount and salary increases for existing employees.
- Stock-based compensation increased primarily as a result of additional expense from options granted in June 2006 and the full impact in 2006 of the expense related to the June 2005 grant. In addition, the fair value per share of options granted in June 2006 increased when compared with the fair value of options granted in June 2005.
- Increases were partially offset by increased capitalization of compensation and benefits expense relating to software development. The increase in capitalized software costs resulted primarily from development needed to provide trading and other services to FXMS.

**TECHNOLOGY SUPPORT SERVICES** We experienced growth of 20% in the average number of transactions processed electronically during 2006 when compared with 2005. As a result of the continued growth in transactions processed, additional maintenance and service contracts were required to support increases in hardware and software purchases.

**PROFESSIONAL FEES AND OUTSIDE SERVICES** Legal fees increased \$4.1 million in 2006 when compared with 2005 due primarily to the structuring and establishment of FXMS and litigation costs related to the ongoing antitrust lawsuit filed by Eurex U.S. in 2003.

In addition, other professional fees increased \$3.4 million in 2006 due primarily to the use of consulting services to support several clearing and trading systems projects as well as enhancements to the CME Globex platform's functionality, including the ability to execute complex options trading strategies. During the fourth quarter, merger-related integration planning also contributed to an increase in professional fees.

**DEPRECIATION AND AMORTIZATION** During the second quarter of 2006, we began an 18-month process of migrating the electronic trading of products to new Hewlett Packard Integrity NonStop servers that incorporate Intel Itanium processors. As a result of the migration, we reassessed and shortened the estimated useful lives on our existing processors which resulted in additional depreciation expense of \$1.9 million in 2006 when compared with 2005. In addition, depreciation and amortization of 2005 and 2006 property additions exceeded the depreciation and amortization of assets that have become fully depreciated or retired since January 1, 2005, resulting in an increase in 2006 depreciation and amortization expense.

Property additions for 2006 and 2005 are summarized below. Technology-related assets include purchases of computers and related equipment, software, the cost of developing internal use software and costs associated with the expansion of our data centers.

<i>(dollars in millions)</i>	2006	2005
Total property additions, including landlord-funded leasehold improvements	\$ 88.2	\$ 87.6
Technology-related assets as a percentage of total additions	90%	91%

**OCCUPANCY AND BUILDING OPERATIONS** We entered into two new leases for additional space in Chicago and London during 2006. The Chicago lease, which began in August 2006, provides us with an opportunity to reorganize and maximize the utilization of our facilities in the downtown area. The London lease, which began in November 2006, allowed us to consolidate our existing London office with Swapstream's facilities. The new leases resulted in additional rent expense of \$1.1 million in 2006.

**LICENSING AND OTHER FEE AGREEMENTS** A large portion of the increase in this expense was attributable to an increase in licensing rates for S&P E-mini products and, to a lesser extent, NASDAQ E-mini products. Rate increases went into effect in June 2005 for NASDAQ products and September 2005 for S&P products in return for extending our exclusive rights to offer these products. Renegotiated licensing rates resulted in \$6.5 million of incremental expense compared with 2005. Also, higher average daily trading volume for licensed products resulted in additional expense of \$2.4 million in 2006. Higher volumes were attributable primarily to E-mini products based on the S&P 500 and NASDAQ-100.

These increases in expense were partially offset by a \$0.9 million decrease in fees paid to market maker program participants. The reduction in market maker fees was due primarily to the expiration of the Russell 1000 program in December 2005.

**OTHER EXPENSE** In 2006, this expense increased primarily as a result of the preparation for and launch of a new global brand advertising campaign. The promotion of new products and production of CME's quarterly magazine, which launched in the third quarter of 2005, also contributed to an increase in expense.

#### NON-OPERATING INCOME AND EXPENSE

<i>(dollars in millions)</i>	2006	2005	Change
Investment income	\$ 55.8	\$ 31.4	77%
Securities lending interest income	94.0	58.7	60
Securities lending interest expense	(92.1)	(56.8)	62
Interest expense	(0.2)	(0.3)	(30)
Equity in losses of unconsolidated subsidiaries	(6.9)	(2.6)	162
<b>Total Non-Operating</b>	<b>\$ 50.6</b>	<b>\$ 30.4</b>	<b>66</b>

**INVESTMENT INCOME** Rising market interest rates as well as increased funds available for investment resulted in increased investment income in 2006 when compared with 2005. Increases in investment income were partially offset by an increase in tax-advantaged investments, as a percentage of the total portfolio, during 2006. The annualized average rate of return and average investment balance indicated in the table below include short-term investments classified as cash and cash equivalents, marketable securities and clearing firms' cash performance bonds and security deposits, but exclude the first IEFs and our non-qualified deferred compensation plan. Non-qualified deferred compensation plan earnings are excluded from this analysis as there is an equal and offsetting amount in compensation and benefits expense.

<i>(dollars in millions)</i>	2006	2005	Change
Annualized average rate of return	4.16%	2.99%	1.17%
Average investment balance	\$ 1,294.1	\$ 951.6	\$ 342.5
Increase in income due to balance			\$ 15.1
Increase in income due to rate			10.3

Increases due to rate and balance changes were partially offset by a decrease of \$1.9 million resulting from the discontinuance of our investment in the first IEFs as of December 2005.

**SECURITIES LENDING INTEREST INCOME AND EXPENSE** The average daily balance of funds available for lending increased during 2006 relative to 2005. This was primarily the result of a policy change effective October 1, 2005 that increased the amount of securities available for lending to 70% from 50% of total eligible securities.

<i>(dollars in billions)</i>	2006	2005	Change
Average daily balance of funds invested	\$ 1.9	\$ 1.8	\$ 0.1
Annualized average rate earned	5.01%	3.34%	1.67%
Annualized average rate paid	4.91	3.23	1.68
Net earned from securities lending	0.10	0.11	(0.01)

**EQUITY IN LOSSES OF UNCONSOLIDATED SUBSIDIARIES** This includes \$6.1 million of losses from our investment in FXMS, which was formed in July 2006, as well as our proportionate share of losses from OneChicago.

#### INCOME TAX PROVISION

In 2006, the effective tax rate decreased from 39.6% to 39.4% when compared with 2005. The decrease is due primarily to increased investments in tax-advantaged securities, the impact of which was partially offset by the non-deductibility of net operating losses generated by our Swapstream operations subsequent to our acquisition of this business in August 2006.

## Liquidity and Capital Resources

#### CASH REQUIREMENTS

Historically, we have met our operational funding requirements with cash generated by operations. If operations do not provide sufficient funds to meet short-term and long-term capital expenditure requirements, cash and cash equivalents or marketable securities can be reduced to provide the needed funds, assets can be acquired through capital leases, or we can borrow using public or private debt facilities. In addition, we believe we can fund any pending or potential future acquisitions with internally available cash, debt financing or the issuance of equity securities.

On February 26, 2008, we completed our transaction with Brazilian Mercantile & Futures Exchange S.A. (BM&F). We issued 1.2 million shares of Class A common stock (approximately a 2% equity interest in the company) in exchange for 101.1 million shares of BM&F (an equity interest of approximately 10%). Neither CME Group nor BM&F may sell its equity interest in the other until February 2012 under the provisions of the agreement. Our investment in BM&F is recorded at a cost of \$631.4 million based on our stock price of \$531.00 at close on February 25, 2008.

Cash will also be required for operating leases and non-cancelable purchase obligations as well as commitments reflected as liabilities in our consolidated balance sheet at December 31, 2007. These commitments are as follows (in thousands):

Year	Operating Leases	Purchase Obligations	Other Liabilities	Total <sup>(a)</sup>
2008	\$ 17,731	\$ 66,640	\$ 21,651	\$ 106,022
2009-2010	32,970	17,996	—	50,966
2011-2012	33,719	12,356	—	46,075
Thereafter	147,922	8,000	—	155,922
<b>Total</b>	<b>\$ 232,342</b>	<b>\$ 104,992</b>	<b>\$ 21,651</b>	<b>\$ 358,985</b>

*(a) Gross unrecognized tax liabilities of \$9.7 million determined under FIN No. 48 are not included in the commitments table due to uncertainty about the date of their settlement.*

Future capital expenditures for technology are anticipated as we continue to support our growth through investment in increased system capacity and performance and through technological initiatives on our electronic trading platforms. Each year capital expenditures are incurred for improvements to and expansion of our trading floor facilities, offices, remote data centers, telecommunications capabilities and other operating equipment. We expect 2008 capital expenditures to total between \$225.0 million and \$235.0 million, excluding leasehold improvements for our new office space that will be funded with landlord allowances. Anticipated capital expenditures for 2008 include approximately \$77.0 million of data center build-out costs related primarily to our new data center.

We intend to continue to pay a regular quarterly dividend to our shareholders. The decision to pay a dividend, however, remains within the discretion of our Board of Directors and may be affected by various factors, including our earnings, financial condition, capital requirements, level of indebtedness and other considerations our Board of Directors deems relevant. In 2007, our annual dividend target remained at approximately 30% of the prior year's cash earnings. For 2008, our annual dividend target will remain at approximately 30% of 2007 cash earnings calculated as if the merger with CBOT Holdings had occurred on January 1, 2007. On January 30, 2008, the Board of Directors declared a regular quarterly dividend of \$1.15 per share payable on March 25, 2008 to shareholders of record on March 10, 2008. Assuming no changes in the number of shares outstanding other than the issuance of 1.2 million shares to BM&F, the March 2008 dividend payment will total approximately \$62.6 million.

#### **SOURCES AND USES OF CASH**

Net cash provided by operating activities was \$814.4 million in 2007 compared with \$471.7 million in 2006. Net cash provided by operating activities increased due primarily to the increase in net income during 2007. In 2007, net cash provided by operating activities was \$155.8 million higher than net income. Adjustments to net income consisted primarily of \$105.7 million in depreciation and amortization, \$33.9 million of amortization of purchased intangibles, and a \$31.2 million increase in other current liabilities, partially offset by a \$50.6 million increase in deferred income taxes and a \$49.9 million increase in accounts receivable. The increase in depreciation and amortization expense is due primarily to additional assets obtained in our recent merger with CBOT Holdings. Accounts receivable in any period result primarily from the clearing and transaction fees billed in the last month of the reporting period.

Cash used in investing activities was \$78.6 million in 2007 compared with \$85.9 million in 2006. The decrease in cash used compared with 2006 was due primarily to \$116.0 million of cash acquired in our merger with CBOT Holdings and a \$30.7 million increase in proceeds from maturities of marketable securities, net of purchases. These increases in cash were partially offset by a \$75.8 million increase in property and equipment purchases, \$39.8 million used to purchase exercise right privileges, and an increase of \$37.2 million in merger-related transaction costs.

Cash used in financing activities was \$859.9 million in 2007 compared with \$27.2 million for 2006. The increase in cash used was due primarily to \$949.3 million paid to repurchase common stock and a \$64.0 million increase in cash dividends to shareholders. This increase in cash used was partially offset by proceeds of debt issuances, net of maturities and debt issuance costs, of \$162.9 million.

#### **DEBT INSTRUMENTS**

We maintain a 364-day revolving loan facility, with various financial institutions, which provides for loans of up to \$750.0 million. This revolving loan facility serves as a back-up facility for our commercial paper program. Proceeds from the program were used to partially fund our recent tender offer stock repurchase and related fees. On September 5, 2007, we purchased 1.7 million shares of our Class A common stock at a purchase price of \$560 per share for a total cost of approximately \$950.6 million, including related fees and expenses. Under the terms of the facility, proceeds can also be used to finance the BM&F investment transaction and to pay general corporate purposes of up to \$300.0 million.

Our clearing house maintains an \$800.0 million 364-day line of credit with a consortium of banks to be used in certain situations. The line of credit, which was renewed on October 12, 2007, continues to be collateralized by clearing firm security deposits held by us in the form of U.S. Treasury or agency securities, as well as security deposit funds in the Interest Earning Facilities and any performance bond deposits of a clearing firm that has defaulted on its obligation. The line of credit can only be drawn on to the extent it is collateralized. Security deposit collateral was \$1.4 billion at December 31, 2007.

To satisfy our performance bond obligations with SGX, we pledge CME-owned U.S. Treasury securities in lieu of, or in combination with, irrevocable letters of credit. At December 31, 2007, the letters of credit totaled \$113.0 million. In addition, we had pledged securities with a fair value of \$100.1 million at December 31, 2007.

CME also guarantees a \$5.0 million standby letter of credit for GFX. The beneficiary of the letter of credit is the clearing firm that is used by GFX to execute and maintain its futures positions. The letter of credit will be utilized in the event GFX defaults in meeting performance bond requirements to its clearing firm.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

As of December 31, 2007, we did not have any significant off-balance sheet arrangements as defined by the regulations of the Securities and Exchange Commission.

#### **LIQUIDITY AND CASH MANAGEMENT**

Cash and cash equivalents totaled \$845.3 million at December 31, 2007 compared with \$969.5 million at December 31, 2006. The balance retained in cash and cash equivalents was a function of anticipated or possible short-term cash needs, prevailing interest rates, our investment policy, alternative investment choices and any dividends that we pay.

Current net deferred tax assets of \$18.4 million and \$7.2 million are included in other current assets at December 31, 2007 and December 31, 2006, respectively. Current net deferred tax assets result primarily from stock-based compensation and restructuring liabilities. At December 31, 2006, non-current net deferred tax assets were \$30.9 million consisting primarily of depreciation and amortization, software development costs, stock-based compensation and deferred compensation.

At December 31, 2007, non-current net deferred tax liabilities were \$3.8 billion. Net deferred tax liabilities are primarily the result of purchase accounting for intangible assets in our merger with CBOT Holdings. Non-current net deferred tax liabilities also include an \$11.2 million deferred tax asset for acquired and accumulated net operating losses related to Swapstream. Since Swapstream has not yet developed a pattern of operating income, our assessment at December 31, 2007 is that we do not believe that we currently meet the more-likely-than-not threshold that would allow us to realize the value of acquired and accumulated foreign net operating losses in the future. As a result, the deferred tax benefit arising from these net operating losses has been fully reserved.

Each clearing firm is required to deposit and maintain a specified performance bond balance, which is determined by parameters established by the risk management department of the clearing house and may fluctuate over time. Performance bond requirements can be satisfied with a variety of approved investments and cash. Cash performance bonds and security deposits are included in our consolidated balance sheets. With the exception of the portion of securities deposited that are utilized in our securities lending program, clearing firm deposits, other than those retained in the form of cash, are not included in our consolidated balance sheets. Securities lending transactions utilize a portion of the securities that clearing firms have deposited to satisfy their proprietary performance bond requirements. Securities lending activity fluctuates based on the amount of securities that clearing firms have deposited and the demand for securities lending activity in the particular securities available to us. As a result of these factors, the balances in cash performance bonds and security deposits, as well as the balances in our securities lending program, may fluctuate significantly over time.

Cash performance bonds and security deposits and collateral from securities lending consisted of the following at December 31:

<i>(in millions)</i>	2007	2006
Cash performance bonds	\$ 799.1	\$ 506.0
Cash security deposits	18.6	15.1
Cross-margin arrangements	—	0.1
Performance collateral for delivery	15.3	—
Total Cash Performance Bonds and Security Deposits	833.0	521.2
Collateral from securities lending activities and payable under securities lending agreements	2,862.0	2,130.2
<b>Total</b>	<b>\$ 3,695.0</b>	<b>\$ 2,651.4</b>

We are required under the Commodity Exchange Act to segregate cash and securities deposited by clearing firms on behalf of customers. In addition, our exchange rules require a segregation of all funds and securities deposited by clearing firms from exchange operating funds and marketable securities. As with cash performance bonds and security deposits, these balances will fluctuate due to the investment choices available to clearing firms and the change in total deposits required. Securities, at fair value, and IEF funds were deposited for the following purposes at December 31:

<i>(in millions)</i>	2007	2006
Performance bonds	\$ 57,165.5	\$ 47,270.6
Security deposits	1,440.0	1,250.5
Cross-margin arrangements	486.2	273.7
Performance collateral for delivery	49.9	—
<b>Total</b>	<b>\$ 59,141.6</b>	<b>\$ 48,794.8</b>

#### CASH EARNINGS

Cash earnings, a non-GAAP measure, is the primary metric used by us to measure our financial performance. It is the basis for calculating dividends to shareholders. It is calculated as net income plus depreciation and amortization expense (excluding amortization of landlord-funded amounts), plus tax-effected stock-based compensation, plus tax-effected amortization of purchased intangibles, less capital expenditures excluding landlord-funded amounts. For 2008, our annual dividend target will be based on 2007 cash earnings calculated as if the merger with CBOT Holdings had occurred on January 1, 2007. The cash earnings amount is calculated as follows:

<i>(in millions)</i>	2007	2006
Net income	\$ 658.5	\$ 407.3
Depreciation and amortization	104.4	72.8
Stock-based compensation, net of tax	13.7	10.0
Amortization of purchased intangibles, net of tax	20.4	—
Capital expenditures	(153.2)	(87.3)
Cash Earnings	643.8	402.8
CBOT Holdings' cash earnings <sup>(a)</sup>	192.5	—
<b>Pro Forma Cash Earnings</b>	<b>\$ 836.3</b>	<b>\$ 402.8</b>

*(a) CBOT Holdings' cash earnings reflect CBOT Holdings' consolidated net income for the period January 1 through July 12, 2007, plus depreciation and amortization expense, plus tax-effected stock-based compensation, less capital expenditures. All adjustments to net income were calculated for the period January 1 through July 12, 2007.*

The cash earnings calculation, with some modifications, is also used as the basis for determining annual incentive payments to employees.

## Quantitative and Qualitative Disclosures About Market Risk

We are subject to various market risks, including those caused by changes in interest rates and foreign currency exchange rates.

**INTEREST RATE RISK** Our investment policy is to preserve principal and liquidity while maximizing return through the investment of available funds. Investments typically include money market mutual funds, municipal securities, and U.S. Treasury and government agency securities with fixed or variable rate terms. Under our investment policy, we monitor interest rate risk by completing regular reviews of our marketable securities portfolio and its sensitivity to changes in the general level of interest rates, commonly referred to as a portfolio's duration. We control the duration of the portfolio primarily through the purchase of individual marketable securities having duration consistent with our overall investment policy. In addition, we will generally hold marketable securities to maturity, which will act as a further mitigating factor to interest rate risk. Under our investment policy, the aggregate portfolio duration cannot exceed 24 months.

A change in market interest rates would affect interest income as well as the fair value of investments. All of our investments are carried at fair value. For purposes of this analysis, marketable securities exclude the investments of our non-qualified deferred compensation plan. Interest income from short-term cash investments, marketable securities, and cash performance bonds and security deposits was \$69.8 million and \$53.8 million in 2007 and 2006, respectively. Our marketable securities portfolio experienced a net unrealized gain of \$3.1 million in 2007 and a net unrealized gain of \$2.1 million in 2006. There were no material realized gains or losses from sales of marketable securities in either period.

Expected maturities and interest coupon rates for marketable securities, all of which were fixed-rate securities, were as follows at December 31, 2007 (dollars in thousands):

<i>Year</i>	Principal Cash Flows	Weighted Average Interest Rate
2008	\$ 180,410	3.08%
Fair Value	\$ 180,242	

The 2008 expected maturities include \$26.7 million in principal amount of zero coupon marketable securities. Excluding zero coupon securities, the 2008 weighted average interest rate would be 3.61%.

We maintain a 364-day revolving loan facility of up to \$750.0 million with various financial institutions. This loan facility serves as a back-up facility for our commercial paper program. As of December 31, 2007, we have not utilized this facility. During 2007, commercial paper notes with an aggregate par value of \$1.2 billion and maturities ranging from one to 97 days were issued. We believe the short-term nature of these borrowings and the availability of funds from operations mitigates our interest rate risk exposure.

**FOREIGN EXCHANGE RISK** GFX engages primarily in the purchase and sale of our foreign exchange futures contracts on the CME Globex platform to provide additional liquidity in these products. GFX subsequently enters into offsetting transactions using futures contracts or spot foreign exchange transactions with approved counterparties in the interbank market to limit its market risk. Any potential impact on the GFX earnings from a change in foreign exchange rates would not be significant. Net intraday position limits, which are established for each trader, totaled \$12.0 million in aggregate notional value as of December 31, 2007.

At December 31, 2007, GFX held futures positions with a notional value of \$131.7 million, offset by a similar amount of spot foreign exchange positions. The notional value of futures positions at December 31, 2006 totaled \$111.8 million. All positions are marked to market on a daily basis using our foreign exchange settlement prices, with resulting gain or loss reflected in other revenues. Net trading gains were \$9.2 million and \$7.0 million for the years ended December 31, 2007 and 2006, respectively.

The third-party contract relating to our e-CBOT electronic trading platform obligates us to make payments denominated in pounds sterling. As a result, we are exposed to movements in foreign currency exchange rates.

We engage in foreign currency hedging activities in order to reduce our risk from movements in foreign currency exchange rates where practicable to do so. However, where we are not able to enter into foreign currency hedging transactions on terms satisfactory to us, we retain risk associated with movements in foreign currency exchange rates. The primary purpose of our foreign currency hedging activities is to manage the volatility associated with foreign currency purchases of materials and services and liabilities created in the normal course of our business. We do not rely on economic hedges to manage risk.

We currently utilize foreign currency forward contracts that we have identified as fair value hedges. These are intended to offset the effect of exchange rate fluctuations on firm commitments for purchases of fixed annual and quarterly services denominated in pounds sterling. Forward contracts designated as hedges had a notional amount of approximating \$13.3 million (£6.7 million) at December 31, 2007. Certain forward contracts previously designated as hedges have been undesignated as a result of negotiations with vendors which reduced the firm commitments previously hedged. Forward contracts which were undesignated had a notional value of approximately \$6.0 million (£3.0 million) at December 31, 2007. The fair value of hedging contracts and non-hedging contracts was \$1.8 million and \$0.8 million, respectively, at December 31, 2007. Losses related to contracts that no longer qualify for hedge accounting totaled \$0.1 million in 2007.

## Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system has been designed to provide reasonable assurance to management and the Board of Directors regarding the preparation and fair presentation of published financial statements.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2007. The scope of this assessment included the combined operations of CME Group which includes the operations of the former CBOT Holdings. Management based this assessment on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework Issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluating the design of our internal control over financial reporting and testing the operational effectiveness of our internal control over financial reporting. The results of its assessment were reviewed with the Audit Committee of the Board of Directors.

Based on this assessment, management believes that, as of December 31, 2007, our internal control over financial reporting is effective. The effectiveness of our internal control over financial reporting as of December 31, 2007 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in the following report.

## Reports of the Independent Registered Public Accounting Firm

### TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CME GROUP INC.

We have audited CME Group Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). CME Group Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CME Group Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 of CME Group Inc. and our report dated February 26, 2008 expressed an unqualified opinion thereon.

*Ernst & Young LLP*

*Chicago, Illinois  
February 26, 2008*

**TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CME GROUP INC.**

We have audited the accompanying consolidated balance sheets of CME Group Inc. and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audit also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CME Group Inc. and subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CME Group Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2008 expressed an unqualified opinion thereon.

*Ernst & Young LLP*

*Chicago, Illinois  
February 26, 2008*

# CME Group Inc. and Subsidiaries

## Consolidated Balance Sheets

AT DECEMBER 31

(in thousands, except per share data)

	2007	2006
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 845,312	\$ 969,504
Collateral from securities lending	2,862,026	2,130,156
Marketable securities available for sale, including pledged securities of \$100,061 and \$100,729	203,308	269,516
Accounts receivable, net of allowance of \$1,392 and \$552	187,487	121,128
Other current assets	55,900	37,566
Cash performance bonds and security deposits	833,022	521,180
<b>Total current assets</b>	<b>4,987,055</b>	<b>4,049,050</b>
Property, net of accumulated depreciation and amortization	377,452	168,755
Intangible assets – trading products	7,987,000	—
Intangible assets – other, net of accumulated amortization	1,796,789	12,776
Goodwill	5,049,211	11,496
Other assets	108,690	64,428
<b>Total Assets</b>	<b>\$ 20,306,197</b>	<b>\$ 4,306,505</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 58,965	\$ 25,552
Payable under securities lending agreements	2,862,026	2,130,156
Short-term debt	164,435	—
Other current liabilities	157,615	78,466
Cash performance bonds and security deposits	833,022	521,180
<b>Total current liabilities</b>	<b>4,076,063</b>	<b>2,755,354</b>
Deferred tax liabilities	3,848,240	—
Other liabilities	76,257	32,059
<b>Total Liabilities</b>	<b>8,000,560</b>	<b>2,787,413</b>
Shareholders' Equity:		
Preferred stock, \$0.01 par value, 9,860 shares authorized, none issued or outstanding	—	—
Series A junior participating preferred stock, \$0.01 par value, 140 shares authorized, none issued or outstanding	—	—
Class A common stock, \$0.01 par value, 1,000,000 shares authorized, 53,278 and 34,836 shares issued and outstanding as of December 31, 2007 and 2006, respectively	533	348
Class B common stock, \$0.01 par value, 3 shares authorized, issued and outstanding	—	—
Additional paid-in capital	10,688,766	405,514
Retained earnings	1,619,440	1,116,209
Accumulated other comprehensive loss	(3,102)	(2,979)
<b>Total Shareholders' Equity</b>	<b>12,305,637</b>	<b>1,519,092</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 20,306,197</b>	<b>\$ 4,306,505</b>

See accompanying notes to consolidated financial statements.

# CME Group Inc. and Subsidiaries

## Consolidated Statements of Income

YEAR ENDED DECEMBER 31

(in thousands, except per share data)

	2007	2006	2005
<b>Revenues</b>			
Clearing and transaction fees	\$ 1,427,320	\$ 866,089	\$ 696,201
Quotation data fees	145,054	80,836	71,741
Processing services	106,404	90,148	68,730
Access and communication fees	35,804	28,742	27,830
Other	41,519	24,132	25,264
<b>Total Revenues</b>	<b>1,756,101</b>	<b>1,089,947</b>	<b>889,766</b>
<b>Expenses</b>			
Compensation and benefits	263,347	202,966	179,594
Communications	43,471	31,580	31,098
Technology support services	50,480	31,226	26,837
Professional fees and outside services	53,142	33,184	26,118
Amortization of purchased intangibles	33,878	1,267	732
Depreciation and amortization	105,653	72,783	64,917
Occupancy and building operations	48,202	29,614	28,529
Licensing and other fee agreements	35,651	25,728	17,982
Restructuring	8,892	—	—
Other	62,892	40,521	36,013
<b>Total Expenses</b>	<b>705,608</b>	<b>468,869</b>	<b>411,820</b>
<b>Operating Income</b>	<b>1,050,493</b>	<b>621,078</b>	<b>477,946</b>
<b>Non-Operating Income and Expense</b>			
Investment income	73,059	55,792	31,441
Securities lending interest income	121,494	94,028	58,725
Securities lending interest expense	(114,453)	(92,103)	(56,778)
Interest expense	(3,629)	(223)	(319)
Guarantee of exercise right privileges	(17,167)	—	—
Equity in losses of unconsolidated subsidiaries	(13,995)	(6,915)	(2,636)
<b>Total Non-Operating</b>	<b>45,309</b>	<b>50,579</b>	<b>30,433</b>
<b>Income Before Income Taxes</b>	<b>1,095,802</b>	<b>671,657</b>	<b>508,379</b>
Income tax provision	437,269	264,309	201,522
<b>Net Income</b>	<b>\$ 658,533</b>	<b>\$ 407,348</b>	<b>\$ 306,857</b>
<b>Earnings per Common Share:</b>			
Basic	\$ 15.05	\$ 11.74	\$ 8.94
Diluted	14.93	11.60	8.81
<b>Weighted Average Number of Common Shares:</b>			
Basic	43,754	34,696	34,315
Diluted	44,107	35,124	34,839

See accompanying notes to consolidated financial statements.

## CME Group Inc. and Subsidiaries

### Consolidated Statements of Shareholders' Equity

<i>(in thousands, except per share data)</i>	Class A Common Stock (Shares)	Class B Common Stock (Shares)	Common Stock and Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2004	34,099	3	\$ 261,391	\$ 552,801	\$ (1,595)	\$ 812,597
Comprehensive income:						
Net income				306,857		306,857
Change in net unrealized loss on securities, net of tax of \$833					(1,312)	(1,312)
Total comprehensive income						305,545
Cash dividends on common stock of \$1.84 per share				(63,260)		(63,260)
Exercise of stock options	418		6,956			6,956
Excess tax benefits from option exercises and restricted stock vesting			43,361			43,361
Vesting of issued restricted Class A common stock	25					
Shares issued to Board of Directors	2		476			476
Shares issued under the Employee Stock Purchase Plan	1		373			373
Stock-based compensation			12,636			12,636
<b>Balance at December 31, 2005</b>	<b>34,545</b>	<b>3</b>	<b>\$ 325,193</b>	<b>\$ 796,398</b>	<b>\$ (2,907)</b>	<b>\$ 1,118,684</b>
Comprehensive income:						
Net income				407,348		407,348
Change in net unrealized loss on securities, net of tax of \$842					1,276	1,276
Change in foreign currency translation adjustment, net of tax of \$284					431	431
Total comprehensive income						409,055
Adjustment to initially adopt SFAS No. 158, net of tax of \$1,174					(1,779)	(1,779)
Sale of membership shares by OneChicago, LLC, net of tax of \$1,717			2,603			2,603
Cash dividends on common stock of \$2.52 per share				(87,537)		(87,537)
Exercise of stock options	279		15,422			15,422
Excess tax benefits from option exercises and restricted stock vesting			43,882			43,882
Vesting of issued restricted Class A common stock	7					
Shares issued to Board of Directors	3		1,393			1,393
Shares issued under the Employee Stock Purchase Plan	2		1,010			1,010
Stock-based compensation			16,359			16,359
<b>Balance at December 31, 2006</b>	<b>34,836</b>	<b>3</b>	<b>\$ 405,862</b>	<b>\$ 1,116,209</b>	<b>\$ (2,979)</b>	<b>\$ 1,519,092</b>
Cumulative effect of adopting FIN No. 48				(3,720)		(3,720)
Balance at January 1, 2007	34,836	3	405,862	1,112,489	(2,979)	1,515,372
Comprehensive income:						
Net income				658,533		658,533
Change in net unrealized loss on securities, net of tax of \$1,232					1,854	1,854
Change in net actuarial loss on defined benefit plans, net of tax of \$1,570					(2,363)	(2,363)
Change in foreign currency translation adjustment, net of tax of \$259					386	386
Total comprehensive income						658,410
Cash dividends on common stock of \$3.44 per share				(151,582)		(151,582)
Common stock and stock options issued to complete merger, including stock issuance costs	19,816		11,126,141			11,126,141
Repurchase of Class A common stock	(1,695)		(950,642)			(950,642)
Exercise of stock options	309		39,113			39,113
Excess tax benefits from option exercises and restricted stock vesting			42,541			42,541
Vesting of issued restricted Class A common stock	6					
Shares issued to Board of Directors	4		2,143			2,143
Shares issued under the Employee Stock Purchase Plan	2		1,295			1,295
Stock-based compensation			22,846			22,846
<b>Balance at December 31, 2007</b>	<b>53,278</b>	<b>3</b>	<b>\$ 10,689,299</b>	<b>\$ 1,619,440</b>	<b>\$ (3,102)</b>	<b>\$ 12,305,637</b>

See accompanying notes to consolidated financial statements.

# CME Group Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

	YEAR ENDED DECEMBER 31		
<i>(in thousands)</i>	2007	2006	2005
<b>Cash Flows from Operating Activities:</b>			
Net income	\$ 658,533	\$ 407,348	\$ 306,857
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation	22,846	16,359	12,636
Amortization of shares issued to Board of Directors	1,733	998	318
Amortization of purchased intangibles	33,878	1,267	732
Depreciation and amortization	105,653	72,783	64,917
Loss on disposal of fixed assets	—	—	676
Non-cash restructuring	6,472	—	—
Allowance for doubtful accounts	375	(276)	(261)
Net amortization (accretion) of premiums and discounts on marketable securities	(1,152)	275	2,254
Amortization of debt issue costs and discount on commercial paper issued	1,431	—	—
Guarantee of exercise right privileges	17,167	—	—
Equity in losses of unconsolidated subsidiaries	13,995	6,915	2,636
Deferred income taxes	(50,583)	(24,847)	(3,245)
Change in assets and liabilities, net of effects from merger with CBOT Holdings:			
Accounts receivable	(49,926)	(35,878)	(11,634)
Other current assets	8,021	6,001	(13,727)
Other assets	(1,256)	(10,275)	(5,239)
Accounts payable	4,594	1,621	508
Other current liabilities	31,233	18,129	(9,368)
Other liabilities	11,360	11,276	172
<b>Net Cash Provided by Operating Activities</b>	<b>814,374</b>	<b>471,696</b>	<b>348,232</b>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from maturities of marketable securities	203,801	73,668	75,231
Purchases of marketable securities	(129,125)	(29,681)	(70,063)
Purchases of property, net	(163,644)	(87,810)	(85,627)
Purchase of CBOE exercise right privileges	(39,750)	—	—
Cash acquired in merger with CBOT Holdings	116,010	—	—
Acquisition of Swapstream, net of cash received	—	(17,651)	—
Merger-related transaction costs	(43,898)	(6,715)	—
Capital contributions to FXMarketSpace Limited	(18,973)	(13,876)	—
Contingent consideration for Liquidity Direct Technology, LLC assets	(3,059)	(2,580)	(1,030)
Capital contributions to OneChicago, LLC	—	(1,215)	(844)
<b>Net Cash Used in Investing Activities</b>	<b>(78,638)</b>	<b>(85,860)</b>	<b>(82,333)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term debt, net of debt issuance costs	1,160,836	—	—
Repayment of short-term debt	(997,983)	—	—
Cash dividends	(151,582)	(87,537)	(63,260)
Stock issuance costs in merger with CBOT Holdings	(15,991)	—	—
Payments for repurchase of common stock, including costs	(949,340)	—	—
Proceeds from exercise of stock options	39,113	15,422	6,956
Excess tax benefits related to employee option exercises and restricted stock vesting	53,724	43,882	43,361
Proceeds from Employee Stock Purchase Plan	1,295	1,010	373
<b>Net Cash Used in Financing Activities</b>	<b>(859,928)</b>	<b>(27,223)</b>	<b>(12,570)</b>
Net change in cash and cash equivalents	(124,192)	358,613	253,329
Cash and cash equivalents, beginning of period	969,504	610,891	357,562
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 845,312</b>	<b>\$ 969,504</b>	<b>\$ 610,891</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Income taxes paid	\$ 413,697	\$ 235,886	\$ 169,375
Interest paid (excluding securities lending program)	2,017	—	717
Non-cash financing activities:			
Fair value of stock options and stock issued in connection with merger	11,144,835	—	—
Non-cash investing activities:			
Net unrealized securities gains (losses)	3,087	2,118	(2,145)
Change in foreign currency translation adjustment	641	715	—
Sale of membership shares by OneChicago, LLC	—	4,320	—
Merger-related transaction costs	977	5,924	—

See accompanying notes to consolidated financial statements.

# CME Group Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 1. Summary of Significant Accounting Policies

**DESCRIPTION OF BUSINESS** Effective July 12, 2007, Chicago Mercantile Exchange Holdings Inc. (CME Holdings) merged with CBOT Holdings, Inc. (CBOT Holdings). In connection with the merger, the combined company was renamed CME Group Inc. (CME Group). CME Group and its subsidiaries are referred to collectively as “the company” in the notes to the consolidated financial statements.

Chicago Mercantile Exchange Inc. (CME) and the Board of Trade of the City of Chicago, Inc. (CBOT), wholly-owned subsidiaries of CME Group, are designated contract markets for the trading of futures and options on futures contracts. CME Group offers a wide range of products including those based on interest rates, equities, foreign exchange, commodities and alternative investments. Trades are executed through CME Group’s electronic trading platforms, open outcry and privately negotiated transactions. Through its in-house Clearing Division, CME Group clears, settles, nets and guarantees performance of all matched transactions in its products and products for which it provides third-party clearing services. CME, CBOT and their subsidiaries are referred to collectively as “the exchange” in the notes to the consolidated financial statements.

**PRINCIPLES OF CONSOLIDATION** The financial statements and accompanying notes presented in this report include the consolidated financial results of the former CME Holdings and its subsidiaries for the years ended December 31, 2005 and 2006, and for the period January 1, 2007 through July 12, 2007. The financial results of the former CME Holdings and CBOT Holdings are included in the consolidated financial results of CME Group beginning on July 13, 2007. All intercompany transactions have been eliminated in consolidation.

The assets of CME Group consist primarily of cash, marketable securities, investments in its subsidiaries, and exercise right privileges with the Chicago Board Options Exchange, Inc. (CBOE). CME Group’s liabilities consist primarily of commercial paper liabilities and a liability associated with the guaranteed value of outstanding exercise right privileges to eligible holders.

**RECLASSIFICATIONS** Certain reclassifications have been made to the prior years’ financial statements to conform to the presentation in 2007.

**USE OF ESTIMATES** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities as of the date of the financial statements, as well as the amounts of revenues and expenses reported during the period, and to disclose contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS** Cash equivalents consist of money market mutual funds and highly liquid investments with maturities of three months or less at the time of purchase.

**MARKETABLE SECURITIES** Certain marketable securities have been classified as available for sale and are carried at fair value based on quoted market prices, with net unrealized gains and losses reported net of tax in accumulated other comprehensive income (loss). Interest on marketable securities is recognized as income when earned and includes accreted discount less amortized premium. Realized gains and losses are calculated using specific identification. Additional securities held in connection with non-qualified deferred compensation plans have been classified as trading securities. These securities are included in marketable securities in the accompanying consolidated balance sheets at fair value, and net realized and unrealized gains and losses as well as dividend income are reflected in investment income.

**FAIR VALUE OF FINANCIAL INSTRUMENTS** Statement of Financial Accounting Standards (SFAS) No. 107, “Disclosures about Fair Value of Financial Instruments,” requires disclosure of the fair value of financial instruments. The carrying values of financial instruments included in assets and liabilities in the accompanying consolidated balance sheets are reasonable estimates of their fair values.

**ACCOUNTS RECEIVABLE** In the ordinary course of business, a significant portion of accounts receivable and revenues are from clearing firms that are also required to be shareholders of the company. Exposure to losses on receivables for clearing and transaction fees and other amounts owed by clearing firms is dependent on each clearing firm’s financial condition as well as the Class A and Class B shares that collateralize fees owed to the exchange. The exchange retains the right to liquidate shares to satisfy a clearing firm’s receivable.

**PERFORMANCE BONDS AND SECURITY DEPOSITS** Performance bonds and security deposits held by the exchange for clearing firms may be in the form of cash, securities or deposits in one of the Interest Earning Facilities (IEFs). Cash performance bonds and security deposits are reflected in the consolidated balance sheets. Cash received may be invested by CME. These investments are primarily overnight transactions in U.S. Government securities acquired through and held by a broker-dealer subsidiary of a bank or through CME's IEF program. Any interest earned on these investments accrues to CME and is included in investment income in the consolidated statements of income.

Securities deposited by clearing firms consist primarily of short-term U.S. Treasury and U.S. Government agency securities and are not reflected in the accompanying consolidated balance sheets. These securities are held in safekeeping, although a portion of the clearing firms' proprietary performance bond deposits may be utilized in securities lending transactions. Interest and gain or loss on securities deposited to satisfy performance bond and security deposit requirements accrues to the clearing firm.

**PROPERTY** Property and equipment, excluding land, are reported at historical cost, net of accumulated depreciation and amortization. Land is reported at cost. As a result of its recent merger with CBOT Holdings, the company acquired three buildings with over 1.5 million square feet of commercial space. Building and improvements are recorded at cost less accumulated depreciation and amortization since acquisition. Computer software and systems include purchased software and systems, external costs specifically identifiable to the implementation of new systems and certain payroll and payroll-related costs for employees who are directly associated with and devote time to developing computer software for internal use.

Depreciation and amortization expense results from the depreciation of property purchased, as well as the amortization of purchased and internally developed software. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, as follows:

Land improvements	20 years
Buildings	40 years
Building improvements and equipment	3 to 7 years
Furniture and fixtures	7 years
Computer hardware and software	2 to 4 years

Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining term of the applicable leases. Leasehold improvements funded by landlord allowances are capitalized in the consolidated balance sheets. Maintenance and repair items as well as certain minor purchases are charged to expense as incurred.

All leases in which the company is the tenant are accounted for as operating leases under SFAS No. 13 "Accounting for Leases." Landlord allowances are recorded as a reduction to rent expense on a straight-line basis over the term of the lease.

**SOFTWARE** The company capitalizes certain costs of developing internal use software in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Capitalized costs generally are amortized over three years, commencing when the software is placed in service. Purchased software is amortized over four years. Multi-year software licenses are amortized over the life of the contract, which can range from three to seven years.

**IMPAIRMENT OF LONG-LIVED AND INTANGIBLE ASSETS** The company reviews its long-lived assets and amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable based on an examination of undiscounted cash flows. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Goodwill and indefinite-lived intangible assets are reviewed for impairment on an annual basis and whenever events or circumstances indicate that their carrying values may not be recoverable. Impairment is recorded if the carrying amount exceeds fair value.

**ACQUISITIONS** The company accounts for acquisitions using the purchase method as required by SFAS No. 141, "Business Combinations." Under SFAS No. 141, the acquiring company allocates the purchase price to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition, including identifiable intangible assets. The purchase price in excess of the fair value of the net assets and liabilities is recorded as goodwill. Among other sources, the company uses independent valuation services to assist in determining the estimated fair values of the assets and liabilities.

**EMPLOYEE BENEFIT PLANS** SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" requires that the funded status of a defined benefit postretirement plan be recognized in the consolidated balance sheets and changes in that funded status be recognized in the year of change in other comprehensive income. SFAS No. 158 also requires that plan assets and obligations be measured at year end. CME recognized the funded status of its pension plan as an asset in its consolidated balance sheets and recorded a one-time adjustment to accumulated other comprehensive income at December 31, 2006. The exchange recognizes future changes in actuarial gains and losses and prior service costs in the year in which the changes occur through other comprehensive income (loss).

**FOREIGN CURRENCY TRANSLATION** Revenues and expenses of foreign subsidiaries are translated from their functional currencies into U.S. dollars using weighted-average exchange rates while their assets and liabilities are translated into U.S. dollars using period-end exchange rates. Gains or losses resulting from foreign currency translations are charged or credited to other comprehensive income (loss).

**REVENUE RECOGNITION** The company's revenue recognition policies comply with Staff Accounting Bulletin No. 101 on revenue recognition. On occasion, customers will pay for services in a lump sum payment. When these circumstances occur, revenue is recognized as services are provided. Revenue recognition policies for specific sources of revenue are discussed below.

**Clearing and Transaction Fees** Clearing and transaction fees include per contract charges for trade execution, clearing, trading on the electronic trading platforms and other fees. Fees are charged at various rates based on the product traded, the method of trade and the exchange trading privileges of the customer making the trade. Clearing and transaction fees are recognized as revenue when a buy and sell order are matched and the trade is cleared. Therefore, unfilled or cancelled buy and sell orders have no impact on revenue. On occasion, the customer's exchange trading privileges may not be properly entered by the clearing firm and incorrect fees are charged for the transactions. When this information is corrected within the time period allowed by the exchange, a fee adjustment is provided to the clearing firm. A reserve is established for estimated fee adjustments to reflect corrections to customer exchange trading privileges. The reserve is based on the historical pattern of adjustments processed as well as specific adjustment requests. The company believes the allowances are adequate to cover estimated adjustments.

**Quotation Data Fees** Quotation data fees represent revenue earned for the dissemination of market information. Revenues are accrued each month based on the number of devices reported by vendors. The exchange conducts periodic audits of the number of devices reported and assesses additional fees as necessary. An allowance is established to cover uncollectible receivables from market data vendors.

**Processing Services** Processing services includes primarily revenues from clearing and settlement services provided to the CBOT through the closing of the merger on July 12, 2007 and electronic trading on CME Globex for the New York Mercantile Exchange (NYMEX). Although trading under the prior agreement with NYMEX ended in November 2005, trading under a new 10-year agreement began in June 2006.

**Access and Communication Fees** Access fees are the connectivity charges to customers of the company's electronic trading platform that are also used by market data vendors and customers. They include line charges, access fees for electronic trading platforms and hardware rental charges. The fees vary depending on the type of connection provided. An additional installation fee may be charged depending on the type of service requested and a disconnection fee may also be charged if certain conditions are met. Revenue is recognized monthly as the service is provided. An allowance is established to cover uncollectible receivables relating to access fees.

Communication fees consist of equipment rental and usage charges to customers and firms that utilize the various telecommunications networks and services in the Chicago facilities. Revenue is billed and recognized on a monthly basis.

**Building Revenue** Revenues from the rental of commercial space are recognized over the lease term, using the straight-line method as required under SFAS No. 13 "Accounting for Leases." Under this method, revenue is recorded evenly over the entire term of occupancy for leases with scheduled rent increases or rent abatements. Also included in revenue are ancillary charges for parking, utilities, and miscellaneous services provided to tenants. Allowances for construction and other tenant costs are considered lease incentives and are recorded as a reduction to rental income on a straight-line basis over the term of the lease.

**Concentration of Revenue** At December 31, 2007, there were approximately 120 clearing firms. In 2007, one firm represented approximately 11% of clearing and transaction fees revenue. No one firm represented more than 10% of our clearing and transaction fees revenue in 2006 or 2005. Should a clearing firm withdraw from either exchange, management believes the customer portion of that firm's trading activity would likely transfer to another clearing firm. Therefore, management does not believe the company is exposed to significant risk from the loss of revenue received from a particular clearing firm.

The two largest resellers of market data represented approximately 67% of quotation data fees revenue in 2007, 55% in 2006, and 53% in 2005. Should one of these vendors no longer subscribe to the company's market data, management believes the majority of that firm's customers would likely subscribe to the market data through another reseller. Therefore, management does not believe the company is exposed to significant risk from a loss of revenue received from any particular market data reseller.

**STOCK-BASED PAYMENTS** The company accounts for stock-based payments under the fair value recognition provisions of SFAS No. 123(R), "Share-Based Payment." All periods presented reflect stock-based compensation expense in accordance with the provisions of the effective guidance applied to all options granted or vested during the periods presented. The company recognizes expense relating to stock-based compensation on an accelerated basis. As a result, the expense associated with each vesting date within a stock grant is recognized over the period of time that each portion of that grant vests. Effective January 1, 2006, SFAS No. 123(R) required the company to estimate expected forfeitures of stock grants instead of the previous practice of accounting for forfeitures as they occur.

**MARKETING COSTS** Marketing costs are incurred for the production and communication of advertising as well as other marketing activities. These costs are expensed when incurred, except for costs related to the production of broadcast advertising, which are expensed when the first broadcast occurs.

**INCOME TAXES** Deferred income taxes are determined in accordance with SFAS No. 109, "Accounting for Income Taxes," and arise from temporary differences between the tax basis and book basis of assets and liabilities. A valuation allowance is recognized if it is anticipated that some or all of a deferred tax asset may not be realized. In June 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109," which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken or expected to be taken. The interpretation provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of January 1, 2007, the company adopted FIN No. 48 and recorded an increase to current liabilities and a corresponding decrease to retained earnings as a result of a reassessment of its tax positions. The company classifies interest and penalties related to uncertain tax positions in income tax expense.

**SEGMENT REPORTING** Based on materiality, GFX Corporation (GFX), a subsidiary of CME, Swapstream and the company's real estate operations are not reportable segments and, as a result, there is no disclosure of segment information.

## 2. Merger with CBOT Holdings

Effective July 12, 2007, pursuant to the merger agreement dated October 17, 2006, as amended, CME Holdings completed its merger with CBOT Holdings. The company entered into this merger primarily as a means to diversify and expand its existing product base, further leverage its existing operating model, and better position itself to compete against other U.S. and foreign exchanges as well as the over-the-counter market. These factors are the primary drivers behind the excess of purchase price over the value of the assets acquired and liabilities assumed.

Under purchase accounting, CME Holdings is considered the acquirer of CBOT Holdings. The preliminary purchase price consists of the following (in thousands, except per share data):

Acquisition of outstanding common stock in exchange for CME Holdings' common stock (52,843 CBOT Holdings shares x 0.375 exchange ratio x \$560.24 per CME share)	<b>\$ 11,101,928</b>
Acquisition of CBOT Holdings' common stock prior to merger	<b>19</b>
Fair value of CBOT Holdings' stock options assumed	<b>42,907</b>
Merger-related transaction costs	<b>50,237</b>
<b>Total Preliminary Purchase Price</b>	<b>\$ 11,195,091</b>

**Acquisition of common stock** Pursuant to the merger agreement, CBOT Holdings' shareholders received 0.375 shares of Class A common stock of CME Group for each share of Class A common stock of CBOT Holdings issued and outstanding immediately prior to the effective time of the merger. This resulted in the issuance of 19.8 million shares of CME Group Class A common stock. The share price of \$560.24 used to calculate the fair value of stock issued was based on the average closing price of CME Holdings Class A common stock for the five-day period beginning two trading days before and ending two trading days after July 6, 2007 (the merger agreement's last amendment date).

In addition, the company acquired 100 shares of CBOT Holdings Class A common stock in early 2007 for cash of \$19,000.

**Fair value of stock options assumed** At the close of the merger, CBOT Holdings had 291,800 stock options outstanding. Each stock option was converted using the 0.375 exchange ratio designated by the merger agreement. The preliminary fair value of stock options assumed was determined using a share price of \$587.80, the closing price of the CME Holdings' Class A common stock on July 12, 2007. The preliminary fair values of stock options were calculated using a Black-Scholes valuation model with the following assumptions: expected lives of 0.1 to 4.7 years; risk-free interest rate of 5.0%; expected volatility of 29%; and a dividend yield of 0.6%. The portion of estimated fair value of unvested stock options related to future service has been allocated to deferred stock-based compensation and is being amortized over the remaining vesting period.

**Merger-related transaction costs** These include costs incurred by CME Holdings for investment banking fees, legal and accounting fees, and other external costs directly related to the merger.

**Preliminary purchase price allocation** In accordance with SFAS No. 141, "Business Combinations," the preliminary purchase was allocated to CBOT Holdings' net tangible and identifiable intangible assets based on their estimated fair values as of July 12, 2007 as set forth below.

<i>(in thousands)</i>	
Cash and cash equivalents	\$ 116,010
Other current assets	37,054
Property and equipment	154,138
Intangible assets	9,802,076
Other non-current assets	41,363
Accounts payable and other current liabilities	(50,093)
Long-term deferred tax liabilities, net	(3,924,126)
Other non-current liabilities	(11,422)
Restructuring liabilities	(21,112)
Deferred stock-based compensation	2,704
Net tangible and intangible assets	6,146,592
Goodwill	5,048,499
<b>Total Preliminary Purchase Price</b>	<b>\$ 11,195,091</b>

The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill. Intangible assets and goodwill are not deductible for tax purposes except for an immaterial portion of goodwill attributable to tax-deductible merger-related transaction costs. The allocation of the purchase price was based on certain preliminary valuations and the estimates and assumptions are subject to change. The company expects to finalize its purchase price allocation within the next six months.

**Intangible assets** In performing the preliminary purchase price allocation, the company considered many factors including its intentions for the future use of acquired assets, analyses of historical financial performance and estimates of future performance. The preliminary fair value of the trade name was estimated using the relief from royalty method. The preliminary fair values for components of lease-related intangibles were derived from income capitalization and sale comparison approaches. The preliminary fair values for all other intangible assets were estimated using a multi-period excess earnings method. The following table sets forth the intangible assets identified in the merger at their preliminary fair values as of July 12, 2007:

<i>(in thousands)</i>	Fair Value	Estimated Useful Life
Trading products <sup>(a)</sup>	\$ 7,987,000	Indefinite
Clearing firm relationships <sup>(b)</sup>	1,154,000	30 years
Market data customer relationships <sup>(b)</sup>	325,000	30 years
Trade name	215,000	Indefinite
Dow Jones licensing agreement	74,000	11 years
Real estate lease relationships	23,411	14 years
Market rate and above market leases	18,765	5 years
Products in development <sup>(c)</sup>	2,600	Indefinite
Open interest	2,300	0.5 year
<b>Total Intangible Assets</b>	<b>\$ 9,802,076</b>	

*(a) Trading products include agricultural, financial and other trading product lines. The majority of these products have traded at CBOT for decades (and in some cases for more than 120 years) and authorizations by the U.S. Commodity Futures Trading Commission to trade these products are perpetual.*

*(b) Clearing firm and market data customer relationships represent the underlying relationships with CBOT's current clearing firm and market data customer base. Due to their historically insignificant attrition rates, the amortization of clearing firm and market data customer relationships has been calculated on a straight-line basis. This method best reflects the estimated pattern in which the economic benefits from these relationships will be realized.*

*(c) Products in development include products that have reached technological feasibility.*

**Pre-merger contingencies** The company has not identified any material unrecorded pre-merger contingencies that were both probable and reasonably estimable. If prior to the end of the one-year purchase price allocation period, information becomes available which indicates that it is probable that such events had occurred and the amounts can be reasonably estimated, adjustments will be made to the purchase price allocation.

**Pro forma results** The following unaudited condensed pro forma consolidated income statements assume that the merger was completed as of January 1, 2006.

<i>(in thousands, except per share data)</i>	YEAR ENDED DECEMBER 31	
	2007	2006
Total Revenues	\$ 2,123,491	\$ 1,634,981
Total Expenses	940,779	803,707
Total Non-Operating Income (Expense)	47,088	42,742
Net Income	717,597	525,853
Earnings per Common Share – Basic	\$ 13.23	\$ 9.65
Earnings per Common Share – Diluted	13.14	9.57

This pro forma information has been prepared for comparative purposes only and is not intended to be indicative of past or future results. The pro forma information for all periods presented includes purchase accounting effects on historical CBOT Holdings' operating results, amortization of purchased intangibles, stock-based compensation expense for unvested stock options assumed, and the impact on investment income of CBOT Holdings' special dividend, which was paid under the terms of the merger agreement. Pro forma results for the years ended December 31, 2007 and 2006 include CBOT Holdings' merger-related transaction costs of approximately \$63.0 million and \$11.0 million, respectively.

### 3. Securities Lending

Securities lending transactions utilize a portion of the securities that clearing firms have deposited to satisfy their proprietary performance bond requirements. At December 31, 2007, the securities lending program utilized some of the securities deposited by 19 clearing firms. At December 31, 2007 and 2006, the par value of securities available totaled \$7.3 billion and \$7.6 billion, respectively.

Under its securities lending program, CME lends a security to a third party on an overnight basis and receives collateral in the form of cash. The cash is then invested on an overnight basis to generate interest income. At December 31, 2007, collateral from securities lending was invested in either a bank money market mutual fund or overnight repurchase agreement. The related interest expense represents payment to the borrower of the security for the cash collateral retained during the duration of the lending transaction. Securities on loan are marked to market daily and compared to collateral received.

CME's policy allows lending of up to 70% of total securities available from clearing firms. At December 31, 2007 and 2006, the fair value of securities on loan was \$2.9 billion and \$2.1 billion, respectively. The average daily balance of securities on loan for the years ended December 31, 2007, 2006 and 2005 was \$2.3 billion, \$1.9 billion and \$1.8 billion, respectively.

## 4. Marketable Securities

**AVAILABLE-FOR-SALE SECURITIES** Certain marketable securities have been classified as available for sale. The amortized cost and fair value of these securities at December 31 were as follows:

<i>(in thousands)</i>	2007		2006	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury	\$ 165,355	\$ 165,765	\$ 205,552	\$ 203,419
U.S. Government agency	1,325	1,324	20,596	20,322
State and municipal	13,190	13,153	27,278	26,977
Equity	12	19	—	—
<b>Total</b>	<b>\$ 179,882</b>	<b>\$ 180,261</b>	<b>\$ 253,426</b>	<b>\$ 250,718</b>

Net unrealized gains (losses) on marketable securities classified as available for sale are reported as a component of comprehensive income (loss) and included in the accompanying consolidated statements of shareholders' equity. The fair value and the continuous duration of gross unrealized losses on marketable securities with unrealized losses that are not deemed to be other-than-temporarily impaired, at December 31 were as follows:

<i>(in thousands)</i>	2007					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	\$ —	\$ —	\$ 34,271	\$ 49	\$ 34,271	\$ 49
U.S. Government agency	—	—	1,324	1	1,324	1
State and municipal	—	—	11,391	43	11,391	43
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 46,986</b>	<b>\$ 93</b>	<b>\$ 46,986</b>	<b>\$ 93</b>

<i>(in thousands)</i>	2006					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	\$ —	\$ —	\$ 173,550	\$ 2,146	\$ 173,550	\$ 2,146
U.S. Government agency	—	—	20,322	274	20,322	274
State and municipal	—	—	21,869	327	21,869	327
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 215,741</b>	<b>\$ 2,747</b>	<b>\$ 215,741</b>	<b>\$ 2,747</b>

These unrealized losses were caused by increases in interest rates that occurred after the marketable securities were purchased. The company has the ability and intent to hold these marketable securities until a recovery of fair value, which may be maturity, and therefore does not consider these investments to be other-than-temporarily impaired at December 31, 2007 or 2006. Unrealized gains on marketable securities totaled \$472,000 at December 31, 2007 and \$38,000 at December 31, 2006.

At December 31, 2007, all marketable securities with a contractual maturity date were scheduled to mature within one year or less. The amortized cost and the fair value of these securities were \$179.9 million and \$180.2 million, respectively, at December 31, 2007.

CME's policy allows it to pledge U.S. Treasury securities as performance bond collateral in lieu of, or in combination with, irrevocable letters of credit for the mutual offset agreement with Singapore Exchange Limited (SGX) (note 19). CME may pledge up to a maximum of \$100.0 million measured as the aggregate fair value at the time of any collateral adjustment. CME retains the earnings on the securities and may substitute letters of credit for these securities at its discretion. The aggregate fair value of pledged securities was \$100.1 million and \$100.7 million at December 31, 2007 and 2006, respectively. Pledged securities are included within marketable securities in the consolidated balance sheets.

**TRADING SECURITIES** CME maintains additional investments in a diverse portfolio of mutual funds related to its non-qualified deferred compensation plan (note 16). The fair value of these securities was \$23.0 million and \$18.8 million at December 31, 2007 and 2006, respectively.

## 5. Other Current Assets

Other current assets consisted of the following at December 31:

<i>(in thousands)</i>	<b>2007</b>	2006
Net deferred income taxes (note 15)	<b>\$ 18,399</b>	\$ 7,196
Prepaid technology license and maintenance contracts	<b>12,595</b>	10,072
Other prepaid expenses	<b>6,191</b>	3,592
Prepaid insurance	<b>5,464</b>	3,444
Accrued interest receivable	<b>4,580</b>	4,523
Due from broker	<b>3,595</b>	6,074
Forward contract receivable (note 20)	<b>2,660</b>	—
Other	<b>2,416</b>	2,665
<b>Total</b>	<b>\$ 55,900</b>	\$ 37,566

## 6. Performance Bonds and Security Deposits

CME clears and guarantees the settlement of CME, CBOT and FXMarketSpace Limited (FXMS) contracts traded in their respective markets. In its guarantor role, CME has precisely equal and offsetting claims to and from clearing firms on opposite sides of each contract, standing as an intermediary on every contract cleared. Clearing firm positions are combined to create a single portfolio for each clearing firm's regulated and non-regulated accounts with CME for which performance bond and security deposit requirements are calculated. To the extent that funds are not otherwise available to CME to satisfy an obligation under the applicable contract, CME bears counterparty credit risk in the event that future market movements create conditions that could lead to clearing firms failing to meet their obligations to CME. CME reduces its exposure through a risk management program that includes initial and ongoing financial standards for designation as a clearing firm, initial and maintenance performance bond requirements and mandatory security deposits. Each clearing firm is required to deposit and maintain balances in the form of cash, U.S. Government securities, bank letters of credit or other approved investments to satisfy security deposit and performance bond requirements. All obligations and non-cash deposits are marked to market on a daily basis.

In addition, the rules and regulations of CBOT require certain minimum financial requirements for delivery of physical commodities, maintenance of capital requirements and deposits on pending arbitration matters. To satisfy these requirements, CBOT clearing firms have deposited cash and U.S. Treasury securities.

Beginning in February 2007, CME began clearing the over-the-counter foreign exchange products for FXMS. CME requires the deposit and maintenance of performance bonds and security deposits for these products. The cash portion of these performance bonds and security deposits are reflected in the consolidated balance sheet as of December 31, 2007.

Cash performance bonds and security deposits are included in the consolidated balance sheets, and these balances may fluctuate significantly over time due to the investment choices available to clearing firms and any change in the amount of deposits required. Securities deposited are not reflected in the consolidated financial statements and CME does not earn any interest on these deposits.

Clearing firms, at their option, may instruct CME to deposit the cash held by CME into one of four IEF programs. The total principal in all IEF programs was \$19.2 billion at December 31, 2007 and \$15.8 billion at December 31, 2006. The security deposits held in the

IEF2 program may be used as collateral for CME's \$800.0 million revolving line of credit. The consolidated statements of income reflect management fees earned under the IEF programs of \$8.4 million, \$8.4 million and \$8.6 million during 2007, 2006 and 2005, respectively. These fees are included in other revenues.

CME and the Options Clearing Corporation (OCC) have a cross-margin arrangement, whereby a common clearing firm may maintain a cross-margin account in which the clearing firm's positions in certain CME futures and options are combined with certain positions cleared by OCC for purposes of calculating performance bond requirements. The performance bond deposits are held jointly by CME and OCC (note 19). Cross-margin cash, securities and letters of credit jointly held with OCC under the cross-margin agreement are reflected at 50% of the total, or CME's proportionate share per that agreement. In addition, CME has cross-margin agreements with LCH.Clearnet Group (LCH), the Fixed Income Clearing Corporation (FICC) and NYMEX whereby the clearing firms' offsetting positions with CME and LCH, CME and FICC, or CME and NYMEX, as applicable, are subject to reduced performance bond requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and LCH, CME and FICC, or CME and NYMEX, as applicable, each clearing house may reduce that firm's performance bond requirements.

Each clearing firm is also required to deposit and maintain specified security deposits in the form of cash or approved securities. In the event that performance bonds, security deposits, and other assets required to support clearing membership of a defaulting clearing firm are inadequate to fulfill that clearing firm's outstanding financial obligation, the entire security deposit fund is available to cover potential losses after first utilizing operating funds of CME in excess of amounts needed for normal operations (surplus funds). Surplus funds totaled \$190.9 million at December 31, 2007.

CME maintains a secured line of credit with a consortium of banks to provide liquidity and capacity to pay settlement variation to all clearing firms, even if a clearing firm may have failed to meet its financial obligations to CME, or in the event of a temporary disruption with the domestic payments system that would delay payment of settlement variation between the CME and the clearing firms (note 12). The amount available under the line of credit totaled \$800.0 million at December 31, 2007. Additionally, CME has an option to request an increase in the credit facility to \$1.0 billion. Clearing firm security deposits received in the form of U.S. Treasury or Government agency securities, or in money market mutual funds purchased through IEF2, as well as the performance bond assets of any firm that may default on its obligations to CME, can be used to collateralize the secured line of credit.

CME is required under the Commodity Exchange Act to segregate cash and securities deposited by clearing firms on behalf of their customers. In addition, CME rules require a segregation of all funds deposited by clearing firms from its operating funds.

Cash and securities held as performance bonds and security deposits at fair value at December 31 were as follows:

<i>(in thousands)</i>	2007		2006	
	Cash	Securities and IEF Funds	Cash	Securities and IEF Funds
Performance bonds	\$ 799,078	\$ 57,165,539	\$ 505,964	\$ 47,270,561
Security deposits	18,623	1,440,034	15,148	1,250,497
Cross-margin arrangements	—	486,157	68	273,726
Performance collateral for delivery	15,321	49,840	—	—
<b>Total</b>	<b>\$ 833,022</b>	<b>\$ 59,141,570</b>	<b>\$ 521,180</b>	<b>\$ 48,794,784</b>

Cash performance bonds may include intraday settlement, if any, that is owed to the clearing firms and paid the following business day. The balance of intraday settlements was \$137.5 million at December 31, 2007 and \$42.0 million at December 31, 2006. These amounts are invested on an overnight basis and are offset by an equal liability owed to clearing firms.

In addition to cash and securities, irrevocable letters of credit may be used as performance bond deposits and security deposits. At December 31, these letters of credit, which are not included in the accompanying consolidated balance sheets, were as follows:

<i>(in thousands)</i>	2007	2006
Performance bonds	\$ 2,751,900	\$ 1,453,070
Security deposits	45,000	30,000
<b>Total Letters of Credit</b>	<b>\$ 2,796,900</b>	<b>\$ 1,483,070</b>

All cash, securities and letters of credit are only available to meet the financial obligations of that clearing firm to CME.

## 7. Property

A summary of the property accounts at December 31 is presented below:

<i>(in thousands)</i>	2007	2006
Land and land improvements	\$ 58,538	\$ —
Building and building improvements	82,198	—
Equipment, furniture and fixtures	283,004	222,111
Leasehold improvements	207,000	154,546
Software and software development costs	181,833	138,629
Total property	812,573	515,286
Accumulated depreciation and amortization	(435,121)	(346,531)
<b>Property, net</b>	<b>\$ 377,452</b>	<b>\$ 168,755</b>

## 8. Goodwill and Intangible Assets

During July 2007, the company merged with CBOT Holdings. In connection with the merger, the company recorded goodwill and identifiable intangible assets. Indefinite-lived intangibles consist primarily of trading products. Acquired amortizable intangible assets included primarily customer relationships, the Dow Jones & Company, Inc. (Dow Jones) licensing agreement and real estate intangibles. The values of goodwill and identifiable intangible assets are based on a preliminary purchase price allocation as of December 31, 2007.

During 2006, the company acquired Swapstream. In connection with the acquisition, the company recorded goodwill and identifiable intangible assets. Intangible assets consisted primarily of customer relationships and technology-related intellectual property. Additionally, during 2004, the company acquired a contractual market making and non-compete agreement from Liquidity Direct Technology, LLC, a private trading technology firm whose assets were acquired in 2004. The firm developed technology to facilitate the trading of complex combinations and spreads typically used with options.

Goodwill activity for the years ended December 31, 2007 and 2006 consisted of the following:

<i>(in thousands)</i>	Balance at December 31, 2005	Acquisition	Other Activity <sup>(a)</sup>	Balance at December 31, 2006	Acquisition	Other Activity <sup>(a)</sup>	Balance at December 31, 2007
Swapstream	\$ —	\$ 10,982	\$ 514	\$ 11,496	\$ —	\$ 399	\$ 11,895
CBOT Holdings	—	—	—	—	5,048,499	(11,183)	5,037,316
<b>Total Goodwill</b>	<b>\$ —</b>	<b>\$ 10,982</b>	<b>\$ 514</b>	<b>\$ 11,496</b>	<b>\$ 5,048,499</b>	<b>\$ (10,784)</b>	<b>\$ 5,049,211</b>

*(a) Other activity includes a foreign currency translation adjustment for Swapstream and the recognition of excess tax benefits upon exercise of stock options assumed from CBOT Holdings.*

Intangible assets consisted of the following at December 31, 2007 and 2006:

<i>(in thousands)</i>	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
<b>Intangible Assets with Finite Lives:</b>						
Clearing firm, market data and other customer relationships	\$ 1,480,700	\$ (23,415)	\$ 1,457,285	\$ 1,700	\$ (113)	\$ 1,587
Dow Jones licensing agreement	74,000	(3,147)	70,853	—	—	—
Lease-related intangibles	42,176	(2,526)	39,650	—	—	—
Market maker agreement	9,682	(2,898)	6,784	7,282	(1,595)	5,687
Technology-related						
intellectual property	4,100	(908)	3,192	4,100	(245)	3,855
Other <sup>(b)</sup>	5,300	(3,875)	1,425	2,296	(649)	1,647
<b>Total Amortizable Intangible Assets</b>	<b>\$ 1,615,958</b>	<b>\$ (36,769)</b>	<b>\$ 1,579,189</b>	<b>\$ 15,378</b>	<b>\$ (2,602)</b>	<b>\$ 12,776</b>
<b>Intangible Assets with Indefinite Lives:</b>						
Trading products	\$ 7,987,000	\$ —	\$ 7,987,000	\$ —	\$ —	\$ —
Trade name	215,000	—	215,000	—	—	—
Products in development	2,600	—	2,600	—	—	—
<b>Total Indefinite-Lived Intangible Assets</b>	<b>8,204,600</b>	<b>—</b>	<b>8,204,600</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Intangible Assets</b>	<b>\$ 9,820,558</b>	<b>\$ (36,769)</b>	<b>\$ 9,783,789</b>	<b>\$ 15,378</b>	<b>\$ (2,602)</b>	<b>\$ 12,776</b>

(b) Other intangible assets consist primarily of open interest, non-compete agreements, trade names and foreign currency translation adjustments.

Total amortization expense for intangible assets was \$33.9 million, \$1.3 million and \$0.7 million for the years ended December 31, 2007, 2006 and 2005, respectively.

As of December 31, 2007, the future estimated amortization expense related to amortizable intangible assets is expected to be (in thousands):

Year	
2008	\$ 64,505
2009	64,356
2010	64,077
2011	63,689
2012	61,554

## 9. Investments in Joint Ventures and Related Party Transactions

In May 2006, the company entered into an agreement with Reuters Group PLC and its wholly-owned subsidiaries, Reuters Holdings Limited and Reuters Limited (Reuters, collectively), to create FXMS, the world's first centrally-cleared, global foreign exchange marketplace, through a joint venture owned 50% each by CME Group and Reuters. The company's investment in FXMS is recorded using the equity method of accounting and is not a variable interest entity under FIN No. 46(R), "Consolidation of Variable Interest Entities." The investment balance of \$13.6 million at December 31, 2007 includes \$32.9 million of cumulative capital contributions of which \$19.0 million was contributed in 2007. Capital contributions are reduced by the company's proportionate share of FXMS' periodic operating results. Net losses are included in equity in losses of unconsolidated subsidiaries in the consolidated statements of income and totaled \$13.2 million and \$6.1 million for the years ended December 31, 2007 and 2006, respectively.

CME provides trading, clearing, regulatory, and billing services to FXMS pursuant to the terms of servicing and licensing agreements. Deferred revenue related to future services totaled \$9.5 million and \$10.2 million as of December 31, 2007 and 2006, respectively, and is included in other current liabilities and other liabilities. Deferred revenue is recognized on a straight-line basis over the term of service, which began in February 2007. Deferred revenue related to trading, clearing and regulatory services is recognized over five years. Deferred revenue related to billing services is recognized over three years. Recognition of deferred revenue and monthly fees earned for ongoing trading, clearing, regulatory, and billing services totaled \$2.6 million for the year ended December 31, 2007. CME has also entered into a sublease agreement to lease a portion of its office space in London to FXMS (note 18).

The company accounts for its interest in OneChicago, a joint venture, under the equity method of accounting. OneChicago is not a variable interest entity as defined under FIN No. 46(R). On March 15, 2006, Interactive Brokers Group LLC made an investment for a 40% interest in OneChicago. As a result, CME's ownership decreased from approximately 40% to 24%. During 2007, as a result of the merger with CBOT Holdings, the company acquired an additional 5% ownership interest which totaled \$0.9 million at December 31, 2007. The company's total investment balance of \$5.0 million at December 31, 2007 also includes capital contributions of \$15.7 million and an increase in the investment of \$4.3 million resulting from Interactive Brokers Group LLC's investment, reduced by the company's proportionate share of the joint venture's periodic net losses. Net losses are included in equity in losses of unconsolidated subsidiaries in the consolidated statements of income and totaled \$0.8 million, \$0.8 million, and \$2.6 million for the years ended December 31, 2007, 2006 and 2005, respectively. CME provides certain communications and regulatory services to OneChicago, fees from which are included in other revenues, and earned \$0.5 million, \$0.9 million and \$2.2 million in revenue for these services in 2007, 2006 and 2005, respectively.

## 10. Building Leases

As a result of the 2007 merger with CBOT Holdings, the company acquired three buildings with over 1.5 million square feet of commercial space. A portion of the space is utilized by the company as office space and a trading floor. The remaining space is leased by third party tenants, including customers and shareholders, over terms ranging from one to nineteen years. The terms of the leases with customers and shareholders are consistent with terms for other third-party tenants.

Minimum future cash flows from rental revenue are as follows (in thousands):

<i>Year</i>	
2008	<b>\$ 20,096</b>
2009	<b>18,945</b>
2010	<b>16,092</b>
2011	<b>14,772</b>
2012	<b>12,841</b>

## 11. Other Assets

Other assets consisted of the following at December 31:

<i>(in thousands)</i>	2007	2006
CBOE exercise right privileges	\$ 36,566	\$ —
Deferred rental income	15,364	73
Investment in FXMS (note 9)	13,605	7,796
Cash surrender value of executive life insurance policies	10,954	—
Prepaid defined benefit plan assets (note 16)	7,906	—
Investment in OneChicago (note 9)	4,988	4,826
FXMS deferred development costs (note 9)	2,659	3,204
Net deferred income taxes (note 15)	—	30,941
Merger-related transaction costs	—	12,639
Other	16,648	4,949
<b>Total</b>	<b>\$ 108,690</b>	<b>\$ 64,428</b>

Under the terms of the merger agreement, eligible CBOT members who hold CBOE exercise right privileges (ERPs) were each given the choice of tendering their ERP to the company for \$250,000 payable after the closing or to participate as a class member in the CBOE lawsuit with a guaranteed payment of up to \$250,000 if the lawsuit results in a recovery of less than that amount. At closing, there were 1,331 ERPs outstanding. In August 2007, 159 ERPs were tendered to the company.

The cost of the exercise rights acquired was reduced by the fair value of the guarantee liability for the ERPs tendered at the date of tender. The acquired ERPs are recorded at the lower of cost or market value and are assessed for other-than-temporary impairment on a quarterly basis.

Executive life insurance policies are carried at their cash surrender values at December 31, 2007.

Other consists primarily of prepaid software and hardware maintenance, prepaid insurance and deferred rental brokerage.

## 12. Short-Term Debt

At December 31, 2007, CME Group maintained a 364-day revolving loan facility, with various financial institutions, which provides for loans of up to \$750.0 million. At its option, the company may borrow under the facility at either LIBOR plus 0.13% per annum or the base rate, which is defined as the greater of the U.S. federal funds effective rate plus 0.5% per annum or the prime rate. The company pays a fee of 0.02% per year to maintain the revolving loan. The facility will expire on July 25, 2008. As of December 31, 2007, the company has not borrowed any funds against the revolving loan facility.

This revolving loan facility serves as a back-up facility for a commercial paper program. Proceeds from the program were used to fund the company's recent tender offer stock repurchase and related fees. Under the terms of the facility, proceeds can also be used to finance the planned transaction with Brazilian Mercantile & Futures Exchange (BM&F) and to pay general corporate purposes of up to \$300.0 million. Commercial paper notes with an aggregate par value of \$1.2 billion and maturities ranging from one to 97 days were issued during the year. At December 31, 2007, \$164.4 million remained outstanding. The weighted average interest rate of commercial paper outstanding at December 31, 2007 was 4.59%. The weighted average balance of all notes outstanding during the year was \$64.2 million. Interest rates for notes outstanding during the year ranged from 4.50% to 5.38%.

On October 12, 2007, CME renewed its \$800.0 million secured committed line of credit with a consortium of banks. The secured credit agreement, which expires on October 10, 2008, is collateralized by clearing firm security deposits held by the clearing house in the form of U.S. Treasury or agency securities, security deposit funds in Interest Earning Facilities and performance bond deposits of the clearing

firm that defaulted on its obligation, if any. The amount held as available collateral at December 31, 2007 was \$1.4 billion. The line of credit can only be drawn on to the extent that it is collateralized and may be utilized in certain situations, such as a temporary disruption of the domestic payments system that would delay settlement between the exchange and its clearing firms, or in the event of a clearing firm default. As of December 31, 2007, the company has not borrowed any funds against the revolving loan facility.

Under the terms of the credit agreement, there are a number of covenants with which CME must comply. Among these covenants, CME is required to maintain at all times a consolidated tangible net worth of not less than \$96.0 million. Interest on amounts borrowed before maturity is calculated at the U.S. federal funds rate plus 0.45% per annum and after maturity at the U.S. federal funds rate plus 2.40% per annum. Commitment and agency fees for the line of credit totaled \$0.8 million for the year ended December 31, 2007 and \$0.6 million for each of the years ended December 31, 2006 and 2005. Under the terms of the 2007 agreement, CME has the option to request an increase in the facility from \$800.0 million to \$1.0 billion at the time of a draw, subject to the approval of the participating banks.

### 13. Restructuring

In August 2007, subsequent to its recent merger with CBOT Holdings, the company approved and initiated plans to restructure its operations in order to eliminate redundant costs and improve operational efficiencies. Restructuring efforts include reductions in employee positions, the closure of duplicate facilities and consolidation of trading and other technologies.

Total estimated restructuring costs of \$33.6 million consist primarily of severance and transitional payments and contract termination penalties. Payments for restructuring cost will be substantially complete by July 2008. Costs of \$21.1 million were recognized as a liability in the preliminary allocation of CBOT Holdings' purchase price, and accordingly, have resulted in an increase to goodwill. Restructuring expense may change as the company executes its approved plans. Future increases in estimates will be recorded as an adjustment to goodwill during the purchase accounting allocation period and as an adjustment to operating expenses thereafter. Future decreases in estimates will be recorded as an adjustment to goodwill regardless of the date of the decrease.

In addition to costs recognized in purchase accounting, costs of \$11.9 million, excluding interest expense and foreign currency translation adjustments, are expected to be recognized as restructuring expense over the future service period required from transitional employees. Through December 31, 2007, the company has recorded restructuring expense of \$8.9 million. Interest expense resulting from the deferral of restructuring payments is included in interest expense in the consolidated statements of income.

The following is a summary of restructuring activity:

<i>(in thousands)</i>	<b>2007 Restructuring Costs</b>	<b>Interest on Deferred Payments</b>	<b>Total Accrued to Date</b>	<b>Cash Payments</b>	<b>Liability at December 31, 2007</b>	<b>Total Expected Payments</b>
Severance and associated costs	\$ 19,553	\$ 138	\$ 19,691	\$ (7,948)	\$ 11,743	\$ 22,744
Contract terminations	10,447	253	10,700	—	10,700	10,816
<b>Total Restructuring</b>	<b>\$ 30,000</b>	<b>\$ 391</b>	<b>\$ 30,391</b>	<b>\$ (7,948)</b>	<b>\$ 22,443</b>	<b>\$ 33,560</b>

## 14. Other Current Liabilities

Other current liabilities consisted of the following at December 31:

<i>(in thousands)</i>	2007	2006
Accrued employee bonus	\$ 45,725	\$ 33,974
Accrued income taxes	30,494	6,852
Accrued operating expenses	28,905	18,582
Accrued restructuring (note 13)	22,443	—
Accrued salaries and benefits	12,737	8,228
Accrued real estate taxes	8,497	320
Unearned revenue	2,872	4,068
Other	5,942	6,442
<b>Total</b>	<b>\$ 157,615</b>	<b>\$ 78,466</b>

## 15. Income Taxes

The provision for income taxes is composed of the following:

<i>(in thousands)</i>	2007	2006	2005
<b>Current:</b>			
Federal	\$ 396,310	\$ 236,542	\$ 166,617
State	91,542	52,614	38,150
<b>Total</b>	<b>487,852</b>	<b>289,156</b>	<b>204,767</b>
<b>Deferred:</b>			
Federal	(40,703)	(21,253)	(2,016)
State	(9,880)	(3,594)	(1,229)
<b>Total</b>	<b>(50,583)</b>	<b>(24,847)</b>	<b>(3,245)</b>
<b>Total Provision for Income Taxes</b>	<b>\$ 437,269</b>	<b>\$ 264,309</b>	<b>\$ 201,522</b>

Reconciliation of the statutory U.S. federal income tax rate to the effective tax rate is as follows:

	2007	2006	2005
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	4.8	4.7	4.7
Federal tax-exempt interest income	(0.5)	(0.6)	(0.3)
Non-deductible expenses	0.1	0.1	0.1
Valuation reserve for Swapstream losses	0.3	0.2	—
Other, net	0.2	—	0.1
<b>Effective Tax Rate</b>	<b>39.9%</b>	<b>39.4%</b>	<b>39.6%</b>

At December 31, 2007 and 2006, deferred tax assets (liabilities) consisted of the following:

<i>(in thousands)</i>	2007	2006
<b>Net Current Deferred Tax Assets (Liabilities):</b>		
Stock-based compensation	\$ 4,629	\$ 4,921
Restructuring	4,203	—
Accrued expenses and other	9,718	3,256
Total current deferred tax assets	18,550	8,177
Total current deferred tax liabilities	(151)	(981)
<b>Net Current Deferred Tax Assets</b>	<b>\$ 18,399</b>	<b>\$ 7,196</b>
<b>Net Non-Current Deferred Tax Assets:</b>		
Depreciation and amortization	\$ 30,472	\$ 25,758
Fair value adjustment on real estate	16,090	—
Stock-based compensation	12,377	6,523
Foreign net operating losses	11,235	9,203
Deferred compensation	8,878	6,356
Guarantee of CBOE exercise right privileges	6,824	—
Deferred rent	6,404	1,748
Other	9,326	2,893
Subtotal	101,606	52,481
Valuation allowance	(11,235)	(9,203)
Total non-current deferred tax assets	90,371	43,278
<b>Non-Current Deferred Tax Liabilities:</b>		
Purchased intangible assets	(3,915,155)	—
Software development costs	(13,384)	(10,825)
Other	(10,072)	(1,512)
Total non-current deferred tax liabilities	(3,938,611)	(12,337)
<b>Net Non-Current Deferred Tax Assets (Liabilities)</b>	<b>\$ (3,848,240)</b>	<b>\$ 30,941</b>

A valuation allowance is recorded when it is more-likely-than-not that some portion or all of the deferred tax assets may not be realized. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. A valuation allowance has been provided as of December 31, 2007 and 2006 for net operating loss carryforwards obtained through the acquisition of Swapstream and for net operating losses generated by those operations subsequent to the acquisition. These foreign net operating losses do not expire. Subsequent reversal of the valuation allowance for acquired net operating losses will reduce goodwill and not income tax expense. If reversed, goodwill would be reduced by \$7.9 million.

As of January 1, 2007, the company adopted the provisions of FIN No. 48, "Accounting for Uncertain Tax Positions." At adoption, the company recorded a cumulative effect adjustment that reduced the balance of retained earnings as of January 1, 2007. At adoption, the company had gross unrecognized tax benefits of \$5.4 million. Net of the tax impact in other jurisdictions, these unrecognized tax benefits were \$3.8 million and would be recorded as a net reduction to income tax expense if recognized in the future. As part of the merger with CBOT Holdings, the company assumed unrecognized tax benefits of \$2.3 million.

At December 31, 2007, the company had gross unrecognized tax benefits of \$9.7 million. Net of the tax impact in other jurisdictions, these unrecognized tax benefits were \$7.5 million and would be recorded as a net reduction to income tax expense if recognized in the future. The company classifies interest and penalties related to uncertain tax positions in income tax expense. Total interest and penalties related to the unrecognized tax benefits were \$1.3 million and \$2.3 million at adoption and at December 31, 2007, respectively. The company does not expect these unrecognized tax benefits to significantly increase or decrease during 2008.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at January 1, 2007	\$ 5,369
CBOT Holdings unrecognized tax benefits at date of merger	2,280
Additions based on tax positions related to the current year	2,457
Additions for tax positions of prior years	569
Reductions for tax positions of prior years	(971)
<b>Balance at December 31, 2007</b>	<b>\$ 9,704</b>

The company is subject to U.S. federal income tax as well as income taxes in multiple state and foreign jurisdictions. For CME Holdings, substantially all federal and state income tax matters have been concluded through 2005 and 2002, respectively. For CBOT Holdings, substantially all federal and state income tax matters have been concluded through 2003 and 2005, respectively.

## 16. Employee Benefit Plans

**PENSION PLANS** The exchange maintains non-contributory defined benefit cash balance pension plans for eligible employees. CME's plan provides for a contribution to the cash balance account based on age and earnings and includes salary and cash bonuses in the definition of earnings. Employees who have completed a continuous 12-month period of employment and have reached the age of 21 are eligible to participate. Participant cash balance accounts receive an interest credit equal to the greater of the one-year constant maturity yield for U.S. Treasury notes or 4.0%. Participants become vested in their accounts after three years of service. As a result of the merger, CME Group assumed the obligation related to the non-contributory defined benefit pension plan for the former CBOT employees. The benefits payable under the CBOT pension plan are based primarily on years of service and the employees' average compensation levels. CBOT employees hired on or after January 1, 2006 were not eligible to participate in the plan. Beginning January 1, 2008, CBOT employees became eligible to participate in CME's plan. The measurement date used for both plans is December 31.

Information regarding the aggregate status and activity of the plans, including the CBOT activity from July 13, 2007 through December 31, 2007, is indicated below.

<i>(in thousands)</i>	2007	2006
<b>Change in Projected Benefit Obligation:</b>		
Benefit obligation at beginning of year	\$ 49,917	\$ 44,102
CBOT's benefit obligation at July 12, 2007	35,151	—
Service cost	6,878	5,671
Interest cost	4,325	2,665
Actuarial gain	(108)	(1,194)
Benefits paid	(5,889)	(1,518)
Curtailements	(294)	—
Plan amendments	—	191
<b>Projected Benefit Obligation at End of Year</b>	<b>\$ 89,980</b>	<b>\$ 49,917</b>

The aggregate accumulated benefit obligation at December 31, 2007 and 2006 was \$77.1 million and \$38.9 million, respectively.

<i>(in thousands)</i>	2007	2006	2005
<b>Change in Plan Assets:</b>			
Fair value of plan assets at beginning of year	\$ 50,467	\$ 44,645	\$ 36,712
Fair value of CBOT's plan assets at July 12, 2007	43,370	—	—
Actual return on plan assets	688	4,740	2,045
Employer contributions	9,250	2,600	7,500
Benefits paid	(5,889)	(1,518)	(1,612)
<b>Fair Value of Plan Assets at End of Year</b>	<b>\$ 97,886</b>	<b>\$ 50,467</b>	<b>\$ 44,645</b>

At December 31, 2007 and 2006, the fair value of pension plan assets exceeded the projected benefit obligation by \$7.9 million and \$0.6 million, respectively. This excess is recorded as a non-current pension asset due to the adoption of SFAS No. 158.

The funding goal for the exchange is to have its pension plans 100% funded at each year end on a projected benefit obligation basis, while also satisfying any minimum required contribution and obtaining the maximum tax deduction. Year-end 2007 assumptions have been used to project the liabilities and assets from December 31, 2007 to December 31, 2008. The result of this projection is that estimated liabilities would exceed the fair value of plan assets at December 31, 2008 by approximately \$8.0 million. Accordingly, it is estimated that an \$8.0 million contribution in 2008 will allow the company to meet its funding goal. The exchange expects to merge the two pension plans by December 31, 2008 and will make one contribution to the new combined plan during 2008.

The components of net pension expense and the assumptions used to determine end-of-year projected benefit obligation and net pension expense in aggregate are indicated below:

<i>(in thousands)</i>	2007	2006	2005
<b>Components of Net Pension Expense:</b>			
Service cost	\$ 6,878	\$ 5,671	\$ 4,960
Interest cost	4,325	2,665	2,344
Expected return on plan assets	(5,199)	(3,162)	(2,586)
Amortization of prior service cost	22	6	6
Recognized net actuarial loss	100	206	97
Curtailment loss	16	—	—
<b>Net Pension Expense</b>	<b>\$ 6,142</b>	<b>\$ 5,386</b>	<b>\$ 4,821</b>

	2007	2006
<b>Assumptions Used to Determine End-of-Year Benefit Obligations:</b>		
Discount rate	6.10%	5.80%
Rate of compensation increase	5.00	5.00
Cash balance interest crediting rate	4.10	4.00

	2007	2006	2005
<b>Assumptions Used to Determine Net Pension Expense:</b>			
Discount rate	6.20%	5.50%	5.75%
Rate of compensation increase	5.00	5.00	5.00
Expected return on plan assets	8.00	7.50	7.50
Interest crediting rate	4.10	4.00	4.00

The discount rate for both plans is determined based on an interest rate yield curve pursuant to Emerging Issues Task Force Topic No. D-36, "Selection of Discount Rates Used for Measuring Defined Benefit Pension Obligations and Obligations of Post Retirement Benefit Plans Other Than Pensions." The yield curve is comprised of bonds with a rating of Aaa and Aa and maturities between zero and thirty

years. The expected annual benefit cash flows for the exchange's pension plans are discounted to develop a single-point discount rate by matching the plan's expected payout structure to such yield curve.

The basis for determining the expected rate of return on plan assets for each plan is comprised of three components: historical returns, industry peers and forecasted returns. The plan's total return is expected to equal the composite performance of the security markets over the long term. The security markets are represented by the returns on various domestic and international stock, bond and commodity indexes. These returns are weighted according to the allocation of plan assets to each market and measured individually.

The component of the investment policy for each plan that has the most significant impact on returns is the asset mix. The asset mix has a minimum and maximum range depending on asset class. The plan assets are diversified to minimize the risk of large losses by any one or more individual assets. Such diversification is accomplished, in part, through the selection of asset mix and investment management. The asset allocation for CME's plan, by asset category, at December 31 was as follows:

	<b>2007</b>	2006
Equity securities	<b>57%</b>	59%
Debt securities	<b>38</b>	36
Other investments	<b>5</b>	5

The asset allocation for CBOT's plan, by asset category, at December 31 was as follows:

	<b>2007</b>
Equity securities	<b>37%</b>
Debt securities	<b>25</b>
Cash and cash equivalents	<b>38</b>

The target asset allocation for the plans will remain unchanged in 2008.

During 2006, the exchange adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." Under SFAS No. 158, the funded status of the pension plan was recognized as an asset in the consolidated balance sheet and a one-time adjustment to accumulated other comprehensive income was recorded. The incremental effect on the consolidated balance sheet of adopting SFAS No. 158 as of December 31, 2006 is as follows:

<i>(in thousands)</i>	<b>Before Adoption of SFAS No. 158</b>	<b>Adjustments</b>	<b>After Adoption of SFAS No. 158</b>
Current prepaid pension asset	<b>\$ 3,503</b>	<b>\$ (3,503)</b>	<b>\$ —</b>
Non-current pension asset	<b>—</b>	<b>550</b>	<b>550</b>
Deferred income tax asset (liability)	<b>(1,393)</b>	<b>1,174</b>	<b>(219)</b>
Total assets	<b>4,308,284</b>	<b>(1,779)</b>	<b>4,306,505</b>
Accumulated other comprehensive loss	<b>(1,200)</b>	<b>(1,779)</b>	<b>(2,979)</b>
Total shareholders' equity	<b>1,520,871</b>	<b>(1,779)</b>	<b>1,519,092</b>

Due to the adoption of SFAS No. 158, prior service costs of \$0.2 million and actuarial losses of \$2.7 million were recognized in accumulated other comprehensive loss as of December 31, 2006.

The balance and activity of the prior service costs and actuarial losses, which are included in accumulated other comprehensive income, are as follows:

<i>(in thousands)</i>	<b>Prior Service Costs</b>	<b>Actuarial Loss</b>
Balance at January 1, 2007	\$ 241	\$ 2,712
Unrecognized loss	—	4,365
Recognized as a component of net pension expense	(16)	(100)
Curtailment gain	(22)	(294)
<b>Balance at December 31, 2007</b>	<b>\$ 203</b>	<b>\$ 6,683</b>

The company expects to amortize \$402,000 of actuarial loss and \$22,000 of prior service costs from accumulated other comprehensive loss into net periodic benefit cost in 2008.

At December 31, 2007, anticipated benefit payments from the plans in future years are as follows (in thousands):

<i>Year</i>	
2008	\$ 11,428
2009	6,090
2010	7,178
2011	7,750
2012	8,487
2013-2017	53,796

**OTHER POST-RETIREMENT BENEFIT PLAN** As part of the merger, CME Group also assumed the obligation for the post-retirement benefit plan for legacy and former CBOT employees. Employees retiring from CBOT Holdings on or after age 55, who have at least ten years of services, or after 65 with five years of service, are entitled to post-retirement medical benefits. Effective January 1, 2008, the plan has been closed to new participants. The exchange will fund benefit costs as payments become due. The measurement date of plan obligations is December 31. At December 31, 2007, the projected benefit obligation of the plan was \$5.4 million. The plan's net periodic benefit cost for July 13, 2007 through December 31, 2007 was \$0.2 million.

**SAVINGS PLAN** CME maintains a savings plan pursuant to Section 401(k) of the Internal Revenue Code, whereby all U.S. employees are participants and have the option to contribute to this plan. CME matches employee contributions up to 3% of the employee's base salary and may make additional discretionary contributions of up to 2% of base salary. In conjunction with various changes to its retirement benefits strategy, the exchange has not made a discretionary contribution since 2005.

CBOT maintained a qualified savings plan pursuant to Section 401(k) of the Internal Revenue Code for former CBOT Holdings employees during 2007. Prior to January 1, 2008, CBOT made matching contributions of up to 4% to eligible employees. The cost of these matching contributions totaled \$0.5 million for the period July 13 through December 31, 2007. As of January 1, 2008, CBOT's plan was merged with CME's plan for U.S. employees. No further contributions will be made to the CBOT plan after this date.

Aggregate expense for savings plans amounted to \$3.7 million, \$3.0 million and \$4.5 million in 2007, 2006 and 2005, respectively.

CME London-based employees are eligible to participate in a defined contribution plan. The plan provides for age-based earnings contributions and does not have any vesting requirements. Salary and cash bonuses paid are included in the definition of earnings. Effective January 1, 2008, the company contribution will change to a flat 10% of earnings in order to comply with the Employment Equality Regulations released in 2006. Total expense for the London defined contribution benefit plan was \$0.6 million, \$0.3 million and \$0.2 million in 2007, 2006 and 2005, respectively.

**CME NON-QUALIFIED PLANS** The following non-qualified plans, under which participants may make assumed investment choices with respect to amounts contributed on their behalf, are maintained by CME. Although not required to do so, CME invests such contributions in assets that mirror the assumed investment choices. The balances in these plans are subject to the claims of general creditors of the exchange and totaled \$23.0 million and \$18.8 million at December 31, 2007 and 2006, respectively. Although the value of the plans is recorded as an asset in the consolidated balance sheets, there is an equal and offsetting liability. The investment results of these plans have no impact on net income as the investment results are recorded in equal amounts to both investment income and compensation and benefits expense.

**Supplemental Savings Plan** CME maintains a supplemental plan to provide benefits for employees who have been impacted by statutory limits under the provisions of the qualified pension and savings plans. All CME employees hired prior to January 1, 2007 are immediately vested in their supplemental plan benefits. All CME employees hired on or after January 1, 2007 are subject to the vesting requirements of the underlying qualified plans. Total expense for the supplemental plan was \$0.9 million, \$0.8 million and \$0.7 million in 2007, 2006 and 2005, respectively.

**Deferred Compensation Plan** A deferred compensation plan is maintained by CME, under which eligible officers and members of the Board of Directors may contribute a percentage of their compensation and defer income taxes thereon until the time of distribution.

**Supplemental Executive Retirement Plan** CME maintains a defined contribution plan for senior officers. Under this plan prior to 2006, CME made an annual contribution of a percentage of salary and bonus for eligible employees. The Supplemental Executive Retirement Plan was frozen to new entrants on December 31, 2005 and further contributions for current participants were suspended. Contributions made in 2003 through 2005 vest after five years of service from the officer's date of hire. Unvested contributions are returned to the exchange if a participant leaves the employment of CME. Total expense for the plan, reduced by any forfeitures, was \$0.2 million in 2005.

**CBOT OFFICER PENSION PLAN** As part of the merger, the company assumed the liability for CBOT's non-qualified supplemental pension plan for former officers of CBOT Holdings who elected to participate in the plan. The liability for this non-qualified plan, which amounted to \$1.6 million as of December 31, 2007, is funded by life insurance policies on the lives of the participating employees. There is a trust established for the purpose of administering this non-qualified plan.

## 17. Other Liabilities

Other liabilities consisted of the following at December 31:

<i>(in thousands)</i>	<b>2007</b>	2006
Non-qualified deferred compensation plans (note 16)	<b>\$ 23,047</b>	\$ 18,798
Deferred rent	<b>21,724</b>	4,608
Guarantee of exercise right privileges (note 11)	<b>13,983</b>	—
Unearned revenue	<b>7,109</b>	7,465
Post-retirement and non-qualified benefit plans (note 16)	<b>6,936</b>	—
Other	<b>3,458</b>	1,188
<b>Total</b>	<b>\$ 76,257</b>	\$ 32,059

## 18. Commitments

**OPERATING LEASES** CME Group has commitments under operating leases for certain facilities that are accounted for in accordance with SFAS No. 13, "Accounting for Leases." On August 24, 2007, the company renegotiated the operating lease for its headquarters at 20 South Wacker Drive in Chicago. The lease, which has an initial term ending on November 30, 2022, contains two consecutive renewal options for seven and ten years and a contraction option which allows the company to reduce its occupied space after November 30, 2018. Annual minimum payments under the headquarters operating lease now range from \$6.9 million to \$11.1 million. This operating lease also includes CME's trading facilities, which were previously leased from CME Trust and were sold by CME Trust to the building's new owner during 2007. CME established CME Trust in 1969 but does not maintain any residual interest in any of its assets.

In August 2006, CME Group entered into an operating lease for additional office space in Chicago. The initial lease term, which became effective on August 10, 2006, terminates on November 30, 2023. The lease contains two 5-year renewal options beginning in 2023. Annual minimum rentals for this lease range from \$1.5 million to \$5.6 million.

CME Group also maintains an operating lease for office space in London which became effective on November 3, 2006. The lease will terminate on March 1, 2019. However, CME Group has an option to terminate the lease without penalty on December 25, 2011. Annual minimum rentals range from \$1.1 million to \$1.3 million. If CME Group does not exercise the option to terminate the lease on December 25, 2011, annual minimum rental payments will be \$1.3 million after 2011. In conjunction with this lease, CME Group entered into an agreement to sublease a portion of this space to FXMS. Annual minimum rent revenues from the sublease, which terminates on February 26, 2019, range from \$0.5 million to \$0.6 million. The sublease will terminate if CME Group exercises the option to terminate the lease between itself and the landlord on December 25, 2011.

Leases for other locations where CME Group maintains space expire at various times from 2012 to 2014 with annual minimum rentals that will not exceed \$4.9 million in any year.

Total rental expense, including equipment rental, was \$31.4 million in 2007, \$24.7 million in 2006 and \$23.3 million in 2005.

**OTHER COMMITMENTS** Commitments include long-term liabilities as well as contractual obligations that are non-cancelable. These contractual obligations totaled \$105.0 million at December 31, 2007 and relate primarily to software licenses, hardware and maintenance as well as telecommunication services that are expensed as the related services are used.

Future minimum obligations under non-cancelable operating leases, purchase obligations and other liabilities in effect at December 31, 2007 are payable as follows (in thousands):

<i>Year</i>	<b>Operating Leases</b>	<b>Purchase Obligations</b>	<b>Other Liabilities</b>	<b>Total</b>
2008	\$ 17,731	\$ 66,640	\$ 21,651	\$ 106,022
2009	16,338	9,408	—	25,746
2010	16,632	8,588	—	25,220
2011	17,120	6,356	—	23,476
2012	16,599	6,000	—	22,599
Thereafter	147,922	8,000	—	155,922
<b>Total</b>	<b>\$ 232,342</b>	<b>\$ 104,992</b>	<b>\$ 21,651</b>	<b>\$ 358,985</b>

**Licensing Agreements** CME Group has various licensing agreements including agreements with The Nasdaq Stock Market (NASDAQ) and Dow Jones relating to certain equity index products. The license agreement with NASDAQ is exclusive with respect to futures and options on futures contracts based on certain NASDAQ indexes through October 9, 2012.

On September 11, 2007, CME Group renewed its product licensing agreement with Dow Jones. The agreement enables the exchange to continue to exclusively offer futures and options on futures products based on the Dow Jones Industrial Average and other Dow

Jones Indexes. The new agreement is effective January 1, 2008 through December 31, 2014 and includes an upfront payment as well as minimum annual payments. The agreement also includes a provision for a five year renewal term and successive annual renewal terms after the initial five year renewal term. The upfront payment will be recognized over the initial term of the agreement. The licensing agreement CME Group maintained with the Frank Russell Company to license the Russell 2000 Index expires in September 2008 and will not be renewed.

**Managed Service Agreement** As a result of its recent merger with CBOT Holdings, the company has assumed a managed service agreement with Atos Euronext Market Solutions for use of the e-CBOT trading platform. Initially set to expire on December 31, 2008, the agreement is now scheduled to terminate on July 17, 2008.

These agreements are included in the preceding contractual obligations table.

## 19. Contingencies and Guarantees

**LEGAL MATTERS** On October 14, 2003, the U.S. Futures Exchange, L.L.C. (Eurex U.S.) and U.S. Exchange Holdings, Inc., filed suit against CBOT and CME in the United States District Court for the District of Columbia. The suit alleges that CBOT and CME violated the antitrust laws and tortiously interfered with the business relationship and contract between Eurex U.S. and The Clearing Corporation. Eurex U.S. and U.S. Exchange Holdings, Inc. are seeking a preliminary injunction and treble damages. On December 12, 2003, CBOT and CME filed separate motions to dismiss or, in the event the motion to dismiss is denied, to move the venue to the United States District Court for the Northern District of Illinois. On September 2, 2004, the judge granted CBOT's and CME's motion to transfer venue to the Northern District of Illinois. In light of that decision, the judge did not rule on the motions to dismiss. On March 25, 2005, Eurex U.S. filed a second amended complaint in the United States District Court for the Northern District of Illinois. On June 6, 2005, CME and CBOT filed a motion to dismiss the complaint. On August 25, 2005, the judge denied the joint CME/CBOT motion to dismiss. The parties are currently engaged in discovery. On April 9, 2007, CME and CBOT filed two joint motions for summary judgment. Based on its investigation to date and advice from legal counsel, the company believes this suit is without merit and intends to defend itself vigorously against these charges.

On August 23, 2006, CBOT Holdings and CBOT, along with a class consisting of certain CBOT full members, filed a lawsuit in the Court of Chancery of the State of Delaware against the CBOE. The lawsuit seeks to enforce and protect the ERPs. The lawsuit alleges that these ERPs allow CBOT's full members who hold them to become full members of CBOE and to participate on an equal basis with other members of CBOE in CBOE's announced plans to demutualize. On January 4, 2007, the plaintiffs filed a Second Amended Complaint, in which they added a count seeking a declaration that, contrary to the position taken by the CBOE before the Securities and Exchange Commission (SEC), the merger between CBOT Holdings and CME Holdings would not result in the termination of the ERPs. The lawsuit seeks declaratory and injunctive relief as well as recovery of attorneys' fees. On January 11, 2007, the plaintiffs filed a motion for partial summary judgment. On January 16, 2007, the defendants filed a motion to dismiss the Second Amended Complaint. On January 15, 2008, the SEC approved CBOE's rule interpretation that no person qualifies to become or remain a CBOE exerciser member following the merger. All parties to the litigation and the judge have agreed that the stay previously granted in August 2007, which was implemented pending the SEC's decision, is no longer in effect and CBOT has filed a motion seeking to amend its complaint to reflect current circumstances.

In addition, the company is a defendant in, and has potential for, various other legal proceedings arising from its regular business activities. While the ultimate results of such proceedings against the company cannot be predicted with certainty, the company believes that the resolution of any of these matters will not have a material adverse effect on its consolidated financial position or results of operations.

**CBOE EXERCISE RIGHT PRIVILEGES** Under the terms of the merger agreement, eligible CBOT members who hold ERPs were each given the choice of tendering their ERP to the company for \$250,000 payable after the closing or to participate as a class member in the CBOE lawsuit with a guaranteed payment of up to \$250,000 from the company if the lawsuit results in a recovery of less than that amount. At the close of the merger, there were 1,331 ERPs outstanding. In August 2007, 159 ERPs were tendered to the company. As of December 31, 2007, there were 1,172 outstanding ERPs that could seek recovery from CME Group under the guarantee election. The maximum possible

aggregate payment under the guarantee is \$293.0 million. At December 31, 2007, the company's liability under the guarantee, which is recorded at fair value and included in other liabilities in its consolidated balance sheet, was estimated as \$14.0 million. The fair value of the outstanding guarantee will continue to be adjusted on a quarterly basis until the lawsuit is resolved.

**EMPLOYMENT-RELATED AGREEMENTS** The exchange has employment agreements and other retention arrangements with Terrence A. Duffy, Executive Chairman and Craig S. Donohue, Chief Executive Officer.

Effective November 1, 2006, Mr. Duffy became the Executive Chairman, an executive officer of the company. For his service, Mr. Duffy receives an annual base salary of \$1.0 million. Pursuant to a resolution approved by the Compensation Committee and the Board of Directors, Mr. Duffy is entitled to a retention payment in the amount of his annual base salary, if at the end of his term as Executive Chairman he is willing and able to serve another term as Executive Chairman and is not nominated for re-election to the Board and/or is not re-elected to the position of Executive Chairman by the members of the Board, if he is eligible to serve on the Board, subject to certain conditions. The Compensation Committee also authorized management, subject to annual review by the Committee, to self-insure the supplemental life and long-term disability coverage amounts necessary to provide Mr. Duffy with the same level of life and long-term disability coverage generally provided to employees under the Company's group life and long-term disability policies. Additionally, the Committee authorized the Company to gross up the self-insured supplemental life insurance amount to account for any taxes on such amount owed by Mr. Duffy's beneficiaries. Pursuant to this agreement, Mr. Duffy would be entitled to disability insurance benefits based on two-thirds of base pay and life insurance benefits based on three times base pay.

Mr. Donohue's agreement is through January 1, 2009, subject to renewal by mutual written agreement. Under the terms of the agreement, Mr. Donohue's annual base salary will be at least \$0.9 million. In the event of a termination without cause, as defined in the agreement, Mr. Donohue is entitled to a one-time lump sum severance payment equal to two times his current base salary and will automatically vest in any outstanding equity awards that would have vested during the remaining term of the agreement. In the event Mr. Donohue voluntarily terminates the agreement for good reason, as defined in the agreement, Mr. Donohue is entitled to a one-time lump sum severance payment equal to two times his current base salary and will automatically vest in any outstanding equity awards.

The employment agreements also provide that these executive officers are eligible to participate in CME's benefit plans and programs, including the equity program and annual incentive plan, commensurate with their position in accordance with CME's policies for executives in effect from time to time.

**MUTUAL OFFSET AGREEMENT** CME and SGX have a mutual offset agreement that has been extended through October 2009. When a clearing firm of CME chooses to execute an after-hours trade in an eligible product at SGX, the resulting trade can be transferred from SGX to CME, and CME assumes the financial obligation to SGX for the transferred trade. A similar obligation can occur when a clearing firm of SGX chooses to execute a trade in an eligible product at CME. The net position of each exchange to the other is marked-to-market daily based on the settlement prices of the applicable exchange, and settlement is made between the exchanges in cash. Since settlement prices at each exchange may differ at the end of any given day and Singapore and Chicago operate in different time zones, there may be a difference between the two settlement amounts and there will be a difference in the timing of the settlement. To allow for adequate and timely funding of the settlement and in the unlikely event of a payment default by a clearing firm, CME and SGX each maintain collateral payable to the other exchange. CME can maintain collateral in the form of U.S. Treasury securities or irrevocable letters of credit. At December 31, 2007, CME was contingently liable to SGX on irrevocable letters of credit totaling \$113.0 million and had pledged securities with a fair value of \$100.1 million. Regardless of the collateral, CME guarantees all cleared transactions submitted through SGX and would initiate procedures designed to satisfy these financial obligations in the event of a default, such as the use of security deposits and performance bonds of the defaulting clearing firm.

**CROSS-MARGIN AGREEMENTS** CME and OCC have a cross-margin arrangement, whereby a common clearing firm may maintain a cross-margin account in which the clearing firm's positions in certain CME futures and options on futures contracts are combined with certain positions cleared by OCC for purposes of calculating performance bond requirements. The performance bond deposits are held jointly by CME and OCC. If a participating firm defaults, the gain or loss on the liquidation of the firm's open position and the proceeds from the liquidation of the cross-margin account are split 50% each to CME and OCC.

A cross-margin agreement with LCH became effective in March 2000, whereby clearing firms' offsetting positions with CME and LCH are subject to reduced margin requirements. Similar cross-margin agreements exist with FICC and NYMEX whereby clearing firms' offsetting positions with CME and FICC or CME and NYMEX are subject to reduced margin requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and LCH, CME and FICC, or CME and NYMEX, as applicable, each clearing house may reduce the firm's performance bond requirement. In the event of a firm default, the total liquidation net gain or loss on the firm's offsetting open positions and the proceeds from the liquidation of the performance bond collateral held by each clearing house's supporting offsetting positions are split evenly between CME and the applicable clearing house.

Additionally, for the LCH, FICC, and NYMEX cross-margin agreements, if, after liquidation of all the positions and collateral of the defaulting firm at each respective clearing organization, and taking into account any cross-margining loss sharing payments, any of the participating clearing organizations has a remaining liquidating surplus, and any other participating clearing organization has a remaining liquidating deficit, any additional surplus from the liquidation will be shared with the other clearing houses to the extent that they have a remaining liquidating deficit. Any remaining surplus funds will be passed to the bankruptcy trustee.

**GFX LETTER OF CREDIT** CME guarantees a \$5.0 million standby letter of credit for GFX. The beneficiary of the letter of credit is the clearing firm that is used by GFX to execute and maintain its futures positions. Per exchange requirements, GFX is required to place performance bond deposits with its clearing firm. The letter of credit, utilized as performance bond, will be drawn on in the event that GFX defaults in meeting requirements to its clearing firm. In the unlikely event of a payment default by GFX, if GFX's performance bond is not sufficient to cover the deficit, CME would guarantee the remaining deficit, if any.

**SWAPSTREAM ACQUISITION** On August 25, 2006, CME Holdings completed its acquisition of Swapstream. Additional cash purchase consideration of up to \$20.2 million is payable contingent upon meeting specific performance conditions during the first five years of operations. Contingent consideration will be recorded as additional purchase price and will increase goodwill. To date, no contingent consideration obligations have been incurred under this arrangement.

**INTELLECTUAL PROPERTY INDEMNIFICATIONS** Some agreements with customers accessing the Swapstream electronic trading platform, the Clearing 21 platform or the CME Globex platform; utilizing market data services; and licensing CME SPAN software contain indemnifications from intellectual property claims that may be made against them as a result of their use of these products and services. The potential future claims relating to these indemnifications cannot be estimated and, therefore, in accordance with FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others," no liability has been recorded.

## 20. Derivatives Transactions

GFX engages in the trading of certain CME futures contracts, primarily in foreign exchange products. GFX posts bids and offers in these products on the CME Globex electronic trading platform to maintain a market and promote additional liquidity in these contracts. GFX limits risk from these transactions through offsetting transactions using futures contracts or spot foreign exchange transactions with approved counterparties in the interbank market. Formal trading limits have been established. Futures transactions are cleared by an independent clearing firm. Any residual open positions are marked-to-market on a daily basis and all realized and unrealized gains and losses are included in other revenues in the accompanying consolidated statements of income. Net trading gains totaled \$9.2 million in 2007, \$7.0 million in 2006 and \$7.6 million in 2005. At December 31, 2007, futures positions held by GFX had a notional value of \$131.7 million, offset by a similar amount of spot foreign exchange positions, resulting in a zero net position.

As a result of the merger with CBOT Holdings, CME Group assumed foreign currency forward contracts accounted for as fair value hedges. These contracts are intended to offset the effect of foreign exchange rate fluctuations on firm commitments for purchases of fixed annual and quarterly services denominated in pounds sterling. Forward contracts designated as hedges had a notional value of \$13.3 million (£6.7 million) and a fair value of \$1.8 million at December 31, 2007. No gains or losses were excluded from the assessment of hedge effectiveness in 2007. Certain forward contracts previously designated as hedges have been undesignated as a result of negotiations with vendors which resulted in a reduction of liabilities previously hedged. Forward contracts which were undesignated had a notional value of \$6.0 million (£3.0 million) and a fair value of \$0.8 million at December 31, 2007. The fair value of forward contracts is recorded

in other current assets in the consolidated balance sheets. Losses related to contracts that no longer qualify for hedge accounting totaled \$0.1 million in 2007. Gains and losses on hedging contracts and the underlying hedged items are recorded in investment income in the consolidated statements of income to the extent that the hedges are effective. Gains and losses on non-hedging contracts are also recorded in investment income.

## 21. Capital Stock

**SHARES OUTSTANDING** As of December 31, 2007, 53.3 million shares of Class A common stock, 625 shares of Class B-1 common stock, 813 shares of Class B-2 common stock, 1,287 shares of Class B-3 common stock and 413 shares of Class B-4 common stock were issued and outstanding. CME Group has no shares of preferred stock issued and outstanding.

In connection with its merger with CBOT Holdings, CME Group amended its certificate of incorporation to increase the number of authorized shares of Class A common stock to 1.0 billion shares from 138 million shares.

On August 1, 2007, CME Group commenced a fixed price tender offer for up to 6,250,000 shares of its Class A common stock (including the associated preferred stock purchase rights) at a price of \$560. The tender offer was completed on September 5, 2007 and CME Group accepted for purchase 1,695,250 shares of its Class A common stock (including the associated preferred stock purchase rights), representing approximately 3.1% of the Class A common stock outstanding at the time of purchase.

**ASSOCIATED TRADING RIGHTS** CME Group operates two separate self-regulatory organizations through its wholly owned subsidiaries, CME and CBOT. Members of the particular exchange own or lease trading rights which entitle them to access to the trading floors and to discounts on trading fees as provided for by the rules of the particular exchange. Each class of CME Group Class B common stock is associated with a membership in a specific division for trading at CME. A CME trading right is a separate asset that is not part of or evidenced by the associated share of Class B common stock of CME Group. The Class B common stock of CME Group is intended only to ensure that the Class B shareholders of CME Group retain rights with respect to representation on the Board of Directors and approval rights with respect to the core rights described below.

Trading rights at CBOT are evidenced by Class B memberships in CBOT. Class B members of CBOT do not have any rights to elect members of the Board of Directors and are not entitled to receive dividends or other distributions on their Class B memberships in CBOT.

**CORE RIGHTS** Holders of CME Group Class B common shares have the right to approve changes in specified rights relating to the trading privileges at CME associated with those shares. These core rights include allocation of products that a holder of trading rights is permitted to trade through the exchange; the trading floor access rights and privileges of members; the number of memberships in each membership class and the number of authorized and issued shares of Class B common stock associated with that class; and eligibility requirements to exercise trading rights associated with Class B shares. Votes on changes to these core rights are weighted by class. Each class of Class B common stock has the following number of votes on matters relating to core rights: Class B-1, six votes per share; Class B-2, two votes per share; Class B-3, one vote per share; and Class B-4, 1/6th of one vote per share. The approval of a majority of the votes cast by the holders of shares of Class B common stock is required in order to approve any changes to core rights. Holders of shares of Class A common stock do not have the right to vote on changes to core rights.

**VOTING RIGHTS** With the exception of the matters reserved to holders of CME Group Class B common stock, holders of common stock vote together on all matters for which a vote of common shareholders is required. In these votes, each holder of shares of Class A or Class B common stock of CME Group has one vote per share.

**TRANSFER RESTRICTIONS** Each class of CME Group Class B common stock is subject to transfer restrictions contained in the Certificate of Incorporation of CME Group. These transfer restrictions prohibit the sale or transfer of any shares of Class B common stock separate from the sale of the associated trading rights.

**ELECTION OF DIRECTORS** The CME Group Board of Directors is composed of 30 members, consisting of 20 directors from CME Holdings and 10 directors from CBOT Holdings. Holders of Class A and Class B common stock have the right to vote together in the election of 24 directors. Until 2012, at least ten of these 24 directors must be CBOT directors as defined by our bylaws. Holders of Class B-1, Class B-2 and Class B-3 common stock have the right to elect the remaining six directors, of which three are elected by Class B-1 shareholders, two are elected by Class B-2 shareholders and one is elected by Class B-3 shareholders.

**DIVIDENDS** Holders of Class A and Class B common stock of CME Group are entitled to receive proportionately such dividends, if any, as may be declared by the CME Group Board of Directors.

**OWNERSHIP REQUIREMENTS** As of December 31, 2007, each clearing firm clearing only CME or CBOT products was required to own 8,000 shares of Class A common stock in addition to either the Class B common stock of CME Group or the associated CBOT trading privileges, as applicable. For firms clearing products at both CME and CBOT, the Class A common stock ownership requirement is increased to 12,000 shares. The total Class A common stock held by our clearing firms pursuant to this requirement was 1.1 million shares at December 31, 2007.

**SHAREHOLDER RIGHTS PROVISIONS** The Board of Directors of CME Group has adopted a plan creating rights that entitle CME Group's shareholders to purchase shares of CME Group stock in the event that a third party initiates a transaction designed to take over the company. This rights plan is intended to encourage persons seeking to acquire control of CME Group to engage in arms-length negotiations with the Board of Directors and management. The rights are attached to all outstanding shares of CME Group common stock, and each right entitles the shareholder to purchase one one-thousandth of a share of Series A junior participating preferred stock at a purchase price of \$1,000 per unit. The rights should not interfere with any merger or other business combination approved by the Board of Directors since the rights may be amended to permit such acquisition or redeemed by the company under the terms of the plan. In the event the rights become exercisable, each holder of a right shall receive, upon exercise, Class A common stock having a value equal to two times the exercise price of the right.

**OMNIBUS STOCK PLAN** CME Group has adopted an Omnibus Stock Plan under which stock-based awards may be made to employees. A total of 4.0 million Class A shares have been reserved for awards under the plan. Awards totaling 3.2 million shares have been granted and are outstanding or have been exercised under this plan at December 31, 2007 (note 22).

**LONG-TERM EQUITY INCENTIVE PLAN** In connection with the merger, CME Group assumed CBOT Holdings' Long-Term Equity Incentive Plan. Under the plan stock-based awards may be made to certain directors, officers and other key employees or individuals. A total of 0.4 million shares have been reserved for awards under the plan. No awards have been granted under this plan subsequent to the merger and approximately 0.3 million shares remain available for future awards (note 22).

**DIRECTOR STOCK PLAN** CME Group has adopted a Director Stock Plan under which awards are made to non-executive directors as part of their annual compensation. A total of 25,000 Class A shares have been reserved under this plan, and approximately 9,500 shares have been awarded through December 31, 2007 (note 22).

**EMPLOYEE STOCK PURCHASE PLAN** CME Group has adopted an Employee Stock Purchase Plan (ESPP) under which employees may purchase Class A shares at 90% of the market value of the shares using after-tax payroll deductions. A total of 40,000 Class A shares have been reserved under this plan, of which approximately 5,300 shares have been purchased through December 31, 2007 (note 22).

## 22. Stock-Based Payments

For all periods presented, the company has utilized the fair value method of accounting for share-based payments, as provided in SFAS No. 123(R), "Share-Based Payment." Effective January 1, 2006, the company began to estimate expected forfeitures of stock grants, as required by SFAS No. 123(R), instead of the previous practice of accounting for forfeitures as they occur.

**EMPLOYEE OPTIONS AND RESTRICTED STOCK AWARDS** CME Group adopted an Omnibus Stock Plan under which stock-based awards may be made to employees. A total of 4.0 million Class A shares have been reserved for awards under the plan. Awards totaling 3.2 million shares have been granted and are outstanding or have been exercised under the plan as of December 31, 2007. Awards granted since 2003 generally vest over a five-year period, with 20% vesting one year after the grant date and on that same date in each of the following four years.

In connection with the merger with CBOT Holdings, CME Group assumed stock options available or outstanding under CBOT Holdings' Long-Term Equity Incentive Plan. A total of 0.4 million shares have been reserved for awards under the plan. Awards totaling 109,422 shares were outstanding under this plan at the time the merger closed and CME Group assumed the plan. No options have been awarded under this plan subsequent to the merger.

Total compensation expense for stock-based payments was \$22.9 million for the year ended December 31, 2007, \$16.4 million for the year ended December 31, 2006, and \$12.6 million for the year ended December 31, 2005. The total income tax benefit recognized in the consolidated statements of income for stock-based payment arrangements was \$9.1 million, \$6.5 million and \$5.0 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Excluding estimates of future forfeitures, at December 31, 2007, there was \$43.7 million of total unrecognized compensation expense related to employee stock-based compensation arrangements that had not yet vested. That expense is expected to be recognized over a weighted average period of 2.4 years.

**Employee Options** In 2007, the company granted employees stock options totaling 133,790 shares under the Omnibus Stock Plan. The options have a ten-year term with exercise prices ranging from \$533 to \$699, the closing market prices on the day of grant. The fair value of these options totaled \$26.4 million, measured at the grant dates using the Black-Scholes valuation model. The Black-Scholes fair value of each option grant was calculated using the following assumptions:

	2007	2006	Year of Grant 2005
Dividend yield	0.5% – 0.7%	0.5% – 0.6%	0.5% – 0.9%
Expected volatility	25.4% – 32.9%	31.8% – 37.9%	33.6% – 42.8%
Risk-free interest rate	3.9% – 5.1%	4.5% – 5.0%	3.9% – 4.4%
Expected life	6.5 years	6.5 years	6 – 6.5 years

The dividend yield was calculated by dividing that year's expected dividend by the market price of the stock at the date of grant. Expected volatility was determined using a weighted-average implied volatility of traded options on the company's stock. Historical volatility was evaluated, but it was determined that implied volatility was a better measure of expected future volatility. The risk-free rate was based on the U.S. Treasury yield in effect at the time of the grant. Since 2005, the expected life of options granted has been determined using the simplified method as outlined in guidance from the SEC.

The following table summarizes stock option activity for the year ended December 31, 2007:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2006	910,173	\$ 169
Granted	133,790	553
Assumed in connection with merger (note 2)	109,422	212
Exercised	(308,745)	127
Cancelled	(40,612)	258
<b>Outstanding at December 31, 2007</b>	<b>804,028</b>	<b>251</b>
<b>Exercisable at December 31, 2007</b>	<b>283,210</b>	<b>138</b>

The weighted average grant date fair value of options granted during the years 2007, 2006, and 2005 was \$197, \$196 and \$100 per share, respectively. The total intrinsic value of options exercised during the years ended December 31, 2007, 2006 and 2005, was \$140.9 million, \$113.2 million and \$107.8 million, respectively.

Stock options outstanding at December 31, 2007 had a weighted average remaining contractual life of 7 years and an aggregate intrinsic value of \$350 million. Stock options exercisable at December 31, 2007 had a weighted average remaining contractual life of 6 years and an aggregate intrinsic value of \$155 million.

**Employee Restricted Stock** In 2007, the company also granted 12,015 shares of restricted Class A common stock which generally have a vesting period of 2 to 5 years. The fair value related to these grants is \$6.6 million, which will be recognized as compensation expense on an accelerated basis over the vesting period.

The following table summarizes restricted stock activity for the period:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2006	19,250	\$ 210
Granted	12,015	551
Vested	(6,562)	176
Cancelled	(1,988)	252
<b>Outstanding at December 31, 2007</b>	<b>22,715</b>	<b>396</b>

The total fair value of restricted stock that vested during the years ended December 31, 2007, 2006 and 2005, was \$3.8 million, \$3.2 million and \$5.9 million, respectively.

**EMPLOYEE STOCK PURCHASE PLAN** Eligible employees may acquire shares of CME Group's Class A common stock using after-tax payroll deductions made during consecutive offering periods of approximately six months in duration. Shares are purchased at the end of each offering period at a price of 90% of the closing price of the Class A common stock as reported on the New York Stock Exchange. Compensation expense is recognized on the date of purchase for the discount from the closing price. In 2007, 2006 and 2005, a total of 2,103, 2,089 and 1,124 shares, respectively, of Class A common stock were issued to participating employees. These shares are subject to a six-month holding period. Expense of \$129,000, \$101,000 and \$42,000 for the purchase discount was recognized in 2007, 2006 and 2005, respectively.

**DIRECTOR STOCK PLAN** In 2005, CME Holdings added an equity component to its compensation for non-executive members of the Board of Directors. Under the original terms of the 2005 Director Stock Plan, non-executive directors received 100 shares of Class A common stock annually. Directors were also permitted to elect to receive some or all of the \$17,500 cash portion of their annual stipend in shares of stock based on the closing price at the date of distribution. In August 2006, the cash portion of the annual stipend increased to \$25,000. Non-executive directors may continue to elect to receive some or all of the cash portion of their annual stipend in shares of stock based on the closing price at the date of distribution. Additionally, each non-executive director now receives an annual award of Class A common stock with a value equal to \$75,000. As a result, 4,072, 3,187 and 2,233 shares of Class A common stock were issued to non-executive directors during 2007, 2006 and 2005, respectively. These shares are not subject to any vesting restrictions. Expense of \$1.7 million, \$1.0 million and \$0.3 million related to these stock-based payments was recognized for the years ended December 31, 2007, 2006 and 2005, respectively.

### 23. Accumulated Other Comprehensive Income (Loss)

The following table sets forth the changes in each component of accumulated other comprehensive income (loss), net of tax:

<i>(in thousands)</i>	Net Unrealized Gain(Loss) on Securities	Actuarial Gain(Loss) on Defined Benefit Plans	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2004	\$ (1,595)	\$ —	\$ —	\$ (1,595)
Change	(1,312)	—	—	(1,312)
Balance at December 31, 2005	(2,907)	—	—	(2,907)
Adjustment to initially adopt SFAS No. 158	—	(1,779)	—	(1,779)
Change	1,276	—	431	1,707
Balance at December 31, 2006	<b>(1,631)</b>	<b>(1,779)</b>	<b>431</b>	<b>(2,979)</b>
Change	<b>1,854</b>	<b>(2,363)</b>	<b>386</b>	<b>(123)</b>
<b>Balance at December 31, 2007</b>	<b>\$ 223</b>	<b>\$ (4,142)</b>	<b>\$ 817</b>	<b>\$ (3,102)</b>

## 24. Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted average number of all classes of common stock outstanding during each year. Diluted earnings per share reflects the increase in shares using the treasury stock method to reflect the impact of an equivalent number of shares of common stock if stock options were exercised and restricted stock awards were converted into common stock. There were 134,100, 137,300 and 218,900 outstanding stock options at December 31, 2007, 2006 and 2005, respectively, which were anti-dilutive.

*(in thousands, except per share data)*

	2007	2006	2005
<b>Net Income</b>	<b>\$ 658,533</b>	\$ 407,348	\$ 306,857
<b>Weighted Average Common Shares Outstanding:</b>			
Basic	<b>43,754</b>	34,696	34,315
Effect of stock options	<b>342</b>	418	509
Effect of restricted stock awards	<b>11</b>	10	15
<b>Diluted</b>	<b>44,107</b>	35,124	34,839
<b>Earnings per Common Share:</b>			
Basic	<b>\$ 15.05</b>	\$ 11.74	\$ 8.94
Diluted	<b>14.93</b>	11.60	8.81

## 25. Quarterly Information (unaudited)

*(in thousands, except per share data)*

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>Year Ended December 31, 2007:</b>					
Total revenues	\$ 332,331	\$ 329,009	\$ 565,222	\$ 529,539	\$ 1,756,101
Operating income	200,583	192,269	345,015	312,626	1,050,493
Non-operating income (expense)	14,774	17,164	(10,695)	24,066	45,309
Income before income taxes	215,357	209,433	334,320	336,692	1,095,802
Net income	130,028	125,875	201,572	201,058	658,533
Earnings per common share:					
Basic	\$ 3.73	\$ 3.61	\$ 3.90	\$ 3.78	\$ 15.05
Diluted	3.69	3.57	3.87	3.75	14.93
<b>Year Ended December 31, 2006:</b>					
Total revenues	\$ 251,717	\$ 282,209	\$ 274,705	\$ 281,316	\$ 1,089,947
Operating income	138,888	166,842	157,037	158,311	621,078
Non-operating income	11,613	13,052	13,477	12,437	50,579
Income before income taxes	150,501	179,894	170,514	170,748	671,657
Net income	91,413	109,533	103,800	102,602	407,348
Earnings per common share:					
Basic	\$ 2.64	\$ 3.16	\$ 2.99	\$ 2.95	\$ 11.74
Diluted	2.61	3.12	2.95	2.91	11.60

## 26. Subsequent Event

CME Group completed its transaction with BM&F on February 26, 2008. CME Group issued 1.2 million shares of Class A common stock (approximately a 2% equity interest in the company) at a cost of \$631.4 million in exchange for 101.1 million shares in BM&F, which represents an equity interest of approximately 10%. Under the terms of the agreement, neither CME Group nor BM&F may sell its equity interest in the other until February 2012.

## Forward-Looking Statements

From time to time, in written reports and oral statements, we discuss our expectations regarding future performance. Forward-looking statements are based on currently available competitive, financial and economic data, current expectations, estimates, forecasts and projections about the industries in which we operate and management's beliefs and assumptions. 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. We want to caution you not to place undue reliance on any forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the factors that might affect our performance are: our ability to successfully integrate the businesses of CME Holdings and CBOT 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; 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 continue to generate revenues from our 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; 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; 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; changes in price levels and volatility in the derivatives markets and in underlying fixed income, equity, foreign exchange and commodities markets; economic, political and geopolitical market conditions; natural disasters and other catastrophes; our ability to accommodate increases in trading volume and order transaction traffic without failure or degradation of the 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; and the imposition of a transaction tax on futures and options on futures transactions. 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 Relations section of our Web site.

## Board of Directors



**TERRENCE A. DUFFY**

*Executive Chairman*



**CHARLES P. CAREY**

*Vice Chairman*



**CRAIG S. DONOHUE**

*Chief Executive Officer*



**LEO MELAMED**

*Chairman Emeritus  
Chairman and Chief Executive Officer,  
Melamed and Associates, Inc.,  
Chicago, Ill.*

*Vice Chairman, HuaMei Capital  
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China*

*Co-Chairman, Stevenson, Melamed &  
Associates, Chicago, Ill.*



**JOHN F. SANDNER**

*Retired Chairman of the Board  
Chairman, E\*Trade Futures, LLC,  
Chicago, Ill.*

## Board of Directors



**MARK E. CERMAK**

*Director, Execution Services,  
Fortis Clearing Americas,  
Chicago, Ill.*



**DENNIS H. CHOOKASZIAN**

*Financial Accounting Standards Advisory  
Council Chairman, Washington, D.C.  
Former Chairman and Chief Executive  
Officer, CNA Insurance Companies,  
Chicago, Ill*



**JACKIE CLEGG**

*Managing Partner,  
Clegg International Consultants,  
LLC, Washington, D.C.*



**ROBERT F. CORVINO**

*Independent Trader, Chicago, Ill.*



**JAMES A. DONALDSON**

*Independent Trader, Chicago, Ill.*



**MARTIN J. GEPSMAN**

*Independent Broker and Trader,  
Chicago, Ill.*



**LARRY G. GERDES**

*Chairman, President and Chief  
Executive Officer, Transcend Services,  
Inc., Atlanta, Ga.  
General Partner, Gerdes Huff Invest-  
ments, Atlanta, Ga.*



**DANIEL R. GLICKMAN**

*Chairman and Chief Executive Officer,  
Motion Picture Association of  
America, Inc., Washington, D.C.  
U.S. Secretary of Agriculture (1995–2001)  
Member of Congress, Kansas (1977–1995)*



**ELIZABETH HARRINGTON**

*President and Chief Executive Officer,  
E. Harrington Global, Chicago, Ill.  
Retired Partner, Global Strategy and China  
Practices, PricewaterhouseCoopers,  
LLP, Chicago, Ill.*



**BRUCE F. JOHNSON**

*Independent Trader, Chicago, Ill.*



**GARY M. KATLER**

*Vice President, Fortis Clearing Americas,  
Chicago, Ill.*



**PATRICK B. LYNCH**

*Independent Trader, Chicago, Ill.*

## Board of Directors



**WILLIAM P. MILLER II**

*Senior Investment Officer, Fund Management for the Ohio Public Employees Retirement System, Columbus, Ohio*



**JOSEPH NICIFORO**

*Chairman, Twinfields Capital Management, Greenwich, Conn.*



**C.C. ODOM II**

*Independent Member/Trader, Sole Proprietor, Odom Investments and Argent Venture Capital, San Antonio, Texas*



**JAMES E. OLIFF**

*President, FILO Corp., Chicago, Ill.*



**JOHN L. PIETRZAK**

*Managing Partner, Longwood Partners, Chicago, Ill.  
General Partner, Sparta Group, Chicago, Ill.*



**ALEX J. POLLOCK**

*Resident Fellow, American Enterprise Institute, Washington, D.C.*



**WILLIAM G. SALATICH, JR.**

*Independent Broker and Trader, Chicago, Ill.*



**TERRY L. SAVAGE**

*Financial Journalist and Author  
President, Terry Savage Productions, Ltd., Chicago, Ill.*



**MYRON S. SCHOLES**

*Chairman, Platinum Grove Asset Management, LP, Rye Brook, N.Y.  
Frank E. Buck Professor of Finance,  
Emeritus, Stanford Graduate School of Business, Stanford, Calif.  
Nobel Laureate—Economics (1977)*



**HOWARD J. SIEGEL**

*Independent Trader, Chicago, Ill.*



**CHRISTOPHER STEWART**

*Chief Executive Officer,  
Gelber Group, LLC, Chicago, Ill.*



**DAVID J. WESCOTT**

*President, The Wescott Group Ltd., Chicago, Ill.  
Vice President, MF Global, Chicago, Ill.*

**WILLIAM R. SHEPARD** (not pictured)

*President and Founder,  
Shepard International, Inc., Chicago, Ill.*

## Management

### Management Team

**CRAIG S. DONOHUE**

*Chief Executive Officer*

**PHUPINDER S. GILL**

*President*

**KATHLEEN M. CRONIN**

*Managing Director, General Counsel  
and Corporate Secretary*

**JOHN P. DAVIDSON III**

*Managing Director and Chief Corporate  
Development Officer*

**BRYAN T. DURKIN**

*Managing Director and Chief Operating Officer*

**JULIE HOLZRICHTER**

*Managing Director, Operations*

**JAMES R. KRAUSE**

*Managing Director and Chief Information Officer*

**JAMES E. PARISI**

*Managing Director and Chief Financial Officer*

**HILDA HARRIS PIELL**

*Managing Director and Chief Human  
Resources Officer*

**RICHARD H. REDDING**

*Managing Director, Products and Services*

**KIMBERLY S. TAYLOR**

*Managing Director and President, CME Clearing*

### Managing Directors

**ANNE E. BAGAN**

*Managing Director, Audits*

**NEAL B. BRADY**

*Managing Director, Business Development*

**JOHN F. CURRAN**

*Managing Director, Product Strategy*

**TIMOTHY J. DOAR**

*Managing Director, Risk Management*

**ARMAN FALSAFI**

*Managing Director, Europe, Middle East and Africa*

**JAMES W. FARRELL**

*Managing Director, Match Engine Development*

**NANCY W. GOBLE**

*Managing Director and Chief Accounting Officer*

**EDWARD M. GOGOL**

*Managing Director, Clearing Solutions*

**JOHN K. HART**

*Managing Director, Technology Engineering*

**SCOTT R. KAUFMAN**

*Managing Director, Enterprise Architecture*

**RICHARD J. KOKOSZKA**

*Managing Director, Internal Audit*

**KEVIN KOMETER**

*Managing Director and Deputy Chief  
Information Officer*

**JOHN W. LABUSZEWSKI**

*Managing Director, Research  
and Product Development*

**RICHARD H. LAMM**

*Managing Director, Regulatory Counsel*

**TINA F. LEMIEUX**

*Managing Director, Hedge Funds  
and Broker Services*

**ANITA S. LISKEY**

*Managing Director, Corporate Marketing  
and Communications*

**DALE A. MICHAELS**

*Managing Director, Credit and Market  
Risk Management*

**JOSEPH A. PANFIL**

*Managing Director, Enterprise Technology Services*

**PHILIP J. PAPESH**

*Managing Director, Exchange Business  
Systems Development*

**DEAN P. PAYTON**

*Managing Director and Chief Regulatory Officer*

**JOHN C. PESCHIER**

*Managing Director, Investor Relations*

**JOHN W. PIETROWICZ**

*Managing Director, Corporate Finance  
and Treasury*

**ROBERT D. RAY**

*Managing Director, International Sales  
and Commodity/Equity Products*

**ROBIN S. ROSS**

*Managing Director, Interest Rate Products*

**DEREK L. SAMMANN**

*Managing Director, Foreign Exchange Products*

**JOHN L. SANTANA**

*Managing Director, Front End Systems Technology*

**DONALD D. SERPICO**

*Managing Director, Facilities and Business  
Continuity Planning*

**ANN K. SHUMAN**

*Managing Director and Deputy General Counsel*

**KENDAL L. VROMAN**

*Managing Director, Information  
and Technology Services*

**SCOT E. WARREN**

*Managing Director, Equity Products*

**JULIE M. WINKLER**

*Managing Director, Research  
and Product Development*

**C. F. WONG**

*Managing Director, Asia*

## Performance Graph

The following graph compares the cumulative five-year total return provided shareholders on our Class A common stock relative to the cumulative total returns of the S&P 500 index, and our new and former peer groups described below as of the end of the year. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our Class A common stock, in each of the peer groups, and the index on December 31, 2002 and its relative performance is tracked through December 31, 2007. We compiled the new peer group to more closely reflect our competitors in our industry. We believe the new peer group provides a more meaningful basis for comparison of our stock performance.

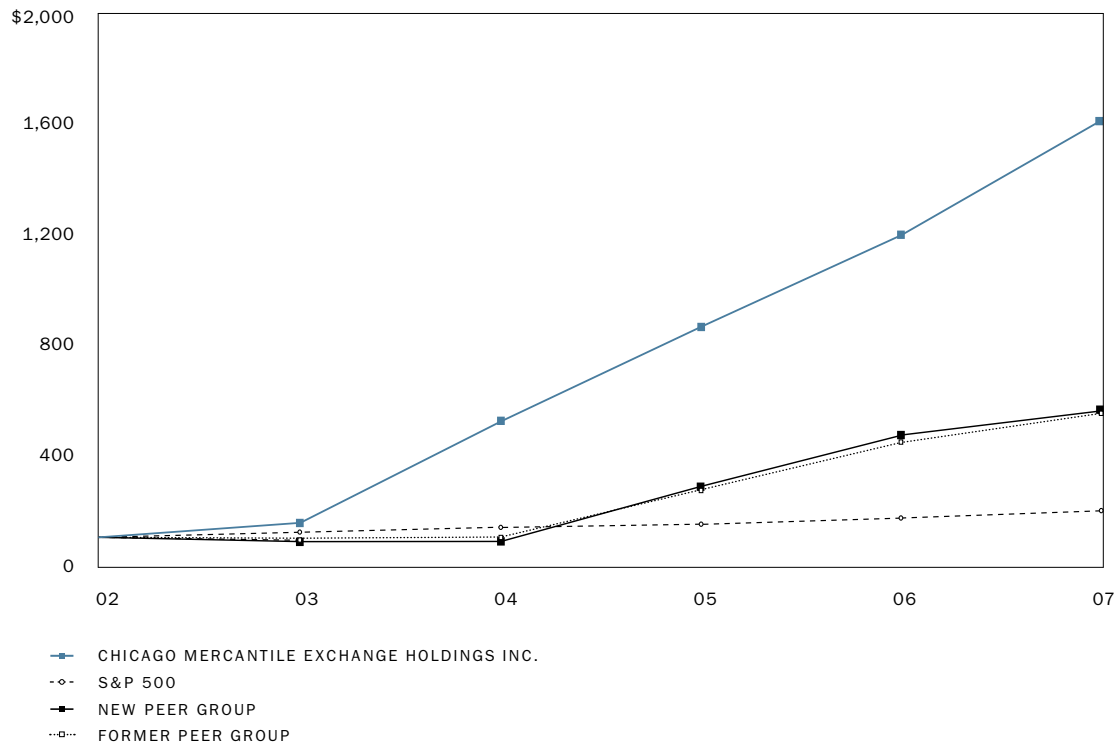
### New Peer Group:

- IntercontinentalExchange, Inc.
- Nasdaq Stock Market, Inc.
- NYMEX Holdings, Inc.
- NYSE Euronext

### Former Peer Group:

- IntercontinentalExchange, Inc.
- Nasdaq Stock Market, Inc.
- NYSE Euronext
- International Securities Exchange Holdings, Inc.

### CUMULATIVE TOTAL RETURN



\*\$100 invested on 12/31/02 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

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[www.researchdatagroup.com/S&P.htm](http://www.researchdatagroup.com/S&P.htm)

## Share Information

### CLASS A COMMON STOCK

Our Class A common stock is listed on the NYSE and the NASDAQ Global Select Market Inc. under the ticker symbol "CME." As of February 20, 2008, there were 1,830 holders of record of our Class A common stock.

The following table sets forth the high and low sales prices per share of our Class A common stock on a quarterly basis, as reported on the NYSE.

2007	High	Low	2006	High	Low
First Quarter	\$ 596.26	\$ 510.00	First Quarter	\$ 457.50	\$ 354.51
Second Quarter	565.00	497.00	Second Quarter	503.94	417.90
Third Quarter	609.92	506.50	Third Quarter	508.78	425.79
Fourth Quarter	714.48	593.58	Fourth Quarter	557.97	464.70

### CLASS B COMMON STOCK

Our Class B common stock is not listed on a national securities exchange or traded in an organized over-the-counter market. Each class of our Class B common stock is associated with a membership in a specific division of our CME exchange. CME's rules provide exchange members with trading rights and the ability to use or lease these trading rights. Each share of our Class B common stock can be transferred only in connection with the transfer of the associated trading rights. The memberships by class are CME (Chicago Mercantile Exchange), IMM (International Monetary Market), IOM (Index and Option Market) and GEM (Growth and Emerging Markets).

Class B shares and the associated trading rights are bought and sold through our Shareholder Relations and Membership Services Department. In addition, trading rights may be leased through the department. Trading rights sales are reported on our Web site at [www.cmegroup.com](http://www.cmegroup.com). Although our Class B shareholders have special voting rights, because our Class B shares have the same equitable interest in our earnings and the same dividend payments as our Class A shares, we expect that the market price of our Class B common stock, if reported separately from the associated trading rights, would be determined by the value of our Class A common stock. As of February 20, 2008, there were 1,890 holders of record of our Class B common stock.

### DIVIDENDS

The following table sets forth the dividends we paid on our Class A and Class B common stock in the last two years:

Record Date	Dividend per Share	Record Date	Dividend per Share
March 9, 2007	\$ 0.86	March 10, 2006	\$ 0.63
June 8, 2007	0.86	June 9, 2006	0.63
September 10, 2007	0.86	September 8, 2006	0.63
December 10, 2007	0.86	December 8, 2006	0.63

We intend to pay regular quarterly dividends to our shareholders. The decision to pay a dividend, however, remains within the discretion of our Board of Directors and may be affected by various factors, including our earnings, financial condition, capital requirements, level of indebtedness and other considerations our Board of Directors deems relevant. Our existing credit facility as well as future credit facilities, other future debt obligations and statutory provisions may limit our ability to pay dividends. On January 30, 2008, the Board of Directors declared a regular quarterly dividend of \$1.15 per share, representing a 34% increase over the prior quarter, to be paid on March 25, 2008, to shareholders of record on March 10, 2008.

## Company Information

### HEADQUARTERS

CME Group Inc.  
20 South Wacker Drive  
Chicago, Illinois 60606-7499  
312.930.1000 tel  
312.466.4410 fax  
www.cmegroup.com  
info@cmegroup.com

### INVESTOR RELATIONS

CME Group Inc.  
20 South Wacker Drive  
Chicago, Illinois 60606-7499  
312.930.8491

### SHAREHOLDER RELATIONS AND MEMBERSHIP SERVICES

CME Group Inc.  
20 South Wacker Drive  
Chicago, Illinois 60606-7499  
312.930.3409

### FINANCIAL REPORTS

**Copies of the CME Group 2007 Annual Report to Shareholders, as well as its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission, are available online at [www.cmegroup.com](http://www.cmegroup.com), or to shareholders upon written request to Shareholder Relations and Membership Services at the above address.**

The company is required to file as an exhibit to its 2007 Annual Report on Form 10-K a certification under Section 302 of the Sarbanes-Oxley Act of 2002 signed by the chief executive officer and the chief financial officer. In addition, the company is required to submit a certification, signed by the chief executive officer, to the New York Stock Exchange within 30 days following the company's annual meeting of shareholders. Copies of these certifications are available to shareholders upon written request to Shareholder Relations and Membership Services at the above address.

### STOCK LISTING

CME Group Class A common stock is listed on the New York Stock Exchange and The NASDAQ Global Select Market under the ticker symbol "CME." As of February 27, 2008, there were approximately 2,000 holders of record of the company's Class A common stock. CME Group Class B common stock is not listed on a national securities exchange or traded in an organized over-the-counter market. Each class of Class B common stock is associated with membership in a specific division of the exchange.

### DIVIDENDS

The company's current dividend policy, subject to the discretion of the board of directors, is to pay out approximately 30 percent of the prior year's cash earnings as dividends to shareholders. Quarterly dividends are generally paid in March, June, September and December.

### TRANSFER AGENT

Computershare Investor Services  
Stock Transfer Department  
2 North LaSalle Street  
Chicago, Illinois 60602  
312.360.5104

(Automated interactive voice response systems are available 24 hours a day. Press zero for live customer support 8:00 a.m. to 5:00 p.m. Central Time on any day the New York Stock Exchange is open.)

[www.computershare.com](http://www.computershare.com)

(For information regarding your account or a specific company, click on INVESTORS and follow the instructions on the screen.)

### ANNUAL MEETING

The 2008 Annual Meeting of Shareholders will be held at 10:00 a.m., Central Time, on Wednesday, May 7, 2008, at the University of Chicago Gleacher Center, located at 450 N. Citifront Plaza Drive in Chicago. All shareholders are cordially invited to attend. A formal notice of meeting, proxy statement and proxy have been sent to shareholders.

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP  
Sears Tower  
233 South Wacker Drive  
Chicago, Illinois 60606

### CORPORATE COMMUNICATIONS

CME Group Inc.  
20 South Wacker Drive  
Chicago, Illinois 60606-7499  
312.930.3434

### CUSTOMER SERVICE

For customer service assistance, call 800.331.3332. Outside the United States, please call 312.930.2316. To provide feedback on customer service at CME Group, please call 866.652.1132 or e-mail [customerfeedback@cmegroup.com](mailto:customerfeedback@cmegroup.com).

### CORPORATE GOVERNANCE


On the corporate governance Web page at [www.cmegroup.com](http://www.cmegroup.com), shareholders can view the company's corporate governance principles, charters of all board level committees, the independence standards, board of directors code of ethics, employee code of conduct and the director conflict of interest policy. Copies of these documents are available to shareholders without charge upon written request to Shareholder Relations and Membership Services at the address listed above.

### ADDITIONAL INFORMATION

Further information about CME Group and its products is available on our Web site at [www.cmegroup.com](http://www.cmegroup.com). Information made available on our Web site does not constitute part of this document. The Globe logo, CLEARING 21®, CME®, CME Auction Markets™, CME Group®, Chicago Mercantile Exchange®, E-mini®, Globex®, IEF®, and SPAN® are trademarks of Chicago Mercantile Exchange Inc. CBOT®, e-CBOT® and the Chicago Board of Trade® are trademarks of the Board of Trade of the City of Chicago, Inc. All other trademarks are the property of their respective owners, used under license.

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# Elevating Our Community Outreach

In addition to expanding our services for financial markets globally, we take great pride in CME Group's long-standing commitment to being a good corporate citizen. We are dedicated to improving the quality of life in the communities in which our members and employees live and do business.

Throughout 2007, our members and employees provided more than 1,000 hours of volunteer service to local non-profit organizations through Amicus, our community outreach program. These volunteers provided much needed services and resources to those in need of a helping hand. Our partner agencies included Carole Robertson Center for Learning, Special Spectators, House of the Good Shepherd, Illinois Fatherhood Initiative, Inspiration Café, Labouré House and Salvation Army Emergency Lodge. Fundraising drives were organized to benefit causes such as the Greater Chicago Food Depository, Operation Support Our Troops Illinois and Toys for Tots.

CME Group also entered its third year of partnership with the Washington Irving Elementary School as part of the Chicago Public Schools Futures Exchange Program. Our partnership with Washington Irving provides a unique opportunity to improve the quality of education for the students and to do our part

toward ensuring the success of tomorrow's leaders. In 2007, more than 150 CME Group volunteers participated in a number of service projects designed to enrich the educational experiences of these students.

The CME Foundation was established in 2001 to provide charitable giving that includes disaster relief as well as meeting the needs of the Chicagoland community, where the company is headquartered. The CME Foundation seeks to provide particular support to three areas of concern: children in need, education, and health and human services. Notable 2007 grant recipients included Chicago Communities in Schools, Futures and Options for Kids, Reading In Motion and the United Way of Metropolitan Chicago. Through a company-wide matching gift program, the CME Foundation also funds many worthwhile charitable organizations that are important to the community.

The CBOT Foundation continues to provide a number of non-profit agencies in the Chicagoland area with the funds needed to effect positive change in the lives of those in need. The CBOT Foundation selects qualified organizations to receive funding annually, focusing primarily on education, health and human services, and youth programs.

**HEADQUARTERS**

CME Group Inc.  
20 South Wacker Drive  
Chicago, Illinois 60606-7499  
312.930.1000 tel  
312.466.4410 fax  
www.cmegroup.com  
info@cmegroup.com

**WASHINGTON, D.C.**

CME Group Inc.  
701 Pennsylvania Avenue, N.W.  
Plaza Suite #01  
Washington, D.C. 20004  
202.638.3838 tel  
202.638.5799 fax

**HONG KONG**

CME Group Inc.  
Level 39, One Exchange Square  
8 Connaught Place  
Central Hong Kong  
852.3101.7696 tel  
852.3101.7698 fax  
asiateam@cmegroup.com

**LONDON**

CME Group Inc.  
Watling House  
33 Cannon Street  
London, EC4M 5SB  
United Kingdom  
44.20.7796.7100 tel  
44.20.7796.7110 fax  
europe@cmegroup.com

**SYDNEY**

CME Group Inc.  
Level 17, BNP Paribas Centre  
60 Castlereagh Street  
Sydney NSW 2000  
Australia  
61.2.9231.7475 tel  
61.2.9231.7476 fax  
asiateam@cmegroup.com

**TOKYO**

CME Group Inc.  
Level 16 Shiroshima  
JT Trust Tower  
4-3-1, Toranomom, Minato-ku  
Tokyo 105-6016  
Japan  
81.3.5403.4828 tel  
81.3.5403.4646 fax  
asiateam@cmegroup.com